

# Private Banking Services Agreement

May 2024 Edition

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## Section I: Additional Customer's Declaration and Agreement

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I / We agree that the following additional provisions shall incorporate into and form part of the Customer's Declaration and Agreement in the New Account(s) / Service(s) Application Form (Personal Account) for Private Banking or the New Account(s) / Service(s) Application Form (Company Account) for Private Banking (as the case may be) signed by me / us:-

1. I / We represent and warrant that in respect of investment transactions, unless the Bank has been notified otherwise by me / us in writing, I am / we are acting as principal and am / are the person ultimately responsible for originating instructions in relation to all such investment transactions and am / are the person who stands to gain the commercial and economic benefit and / or bear the commercial and economic risks of such investment transactions. I / We undertake that if I am / we are not such a person in relation to any investment transaction, I / we will not request the Bank to accept such an instruction unless I / we have provided the full name, address and contact details of the relevant persons to the Bank.
2. I / We acknowledge that I / we may request the Bank from time to time to provide me / us with customer information report (other than the regular month end statements as required under the Securities and Futures Ordinance and regular monthly bank statements) (the "Customer Information Report"), which will give a rough indication of my current deposit balances, securities portfolio holdings, loan facility information and whatsoever contained therein. I / We understand that such Customer Information Report provided by the Bank may not be properly and timely updated with the latest transactions conducted through my / our accounts and may contain human errors, omissions. In consideration of the Bank's providing the Customer Information Report to me / us at my / our request, I / We undertake and agree that we will not rely on the Customer Information Report for its accuracy or completeness and will not hold the Bank liable for any errors, omissions, understatement, overstatement of balances or whatsoever contained in the Customer Information Report produced at my / our request; and I / we agree to indemnify the Bank for its liability incurred, if any, to any third party for any loss, damages, all reasonable amount of costs and expenses howsoever arising from the issuance of the Customer Information Report.
3. **Applicable to RMB deposit account**  
Exchange of RMB to HKD or other currencies is subject to currency exchange rate fluctuation. Customers should bear the risk of RMB exchange rate fluctuations which may cause profit or loss if customer chooses to convert RMB to HKD or other currencies. RMB is currently subject to exchange controls imposed by the PRC government, the exchange rate may be easily affected by change in government policies.
4. The following types of deposits (excluding the time deposits with a maturity over 5 years) are deposits qualified for protection by the Deposit Protection Scheme in Hong Kong:
  - Private Banking Integrated Account
    - Multicurrency Statement Savings Account
    - Current Account(HKD/RMB/USD)
    - Time Deposit
  - Business i-Account
    - Sub-account Multi-Currency Current
    - Sub-accounts Multi-Currency Savings
    - Sub-account Time Deposit

- Pledged Current Account
  - HKD
  - USD
  - RMB
- SME Financing Guarantee Scheme
  - HKD Current Account
  - HKD Current Account (Overdraft)
  - Multi-Currency Current Account
  - Multi-Currency Current Account (Overdraft)
  - Multi-Currency Passbook Savings Account
- Time Deposit Master Account (Standalone)
- i-Account
- VIP i-Account
- Multicurrency Statement Savings Account
- Kids Savings Account
- Cross-boundary WMC Northbound CNY Statement Savings Account
- Special Mainland Guaranteed Account
  - HKD Current Account
  - USD Current Account
  - RMB Current Account
- Current Account
  - HKD
  - USD
  - RMB
  - RMB Corporate Account
- YOU i-Account
- EasiSave Multicurrency Account
- HKD/Foreign Currency Savings
- HKD/Foreign Currency Time Deposit
- Target Savings Deposit Account

**5. Protection status of Asset-Linked Deposit and Structured Deposit**

Asset-Linked Deposits or Structured Deposits are not protected deposits and are not protected by the Deposit Protection Scheme in Hong Kong.

Note: For the avoidance of doubt, all references to “structured deposits” herein shall refer to “asset-linked deposits” (including but not limited to Currency-Linked Premium Deposit, Currency-Linked Principal Guaranteed Deposit, Equity-Linked Deposit, Callable Target Deposit and Interest Rate Linked Deposit).

**6. Applicable to Investment Fund Account only**

I / We agree that all distributions, dividends or other entitlements which may be declared or paid by the fund(s) will be paid in the base currency of the fund(s) and will be reinvested automatically in further units of the same fund(s) unless I / we inform the Bank otherwise in writing. In the event, if such distributions, dividend or other entitlements are less than the relevant funds' minimum requirement, they will be reinvested automatically in such further units. I / We understand and agree that the Bank may refuse to accept my / our request for cash distributions without giving any reason.

**7. Applicable to Asset-Linked Deposits and Structured Deposits only**

- I / We acknowledge that I / we have read the risk warning and understand the risks involved in making an asset-linked deposit or structured deposit. I / We accept that it is my / our duty and responsibility to decide whether or not to make an asset-linked deposit or structured deposit and whether or not to take professional advice.
- I / We will read and fully understand the related offering document (including all the risk disclosure statements contained in it) and agree to accept the related terms and conditions set out in the offering document before making an asset-linked deposit or structured deposit.
- I / We agree that all references to “structured deposits” herein shall refer to “asset-linked deposits” (including but not limited to Currency-Linked Premium Deposit, Currency-Linked

Principal Guaranteed Deposit, Equity-Linked Deposit, Callable Target Deposit and Interest Rate Linked Deposit); and all documents referred to herein (including but not limited to the “Master Terms and Conditions” of the Bank / “Master Terms and Conditions for VIP Banking Services” of the Bank (including but not limited to the Specific Terms for Asset-Linked Deposits contained therein)), and such other documents from time to time provided by the Bank (including but not limited to the relevant offering document (including all the risk disclosure statements contained in it)), which are applicable to asset-linked deposits shall also be applicable to structured deposits.

- I / We acknowledge that I / we have received notice and understand that asset-linked deposits or structured deposits are not equivalent to time deposit and should not be regarded as a substitute for time deposit. Asset-linked deposits or structured deposits are not protected deposit and are not protected by the Deposit Protection Scheme in Hong Kong.

#### 8. **Applicable to Bonds / Notes / ELI Account only**

- I / We apply to open a Bonds / Notes / ELI Account, which is a Securities Account referred to in the Master Terms and Conditions, in my / our name and agree to be bound by the Master Terms and Conditions (as amended from time to time).
- I / We understand and accept that neither the Issuer, the Guarantor, the Arranger, the Placing Agent of the bonds / notes / equity-linked investments purchased by me / us nor any of its or their affiliates accepts any responsibility for the provision of bank services and custody services by the Bank or for any consequences of, or arising from the use of the bank account and Bonds / Notes / ELI Account or custody services of the Bank.
- I / We agree that none of the Bank, the Arranger, the Placing Agent, the Guarantor and the Issuer of the bonds / notes / equity-linked investments purchased by me / us, and their respective directors, officers, agents, nominees and affiliates will be liable to any persons in any way for any loss which may be suffered as a result of the sale by the Bank of my / our bonds / notes / equity-linked investments in accordance with the terms and conditions of the operation of my / our bank account and Bonds / Notes / ELI Account with the Bank.
- I / We confirm that my / our decision to subscribe for the Bonds / Notes / equity-linked investments is based on my / our own judgment and I / we have not received any assurances from the Bank concerning the expected net return on the Bonds / Notes / equity-linked investments, and I / we am / are fully aware of the nature of the Bonds / Notes / equity-linked investments subscribed and the risks associated with the bonds / notes / equity-linked investments. Neither the Bank nor the Issuer of the bonds / notes / equity-linked investments has provided me / us with any tax or legal advice in relation to my / our investment in the related investment. I / We understand the extent of the risk of loss to which I am / we are exposed as a result of my investment in the related investments and the extent to which such risk is appropriate for me / us in light of my / our financial sophistication, circumstances and objectives.

#### 9. **Applicable to Bonds / Notes / ELI Account only**

In relation to any Equity Linked Investments to be purchased by me / us, I / we hereby acknowledge, declare and confirm:

- I / we will read and fully understand the related Equity Linked Investment offering document (including all the risk disclosure statements contained in it) and refer to the term sheet for the relevant investment and agree to accept the related Equity Linked Investment on the terms

and conditions set out in the offering document before placing any purchase order. I / We confirm I / we will not place any purchase order unless I / we have fully understood and accepted all the risk factors and risk disclosure statements contained in the offering document. I / We shall take independent advice on such risk factors and risk disclosure statements if I / We wish before placing any purchase order ;

- that the terms and conditions set out in the offering document shall run concurrently with the Master Terms and Conditions. In the event of any conflict between them, the terms and conditions set out in the offering document shall prevail ;
- that the Bank will apply for the related Equity Linked Investments on my / our behalf and the Bank may aggregate my / our application for the related Equity Linked Investments with applications made by other parties and make a single application for the gross number of the related Equity Linked Investments to be applied for in the name of Dah Sing Bank or its nominee ; and
- I / We understand that information and explanations contained in the offering document should not be considered investment advice or a recommendation to enter into the transaction.

**10. Applicable to Currency Switching only**

I/We acknowledge that I/we have read the product features, risks disclosure statements and other contents as set out in the relevant documents for Currency Switching which have been provided and explained to me/us in a language of my/our choice. I/We have been invited to read them, to ask questions and take independent advice as I/we wish. I/We confirm that I/we have read and understand such documents, the risks and the consequences involved in Currency Switching. I/We accept that it is my/our duty and responsibility to decide whether or not to use Currency Switching and I/we agree to bear the relevant risks and consequences.

I/We agree that the “Master Terms and Conditions” / “Master Terms and Conditions for VIP Banking Services” of the Bank including the Specific Terms for Call and Time Deposits or the Specific Terms for Asset-Linked Deposits (as the case may be) and the Specific Terms for Foreign Exchange Forward Contracts apply to Currency Switching.

I/We acknowledge that I/we have received notice and understand that deposits subject to any foreign exchange forward contract under Currency Switching are not protected deposits and are not protected by the Deposit Protection Scheme in Hong Kong.

Subject to the Bank’s absolute discretion to accept, I/we acknowledge that I/we may, prior to the maturity date of a fixed deposit, a principal guaranteed deposit or deposit with callable fixed term (in the case of deposit with callable fixed term, such a request or offer may only be made after the last redemption day of the Bank), request or offer to the Bank by way of an instruction to enter into one or more foreign exchange forward contract(s) with the same maturity date as the relevant deposit:

- (a) in relation to a deposit, sell to the Bank an amount being (in the case of a fixed deposit) the amount of the principal and interest, or (in the case of a principal guaranteed deposit or deposit with callable fixed term) the guaranteed portion of the principal, of the relevant deposit which I/we will receive on the maturity date in exchange for an amount in another currency at a forward

exchange rate (the “contract amount”) so that the Bank’s obligations under that deposit shall be replaced by a new obligation to deliver the contract amount on the maturity date; and

(b) in relation to each foreign exchange forward contract that I/we have already contracted with the Bank, sell to the Bank the contract amount under the preceding foreign exchange forward contract in exchange for an amount in another currency at a forward exchange rate so that the Bank’s obligations under the preceding foreign exchange forward contract shall be replaced by a new obligation to deliver the amount agreed to be delivered under the new foreign exchange forward contract.

I/We understand and agree that unless I/we shall have by way of an instruction (made on or before the maturity date) specified a maturity disposal instruction for the amount payable to me/us, such amount will be deposited in the respective currency(ies) into such account under my/our name as the Bank deems fit.

I/We understand and agree that the relevant deposit (whether fixed deposit, principal guaranteed deposit or deposit with callable fixed term) is subject to a fixed charge in favour of the Bank pursuant to the “Master Terms and Conditions” of the Bank/“Master Terms and Conditions for VIP Banking Services” of the Bank.

I/We understand and agree that foreign exchange forward contracts and deposits subject to Currency Switching should be held until maturity. Under exceptional circumstances and subject to the sole discretion and consent of the Bank, a fixed deposit, principal guaranteed deposit or deposit with callable fixed term subject to Currency Switching may be withdrawn and the related foreign exchange forward contract(s) be terminated before its maturity/settlement date in which event, I/we will be required to pay such fees, charges, penalties, cost and expenses as may be required by the Bank.

I/We acknowledge that the Bank would act as principal in relation to transactions under Currency Switching (the “Currency Switching Transactions”) and that the Bank and/or any of its subsidiaries and affiliates would benefit from the origination and distribution of Currency Switching.

I/We confirm that I/we have the capacity and power to transact for and hold the Currency Switching Transactions free from any prohibitions and restrictions. I/We confirm that I/we am/are the ultimate beneficiary of the Currency Switching Transactions.

I/We confirm that I/we am/are not: (a) a U.S. Person within the meaning of Section 7701(a)(30) and the regulations thereunder of the United States Internal Revenue Code of 1986 (as amended) or Rule 902(k) of Regulation S of the United States Securities Law, or (b) a U.S. owned foreign entity, as defined in Sections 1471(d)(3) and 1473(2) and the regulations thereunder of the United States Internal Revenue Code of 1986 (as amended). I/We also confirm that I/we am/are not acting as an agent on behalf of any U.S. Person or any U.S. owned foreign entity. I/We undertake to immediately notify the Bank should I/we become or am/are deemed to be a U.S. Person or a U.S. owned foreign entity at any future time. I/We confirm that I/we am/are not a resident or an agent for a resident of Canada.

I/We acknowledge and agree that the Bank has the sole and absolute discretion to reject (without giving any reasons therefor) any instruction given by me/us in connection with the Currency

Switching Transactions at any time, and, if the instruction of Currency Switching Transaction is accepted, a written confirmation will be issued to me/us. I/We understand that the FX forward contract rate and switching amount (customer buy) will be shown on the confirmation and I/we agree that such rate and amount will be binding on me/us.

I/We agree that the Bank may amend the terms and conditions applicable to Currency Switching (including the provisions herein) with prior notice to me/us from time to time.

**11. Applicable to Overseas Securities Services only**

I / We hereby confirm that I / we am / are not domiciled or resident in a country where there is any restriction on the purchase or holding of any overseas securities, and that I / we am / are not subject to, and am / are not acting on behalf of any person who is subject to, any prohibition against the purchase or dealing in any overseas securities. If I / we (in case of joint account holders, any one of us) become subject to any restrictions (whether by reason of a change of domicile, residence or otherwise), I / we shall inform you immediately.

**12. Applicable to US Stock Trading only**

(i) I / We hereby confirm that I / we have received, read, understood and agree to be bounded by (a) the "Addendum for Overseas Securities Services" in the Private Banking Services Agreement and (b) the Bank's "Overseas Securities Services – US Stocks Fee and Charges" (both as may be amended from time to time).

(ii) I / We acknowledge the below US Stock Trading service hours:

**Time Period for Receiving Instruction:**

**1<sup>st</sup> session: Contact your Private Banking Relationship Manager**

Hong Kong Time from 9:00am to 4:00pm on a Hong Kong Business Day (Hong Kong Time)

**2<sup>nd</sup> session: Call US Stock Trading Night Desk at 2507 6089**

8:30pm (Hong Kong Time (Summer Time)) / 9:30 pm (Hong Kong Time (Winter Time)) to Market Close of US Stocks Trading Hours as stated below:

**US Stocks Trading Hours :**

United States Time (United States Eastern Time)	Hong Kong Time (Summer Time)	Hong Kong Time (Winter Time)
Market Open: 9:30 am Market Close*: 4:00 pm	Market Open: 9:30 pm Market Close*: 4:00 am of the next day	Market Open: 10:30 pm Market Close*: 5:00 am of the next day

\*This is the time of market close on normal trading day. Market may close earlier on particular dates as announced by the relevant stock exchange.

(iii) I / We acknowledge and agree that (a) not all US stocks and / or products are available for trade through the Bank and without prejudice to the generality of the Bank's right in refusing to accept an instruction, the Bank has the right to accept or refuse any instruction or to prescribe any condition for accepting an instruction in respect of a US stock or product at its sole discretion; and (b) the information as to which US stocks and / or products are available for trade, as may be amend by the Bank from time to time, could be obtained from my / our Private Banking Relationship Manager.



- (iv) I / We acknowledge and agree that the US Stock Trading Services will be activated for all of your securities accounts opened at the Bank under the same identity document type and no., provided that the Securities Settlement Account must be a Multicurrency Account opened at the Bank under the name of the applicant.

**13. Applicable to Foreign Exchange Forward Contracts only**

- (i) I / we apply the investment services of Foreign Exchange Forward Contracts and agree to be bound by the Master Terms and Conditions and the Private Banking Services Agreement (as amended from time to time).
- (ii) In relation to Foreign Exchange Forward Contracts to be purchased by me / us, I / we hereby acknowledge, declare and confirm:
- I / we have read the risk warning and understand the risks involved in making a foreign exchange forward contract. I / We accept that it is my / our duty and responsibility to decide whether or not to make a foreign exchange forward contract and whether or not to take professional advice.
  - I / We will read and fully understand the terms and conditions of the Foreign Exchange Forward Contracts (including but not limited to all the risk disclosure statements contained therein) and agree to accept the related terms and conditions before making the Foreign Exchange Forward Contracts.
  - If I am / we are a "professional investor" as defined in Schedule 1 to the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (including the "institutional professional investor"), I / we acknowledge and agree that, unless I / we instruct otherwise, the Bank is not required to provide me / us with contract notes, statements of account or receipts pursuant to the Securities and Futures (Contract Notes, Statements of Account and Receipts) Rules (Cap 571Q of the Laws of Hong Kong) (the "Contracts Notes Rules"). In such circumstances, if the Bank chooses to provide me / us with contract notes, confirmations, statements of account and / or receipts despite that it is not obliged to do so, I / we agree and acknowledge that the Bank is not required to provide the above mentioned documents in accordance with the requirements stated in the Contracts Notes Rules.

**14. Applicable to Investment Services only**

I / We hereby confirm that I / we am / are not: (a) a U.S. Person within the meaning of Section 7701(a)(30) and the regulations thereunder of the United States Internal Revenue Code of 1986 (as amended) or Rule 902(k) of Regulation S of the United States Securities Law, or (b) a U.S. owned foreign entity, as defined in Sections 1471(d)(3) and 1473(2) and the regulations thereunder of the United States Internal Revenue Code of 1986 (as amended). I / We also confirm that I / we am / are not acting as agent on behalf of any U.S. Person or any U.S. owned foreign entity. I / We undertake to immediately notify you should I / we (in case of joint account holders, any one of us) become or am / are deemed to be a U.S. Person or a U.S. owned foreign entity at any future time.

15. I / We agree to inform the Bank whether (a) I / we am / are a relative, spouse or trustee of any director, former director (within past 12 months), controller (as defined below) or employee of any member of the Bank Group (as defined below); (b) the Bank or any of its directors or controllers or any relative of such directors or controllers is interested as director, partner, manager or agent of me / us; (c) any of the directors or controllers of the Bank or any relative of such directors or controllers is a guarantor of me / us; or (d) any director, former director (within past 12 months),

chief executive or controller of any member of the Bank Group or any relative of such director, former director, chief executive or controller holds 30% or more of my / our issued shares. I / We represent and warrant that, in the absence of the aforesaid advice, I / we am / are not so related. I / We undertake to notify the Bank in writing promptly if I / we become so related in the future. "Controller" refers to any person directly or indirectly holding 10% or more of a company's issued shares; "Bank Group" refers to Dah Sing Banking Group Limited, its subsidiaries, affiliates and other entities (including their subsidiaries, affiliates and special purpose entities) over which Dah Sing Banking Group Limited is able to exert control; and "affiliates" refers to any entity in which a controller of Dah Sing Banking Group Limited (including but not limited to Dah Sing Financial Holdings Limited) (i) has a beneficial interest in, or controls, 50% or more of the total number of ordinary shares; or (ii) is entitled to exercise, or control the exercise of, 50% or more of the voting power.

**16. Investment Instructions**

The Bank will only accept investment instructions (including those in relation to securities transactions) given to the Bank in writing (through the Bank's instruction form or designated e-Banking website of the Bank) or by telephone. Instruction by telephone must be made to the centralized voice recording system of the Bank. Instruction made through other electronic means such as email or instant messaging is not acceptable.

**17. Applicable to Institutional Professional Investors only**

I / We hereby declare that I / we fall within the definition of an "institutional professional investor" under paragraph 15.2 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the "Code of Conduct"), i.e. falling under paragraphs (a) to (i) of the definition of "professional investor" in section 1 of Part 1 of Schedule 1 to the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong). I / We further undertake to submit relevant documents showing that I / we fall within the said definition upon the Bank's request.

I / We have received, read and understood the "Notice to Institutional Professional Investors", and agree to be classified as a "professional investor" as defined in section 1 of Part 1 of Schedule 1 to the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and as an "institutional professional investor" as defined in paragraph 15.2 of the Code of Conduct. I / We further undertake to notify the Bank promptly in writing whenever I / we no longer qualify, or do not wish to be considered, as a professional investor or an institutional professional investor.

I / We understand and agree that the Bank may be exempted from complying with the requirements under the provisions as mentioned in paragraphs 15.4 and 15.5 of the Code of Conduct (and set out in the "Notice to Institutional Professional Investors").

I / We understand and agree that, unless otherwise specifically agreed by the Bank, the Bank will execute orders / transactions for the investment products provided by the Bank to me / us as determined by the Bank from time to time only and will not make any recommendation or solicitation to me / us regarding such orders / transactions or any purchase and sale of such investment products.

**18. Applicable to Securites Services only**

Personal Information Collection Statement in relation to the Hong Kong Investor Identification Regime (HKIDR) and Over-the-counter Securities Transactions Reporting Regime (OTCR)

I / We acknowledge and agree that the Bank may collect, store, process, use, disclose and transfer personal data relating to me / us (including my / our client identification data (CID) and Broker-to-Client Assigned Number (BCAN)) as required for the Bank to provide services to me / us in relation to securities listed or traded on the Stock Exchange of Hong Kong (SEHK) and for complying with the rules and requirements of SEHK and the Securities and Futures Commission (SFC) in effect from time to time. Without limiting the foregoing, this includes:

(a) disclosing and transferring my / our personal data (including CID and BCAN(s)) to SEHK and / or the SFC in accordance with the rules and requirements of SEHK and the SFC in effect from time to time;

(b) allowing SEHK to: (i) collect, store, process and use my / our personal data (including CID and BCAN(s)) for market surveillance and monitoring purposes and enforcement of the Rules of the Exchange of SEHK; and (ii) disclose and transfer such information to the relevant regulators and law enforcement agencies in Hong Kong (including, but not limited to, the SFC) so as to facilitate the performance of their statutory functions with respect to the Hong Kong financial markets; and (iii) use such information for conducting analysis for the purposes of market oversight; and

(c) allowing the SFC to: (i) collect, store, process and use my / our personal data (including CID and BCAN(s)) for the performance of its statutory functions including monitoring, surveillance and enforcement functions with respect to the Hong Kong financial markets; and (ii) disclose and transfer such information to relevant regulators and law enforcement agencies in Hong Kong in accordance with applicable laws or regulatory requirements.

I / We also agree that despite any subsequent purported withdrawal of consent by me / us, my / our personal data may continue to be stored, processed, used, disclosed or transferred for the above purposes after such purported withdrawal of consent.

Further, I/we agree that (i) I/we must submit my/our Hong Kong Identity Card ("HKID Card") to the Bank if I/we hold a HKID Card; (ii) if I/we do not have a HKID Card, I/we shall then submit my/our national identity document to the Bank and; (iii) I/we will submit my/our passport to the Bank only if I/we do not have a HKID Card and a national identity document.

Failure to provide the Bank with my / our personal data (including but not limited to the applicable identity document required to be submitted as mentioned above) or consent as described above may mean that the Bank will not, or will no longer be able to, as the case may be, carry out my / our trading instructions or provide me / us with securities related services (other than to sell, transfer out or withdraw my / our existing holdings of securities, if any).

#### Notes

1. I / We am / are required to notify the Bank promptly if there is any update on my / our CID.

2. This statement is applicable to me / us with securities account(s) under the same name. If I / we hold a joint account, a unique BCAN will only be assigned to the joint account for providing services in relation to securities listed or traded on SEHK if all the account holders have provided the consent.
3. If my / our BCAN or BCAN-CID mapping is invalid or deficient or any information provided by me / us as requested pursuant to applicable regulatory requirements is incorrect, incomplete or inconsistent with other information held by the Bank, the Bank may not, or no longer be able, as the case may be, to provide services to me / us in relation to securities listed or traded on SEHK.
4. This statement will be effective within three trading days after receipt of my / our consent by the Bank.

## Section II: Risk Disclosure Statements

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### RISK DISCLOSURE STATEMENTS

in relation to

**INVESTMENT FUNDS TRANSACTIONS / SECURITIES TRANSACTIONS /  
OVERSEAS SECURITIES TRANSACTIONS / CURRENCY / INTEREST RATE / INDEX / EQUITY LINKED  
DEPOSITS / DERIVATIVE TRANSACTIONS / CURRENCY OPTIONS / FOREIGN EXCHANGE PARTICIPATING  
FORWARD /  
FOREIGN EXCHANGE FORWARD CONTRACTS and CURRENCY SWITCHING**

Please read this Risk Disclosure Statement carefully before engaging in investment funds transactions, securities transactions, establishing any Currency / Interest Rate / Index / Equity Linked Deposit or engaging in any derivative transactions, currency options transactions, foreign exchange participating forward transactions, foreign exchange forward contracts or currency switching with or through Dah Sing Bank, Limited (the "Bank").

#### **Investment Funds Transactions**

Customer acknowledges that the value of unit trusts, mutual funds and other collective investment schemes and the income from them can go down as well as up. Past performance of any funds is not indicative of future performance.

#### **Securities Transactions**

[Applicable to securities which are classified as complex product]. Customer should be aware that the security Customer is investing is a complex product, it involves high risks and Customer should exercise caution in relation to the security. If the security has been authorised by the Securities and Futures Commission (the "SFC") in Hong Kong under the Securities and Futures Ordinance of Hong Kong or other overseas regulatory authority, Customer should note that authorisation from SFC or other overseas regulatory authority does not imply official recommendation nor is it a recommendation or endorsement of the security nor does it guarantee the commercial merits of the security or its performance. It does not mean the security is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors. If the security for which the offering documents or information provided by the issuer have not been reviewed by the SFC or other overseas regulatory authority, Customer should note that the relevant offering documents or information have not been reviewed by the SFC or other overseas regulatory authority and Customer is advised to exercise caution in relation to the offer.

#### **Dealing in Securities**

The prices of securities fluctuate, sometimes dramatically. The price of a security may move up or down, and may even become valueless. It is as likely that losses will be incurred rather than profit made as a result of buying and selling securities.

#### **Dealing in Securities on the Growth Enterprise Market**

- Growth Enterprise Market (GEM) stocks involve a high investment risk. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. GEM stocks may be very volatile and illiquid.

- The Customer should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.
- Current information on GEM stocks may only be found on the internet website operated by The Stock Exchange of Hong Kong Limited. GEM companies are usually not required to issue paid announcements in gazetted newspapers.
- The Customer should seek independent professional advice if he is uncertain of or has not understood any aspect of this risk disclosure statement or the nature and risks involved in trading of GEM stocks.

#### Market risk

Stock prices can be very volatile and unpredictable subject to different market and economic factors both locally and internationally.

Market risk, also known as systematic risk, usually refers to that type of risk associated to a specific market. It stems from the economic, geographical, political, social or other factors of that market.

#### Interest rate risk

Shifts in interest rates may affect different stock prices to different extents. Also, since the HKD is pegged to the USD, interest rate movements in Hong Kong can be directly influenced by interest rate movements in the United States.

#### Global risk

The Hong Kong stock market is highly open and it is therefore influenced by economic issues in all major markets. Customer is therefore exposed to economic events around the globe and need to factor this into his risk assessment.

#### Business risk

A listed company Customer invests in may suffer a severe decline in profits or even go bankrupt. This could be a result of many factors such as poor management, slowdown of the industry and competition.

#### Corporate mis-governance

A company Customer invests in may have improper management or conduct a transaction that Customer deems is detrimental to his interests as a shareholder e.g. a company buys an over-valued asset. The regulators do not normally intervene in commercial decisions of listed companies provided there is no breach of regulations.

#### Trading suspension

A stock can be suspended from trading to avoid any uneven information dissemination and opportunities for insider dealing and to ensure trading is undertaken on a fully informed basis. Customer will not be able to buy or sell a stock during suspension during which time the price may move due to both market and business risk changes.

#### Liquidity risk

There is no market maker for stocks listed in Hong Kong. Beware of the additional risk of being tied up in stocks which are hard or costly to liquidate. Stocks with low capitalisation are generally less liquid than those with high capitalisation.

#### Currency risk

Since the HKD is pegged to the USD, if Customer invests in the Hong Kong stock market from overseas, Customer is exposed to translation losses if his local currency appreciates against the HKD / USD.

#### Policy risk

Changes in government policies and regulations, both in Hong Kong and in the Mainland, could have profound impact on stocks in the relevant sectors or industries.

#### **Dealing in Equity Linked Investment**

The value of the Equity Linked Investment is linked to changes in the value of the Share. Such changes, which can be sudden and large may cause me / us to suffer significant losses on the principal of the Customer's investment.

#### **Dealing in Securities under the Nasdaq – Amex Pilot Program:**

The securities under the Nasdaq-Amex Pilot Program (PP) are aimed at sophisticated investors. The Customer should consult his broker and become familiarized with the PP before trading in the PP securities.

The Customer should be aware that the PP securities are not regulated as a primary or secondary listing on the Main Board or the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

#### **Risk of Client Assets Received or Held Outside Hong Kong**

Client assets received or held by the licensed or registered person outside Hong Kong are subject to the applicable laws and regulations of the relevant overseas jurisdiction which may be different from the Securities and Futures Ordinance (Cap.571) and the rules made thereunder. Consequently, such client assets may not enjoy the same protection as that conferred on client assets received or held in Hong Kong.

#### **Dealing in Renminbi Securities**

The fluctuation in the exchange rate of Renminbi may result in losses in the event that Customer converts the Renminbi into Hong Kong Dollar or other foreign currencies. Renminbi is currently subject to exchange controls imposed by the PRC government, the exchange rate may be easily affected by change in government policies.

There may not be an active secondary market for Securities denominated in Renminbi and their prices may have large bid / offer spreads. Customer may suffer significant losses in liquidating Securities denominated in Renminbi.

#### **Overseas Securities Transactions**

##### **Dealing in Overseas Securities**

The prices of securities fluctuate, sometimes dramatically. The price of an overseas security may move up or down, and may even become valueless. It is as likely that losses will be incurred rather than profit made as a result of buying and selling overseas securities. Customer will bear all risks and expenses associated with investing in overseas securities or holding cash denominated in any currency. The Bank will not be liable for country specific risks of loss or value or other restrictions resulting from country risk including the risk of investing and holding overseas securities and cash of or in a particular country or



market such as, but not limited to, risks arising from (i) any act of war, terrorism, riot or civil commotion, (ii) investment, repatriation or exchange control restriction or nationalization, expropriation or other actions by any governmental authority, (iii) devaluation or revaluation of any currency, (iv) changes in applicable laws and regulations, and (v) a country's financial infrastructure and practices including market rules and conditions.

#### **Risk of Client Assets Received or Held Outside Hong Kong**

Client assets received or held by the licensed or registered person outside Hong Kong are subject to the applicable laws and regulations of the relevant overseas jurisdiction which may be different from the Securities and Futures Ordinance (Cap.571) and the rules made thereunder. Consequently, such client assets may not enjoy the same protection as that conferred on client assets received or held in Hong Kong.

#### **Currency risks**

The profit or loss in transactions in foreign currency-denominated contracts will be affected by fluctuations in currency rates where there is a need to convert from the currency denomination of the contract to another currency.

#### **Risks of Trading in Other Jurisdictions**

Trading in overseas securities is speculative and involves high risk. Customer may receive varying levels and types of protection in relation to transactions in foreign markets and exchanges compared to Hong Kong exchanges. There are also special risks of trading outside ordinary market hours, including risk of lower liquidity, higher volatility, changing prices, unlinked markets, news announcements affecting prices and wider spreads. Before trading, Customer should be familiar with any rules relating to his transactions in the relevant jurisdictions. Customer should seek independent professional advice as he consider appropriate including the details on the types of redress available in both his home jurisdiction and other relevant jurisdiction.

#### **Tax Risk**

Customer should seek advice from his professional advisors as to his particular tax position, including but not limited to estate duty and withholding tax that might arise from investing in overseas securities.

#### **Risks associated with investing in U.S. products**

Legislative and regulatory risk

With the passage of Dodd-Frank in the United States, there has been extensive rulemaking and regulatory changes that have affected and will continue to affect participants in the securities and derivatives markets. Under Dodd-Frank, the SEC has mandated additional reporting requirements and is expected to mandate new recordkeeping requirements. Until the U.S. federal regulators implement all of the new requirements of Dodd-Frank, it is unknown how burdensome such requirements will be. Dodd-Frank will affect a broad range of market participants, including commercial banks, investment banks, other non-bank financial institutions, rating agencies, mortgage brokers, credit unions, insurance companies and broker-dealers. It may take years to understand the impact of Dodd-Frank on the financial industry as a whole, and therefore, such continued uncertainty may make markets more volatile. Moreover, recent legislation has been proposed that would make numerous changes to Dodd-Frank. As a result, there is substantial uncertainty surrounding the regulatory environment for the financial industry in the U.S.



In the U.S., certain derivatives must be executed on a regulated market and a substantial portion of over-the-counter derivatives must be submitted for clearing to regulated clearing houses. Over-the-counter trades submitted for clearing will be subject to minimum initial and variation margin requirements set by the relevant clearing house, as well as possible mandatory margin requirements. The regulators also have broad discretion to impose margin requirements on non-cleared over-the-counter derivatives. Over-the-counter derivatives dealers have also become subject to new business conduct standards, disclosure requirements, reporting and recordkeeping requirements, transparency requirements, position limits, limitations on conflicts of interest, and other regulatory burdens. Margin and regulatory requirements will increase the overall costs for over-the-counter derivatives dealers. Dealers can be expected to try to pass those increased costs along, at least partially, to market participants such as Customer in the form of higher fees or less advantageous dealer marks. The overall impact of the Dodd-Frank Act and corresponding global regulation on the derivatives market is highly uncertain and it is unclear how the over-the-counter derivatives markets will adapt to this regulatory regime.

#### Regulation of underlying markets

Markets in equity securities are extensively regulated. Such regulation may include: (i) reporting requirements relating to the acquisition of beneficial ownership of equity securities, changes in ownership, and arrangements that have the purpose or effect of changing or influencing control of an issuer; (ii) prohibitions on transacting on the basis of material non-public information and on manipulative trading; (iii) disgorgement of "short-swing" profits earned in connection with certain transactions in or related to an issuer's shares by "insiders" or significant beneficial owners of the issuer; (iv) procedural, disclosure and substantive requirements with respect to distributions or repurchases of securities by or on behalf of an issuer or affiliate and the commencement of tender offers; (v) limits on the size of positions that may be maintained in options or other instruments; and (vi) limitations on extending or obtaining credit for the purpose of purchasing or carrying equity securities

#### **Risk of Providing an Authority to Hold Mail or to Direct Mail to Third Parties**

If Customer authorizes the Bank to hold mail or to direct mail to third parties, it is important for the Customer to promptly collect in person all contract notes and statements of the account and review them in detail to ensure that any anomalies or mistakes can be detected in a timely fashion.

#### **Currency / Interest Rate / Index / Equity Linked Deposits**

The following serves to highlight some features which normally appear in Currency / Interest Rate / Index / Equity Linked Deposits and the risks involved in establishing such Deposits:-

1. Customer should understand that the Currency / Interest Rate / Index / Equity Linked Deposit is not a traditional deposit on which the Customer will be entitled to interest at maturity.
2. Currency / Interest Rate / Index / Equity Linked Deposit is not protected deposit and is not protected by the Deposit Protection Scheme in Hong Kong.
3. The interest return on a Currency / Interest Rate / Index / Equity Linked Deposit will depend on the movements of the exchange rates of the referenced currencies / referenced level of interest rate / the value of the referenced index / the price of the referenced equity and may therefore be higher or lower than the interest return on a traditional time deposit. If the structure of the relevant Currency / Interest Rate / Index / Equity Linked Deposit is such that a negative interest rate results from extreme fluctuations of the exchange rates of the referenced currencies / referenced level of

interest rate / the value of the referenced index / the price of the referenced equity, Customer may not be able to receive the entire principal amount of the relevant Currency / Interest Rate / Index / Equity Linked Deposit upon its maturity.

4. If the structure of the relevant Currency / Interest Rate / Index / Equity Linked Deposit is such that the principal and interest return may be payable to Customer in a currency which is different from the base currency of the relevant Deposit or in the form of another asset, then although such alternate currency or asset was pre-specified at the time the relevant Deposit was established, Customer may still be subject to a loss arising from the decline in the exchange rate of the alternate currency in terms of the base currency or the decline in the value of the asset delivered to Customer. Also, if the currency paid out from the relevant Currency / Interest Rate / Index / Equity Linked Deposit is not the Customer's home currency and the Customer chooses to convert it back to the home currency, Customer will be subject to additional risk concerning the exchange rate fluctuation between such paid currency and the home currency.
5. By establishing a Currency / Interest Rate / Index / Equity Linked Deposit, Customer is taking a view on the direction of fluctuation of the exchange rates of the referenced currencies / referenced level of interest rate / the value of the referenced index / the price of the referenced equity, based on his own assessment and judgement.
6. Unless otherwise agreed by the Bank, the principal amount of the Currency / Interest Rate / Index / Equity Linked Deposit may not be withdrawn at any time prior to its maturity date.
7. In the event that the relevant Currency / Interest Rate / Index / Equity Linked Deposit is purchased on a leveraged basis, Customer should note that the risk of loss can be substantial. Customer may sustain a total loss of the principal amount and any additional amounts that Customer used to establish or maintain the relevant leveraged Deposit. If the relevant exchange rate / interest rate / index / equity moves against Customer, he may be called upon to deposit a substantial amount of additional funds, on short notice, in order to maintain the relevant leveraged Deposit. If Customer does not provide the required funds within the prescribed time, his position may be liquidated at a loss, and he will be liable for the resulting deficit. Under certain market conditions, it may be difficult or impossible to liquidate such a position. In these circumstances, his total loss may not be limited to the principal amount and additional amounts he used to establish and maintain the relevant leveraged Deposit alone. The high degree of leverage can work for Customer as well as against him. The use of leverage can lead to large losses as well as gains.

### **Derivative Transactions**

This brief statement does not disclose all of the risks and other significant aspects of trading in options and derivatives. In light of the risks, Customer should undertake such transactions only if Customer understands the nature of the contracts (and contractual relationships) into which he is entering and the extent of his exposure to risk. Trading in options and derivatives is not suitable for many members of the public. Customer should therefore study and understand the options and derivatives before he trades and carefully consider whether such trading is suitable in the light of his own financial position, investment experience, objectives and other relevant circumstances. If Customer trades options he should inform himself of exercise and expiration procedures and his rights and obligations upon exercise or expiry.

1. Variable degrees of risk  
Transactions in options carry a high degree of risk. Purchasers and sellers of options should familiarize themselves with the type of options (i.e. put or call) which they contemplate trading and the associated risks. Customer should calculate the extent to which the value of the options must

increase for his position to become profitable, taking into account the premium and all transaction costs.

The purchaser of options may offset or exercise the options or allow the options to expire. The exercise of an option results either in a cash settlement or in the purchaser acquiring or delivering the underlying interest. If the options is on futures, the purchaser will acquire a futures position with associated liabilities for margin. If the purchased options expire worthless, Customer will suffer a total loss of his investment which will consist of the options premium plus transaction costs. If Customer is contemplating purchasing deep-out-of-the-money options, he should be aware that the chance of such options becoming profitable ordinarily is remote.

Selling ('writing' or 'granting') options generally entail considerably greater risk than purchasing options. Although the premium received by the seller is fixed, the seller may sustain a loss well in excess of that amount. The seller will be liable for additional margin to maintain the position if the market moves unfavorably. The seller will also be exposed to the risk of the purchaser exercising the options and the seller will be obligated to either settle the options in cash or to acquire or deliver the underlying interest. If the options is on futures, the seller will acquire a position in futures with associated liabilities for margin. If the options is 'covered' by the seller holding a corresponding position in the underlying interest or a futures or another options, the risk may be reduced. If the options is not covered, the risk of loss can be unlimited.

Certain exchanges in some jurisdictions permit deferred payment of the options premium, exposing the purchaser to liability for margin payments not exceeding the amount of the premium. The purchaser is still subject to the risk of losing the premium and transaction costs. When the options is exercised or expires, the purchaser is responsible for any unpaid premium outstanding at that time.

## 2. Terms and conditions of contracts

Customer should ask the firm with which he deals about the terms and conditions of the specific options which he is trading and associated obligations (e.g. in respect of options, expiration dates and restrictions on the time for exercise). Under certain circumstances the specifications of outstanding contracts (including the exercise price of an options) may be modified by the exchange or clearing house to reflect changes in the underlying interest.

## 3. Suspension or restriction of trading and pricing relationships

Market conditions (e.g. illiquidity) and / or the operation of the rules of certain markets (e.g. the suspension of trading in any contract or contract month because of price limits or 'circuit breakers') may increase the risk of loss by making it difficult or impossible to effect transactions or liquidate / offset positions. If Customer has sold options, this may increase the risk of loss.

Further, normal pricing relationships between the underlying interest and the options may not exist. This can occur when, for example, the futures contract underlying the options is subject to price limits while the options are not. The absence of an underlying reference price may make it difficult to judge 'fair' value.

## 4. Deposited cash and property

Customer should familiarize himself with the protections given to money or other property he deposits for domestic and foreign transactions, particularly in the event of a firm insolvency or bankruptcy. The extent to which he may recover his money or property may be governed by specific legislation or local rules. In some jurisdictions, property which had been specifically identifiable as his own will be pro-rated in the same manner as cash for purposes of distribution in the event of a shortfall.

5. Commission and other charges

Before Customer begins to trade, he should obtain a clear explanation of all commission, fees and other charges for which he will be liable. These charges will affect his net profit (if any) or increase his loss.

6. Transactions in other jurisdictions

Transactions on markets in other jurisdictions, including markets formally linked to a domestic market, may expose Customer to additional risk. Such markets may be subject to regulation which may offer different or diminished investor protection. Before Customer trades, he should enquire about any rules relevant to his particular transactions. Customer's local regulatory authority will be unable to compel the enforcement of the rules of regulatory authorities or markets in other jurisdictions where his transactions have been effected. Customer should ask the firm with which he deals for details about the types of redress available in both his home jurisdiction and other relevant jurisdictions before he starts to trade.

7. Currency risks

The profit or loss in transactions in foreign currency-denominated contracts (whether they are traded in Customer's own or another jurisdiction) will be affected by fluctuations in currency rates where there is a need to convert from the currency denomination of the contract to another currency.

8. Trading facilities

Electronic trading facilities are supported by computer-based component systems for the order-routing, execution, matching, registration or clearing of trades. As with all facilities and systems, they are vulnerable to temporary disruption or failure. Customer's ability to recover certain losses may be subject to limits on liability imposed by the system provider, the market, the exchange, the clearing house and / or Exchange Participants. Such limits may vary: Customer should ask the firm with which he deals for details in this respect.

9. Electronic trading

Trading on an electronic trading system may differ not only from trading in an open-outcry market but also from trading on other electronic trading systems. If Customer undertakes transactions on an electronic trading system, he will be exposed to risks associated with the system including the failure of hardware and software. The result of any system failure may be that Customer's order is either not executed according to his instructions or is not executed at all.

## **Risks associated with derivative warrants, inline warrants and callable bull / bear contracts ("CBBC") traded on the market of Hong Kong Exchanges and Clearing Limited ("HKEx")**

Derivative warrants, inline warrants and CBBC traded on the securities market of the HKEx are structured products and complex products as well. Trading in structured products involves high risks and is not suitable for every investor. The risks set out below are typical of the structured products and are not comprehensive. Customer is strongly advised to have a thorough understanding of the terms and conditions and the risks of the individual structured products and consult his brokers or professional investment advisors before trading.

### **Issuer default risk**

In the event that a structured product issuer becomes insolvent and defaults on its listed securities, Customer will be considered as unsecured creditor and will have no preferential claims to any assets held by the issuer. Therefore, Customer is exposed to the credit risk of the issuer.

### **Uncollateralised product risk**

Uncollateralised structured products are not asset backed. In the event of issuer bankruptcy, Customer can lose their entire investment. Customer should read the listing documents to determine if a listed structured product is uncollateralised.

### **Gearing risk**

Derivative warrants, inline warrants and CBBC are leveraged and can change in value more or less rapidly than that of the underlying assets. The value of a structured product may fall to zero resulting in a total loss of the initial investment.

### **Limited life**

Structured products have an expiry date after which the issue may become worthless. Customer should be aware of the expiry time horizon and choose a product with an appropriate lifespan for his trading strategy.

### **Time value**

Derivative warrants and CBBCs - so long as other factors remain unchanged, the time value of derivative warrants or funding costs of CBBCs will decrease over time and will become zero upon maturity. Therefore, without a strong view of the underlying assets, derivative warrants or CBBCs should be viewed as a relatively short term investment product in comparison with an investment in the underlying assets.

### **Inline warrants, generally –**

- i. when the underlying asset is within or at the upper and lower strike prices or levels and their likelihood of falling in-the-range at expiry increases over time; thus, in such cases, the value of inline warrants increases over time because Customer receives the time value of inline warrants.
- ii. when the underlying asset is outside the upper and lower strike prices or levels and their likelihood of falling in-the-range at expiry decreases over time; thus, in such cases, the value of inline warrants decreases over time because Customer pays time value of inline warrants.

### **Market Forces**

The prices of structured products are affected by all prevailing market forces including the demand for and supply of the structured products. As a result, actual traded prices of a structured product can be higher or lower than its theoretical price.

**Foreign exchange risk**

Customer trading structured products with underlying assets not denominated in Hong Kong dollars is also exposed to exchange rate risk. Currency rate fluctuations can adversely affect the underlying asset value, also affecting the price of the structured products.

**Liquidity risk**

Although structured products have liquidity providers, there is no assurance that Customer will be able to buy or sell the structured products any time he wishes.

**Corporate action of the underlying stocks**

Corporate actions affect the value of the underlying stocks which in turn affect the value of the structured products. Adjustments may or may not be made to the terms of the structured products (such as entitlement ratio, exercise price, etc.) depending on the terms and conditions set out in the listing documents. Adjustments will not be made to the entitlement ratio of inline warrants due to its product nature.

Where adjustments are to be made, the adjustments will only become effective (the "Effective Date") when all necessary parameters can be determined.

The prices of the structured products may be volatile from the ex-entitlement date of the underlying stocks until the Effective Date. Customer should exercise particular caution in trading those structured products during that period. In addition, no adjustment will be made to those structured products that expire within that period.

**Additional risks involved in trading derivative warrants****Time decay**

Other factors being equal, the value of derivative warrants will decrease over time. Therefore, derivative warrants should never be viewed as products that are bought and held as long term investments.

**Volatility**

Prices of derivative warrants can increase or decrease in line with the implied volatility of underlying asset price. Customer should be aware of the volatility of the underlying asset.

**Additional risks involved in trading inline warrants****Pricing structure**

The pricing structure of the inline warrants requires Customer to assess accurately the value of the inline warrants in relation to the expected probability of the valuation of underlying asset falling at or within the range between the upper strike price and the lower strike price. It may be difficult for Customer to properly value and / or to use inline warrants as a hedging tool.

**Maximum potential payoff is capped**

If the valuation of underlying asset falls within or at the price range between the lower strike price and the upper strike price, Customer will only receive a maximum payoff of HK\$1 per inline warrant at expiry. Therefore, the potential payoff is capped.

#### **Cancellation of trade above HK\$1**

Due to the pre-determined fixed maximum payment of HK\$1 at expiry, an inline warrant should not be traded above HK\$1. Any trades executed at the price above HK\$1 shall not be recognized and will be cancelled by the SEHK.

#### **Additional risks involved in trading CBBC**

##### **Mandatory call**

Customer trading CBBC should be aware of his intra-day "knockout" or mandatory call feature. A CBBC will cease trading when the underlying asset value equals the mandatory call price / level as stated in the listing documents. Investors will only be entitled to the residual value of the terminated CBBC as calculated by the product issuer in accordance with the listing documents. Customer should also note that the residual value can be zero.

##### **Funding costs**

The issue price of a CBBC includes funding costs charged upfront for the entire period from launch to normal expiry. When a CBBC is called, the customers will lose the funding cost for the remaining period. The funding costs of a CBBC after launch may vary during its life.

##### **Trading of CBBC close to call price**

When the underlying asset is trading close to the call price, the price of a CBBC may be more volatile with wider spreads and uncertain liquidity. CBBC may be called at any time and trading will terminate as a result. There may be time lapse between the time when CBBC is called and the suspension of trading. Any trades executed after CBBC is called will not be recognized and will be cancelled.

##### **CBBC with overseas underlying assets**

CBBC issued on overseas underlying assets may be called outside the trading hours of HKEx.

#### **Risks associated with Exchange Traded Funds ("ETF") traded on the market of HKEx or other overseas stock exchanges**

ETFs are hybrid securities, combining features of both mutual funds and stocks. Like mutual funds, ETFs are open-end funds consisting of a portfolio of securities that is assembled according to an investment objective and strategy. Some of the ETFs traded on the market of HKEx or other overseas stock exchanges are derivative products which are complex products as well. Customer should understand his own risk appetite and the product details. The risks set out below are typical of ETF and are not comprehensive. They should refer to the prospectuses and websites for individual ETF, and consult his brokers or professional investment advisors before trading.

##### **Market risks**

ETF is exposed to the economic, political, currency, legal and other risks of a specific sector or market related to the index and the market that it is tracking.



Trading at a discount or premium to net asset value ("NAV")

Since the trading price of ETF is typically determined by the supply and demand of the market, the ETF may be traded at a price higher or lower than its NAV. Also, where the reference index that a passive ETF tracks has restricted access, units in the passive ETF may not be created or redeemed freely and efficiently.

The supply and demand imbalance can only be addressed by creating and redeeming additional units. So, disruption to the creation or redemption of units may result in the ETF being traded at a higher premium or discount to its NAV than may normally be the case for a traditional ETF with no such restriction.

**Risks relating to ETF termination**

ETF, like any fund, may be terminated early under certain circumstances, for example, where the index is no longer available for benchmarking or if the size of the ETF falls below a pre-determined NAV threshold as set out in the constitutive documents and offering documents. Customer should refer to the section in the offering document relating to termination for further details.

Customer should also note that the market-making activities and trading of ETF units may be adversely affected in the secondary market once the termination of the ETF is announced. As a result, the trading price of such ETF units may become very volatile resulting in substantial losses to the Customer.

Furthermore, the NAV of ETF may drop substantially once the expenses and costs of the termination is set aside upon announcement of the termination. Customer may suffer a substantial loss as a result of these expenses and costs associated with the termination.

For ETF that has provided for any potential tax liabilities, Customer may not be able to get any refund or further distribution from the tax provision upon termination of the ETF.

In the event the ETF is terminated, Customer may not be able to recover his investments.

### **Liquidity risk**

Listing or trading on a stock exchange does not in and of itself guarantee that a liquid market exists for an ETF. Besides, a higher liquidity risk is involved if an ETF uses financial derivative instruments, including structured notes and swaps, which are not actively traded in the secondary market and whose price transparency is not as easily accessible as physical securities. This may result in a bigger bid and offer spread. These financial derivative instruments also are susceptible to more price fluctuations and higher volatility. Hence, they can be more difficult and costly to unwind early, especially when the instruments provide access to a restricted market where liquidity is limited in the first place.

### **Tax and other risks**

Like all investments, ETF may be subject to tax imposed by the local authorities in the market that it invests or tracks, emerging market risks and risks in relation to the change of policy of the reference market.

### **Risks relating to Mainland capital gains tax liability**

There are risks and uncertainties concerning the application of the Mainland capital gains tax ("CGT") regime on investments by foreign investors (including non-Mainland domiciled investment funds, QFII and RQFII) in Mainland securities, and such tax is not currently enforced or subject to temporary exemptions.



It is a matter of professional and commercial judgement on the part of each fund manager, acting in the best interest of investors after taking professional tax advice, to consider and decide whether to make provision (and if so, the extent and provisioning policy) for the ETF's potential CGT liability or to change the ETF's existing CGT provisioning policy from time to time.

Depending on the tax advice obtained and other relevant factors, each ETF's tax provisioning policy may be different. There may be ETFs without making any CGT provision at all. Even if an ETF makes CGT provision, such provision may be excessive or inadequate. The Mainland tax rules and policies are subject to changes. There are risks that CGT may be enforced by the Mainland tax authorities and that such enforcement may be on a retrospective basis. If and when CGT is collected by the Mainland tax authorities, any shortfall between the provisions (if any) and actual tax liabilities will have to be paid out of the ETF's assets and could have a material adverse impact on the ETF's NAV, whereby causing significant losses to the Customer.

Enforcement of the CGT by Mainland tax authorities and / or change in tax provisioning policy by a fund manager will impact the Customer remaining in the ETF. Customer who has sold / redeemed his interests prior to such enforcement and / or change will not be impacted. Likewise, Customer will not benefit from any release of tax provisions back into the ETF. Customer may be advantaged or disadvantaged depending upon whether and how the CGT will ultimately be taxed and when Customer invests in the ETF.

Customer should carefully read the CGT provisioning policy of an ETF (which may have substantial exposure to Mainland securities whether through Mainland cross-border investment channels (e.g. RQFII, QFII, Stock Connect, Bond Connect, China Interbank Bond Market, etc) or other Mainland market access derivative products) and the associated risks as disclosed in the offering documents before investing in the ETF. If in doubt, Customer should consult his professional advisors.

#### **Passive investments risk**

Passive ETF is not "actively managed" and therefore, when there is a decline in the underlying index, the passive ETF that tracks the index will also decrease in value. The passive ETF manager will not take defensive positions in declining markets, Customer may lose a significant part of his respective investments if the underlying index falls.

#### **Credit / Counterparty risk**

Synthetic passive ETFs or ETFs traded in the overseas stock exchanges which are classified as derivative product ("Derivative ETF") typically invest in over-the-counter derivatives issued by counterparties to track an index's performance. Such a synthetic Derivative ETF may suffer losses potentially equal to the full value of the derivatives issued by the counterparty upon its default.

Synthetic Derivative ETFs are therefore exposed to both the risks of the securities that constitute the index as well as the credit risk of the counterparty that issues the financial derivative instruments for replicating the performance of the index.

Some Derivative ETFs invest in financial derivatives issued by a number of different counterparties in order to diversify the counterparty credit risk concentration. However, the more counterparties a Derivative ETF has, the higher the probability of the Derivative ETF being affected by a counterparty default. If any one of the counterparties fails, the Derivative ETF may suffer losses.

Customer should also be aware that the issuers of these derivatives are predominantly international financial institutions and this, in itself, may pose a concentration risk. It is possible that the failure of one derivative counterparty of a Derivative ETF has a "knock-on" effect on other derivative counterparties of the Derivative ETF. As a result, a Derivative ETF could suffer a loss substantially more than its expected exposure in the event of a single counterparty default.

Customer should note in case where collateral is provided by counterparties to a Derivative ETF, the collateral may concentrate on particular market(s), sector(s) and / or securities issued by specific sovereign or public issuer(s) which may not be related to the underlying index.

Furthermore, even if a Derivative ETF is fully collateralised, when the Derivative ETF seeks to exercise its right against the collateral, the market value of the collateral could be substantially less than the amount secured if the market dropped sharply before the collateral is realised, thereby resulting in significant loss to the passive Derivative ETF.

### **Tracking error**

This refers to the disparity between the performance of the passive ETF (as measured by its NAV) and the performance of the underlying index. Tracking error may arise due to various factors. These include, failure of the passive ETF's tracking strategy, the impact of fees and expenses, foreign exchange differences between the base currency or trading currency of a passive ETF and the currencies of the underlying investments, or corporate actions such as rights and bonus issues by the issuers of the passive ETF's underlying securities.

Depending on its particular strategy, a passive ETF may not hold all the constituent securities of an underlying index in the same weightings as the constituent securities of the index. Therefore, the performance of the securities underlying the passive ETF as measured by its NAV may outperform.

### **Early unwinding of derivatives risk**

Derivative ETFs typically invest in derivatives to track an index's performance. The costs associated with the unwinding of these derivatives before maturity may vary depending on prevailing market conditions. Such costs may be significant, particularly during times of high market volatility.

Hence, in the event of redemption or if the Derivative ETF is terminated (for example, due to the reason that the fund size becomes too small), the proceeds payable to investors may be significantly less than the NAV of the fund units as a result of the cost associated with unwinding of the derivatives before maturity. This may lead to substantial loss to Customer.

### **Foreign exchange risk**

Customer trading ETF with underlying assets not denominated in Hong Kong dollars is also exposed to exchange rate risk. Currency rate fluctuations can adversely affect the underlying asset value, also affecting the ETF price.

### **Delayed settlement risk**

Market makers may short sell units of an ETF listed on SEHK in market making trades and may apply for one extra day for settlement to cover such short positions. Therefore, the affected buyer(s) would receive the ETF units one day later than normal settlement date without prior notice, but the affected buyer(s)

retain the right to sell the bought shares before the completion of settlement. Furthermore, a participating dealer may have their redemption settlement process affected by the delayed settlement.

**Risks associated with Real Estate Investment Trust ("REIT") traded on the market of HKEx or other overseas stock exchanges**

A Real Estate Investment Trust (REIT) is a collective investment scheme that aims to deliver a source of recurrent income to investors through focused investment in a portfolio of income-generating properties such as shopping malls, offices, hotels and service apartments.

**General risks**

**Investment risk**

A REIT is an investment product. There is no guaranteed return of investment in a REIT and Customer may suffer from substantial losses of capital. The distributions received from a REIT may not be sufficient to recoup his loss of investment capital.

**Market risk**

Investments in real estate are subject to the risk of the general economic conditions. Any cyclical economic factors may cause fluctuations in occupancy and rental rates of the real estate held by a REIT. This will in turn adversely affect the income derived by a REIT from its real estate investment.

**Concentration risk**

Where a REIT relies on a single property to generate all of its revenue, any circumstance that adversely affects the operations or business of that single property, or its attractiveness to tenants, may adversely affect the revenue generated and the REIT will not have income from other property to mitigate any ensuing loss arising from such circumstance. A concentration of investment in a single property causes the REIT to be highly susceptible to the relevant real estate market conditions.

**Interest rate risk**

Fluctuations in interest rates may increase the interest costs incurred by a REIT in respect of its borrowings and may have an adverse effect on the level of activity in the property market. The financial position of the REIT and its ability to make distributions may be adversely affected. Moreover, the trading price of the REIT units is likely to decline if there is an increase in interest rates.

**Distribution risk**

The distributions of a REIT may be made out of capital. Customer should pay attention to the composition of distributions declared by a REIT (for example, the extent to which the distribution declared is composed of, and the types of, income and capital) as disclosed in the relevant results announcement and the financial reports of the REIT.

**Risks associated with property development and related activities**

Where a REIT is to undertake property development and related, it may be subject to the following risks associated with property development:

**Construction risk**

A REIT may be subject to various construction risks such as those associated with the pricing of the construction materials, sufficiency of construction expertise, quality and design of the construction works. There may also be delay in completing development projects.

**Time delay risk**

Delay in construction projects may lead to increase in financing costs, as well as reduction and delay in revenue generation.

**Financing risk**

A REIT may not be able to source and secure adequate financing to complete a development project. Increase in interest rates and liquidity shortage are examples of other financing risks that a REIT may be exposed to.

**Planning permit risk**

A REIT may encounter delays in obtaining all necessary building approvals for development projects.

**Counterparty risk**

Cooperation with other parties to carry out development projects may involve various counterparty risks such as the risk of default by contractors in performing their obligations.

**Market risk**

Market environment may change between the commencement of the property development project and by the time when the project is completed. A REIT may be subject to various market risks such as fluctuations in rental yield and property value.

**Legal and regulatory risk**

A REIT may be involved in disputes with parties in development projects which may lead to construction claims and litigations. In addition, a REIT may need to revise the original property development plan as local legislation, rules and regulations relating to property development may change, leading to extra cost and time needed for completion.

**Risks associated with investment in financial instruments by a REIT**

Investment involves risks. Where a REIT is to invest in financial instruments, it may be subject to the following risks associated with investment in financial instruments.

**Investments in equity securities**

The value of stocks will fluctuate in response to the activities and results of individual companies or as a result of general market and economic conditions.

**Investments in debt securities**

The value of debt securities will fluctuate depending on market interest rates, liquidity considerations and the credit quality of the issuer. Increase in interest rates, decrease in liquidity and decline in the credit quality of the issuer will adversely impact the value of these investments.

**Investments in property funds**

The value of property funds will fluctuate depending on the value of the underlying investments and general market and economic conditions. There is also no assurance that a property fund will achieve its

investment objective and strategy. Depending on the nature of the funds, investments in property funds may also involve other risks including investment risk, market risk, concentration risk, interest rate risk, country / regional risk, management risk, liquidity risk, currency risk and credit / counterparty risk.

### **Risks associated with Leveraged and Inverse Products traded on the market of HKEx or other overseas stock exchanges**

#### **Investment risk**

Trading L&I Products involves investment risk and are not intended for all investors. There is no guarantee of repaying the principal amount.

#### **Volatility risk**

Prices of L&I Products may be more volatile than conventional exchange traded funds (ETFs) because of using leverage and the rebalancing activities.

#### **Unlike conventional ETFs**

L&I Products are different from conventional ETFs. They do not share the same characteristics and risks as conventional ETFs.

#### **Long-term holding risk**

L&I Products are not intended for holding longer than the rebalancing interval, typically one day. Daily rebalancing and the compounding effect will make the L&I Product's performance over a period longer than one day deviate in amount and possibly direction from the leveraged / inverse performance of the underlying index over the same period. The deviation becomes more pronounced in a volatile market.

As a result of daily rebalancing, the underlying index's volatility and the effects of compounding of each day's return over time, it is possible that the leveraged product will lose money over time while the underlying index increases or is flat. Likewise, it is possible that the inverse product will lose money over time while the underlying index decreases or is flat.

#### **Risk of rebalancing activities**

There is no assurance that L&I Products can rebalance their portfolios on a daily basis to achieve their investment objectives. Market disruption, regulatory restrictions or extreme market volatility may adversely affect the rebalancing activities.

#### **Liquidity risk**

Rebalancing typically takes place near the end of a trading day (shortly before the close of the underlying market) to minimize tracking difference. The short interval of rebalancing may expose L&I Products more to market volatility and higher liquidity risk.

#### **Intraday investment risk**

Leverage factor of L & I Products may change during a trading day when the market moves but it will not be rebalanced until day end. The L&I Product's return during a trading day may be greater or less than the leveraged / opposite return of the underlying index.

#### **Portfolio turnover risk**

Daily rebalancing causes a higher levels of portfolio transaction when compared to conventional ETFs, and thus increases brokerage and other transaction costs.

**Correlation risk**

Fees, expenses, transactions cost as well as costs of using financial derivatives may reduce the correlation between the performance of the L&I Product and the leveraged / inverse performance of the underlying index on a daily basis.

**Termination risk**

L&I Products must be terminated when all the market makers resign. Termination of the L&I Product should take place at about the same time when the resignation of the last market maker becomes effective.

**Leverage risk**

The use of leverage will magnify both gains and losses of L&I Products resulting from changes in the underlying index or, where the underlying index is denominated in a currency other than the L&I Products' base currency, from fluctuations in exchange rates.

**Unconventional return pattern (for inverse products only)**

Inverse products aim to deliver the opposite of the daily return of the underlying index. If the value of the underlying index increases for extended periods, or where the exchange rate of the underlying index denominated in a currency other than the inverse product's base currency rises for an extended period, inverse products can lose most or all of their value.

**Inverse products vs short selling (for inverse products only)**

Investing in inverse products is different from taking a short position. Because of rebalancing, the performance of inverse products may deviate from a short position in particular in a volatile market with frequent directional swings.

**Disclaimer**

In accepting any services, establishing any Currency / Interest Rate / Index / Equity Linked Deposit or entering into any investment funds transactions, securities transactions, derivative transactions, currency option transactions, foreign exchange participating forward transactions, foreign exchange forward contracts or engaging in any currency switching with or through the Bank, the Customer understands and agrees that:-

- \* Customer makes his own judgement in relation to investment or trading transactions;
- \* Subject to applicable laws and regulations, the Bank assumes no duty to make or give advice or recommendations;
- \* The Bank, its subsidiaries and affiliates may hold positions which may not be consistent with any advice given by the Bank and which may result in losses on the Customer's part; and
- \* Any risk associated with any losses suffered as a result of the Bank entering into any transactions or investments on the Customer's behalf are for the Customers account.

This brief statement cannot, of course, disclose all the risks and other aspects in relation to Investment Funds Transactions, Securities Transactions, Currency / Interest Rate / Index / Equity Linked Deposits, Derivative Transactions, Currency Option Transactions, Foreign Exchange Participating Forward Transactions, Foreign Exchange Forward Contracts and Currency Switching. Customer should accordingly

obtain independent expert financial and legal advice before engaging in any Investment Funds Transaction, Securities Transaction, establishing any Currency / Interest Rate / Index / Equity Linked Deposit or entering into any Derivative Transaction, Currency Option Transaction, Foreign Exchange Participating Forward Transaction, Foreign Exchange Forward Contracts or engaging in Currency Switching.

**IMPORTANT – Please read the following carefully before establishing any asset-linked deposit or structured deposit**

In making an asset-linked deposit or structured deposit, Customer is undertaking market risk whereby the determination of the value Customer receives under an asset-linked deposit or structured deposit is related to changes in the particular financial market to which the transaction is linked and Customer is exposed to price volatility in that market. Therefore, Customer may not receive any of the Deposit Amount or any cash on the maturity of an asset-linked deposit or a structured deposit. Any assets Customer may receive at maturity of an asset-linked deposit or a structured deposit may be worth substantially less than the Deposit Amount. In some cases, the assets Customer receives at maturity of an asset-linked deposit or a structured deposit may not have any realisable value.

**Risks Associated With Over-The-Counter (OTC) Equity Options / Equity Accumulators / Equity Decumulators / Currency Options / Foreign Exchange Participating Forward**

Customers should also refer to the Risk Disclosure Statement set out in the "Master Agreement for Derivatives".

**Risks associated with Foreign Exchange Forward Contracts ("FX forward")**

A forward contract is an agreement by the buyer to take or by the seller to make delivery of the underlying asset on a certain date. Forward contracts are usually concluded off-exchange with commercial banks or financial institutions. While the off-exchange market may be wider and is generally available 24 hours a day, and contracts may be for significantly larger amounts and have no trading limits, such off-exchange transactions do not have the benefits of supervision, protection and an orderly market which are otherwise found in an organised exchange. Investors should make their own risk assessment and seek professional advice where necessary.

FX forward is classified as a leveraged foreign exchange contracts. Please note that the risk of loss in leveraged foreign exchange trading can be substantial. Investors may sustain losses in excess of their initial margin funds. Placing contingent orders, such as "stop-loss" or "stop-limit" orders, will not necessarily limit losses to the intended amounts. Market conditions may make it impossible to execute such orders. Investors may be called upon at short notice to deposit additional margin funds. If the required funds are not provided within the prescribed time, investors' position may be liquidated. Investor will remain liable for any resulting deficit in their accounts. Investors should therefore carefully consider whether such trading is suitable in light of their financial positions and investment objectives.

Prospective investors are advised to carefully read these key risks associated with the FX forward and also the terms and conditions in full details as set out in the specific forward contract. These risks are not, and are not intended to be, a complete list of all risks and considerations relevant to the FX forward or their decisions to purchase the FX forward.



### **Investment Risk**

FX forward is an investment product and it involves risks. FX forward is a contract between investors and the Bank. The contract itself is NOT equivalent to a time deposit and is NOT a protected deposit under the Deposit Protection Scheme in Hong Kong. Please note that the accounts investors have with the Bank for the settlement of the transactions in FX forward are governed by the applicable account terms and conditions. **The worst case will result in loss of the investors' entire investment. There is no guarantee of the repayment of principal.** This product is not covered by the Investor Compensation Fund.

### **Credit Risk**

Investors who invest in FX forward are subject to the creditworthiness of the Bank. If the Bank becomes insolvent or goes into liquidation or defaults on its obligations under the FX forward while it is still outstanding, the investors will be ranked as unsecured creditors of the Bank and could, **in the worst case, lose their entire principal investment** irrespective of the terms of the FX forward.

### **Derivative Risk**

FX forward is a derivative product which involves risk. When the investors enter into FX forward contract, the value of the contract might drop significantly if the market moves against their expectations.

### **Cost of Early Termination**

FX forward contracts should be held until the value date. Any early termination of the FX forward contracts is subject to the sole discretion and consent of the Bank. The Bank may at its absolute discretion refuse to consent to early termination. Even if the Bank allows the investors to early terminate FX forward, they may suffer significant costs or losses.

### **Non-Principal Protected**

FX forward is not a principal guaranteed investment. **Investors could lose ALL of their investment.**

### **Interest Rate Risk**

FX forward exchange rate is embedded with the interest rate differential between the trading currencies which means movement of interest rate between trading currencies will have an impact on the FX forward exchange rate. By entering into transaction of FX forward, investors are exposed to interest rate risk.

### **Exchange Rate Risk**

The return on FX forward will be dependent, at least to some extent, on movement in some specified currency exchange rate. Currency exchange rates are affected by a wide range of factors, including national and international financial and economic conditions and political and natural events. The effect of normal market forces may at times be countered by intervention by central banks and other bodies. At times, exchange rates, and price linked to such rates, may rise and fall rapidly. Depending on the agreed exchange rate in the FX forward contract, the value of the designated currency payable on the value date may be significantly less than the value of the original currency in the event of an adverse movement in the relevant exchange rate. Also, if the designated currency of FX forward contract is not the investors' home currency and the investors choose to convert from their home currency to designated currency in order to settle the delivery in the designated currency or convert it back to their home currency from the designated currency payable on the value date, the investors may be subject to additional risk concerning the exchange rate fluctuation between the designated currency and the investors' home currency.

### **Liquidity Risk**



This product is unlisted and there is no liquid secondary market.

### **Leverage Risk**

If investors borrow capital to fund the FX forward, the risk of loss can be substantial. Investors may sustain a total loss of their investment amount and any additional amounts that they used to establish or maintain or settle the relevant leveraged FX forward.

### **Exchange Control**

For currencies subject to exchange controls imposed by the relevant governments, such as Renminbi (RMB), the exchange rate may be easily affected by change in government policies. Such currencies may have different exchange rates quoted in different markets. For example, the onshore rate of RMB is being referred as "CNY" and the offshore rate (i.e. when traded in Hong Kong) is being referred as "CNH". Although CNY and CNH both represent the same currency, they do not necessarily have the same exchange rate and may not move in the same direction.

### **Conflicts of Interests**

Potential conflicts of interest may arise from the different roles played by the Bank, its subsidiaries and affiliates in connection with the FX forward. The Bank and / or its subsidiaries and / or its affiliates may enter into, adjust and unwind transactions relating to the relevant currencies, whether for its or its subsidiaries' or its affiliates' proprietary accounts or for account under management or to facilitate transactions on behalf of investors or otherwise. In carrying out these roles, the Bank's economic interests and those of its subsidiaries and affiliates are potentially adverse to the investors' interests in the FX Forward.

### **Compounding of Risks**

An investment in the FX forward involves risks and should only be made after assessing the direction, timing and magnitude of potential future changes of the market value of the FX forward contract, the risks associated with such investments and the terms and conditions of the FX forward contract. More than one risk factor may have simultaneous effects with regard to the FX forward contract such that the effect of a particular risk factor may not be predictable. In addition, more than one risk factor may have a compounding effect, which may not be predictable. No assurance can be given as to the effect that any combination of risk factors may have on the value of the FX forward contract.

### **Currency Switching**

The following serves to highlight some features of Currency Switching and the risks involved therein:-

1. Any transaction under Currency Switching is an investment activity and it involves risks. A foreign exchange forward contract under Currency Switching is an embedded derivative and it involves risks. The value of the investment might drop significantly if the market moves against the Customer's expectation at the time the Customer enters into foreign exchange forward contract. The worst case will result in loss of the Customer's entire investment.
2. Deposits subject to any foreign currency forward contract under Currency Switching are not protected deposits and are not protected by the Deposit Protection Scheme in Hong Kong.

3. The Customer should understand the specific terms and risks mentioned in the Investment Services Application Form, the “Master Terms and Conditions” / “Master Terms and Conditions for VIP Banking Services” of the Bank in particular the Specific Terms for Call and Time Deposits and Specific Terms for Foreign Exchange Forward Contracts and other relevant documents provided by the Bank before using Currency Switching. If Customer has any concerns about Currency Switching, he should consult his professional advisers.
4. The Customer who invests in Currency Switching is subject to the creditworthiness of the Bank. If the Bank becomes insolvent or goes into liquidation or defaults on its obligations under Currency Switching while it is still outstanding, the Customer will rank as an unsecured creditor of the Bank and could, in the worst case, lose his/her entire principal irrespective of the terms of Currency Switching.
5. The return on Currency Switching will be dependent, at least to some extent, on movements in some specified currency exchange rates. Currency exchange rates are affected by a wide range of factors, including national and international financial and economic conditions and political and natural events. The effect of normal market forces may at times be countered by intervention by central banks and other bodies. At times, exchange rates, and prices linked to such rates, may rise or fall rapidly. Depending on the agreed exchange rate in the foreign exchange forward contract(s), the value of the relevant deposit(s) payable on the maturity date may be significantly less than the value of the original deposit in the event of an adverse movement in the relevant exchange rate(s). Also, if the designated currency of the Customer’s last foreign exchange forward contract entered into is not the Customer’s home currency and the Customer chooses to convert it back to the home currency, the Customer will be subject to additional risk concerning the exchange rate fluctuation between the designated currency and the home currency. For currencies subject to exchange controls imposed by the relevant governments, such as renminbi (RMB), the exchange rates may be easily affected by change in government policies. Such currencies may have different exchange rates quoted in different markets. For example, exchange rates of RMB are quoted in onshore and offshore markets; the onshore rate of RMB is being referred as “CNY” and the offshore rate (i.e. when traded in Hong Kong) is being referred as “CNH”. Although CNY and CNH represent the same currency, they do not necessarily have the same exchange rate and may not move in the same direction. Exchange controls or other monetary measures may be imposed by a government, sometimes with little or no warning. Such controls and measures may have a significant effect on the convertibility or transferability of a currency and may have unexpected consequences for Currency Switching.
6. There are risks involved in entering into currency transactions due to currency and market movements. Customer should therefore carefully consider whether such transactions are suitable in light of the Customer’s financial position and investment objectives and study the market before entering into such transactions. Any cancellation or withdrawal prior to maturity is subject to the prior consent of the Bank. With these risks, the Customer may incur significant costs or losses.
7. Foreign exchange forward contracts and deposits subject to Currency Switching should be held until maturity. Any early termination of the foreign exchange forward contracts and the deposits is subject to the sole discretion and consent of the Bank. Even if the Bank allows the Customer to early terminate, he/she may suffer significant costs or losses.

8. Foreign exchange forward contract rate is embedded with the interest rate differential between the trading currencies and movement of interest rate between trading currencies will have impact on the foreign exchange forward rate.
9. Potential and actual conflicts of interest may arise from the different roles played by the Bank, its subsidiaries and affiliates in connection with Currency Switching. The Bank and / or its subsidiaries and / or its affiliates may enter into, adjust or unwind transactions relating to the relevant currencies, whether for its or its subsidiaries' or its affiliates' proprietary accounts or for account under management or to facilitate transactions on behalf of investors or otherwise. Although the Bank's economic interest in each role may be adverse to the Customer's interest in Currency Switching, the Bank maintains regulatory required information barriers between its different business areas as well as policies and procedures designed to minimize and manage such conflicts of interest to comply with applicable laws and regulations, and to ensure those transactions or dealing will be transacted at arm's length.

## Section III: Information on Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect

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### Getting to know Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect

Shanghai-Hong Kong Stock Connect is a programme developed by Hong Kong Exchanges and Clearing Limited ("HKEx"), The Stock Exchange of Hong Kong Limited ("SEHK"), Shanghai Stock Exchange ("SSE"), China Securities Depository and Clearing Corporation Limited ("ChinaClear") and Hong Kong Securities Clearing Company Limited ("HKSCC") for establishing mutual stock market access between Shanghai and Hong Kong.

Through Shanghai-Hong Kong Stock Connect, Hong Kong and overseas investors are allowed to trade selective SSE stocks ("**SSE Northbound Trading**") while eligible Mainland investors are accepted to trade SEHK stocks through SSE.

The successful launch of Shanghai-Hong Kong Stock Connect has provided the foundation for the launch of Shenzhen-Hong Kong Stock Connect, which is introduced by HKEx, SEHK, Shenzhen Stock Exchange ("**SZSE**"), ChinaClear and HKSCC for establishing mutual market access between Shenzhen and Hong Kong. Through Shenzhen-Hong Kong Stock Connect, Hong Kong and overseas investors will be allowed to trade selective SZSE stocks ("**SZSE Northbound Trading**") while eligible Mainland investors will be accepted to trade SEHK stocks through SZSE.

At the initial stage, Hong Kong and overseas investors can only hold SSE securities and SZSE securities through their brokers / custodians.

Dah Sing Bank, Limited ("**Dah Sing Bank**") shall extend services enabling its customers to trade via Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect. The purpose of this information leaflet is to provide customers with an overview of SSE Northbound Trading and SZSE Northbound Trading (collectively, "**Northbound Trading**") and the key risks associated.

### Investment Quota

Northbound Trading under each of Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect will, respectively, be subject to a daily quota (each a "**Daily Quota**" and collectively the "**Daily Quotas**"). The Aggregate Quota previously applicable to Shanghai-Hong Kong Stock Connect has been abolished since 16 August 2016.

Investors should note that each of the Daily Quotas is calculated on a "net buy" basis. Under this principle, investors will always be allowed to sell their SSE securities and SZSE securities regardless of the balances of the Daily Quotas.

### **Current Daily Quotas for Northbound Trading**

	<b>SSE Northbound Trading</b>	<b>SZSE Northbound Trading</b>
Purpose	It limits the maximum net buy value of SSE stocks each day.	It limits the maximum net buy value of SZSE stocks each day.
Quota	RMB52 billion	RMB52 billion
Operation	<p>The operation of Daily Quota for each of SSE Northbound Trading and SZSE Northbound Trading would be as follows:-</p> <p>Daily Quota balance = Daily Quota – Buy orders + Sell trades + Adjustments*</p> <p><i>* Daily Quota balance will be increased when (a) a buy order is cancelled; (b) a buy order is rejected by SSE or SZSE (as the case may be); or (c) a buy order is executed at a better price.</i></p> <p>SEHK will monitor the usage of the Daily Quota on a real time basis.</p> <p>Daily Quota will be refreshed and remain the same every day. Unused Daily Quota will not be carried over to next day's Daily Quota.</p> <p>Once the Daily Quota balance drops to zero or the Daily Quota is exceeded during a <b>continuous auction session</b> (i.e. continuous trading), no further buy orders will be accepted for the remainder of the day. The same arrangement will apply to the <b>closing call auction</b> session of both SSE and SZSE.</p> <p>Once the Daily Quota balance drops to zero or the Daily Quota is exceeded during the <b>opening call session</b>, new buy orders will be rejected. If the Daily Quota balance resumes to a positive level before the end of the opening call session, SEHK will again accept buy orders.</p>	

The balances of the Northbound Daily Quotas will be disseminated via HKEx's website at 1-minute intervals.

### Eligible stocks

Currently, the scope of eligible stocks is as follows:-

#### SSE Northbound Trading

<b>Type</b>	<b>Northbound Trading</b>
Index constituent stocks	SSE 180 Index and SSE 380 Index
A+H shares	SSE-listed A shares (not included as constituent stocks of the relevant indices) which are simultaneously listed and traded on SEHK
Excluding	SSE-listed shares which are not traded in RMB or which are included in the "risk alert board" under the SSE Listing Rules.

## SZSE Northbound Trading

Type	Northbound Trading
Index constituent stocks	Constituent stocks of SZSE Component Index and SZSE Small / Mid Cap Innovation Index which have a market capitalization of not less than RMB6 billion
A+H shares	SZSE-listed A shares (not included as constituent stocks of the relevant indices) which are simultaneously listed and traded on SEHK
Excluding	SZSE-listed shares which are not traded in RMB or which are included in the "risk alert board" or under delisting arrangement under the SZSE Listing Rules.

Initially, only institutional professional investors (as defined under paragraph 15.2 of the Code of Conduct for Persons Licensed by or Registered with the SFC, being a person falling under paragraphs (a) to (i) of the definition of "professional investors" in section 1 of Part 1 of Schedule 1 to the Securities and Futures Ordinance (Cap. 571, the Laws of Hong Kong)) may trade stocks listed on the ChiNext Board of SZSE and the STAR Market of SSE which are eligible for trading under Northbound Trading.

The list of eligible stocks for Northbound Trading is available on HKEx's website.

Hong Kong and overseas investors will only be allowed to sell an SSE security but will be restricted from further buying if:

- (a) the SSE security subsequently ceases to be a constituent stock of the relevant indices; and / or
- (b) the SSE security is subsequently under "risk alert"; and / or
- (c) the corresponding H share of the SSE security subsequently ceases to be traded on SEHK, as the case may be.

Hong Kong and overseas investors will only be allowed to sell an SZSE security but will be restricted from further buying if:

- (a) the SZSE security subsequently ceases to be a constituent stock of the relevant indices; and / or
- (b) the SZSE security is, based on any subsequent periodic review, determined to have a market capitalization of less than RMB6 billion; and / or
- (c) the SZSE security is subsequently under "risk alert"; and / or
- (d) the corresponding H share of the SZSE security subsequently ceases to be traded on SEHK, as the case may be.

### **Order Type**

For Northbound Trading, only limit orders will be accepted throughout the day. However, unlike SEHK limit orders which can only be matched at the specified price, SSE and SZSE limit orders can be matched at the specified price or a better price.

### **Settlement arrangement**

For Northbound trades, ChinaClear will act as the host Central Counterparty and HKSCC will be a participant of ChinaClear. HKSCC will take up settlement obligations of its clearing participants in respect of Northbound trades and settle the trades directly with ChinaClear in the Mainland. Securities are settled on the trading day ("**T day**") while money is settled on T+1 day.

## Trading hours and trading days

### Trading hours

Northbound Trading will follow SSE's and SZSE's trading hours.

#### SSE Northbound Trading

<b>SSE trading session</b>	<b>SSE trading hours</b>
Opening call auction	09:15 – 09:25
Continuous auction (morning)	09:30 – 11:30
Continuous auction (afternoon)	13:00 – 14:57
Closing call auction	14:57 – 15:00

*09:20-09:25, 14:57-15:00: SSE will not accept order cancellation.*

*09:10-09:15; 09:25-09:30; 12:55-13:00: Orders and order cancellations can be accepted by SEHK but will not be processed by SSE until SSE's market opens.*

*Orders that are not executed during the opening call auction session will automatically enter the continuous auction session.*

*Orders that are not executed during the continuous auction session will automatically enter the closing call auction session.*

#### SZSE Northbound Trading

<b>SZSE trading session</b>	<b>SZSE trading hours</b>
Opening call auction	09:15 – 09:25
Continuous auction (morning)	09:30 – 11:30
Continuous auction (afternoon)	13:00 – 14:57
Closing call auction	14:57 – 15:00

*09:20-09:25, 14:57-15:00: SZSE will not accept order cancellation.*

*09:10-09:15; 09:25-09:30; 12:55-13:00: Orders and order cancellations can be accepted by SEHK but will not be processed by SZSE until SZSE's market opens.*

*Orders that are not executed during the opening call auction session will automatically enter the continuous auction session.*

*Orders that are not executed during the continuous auction session will automatically enter the closing call auction session.*

### Trading days

Initially, Hong Kong and overseas investors will only be allowed to trade on SSE and SZSE on days where both the Hong Kong and the Mainland markets are open for trading, and banking services are available in both markets on the corresponding settlement days. The following table illustrates the trading arrangement of Northbound Trading:

	Mainland	Hong Kong	Northbound Trading	Remarks
Day 1	T day	T day	Yes	-
Day 2	T day	T day	No	Hong Kong market closes on the corresponding money settlement day.
Day 3	T day	Holiday	No	Hong Kong market closes.
Day 4	Holiday	T day	No	Mainland market closes.

Subject to the above, if a trading day is a half trading day in Hong Kong market, Northbound Trading will continue until SSE market or SZSE market (as the case may be) closes.

### Trading arrangement

The following table summarizes the trading arrangements under Northbound Trading:-

Stock code of SSE securities and SZSE securities	6 digits
Trading board lot size	100 shares per lot (for buy orders)
Tick size	RMB0.01
Price limit - SSE Northbound Trading:  - SZSE Northbound Trading	±10% (and ±5% for stocks under special treatment (i.e. ST and *ST stocks) in the risk alert board) based on previous closing price <b>All orders input for SSE securities must be at or within the price limit. Any orders with price beyond the price limit will be rejected by SSE. The upper and lower price limit will remain the same intra-day.</b>  ±10% (and ±5% for stocks under special treatment (i.e. ST and *ST stocks) in the risk alert board) based on previous closing price. Stocks traded on ChiNext Board are also subject to a ±10% price limit based on the previous closing price. <b>All orders input for SZSE securities must be at or within the price limit. Any orders with price beyond the price limit will be rejected by SZSE. The upper and lower price limit will remain the same intra-day.</b>
Maximum order size	1 million shares
Trading and settlement currency	RMB <b>Investors should ensure that they have sufficient RMB to settle SSE securities and SZSE securities trades. For the purpose of trading via Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, customers are required to open and maintain a RMB settlement account or a multi-currency settlement account with Dah Sing Bank.</b>
Day trading	Day trading is not allowed. Hence, investors buying SSE securities and SZSE securities on T day can only sell the securities on and after T+1 day.
Odd lot trading	Only available for sell orders
Order amendment	Not available
Block trades	Not available
Over-the-counter or manual trades	Not available



Short selling	Investors are prohibited from naked short selling in SSE securities and SZSE securities. Covered short selling is allowed subject to the requirements set by SSE and SZSE respectively, but Dah Sing Bank currently does not offer such service.
Margin financing	Allowed in limited circumstances, but Dah Sing Bank currently does not offer such service.
Stock borrowing and lending	Allowed in limited circumstances, but Dah Sing Bank currently does not offer such service.
Subscription of new stock issues	Initially, Hong Kong and overseas investors can participate in rights issue / open offer subscription of SSE-listed issuers and SZSE-listed issuers but <b>NOT</b> initial public offering of SSE securities and SZSE securities.
Physical deposits and withdrawals	Not available
Trading fees	<p>Handling fee, securities management fee, transfer fee, CCASS fees, stamp duty and tax on cash dividend and / or bonus issues (For details, please refer to the related information published on HKEx's China Stock Markets Web.)</p> <p>At present, Hong Kong and overseas investors are exempted from paying capital gains tax and business tax when they trade SSE securities via Shanghai-Hong Kong Stock Connect. The availability of similar exemption for SZSE securities trades via Shenzhen-Hong Kong Stock Connect is yet to be confirmed by the relevant authorities.</p> <p><i>Investors should take note of any tax concerned with income arising from stock transfers which is yet to be determined by the relevant authorities.</i></p>
Issuing of corporate announcements	Through SSE website or SZSE website (as the case may be), four officially appointed newspapers (Shanghai Securities News, Securities Times, China Securities Journal and Securities Daily), and <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> . Investors should note that issuers listed on the ChiNext Board of SZSE are required to publish certain corporate announcements on their corporate websites and the officially appointed websites only. Investors can also visit HKEx website's China Stock Markets Web for the company announcements of SSE securities and SZSE securities issued on the previous T day.
Language of corporate announcements	Simplified Chinese
Order cancellation and rejection	<p>Investors should note that:-</p> <ul style="list-style-type: none"> <li>(i) their order may be cancelled in case of contingency;</li> <li>(ii) their order cancellation request may not be processed in case of contingency and in such event they shall bear the settlement obligations; and</li> <li>(iii) their order may be rejected upon request of SSE, SZSE or SEHK.</li> </ul>

### Severe weather conditions

Initially, the trading arrangement under severe weather conditions for Northbound Trading will be as follows:-

- (a) If SSE or SZSE is suspended due to bad weather, there will be no trading on Northbound Trading on the relevant market and SEHK will inform investors accordingly;
- (b) If typhoon signal no. 8 ("T8") (or above) is hoisted and / or black rainstorm warning is issued in Hong Kong before Hong Kong market opens, Northbound Trading will not open. If the signal and / or warning is / are subsequently cancelled on the same day, arrangement for the resumption of Northbound Trading will follow that for the Hong Kong market. Investors should refer to HKEx website for the details of the arrangement;
- (c) If T8 (or above) is hoisted in Hong Kong after Hong Kong market opens but before SSE market or SZSE market opens (between 9 a.m. and 9:15 a.m.), Northbound Trading will not open; and
- (d) If T8 (or above) is hoisted in Hong Kong after SSE market or SZSE market has opened, trading will continue for 15 minutes after hoisting of the relevant signal, during which order input and cancellation are allowed. After the said 15 minutes, only order cancellation is allowed. China Stock Connect System (i.e. the order routing system set up by SEHK to capture and handle Northbound Trading orders) will continue to open until SSE market or SZSE market closes.

The arrangements above are further summarized by the table below:-

<b>Scenario</b>	<b>Northbound Trading</b>
T8 or above / Black rainstorm warning issued before HK market opens (i.e. 9:00 a.m.)	Not open
T8 or above issued after HK market opens but before SSE market / SZSE market opens (i.e. 9:00 a.m. – 9:15 a.m.)	Not open
T8 or above issued after SSE market / SZSE market opens (i.e. 9:15 a.m.)	Trading will continue for 15 minutes after T8 or above issuance, thereafter, only order cancellation is allowed till SSE market / SZSE market closes.
Black rainstorm warning issued after HK market opens (i.e. 9:00 a.m.)	Trading continues as normal
T8 / Black rainstorm cancelled at or before 12:00 noon	Trading resumes after 2 hours
T8 / Black rainstorm cancelled after 12:00 noon	Not open

### Pre-trade checking

According to Mainland regulations, before an investor sells any share, there should be sufficient shares in the account at the end of the previous day, otherwise SSE or SZSE (as the case may be) will reject the sell order concerned. Therefore, investors should ensure that they have sufficient shares in their accounts prior to placing sell orders.

### Dynamic price checking

Dynamic price checking for buy orders would be in place to prevent mischievous behavior towards the use of the Northbound Trading quotas. Dynamic price checking will be applied throughout the trading day,

from the 5-minute input period before the start of the opening call auction session until the end of the closing call auction session. Buy orders with input prices lower than the current best bid (or last traded price in the absence of current best bid, or previous closing price in the absence of both current best bid and last traded price) beyond a prescribed percentage will be rejected by China Stock Connect System. During the opening call auction session, the current bid (or previous closing price in the absence of the current bid) will be used for checking. The percentage has been set at 3% during the initial phase and it may be adjusted from time to time subject to market conditions.

### **Nominee services and corporate action**

Hong Kong and overseas investors are holding SSE securities traded via Shanghai-Hong Kong Stock Connect and SZSE securities traded via Shenzhen-Hong Kong Stock Connect through their brokers or custodians while HKSCC, being the nominee holder of such SSE securities and SZSE securities, is providing the brokers and custodians nominee services such as collection and distribution of cash dividends, distribution of shareholders' meeting notices, consolidation and submission of voting instructions. Accordingly, Hong Kong and overseas investors are to exercise their shareholder rights in relation to the SSE securities and the SZSE securities through HKSCC in accordance with the CCASS Rules and CCASS Operational Procedures. However, it should be noted that, under the CCASS Rules, HKSCC as nominee holder shall have no obligation to take any legal action or court proceeding to enforce any rights on behalf of the investors in respect of the SSE securities and SZSE securities in Mainland or elsewhere.

As HKSCC is the shareholder on record of SSE securities traded via Shanghai-Hong Kong Stock Connect and SZSE securities traded via Shenzhen-Hong Kong Stock Connect (in its capacity as nominee holder, as described above), it can attend shareholders' meeting as shareholder. Where the articles of association of a listed company do not prohibit the appointment of proxy or multiple proxies by its shareholder, HKSCC will make arrangements to appoint investor(s) as its proxies or representatives to attend shareholders' meeting when instructed.

### **Foreign shareholding restrictions**

Under the current regulatory regime in the Mainland, Hong Kong and overseas investors holding shares in a listed company are subject to the following shareholding restrictions:

- Single foreign investors' shareholding by any Hong Kong or overseas investor in a listed company must not exceed 10% of the company's total issued shares; and
- Aggregate foreign investors' shareholding by all Hong Kong and overseas investors in an A share must not exceed 30% of the total issued shares.

Should the aggregate foreign shareholding of an individual A share exceeds the aggregate foreign shareholding limit, the investors concerned may be required to unwind their position on the excessive shareholding according to a last-in-first-out basis within a specific period in compliance with the applicable forced-sale procedures. SEHK and SSE and / or SZSE (as the case may be) will also issue warnings or restrict the buy orders for the related A-shares if the percentage of total shareholding is approaching the upper limit.

If an investor's shareholding in a listed company exceeds the single shareholding limit, the investor will be subject to forced-sale arrangement as well.

If a customer of Dah Sing Bank is subject to forced-sale arrangement but fails to sell the relevant shares within the stipulated timeframe, Dah Sing Bank shall take appropriate action on behalf of the customer to ensure compliance.

### **Disclosure obligation and compliance with the applicable laws in the Mainland**

Investors should familiarize themselves with and observe the applicable laws, rules and regulations in the Mainland concerning Northbound Trading.

Under the current regulatory regime in the Mainland, when an investor holds or controls 5% or more of the issued shares of a listed issuer, the investor is required to disclose his interest within three working days in the Mainland. Such investor may not buy or sell the shares in the listed issuer within the three-day period.

For such investor, every time when there is an increase or decrease by 5% in his shareholding or the shareholding controlled by him, the investor is required to make a disclosure within three working days in the Mainland. From the day the disclosure obligation arises to two working days after the disclosure is made, the investor may not buy or sell the shares in the listed issuer.

If a change in shareholding of the investor or the shareholding controlled by him is less than 5% but results in the shares held or controlled by the investor falling below 5% of the issued shares in the listed issuer, the investor is required to disclose the information within three working days in the Mainland.

Besides, under Mainland Securities Law, where a director, supervisor or member of the senior management of a listed issuer, or any shareholder holding more than 5% of the issued shares of the listed issuer makes a profit on a sale or purchase of the issuer's shares within a prescribed period (currently 6 months of the acquisition or sale of the relevant shares), such person shall return the profit to the issuer.

To facilitate the Mainland exchanges and regulator to conduct their market supervision and surveillance, Dah Sing Bank is required to assign a unique Broker-to-Client Assigned Number ("BCAN") to each of the Northbound Trading investors, provide the corresponding client identification data ("CID") which includes the investor's name, identity document issuing country, ID type and ID number to SEHK before sending investor's orders for Northbound Trading, and tag the BCAN to every Northbound Trading order on a real-time basis, which will then be routed to the Mainland exchanges. If the necessary authorisation and consent from an investor in relation to the collection, storage, use, disclosure and transfer of his CID and / or BCAN cannot be obtained by Dah Sing Bank, or the investor's BCAN or BCAN-CID mapping is otherwise invalid or deficient, then Dah Sing Bank may only input Northbound Trading sell order (but not any buy order) for such investor.

Investors should further note that his information may be forwarded to SEHK and on-forwarded to SSE and SZSE (as the case may be) for surveillance and investigation purpose. If the applicable rules of exchange are breached, or the disclosure and other obligations referred to therein are breached, SSE and / or SZSE (as the case may be) has / have the power to carry out an investigation, and may, through SEHK, require the parties concerned to provide relevant information and materials to assist in the investigation. Further, Dah Sing Bank may not extend Northbound Trading services to customers if SEHK issues warning statements requiring Dah Sing Bank to do so.

### **Market data**

Currently, Hong Kong and overseas investors may source real time market data of SSE via licensed information vendors, a list of which is available on the website of China Investment Information Services Limited established in Hong Kong, which is the authorised international sole agent of SSE information. Investors can also access real time market data through internet. The licensed vendor for market data is published on the website of SSE Infonet Ltd., Co..

As for SZSE market data, real-time market data of SZSE may be sourced via licensed information vendors, a list of which is available on the website of Shenzhen Securities Information Co. Ltd., SZSE's exclusive agent for local and overseas market data businesses.

### **Trade suspension mechanism for Mainland A-shares**

#### **SSE**

Under the Rules of the Shanghai Stock Exchange on the Real-time Monitoring of Unusual Securities Transactions 《上海證券交易所證券異常交易實時監控細則》, trading of SSE securities may be suspended temporarily during a trading day to suit market needs should there be unusual fluctuations during the trading of A-shares. Examples of unusual fluctuations include:

- during the trading of a stock which is not subject to daily price limit, the price has risen or fallen by more than 10% over the opening price, or has risen or fallen by more than 20% in a single auction;
- the turnover rate (trading volume ÷ actual floating volume on that day x 100%) of a stock which is not subject to daily price limit has exceeded 80%;
- the turnover rate of a risk alert stock which is subject to daily price limit has exceeded 30%;
- where there are trading activities suspected of violating laws and rules, which may substantially affect the trading price or seriously mislead other investors; and
- other circumstances considered by either China Securities Regulatory Commission ("CSRC") or SSE in justifying temporary suspension of trading during a trading day.

SSE will make announcements of temporary suspension and resumption of trading through its Market Trading Reminder webpage and through its satellite communications system.

#### **SZSE**

Under the Implementing Measures of the Shenzhen Stock Exchange for the Shenzhen-Hong Kong Stock Connect 《深圳證券交易所深港通業務實施辦法》, should there be unusual trading circumstances which are determined by the SZSE and which prevent or may prevent certain or all SZSE securities from being traded normally via SZSE Northbound Trading, SZSE may decide to take measures including suspension of the trading of the relevant SZSE securities, suspension of the acceptance of all or part of SZSE Northbound Trading orders or temporary closure of the SZSE, and SZSE shall make announcements accordingly.

Further, if the amount bought or sold via SZSE Northbound Trading within a short period of time exceeds a certain amount and this constitutes an unusual trading situation under the rules of the SZSE, SZSE may implement measures to handle the situation accordingly.

### **Circuit Breaker Mechanism**

China Securities Regulatory Commission announced new regulations introducing a circuit breaker mechanism for trading of A-shares on SSE and SZSE in December 2015. According to the trading rules of SSE and SZSE respectively, trading of A-shares on SSE and / or SZSE will be suspended when the CSI 300 Index rises or falls by a specified percentage compared to its previous close.

Imposition of a circuit breaker in SSE and / or SZSE will result in the suspension of the execution of trades through the SSE and / or SZSE market systems (as the case may be) for such period(s) as set out in the relevant trading rules. The lifting of a circuit breaker during a continuous auction session of any Northbound Trading day may result in trades being executed through call auction.

The implementation of the circuit breaker mechanism has been suspended since 8 January 2016. Investors should take note of any further developments. Details of the circuit breaker mechanism may be found in SSE's and SZSE's websites.

### **Rules and Regulations**

This information leaflet is prepared based on the prevailing information available to Dah Sing Bank. The information and materials contained herein are subject to further changes as implementation of Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect and promulgation of the relevant rules, regulations, agreements and other documentation progress, and they may not be updated to reflect material developments which may occur after its distribution.

This information leaflet serves to provide customers of Dah Sing Bank with an overview of Northbound Trading under Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect and the key risks associated. It does not purport to be comprehensive or to cover all aspects of Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect. It is not designed to provide legal, financial, investment or any other form of advice and should not be relied on as such. Investors are strongly encouraged to seek independent professional advice with regards to his specific circumstances prior to engaging in trades through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect.

Dah Sing Bank shall not be responsible or liable for any direct, consequential, incidental, indirect or special loss or damage, howsoever caused, of any kind, arising from the use of or reliance upon any information or materials provided in this information leaflet, or for any errors, omissions or inaccurate information contained in this information leaflet.

HKEx, SEHK, SEHK subsidiary, SSE, SSE subsidiary, SZSE and SZSE subsidiary and their respective directors, employees and agent shall not be responsible or held liable for any loss or damage directly or indirectly suffered by investors or any third parties arising from or in connection with Northbound Trading or China Stock Connect System.

### **Key Risks of investing through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect**

#### **Risks of investor assets received or held outside Hong Kong**

Investor assets received or held outside Hong Kong are subject to the applicable laws and regulations of the relevant overseas jurisdiction which may be different from the Securities and Futures Ordinance (Cap. 571, the Laws of Hong Kong) and the rules made thereunder. Consequently, such investor assets may not enjoy the same protection as that conferred on investor assets received or held in Hong Kong.

### **Not protected by China Securities Investor Protection Fund**

According to the Measures for the Administration of Securities Investor Protection Fund 《證券投資者保護基金管理辦法》, the functions of China Securities Investor Protection Fund (**CSIPF**, 中國投資者保護基金) include "indemnifying creditors as required by China's relevant policies in case a securities company is subjected to compulsory regulatory measures including dissolution, closure, bankruptcy and administrative takeover by China Securities Regulatory Commission (**CSRC**) and custodian operation" or "other functions approved by the State Council". As far as Hong Kong investors participating in Northbound Trading are concerned, since they are carrying out Northbound Trading through securities brokers in Hong Kong and these brokers are not Mainland brokers, therefore they are not protected by CSIPF on the Mainland.

### **Quotas used up**

Once the relevant Daily Quota is used up, acceptance of the corresponding buy orders for SSE Northbound Trading or SZSE Northbound Trading (as the case may be) will also be immediately suspended and no further buy orders for the relevant market will be accepted for the remainder of the day. Buy orders for the relevant market which have been accepted will not be affected by the using up of the relevant Daily Quota, while sell orders will continue to be accepted. Buying services will be resumed on the following trading day.

### **Trading day and trading hours**

As mentioned above, Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect will only operate on days when both the Hong Kong and Mainland markets are open for trading and when banks in both markets are open on the corresponding settlement days. So it is possible that there are occasions when it is a normal trading day for the Mainland market but Hong Kong investors cannot carry out any A-share trading. Investors should take note of the days Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect are open for business and decide according to their own risk tolerance capability whether or not to take on the risk of price fluctuations in A-shares during the time when Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect are not trading.

In addition, there is difference in trading hours between the Mainland and Hong Kong stock markets. Trading hours for A-shares under Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect is different from Hong Kong and investors shall beware of such difference.



### **Restrictions on selling imposed by front-end monitoring**

For investors who usually keep their A-shares outside of their brokers, if they want to sell certain A-shares they hold, they must transfer those A-shares to the respective accounts of their brokers by the end of the day immediately preceding the target trading day. If they fail to meet this deadline, they will not be able to sell those A-shares on the target trading day.

### **The recalling of eligible stocks**

When a stock is recalled from the scope of eligible stocks for trading via Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect for above-mentioned reasons, the stock can only be sold but restricted from being bought. This may affect the investment portfolio or strategies of investors. Investors should therefore pay close attention to the list of eligible stocks as provided and renewed from time to time by SSE, SZSE and SEHK.

### **Mainland market risk**

- (a) Market volatility risk: The Mainland stock market is relatively volatile as it is mostly made up of retail investors who tend to be speculative and susceptible to the central government policies and news.
- (b) Macro-economic risk: There is a close relationship between the Chinese economy and stock market performance. The Chinese economic growth is still above the global average, but has already shown signs of slowdown. Moreover, there is growing concern over the country's government and corporate debts.
- (c) Currency risks: Hong Kong investors will be exposed to the risk of RMB exchange rate movements if they have to convert HKD into RMB for trading in Shanghai and Shenzhen A-shares. The conversion also incurs costs.

Movements in the RMB exchange rate will affect the profits and debts of the Mainland listed companies. Such effects will be more significant to those export-oriented companies and companies having debts denominated in currencies other than RMB.

- (d) Policy risk: Central government's economic and financial policies will affect the performance of investment market. Investors shall beware of the central government policies for stimulating the economy or supporting different industries, as well as their different financial policies in respect of the currency, interest rate, credit and stock markets.

### **Risks of investing in companies listed on the ChiNext Board of SZSE ("ChiNext Companies")**

Certain eligible A-shares under Shenzhen Connect are listed on the SZSE's ChiNext Board, which will be limited to the institutional professional investors at the initial stage of Shenzhen Connect. Generally, stocks listed on ChiNext Board contain higher risk than those listed on the SZSE Main Board.

- (a) Regulatory risk: The rules and guidance on listing, trading, disclosure and other matters of ChiNext Board vary much from those of the SZSE Main Board and SME Board. For instance, the listing requirements of ChiNext Board are less stringent than the SZSE Main Board and SME Board, e.g.

requiring a shorter track record period and lower net profit, revenue and operating cash flow. Moreover, the disclosure rules applied to the ChiNext Board are different from the SZSE Main Board and SME Board. For example, ad hoc reports of ChiNext companies are only required to be published on a CSRC designated website and on the issuers' website. If investors continue to check information through the usual disclosure channels for the SZSE Main Board and SME Board, they may miss out some important information disclosed by ChiNext companies. Therefore, investors are advised to closely monitor announcements and risk alerts of ChiNext companies, be aware of market risks, and comply with relevant rules and regulations while trading in the ChiNext market.

- (b) **Operating risk:** Companies listed on ChiNext Board are generally in the early stage of development and have a shorter history, whose business is smaller in scale, unstable, profitability is low, and less resilient against market and industry risks. Operating risks experienced by these companies often include technical failure, new products not well-received by the market, failure to catch up the market development and any changes in the founder, management team and core technician team.
- (c) **Delisting risk:** Compared to the SZSE Main Board, the proportion of companies delisting is higher on the ChiNext Board and such delisting process may be speeded up. In addition, the shares of ChiNext companies may be delisted immediately after SZSE determines its delisting. Investors will not be able to trade in delisted shares, and may lose all the invested capital in this case.
- (d) **Fluctuation in stock price:** As companies listed on ChiNext Board are relatively small and their business performance are unstable, they are more vulnerable to speculation. Share price of the ChiNext stocks is more volatile. ChiNext companies with low public float may be vulnerable to manipulations by major shareholders. The unstable financial result also adds the difficulty to the company valuations.
- (e) **Technical risk:** Companies listed on ChiNext Board are mainly high technology companies, whose success is subject to technical innovations. However, these companies are exposed to the risks and challenges relating to technical innovation, such as high R&D costs, technical failure, and rapid development and replacement in technology and product market.
- (f) **Risks relating to valuation:** Generally, it is difficult to estimate the value of a company listed on ChiNext Board as they are in the early stage of development with short operating history and unstable profits and cash flow. Therefore, traditional valuation method, such as price-to-earnings ratio and price-to-book ratio, is difficult to be applied.

### **Risks for Shanghai Stock Exchange (SSE) Sci-Tech Innovation Board (STAR Market)**

Eligible A-shares listed on SSE STAR Market has been included into Stock Connect with effect from 1 February 2021. Given the STAR Market's special investor eligibility requirements, STAR Market-listed shares will only be accessible via Northbound Stock Connect trading by institutional professional investors, as defined under the Rules of the Exchange.

- (a) **Regulatory risk:** The rules and guidance on listing, trading, disclosure and other matters of SSE STAR vary much from those of the SSE main board. For example, on the listing requirements, lower net profit and revenue requirements will apply for company seeking IPO and listing on the STAR market. Different trading arrangements will apply for the trading of STAR companies, such as daily price limit,

minimum order size and maximum order size. For details of the listing requirements and the trading arrangements of the STAR market and the SSE main board, please visit SSE website.

- (b) Delisting risk: The delisting standards of the STAR market are different from those of the SSE main board. There are more situations that will lead to the delisting of STAR companies. STAR companies have greater exposure to the risk of being delisted, and such delisting process may be speeded up.
- (c) Operating risk: STAR companies are generally in an early stage of development and have a shorter history. They are usually smaller in scale, have less stable operations, and are less resilient against market risks and industry risks. Although they may have higher growth potential and leverage more on technical innovations, their future performance particularly those without a profit track record is susceptible to great uncertainty.
- (d) High share price volatility: The share prices of STAR companies may fluctuate largely and frequently due to changing market conditions, investor speculations, inconsistent financial results, etc. The unstable financial result also makes company valuations difficult.
- (e) Technical risk: There is higher degree of uncertainty whether a STAR company is able to convert its technical innovations into physical products or services. When the industry is experiencing rapid technological development and replacement, its product may be obsolete and may not survive in the market.

Investors should also refer to the standard Risk Disclosure Statement 上海證券交易所科創板股票交易風險揭示書必備條款 (in Chinese only) in the Investor Eligibility Implementing Measure of STAR Market which Mainland investors are required to acknowledge before trading in SSE STAR market.

**Source: HKEx website, SFC's Investor Education Centre, the Investor and Financial Education Council, the Code of Conduct for Persons Licensed by or Registered with the SFC, Implementing Measures of the Shenzhen Stock Exchange for the Shenzhen-Hong Kong Stock Connect and Guidelines for the Agency Agreement for the Trading of Securities of the Securities Association of China**

**Issue Date: 15<sup>th</sup> March 2021**

**(Applicable to Personal Customer)**

**Personal Information Collection Statement on Northbound Trading under Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect**

**Processing of Personal Data on Northbound Trading under Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect ("Northbound Trading")**

You acknowledge and agree that in providing Northbound Trading Services, Dah Sing Bank, Limited ("the Bank") will be required to:

1. tag each of your orders submitted to the China Stock Connect System ("CSC") with a unique Broker-to-Client Assigned Number ("BCAN"); and
2. provide to The Stock Exchange of Hong Kong Limited ("the Exchange" or "SEHK") your assigned BCAN and such identification information ("Client Identification Data" or "CID") relating to you as the Exchange may request from time to time under the Rules of the Exchange.

Without limitation to any notification the Bank has given you or consent the Bank has obtained from you in respect of the processing of your personal data in connection with your account and the Bank's services to you, you acknowledge and agree that the Bank may collect, store, use, disclose and transfer personal data relating to you as required as part of our Northbound Trading Services, including as follows:

- (a) to disclose and transfer your BCAN and CID to the Exchange and the relevant subsidiaries established by SEHK under Stock Connect ("SEHK Subsidiaries") from time to time, including by indicating your BCAN when inputting a Northbound Trading order into the CSC, which will be further routed to the relevant China Connect Market Operator on a real-time basis;
- (b) to allow each of the Exchange and the relevant SEHK Subsidiaries to: (i) collect, use and store your BCAN, CID and any consolidated, validated and mapped BCANs and CID information provided by the relevant China Connect Clearing House (in the case of storage, by any of them or via Hong Kong Exchanges and Clearing Limited ("HKEX")) for market surveillance and monitoring purposes and enforcement of the Rules of the Exchange; (ii) transfer such information to the relevant China Connect Market Operator (directly or through the relevant China Connect Clearing House) from time to time for the purposes set out in (c) and (d) below; and (iii) disclose such information to the relevant regulators and law enforcement agencies in Hong Kong so as to facilitate the performance of their statutory functions with respect to the Hong Kong financial markets;
- (c) to allow the relevant China Connect Clearing House to: (i) collect, use and store your BCAN and CID to facilitate the consolidation and validation of BCANs and CID and the mapping of BCANs and CID with its investor identification database, and provide such consolidated, validated and mapped BCANs and CID information to the relevant China Connect Market Operator, the Exchange and the relevant SEHK Subsidiary; (ii) use your BCAN and CID for the performance of its regulatory functions of securities account management; and (iii) disclose such information to the Mainland regulatory authorities and law enforcement agencies having jurisdiction over it so as to facilitate the performance of their regulatory, surveillance and enforcement functions with respect to the Mainland financial markets; and
- (d) to allow the relevant China Connect Market Operator to: (i) collect, use and store your BCAN and CID to facilitate their surveillance and monitoring of securities trading on the relevant China Connect Market through the use of the China Connect Service and enforcement of the rules of the relevant China Connect Market Operator; and (ii) disclose such information to the Mainland regulatory

authorities and law enforcement agencies so as to facilitate the performance of their regulatory, surveillance and enforcement functions with respect to the Mainland financial markets.

By instructing the Bank in respect of any transaction relating to Northbound Trading Securities, you acknowledge and agree that the Bank may use your personal data for the purposes of complying with the requirements of the Exchange and its rules as in force from time to time in connection with Northbound Trading. You also acknowledge that despite any subsequent purported withdrawal of consent by you or termination of all your account(s) with the Bank, your personal data may continue to be stored, used, disclosed, transferred and otherwise processed for the above purposes, whether before or after such purported withdrawal of consent.

### **Terms and Conditions**

1. If you fail to provide your personal data or consent to the Bank as described above, the Bank will not, or no longer be able, as the case may be, to carry out your trading instructions or provide you with Northbound Trading Services.
2. Customer is required to notify the Bank promptly if there is any update on CID.
3. This statement is applicable to customer with securities account(s) under the same name. If customer holds a joint account, a unique BCAN will be assigned to the joint account for Northbound Trading provided that all account holders must provide consent by signing this statement.
4. If your BCAN or BCAN-CID mapping is invalid or deficient, the Bank will not, or no longer be able, as the case may be, to carry out Northbound Trading buy order under Northbound Trading Services.
5. This statement will be effective within three trading days after receipt of the signed form by the Bank.
6. Any arrangement in relation to BCAN mentioned above and this statement shall not be applicable to Mainland investors which include: (a) individuals that possess Mainland ID documents; and (b) holders of a joint account if one of the holders is considered as Mainland investor under (a); but exclude any individual who holds a Permit for Proceeding to Hong Kong and Macao, i.e. One-way Permit or who has obtained any identity document as proof of permanent residence in a country or region outside Mainland China.

**(Applicable to Company Customers)**

**Information Collection Statement on Northbound Trading under Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect**

**Processing of Data on Northbound Trading under Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect ("Northbound Trading")**

The company named below (the "Company") acknowledges and agrees that in providing Northbound Trading Services, Dah Sing Bank, Limited ("the Bank") will be required to:

1. tag each of the Company's orders submitted to the China Stock Connect System ("CSC") with a unique Broker-to-Client Assigned Number ("BCAN"); and
2. provide to The Stock Exchange of Hong Kong Limited ("the Exchange" or "SEHK") the BCAN assigned to the Company and such identification information of the Company ("Client Identification Data" or "CID") as the Exchange may request from time to time under the Rules of the Exchange.

Without limitation to any notification the Bank has given the Company or consent the Bank has obtained from the Company in respect of the processing of the Company's data in connection with its account and the Bank's services to the Company, the Company acknowledges and agrees that the Bank may collect, store, use, disclose and transfer the data of the Company as required as part of our Northbound Trading Services, including as follows:

- (a) to disclose and transfer the Company's BCAN and CID to the Exchange and the relevant subsidiaries established by SEHK under Stock Connect ("SEHK Subsidiaries") from time to time, including by indicating the Company's BCAN when inputting a Northbound Trading order into the CSC, which will be further routed to the relevant China Connect Market Operator on a real-time basis;
- (b) to allow each of the Exchange and the relevant SEHK Subsidiaries to: (i) collect, use and store the Company's BCAN, CID and any consolidated, validated and mapped BCANs and CID information provided by the relevant China Connect Clearing House (in the case of storage, by any of them or via Hong Kong Exchanges and Clearing Limited ("HKEX")) for market surveillance and monitoring purposes and enforcement of the Rules of the Exchange; (ii) transfer such information to the relevant China Connect Market Operator (directly or through the relevant China Connect Clearing House) from time to time for the purposes set out in (c) and (d) below; and (iii) disclose such information to the relevant regulators and law enforcement agencies in Hong Kong so as to facilitate the performance of their statutory functions with respect to the Hong Kong financial markets;
- (c) to allow the relevant China Connect Clearing House to: (i) collect, use and store the Company's BCAN and CID to facilitate the consolidation and validation of BCANs and CID and the mapping of BCANs and CID with its investor identification database, and provide such consolidated, validated and mapped BCANs and CID information to the relevant China Connect Market Operator, the Exchange and the relevant SEHK Subsidiary; (ii) use the Company's BCAN and CID for the performance of its regulatory functions of securities account management; and (iii) disclose such information to the Mainland regulatory authorities and law enforcement agencies having jurisdiction over it so as to facilitate the performance of their regulatory, surveillance and enforcement functions with respect to the Mainland financial markets; and
- (d) to allow the relevant China Connect Market Operator to: (i) collect, use and store the Company's BCAN and CID to facilitate their surveillance and monitoring of securities trading on the relevant China Connect Market through the use of the China Connect Service and enforcement of the rules

of the relevant China Connect Market Operator; and (ii) disclose such information to the Mainland regulatory authorities and law enforcement agencies so as to facilitate the performance of their regulatory, surveillance and enforcement functions with respect to the Mainland financial markets.

By instructing the Bank in respect of any transaction relating to Northbound Trading Securities, the Company acknowledges and agrees that the Bank may use its data for the purposes of complying with the requirements of the Exchange and its rules as in force from time to time in connection with Northbound Trading. The Company also acknowledges that despite any subsequent purported withdrawal of consent by the Company or termination of all its account(s) with the Bank, the Company's data may continue to be stored, used, disclosed, transferred and otherwise processed for the above purposes, whether before or after such purported withdrawal of consent.

### **Terms and Conditions**

1. If the Company fails to provide its data or consent to the Bank as described above, the Bank will not, or no longer be able, as the case may be, to carry out the trading instructions of the Company or provide the Company with Northbound Trading Services.
2. The Company is required to notify the Bank promptly if there is any update on CID.
3. If the Company's BCAN or BCAN-CID mapping is invalid or deficient, the Bank will not, or no longer be able, as the case may be, to carry out Northbound Trading buy order under Northbound Trading Services.
4. This statement will be effective within three trading days after receipt of the signed form by the Bank.
5. Any arrangement in relation to BCAN mentioned above and this statement shall not be applicable to corporate or unincorporated entities which are registered in the Mainland, excluding any branch or subsidiary of a corporate or unincorporated entity registered in Mainland China which branch or subsidiary is lawfully registered in Hong Kong or overseas.



## Section IV: Addendum for Overseas Securities Services

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January 2023

This Addendum (together with applicable provisions of the Master Terms and Conditions / Master Terms and Conditions for VIP Banking Services of Dah Sing Bank, Limited (the "**Bank**") (the "**Master Terms and Conditions**") including but not limited to the Specific Terms for Securities Services of the Master Terms and Conditions) applies to the provision by the Bank of Overseas Securities Services (as defined below). This Addendum supplements, is incorporated into and forms part of the Master Terms and Conditions, as the same may be amended, supplemented and reinstated from time to time. The provisions of the Master Terms and Conditions shall apply to the Overseas Securities Services to the extent that they are relevant and not inconsistent with the provisions of this Addendum. In particular, this Addendum should be read in conjunction with the Specific Terms for Securities Services of the Master Terms and Conditions. Where any conflict arises between the Master Terms and Conditions and the provisions of this Addendum, the provisions of the latter shall prevail in respect of Overseas Securities Services and the activities and transactions conducted in connection therewith to the extent of any such conflict.

Reference to the "**Addendum**" shall refer to this Addendum as amended, supplemented and reinstated from time to time, and include each of its Annexures.

### 1. Interpretation

1.1 In this Addendum, the following words and expressions shall have the meaning ascribed to them below:

"**Applicable Laws and Regulations**" has the meaning given to it in clause 15.1(a)(iii) of the General Terms of the Master Terms and Conditions.

"**Overseas Securities**" means any securities (as defined in the Specific Terms for Securities Services of the Master Terms and Conditions) that are listed or traded in any jurisdiction outside Hong Kong, and where the context so requires, includes structured products or derivative products whose underlying or reference assets are Overseas Securities. The types and scope of products on which the Bank would classify as "Overseas Securities" for which it provides its services is subject to the Bank's approval and changes as determined by the Bank at its sole and absolute discretion from time to time. For the avoidance of doubt, any reference to the term "**securities**" in the Specific Terms for Securities Services of the Master Terms and Conditions when read in the context of Overseas Securities Services shall be read to include "**Overseas Securities**" unless the context requires otherwise.

"**Overseas Securities Account**" means any account(s) and sub account(s) of the Customer which is(are) opened and maintained with the Bank for the provision of Overseas Securities Services, and for the avoidance of doubt, any reference to the term "**Securities Account**" in the Specific Terms for Securities Services of the Master Terms and Conditions when read in the context of Overseas Securities Services shall be read to include the "**Overseas Securities Account**" unless the context requires otherwise.

"**Overseas Securities Services**" means the services offered or made available by the Bank on Overseas Securities, including those set out in clause 2.1 of the Specific Terms for Securities Services of the Master Terms and Conditions. The types and scope of Overseas Securities Services on which the Bank makes available and offers is subject to the Bank's approval and changes as determined by the Bank at its sole and absolute discretion from time to time.

"**Overseas Settlement Account**" means a Multi-Currency Savings Account or such other type of account(s) of the Customer which is(are) opened and maintained with the Bank for settlement of transactions in connection with the Overseas Securities Services. For the avoidance of doubt, any reference to the term "**Settlement Account**" in the Specific Terms for Securities Services of the Master Terms and Conditions when read in the context of Overseas Securities Services shall be read to include the "**Overseas Settlement Account**" unless the context requires otherwise.

"**Service Provider**" means any broker, dealer, custodians, depository and Custodial Agents, clearing or settlement agent or any other person appointed or engaged by the Bank in Hong Kong or elsewhere in connection with the provision of Overseas Securities Services, and include their appointees and delegates.

"**U.S.**" or "**United States**" means the United States of America.

- 1.2 Unless the context otherwise requires, capitalized terms not defined herein shall bear the same meanings as in the Specific Terms for Securities Services of the Master Terms and Conditions.

## 2. Services

- 2.1 The Bank is appointed to provide the Overseas Securities Services for the Customer.

## 3. Account

- 3.1 Subject to agreement by the Bank, the Bank will open and maintain in the name of the Customer:

- (a) one or more Overseas Securities Accounts under which the Customer's Overseas Securities will be recorded, and deposited or withdrawn in connection with the transactions and activities regarding the Overseas Securities Services; and
- (b) one or more Overseas Settlement Accounts under which the Customer's money will be recorded and debited or credited in connection with the transactions and activities regarding the Overseas Securities Services.

#### **4. Terms of Custody**

4.1 Whenever the Customer delivers, or is required by the Specific Terms of Securities Services of the Master Terms and Conditions, this Addendum or any request by the Bank to deliver to the Bank any Overseas Securities or documents of title in respect thereof, the Customer shall at the Customer's risk and expense deliver such Overseas Securities and documents of title in respect thereof to the Bank or such other persons as the Bank may direct, in such manner, within such time and accompanied by such information and documents as the Bank may require at its sole and absolute discretion.

The Customer hereby expressly authorizes the Bank to deposit any Overseas Securities or related assets with any Service Provider in a collective custody account or otherwise in the Bank's name for the account and at the risk of the Customer. The Customer also authorizes the Bank to open and maintain one or more consolidated accounts with Service Providers through which transactions will be executed and cleared and where assets will be maintained for the Customer and other customers of the Bank. The Bank may as it considers appropriate establish sub account(s) with Service Providers to facilitate the booking and recording of customer assets and transactions for different customers of the Bank. Unless otherwise agreed between the Bank and the Customer, any such Overseas Securities and related assets shall be held in the relevant overseas jurisdiction(s) and any transfer or delivery of such Overseas Securities and assets from one jurisdiction to another shall be at the expense and risk of the Customer.

4.2 Any Customer's Overseas Securities and assets received or held outside Hong Kong shall be subject to the Applicable Laws and Regulations of the relevant overseas jurisdiction(s) which may be different from the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and the rules made thereunder including the Securities and Futures (Client Money) Rules (Chapter 571I of the Laws of Hong Kong) and Securities and Futures (Client Securities) Rules (Chapter 571H of the Laws of Hong Kong). The Customer understands that such assets may not enjoy the same protection as that conferred on client assets received or held in Hong Kong, and the Hong Kong regulators (including the Securities and Futures Commission) may not be able to compel the enforcement of the rules of regulatory authorities or markets in other jurisdictions where the Customer's transactions have been effected. The Customer acknowledges the risks involved and will seek independent professional advice as he considers appropriate.

- 4.3 The Customer acknowledges that the Bank and the Service Providers are not bound to redeliver to the Customer the identical Overseas Securities received from or for the Customer. The Customer agrees that they may redeliver to the Customer Overseas Securities of like quantity, type and description.
- 4.4 The Customer agrees that any Customer assets held with the Bank or any Service Providers may be applied to: (i) meet obligations to the relevant clearing house and / or (ii) pay commission, brokerage, levies and other charges for transactions conducted for the Customer. The Customer acknowledges that such Customer assets may also be applied in or towards meeting obligations of the Bank or any Service Providers to others where such obligations arise in connection with or incidental to transactions done for the Customer. The Customer agrees that interest on the Customer money may be retained by the Bank or any Service Providers.

## **5. Execution of Instruction**

- 5.1 The Bank is authorized but not obliged to act on an instruction given or purported to be given by the Customer. Instructions may only be given by the Customer during such time or times as notified by the Bank to the Customer from time to time, and the Bank reserves the right to amend, vary or restrict the time at any time at its sole and absolute discretion. The Customer acknowledges that it may not be possible to cancel or modify an instruction and the Customer is responsible for executions notwithstanding a cancellation or modification request.
- 5.2 In particular, the Bank may establish cut-off times for transactions in Overseas Securities. Any trade instruction regarding any Overseas Securities for execution on the date of instruction must be received by the Bank before the relevant cut-off time as notified by the Bank from time to time. The Bank reserves its rights to revise the cut-off times at its sole and absolute discretion from time to time. If an instruction is given by the Customer on a holiday or non-trading day or after the trading session on a trading day of the relevant exchange or market, the Bank may but is not obliged to execute the instruction on the first trading day in the relevant exchange or market thereafter provided that it is also a business day in Hong Kong.
- 5.3 Without any prejudice to the above, unless otherwise agreed by the Bank, the Bank will not accept any instructions to change or cancel any orders in respect of structured products outside the business hours of the Bank in Hong Kong, and the Customer understands and agrees to accept the risks arising therefrom. In addition, without prejudice to the generality of the foregoing and clauses 1.4 and 2.9 of the General Terms of the Master Terms and Conditions, the Bank shall be entitled to refuse to accept, rely on or act on any instruction given or purported to be given by the Customer at any time without giving any reason to the Customer.
- 5.4 The trades in Overseas Securities for the Customer may be executed through Service Providers and they may act as agent or principal in the transactions. The Customer authorizes the Bank to provide and disclose information on the Customer orders to others including the Service Providers and their

affiliates and brokers to disseminate quotes and to facilitate the execution of such orders.

- 5.5 The Service Providers may execute proprietary trades or hold positions for themselves and their affiliates in respect of the same products as those under the Customer's instructions which have been executed or are yet to be executed. The Service Providers, their affiliates and their respective directors and employees may also trade in Overseas Securities on their own accounts and may take opposite positions to the Customer's order whether for their own accounts or for the account of their other clients. Subject to Applicable Laws and Regulations, the Customer specifically authorizes the Bank, the Service Providers, their affiliates or brokers to act as buyers with respect of orders given by the Customer to sell for the Customer's account, or as sellers with respect to orders given by the Customer to buy for the Customer's account.
- 5.6 The Bank shall not be responsible or liable for any delay or failure of the Service Providers and their systems beyond the control of the Bank.

## **6. Dealing in Overseas Securities**

- 6.1 All instructions of the Customer and in particular, all transactions in respect of the purchase and sale of Overseas Securities, shall be carried out subject to the constitution, rules, regulations, bye-laws, directions, customs and usages of the relevant exchange or market and its clearing house (if any) and in accordance with the Applicable Laws and Regulations and the applicable terms of business or agreement with any Service Provider, as amended from time to time. All actions taken by the Bank in accordance with such laws, rules, regulations, bye-laws, directions, customs and usages and terms of business or agreement shall be binding on the Customer.
- 6.2 Notwithstanding anything to the contrary that may be contained in the Master Terms and Conditions, the Customer shall not place any sale order in relation to Overseas Securities that the Customer does not own (i.e., where it involves short selling). The Customer acknowledges and agrees that no short selling orders will be accepted by the Bank, and the Customer undertakes to give the Bank such information and / or assurances in relation to the ownership of the Overseas Securities as the Bank may require before the selling order is placed. If the Bank inadvertently accepts or executes any short selling order, the Bank may at its sole and absolute discretion cancel the transaction or obtain the relevant Overseas Securities from the market or otherwise for delivery. In either case, the Customer shall fully indemnify the Bank against any and all losses and liabilities incurred in connection therewith.
- 6.3 The Customer acknowledges and agrees that the Bank shall have full power and express authority to appoint, replace and / or terminate the appointment of any Service Provider of its choice (including any Service Provider who is a member of the Group Company) and the Bank may effect the Customer's orders through such Service Provider and, subject to Applicable Laws and Regulations, receive cash rebates or other remuneration from such Service Provider. The Customer hereby consents to the retention by the Bank of such rebates and remuneration and confirms that the Bank shall not be liable to account to the Customer in respect of such rebates and remuneration.

- 6.4 In the event the Bank does act on any instruction of the Customer, the Bank's obligation to settle any transaction, regardless of whether the Bank is acting as principal or as agent for the Customer or any other person, is conditional upon receipt by the Bank or its settlement agents on or before such date as determined by the Bank of funds (in the case of a purchase) or Overseas Securities (in the case of a sale) together with all necessary documents and information due to be delivered by the Customer or on his behalf.
- 6.5 The Customer agrees that prior to the start of the last trading day before expiration of any options or other rights position, the Bank (whether by itself or through the Service Providers) may liquidate (i.e., close out) any option position or other rights position that the Overseas Securities Account has insufficient equity or may have insufficient equity at expiration to exercise or be assigned on such position and to then carry the resulting underlying position. The Customer acknowledges that approaching expiration with long or short options for which the Overseas Securities Account does not or may not have sufficient equity to hold the underlying position creates serious risk (including the risk of market movements in the underlying product between expiration and the next opening of the market in the product). If the Bank has not closed out a long or short option or other rights position prior to the start of the last trading day before expiration and if the Bank at its sole and absolute discretion determines that the Overseas Securities Account has or may have insufficient equity to hold the underlying position upon expiration, the Bank has the right at its sole and absolute discretion to do any of the following whether by itself or through the Service Providers: (i) liquidation of some or all of the options or rights position prior to expiration, (ii) lapsing some or all of the options (i.e., instructing that they are not to be exercised), even if in-the-money at expiration, and / or (iii) allowing some or all of the options to be exercised or assigned and then liquidation of some or all of the resulting position. The Customer shall have no claim for damages or lost profits resulting therefrom.
- 6.6 The Customer hereby undertakes to comply with all Applicable Laws and Regulations applicable to dealings in and holding Overseas Securities. The Customer will be solely responsible for any notification, filing, or other requirement of any jurisdiction relating to the Overseas Securities or other assets in the Overseas Securities Account or transactions concerning such Overseas Securities or other assets. The Customer agrees to take such actions as the Bank may require to ensure compliance with all such Applicable Laws and Regulations. In no event will the Bank be liable for any non-compliance by the Customer with the same. The Customer further agrees that to the maximum extent permitted under Applicable Laws and Regulations, the Bank shall not be obliged to monitor positions of the Customer, or determine, advise or assist the Customer in any way in respect of any such filings, notifications, returns, reports or disclosure obligations applicable to the Customer under any Applicable Laws and Regulations. The Customer shall be responsible for compliance with all applicable limitations, restrictions or qualifications with regards to the Customer's investment or holding in any Overseas Securities.
- 6.7 The Customer undertakes to provide the Bank timely, correct and accurate information relating to any restrictions and limitations on the purchase, sale, disposal or otherwise transfer and holding of any Overseas Securities. In respect of any instructions to sell, dispose of or otherwise transfer Overseas Securities, the Customer shall upon request provide the Bank with any necessary information and documents to the satisfaction of the Bank to satisfy any and all legal transfer

requirements under the Applicable Laws and Regulations, and the requirements of the relevant exchange or market and its clearing house (if any), and Service Provider. The Customer shall be responsible for and shall reimburse the Bank for any delays, expenses, losses and damages incurred by the Bank that are associated with compliance or failure to comply with any of the relevant requirements in connection therewith.

- 6.8 The Customer agrees that the Bank may establish position limits on the Overseas Securities Account and may limit the number of open positions that the Customer may execute, clear and / or carry with or acquire through the Bank. The Customer agrees (i) not to enter into any transaction that would have the effect of exceeding such position limits, (ii) that the Bank may at any time reduce open positions by issuing closeout or offsetting trades or require the Customer to reduce open positions carried with the Bank, and (iii) that the Bank may refuse for any reason to accept orders to establish new positions. The Bank may impose and enforce such limits, reduction or refusal whether or not the same are required by Applicable Laws and Regulations.
- 6.9 The Customer shall comply with all position limits established by any regulatory or self-regulatory organization or by any exchange. The Customer agrees to notify the Bank promptly if he is required to file position reports with any regulatory or self-regulatory organization or with any exchange and agrees to promptly provide the Bank with copies of any such position reports. The Bank expressly disclaims any liability for any losses incurred by the Customer relating to the Customer approaching or exceeding any position limits established by the Bank, its Service Providers or by any regulatory or self-regulatory organization or by any exchange. The Customer understands that the Bank shall not have any obligation and is in no way agreeing, to monitor on behalf of the Customer any of the trading activities of the Customer and / or compliance by the Customer with any position limits established by the Bank, its Service Providers or by any regulatory or self-regulatory organization or by any exchange.
- 6.10 The Customers understands and acknowledges the risk in relation to foreign currency-denominated transactions and the profit or loss in transactions in foreign currency-denominated contracts will be affected by fluctuations in currency rates where there is a need to convert from the currency denomination of the contract to another currency. The Customer acknowledges and agrees that all currency exchange risks in respect of any transactions under the Master Terms and Conditions shall be borne by the Customer. In the event that any foreign exchange or currency conversion is required to effect any transaction in Overseas Securities, the Bank may convert funds at the Customer's expense into and from such currency in such manner and at such rate of exchange as the Bank shall at its sole and absolute discretion determine with reference to the then prevailing market conditions, and any loss arising as a result of fluctuations in the exchange rate of the relevant currencies shall be borne by the Customer solely. Any such currency conversion will be effected by the Bank in such manner (including on a principal basis) and at such time as it may at its sole and absolute discretion determine. The Customer authorizes the Bank to debit the Customer's account(s) for any costs and expenses incurred in effecting the currency conversion. Notwithstanding the foregoing, the Bank reserves the right at any time to refuse to accept or proceed with any instructions from the Customer in relation to any currency conversion.
- 6.11 Without prejudice to any other rights of the Bank, the Customer hereby authorizes the Bank, its



agents or Service Providers, to the fullest extent permitted by Applicable Laws and Regulations:

- (a) at any time and without prior notice, to dispose of the Customer's Overseas Securities for the purpose of settling any liability owed by the Customer to the Bank or any of its associated entities (as defined in the Securities and Futures Ordinance);
- (b) place any of the Overseas Securities and any income deriving therefrom held for the Customer with another financial institution or intermediary for the purpose of financial accommodation provided to the Bank or its Service Providers or agents;
- (c) place any of the Overseas Securities and any income deriving therefrom held for the Customer with another financial institution or intermediary as collateral for the discharge and satisfaction of settlement obligations and liabilities of the Bank or its Service Providers or agents; and
- (d) receive, hold, apply and deal with any of the Overseas Securities and any income deriving therefrom held for the Customer according to the terms of business or agreement between the Bank and any Service Provider.

6.12 In the event the Bank exercises its rights or authority under the Master Terms and Conditions and / or this Addendum to close any or all contracts between the Bank and the Customer and / or sell or dispose of any Overseas Securities, the Customer agrees that the Bank may effect currency exchange transaction in respect of the proceeds of such sale or disposal as the Bank sees fit (and at such exchange rate as the Bank shall determine at the relevant time) to satisfy any outstanding actual or contingent liabilities owed by the Customer to the Bank.

## **7. Confirmations and Contract Notes**

- 7.1 The Bank will provide confirmations and contract notes to the Customer in respect of transactions in Overseas Securities at such time and in such manner as determined by the Bank subject to Applicable Laws and Regulations.
- 7.2 The Customer understands and acknowledges that the information to be provided by the Bank in the confirmations and contract notes and the timing at which the Bank provides such confirmations and contract notes would be depending on and subject to what and when the Bank receives such information from the Service Providers. In particular, the Customer understands that due to the time difference between Hong Kong and the relevant overseas market or exchange, there could be delays and trade confirmations may not be provided to the Customer within the same day as the day on which such trades are executed.
- 7.3 The Customer acknowledges that confirmations of executions or cancellations may be delayed or may be erroneous (including due to error and delays caused by the Service Providers) and may be cancelled or adjusted by an exchange or a Service Provider. If the trades are confirmed by the Bank or the Service Providers as executed and they are later cancelled by an exchange, trading network or regulatory authority, the confirmed trade will be deemed to be cancelled. The Customer is bound by the actual order execution if consistent with the Customer's order.

- 7.4 The Customer agrees to notify the Bank immediately regarding any incorrect or inaccurate information contained in any confirmation or contract note it receives. If the Customer fails or delays to report, the Customer shall bear and the Bank shall not be liable for any loss and consequence in connection therewith.
- 7.5 The Customer acknowledges that the Bank may adjust the Overseas Securities Account and Overseas Settlement Account of the Customer to correct any error and the Customer agrees to promptly return to the Bank any assets erroneously distributed to the Customer.

## **8. Margin and Risk Management; Liquidation of Positions and Offsetting Transactions**

- 8.1 Margin transactions are subject to initial and maintenance margin requirements of exchanges, clearing houses and regulators and also any additional margin requirements imposed by the Bank or any Service Provider (the "Margin Requirements"). The Margin Requirements may be modified by the Bank or any Service Provider at any time, and the Customer shall ensure that at all times his Overseas Securities Account and Overseas Settlement Account contain sufficient assets to meet the Margin Requirements. The Bank has the right to reject any order if the Customer has insufficient assets to meet the Margin Requirements. The processing of any order from the Customer may be delayed while the margin status of the Customer is being determined. The Bank and the Service Providers may also impose risk management limits and requirements ("Risk Management Requirements") on the Customer's accounts.
- 8.2 Unless otherwise required under Applicable Laws and Regulations, the Bank has no obligation to notify the Customer of any failure to meet Margin Requirements or Risk Management Requirements prior to the Bank or its Service Provider exercising their rights and remedies. The Customer understands and agrees that the Bank or its Service Provider is authorized to liquidate positions or add risk reducing positions in the accounts of the Customer at any time, in any market and in any manner in order to satisfy Margin Requirements or Risk Management Requirements without prior notice to the Customer. The Customer shall be liable and will promptly pay the Bank for any deficiencies in his account that arise from any such liquidation or remain after such liquidation. The Customer shall reimburse and hold the Bank and the Service Providers harmless for all actions, omissions, costs, expenses, fees, losses, claims, penalties, or liabilities associated with any such transaction undertaken. The Bank and the Service Providers shall not be liable for any loss sustained by the Customer in connection with any such liquidation and failures or delays in such liquidations even if the Customer re-establishes his position at a worse or less favourable price.
- 8.3 Notwithstanding the aforesaid, if the Bank or the Service Providers execute an order for the Customer which he did not have sufficient funds or assets for delivery, the Bank and the Service Providers have the right to liquidate the trade without prior notice and the Customer shall be responsible for any loss as a result of such liquidation including any costs and the Customer shall not be entitled to any profit that results from such liquidation.

## **9. Market Data and Quotation**

- 9.1 The Customer agrees to enter into market data subscription agreement as required for any market data to be provided to the Customer and the Bank is authorized to provide executed market data agreements to the Service Providers.
- 9.2 The Customer acknowledges that the Bank may or may not provide, for the Customer's information purpose, price quotation and data regarding the Overseas Securities provided or produced by third parties. If the Bank provides such services, owing to market volatility, possible delays in the data transmission process, time zone differences and other factors beyond the control of the Bank, such quotes and data may not be real-time. The Customer understands that the Bank has not independently verified and does not represent or warrant on the accuracy, timeliness or completeness of the information provided by third parties.

## **10. Representations, Warranties and Undertakings**

10.1 The Customer hereby represents, warrants and undertakes to the Bank that:

- (a) the Customer has the legal capacity and authority to enter into and perform this Addendum;
- (b) the Customer has full power and authority to perform the obligations and grant the authorizations under the provisions in this Addendum and if the Customer is a company Customer, the Customer has taken all necessary action or corporate action to authorize the performance of such obligations and the grant of such authorizations;
- (c) the Customer has obtained and is in compliance with all necessary and appropriate consents, approvals and authorizations for the purposes of its entry into and performance of this Addendum;
- (d) information supplied by the Customer is correct, accurate, complete and up to date. The Customer will notify the Bank promptly in the event of any material change of information provided;
- (e) the Customer has sufficient knowledge and experience to understand the nature and risks of Overseas Securities;
- (f) no one, other than the Customer, has an interest in his Overseas Securities Account and Overseas Settlement Account;
- (g) the Customer's entry into and performance of this Addendum will not violate any Applicable Laws and Regulations;
- (h) there is no claim or encumbrance over the assets held in the Overseas Securities Account and the Overseas Settlement Account other than those given in favour of the Bank; and
- (i) the Customer is not domiciled or resident and is not located in a country where there is any restriction or limitation on the Customer's purchase, sale, disposal or otherwise transfer and holding of any Overseas Securities. If the Customer becomes subject to any restrictions or limitations (whether by reason of a change of domicile, residence or otherwise), the Customer shall inform the Bank immediately.

10.2 The Customer further represents and warrants the following:

- (a) the Customer does not reside in and is not domiciled in and was not formed or organized in, and is not a citizen of: Afghanistan, Angola, Belarus, Central African Republic, Cote d'Ivoire

(Ivory Coast), Cuba, Democratic People's Republic of Korea (North Korea), Democratic Republic of the Congo, Iran, Iraq, Libya, Nauru, Nigeria, Sierra Leone, Somalia, South Sudan, Sudan, Syria, Crimea region of Ukraine, Zimbabwe or a country or region that has been sanctioned by the Hong Kong government or an agent thereof;

- (b) the Customer is not a senior political figure of a non- Hong Kong or non-Chinese government unless otherwise informed to the Bank;
- (c) the Customer is not on the sanction lists issued by a Financial Action Task Force country, including but not limited to the Specially Designated Nationals And Blocked Persons List issued by the U.S. Department of Treasury's Office of Foreign Assets Control and the Consolidated Sanction List issued by the United Nations Securities Council;
- (d) the Customer is trading solely on his own behalf and not on behalf of another person whether as a nominee, trustee, fiduciary or otherwise (unless permitted under Applicable Laws and Regulations and notified to the Bank); and
- (e) the source of funds and source of wealth of the Customer and any transfers and transactions through the Overseas Securities Account and Overseas Settlement Account are for legitimate purposes.

10.3 The above representations and warranties shall be deemed to be repeated immediately before each transaction or dealing is carried out for or any service is provided to the Customer or on the Customer's behalf.

10.4 If the Customer is aware that any of the above representations and warranties will or may become incorrect, the Customer must give prior notice to the Bank immediately upon the Customer becoming aware of the same, and before such representations and warranties become incorrect. The Customer must also notify the Bank immediately if any of the above representations and warranties has become incorrect.

10.5 Without limitation to any provisions in the Master Terms and Conditions, upon the Bank receiving notice from the Customer that any of the above representations and warranties may become incorrect, or if any of the above representations and warranties has become incorrect:

- (a) the Bank shall be entitled, at its sole and absolute discretion, to dispose of all Overseas Securities and other assets held by the Customer, suspend the services provided hereunder and / or charge the Customer all fees, charges, costs and expenses incurred or to be incurred by Bank from time to time to ensure compliance by the Bank, its agents or Service Providers with all Applicable Laws and Regulations arising from or in connection with the above (including, without limitation, all fees, charges, costs and expenses incurred to make all the necessary filings with the relevant authorities); and
- (b) the Customer shall immediately upon request by the Bank withdraw all Overseas Securities and other assets from the Overseas Securities Account, and do / or execute any act, deed, document which the Bank may require in connection therewith.

10.6 The Customer shall fully indemnify the Bank (for itself or as trustee for its affiliates, directors, employees or agents, "**Indemnified Persons**") against all claims, actions, liabilities (whether actual or contingent) and proceedings against any of the Indemnified Persons and bear any losses, costs, charges or expenses (including legal fees) which the Indemnified Persons may suffer or incur arising

from or in connection with or resulting from any breach by the Customer of any of the above representations and warranties.

## **11. Information and Confidentiality**

11.1 The Customer agrees that his data may be transferred to any place outside Hong Kong, whether for the processing, holding or use of such data outside Hong Kong, and to any Service Provider (whether within or outside Hong Kong) in connection with the services provided under the Master Terms and Conditions.

11.2 The Bank is expressly authorized to disclose any information it has concerning the Customer (including his beneficial owners and authorized persons), the services provided by the Bank under the Master Terms and Conditions, the Overseas Securities Account, the Overseas Settlement Account and the Overseas Securities, money or other assets held in the Overseas Securities Account and / or the Overseas Settlement Account and the transactions for the Customer: (a) to any Service Provider and their affiliates, (b) upon request, to any government, legal or regulatory authority, exchange, clearing house or self-regulated body (whether within or outside Hong Kong), and (c) in compliance with any Applicable Laws and Regulations or pursuant to any order, judgment or direction of any court, tribunal or other authority. The Bank is also authorized to disclose any information it has concerning the Customer (including the Customer's name, address, beneficial owner identity, position and transactions with the Bank) and the Customer's Overseas Securities to the issuers of the relevant Customer's Overseas Securities or counterparties in the transactions. The Customer agrees and consents for the Service Providers of the Bank to provide any such information to the relevant exchange, clearing house, government, regulator, self-regulated body or other necessary party including their affiliates and brokers (whether within or outside Hong Kong).

11.3 The Customer undertakes to provide such information as the Bank may request from time to time in order for the Bank and / or the Service Providers to provide the services hereunder, or for the Bank and / or the Service Providers to comply with Applicable Laws and Regulations or to respond to requests from any government, legal or regulatory authority, exchange or self-regulated body. The Customer will also comply in a timely manner with the Bank's requests for information, documents or other materials to the extent the Bank considers necessary to ensure compliance with its internal policies and procedures.

## **12. Taxes and other Payments**

12.1 The Customer agrees that he is responsible for discharging his own tax reporting and filing obligations. The Customer agrees to pay or reimburse the Bank for any taxes, duties, levies, impositions, charges or other liabilities or payments payable in connection with the Overseas Securities Account or any transactions relating to Overseas Securities, and authorizes the Bank and its agents to deduct or withhold such payments on the Customer's behalf.

12.2 In the event that the Customer changes his tax residence, he shall notify the Bank with 15 days

advance written notice. The Bank will have the sole and absolute discretion to determine whether or not to continue to provide the Overseas Securities Services to the Customer in view of his change of tax residence. The Customer understands and acknowledges that the Bank will require 5 business days or such longer processing time as the Bank may reasonably require after receiving all such information and documents that the Bank may require, for updating the Customer's tax residence status on the Bank's records.

### **13. Indemnity**

- 13.1 The Customer agrees to indemnify and hold harmless the Bank, its affiliates and the Service Providers (and their respective officers and employees) against all claims, liabilities, damages, losses and reasonable costs and expenses of any kind which may be incurred by any of them and all actions or proceedings which may be brought by or against any of them in connection with the provision of services under the Master Terms and Conditions and / or as a result of any default by the Customer in the performance of the Master Terms and Conditions (including without limitation to the generality of the foregoing, any costs reasonably incurred or actions or proceedings brought as a result of the Customer failing to maintain sufficient funds in the Overseas Settlement Account or Securities in the Overseas Securities Account) and / or the enforcement of the Master Terms and Conditions, unless due to the negligence or wilful default of the Bank, its affiliates or the Service Providers (or their respective officers and employees) and this indemnity shall continue in effect notwithstanding the termination of any account relationship between the Customer and the Bank.
- 13.2 Neither the Bank, its affiliates, the Service Providers nor any of their respective officers and employees shall, in the absence of negligence or wilful default, be liable to the Customer for any action or omission in the course of or in connection with the provision of services under the Master Terms and Conditions or for any loss or damage which the Customer may suffer or sustain as a result or in the course of discharge by the Bank, its affiliates, the Service Providers and / or their respective officers and employees of its / their duties under or pursuant to the Master Terms and Conditions.
- 13.3 Neither the Bank, its affiliates, the Service Providers nor any of their respective officers and employees shall, in the absence of negligence or wilful default, be liable to the Customer in respect of any losses or failure to comply or delay in complying with its / their obligations under the Master Terms and Conditions for whatever reason.
- 13.4 None of the Bank, its affiliates nor any Service Provider shall be required to take any legal action unless fully indemnified to its / their reasonable satisfaction (as a prerequisite to taking such action) for all costs and liabilities by the Customer.

### **14. Additional Risk Disclosure Statements**

- 14.1 The Customer agrees that he shall bear all risks and expenses associated with investing in Overseas Securities or holding cash denominated in any currency. The Customer acknowledges that the Bank will not be liable for country specific risks of loss or value or other restrictions resulting from country risk including the risk of investing and holding Overseas Securities and cash of or in a particular

country or market such as, but not limited to, risks arising from (i) any act of war, terrorism, riot or civil commotion, (ii) investment, repatriation or exchange control restriction or nationalization, expropriation or other actions by any governmental authority, (iii) devaluation or revaluation of any currency, (iv) changes in Applicable Laws and Regulations, and (v) a country's financial infrastructure and practices including market rules and conditions.

14.2 The Customer acknowledges that trading in Overseas Securities is speculative and involves high risk. The Customer may receive varying levels and types of protection in relation to transactions in foreign markets and exchanges compared to Hong Kong exchanges. There are also special risks of trading outside ordinary market hours, including risk of lower liquidity, higher volatility, changing prices, unlinked markets, news announcements affecting prices and wider spreads. The Customer represents that he is knowledgeable and able to assume these risks. Before the Customer trades, the Customer should be familiar with any rules relating to his transactions in the relevant jurisdictions. The Customer should seek independent professional advice as he considers appropriate including the details on the types of redress available in both his home jurisdiction and other relevant jurisdictions.

14.3 All currency exchange risks in respect of any transactions, settlement actions or steps taken by the Bank hereunder shall be borne by the Customer.

14.4 The Customer confirms that he has read and fully understands the risk disclosure statements provided by the Bank to the Customer.

## **15. Language Version**

15.1 The Customer hereby confirms that the Bank has explained to him and he has received and read this Addendum in a language of his choice (English or Chinese) and that the Customer understands and accepts their terms. In the event of discrepancy between the Chinese version and the English version, the English version shall prevail.



## Annexure 1

### U.S.

This Annexure applies in respect of Overseas Securities Services in respect of Overseas Securities listed or traded in the U.S. (and where the context so requires, includes structured products or derivative products whose underlying or reference assets are Overseas Securities listed or traded in the U.S.) ("**U.S. Products**"). This Annexure is supplemental to the Addendum for Overseas Securities Services.

In the event that there is any inconsistency between the Addendum for Overseas Securities Services and this Annexure, the provisions in this Annexure shall prevail in respect of Overseas Securities Services on U.S. Products.

Unless otherwise defined in this Annexure, terms defined in the Addendum for Overseas Securities Services shall have the same meaning when used in this Annexure.

#### **1. Definitions**

1.1 In this Annexure, the following terms shall have the following meanings:

"**ADRs**" mean American Depository Receipts.

"**CEA**" means the U.S. Commodity Exchange Act, as amended.

"**CFTC**" means the U.S. Commodity Futures Trading Commission.

"**CFTC-related Instrument**" means an "over-the-counter" financial instrument regulated under the CFTC Swaps regulations.

"**Dodd-Frank**" means the Dodd-Frank Wall Street Reform and Consumer Protection Act.

"**FINRA**" means the U.S. Financial Industry Regulatory Authority.

**"Guarantee"** means an arrangement pursuant to which one party to a Swap has rights of recourse against a guarantor, with respect to its counterparty's obligations under the Swap. For these purposes, a party to a Swap has rights of recourse against a guarantor if the party has a conditional or unconditional legally enforceable right to receive or otherwise collect, in whole or in part, payments from the guarantor with respect to its counterparty's obligations under the Swap. In addition, in the case of any arrangement pursuant to which the guarantor has a conditional or unconditional legally enforceable right to receive or otherwise collect, in whole or in part, payments from any other guarantor with respect to the counterparty's obligations under the Swap, such arrangement will be deemed a guarantee of the counterparty's obligations under the Swap by the other guarantor.

**"NFA"** means the U.S. National Futures Association.

**"OTC Traded Stock"** means a stock or other financial instrument traded "over-the-counter".

**"SEC"** means the U.S. Securities and Exchange Commission.

**"Significant Risk Subsidiary"** means any non-U.S. subsidiary of an ultimate U.S. parent entity where the ultimate U.S. parent entity has more than \$50 billion in global consolidated assets, as determined in accordance with U.S. GAAP at the end of the most recently completed fiscal year, but excluding non-U.S. subsidiaries that:

- (a) are subject to consolidated supervision and regulation by the Board of Governors of the U.S. Federal Reserve System as a subsidiary of a U.S. bank holding company or an intermediate holding company;
- (b) are subject to capital standards and oversight by the subsidiary's home country supervisor that are consistent with the Basel Committee on Banking Supervision's "International Regulatory Framework for Banks" and subject to margin requirements for uncleared Swaps in a jurisdiction that the CFTC has found comparable pursuant to a published comparability determination with respect to uncleared Swap margin requirements; or
- (c) meets any of the following conditions:
  - (i) the three year rolling average of the subsidiary's equity capital is equal to or greater than five percent of the three year rolling average of the ultimate U.S. parent entity's consolidated equity capital, as determined in accordance with U.S. GAAP as of the end of the most recently completed fiscal year;
  - (ii) the three year rolling average of the subsidiary's total revenue is equal to or greater than ten percent of the three year rolling average of the ultimate U.S. parent entity's total consolidated revenue, as determined in accordance with U.S. GAAP as of the end of the most recently completed fiscal year; or
  - (iii) the three year rolling average of the subsidiary's total assets is equal to or greater than ten percent of the three year rolling average of the ultimate U.S. parent entity's total consolidated

assets, as determined in accordance with U.S. GAAP as of the end of the most recently completed fiscal year.

"**Swap**" means a "**swap**" as defined in the Section 1a(47) of the CEA and CFTC Regulation 1.3(xxx).

"**U.S. Broker**" means a broker trading in the U.S..

"**U.S. GAAP**" means U.S. Generally Accepted Accounting Principles.

"**U.S. Person**" means:

- (a) a citizen or resident of the United States;
- (b) a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof;
- (c) an entity created or organized in or under the laws of any other jurisdiction if treated as a domestic corporation pursuant to the United States federal income tax laws;
- (d) any estate or trust that is subject to the United States federal income taxation regardless of the source of its income;
- (e) any corporation, partnership, trust, estate or other entity in which one or more individuals or entities described in (a), (b), (c) or (d) acting singly or as a group has or have a controlling beneficial interest whether directly or indirectly and, in the case of a corporation or partnership, which is formed principally for the purpose of investing in securities not registered under the United States federal securities laws;
- (f) a trust if a court within the United States is able to exercise primary supervision over its administration and one or more United States Persons have the authority to control all the substantial decisions of such trust;
- (g) a trust in existence on 20 August 1996 and treated as a domestic trust (as defined in the relevant treasury regulations in the United States) prior to such date and that has elected to continue to be treated as a domestic trust;
- (h) any corporation, partnership or other entity, regardless of citizenship, domiciles, situs or residence, if under the federal income tax laws of the United States ten percent (10%) or more of the ownership of any mutual fund would be attributed through such entity to any U.S. Person;
- (i) any person fitting the definition of U.S. Person under Regulation S<sup>1</sup>, promulgated under the Securities Act of 1933; or
- (j) any person causing the Bank to use U.S. interstate commerce in the process of effecting securities transactions.

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<sup>1</sup> This includes any (1) trust of which any trustee is a U.S. Person (2) agency or branch of a foreign entity located in the U.S. (3) non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a U.S. Person (4) any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organized or incorporated, or (if an individual) resident in the U.S.; and (5) any partnership, corporation or other entity (other than a trust) if organized or incorporated under the laws of any non-U.S. jurisdiction and formed by a U.S. person principally for the purpose of investing in securities not registered under the Securities Act of 1933.

"U.S. Swaps Dealer" means a Swaps dealer trading in the U.S..

"W-8 Form" means Forms W-8BEN, W-8BEN-E, W-8ECI, W-8EXP or W-8IMY and such other forms as prescribed by the U.S. Inland Revenue Service, as applicable to the Customer.

## 2. Representations, Warranties and Undertakings

2.1 The Customer provides the following warranties, representations and undertakings to the Bank which shall be supplemental to clause **Error! Reference source not found.** of the Addendum for overseas Securities Services:

- (a) unless otherwise specifically declared by the Customer, the Customer is not a U.S. Person and the Customer is not acting for, or on behalf of a U.S. Person;
- (b) the Customer is not a U.S. Person under any of the "CFTC U.S. Person" categories set forth below:
  - (i) any natural person who is a resident of the United States;
  - (ii) partnership, corporation, trust, investment vehicle, or other legal person organized, incorporated, or established under the laws of the United States or having its principal place of business in the United States. For purposes of this section, principal place of business means the location from which the officers, partners, or managers of the legal person primarily direct, control, and coordinate the activities of the legal person. With respect to an externally managed investment vehicle, this location is the office from which the manager of the vehicle primarily directs, controls, and coordinates the investment activities of the vehicle;
  - (iii) an account (whether discretionary or non-discretionary) of a U.S. Person; or
  - (iv) an estate of a decedent who was a resident of the United States at the time of death;
- (c) the Customer would not be classified as a Significant Risk Subsidiary;
- (d) unless notified by the Customer to the contrary in a timely manner in writing prior to entering into any Swap transactions, the Customer's obligations to the Bank or any counterparty in connection with the relevant Swap, are not subject to a Guarantee by a U.S. Person, except when (i) the Customer is registered with the CFTC as a Swap dealer, (ii) the Customer's Swaps are subject to a Guarantee by a U.S. Person that is a non-financial entity, or (iii) the Customer is itself below the Swap dealer de minimis threshold under CFTC regulations, and is affiliated with a CFTC-registered Swap dealer;
- (e) the Customer is not a director, 10% beneficial shareholder or policy-making officer or otherwise an affiliate of any company publicly traded in the United States;

- (f) the Customer is not at the time the Overseas Securities Account is opened and will not at any time during the continuance of the Overseas Securities Account, hold in such Overseas Securities Account or effect transactions through such Overseas Securities Account, securities of any company with securities traded in the U.S. in which he is:
  - (i) a direct or indirect owner or beneficial owner (which would include the power to vote shares pursuant to trust or other instrument) of 10% or more than 10% of any class of voting securities of the company;
  - (ii) in a direct or indirect management or other decision-making position in the company;
  - (iii) closely-related to (spouse, parent, sibling, in-law), financially dependent on, or the primary financial support for, any person who owns, directly or indirectly outright or through beneficial ownership, 10% or more than 10% of any class of voting securities of such company and holds a direct or indirect management or other decision-making position in such company; or
  - (iv) a member of a formal or informal group that acting together will control 10% or more than 10% of any class of voting securities of such company;
- (g) the Customer is not an employee of or affiliated with any U.S. securities exchange or member firm of any exchange, the FINRA or any securities firm, bank, trust company or insurance company in the U.S.;
- (h) the Customer understands that the Bank does not provide tax or legal advice, nor does it provide advice with regard to corporate actions and the Customer may not rely on any information that the Bank may provide in connection therewith;
- (i) should the Customer issue instructions to purchase an OTC Traded Stock or a CFTC-regulated Instrument, he acknowledges such OTC Traded Stocks and CFTC-regulated Instruments are generally conducted directly with market makers, Swap dealers or other counterparties and are not under the supervision of any exchange. The Customer specifically acknowledges that OTC Traded Stocks and CFTC-regulated Instruments can lead to significant risks including the risk that the counterparty will not perform its part as obligated by the transaction. The Customer acknowledges that offsetting such risk is not always possible and specifically attests and warrants that he will bear such risk alone. The Customer hereby warrants that he will not hold the Bank responsible for any such counterparty or other risk associated with OTC Traded Stocks and CFTC-regulated Instruments;
- (j) should the Customer issue instructions to purchase an OTC Traded Stock or an CFTC-regulated Instrument, he will comply with the requirements of the executing broker or Swap dealer, respectively, and supply any needed information to establish the Customer's ability to purchase such OTC Traded Stock or CFTC-regulated Instrument;
- (k) trading in U.S. Products will be executed through one or more local brokers in the U.S.. The Customer acknowledges that U.S. Brokers are subject to rules promulgated by various regulators including the state securities regulators in the 50 states, the SEC, and the FINRA.

The Customer acknowledges that such obligations may require the Bank to provide the U.S. Brokers with information about the Customer, the Overseas Settlement Account and the Overseas Securities Account, including but not limited to, confidential information. The Customer warrants that it will not hold the Bank liable for any effect of providing such information to any U.S. Broker, any state securities regulator, the SEC or FINRA;

- (l) trading in CFTC-regulated Instrument may be conducted through one or more local Swaps dealers in the U.S.. The Customer acknowledges that U.S. Swap Dealers are subject to rules promulgated by various regulators including the CFTC and the NFA. The Customer acknowledges that such obligations may require the Bank to provide the U.S. Swap Dealers with information about the Customer, the Overseas Settlement Account and the Overseas Securities Account, including but not limited to, confidential information. The Customer warrants that it will not hold the Bank liable for any effect of providing such information to any U.S. Swap Dealer, the CFTC or the NFA;
- (m) the Customer understands that the Bank will seek to effect orders at the Customer's instruction. The Bank or a U.S. Broker may act as an agent or principal (not at risk) for both buyer and seller in a transaction in U.S. Products, and may charge a commission or other fees to both parties. The foreign exchange rate selected, financing fee and the conversion fee set by the U.S. Broker may not be the best or most favourable rates or fees available to the Customer. The Customer acknowledges that the U.S. Broker and / or the Bank may earn revenue on some or all of these fees including the spreads on transactions in U.S. Products traded on a net basis. Costs associated with instructions can also include local market and other fees; and
- (n) for ADRs:
  - (i) costs charged with instructions may include ADR conversion costs. For ADR conversions, the actions or inaction of any entity facilitating the interchange of ADRs and the underlying ordinary shares and the U.S. Broker executing on the local market are those of such entity and not the Bank. The Bank has no liability for such actions or inactions;
  - (ii) when the Customer issues instructions involving an ADR it specifically also authorizes the Bank to facilitate to swapping of such ADR with ordinary shares. The Customer understands this is a final instruction and cannot be reversed; and
  - (iii) it is the Customer's sole responsibility to determine if an ADR conversion, if conducted during a corporate action could result in a participating bank, U.S. Broker or the Bank closing its books to conversion or otherwise resulting in a claimable event, and the Bank will not advise or assist the Customer in this determination or be liable for its outcome in any way. The Customer agrees the Bank is not liable, and that it shall promptly pay directly or reimburse the Bank for any claims which may arise before, during or after, any corporate action relating to the ordinary shares regardless of reason or validity of such claims.

### 3. Tax

- 3.1 With respect to any taxes, duties, levies, impositions, charges or other liabilities or payments payable in connection with the Overseas Securities Account or any transactions relating to Overseas Securities for which the Bank or its agents have deducted or withheld on the Customer's behalf pursuant to clause **Error! Reference source not found.** of the Addendum for Overseas Securities services, the Customer acknowledges and agrees that the Bank will apply the least favourable tax treaty rate applicable to the Customer if:
- (a) the Customer's declared tax treaty country on his W-8 Form is inconsistent with his principal address stated in the Bank's records; or
  - (b) the Customer's W-8 Form has expired.

#### 4. Additional Risk Disclosure Statements

- 4.1 The Customer should note the following risks associated with investing in U.S. Products:

**(a) Legislative and regulatory risk**

With the passage of Dodd-Frank in the United States, there has been extensive rulemaking and regulatory changes that have affected and will continue to affect participants in the securities and derivatives markets. Under Dodd-Frank, the SEC has mandated additional reporting requirements and is expected to mandate new recordkeeping requirements. Until the U.S. federal regulators implement all of the new requirements of Dodd-Frank, it is unknown how burdensome such requirements will be. Dodd-Frank will affect a broad range of market participants, including commercial banks, investment banks, other non-bank financial institutions, rating agencies, mortgage brokers, credit unions, insurance companies and broker-dealers. It may take years to understand the impact of Dodd-Frank on the financial industry as a whole, and therefore, such continued uncertainty may make markets more volatile. Moreover, recent legislation has been proposed that would make numerous changes to Dodd-Frank. As a result, there is substantial uncertainty surrounding the regulatory environment for the financial industry in the United States.

In the U.S., certain derivatives must be executed on a regulated market and a substantial portion of over-the-counter derivatives must be submitted for clearing to regulated clearing houses. Over-the-counter trades submitted for clearing will be subject to minimum initial and variation margin requirements set by the relevant clearing house, as well as possible mandatory margin requirements. The regulators also have broad discretion to impose margin requirements on non-cleared over-the-counter derivatives. Over-the-counter derivatives dealers have also become subject to new business conduct standards, disclosure requirements, reporting and recordkeeping requirements, transparency requirements, position limits, limitations on conflicts of interest, and other regulatory burdens. Margin and



regulatory requirements will increase the overall costs for over-the-counter derivatives dealers. Dealers can be expected to try to pass those increased costs along, at least partially, to market participants such as the Customer in the form of higher fees or less advantageous dealer marks. The overall impact of the Dodd-Frank Act and corresponding global regulation on the derivatives market is highly uncertain and it is unclear how the over-the-counter derivatives markets will adapt to this regulatory regime.

**(b) Regulation of underlying markets**

Markets in equity securities are extensively regulated. Such regulation may include: (i) reporting requirements relating to the acquisition of beneficial ownership of equity securities, changes in ownership, and arrangements that have the purpose or effect of changing or influencing control of an issuer, (ii) prohibitions on transacting on the basis of material non-public information and on manipulative trading, (iii) disgorgement of "short-swing" profits earned in connection with certain transactions in or related to an issuer's shares by "insiders" or significant beneficial owners of the issuer, (iv) procedural, disclosure and substantive requirements with respect to distributions or repurchases of securities by or on behalf of an issuer or affiliate and the commencement of tender offers, (v) limits on the size of positions that may be maintained in options or other instruments, and (vi) limitations on extending or obtaining credit for the purpose of purchasing or carrying equity securities.

**5. Margin Disclosure Statement (where applicable)**

5.1 When considering a margin loan, the Customer should determine how the use of margin fits his own investment philosophy. It is important that the Customer fully understands the risks, rules, and requirements involved in trading securities on margin.

5.2 The following paragraphs highlight some of the critical aspects of margin trading:

(a) **Margin trading increases the level of market risk.** Margin trading increases the Customer's buying power, allowing the Customer to purchase a greater amount of securities with the Customer's investing dollar. Therefore, the Customer's exposure to market volatility increases—a declining market could result in even greater losses. *A decline in the value of the Customer's securities that the Customer purchases on margin may require the Customer to provide additional funds to the Bank in order to avoid the forced sale of those securities or other securities in the Customer's account.*

(b) **Downside is not limited to the collateral value in the Customer's margin account.** When the Customer buys securities on margin, the Customer is borrowing money from the Bank for part of the Customer's transactions. Securities and other assets in the Customer's account(s) are

pledged as collateral to secure this loan. These margin transactions are riskier and involve the possibility of greater loss than transactions where the Customer is not borrowing money. If the securities in the Customer's account decline in value, so does the value of the collateral supporting the Customer's loan. When the value of the collateral falls below the maintenance margin requirements, or the Bank's higher "house" requirements, the Bank can move to protect its position. In order to cover margin deficiencies, the Bank may issue a margin call to the Customer—a request for additional cash—or sell securities from the Customer's account. If a sale does not cover the deficiency, the Customer will be responsible for any shortfall.

- (c) **The Bank may initiate the sale of any securities in the Customer's account, without contacting the Customer, to meet a margin call.** The Bank may, but is not obligated to, attempt to involve the Customer in the case of margin deficiency; however, market conditions may require the Bank to quickly sell any of the Customer's securities without the Customer's consent. Because the securities are collateral for the margin loan, the Bank has the right to decide which security to sell in order to protect its interests. Even if the Bank has contacted the Customer and provided a specific date by which the Customer can meet a margin call, the Bank can still take necessary steps to protect its financial interests, including immediately selling the securities without prior notice to the Customer.
- (d) The Bank's "house" initial and maintenance margin requirements may exceed those established by the Federal Reserve Board and / or the FINRA.
- (e) The Bank may change its initial margin requirements at any time and without prior notice. The Bank may also impose anytime and without prior notice more stringent requirements on positions that at the Bank's sole and absolute discretion involve higher levels of risk; for example, higher limits may apply for thinly traded, speculative or volatile securities, or concentrated positions of securities.
- (f) **The Bank may increase its "house" maintenance margin requirements at any time and is not required to provide the Customer with advance written notice.** Changes in the Bank's policy regarding "house" maintenance margin requirements often take effect immediately and may result in the issuance of a maintenance margin call. The Customer's failure to satisfy the call may cause the Bank to liquidate or sell securities in the Customer's account.
- (g) The Bank retains absolute discretion to determine whether, when and in what amounts the Bank will require additional collateral. For example, the Bank may require additional collateral if an account contains only one security or a large concentration of one or more securities; or low-priced, thinly traded or volatile securities; or if some of the Customer's collateral is or becomes restricted or non-negotiable or non-marginable. The Bank may also consider market conditions, the Customer's financial resources, or other factors deemed by the Bank to be relevant given the circumstances at the time.
- (h) **The Customer is not entitled to an extension of time on a margin call.** While an extension of time to meet margin requirements may be available to the Customer under certain conditions,

the Customer does not have a right to the extension.

- (i) Some accounts that carry a margin loan balance and hold dividend-paying securities may receive a "substitute income payment in lieu of a dividend" ("PIL"). This payment may be taxable as ordinary income. Taxable accounts that receive a PIL instead of a qualified dividend may also receive a supplemental credit from the Bank.

## Terms and Conditions for Registration of Mobile Device

### IMPORTANT NOTICE

BY REGISTERING YOUR MOBILE DEVICE, YOU ARE OR ARE DEEMED TO HAVE AGREED TO BE BOUND BY THE TERMS AND CONDITIONS HEREINBELOW. IF YOU DO NOT AGREE TO THE TERMS AND CONDITIONS HEREINBELOW, PLEASE DO NOT REGISTER YOUR MOBILE DEVICE.

BY REGISTERING YOUR MOBILE DEVICE, YOU ARE REPRESENTING THAT YOU ARE THE ACCOUNT HOLDER OR ONE OF THE ACCOUNT HOLDERS OR A PERSON DULY AUTHORIZED BY THE RELEVANT ACCOUNT HOLDER(S) OF A SECURITIES ACCOUNT OF DAH SING BANK, LIMITED (THE "BANK"). IF YOU ARE NOT ABLE TO MAKE THE REPRESENTATIONS IN THE PRECEDING SENTENCE, YOU ARE PROHIBITED FROM REGISTERING YOUR MOBILE DEVICE.

### Terms and Conditions

By registering your mobile device, you agree that:-

1. You will log out of Dah Sing Bank Mobile Securities Trading Applications including Securities Trading App+ and US Securities Trading App ("Applications") at the completion of your online session;
2. You will not use an auto-complete feature which stores your login information and will not save your login information on your mobile device;
3. Your mobile device will be locked if it is left unattended;
4. In case of your mobile device is lost or stolen and you believe that you were not logged out and/or believe that your login information may have been compromised, you shall forthwith contact your mobile service provider to have your device deactivated and contact us at our Customer Service Hotline 2828-7028;
5. You will download and install mobile security software updates when available;
6. You will not install software / application onto your mobile device that you are not familiar with or have not read the terms and conditions for that software / application;
7. Notwithstanding that the download and use of the Applications are free (save and except the relevant stock quote services), the usual and customary fees that the Bank may charge for any products and services provided continue to apply and you may incur mobile data charges and call costs from your mobile service provider; and
8. Your registration of your mobile device is at your own risk. The Bank shall not be in any event liable to any person for any failure or delay in processing your registration, deregistration, activation and/or deactivation (collectively, "Registration") or for your liability caused by the failure to gain access to the Registration due to the delay or failure of any communication networks or any other reason.

The above Terms and Conditions shall be governed by and construed in accordance with the laws of Hong Kong. You agree to submit to the non-exclusive jurisdiction of the courts of Hong Kong. A person who is not a party to these Terms and Conditions may not enforce any of their provisions under the Contracts (Rights of Third Parties) Ordinance (Cap 623 of the Laws of Hong Kong). In the event of any inconsistency

between the English version and the Chinese version of the above Terms and Conditions, the English version shall prevail.

## Dah Sing Bank Mobile Securities Trading User Agreement

PLEASE READ THESE TERMS AND CONDITIONS CAREFULLY:-

### IMPORTANT NOTICE

BY USING OR ACCESSING THE APPLICATIONS OR ANY PART HEREOF, YOU AGREE OR ARE DEEMED TO HAVE AGREED TO BE BOUND BY THE TERMS AND CONDITIONS HEREINBELOW AND THE END-USER LICENSE AGREEMENT POSTED AT <https://www.apple.com/legal/macapps/dev/stdeula/> (IF APPLICABLE). IF YOU DO NOT AGREE TO THE TERMS AND CONDITIONS HEREINBELOW AND THE SAID END-USER LICENSE AGREEMENT (IF APPLICABLE), PLEASE DO NOT ACCESS ANY PART OF THE APPLICATIONS.

BY USING OR ACCESSING THE APPLICATIONS OR ANY PART HEREOF, YOU ARE REPRESENTING THAT YOU ARE THE ACCOUNT HOLDER OR ONE OF THE ACCOUNT HOLDERS OR A PERSON DULY AUTHORIZED BY THE RELEVANT ACCOUNT HOLDER(S) OF A SECURITIES ACCOUNT OF DAH SING BANK, LIMITED (“DSB”). IF YOU ARE NOT ABLE TO MAKE THE REPRESENTATIONS IN THE PRECEDING SENTENCE, YOU ARE PROHIBITED FROM ACCESSING ANY PART OF THE APPLICATIONS.

YOU MUST HAVE A DSB “e-Banking Login ID” AND CREATE A PASSWORD IN ORDER TO USE THE APPLICATIONS AND SERVICES HEREOF. YOU REPRESENT AND WARRANT THAT SUCH LOGIN AND PASSWORD SHOULD BE MAINTAINED BY YOU IN A CONFIDENTIAL MANNER AND YOU SHALL BE SOLELY RESPONSIBLE (JOINTLY AND SEVERALLY IN CASE OF JOINT ACCOUNT HOLDER) FOR THE ACCESS OR USAGE OF YOUR SECURITIES ACCOUNT BY ANY THIRD PARTIES WITH RESPECT TO THE SERVICES HEREOF.

### Terms and Conditions

#### Definition

1. Unless otherwise stated, the terms:-

“Applications” shall mean the Dah Sing Bank Mobile Securities Trading Applications including Securities Trading App+ and US Securities Trading App;

“Contents” shall mean all or any part of the contents, materials and functions of the Applications and Services, including but not limited to, information, opinion, websites, links, HTML, codes, programs, software, logos, icons, trademarks, copyrights, videos, photographs, pictures, images, sound, music, products and services of DSB or any compilation or combination of them;

“DSB”; shall mean Dah Sing Bank, Limited;

“Services” shall mean the facilities, services and offers in respect of mobile securities/stock trading to be provided by DSB (at its sole and absolute discretion) to User in the Applications;

“User” shall mean all individuals and entities using or accessing the Applications and Services; and

“Territory” shall mean the Hong Kong Special Administrative Region.

Where the context permits, the singular includes the plural and vice versa, the masculine includes feminine and neuter and vice versa.

### Territorial Restriction

2. The Applications and Services are intended for (i) use by persons residing in or entities having its place of business in the Territory; and (ii) use within the Territory. If you are not residing in or having your place of business in the Territory or if you are using the Applications and Services outside the Territory, you must comply with the relevant country's applicable laws and regulations before using the Applications and Services. By using the Applications and Services, you confirm that you have complied with all applicable laws and regulations of the relevant country.

### Disclaimer and Privacy Policy Statement

3. User's use or access of the Applications<sub>s</sub> is subject to the User's agreement to be bound by DSB's Disclaimer and Privacy Policy Statement posted at the Bank's website ("Statement"). For the purpose of the Applications<sub>s</sub>, the term "Web Site" as used in the Statement shall have the same meaning as the term "Applications<sub>s</sub>" as used herein and the term "Bank" as used in the Statement shall have the same meaning as the term "DSB" as used herein. In case of any conflict or inconsistency between the provisions of the Statement and these Terms and Conditions, the latter shall prevail. You should not use or access any part of the Applications if you do not agree to be bound by the Statement.
4. By using or accessing the Applications<sub>s</sub>, User further acknowledges and agrees that:-
  - a) User's use or access of the Applications<sub>s</sub> and the Services is at User's own risk. The Applications<sub>s</sub> and the Contents are provided on an "as is" basis and "as available" basis. DSB makes no warranty of any kind, expressed or implied, including but not limited to, that (i) the Applications<sub>s</sub> will be compatible with User's mobile device or any hardware or software thereof; (ii) the Contents, data, information and results that may be obtained from the use of the Applications<sub>s</sub> and Services will be available at all times and on time and will be accurate, adequate, sufficient, complete, useful or reliable; (iii) the Applications<sub>s</sub> and the Contents will be free from any computer virus, disruptive properties, faults, error, interruption or infringement; (iv) the Applications<sub>s</sub> will execute the instructions in a timely manner or at all; (v) the Applications<sub>s</sub> and Services will meet User's requirements and expectation; and (vi) the Applications<sub>s</sub> and Services are of merchantability or fit for a particular purpose;
  - b) DSB shall not be in any event liable to any person for any failure of providing the Applications<sub>s</sub> and/or any Services in whole or in part or for User's liability caused by the failure to gain access in whole or in part to the Applications<sub>s</sub> or any such Services due to the delay or failure of any communication networks or any other reason;
  - c) DSB shall not be in any event liable to any person for any line or system or connection failure, program error, incomplete, incorrect, blackout or error in transmission, computer virus, data corruption and delay, or unavailability of access or security issues in connection with User's use of the Applications<sub>s</sub> whether due to reasons attributable to DSB or beyond DSB's control;
  - d) Any Contents downloaded are obtained at User's own discretion and risk and that User shall be solely responsible for any damage or loss of data to User's computer and/or mobile devices;



- e) The Applications may contain hyperlinks to other resources, applications, sites, pages or software of third party which are not offered, maintained and/or controlled by DSB and User shall use the hyperlinks at its own discretion and risk and shall be solely responsible for (i) any damage or loss caused by or in connection with the access to, use of, reliance on, downloading or installing such hyperlinks, resources, applications, sites, pages or software by User; (ii) any agreements, contracts, arrangements entered into between User and any such third party; and (iii) the safety of information which User may provide to any such third party; and DSB does not endorse or recommend, and shall not be responsible or liable for the safety, accuracy, truthfulness or availability of any such hyperlinks, resources, applications, sites, pages or software or any contents thereof and for any failure of products or services offered or posted or advertised by such third party. Such third party may have a privacy policy different from DSB and may have a lower data protection security standard than DSB;
- f) f) DSB is not the manufacturer of User's mobile devices nor a telecommunication service provider and DSB shall not be in any event liable to any loss or damage, whether directly or indirectly, resulting from (i) the access or use or inability to access or use the Applications or Services via User's mobile devices; and (ii) any damage or loss of data to User's mobile devices whether or not caused by the access or use of the Applications and Services; and
- g) g) DSB shall not be in any event responsible for any loss or damage, whether directly or indirectly, resulting from (i) statements or conduct of any third party in connection with the Applications or Services; and (ii) User's use, inability to use or reliance on any of the Contents or any such third party.

#### Indemnity

- 5. By using or accessing to the Applications, User agrees to indemnify, hold harmless and defend DSB and its related companies, affiliates, officers, employees, agents against any and all claims, actions, proceedings, damages, injuries, liabilities and all costs suffered or incurred as a result of User's access or use of the Applications and Services (including any unauthorized access or use by any third parties).

#### Intellectual Property

- 6. DSB grants User a revocable, non-exclusive, non-transferrable, limited right to install and use the Applications on mobile device(s) controlled by User, and to access and use the Services on such mobile device strictly in accordance with these Terms and Conditions.
- 7. The Applications are intended for User's private personal use and User shall not attempt to or permit any third party to distribute, modify, reverse engineer, transfer, assign, transmit, disclose, disseminate, display, publish, put in circulation, convey, lease, share, loan, download, duplicate, copy, repost, reproduce, sell, store in any retrieval system, in any way broadcast, prepare derivative works based on, remove, obliterate, erase, relocate, modify, decompile, translate, convert, adapt, alter, enhance, add to, delete, in any way tamper with, gain unauthorized access to or otherwise make use of the Applications and/or the Contents or any parts thereof for public or commercial or any other purposes without DSB's prior written consent. All intellectual property rights, trade secret, confidential and proprietary information in and to the Applications and its Contents are owned by DSB or by the respective intellectual property or content owners and are protected by the relevant intellectual property laws of the Territory.

### Saved Data

8. Unless the laws and regulations of the Territory otherwise required, DSB shall not be obliged to retain records and shall not be in any event liable for any loss or damage of any inputs or data entered by User, preferences set by or orders placed by User that may be stored or saved when using the Applications and Services.
9. Certain personal information and other information provided by User in the use of the Applications and Services may be stored on User's mobile device even if such information is not collected by DSB and the Applications may collect the unique device identifier of User's mobile device and may employ other technologies and practices to provide functionality for the Applications. It is User's responsibility to maintain the security of its mobile device to avoid unauthorized access.

### Services and Dealings with Third Parties

10. User shall acknowledge and understand that certain Services require and utilize phone service, data access or text messaging capability. Except as otherwise noted as applicable to the Services, DSB does not charge for the use of Services, but User's service provider may charge User for phone, data and text messaging and User shall be solely responsible for any such charges.
11. DSB gives no warranty or representation regarding any smartphone or third party platform regarding accuracy, functionality or performance of any third party software that may be used or accessed in connection with the Applications or Services.
12. User hereby acknowledges and agrees that some Services may be subject to additional terms and conditions which will be made known to User upon using or accessing to those Services. Those additional terms and conditions are hereby incorporated by reference into these Terms and Conditions.
13. User's dealings with or participation in promotion of any third parties found on or through the Services (if any), including payment and delivery of goods or services, are subject to their applicable terms and conditions. Any other terms, conditions, warranties or representations associated with such dealings are solely between User and those third parties and DSB shall not be in any event liable for any loss or damage User may suffer as the result of such dealings or participation.

### Unauthorized Access and Prohibited Access

14. It is User's responsibility to advise DSB if User is aware of or suspects that there exists, any unauthorized access to the Applications or if User's password to the Applications has been made available by User to third parties in a manner that may result in unauthorized usage of the Services.
15. DSB may at any time in its sole and absolute discretion prohibit User's access to the Services without giving User any reason and notice and DSB shall not be liable for User's any loss or damages resulting from, whether directly or indirectly, consequentially or incidentally, such prohibition.

### LIMITATION OF LIABILITY

16. IN NO EVENT SHALL DSB BE LIABLE TO ANY USER ON ACCOUNT OF SUCH USER'S USE, MISUSE OR RELIANCE ON THE APPLICATIONS AND SERVICES FOR ANY DAMAGES WHATSOEVER, INCLUDING DIRECT, SPECIAL, PUNITIVE, INDIRECT, CONSEQUENTIAL OR INCIDENTAL DAMAGES OR DAMAGES FOR LOSS OF PROFITS, REVENUE, USE, OR DATA WHETHER BROUGHT IN WARRANTY, CONTRACT, INTELLECTUAL PROPERTY INFRINGEMENT, TORT (INCLUDING NEGLIGENCE) OR OTHER THEORY, EVEN

IF DSB IS AWARE OF OR HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGE, ARISING OUT OF OR CONNECTED WITH (1) THE USE (OR INABILITY TO USE) OR PERFORMANCE OF THE SERVICES, OR (2) RELIANCE UPON THE INFORMATION PROVIDED BY THE SERVICES OR (FOR THE AVOIDANCE OF DOUBT) FOR ANY LOSS OR DAMAGES OR EXPENSES WHATSOEVER, INCLUDING DIRECT, SPECIAL, PUNITIVE, INDIRECT, CONSEQUENTIAL OR INCIDENTAL, RESULTING FROM USE OF THE APPLICATIONS AND/OR SERVICES OUTSIDE THE TERRITORY OR ANY OF THE CIRCUMSTANCES REFERRED TO IN CLAUSES 4, 8 TO 11, 13 AND 15 HEREINABOVE.

17. DSB SHALL NOT ASSUME ANY LEGAL LIABILITY OR RESPONSIBILITY FOR THE ACCURACY, COMPLETENESS, TIMELINESS OR USEFULNESS OF ANY INFORMATION OR SERVICES ACCESSIBLE FROM THE APPLICATIONS.
18. THE USER OF THE APPLICATIONS AND SERVICES ASSUMES ALL RESPONSIBILITY AND RISK FOR THE USE OF THE APPLICATIONS AND SERVICES GENERALLY.

#### No Advice

19. The Contents shall not be regarded or considered as an offer or solicitation to sell or buy or subscribe to any investments, products or make deposits, or to provide any recommendation or advice to any person. The Contents are not intended to provide any professional advice and shall not be so relied upon. User using or assessing the Applications is advised, if necessary, to obtain appropriate independent professional advice before making an investment, financial decision or purchasing any product or subscribing any service.

#### No Waiver

20. No failure or delay by DSB in exercising its right, power, privilege or remedy hereunder shall in any way impair or affect the exercise thereof or operate as a waiver thereof in whole or in part.

#### Severability

21. The illegality, invalidity or unenforceability (to any extent) of any provision of these Terms and Conditions shall not affect the legality, validity or enforceability of any other provisions hereof and the application of that provision to other circumstances, and each provision hereof shall be valid and enforceable to the fullest extent permitted by laws of the Territory.

#### Governing Law

22. These Terms and Conditions shall be governed by and construed in accordance with the laws of the Territory and User agrees to submit to the non-exclusive jurisdiction of the courts of the Territory.

#### Amendment

23. DSB hereby reserves the right to modify, change, update, revise, improve, expand, suspend, withdraw, disable or discontinue (whether temporarily or permanently) the Applications or Services or Contents (or any part thereof) at its sole and absolute discretion with or without notice at any time and from time to time and without an ongoing obligation or liability to User. User's use of the Applications and Services does not entitle User to the continued provision or availability of the Applications and

Services. Any such modification, change, update, revision, improvement, expansion shall be done by posting it on the Applications. Alternatively, DSB may automatically electronically upgrade the version of the Applications or Services that User is using or accessing and user shall consent to such automatic upgrading on its mobile device, and agree that these Terms and Conditions shall continue to apply to all such upgrades. User hereby agrees that DSB shall not be in any event liable to User or to any third party for any modification, change, update, revision, improvement, expansion, suspension, withdrawal, disabling or discontinuance of the Applications or Services or Contents.

24. Any or all of these Terms and Conditions may be amended or modified by DSB at its sole and absolute discretion at any time and from time to time by posting the revised version on the Applications and/or the website of DSB. User hereby agrees that User's access to or the availability to User of the Applications and/or the Contents after the relevant effective date of such revised Terms and Conditions shall constitute User's acceptance of such revised Terms and Conditions.

#### Third Party Rights

25. A person who is not a party to these Terms and Conditions has no rights under the Contracts (Rights of Third Parties) Ordinance (Chapter 623 of the Laws of Hong Kong). Nothing in these Terms and Conditions, whether express or implied, is intended to, or will, confer on any person any benefit or any right to enforce any term which such person would not have but for the aforementioned Ordinance.

#### Language Version

26. The Chinese version of these Terms and Conditions is for reference only. Should there be any inconsistency or conflict between the English and Chinese versions of these Terms and Conditions, the English version shall prevail.

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### Terms and Conditions for Buy/Sell Orders for US Stock Trading

1. You request and authorize Dah Sing Bank, Limited (“**the Bank**”) to buy/sell the above stock(s) on my/our behalf. Any bought/sold amount of the stock(s) with the related charges will be settled via your settlement account maintained with the Bank.
2. You understand and agree that the Bank does not guarantee that the above Buy/Sell Order(s) can be executed or partially executed.
3. [Applicable to orders which are valid for more than one U.S. trading day] You understand and agree that if the above Buy/Sell Order(s) is/are not cancelled or rejected or the relevant stock(s) has/have not yet been fully executed, such order(s) will be carried forward to the next U.S. trading day until the relevant expiry date/time. If the Buy/Sell order(s) is/are executed on multiple days, transaction charges would be calculated on a daily basis.
4. You understand and agree that if the above Buy/Sell Order(s) is/are not executed or is/are only partially executed during the relevant "good-till" period, the whole Buy/Sell Order(s) or the unexecuted portion of the order (as the case may be) will expire after the regular trading hours\* of the relevant expiry date.
5. [Applicable to orders which are valid for more than one U.S. trading day] You understand and agree that if the above Buy/Sell Order(s) can be cancelled but cannot be amended, the part of such order related to the executed stock(s) shall not allowed to be cancelled while only the part of such order related to the unexecuted stock(s) can be cancelled.
6. [Applicable to orders which are valid for more than one U.S. trading day] You understand and agree that the above the Buy/Sell Order(s) may be cancelled before the relevant expiry date/time by the broker of the Bank if (1) a corporate action on the relevant stock(s) of such Buy/Sell Order(s) results in stock consolidation/split, exchange for shares, or distribution of shares; (2) the relevant company issues a dividend where the dividend payment amount exceeds 3% of the prior day's closing price, or the dividend is an extra/special dividend, regardless of the dividend payment amount and/or (3) any other situations where the broker of the Bank deems applicable.
7. You understand and agree that the "good-till" period of the above Buy/Sell Order(s) shall be not more than 31 calendar days from the date of placement of such order or such other date as designated by the Bank.
8. You understand and agree that the above Buy/Sell Order(s) is bound by the "Master Terms and Conditions" of the Bank / "Master Terms and Conditions for VIP Banking Services" of the Bank including its General Terms and all its applicable Specific Terms (each as amended from time to time) ("**Master Terms and Conditions**"). In case there is any inconsistency between these Terms and Conditions and the Master Terms and Conditions, these Terms and Conditions shall prevail.
9. You understand and agree that all Buy/Sell Order(s) will be sent to the market during the regular trading hours\* (excluding pre-trading and post-trading hours).
10. For "**Market Orders**":-
  - (i) You understand and agree that the Bank does not guarantee that "Market Orders" can be executed or partially executed.
  - (ii) You understand and agree that the price at which a "Market Order" will be executed may deviate from or even be far away from the last executed price in any market situation and in particular, in a fast-moving market or illiquid market.
  - (iii) You understand and agree that "Market Orders" cannot be modified but can be cancelled if it is still valid with the relevant stock(s) not yet fully executed.

- (iv) You understand and agree that a "Market Order" can only be placed during the regular trading hours\* and is only valid for the relevant U.S. trading day.
  - (v) When a Market Order (Buy Side) is placed, the amount (last executed price/best Ask price/previous closing price x quantity x 105% + total charges) will be held. If such order is eventually executed at a higher price, the usable fund in my/our settlement account at the Bank may not be capable of covering the total transaction amount due to price volatility. You understand and agree that in such a case, You will settle the exceeded amount/shortfall before settlement on the relevant settlement day (subject to the standard settlement cycle for U.S. securities transactions determined by the U.S. Securities and Exchange Commission (as may be revised from time to time)), where the Bank reserves the right to sell the related securities and apply the related proceeds to set off/settle the overdraft at any time without giving prior notice.
11. For **"Stop Orders"** (including **"Stop Loss Limit Orders"** / **"Stop Loss Market Orders"**):-
- (i) You understand and agree that a "Stop Loss Limit Order" requires me/us to input a stop (loss) price and an order price to sell a stock. When the last executed price falls to reach or drops below the stop price (i.e. the last executed price is equal to or below the stop price), a "Limit Order" will be triggered to sell the stock(s) at the relevant order price.
  - (ii) You understand and agree that a "Stop Loss Market Order" requires me/us to input a stop (loss) price without inputting any order price to sell a stock. When the last executed price falls to reach or drops below the stop price (i.e. the last executed price is equal to or below the stop price), a "Market Order" will be triggered to sell the stock(s) immediately at the best available price.
  - (iii) You understand and agree the Bank will use its best endeavours to process my/our "Stop Order(s)", but such Order(s) may not be executed due to fluctuation in stock price, inadequate market liquidity, system failure and/or any cause/event beyond the control of the Bank. Such Order(s) may be fully executed, partially executed, unexecuted or even rejected.
  - (iv) You understand and agree that the Bank does not guarantee that any of the "Stop Orders" can be executed or partially executed.
  - (v) You understand and agree that if a "Stop Order" is not executed during the relevant "Good-Till" period, it will expire after the regular trading hours\* of the relevant expiry date.
  - (vi) You understand and agree that a "Stop Order" can only be cancelled but cannot be modified. If such Order is still valid with the relevant stock(s) not yet fully executed, the part of such Order related to the executed stock(s) cannot be cancelled while only the part of such Order related to the unexecuted stock(s) can be cancelled.
  - (vii) You understand and agree that for "Good-Till" "Stop Orders", any triggered Order will be carried forward pending execution until the relevant expiry date/time.
  - (viii) You understand and agree that "Stop Orders" can only be triggered during the U.S. regular trading hours\*.
12. You understand and agree that if there is any share consolidation conducted or any unexpected situation occurred, the Bank may (but is not obliged to), at its absolute discretion, cancel any unexecuted Sell Order before the regular trading hours\*, and the Bank makes no warranty or guarantee that such cancellation must be proceeded or completed successfully. You further agree that, if the said cancellation is not proceeded or completed successfully, the Bank shall not be liable for overselling any of the stock(s) under my/our relevant Sell Order.
13. You understand and agree that the total useable fund and the available balance in my/our settlement account at the Bank may not be instantly reflected during the period from the closure of the U.S. market to 9 p.m. (U.S. Eastern Time) due to the system's day end process for settlement.

14. In the event of any inconsistency between the English version and Chinese version of these Terms and Conditions, the English version shall prevail.

*\* The regular trading hours of the U.S. trading day refer to U.S. Eastern Time 9:30 am - 4:00 pm, which is equivalent to the following Hong Kong Time:-*

*9:30 pm - 4:00 am of the next day (during U.S. Summer Time); or*

*10:30 pm - 5:00 am of the next day (during U.S. Winter Time)*



## Section V: Master Agreement for Derivatives

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### RISK DISCLOSURE STATEMENT

Please read this Risk Disclosure Statement carefully before engaging in any derivative transactions with or through Dah Sing Bank, Limited (the "Bank"). This Risk Disclosure Statement forms an integral part of the Master Agreement. It does not disclose all possible risks. The Customer should therefore carefully consider whether such derivative transactions are suitable in light of the Customer's investment objectives, financial circumstances, tolerance to risks and investment experience. In considering whether to enter into derivative transactions, the Customer should be informed and be aware of the risks generally, and in particular should note the following:

#### 1. OPTIONS

An option is a contract for which an option buyer pays in exchange for the right to buy or sell an underlying asset at a specific strike price on or before a certain exercise date; and an option seller receives a premium and is obliged to buy or sell an underlying asset at a specific strike price on or before a certain exercise date.

##### **Risk of Trading in Options**

The risk of loss in trading options is substantial. In some circumstances, the Customer may sustain losses in excess of the Customer's initial margin funds. Placing contingent orders, such as "stop-loss" or "stop-limit" orders, will not necessarily avoid loss. Market conditions may make it impossible to execute such orders. The Customer may be called upon at short notice to deposit additional margin funds. If the required funds are not provided within the prescribed time, the Customer's position may be liquidated. The Customer will remain liable for any resulting deficit in the Customer's account. The Customer should therefore study and understand options before the Customer trades and carefully consider whether such trading is suitable in the light of the Customer's own financial position, tolerance to risks, investment experience and investment objectives. If the Customer trades options the Customer should be informed of the exercise and expiration procedures and the Customer's rights and obligations upon exercise or expiry.

Buying options involves less risk than selling or writing options because, if the price of the underlying asset moves against the Customer, the Customer can simply allow the option to lapse. The maximum loss is limited to the premium, plus any commission and other transaction charges. If the Customer allows the option to lapse, the Customer will suffer a total loss of investment, which will consist of the premium plus any commission and other transaction charges.

If the Customer sells or writes an option, the risk is considerably greater than if the Customer buys an option. Although the Customer will receive the premium payable by the buyer of the option, the Customer will in return accept the obligations to sell or purchase the underlying asset if the option is exercised by the counterparty against the Customer, no matter how far the price of the underlying asset has moved away from the strike price. If the Customer already owns the underlying asset, the risk is reduced. However, if the Customer does not own the underlying asset, the Customer can be exposed to a very substantial loss. As such, the Customer should only sell or write an uncovered option after taking into consideration all the applicable terms and conditions and the risk exposure.

This brief statement does not disclose all of the risks and other significant aspects of trading in options. In light of the risks, the Customer should undertake such transactions only if the Customer understands the nature of the contracts (and contractual relationships) into which the Customer is entering and the extent of the Customer's exposure to risk. Trading in options is not suitable for many members of the public. The Customer should carefully consider whether trading is appropriate in light of the Customer's experience, objectives, financial resources and other relevant circumstances.

**(a) Variable degree of risk**

Transactions in options carry a high degree of risk. Buyers and sellers of options should familiarise themselves with the type of option (i.e. put or call) which they contemplate trading and the associated risks. The Customer should calculate the extent to which the value of the options must increase for the Customer's position to become profitable, taking into account the premium and all transaction costs. The buyer of options may offset or exercise the options or allow the options to expire. The exercise of an option results either in a cash settlement or in the buyer acquiring or delivering the underlying interest. If the purchased options expire worthless, the Customer will suffer a total loss of the Customer's investment which will consist of the option premium plus transaction costs. If the Customer is contemplating purchasing deep-out-of-the-money options, the Customer should be aware that the chance of such options becoming profitable ordinarily is remote.

Selling ("writing" or "granting") an option generally entails considerably greater risk than purchasing options. Although the premium received by the seller is fixed, the seller may sustain a loss well in excess of that amount. The seller will be liable for additional margin to maintain the position if the market moves unfavourably.

The seller will also be exposed to the risk of the buyer exercising the option and the seller will be obligated to either settle the option in cash or to acquire or deliver the underlying interest. If the option is "covered" by the seller holding a corresponding position in the underlying interest or a futures contract or another option, the risk may be reduced. If the option is not covered, the risk of loss can be unlimited.

Certain exchanges in some jurisdictions permit deferred payment of the option premium, exposing the buyer to liability for margin payments not exceeding the amount of the premium. The buyer is still subject to the risk of losing the premium and transaction costs. When the option is exercised or expires, the buyer is responsible for any unpaid premium outstanding at that time.

**(b) Terms and conditions of contracts**

The Customer should ask about the terms and conditions of the specific options which the Customer is trading and associated obligations (e.g. expiration dates and restrictions on the time for exercise). Under certain circumstances the specifications of outstanding contracts (including the strike price of an option) may be modified by the exchange or clearing house to reflect changes in the underlying interest.

**(c) Suspension or restriction of trading and pricing relationships**

Market conditions (e.g. illiquidity) and / or the operation of the rules of certain markets (e.g. the suspension of trading in any contract or contract month because of price limits or "circuit breakers")

may increase the risk of loss by making it difficult or impossible to effect transactions or liquidate / offset positions. If the Customer has sold options, this may increase the risk of loss. Further, normal pricing relationships between the underlying interest and the option may not exist. The absence of an underlying reference price may make it difficult to judge "fair value".

**(d) Deposited cash and property**

The Customer should familiarise itself with the protections given to money or other property the Customer deposits for domestic and foreign transactions, particularly in the event of insolvency or bankruptcy. The extent to which the Customer may recover the Customer's money or property may be governed by specific legislation or local rules. In some jurisdictions, property which had been specifically identifiable as the Customer's own will be pro-rated in the same manner as cash for purposes of distribution in the event of a shortfall.

**(e) Commission and other charges**

Before the Customer begins to trade, the Customer should obtain a clear explanation of all commission, fees and other charges for which the Customer will be liable. These charges will affect the Customer's net profit (if any) or increase the Customer's loss.

**(f) Transactions in other jurisdictions**

Transactions on markets in other jurisdictions, including markets formally linked to a domestic market, may expose the Customer to additional risks. Such markets may be subject to regulation which may offer different or diminished investor protection. Before the Customer trades, the Customer should enquire about any rules relevant to the Customer's particular transactions. The Customer's local regulatory authority will be unable to compel the enforcement of the rules of regulatory authorities or markets in other jurisdictions where the Customer's transactions have been effected. The Customer should ask for details about the types of redress available in both the Customer's home jurisdiction and other Relevant Jurisdictions before the Customer starts to trade.

**(g) Currency risks**

The profit or loss in transactions in foreign currency-denominated contracts (whether they are traded in the Customer's own or another jurisdiction) will be affected by fluctuations in currency rates where there is a need to convert from the currency denomination of the contract to another currency.

**(h) Trading facilities**

Electronic trading facilities are supported by computer-based component systems for the order-routing, execution, matching, registration or clearing of trades. As with all facilities and systems, they are vulnerable to temporary disruption or failure. The Customer's ability to recover certain losses may be subject to limits on liability imposed by the system provider, the market, the clearing house and / or participant firms. Such limits may vary.

**(i) Electronic trading**

Trading on an electronic trading system may differ from trading on other electronic trading systems. If the Customer undertakes transactions on an electronic trading system, the Customer will be exposed to risks associated with the system including the failure of hardware and software. The result of any system failure may be that the Customer's order is either not executed according to the Customer's instructions or is not executed at all.

**(j) Off-exchange transactions**

In some jurisdictions, firms are permitted to effect off-exchange transactions. The Bank may be acting as the Customer's counterparty to the transaction. It may be difficult or impossible to liquidate an existing position, to assess the value, to determine a fair price or to assess the exposure to risk. For these reasons, these transactions may involve increased risks. Off-exchange transactions may be less regulated or subject to a separate regulatory regime. Before the Customer undertakes such transactions, the Customer should familiarise itself with applicable rules and attendant risks.

**2. MARGIN TRADING**

"Margin" means an amount of money, securities, property or other collateral, representing a part of the value of the contract or agreement to be entered into, which is deposited by the buyer or the seller or such other party in a leveraged foreign exchange transaction to ensure performance of the terms of the leveraged foreign exchange transaction. The Bank will not pay to the Customer any amount equivalent to interest or distributions on Margin, unless otherwise agreed.

The risk of loss in financing a transaction by deposit of collateral is significant. The Customer may sustain losses in excess of the Customer's cash and any other assets deposited as collateral with the licensed or registered person. Market conditions may make it impossible to execute contingent orders, such as "stop-loss" or "stop-limit" orders. The Customer may be called upon at short notice to make additional margin deposits or interest payments. If the required margin deposits or interest payments are not made within the prescribed time, the Customer's collateral may be liquidated without the Customer's consent. Moreover, the Customer will remain liable for any resulting deficit in the Customer's account and interest charged on the account. The Customer should therefore carefully consider whether such a financing arrangement is suitable in light of the Customer's own financial position and investment objectives.

**3. FOREIGN EXCHANGE**

**(a) Market Volatile**

Trading in foreign exchange is entirely speculative and carries inherent risks not ordinarily experienced in less volatile investment arrangements. Foreign exchange markets may move abruptly or unpredictably and substantial losses may be incurred. The risk of loss in leveraged foreign exchange trading can be substantial.

**(b) Currency Risks**

The profit or loss on transactions in foreign currency-denominated contracts (whether they are traded in the Customer own or another jurisdiction) will be affected by fluctuations in currency exchange rates where there is a need to convert from the currency denomination of the contract to another currency.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate.

**(c) Margin Trading**

If the Customer intends to engage in foreign exchange margin trading, the Customer should understand that the risk of loss in trading without full payment either on spot or forward contracts can be substantial. The Customer should therefore carefully consider whether such trading is suitable in the light of the Customer's financial position. In considering whether or not to trade, in addition to the matters referred to above, the Customer should also be aware that it may sustain a total loss of the initial margin funds and any additional funds that the Customer deposits with the Bank to maintain a position in foreign exchange. If the price moves against the Customer's position the Customer may be called upon to deposit a substantial amount of additional margin funds, on short notice, in order to maintain the Customer's position. If the Customer does not provide the required funds within the prescribed time, the Customer's position may be liquidated at a loss, and the Customer will be liable for any resulting deficit. The use of leverage can lead to large losses as well as gains. Even if a transaction is not margined, it may still carry an obligation to make further payments in certain circumstances over and above any amount paid when the Customer entered into the transaction. The high degree of leverage that is often obtainable in derivative transaction trading because of the small margin requirements can work against the Customer as well as for the Customer.

**4. CURRENCY OPTION (INCLUDING FOREIGN EXCHANGE PARTICIPATING FORWARD)**

**(a) Maximum Loss**

Currency Option is not principal protected. The Customer should note that the maximum loss associated with the Currency Option could be substantial. The maximum loss of buying the option may be limited to the premium paid; however the maximum loss of selling / writing the option could be very substantial or even potentially unlimited. If the Customer invests in the Foreign Exchange Participating Forward, the Customer should also note that the maximum loss associated with the Foreign Exchange Participating Forward could be substantial. In the extreme case where the target currency depreciates to a very low level or even zero, the

Customer is still bound by the Foreign Exchange Participating Forward contract to buy the target currency at Strike. In addition, the Customer can use margin to transact Currency Option. The Customer should note the additional risks associated with leveraged trading as mentioned below.

**(b) Derivatives Risk**

The Currency Option is an unlisted structured investment product involving derivatives, which involves risks. Even Foreign Exchange Participating Forward is usually offered at zero premium, the Customer may sustain a loss or a substantial loss if the exchange rate moves unfavorably against the Customer's anticipated view.

**(c) Foreign Exchange Risk**

By entering into the Currency Option, the Customer is exposed to the exchange rate risk of the underlying currencies. Foreign exchange rates are highly volatile and are influenced by, among other things, changing supply-demand relationships; trade, fiscal, monetary, political and economic events and policies; changes in national and international interest rates and inflation; currency devaluation; and sentiment of the market place. Where the settlement currency is not the Customer's home currency, the Customer will be subject to further risk concerning the exchange rate fluctuation between the settlement currency and the Customer's home currency.

**(d) Not The Same As Buying / Selling The Target Currencies**

Investing in the Currency Options is not the same as buying or selling the target currencies directly.

**(e) Potential Losses Can Be Very Substantial**

The Customer may suffer substantial loss as, subject to the early termination of the Currency Option due to the occurrence of a Knock-Out Event or Target Redemption Event (if applicable), the Customer is obliged to buy / sell a pre-fixed amount of the target currency at a pre-defined exchange rate on the settlement date (in the case that selling of a currency option is involved in the Currency Option) or each settlement date (applicable to Foreign Exchange Participating Forward), even if the market exchange rate at the expiration time on the relevant expiration date(s) is favourable than this pre-defined exchange rate. If Customer fails to pay the required amounts for completing the transaction on a settlement date, the Bank will have the sole discretion to, liquidate the target currency the Customer is obliged to buy / sell (applicable to Currency Option) or in case of accumulating a target currency, liquidate the target currency the Customer is obliged to buy; or, in case of decumulating a target currency, liquidate the other currency the Customer is obliged to receive in exchange for the target currency (applicable to Foreign Exchange Participating Forward), at the prevailing market exchange rate for completing such individual transaction. The Customer may be required to compensate the Bank subsequently.

**(f) Limited Upside**

**[Applicable to Currency Option]** If a Knock-Out feature or a capped return feature is applicable to the Currency Option, the Customer's potential return under the Currency Option is limited and is capped. If at any time during the term of the Currency Option a Knock-Out Event has occurred, the Currency Option will be early terminated and the Customer will cease to buy / sell any target currencies on the settlement date even if the market exchange rate moves favourably in your direction. If the Knock-Out Event occurs on or after the trade date but prior to the Expiration Time on the Expiration Date, the Customer will not be able to buy / sell any target currency under the Currency Option. If the Customer is using Currency Option for the purpose of hedging, the Customer should be aware that it can only provide partial hedge and if the exchange rate moves beyond the cap, the Customer will be re-exposed to foreign exchange risk.

**[Applicable to Foreign Exchange Participating Forward]** If a Knock-Out feature or European Knock-Out feature or Target Redemption feature or a capped return feature is applicable to the Foreign Exchange Participating Forward, the Customer's potential return under the Foreign Exchange Participating Forward is limited and is capped. If at any time during the term of the Foreign Exchange Participating Forward a Knock-Out Event or Target Redemption Event has occurred, the Customer's Foreign Exchange Participating Forward will be early terminated and the Customer will cease to accumulate / decumulate any further target currency on each of the subsequent settlement dates even if the market exchange rate moves favourably in the Customer's direction. If the Knock-Out Event occurs on or after the trade date but prior to the Expiration Time on the first Expiration date, the Customer will not be able to accumulate / decumulate any target currency under the Foreign Exchange Participating Forward. If European Knock-Out feature or cap feature is applicable to Foreign Exchange Participating Forward, the Customer's potential return on each settlement may be limited or capped. If the Customer is using Foreign Exchange Participating Forward for the purpose of hedging, the Customer should be aware that it can only provide partial hedge and if the exchange rate moves beyond the cap, the Customer will be re-exposed to foreign exchange risk.

**(g) Potential Losses Are Magnified**

The downside risk is magnified if the Currency Option includes a "multiplier" (or gearing) condition. Under a geared Currency Option transaction, the Customer is obliged to buy / sell multiple times of the pre-fixed amount of the target currency at a pre-defined exchange rate if the reference rate at the expiration time on the relevant expiration date(s) is unfavourable and no Knock-Out Event or Target Redemption Event (if applicable) has been triggered or Knock-In Event (if applicable) has been triggered. In these circumstances, the Customer will suffer even greater losses. The potential downside resulting from the Currency Option could be significantly and disproportionately higher than the potential upside.

**(h) Risk Of Hedging**

If you invest in the Currency Option with the intention of hedging against the Customer's exposure to the target currency, the Customer should note that the Currency Options cannot provide a perfect hedge for the Customer's exposure and will not hedge the same way as a normal forward contract. Where applicable, if the Customer's potential return under the



Currency Option is capped by Knock-out Events, Target Redemption Events or other return capping features, it may not serve the Customer's intended hedging purpose. If Knock-In feature is applicable to Currency Option, it may be able to hedge the Customer's exposure only if the Knock-In Event has triggered. The Customer should also note that if the maximum exposure associated with the Currency Option (including Foreign Exchange Participating Forward) is materially larger than the Customer's positions or anticipated cash outflows in the target currency, the Customer will be over-exposed instead of hedged. More importantly, the Customer should not treat Foreign Exchange Participating Forward as a hedging tool for the relevant decumulators.

**(i) Multiple Settlements** (applicable to Foreign Exchange Participating Forward only)

The Foreign Exchange Participating Forward has multiple settlements. The Customer's total gain / loss will depend on the aggregate of all the payouts on each Settlement Date. A gain under the Foreign Exchange Participating Forward in respect of a settlement date may be offset by a loss under the Foreign Exchange Participating Forward in respect of another Settlement Date.

**(j) Aggregate Effect**

Investors maximum exposure arising from the Currency Option should be considered together with all their other outstanding contracts of the same target currencies.

**(k) Long Tenor**

In general, Currency Option with a longer tenor will induce higher volatility and higher risks and usually higher costs of early termination.

**(l) Liquidity Risk**

Currency Option is not transferable and is not listed on any exchange and there is no secondary market for the Customer to buy and sell Currency Option. Subject to the occurrence of a Knock-Out Event (excluding European Knock-Out Event in the Foreign Exchange Participating Forward) or Target Redemption Event (if applicable), the Customer may only terminate the Currency Option with the consent of the Bank. The Bank may, but is not obliged to, early terminate Currency Option at the Customer's request, on the terms which may be unfavourable to the Customer. The Bank may also early terminate subject to the terms of the Master Agreement. The Customer may need to bear unexpectedly high exit costs and losses for such termination.

**(m) Risks Associated With Margin Trading**

If the Currency Option is transacted on margin, the Customer need to be prepared for paying interest cost for the margin and meeting margin calls which require the Customer to deposit additional margin funds or collateral to cover the full marked-to-market losses for the remaining period of the transaction within a short period of time. Such payment can be substantial in poor market conditions and / or when the transaction has a long remaining

period. In poor market conditions, the Customer may have to meet margin calls at short notice while the Customer's ability to make top-up payments may be much worse than during normal times due to the significant fall in market value of other financial assets. The Bank reserves its discretion to raise the margin level from time to time. If Customer fails to meet the margin calls, the Currency Option (including Foreign Exchange Participating Forward) may be closed out without the Customer's consent and the Customer will have to bear the consequential losses and costs which could be very substantial.

**(n) Credit Risk Of The Bank**

Currency Option is not secured by any collateral. When the Customer invests in the Currency Option, the Customer will be relying on the Bank's creditworthiness. If the Bank becomes insolvent or defaults on its obligations under Currency Option, the Currency Option may worth less than it may otherwise have been and the Customer can only claim as an unsecured creditor of the Bank. In the worst case, the Customer may get nothing back from the contracts of Currency Option even if they are having positive market values.

**(o) Exchange Control**

For currencies subject to exchange controls imposed by the relevant governments, such as Renminbi (RMB), the exchange rates may be easily affected by change in government policies. Such currencies may have different exchange rates quoted in different markets. For example, the onshore rate of RMB is being referred as "CNY" and the offshore rate (i.e. when traded in Hong Kong) is being referred as "CNH". Although CNY and CNH represent the same currency, they do not necessarily have the same exchange rate and may not move in the same direction. For currencies under linked exchange rate regimes, such as USD / HKD, the Customer should be aware that the currency regime may be changed in some circumstances. The change of currency regime may lead to drastic movements of the relevant foreign exchange rates.

**(p) Compounding Of Risks**

An investment in the Currency Option involves risks and should only be made after assessing the direction, timing and magnitude of potential future changes in the value of the target currency and interest rates, the risks associated with such investments and the terms and conditions of the Currency Option. More than one risk factor may have simultaneous effects with regard to the Currency Option such that the effect of a particular risk factor may not be predictable. In addition, more than one risk factor may have a compounding effect, which may not be predictable. No assurance can be given as to the effect that any combination of risk factors may have on the value of the Currency Option.

**(q) Not Covered By The Investor Compensation Fund**

The Currency Option is not covered by the Investor Compensation Fund.

## **5. TRADING IN LEVERAGED FOREIGN EXCHANGE CONTRACTS**

The risk of loss in leveraged foreign exchange trading can be substantial. The Customer may sustain losses in excess of the Customer's initial margin funds. Placing contingent orders, such as "stop-loss" or "stop-limit" orders, will not necessarily limit losses to the intended amounts. Market conditions may make it impossible to execute such orders. The Customer may be called upon at short notice to deposit additional margin funds. If the required funds are not provided within the prescribed time, the Customer's position may be liquidated. The Customer will remain liable for any resulting deficit in the Customer's account. The Customer should therefore carefully consider whether such trading is suitable in light of the Customer's own financial position and investment objectives.

## **6. FORWARD CONTRACTS**

A forward contract is an agreement by the buyer to take or by the seller to make delivery of the underlying asset on a certain date. Forward contracts are usually concluded off-exchange with commercial banks or financial institutions. While the off-exchange market may be wider and is generally available 24 hours a day, and contracts may be for significantly larger amounts and have no trading limits, such off-exchange transactions do not have the benefits of supervision, protection and an orderly market which are otherwise found in an organised exchange.

## **7. SWAP TRANSACTIONS**

In a swap transaction, two parties agree to exchange specific quantities of two different assets. An example is an interest rate swap involving the swap of the fixed rate of a currency with the floating rate of the same currency over a specified period of time. In this case, the party receiving the fixed rate will make a gain if the fixed rate is higher than the floating rate on the rate determination date. A variation of this arrangement is the cross-currency interest-rate swap, which is an interest-rate swap involving two different currencies. The exchange is usually of payments in different currencies calculated on different interest-rate bases. An example is the swap of the floating interest rate of one currency over a specific period for the fixed interest rate of another currency over the same period.

Movements in exchange rates, interest rates or the market price of the underlying instruments of the swap transaction may significantly affect the Customer's position. Movements in exchange rates, interest rates or the market price of the underlying instruments of the swap transaction can also be affected by various factors, including inflationary fears and weakening currency. There may not be any logical reason for markets to act in a certain way, making it difficult to anticipate such movements.

## **8. SWAPTIONS**

A swaption is a contract whereby the owner of the option has the right, but not the obligation, to cause a specified underlying swap transaction to become effective as between the buyer and the seller of the swaption, or to cause a payment to be made by reference to the value of that underlying swap transaction. The risks associated with options (including those described above) apply equally to swaptions. If the Customer enters into a physically settled swaption with the Bank and the

swaption is exercised, the underlying swap transaction shall become effective between the Customer and the Bank, and the Customer may become liable to deposit margin with the Bank.

## 9. CONTRACTS FOR DIFFERENCES

Contracts for differences are contracts which provide for the determination or adjustment of obligations between the contracting parties with reference to certain levels of certain assets, interest rates or referenced indices at the time of the contracts and at an agreed future time. Examples include commodities, securities, currencies and interest rate swaps, etc. However, unlike other options, these contracts can only be settled in cash. Investing in a contract for differences carries the same risk as investing in an option and the Customer should be aware of these as set out above. Transactions in contracts for differences may also have a contingent liability and related margin requirements and the Customer should be aware of the implications of these as set out above.

## 10. MARKET RISKS

The potential for profit or loss from derivative transactions will be affected by fluctuations in price of the underlying assets. At certain times or under certain market conditions, the Customer may find it difficult or impossible to liquidate a position. Placing contingent orders, such as "stop-loss" or "stop-limit" orders, will not necessarily limit the Customer's losses to the intended amounts, since market conditions may make it impossible to execute such orders.

## 11. OTC DERIVATIVES

The Customer expressly recognises and acknowledges that the transactions will be entered into over-the-counter, meaning off-market. In particular, the Customer should take note of the following:

- (a) **Market Risk:** The Customer's payments and / or receipts in respect of a transaction are linked to changes in the value of one or more financial market prices, rates or indices. In particular, the Customer recognises that the Customer may suffer significant losses in a transaction both in terms of (i) the amounts the Customer pays under the terms of the transaction being greater than the amounts the Customer receives and (ii) the amount it might cost the Customer to unwind such a transaction before its stated maturity. Market risk is accentuated in transactions involving leverage.
- (b) **Credit Risk:** Any transaction which requires the Bank to make payments to the Customer will expose the Customer to the Bank's credit risk (as opposed to the credit risk of a central clearing corporation as would generally be the case with exchange-traded options).
- (c) **Liquidity Risk:** A transaction generally cannot be assigned, transferred or terminated without the consent of the other party, and typically that other party is not legally or contractually obliged to give its consent. It therefore may be impossible for the Customer to liquidate a transaction before its stated expiration date.
- (d) **Price Risk:** Because the prices and characteristics of transactions are individually negotiated and there is no central source for obtaining prices from competing dealers, there can be

inefficiencies in transaction pricing. The Bank makes no representation or warranty that prices will always be the best prices available to the Customer. The Bank may make a profit from a transaction with the Customer no matter what result the transaction has from the Customer's point of view.

- (e) **Risk of Conflict of Interest:** The Customer recognises that the Bank may at any time enter or have entered into other contracts with or for other parties including, without limitation, contracts for the purpose of hedging or for any other purpose, contracts which may result in the Bank holding a potentially opposing position to the Customer's in respect of a transaction, that the Bank may also therefore gain a profit, charge or remuneration for itself, and that in such cases the Bank shall not be liable to account or specifically disclose to the Customer either the fact of such contracts or any such profit, charge or remuneration made or received by the Bank from any such contract or other related contract. The Customer agrees that unless otherwise expressly specified in a transaction advice, confirmation or contract note, the Bank shall be deemed to be acting in all respects as principal for the purpose of each transaction entered into by the Customer; however, this will not prevent or restrict the Bank (in its sole discretion but without any obligation to do so) from simultaneously or any other time acting as principal or agent for the purposes of any other contracts (whether for hedging purposes or otherwise) with or for any other party, including contracts which may involve a potentially opposing position to the Customer's in respect of a transaction.

## 12. EQUITY OPTIONS, EQUITY ACCUMULATOR & EQUITY DECUMULATOR

### (a) Structured Product

This is a structured product involving derivatives. The investment decision is the Customer's but the Customer should not invest in the Equity Options unless the intermediary who sells it to the Customer has explained to the Customer that the product is suitable for the Customer having regard to the Customer's financial situation, investment experience and investment objectives.

This product carries a high degree of risk and is not suitable for many members of the public. The Customer should invest in this product only if the Customer understands the nature of the contracts and contractual relationships into which the Customer is entering and the extent of the Customer's exposure to risk.

By writing a Put Option, the Customer will have the obligation to purchase the underlying stock at the pre-determined strike price when the Bank exercises its Put Option irrespective of the market price of the underlying stock. This means that the Customer may be buying the underlying stock for a price higher (including considerably higher) than the current market price at which it trades on market.

By writing a Call Option, the Customer will have the obligation to sell the underlying stock at the pre-determined strike price when the Bank exercises its Call Option irrespective of the market price of the underlying stock. This means that the Customer may be selling the underlying stock for a price lower (including considerably lower) than the current market price at which it trades on market.

By entering into the Equity Accumulator transaction, the Customer will have the obligation to purchase the underlying stock at the pre-determined strike price during the investment term irrespective of the market price of the underlying stock. This means that the Customer may be buying the underlying stock for a price higher (including considerably higher) than the current market price at which it trades on market. The Equity Accumulator is comprised of a number of put and call options on the underlying stock, the Customer should familiarize yourself with the risks associated with writing put options and buying call options before the Customer enter into the transaction.

By entering into the Equity Decumulator transaction, the Customer will have the obligation to sell the underlying stock at the pre-determined strike price during the investment term irrespective of the market price of the underlying stock. This means that the Customer may be selling the underlying stock for a price lower (including considerably lower) than the current market price at which it trades on market. The Equity Decumulator is comprised of a number of put and call options on the underlying stock, the Customer should familiarize yourself with the risks associated with writing call options and buying put options before the Customer enter into the transaction.

**(b) Non-principal protected and full downside risks**

This is not a principal guaranteed investment. The Customer could suffer very substantial loss which could be magnified.

The return of the investment will be subject to stock market conditions and the performance of the underlying stock. The price of the underlying stock fluctuates, sometimes dramatically. The price of the underlying stock may move up or down, and may become valueless. Accordingly, it is as likely that loss will be incurred rather than profit made as a result of investing in the Equity Options / Equity Accumulators / Equity Decumulators. Depending on market conditions and the type of options strategies, the Customer may be obligated to accept delivery / sales of the underlying stock at a price which is significantly above / below the prevailing market price of such stock and the resulting loss can be substantial.

**(c) Limited upside gain**

For Equity Accumulator, when the market price of the underlying stocks is at or above the knock-out price and upon the occurrence of a Knock-out Event, the unexercised put and call options will lapse and the Customer will not be able to accumulate any further shares at the pre-determined strike price. In other words, the potential for upside gain is limited even if the Customer's view of the price movement of the underlying stock is correct.

For Equity Decumulator, when the market price of the underlying stocks is at or below the knock-out price and upon the occurrence of a Knock-out Event, the unexercised put and call options will lapse and the Customer will not be able to decumulate any further shares at the pre-determined strike price. In other words, the potential for upside gain is limited even if the Customer's view of the price movement of the underlying stock is correct.

**(d) Not covered by Investor Compensation Fund**

The Equity Options / Equity Accumulators / Equity Decumulators are not listed on any stock exchange and are not covered by the Investor Compensation Fund established under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

**(e) No Collateral / Guarantee**

If the Customer buys an Equity Option / Equity Accumulator / Equity Decumulator from the Bank, the Equity Option / Equity Accumulator / Equity Decumulator is not supported by any collateral or guarantee from the Bank to the Customer.

**(f) Not the same as investing in the underlying stock**

Investing in the Equity Option / Equity Accumulator is not the same as investing in the underlying stock.

**(g) Not the same as selling the underlying stock**

Investing in the Equity Decumulator is not the same as selling the underlying stock.

**(h) Not Protected Deposit**

The Equity Option / Equity Accumulator / Equity Decumulator is not a protected deposit and is not protected by the Deposit Protection Scheme in Hong Kong.

**(i) Credit Risk**

The Bank is the Customer's counterparty to this transaction. The Customer's investment is subject to the creditworthiness of the Bank and there is no assurance of protection against a default by the Bank in respect of its payment obligation. The Customer should be aware that a total loss of the Customer's investment is possible if the Bank should default.

The Customer assumes the risk that the Bank will not be able to satisfy its obligations under the transaction, being the only party to whom the Customer will have recourse in respect of the Equity Option / Equity Accumulator / Equity Decumulator. Except where specifically provided otherwise, the Equity Option / Equity Accumulator / Equity Decumulator will constitute general and unsecured contractual obligations of the Bank and such obligations will rank equally with all other unsecured contractual obligations of the Bank. In the case of insolvency of the Bank, preferred liabilities of the Bank will have priority over unsecured obligations such as the Equity Option / Equity Accumulator / Equity Decumulator. Any stated credit rating of the Bank reflects the independent opinion of the referenced rating agency as to the creditworthiness of the Bank but is not a guarantee of credit quality of the Bank.

In the event that bankruptcy proceedings or composition, scheme of arrangement or similar proceedings to avert bankruptcy are instituted by or against the Bank, the payment of sums or the delivery of the underlying stock due on the Equity Option / Equity Accumulator / Equity



Decumulator may be substantially reduced or delayed, and the Customer may lose part of or the entire investment amount.

**(j) Counterparty**

The Customer understands and acknowledges that the Bank is dealing with the Customer at arm's length as the Customer's counterparty. In such case, to the extent permitted by law, the Bank is not the Customer's fiduciary, nor does it accept any fiduciary obligations to the Customer. The Customer should be aware that any dealing, trading, engagement or transaction with the Bank could result in a loss to the Customer and a gain to the Bank. Also, the Bank may make a profit from a transaction with the Customer whatever the result of the transaction, whether from the Customer's point of view or otherwise.

**(k) Liquidity Risk**

Equity Options / Equity Accumulators / Equity Decumulators are not listed on any exchange and there is no other secondary market for the Customer to buy and sell Equity Options / Equity Accumulators / Equity Decumulators. The Customer shall not be entitled to unwind the Equity Option / Equity Accumulator / Equity Decumulator transaction during its tenor without the Bank's prior consent. The Customer may not be able to exit the Customer's investment until the scheduled expiration date, so the Customer should be prepared for the Customer's investment to be locked-in for the entire option term. The Bank reserves its right in its absolute discretion to refuse any request for early termination prior to the expiration date, or it may impose conditions on such consent at its absolute discretion. Conditions on such consent may include (without limitation) the deduction of such breakage costs as the Bank shall determine at its absolute discretion. Such breakage costs shall include the costs, expenses, liabilities or losses incurred or suffered by the Bank as a consequence of breaking its hedge, or funding from other sources in respect of the Equity Option / Equity Accumulator / Equity Decumulator. Therefore, even if the Bank consents to the Customer's request for early termination, the Customer would likely need to bear unexpectedly high exit costs and the total amount recoverable by the Customer upon unwinding the transaction may be substantially less than the principal invested amount.

In general, Equity Option / Equity Accumulator / Equity Decumulator transactions with longer tenor will be associated with higher risks and usually higher costs of early termination.

**(l) Options**

Entering into Equity Options / Equity Accumulators / Equity Decumulators involves significant risk and may, in addition to the loss of any Option Premium or other amounts paid in relation to the Equity Options, result in investors owing large sums of money to the Bank. The risks involved depend on which type of Equity Options is entered into – however, some of the risks of the types of Equity Options / Equity Accumulators / Equity Decumulators are outlined below. The Customer must carefully consider all risks involved with entering into Equity Options / Equity Accumulators / Equity Decumulators before making any investment decision.

- (i) If the Customer has sold a covered Call Option to the Bank and elected for physical settlement and the Call Option is exercised, the Customer will need to deliver the underlying securities to the Bank at the strike price, which may be less favourable to the Customer than the market price.
- (ii) If the Customer sold a Call Option or sold a Put Option to the Bank, the Customer may need to pay a cash settlement amount to the Bank, if cash settlement is applicable. If the Customer does not pay the cash settlement amount, then the Bank may liquidate all or any of the collateral or margin it holds and apply it against the cash settlement amount.
- (iii) If the Customer has bought an Equity Option, any gain made on the sale of the underlying stock or receipt of the cash settlement amount may be less than the Option Premium paid. The Customer will lose the entire Premium without receiving the benefit of being able to exercise the Equity Option if the Equity Option expires unexercised.
- (iv) Where the Customer sells a covered Call Option, the Customer cannot trade the Customer's underlying stock during the term of the Option, as the Customer have pledged or mortgaged the Customer's underlying stock to the Bank to support, among other things, the Customer's obligation to pay any cash settlement amount to the Bank.
- (v) When selling Put Options, if the value of the underlying stock is lower than the strike price at the expiration date, the Customer will be obliged to buy the underlying stock from the Bank at the strike price (i.e. at a price above the current market price). This can result in significant losses.
- (vi) When selling Put Options, the Customer is required to lodge collateral with the Bank (generally cash). The Customer will be unable to use this collateral for other purposes whilst the Bank holds it as collateral against the Customer's sold put options.
- (vii) If the Customer sells a Call Option the Customer will forgo any potential capital growth above the capped amount that the Customer would otherwise have received.

**(m) Underlying Stock**

The underlying stock is selected by the Customer. The agreement by the Bank to enter into Options in relation to the underlying stock is not an indication or guarantee of the future performance of that underlying stock or the Customer's investment in and any sale of the underlying stock using Options, nor is it a recommendation on the part of the Bank to invest in the underlying stock. The value of the underlying stock could fall or rise.

**(n) Stock Market Volatility and Risk of Holding Stock(s)**

Trading in the stock market is entirely speculative and carries inherent risks not ordinarily experienced in less volatile investment arrangements. Stock markets may move abruptly or unpredictably and substantial losses may be incurred. Under certain market conditions, such as when the market reaches a daily fluctuation limit or when trading in the relevant stock is suspended, it may be difficult or impossible to liquidate a position. In the worst scenario of an Equity Accumulator, the stock prices can fall to zero and the Customer could sustain a total loss of the Customer's investment.

Furthermore, the stock price of a company could move substantially in particular on corporate specific news / developments and this could pose significant risk to the Customer.

**(o) Potential Return Risk**

Potential return on the Equity Option / Equity Accumulator / Equity Decumulator may be less than the return on a direct sale of or investment in the underlying stock or other investments. There is no assurance of a positive return on the Equity Option / Equity Accumulator / Equity Decumulator, in which case the Customer would have foregone any potential return that may have been earned on a direct sale of or investment in the underlying stock, interest rates, fixed income investment or bank deposit of similar amount and tenor.

Overall return the Customer receives in respect of the Customer's investment in underlying stock may be negative. This is because the performance of the Customer's investment depends on the performance of the underlying stock. There are risks associated with an investment in underlying stock. These risks relate to the operation of the securities markets generally and the risks which are associated with specific investments. Risks may include the volatility of security prices and trading liquidity, prevailing and anticipated economic conditions, technological, legal or political conditions and other inter-related factors which affect the performance of markets generally and the stock market specifically. Equity assets are generally considered to have a higher risk (and return) profile than other investments such as cash. The Bank does not guarantee the performance of any underlying stock.

In addition, different underlying stock will perform differently and there may be instances where an underlying stock will fall in price (or rise in price) because of company specific factors (for example, where a company's major product is subject to a product recall). The value of investments can vary because of changes to management, product distribution, investor confidence, internal operations or the company's business environment, and there is no certainty that they will pay dividends or distributions.

**(p) Market Risk**

The Customer could sustain substantial losses on the Equity Options / Equity Accumulators / Equity Decumulators if the market conditions move against the Customer. It is in the Customer's interest to fully understand the impact of market movements, in particular the extent of profit / loss the Customer would be exposed to when there is an upward or downward movement in the relevant markets, and the extent of loss if the Customer have to liquidate the Customer's position if market conditions move against the Customer. The Customer's position may be liquidated at a loss, and the Customer will be liable for any resulting deficit in the Customer's account with the Bank. Under certain market conditions the Customer may find it difficult or impossible to liquidate a position, to assess a fair price or assess risk exposure.

**(q) Risk of Margin Trading**

The risk of loss in financing a transaction by deposit of collateral (leveraging) is significant, and the Customer may sustain losses in excess of the Customer's cash and any other assets deposited as collateral with the Bank. If the market conditions move against the Customer, leveraging will magnify the extent of the Customer losses. Any statement on the potential risks and return on the investment does not take into account the effect of any leveraging. The Customer must factor in and consider the potential impact of, amongst other things, the cost of funding and possibility of margin calls due to adverse movements in market conditions during the investment tenor. The Customer may sustain a total loss of the principal amount and any additional amounts that the Customer used to establish or maintain the Customer position.

If the price of the underlying stock moves against the Customer, the Customer may be paying for interest cost for the margin / credit facility and meeting margin calls which require them to make top-up payment to cover the full marked-to-market losses for the remaining period of the transaction. Such payment can be substantial when the market movement is against the Customer's position and / or when the transaction has a long remaining period. The Customer may have to meet margin calls at short notice at a time when the Customer's ability to make such margin payments may be much worse than during normal times, due to the significant fall in market value of other financial assets. The Bank reserves absolute discretion to raise the margin level which can add further liquidity pressure on the Customer. If the Customer does not provide the required additional margin or security within the prescribed time, the Customer's position may be liquidated at a loss and the Customer will be liable for any resulting deficit in the Customer's account and interest charged on the Customer's account. In that case, the Customer's collateral may also be liquidated without the Customer's consent and applied against any amount outstanding to the Bank, whether in relation to an Equity Option, Equity Accumulator, Equity Decumulator, credit facility or otherwise. Therefore the consequential losses and costs could be substantial.

The use of leverage can work against the Customer as well as for the Customer, and it can lead to large losses as well as gains. If the Customer is considering to leverage the Customer's investment, the Customer should obtain from the Bank further detailed information as to the associated risks, and the Customer should carefully consider whether leveraging is suitable in light of the Customer's own financial position and investment objectives.

**(r) Delivery Risk**

If the Customer enters into Equity Accumulator transactions, while the Customer will accumulate the underlying stock upon the exercise of any option when the Customer enters into Equity Accumulator transactions, physical delivery of the underlying stock will be effected in accordance with the pre-determined settlement schedule. The Customer will not be able to sell the underlying stock the Customer has accumulated until physical delivery, and there can be no assurance that such underlying stock can be ready for sale by the Customer on the date of settlement. In certain events, the ability to deliver the underlying stock may be restricted. The Customer should confirm that the underlying stock has been delivered by the Bank before placing selling instruction over such stock on or after the scheduled date of settlement.

Under Equity Option transactions, physical delivery of the underlying stock will be effected in accordance with the pre-determined terms and conditions. The Customer will not be able to sell the underlying stock the Customer has purchased until physical delivery, and there can be no assurance that such underlying stock can be ready for sale by the Customer on the date of settlement. In certain events, the ability to deliver the underlying stock may be restricted. The Customer should confirm that the underlying stock has been delivered by the Bank before placing selling instruction over such stock on or after the scheduled date of settlement.

If the Customer receives physical delivery of the underlying stock, the Customer will be exposed to the market risk arising from holding the stock. Trading in the stock market is entirely speculative and carries inherent risks not ordinarily experienced in less volatile investment arrangements. Stock markets may move abruptly or unpredictably and substantial losses may be incurred. Under certain market conditions, such as when the market reaches a daily fluctuation limit or when trading in the relevant stock is suspended, it may be difficult or impossible to liquidate a position. In the worst case scenario, the share prices can fall to zero and the Customer could sustain a total loss of the Customer's investment. Furthermore, the stock price of a company could move substantially in particular on corporate specific news / developments and this could pose significant risk to the Customer.

It is in the Customer's interest to fully understand the impact of market movements, in particular the extent of profit / loss that would be exposed to when there is an upward or downward movement in the relevant market and the extent of loss if the Customer are to liquidate the Customer's position if market conditions move against the Customer.

**(s) Compounding of Risks**

Structured products are formed by combining two or more financial instruments and the risks associated with these financial instruments may be interconnected. As such, the extent of loss due to market movements can be substantial.

An investment in the Equity Option / Equity Accumulator / Equity Decumulator should only be made after assessing the direction, timing and magnitude of potential future changes in the value of the applicable underlying stock, the risks associated with such investment and the terms and conditions of the product. More than one risk factor may have simultaneous effects with regard to the product such that the effect of a particular risk factor may not be predictable. In addition, more than one risk factor may have a compounding effect, which may not be predictable. No assurance can be given as to the effect that any combination of risk factors may have on the Customer's investment.

**(t) Investor's Total Exposure**

The Customer shall consider the Customer's total maximum exposure arising from the Equity Option / Equity Accumulator / Equity Decumulator, together with all other stock option transactions that the Customer has entered into.

**(u) Extraordinary Events**

If there is an extraordinary event such as stock split, issue of bonus shares or other unexpected event that changes the number, value or weighting of issued shares of the underlying stock, the Bank may adjust the transaction terms, at its sole discretion, to reflect the new market conditions. The Customer should seek independent advice from professional parties in the event of such extraordinary events.

**(v) Pricing Relationships**

The normal pricing relationships between the underlying stock and the Equity Option / Equity Accumulator / Equity Decumulator may not exist in certain circumstances, in particular in "combined" or "structured" transactions. The absence of a "common" or "market" reference price may make it difficult, if not impossible, for the "fair" value of the Transaction to be assessed independently. Whilst the Bank will provide periodic mark-to-market valuations to the Customer, the Bank at its sole discretion can determine the value of the Equity Options / Equity Accumulators / Equity Decumulators in accordance with its normal practices from time to time which shall be conclusive and binding.

**(w) Breakage Costs**

Subject to the terms of the Master Agreement, on the occurrence of an Adjustment Event, Early Termination Event, Event of Default (as each term is defined in the Master Agreement) or if the Customer requested early termination, the Bank may have the right to terminate any of the Customer's options, including the Equity Options / Equity Accumulators / Equity Decumulators, early. Where one option is in respect of more than one underlying stock, part of the option may be terminated early. If any of the Customer's options are terminated early, breakage costs may apply and will form part of the calculation of the amount the Customer will receive or pay following early termination of the Customer's options. Break costs will depend on the economic value the Bank achieves on unwinding its hedge positions. This will be dependent upon several factors, including but not limited to, market liquidity, volatility, interest rates, market prices, foreign exchange rates and the time left to expiration date or maturity date. The impact of these factors is largely unknown and is dependent on movements in financial markets. The Customer and the Customer's financial advisers can contact the Bank and request an estimate of any early termination payments or costs of unwinding the option early. Such an estimate would include the estimated breakage costs. However, the actual break costs and costs of terminating the options early will not be known at the time the estimate is provided and may be significantly more than the estimate provided.

Break costs may be significant, and may exceed any increase in the value of the underlying stock. The Customer should not enter into any options including the Equity Options / Equity Accumulators / Equity Decumulators if the Customer intends to terminate early. If the Customer wishes to terminate any options early, the Customer should seek independent professional advice including but not limited to legal and taxation advice before doing so.

**(x) Event of Default, Early Termination Events and their consequences**

Subject to the terms of this Master Agreement, if an Event of Default or Early Termination Event occurs, the Bank may (amongst other things):

- (i) require the Customer to repay all or any part of the amount owing in full on the early termination date;
- (ii) terminate the entire facility (if any) (including any options);
- (iii) cease to make funds or other facilities (whether monetary or otherwise) available under the facility (if any);
- (iv) enforce any mortgage, pledge or collateral held and apply any proceeds for enforcement to pay the amount owing; and
- (v) close-out all or any of the Customer's outstanding Options.

The Bank need not give the Customer any notice before it takes any of these actions.

Subject to the terms of this Master Agreement, an Event of Default includes (without limitation) where:

- (i) the Customer fails to pay or deliver on time any amount due under the Master Agreement;
- (ii) the Customer fails to observe or perform any of the other provisions of the Master Agreement;
- (iii) the Customer's material obligation ceases to be binding and enforceable;
- (iv) any of the Customer's licence or authorisation is revoked or not renewed or suspended;
- (v) an insolvency event occurs in respect of the Customer;
- (vi) the Bank reasonably believes that the Customer's ability to comply with the Master Agreement has been reduced due to a change in business, assets or financial position;
- (vii) the value of collateral is or will be materially adversely affected;
- (viii) a term is or becomes wholly or partly void, voidable or unenforceable;
- (ix) the Customer creates or attempt to create a security interest over any collateral;
- (x) the Customer engages in fraud, theft or other illegal activities;
- (xi) the Customer breaches a representation or warranty given;
- (xii) the Customer gives the Bank incorrect or misleading information;
- (xiii) the Customer defaults under any other financial arrangements, security interests or mortgages; and
- (xiv) the Customer dies, become insane or are declared incapable of administering the Customer's affairs.

Subject to the terms of this Master Agreement, an Early Termination Event includes (without limitation) where:

- (i) an Adjustment Event occurs and the Bank elects to treat it as an Early Termination Event;
- (ii) a Force Majeure Event occurs;
- (iii) an Illegality occurs; and
- (iv) the Bank elects to terminate all or any options by providing not less than 14 days written notice.



The meaning of Early Termination Event and Event of Default as well as the consequences of occurrence of such events are defined in this Master Agreement.

**(y) Market Disruption Events**

Subject to the terms of this Master Agreement, a Market Disruption Event (as defined in this Master Agreement) is the occurrence of any of the following:

- (i) a suspension or limitation imposed on trading by an Exchange;
- (ii) any event that disrupts or impairs the ability of market participants to effect transactions or obtain values for underlying stock or futures or options relating to underlying stock;
- (iii) the closure of an exchange prior to its scheduled closing time;
- (iv) the declaration of a general moratorium in respect of banking activities in the country where any Exchange or any Relevant Exchange is located or
- (v) any other event the Bank determines is a Market Disruption Event, or is an Market Disruption Event defined under the Bank's hedging arrangement.

Upon the occurrence of a Market Disruption Event, the day that is affected by the Market Disruption Event may be postponed until such time as the Market Disruption Event ceases. If the Market Disruption Event continues for a period of specified number of days as set out in this Master Agreement then the Calculation Agent may estimate any values or calculations that were intended to be made on the day that was disrupted.

**(z) Legislation and Regulatory Risk**

Changes to laws or their interpretation in Hong Kong or elsewhere could adversely affect the Customer's investment or result in increased costs or expenses payable by the Customer to the Bank. Applicants must be satisfied that Transaction in options is permitted under relevant laws, is appropriate for them and that they will continue to comply with relevant laws after making the investment. The Bank recommends the Customer seek independent legal advice from a suitably qualified adviser in matters of taxation and corporate regulatory law.

**(aa) Conflicts of Interests Risk**

The interests of members of the Bank and its group may conflict with the interests of investors in underlying stock. For example:

- The Bank is entitled to make a number of determinations under and in accordance with the Master Agreement in its absolute discretion, including in relation to Adjustment Events and Events of Default.
- The Bank and its group may provide investment banking and other services to entities including those who issue the underlying stock over which the Customer acquires or sells an option. As a result of these services, the Bank or its group may obtain access to information relating to its customers that may be confidential. Any such information may not be used for the Customer's benefit.

- The Bank and its group may deal in and provide advice to other customers on investments in underlying stock which may impact on the returns of the Customer's investment in underlying stock.
- The Bank and its group may trade alongside customers and execute orders on the Customer's behalf, on behalf of other customers and for affiliates. The Bank and its group may also make markets and conduct transactions over the underlying stock underlying the Customer's options. This conduct could adversely affect the value of the Customer's options.

As a result, the economic interests of the Bank and other affiliates and customers are potentially adverse to the Customer's interests as an investor in underlying stock.

**(bb) Interest Rate Risk**

The Customer is exposed to the movement of interest rates whenever the Customer enters into an Equity Option / Equity Accumulator / Equity Decumulator or terminates an option early. Movements in interest rates will have an impact upon the value of the Customer's transactions. As interest rates move upwards, the value of the Equity Accumulator transactions generally falls.

**(cc) Contract Tenor**

Equity Options / Equity Accumulators / Equity Decumulators with a longer tenor will be associated with higher risks and usually higher costs of early termination.

**(dd) Time Value of Money**

Where the Customer buys a Put Option, the Customer has protection up to the strike price. However, the Customer should note that due to the time value of money, \$1.00 today is worth less than \$1.00 in the future. Similarly, protection under a put option at the Strike Price at the start of the Option is worth less than protection at the Strike Price at maturity of the Option.

**(ee) Foreign Exchange Risk**

If the underlying stock is denominated in foreign currency, the Customer is additionally exposed to the risk of exchange rate fluctuations. If the foreign exchange market moves against the Customer, any gains or returns made under the options transaction may be entirely negated. The Customer will also be subject to multiple currency conversion costs if the denominated currency of the Equity Option differs from the traded currency of the underlying stock.

**(ff) Additional Risk Exposure for RMB**

RMB is currently subject to exchange controls imposed by the Mainland China government. The value of RMB against other currencies may be affected by a wide range of factors and may fluctuate substantially, which may adversely affect the return on the investment when RMB is converted into the Customer's home currency. There is no guarantee that RMB will not

depreciate. The exchange rate of RMB may be adversely affected by the limited availability of RMB outside the Mainland China and any change in government policies. Exchange rates of RMB are quoted in different markets; the onshore rate is being referred as "CNY" and the offshore rate (i.e. when traded in Hong Kong) is being referred as "CNH". Although CNY and CNH represent the same currency, they do not necessarily have the same exchange rate and may not move in the same direction. Moreover, secondary market for RMB related products may not be well developed and you may not be able to find a buyer, or the sale price could be much lower than the amount the Customer invested and hence suffer significant loss.

### **13. GENERAL RISKS**

#### **(a) Withholding Tax Gross-Up**

If an amount of a payment under this Agreement is required to be withheld or deducted for or on account of any Tax, the Customer, in addition to the payment which the Bank is otherwise entitled under this Agreement, must pay to the Bank such additional amount as is necessary to ensure that the net amount actually received by the Bank will equal the full amount the Bank would have received had no such deduction or withholding been required.

#### **(b) Indemnity**

The Customer shall indemnify the Bank and hold the Bank harmless from and against all losses, damages, indebtedness and costs which the Bank may sustain, suffer or incur: –

- (i) in consequence of or in connection with transactions effected under this Agreement and for anything which the Bank is hereby or from time to time authorised to do, including the costs to the Bank of carrying the Customer's open positions;
- (ii) in connection with executing, demanding, and enforcing the performance of, any provision of this Agreement, including this indemnity; and
- (iii) in relying and acting in good faith upon any instructions of the Customer, or reasonably believed to be given by the Customer, (including instructions by telephone) even if it is subsequently shown that such instructions were not given by or intended to be given by the Customer.

#### **(c) Expenses following an Event of Default**

Following an Event of Default, the Customer will on demand indemnify the Bank and hold it harmless for and against all reasonable out-of-pocket expenses, including legal fees, execution fees and stamp, registration, documentation or similar tax, incurred by the Bank by reason of the enforcement and protection of its rights under this Agreement or any Credit Support Document to which the Customer is a party or by reason of the early termination of any Transaction, including, but not limited to, costs of collection.

**(d) Debit accounts**

The Bank may debit any account of the Customer or any Credit Support Provider at any time and without prior notice with any amount due to the Bank from the Customer or the Credit Support Provider in respect of this Agreement.

### DISCLAIMER

In entering into any Transaction (defined below in the Master Agreement) with or through the Bank, the Customer confirms that the Customer has read and fully understood this Risk Disclosure Statement, the nature of the Transaction and the terms and conditions governing the Transaction, if applicable. The Customer acknowledges that in entering into any Transaction, the Customer has made the Customer's own assessment of the Transaction and the Customer's own objectives, knowledge, experience, financing risk capacity and ability to monitor the Transaction, based on such independent financial, tax, legal or other advice as the Customer considers appropriate. The Customer further acknowledges, understands and agrees that:-

- the Customer understands, is familiar with and is aware of the risks related to the Transaction, and is willing to take all risks related to the Transaction;
- the Customer makes its own judgement in relation to the Transactions, and has obtained advice from such advisers as it has deemed necessary;
- the Customer is capable of bearing a full loss of the amounts invested as a result of or in connection with any Transaction entered into with the Bank and any additional loss over and above the initial amounts invested;
- the Customer is aware of and fully understands all applicable laws, regulations and directives to which the Customer is subject and that the Customer is entitled and / or authorized under or by such laws, regulations and / or directives to enter into any Transaction it chooses to enter into;
- save as expressly required by applicable laws or regulations and subject to clause 13.2 of the Master Terms and Conditions, the Bank is not required to provide the Customer with any investment advice, views or suggestion on its own initiative;
- the Bank and its affiliates may hold positions which may not be consistent with any advice given by the Bank and which may result in losses on the Customer's part; and
- any risks associated with any losses suffered as a result of the Bank entering into any transactions or investments on the Customer's behalf are for the Customer's account.

The Bank hereby specifically draws the Customer's attention to the reporting obligations under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and its subsidiary legislations. The Bank hereby reminds the Customer that the Customer is solely responsible for complying or ensuring compliance with any duty or obligation which arises under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and its subsidiary legislations in respect of any transaction hereunder. The Customer hereby confirms that it is aware of and understands the relevant reporting obligations under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and its subsidiary legislations and that the Customer will at all times observe, or procure that such provisions be observed, in order to ensure that no breach of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and its subsidiary legislations is caused as a result of anything done or omitted or proposed to be done or omitted by the Customer or by the Bank acting on the Customer's instructions.

Furthermore, the Bank hereby specifically draws the Customer's attention to the reporting obligations under the U.S. Commodity Exchange Act and all regulations promulgated thereunder. The Bank hereby reminds the Customer that the Customer is solely responsible for complying or ensuring compliance with any duty or obligation which arises under the U.S. Commodity Exchange Act and all regulations promulgated thereunder in respect of any transaction hereunder. The Customer hereby confirms that it is aware of and understands the relevant reporting obligations under the U.S. Commodity Exchange Act and all regulations promulgated thereunder and that the Customer will at all times observe, or procure

that such provisions be observed, in order to ensure that no breach of the U.S. Commodity Exchange Act and all regulations promulgated thereunder is caused as a result of anything done or omitted or proposed to be done or omitted by the Customer or by the Bank acting on the Customer's instructions.

## MASTER AGREEMENT FOR DERIVATIVES

Dah Sing Bank, Limited (the "**Bank**") and the Customer have entered and / or anticipate entering into one or more derivatives transactions (each a "**Transaction**") that are or will be governed by this Master Agreement for Derivatives, which includes the schedules (each a "**Schedule**"), and the documents and other confirming evidence (each a "**Confirmation**") exchanged between the parties or otherwise effective for the purpose of confirming or evidencing those Transactions. This Master Agreement for Derivatives, the Risk Disclosure Statement, the Schedules and the Customer Information Sheet are together referred to as this "**Master Agreement**". Accordingly, the parties agree as follows:

### 1. INTERPRETATION

- (a) **Scope.** Unless the Bank notifies the Customer otherwise in respect of a specific Transaction or certain Transactions, this Master Agreement shall apply to existing or any future Transactions which are contemplated by a Schedule including interest rate, currency and equity derivatives (such as spot, forwards, NDF, FRA, swaps, caps, collars, floors and options and any combination of these) and any other type or class of Transactions that the parties may agree.
- (b) **Inconsistency.** In the event of any inconsistency between the provisions of any Schedule and the other provisions of this Master Agreement, the Schedule will prevail. In the event of any inconsistency between the provisions of any Confirmation and this Master Agreement, such Confirmation will prevail for the purpose of the relevant Transaction.
- (c) **Single Agreement.** All Transactions are entered into in reliance on the fact that this Master Agreement and all Confirmations form a single agreement between the parties (collectively referred to as this "**Agreement**"), and the parties would not otherwise enter into any Transactions.
- (d) **Master Terms and Conditions.** The Bank's Master Terms and Conditions ("**Master Terms and Conditions**") and related account documentation of the Customer shall apply to this Agreement and are supplemented by this Agreement. To the extent of any inconsistency the terms of this Agreement shall prevail.
- (e) **Binding Transactions.** The Customer may from time to time request that the Bank enters into one or more Transactions with the Customer. The Bank, in its absolute discretion, may choose to accept or reject the Customer's request and may require the Customer to provide additional information or documentation prior to entering into a Transaction. If the Bank agrees to enter into the Transaction, the Bank and the Customer intend that they are legally bound by the terms of each Transaction from the moment the Bank accepts the Customer's request or the parties otherwise agree the terms of the Transaction (whether orally, via email or otherwise). The Bank and the Customer agree that a Confirmation is not required to be exchanged in respect of a Transaction, however the Bank will send the Customer a Confirmation setting out the terms of the Transaction as soon as practicable following entry into the Transaction. In the absence of manifest error the Confirmation is conclusive as to the terms of the Transaction unless objected to in writing by the Customer within the time period specified in such Confirmation.
- (f) **Calculation Agent.** The Bank is the Calculation Agent with respect to all Transactions under this Master Agreement.



## 2. OBLIGATIONS

### (a) **General Conditions.**

- (i) Each party will make each payment or delivery for receipt on the Maturity Date specified in each Confirmation to be made by it, subject to the other provisions of this Agreement and in accordance with the relevant market customs and conventions.
- (ii) Payments under this Agreement will be made on the Maturity Date for value on that date in the place of the account specified in the relevant Confirmation or otherwise pursuant to this Agreement, in freely transferable funds and in the manner customary for payments in the required currency. Where settlement is by delivery (that is, other than by payment), such delivery will be made for receipt on the Maturity Date in the manner customary for the relevant obligation unless otherwise specified in the relevant Confirmation or elsewhere in this Agreement.
- (iii) Each obligation of each party under Section 2(a)(i) is subject to (1) the condition precedent that no Event of Default or Potential Event of Default with respect to the other party has occurred and is continuing, (2) the condition precedent that no Early Termination Date in respect of the relevant Transaction has occurred or been effectively designated and (3) each other condition specified in this Agreement to be a condition precedent for the purpose of this Section 2(a)(iii).

- (b) **Netting of Payments.** Unless the Bank otherwise specifies, if on any date amounts would otherwise be payable in the same currency in respect of any Transaction by each party to the other, then on such date, each party's obligation to make payment of any such amount will be automatically satisfied and discharged and, if the aggregate amount that would otherwise have been payable by one party exceeds the aggregate amount that would otherwise have been payable by the other party, replaced by an obligation upon the party by which the larger aggregate amount would have been payable to pay to the other party the excess of the larger aggregate amount over the smaller aggregate amount.

- (c) **Withholding Tax Gross-Up.** All payments under this Agreement will be made without any deduction or withholding for or on account of any Tax unless such deduction or withholding is required by any applicable law, as modified by the practice of any relevant governmental revenue authority, then in effect. If the Customer is so required to deduct or withhold, then the Customer will pay to the Bank in addition to the payment to which the Bank is otherwise entitled under this Agreement, such additional amount as is necessary to ensure that the net amount actually received by the Bank will equal the full amount the Bank would have received had no such deduction or withholding been required. "Tax" shall include any U.S. federal withholding tax imposed or collected pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code (a "**FATCA Withholding Tax**"). For the avoidance of doubt, a FATCA Withholding Tax is a Tax the deduction or withholding of which is required by applicable law for the purposes of this Agreement.

## 3. REPRESENTATIONS

The Customer represents and warrants to the Bank as follows (which representations will be deemed to be repeated on each date on which a Transaction is entered into):

- (a) **Basic Representations.**

- (i) **Status.** If applicable, it is duly organised and validly existing under the laws of the jurisdiction of its organisation or incorporation and, if relevant under such laws, in good standing;
- (ii) **Powers.** It has the power to execute this Agreement and any other documentation relating to this Agreement to which it is a party, to deliver this Agreement and any other documentation relating to this Agreement that it is required by this Agreement to deliver and to perform its obligations under this Agreement and any obligations it has under any Credit Support Document and has taken all necessary action to authorise such execution, delivery and performance;
- (iii) **No Violation or Conflict.** Such execution, delivery and performance do not violate or conflict with any law applicable to it, any provision of its constitutional documents, any order or judgment of any court or other agency of government applicable to it or any of its assets or any contractual restriction binding on or affecting it or any of its assets;
- (iv) **Consents.** All governmental and other licences, authorisations and consents that are required to have been obtained by it with respect to this Agreement or any Credit Support Document have been obtained and are in full force and effect and all conditions of any such consents have been complied with;
- (v) **Obligations Binding.** Its obligations under this Agreement and any Credit Support Document constitute its legal, valid and binding obligations, enforceable in accordance with their respective terms (subject to applicable bankruptcy, reorganisation, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles of general application (regardless of whether enforcement is sought in a proceeding in equity or at law));
- (vi) **Ultimate Beneficiary.** (Unless otherwise notified to and accepted by the Bank) It is the person ultimately responsible for originating the instructions in relation to a Transaction effected under this Agreement, the person that stands to gain the commercial or economic benefit of the Transaction and / or bear its commercial or economic risk, and entering into Transactions effected under this Agreement on its own behalf;
- (vii) **Professional investor.** (Unless otherwise notified to and accepted by the Bank) It is a professional investor within the meaning ascribed thereto in Part 1 of Schedule 1 of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong);
- (viii) **U.S. Person status:**
  - 1. it does not fall within the definition of "U.S. Person" and it believes in good faith that it would not otherwise be deemed to be a "U.S. person" under the CEA;
  - 2. it would not be classified as a Significant Risk Subsidiary;
  - 3. its obligations to the Bank in connection with a Transaction are not subject to a Guarantee by a U.S. Persons, except when (i) it is registered with the CFTC as a swap dealer, (ii) its swaps are subject to a Guarantee by a U.S. Person that is a non-financial entity, or (iii) it is itself below the swap dealer de minimis threshold under CFTC regulations, and is affiliated with a CFTC-registered swap dealer;
  - 4. it is not affiliated with a "swap dealer" as defined in Section 1a(49) of the CEA and CFTC Regulation 1.3(ggg) thereunder; and
  - 5. in entering into the Transaction it is not acting in any manner to evade any provision of applicable United States laws that may apply to the Transaction;
- (ix) **E.U. status:** it and each Credit Support Provider is an entity organised or established outside the European Union or, if any Credit Support Provider is established in the European Union, it is not a "financial counterparty" under EMIR established in the

- European Union and the Transaction is not entered into for the purpose of evasion of any of the provisions of EMIR; and
- (x) entry into the Transaction will not cause it to reach any clearing threshold imposed by the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and its subsidiary legislations unless it is exempted from the clearing obligation imposed by the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and its subsidiary legislations.
- (b) **Absence of Certain Events.** No Event of Default or Potential Event of Default or, to its knowledge, Termination Event with respect to it has occurred and is continuing and no such event or circumstance would occur as a result of its entering into or performing its obligations under this Agreement or any Credit Support Document.
- (c) **Absence of Litigation.** There is not pending or, to its knowledge, threatened against it or any of its Credit Support Providers any action, suit or proceeding at law or in equity or before any court, tribunal, governmental body, agency or official or any arbitrator that is likely to affect the legality, validity or enforceability against it of this Agreement or any Credit Support Document or its ability to perform its obligations under this Agreement or such Credit Support Document.
- (d) **Accuracy of Information.** All information that is furnished in writing by or on behalf of the Customer to the Bank is, as of the date of the information, true, accurate and complete in every material respect.
- (e) **Own Account.** It is acting for its own account (and not acting on behalf of any other person(s)), and it has made its own decision to enter into that Transaction and as to whether that Transaction is appropriate or proper for it based upon its own judgement and upon advice from such advisers as it has deemed necessary. The Bank cannot assure or guarantee the expected results of that Transaction.
- (f) **Assessment and Understanding.** It is capable of assessing the merits of and understanding (on its own behalf or through independent professional advice), and understands and accepts, the terms, conditions and risks of that Transaction. It is also capable of assuming, and assumes, the risks of that Transaction. The Bank will not be liable for any inaccuracy or incompleteness of any information provided by the Bank or the performance or outcome of any Transaction effected by the Customer after receipt of such information, save to the extent directly and primarily caused by the Bank's negligence, fraud or wilful default.
- (g) **Status of Parties.** The Bank, to the extent permitted by law, is not acting as a fiduciary to the Customer in respect of that Transaction.
- (h) **No Agency.** Unless otherwise agreed, the Customer is entering into this Agreement, including each Transaction, as principal and not as agent of any person or entity.
- (i) **Private Individual.** If a private individual: (i) the Customer is at least 18 years of age, is of sound mind and has full capacity to enter into this Agreement and each Transaction; and (ii) the Customer is an investor who is sophisticated and who has carefully considered such Transaction in light of the Customer's investment objectives, financial circumstances, tolerance to risks and investment experience.
- (j) **Partnerships.** If entering into this Agreement as a partner of a partnership: (i) it is duly authorised under the relevant partnership agreement to enter into this Agreement and to make the representations contained in this Agreement; and (ii) no breach of the partnership agreement has occurred and is continuing and no such breach would occur as a result of the entry into or performance of its obligations under this Agreement.

- (k) **Trustee Representations.** If entering into this Agreement as a trustee (the "**Trustee**") for and on behalf of a trust (the "**Trust**") created under a trust deed or other constituting instrument (the "**Trust Deed**"):
- (i) its appointment is valid and effective under the governing law of the Trust Deed and any other applicable law (and, if the Customer is a corporate trustee, also under the laws of the jurisdiction of its incorporation) and the Customer has the power to own assets in its capacity as trustee of the Trust;
  - (ii) the Customer has power under the Trust Deed to execute, deliver and perform this Agreement and any other documentation relating to this Agreement and that the Customer has taken all necessary action to authorise such execution, delivery and performance;
  - (iii) the execution, delivery and performance of this Agreement does not violate or conflict with any law applicable to the Trustee or to the Trust, any provision of the Trust Deed, any order or judgment of any court or other agency of government applicable to the Trustee, the Trust or any assets of the Trust, or any contractual restriction binding on or affecting the Trustee, the Trust or any assets of the Trust;
  - (iv) all governmental and other consents that are required to be obtained by the Trustee with respect to this Agreement have been obtained and are in full force and effect, and all conditions of such consents have been complied with;
  - (v) its obligations under this Agreement constitute legal, valid and binding obligations in its capacity as Trustee of the Trust, and are enforceable in accordance with their respective terms (subject to applicable bankruptcy, reorganisation, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles of general application (regardless of whether enforcement is sought in a proceeding in equity or law)), and no circumstances are known to the Customer which would or might prevent the Trustee from having recourse to the assets of the Trust for the purposes of meeting such obligations;
  - (vi) the Customer will carry on the Trust's activities in accordance with the Trust Deed and any applicable law affecting the Trust and the Customer has acted in the best interests of the Trust;
  - (vii) the Customer will not, without the prior consent of the Bank, amend the Trust Deed in a manner which could reasonably be expected to affect adversely its ability to perform its obligations under this Agreement;
  - (viii) as Trustee of the Trust, the Customer shall procure that any replacement, successor or additional trustee of the Trust however appointed (a "**New Trustee**") shall, on appointment, assume and undertake to perform all of its obligations and liabilities under this Agreement as Trustee, which will be evidenced by the New Trustee promptly signing and returning to the Bank a letter stating the same (which shall be in a form satisfactory to the Bank);
  - (ix) the Customer will not transfer any of the assets it holds as Trustee of the Trust to any New Trustee until the letter referred to above has been signed by the New Trustee, and in the event any transfer takes place in breach of this sub-clause, any limitation of trustee liability shall cease to apply to the Trustee;
  - (x) the Customer shall procure that, before any New Trustee is appointed, the proposed replacement, successor or additional trustee (as the case may be) will provide to the Bank such confirmation (in a form satisfactory to the Bank) that each representation

given by the Customer will be satisfied immediately following the appointment of the New Trustee;

- (xi) subject to the above, any retiring trustee who has complied with all the provisions of this clause shall, subject to the prior consent of the Bank, be released from all liability in respect of this Agreement on retirement; and
- (xii) in the event that a trustee retires and is not replaced by a New Trustee, such retiring trustee shall be released from all liability in respect of this Agreement provided that:-
  - (1) such retiring trustee confirms that all his rights and title to the property and assets of the Trust have been transferred to the remaining trustees in their capacity as trustees of the Trust and waives all his rights and interests in the property of the Trust by signing and returning to the Bank a letter stating the same (which shall be in a form satisfactory to the Bank); and
  - (2) a minimum number of appointed trustees is maintained under the terms of the Trust Deed.

#### 4. AGREEMENTS

**(A) The Customer undertakes and agrees as follows: –**

- (i) **Furnish Specified Information.** It will deliver to the Bank or to such government or taxing authority as appropriate any forms, documents or certificates relating to taxation as may be required or requested;
- (ii) **Maintain Authorisations.** It will use all reasonable efforts to maintain in full force and effect all consents of any governmental or other authority that are required to be obtained by it with respect to this Agreement or any Credit Support Document to which it is a party and will use all reasonable efforts to obtain any that may become necessary in the future.
- (iii) **Comply With Laws.** It will comply in all material respects with all applicable laws and orders to which it may be subject if failure so to comply would materially impair its ability to perform its obligations under this Agreement or any Credit Support Document to which it is a party.
- (iv) **Payment of Stamp Tax.** It will pay or reimburse the Bank on demand for any Stamp, registration, documentation or similar tax levied or imposed upon or in respect of the execution or performance of this Agreement.
- (v) **Corporate Documentation.** It will deliver to the Bank copies of all constitutional documents, signing authorities and evidence of the power and authority of persons authorised act on its behalf as the Bank may require;
- (vi) **Private individuals.** If a private individual or individuals: the Customer will send to the Bank evidence satisfactory to the Bank of the consent to this Agreement from any spouse, partner, joint tenant, tenant-in-common or any other person with whom the Customer owns property jointly (to the extent that such person is obliged or such property is available to meet claims by the Bank under this Agreement) and also evidence satisfactory to the Bank which shows that in giving the consent, that person received independent legal advice;
- (vii) **Trustees.** If a Trustee: the Customer will send to the Bank a copy of the Trust Deed, Declaration of Trust or any other documents constituting the Trust ("**Trust Documents**") and all amendments (if any) to the Trust Documents during the term of this Agreement;

- (viii) **Partnership.** If entering into this Agreement as a partner of a partnership: the Customer will send to the Bank a copy of the Partnership Deed or Partnership Agreement and all amendments to such deed or agreement (if any) during the term of this Agreement.
- (ix) **Credit Support Documents.** The Customer will deliver each Credit Support Document, a written legal opinion and such other documents as the Bank may reasonably require in relation to the Credit Support Document.
- (x) **Material Change.** The Customer will inform the Bank promptly of any material change to the information and documents provided to the Bank from time to time.

**(B) Mandatory Reporting Requirements**

- (i) The Customer must comply with all applicable laws, rules or regulations which mandates reporting and / or retention of transaction and similar information or to the extent required by any order or directive or requirement regarding reporting and / or retention of transaction and similar information issued by any authority, regulator, body, agency or clearing house in accordance with which the other party is required or accustomed to act ("**Reporting Requirements**"), imposed on the Customer and applicable to any Transaction within the time limits imposed under such Reporting Requirements. All reports which the Customer submits in accordance with this sub-paragraph (B)(i) will be submitted no later than the deadline set out in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), its subsidiary legislation, and any other applicable laws, rules or regulations, and any rules, guidelines or requirements issued by any authority, regulator, body, agency or clearing house and will comply with the requirements for such reports set out in the technical standards thereunder (which relate to the minimum data to be reported to trade repositories).
- (ii) The Customer acknowledges and agrees that following the entry, modification or termination of any Transaction hereunder, the Bank may prepare and submit a report with respect to such Transaction to the trade repository of the Hong Kong Monetary Authority. The Customer acknowledges that where the Bank reports entry, modification or termination of any Transaction under the Agreement to the trade repository of the Hong Kong Monetary Authority, it does so in compliance with the Bank's own obligations under the Reporting Requirements and does not do so as agent for the Customer. The Customer acknowledges that the Bank assumes no obligation or liability to the Customer with respect to any obligations imposed on the Customer under the Reporting Requirements.
- (iii) The Customer is solely responsible for complying with the obligations of the Customer under the Reporting Requirements and all and any other applicable laws with respect to the reporting of transactions, record-keeping and the maintenance of records.
- (iv) The Customer fully indemnifies and holds the Bank harmless against any losses, damage, costs (including legal fees) or liabilities incurred by the Bank as a result of the Customer failing to confirm the details of any transaction or to comply with any of its obligations under the Reporting Requirements.

**(C) Disclosure of information**

- (i) Notwithstanding anything to the contrary in this Agreement or in any non-disclosure, confidentiality or other agreement between the parties, each party hereby consents to the disclosure of information:
  1. to the extent required or permitted by any Reporting Requirements; or



2. by the Bank, to and between the Bank's head office, branches, offices or affiliates, or any persons or entities who provide services to the Bank or its head office, branches, offices or affiliates, in each case, in connection with such Reporting Requirements.
- (ii) Each party acknowledges that pursuant to global regulatory reform initiatives, regulators require reporting of trade data to increase market transparency and enable regulators to monitor systemic risk to ensure safeguards are implemented globally.
  - (iii) The Customer further acknowledges that disclosures made pursuant hereto may include, without limitation, the disclosure of trade information including the Customer's identity (by name, address, corporate affiliation, identifier or otherwise) to any swap or trade data repository or one or more systems or services operated by any trade repository ("TR") and any relevant regulators (including without limitation, the U.S. Commodity Futures Trading Commission or other U.S. regulators in the case of trade reporting under applicable U.S. laws, and the European Securities and Markets Authority and national regulators in the E.U. under the E.U. Regulation No. 648 / 2012 on OTC derivatives, central counterparties and trade repositories in the case of trade reporting under applicable E.U. laws, and the Hong Kong Monetary Authority or other Hong Kong regulators or authorities in the case of trade reporting under Hong Kong laws and regulations) and that such disclosures could result in certain anonymous swap transaction and pricing data becoming available to the public.
  - (iv) The Customer further acknowledges that, for purposes of complying with regulatory reporting obligations, the Bank may use a third party service provider to transfer trade information into a TR and that a TR may engage the services of a global trade repository regulated by one or more governmental regulators. The Customer also acknowledges that disclosures made pursuant hereto may be made to recipients in a jurisdiction other than that of the disclosing party or a jurisdiction that may not necessarily provide an equivalent or adequate level of protection for personal data as the Customer's home jurisdiction. For the avoidance of doubt, (i) to the extent that applicable non-disclosure, confidentiality, bank secrecy, data privacy or other law imposes non-disclosure requirements on transaction and similar information required or permitted to be disclosed as contemplated herein but permits a party to waive such requirements by consent, the consent and acknowledgements provided herein shall be a consent by the Customer for purposes of such law; (ii) any agreement between the parties to maintain confidentiality of information contained in this Agreement or in any non-disclosure, confidentiality or other agreement shall continue to apply to the extent that such agreement is not inconsistent with the disclosure of information in connection with the Reporting Requirements as set out herein; and (iii) nothing herein is intended to limit the scope of any other consent to disclosure separately given by the Customer to the Bank.
  - (v) The Customer represents and warrants that any third party to whom it owes a duty of confidence in respect of the information disclosed has consented to the disclosure of that information.

**(D) Clearing requirements**

- (i) With respect to any Transaction under this Agreement that is subject to the mandatory clearing requirements under any applicable law, the Bank has the sole right to select the derivatives clearing organization at which the Transactions will be cleared.



- (ii) With respect to any Transaction under this Agreement that is not subject to mandatory clearing requirements under any applicable law, the Bank may elect to clear such Transaction and has the sole right to select the derivatives clearing organization at which the Transaction will be cleared.

**(E) Amendments to Agreement to ensure compliance with laws**

The Customer agrees that it will consent to, and take all such steps as are reasonably required to give effect to, any amendment being made to this Agreement as the Bank shall notify to the Customer which are necessary to ensure that the terms hereof, and the parties obligations hereunder, are in compliance with the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), its subsidiary legislation, and any other applicable laws, rules and regulations, and any rules, guidelines or requirements issued by any authority, regulator, body, agency or clearing houses and / or the then subsisting technical standards thereunder.

**5. EVENTS OF DEFAULT AND TERMINATION EVENTS**

- (a) **Events of Default.** The occurrence at any time with respect to the Customer or, if applicable, any Credit Support Provider of the Customer of any of the following events and the occurrence at any time with respect to the Bank of the events in Section 5(a)(vi) in each case constitutes an event of default (an "Event of Default") with respect to such party: –
  - (i) **Failure to Pay or Deliver.** Failure by the party to make, when due, any payment or delivery required to be made by it. For the avoidance of doubt, the Bank shall not be obliged to accept any payment made after the relevant due date, regardless of the length and / or reason of such delay;
  - (ii) **Breach of Agreement; Repudiation of Agreement.**
    - (1) Failure by the party to comply with or perform any agreement or obligation (other than an obligation to make any payment) to be complied with or performed by the party in accordance with this Agreement if such failure is not remedied within 14 days after notice of such failure is given to the party; or
    - (2) the party disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, this Master Agreement, any Confirmation or any Transaction;
  - (iii) **Credit Support Default.**
    - (1) Failure by the Customer or any Credit Support Provider of such party to comply with or perform any agreement or obligation to be complied with or performed by it in accordance with any Credit Support Document if such failure is continuing after any applicable grace period has elapsed;
    - (2) the Credit Support Document expires, terminates or ceases to be in full force and effect other than in accordance with its terms; or
    - (3) the Customer or such Credit Support Provider disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, such Credit Support Document;
  - (iv) **Misrepresentation.** A representation made or repeated or deemed to have been made or repeated by the party or any Credit Support Provider of such party in this Agreement or any Credit Support Document proves to have been incorrect or misleading in any material respect when made or repeated or deemed to have been made or repeated;
  - (v) **Cross Default.** The occurrence or existence of: –

- (1) a default, event of default or other similar condition or event (however described) in respect of such party or any Credit Support Provider of such party under any agreement in respect of money borrowed from or financial obligations owed to any other person;
  - (2) a default by such party or such Credit Support Provider (individually or collectively) in making any payment to any person on the Maturity Date for payment.
- (vi) **Bankruptcy.** The party or any Credit Support Provider of such party: –
- (1) is dissolved;
  - (2) becomes bankrupt, insolvent or is unable to pay its debts as they become due;
  - (3) makes a general assignment, arrangement or composition with or for the benefit of its creditors;
  - (4) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation;
  - (5) has a resolution passed for its winding-up, official management or liquidation or declares bankruptcy;
  - (6) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets;
  - (7) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets;
  - (8) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (1) to (7) above (inclusive); or
  - (9) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts;
- (vii) **Litigation.** Involvement in litigation which is likely to have material adverse financial impact on the Customer, or, if applicable, the Credit Support Provider(s);
- (viii) **Shareholder and / or Management Change.** Material change in major shareholder or key management of the Customer or, if applicable, the Credit Support Provider(s);
- (ix) **Merger Without Approval.** The party or any Credit Support Provider of such party consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, or reorganises, reincorporates or reconstitutes into or as, another entity without the prior written consent of the Bank;
- (x) **Death or Incapacity.** If an individual: the party dies or becomes incapable of managing its affairs by reason of mental incapacity or for any other reason whatsoever;
- (xi) **Partnerships.** If a general partnership whose general partner is a natural person: on the (i) death of the general partner or (ii) the adjudication of the general partner as incompetent, or (iii) the appointment of a guardian for the general partner by a court of appropriate jurisdiction;
- (xii) **Trusts.** If a trustee: (i) the Trust terminates or (ii) any Trustee dies, becomes incapacitated, or is no longer a Trustee, and the Bank does not receive adequate assurances (including legal opinions and documentation signed by the New Trustee) that (A) obligations under this Agreement continue to be legal, valid and binding and (B) the Bank continues to have rights to any collateral / Margin or (iii) the Trust Documents are amended in a manner which will have a material adverse effect on this Agreement or any Transaction;
- (xiii) **Material Change.** The financial condition of the Customer has, in the opinion of the Bank, materially and adversely changed since the date of this Agreement.

- (xiv) **Assignment or Charge.** An assignment or charge on or any dealing in respect of the Customer's rights and / or obligations under this Agreement has been effected (except in favour of the Bank).
- (xv) **Default under Specified Transaction.** The party or any Credit Support Provider of such party:
  - (1) defaults under a Specified Transaction or any credit support arrangement relating to a Specified Transaction and, following any applicable notice requirement or grace period, the default results in the liquidation of, an acceleration of obligations under, or an early termination of that Specified Transaction or all transactions under the agreement relating to that Specified Transaction;
  - (2) defaults, following any applicable notice requirement or grace period in making a payment on early termination or a payment due on the last payment or exchange date of a Specified Transaction (provided that if there is no applicable grace period or notice requirement then such default is continuing for one Local Business Day);
  - (3) the party disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of a Specified Transaction or any credit support arrangement relating to a Specified Transaction.
- (b) **Termination Events.** The occurrence at any time with respect to a party or, if applicable, any Credit Support Provider of such party of any event specified below constitutes an Illegality if the event is specified in clause (i) below, a Force Majeure Event if the event is specified in clause (ii) below, a Tax Event if the event is specified in clause (iii) below or an Additional Termination Event if the event is specified pursuant to clause (iv) below: –
  - (i) **Illegality.** After a Transaction is entered into, it becomes unlawful under any applicable law for such party or any Credit Support Provider of such party (which will be the Affected Party) to perform any absolute or contingent obligation to make a payment or delivery in respect of a Transaction;
  - (ii) **Force Majeure Event.** By reason of force majeure or act of state occurring after a Transaction is entered into, on any day such party or any Credit Support Provider of such party (which will be the Affected Party) is prevented from performing any absolute or contingent obligation to make a payment or delivery in respect of such Transaction, from receiving a payment or delivery in respect of such Transaction or from complying with any other material provision of this Agreement relating to such Transaction so long as the force majeure or act of state is beyond the control of such party or Credit Support Provider.
  - (iii) **Tax Event.** Due to any change in tax law, administration or interpretation after a Transaction is entered into, the party (which will be the Affected Party) will, or there is a substantial likelihood that, on the next occasion on which payment or delivery is due, it will (A) be required to pay an additional amount in respect of Tax under Section 2 (other than any additional amount to be paid by the Customer in respect of a FATCA withholding) or (B) receive a payment from which an amount is required to be deducted or withheld for or on account of a Tax (other than any amount to be deducted or withheld from a payment to the Customer in respect of a FATCA withholding).
  - (iv) **Additional Termination Event.** If any "Additional Termination Event" is specified in the Schedule or Confirmation as applying to a Transaction, the occurrence of such an

event. The Affected Party or Affected Parties will be as specified in the relevant Schedule or Confirmation for the Additional Termination Event.

- (c) **Waiting Period.** If an Illegality or a Force Majeure Event has occurred and is continuing with respect to a Transaction, each payment or delivery which would otherwise be required to be made under that Transaction will be deferred for seven days or the until the date on which the event or circumstance constituting or giving rise to that Illegality or Force Majeure Event ceases to exist, whichever shall first occur.

## 6. EARLY TERMINATION; CLOSE-OUT NETTING

- (a) **Right to Terminate Following Event of Default.** If at any time an Event of Default with respect to the Customer or, if applicable, any Credit Support Provider of the Customer (the "**Defaulting Party**") has occurred and is then continuing, the Bank may, by notice given at any time to the Defaulting Party specifying the relevant Event of Default, designate a day not earlier than the day such notice is issued as an Early Termination Date in respect of all outstanding Transactions. The Bank giving such notice may revoke it at any time in its absolute discretion.
- (b) **Right to Terminate Following Termination Event.** If at any time a Termination Event has occurred and is then continuing, either party (in the case of an Illegality or Force Majeure Event or an Additional Termination Event where there is more than one Affected Party), the Affected Party (in the case of a Tax Event) or the Non-affected Party (in the case of an Additional Termination Event with one Affected Party) may, by notice given at any time to the other party specifying the relevant Termination Event, designate a day not earlier than the day such notice is effective as an Early Termination Date in respect of all Transactions affected by the occurrence of such Termination Event. The party giving such notice may revoke it at any time in its absolute discretion.
- (c) **Effect of Designation.** If notice designating an Early Termination Date is given under Section 6(a) or 6(b), the Early Termination Date will occur on the date so designated, whether or not the relevant Event of Default or Termination Event is then continuing. Upon the occurrence or effective designation of an Early Termination Date, no further payments or deliveries in respect of the Terminated Transactions will be required to be made, but without prejudice to the other provisions of this Agreement. The amount, if any, payable in respect of an Early Termination Date will be determined pursuant to Sections 6(e) and will accrue interest from the date upon which it is due.
- (d) **Calculations; Payment Date.**
- (i) **Statement.** On or as soon as reasonably practicable following the occurrence of an Early Termination Date, the Bank will make the calculations contemplated by Section 6(e) and will provide to the Customer a statement (I) showing, in reasonable detail, such calculations, (2) specifying any Early Termination Amount payable and (3) giving details of the relevant account to which any amount payable to it is to be paid.
- (ii) **Payment Date.** An Early Termination Amount due in respect of any Early Termination Date will be payable on the day on which notice of the amount payable is effective.
- (e) **Payments on Early Termination.** If an Early Termination Date occurs, the amount, if any, payable in respect of that Early Termination Date (the "**Early Termination Amount**") will be determined pursuant to this Section 6(e) and will be subject to Section 6(f).
- (i) **Early Termination Amount.** On the Early Termination Date, the Early Termination Amount will be an amount equal to (1) the sum of (A) the Termination Currency Equivalent of the Close-out Amount or Close-out Amounts (whether positive or negative) determined by the Bank for each Terminated Transaction, and (B) the

Termination Currency Equivalent of the Unpaid Amounts owing to the Bank less (2) the Termination Currency Equivalent of the Unpaid Amounts owing to the Customer. If the Early Termination Amount is a positive number, the Customer will pay it to the Bank; if it is a negative number, the Bank will pay the absolute value of the Early Termination Amount to the Customer.

- (ii) **Adjustment for Illegality or Force Majeure Event.** The failure by a party or any Credit Support Provider of such party to pay, when due, any Early Termination Amount will not constitute an Event of Default if such failure is due to the occurrence of an event or circumstance which would constitute or give rise to an Illegality or a Force Majeure Event but such amount will accrue interest. Such amount will otherwise be treated as an Unpaid Amount owing to the other party if subsequently an Early Termination Date results from an Event of Default in respect of which all outstanding Transactions are Transactions affected by the occurrence of such Termination Event.
  - (iii) **Pre-Estimate.** The parties agree that an amount recoverable under this Section 6(e) is a reasonable pre-estimate of loss and not a penalty. Such amount is payable for the loss of bargain and the loss of protection against future risks, and, except as otherwise provided in this Agreement, neither party will be entitled to recover any additional damages as a consequence of the termination of the Terminated Transactions.
- (f) **Set-Off.**
- (i) Any Early Termination Amount payable to one party (the "**Payee**") by the other party (the "**Payer**"), will, at the option of the Bank or the Non-affected Party, as the case may be ("**X**") (and without prior notice to the Defaulting Party or the Affected Party, as the case may be), be reduced by its set-off against any other amounts ("**Other Amounts**") payable by the Payee to the Payer (whether or not arising under this Agreement, matured or contingent and irrespective of the currency, place of payment or place of booking of the obligation). To the extent that any Other Amounts are so set off, those Other Amounts will be discharged promptly and in all respects. X will give notice to the other party of any set-off effected under this Section 6(f)(i).
  - (ii) Any Early Termination Amount payable by the Customer to the Bank or the Bank's associates, related bodies corporates, affiliates or agents will, at the option of the Bank, without prior notice to the Customer, be set off against any other amounts ("**Other Amounts**") payable by the Bank or any of its related bodies corporate to the Customer or any Credit Support Provider (whether or not arising under this Agreement, matured or contingent and irrespective of the currency, place of payment or place of booking of the obligation). To the extent that any Other Amounts are so set off, those Other Amounts will be discharged promptly and in all respects. The Bank will give notice to the Customer of any set-off effected under this Section 6(f)(ii).

For the purpose of this Section 6(f), either the Early Termination Amount or the Other Amounts (or the relevant portion of such amounts) may be converted by X or the Bank (as the case may be) into the currency in which the other is denominated at the Rate of Exchange at which such party would be able, in good faith and using commercially reasonable procedures, to purchase the relevant amount of such currency. If an obligation is unascertained, X or the Bank (as the case may be) may in good faith estimate that obligation and set off in respect of the estimate, subject to the relevant party accounting to the other when the obligation is ascertained.



Nothing in this Section 6(f) will be effective to create a charge or other security interest. This Section 6(f) will be without prejudice and in addition to any right of set-off, offset, combination of accounts, lien, right of retention or withholding or similar right or requirement to which any party is at any time otherwise entitled or subject (whether by operation of law, contract or otherwise).

## 7. CONTRACTUAL CURRENCY

Each payment under this Agreement will be made in the relevant currency specified for that payment (the "**Contractual Currency**"). Tender in any currency other than the Contractual Currency (even if paid pursuant to any judgment or court order), may be converted into the Contractual Currency by the Bank acting in good faith and using commercially reasonable procedures in converting the currency so tendered.

## 8. MARGIN

- (a) **Margin Requirement.** The Customer shall pay and deliver to the Bank within the time stipulated (or procure the provision to the Bank of) such Margin, whether original, additional or otherwise, as the Bank may require from time to time and, in addition, as may be required by any applicable law, rule or regulation. The valuation of Margin is made according to the Bank's prevailing practices from time to time (acting in good faith and a commercially reasonable manner). The Margin shall be in such nature as the Bank may designate which may include cash and / or assets acceptable to the Bank. The amount of Margin required by the Bank may be specified as Initial Margin, a percentage of the risk exposure or market value of outstanding Transactions or of outstanding Transactions and of the Transactions which the Customer wishes to enter into, or any combination of such measures. If the Margin required by the Bank is not provided within the time stipulated, the Bank may terminate all or any Transactions without prior notice to the Customer in order to reduce the exposure and any loss shall be borne by the Customer. The Customer acknowledges that placing contingent orders, such as "stop loss" orders will not necessarily limit the Customer's losses to the Customer's intended amounts since market conditions may not make it possible to execute such orders.
- (b) **Return Amount.** The Bank will pay the Customer an amount equal to the value of the outstanding Margin upon request if all of the obligations of the Customer under this Agreement have been performed in full and there are no outstanding Transactions or future obligations to be performed by the Customer.
- (c) **Early Termination.** If any Early Termination Date is designated or deemed to occur in relation to a party, an amount equal to the value of the outstanding Margin (as valued by the Bank acting in good faith and a commercially reasonable manner) will be deemed to be an Unpaid Amount due to the Customer for purposes of Section 6(e).
- (d) **Title Transfer.** All right, title and interest in and to any Margin paid or delivered to the Bank shall vest in the Bank absolutely, free and clear of any liens, claims, charges or encumbrances or any other interest of the Customer or of any third person (other than a lien routinely imposed on all securities in a relevant clearance system). Margin is not a deposit belonging to the Customer.
- (e) **No Security Interest.** Nothing in this clause is intended to create or does create in favour of either party any mortgage, charge, lien, pledge, encumbrance or other security interest in any Margin.
- (f) **Interest and distributions.** The Bank will not pay to the Customer any amount equivalent to interest or distributions on Margin, unless otherwise agreed.

- (g) **Grant of Security Interest over Margin.** The Customer agrees that the Bank may, free of any adverse interest of its or any other person, grant a security interest over Margin provided by the Customer to cover any of the Bank's obligations to an intermediate broker or market or hedge counterparty, including obligations owed by virtue of the positions held by the Bank.

## 9. INDEMNITY

Without prejudice to the other provisions hereof, (and where there is no negligence or wilful default on the part of the Bank) the Customer shall indemnify the Bank and hold the Bank harmless from and against all losses, damages, indebtedness and costs which the Bank may sustain, suffer or incur:

- 
- (i) in consequence of or in connection with transactions effected under this Agreement and for anything which the Bank is hereby or from time to time authorised to do, including the costs to the Bank of carrying the Customer's open positions;
  - (ii) in connection with executing, demanding, and enforcing the performance of, any provision of this Agreement, including this indemnity; and
  - (iii) in relying and acting in good faith upon any instructions of the Customer, or reasonably believed to be given by the Customer, (including instructions by telephone) even if it is subsequently shown that such instructions were not given by or intended to be given by the Customer.

## 10. ADVICE, RECOMMENDATION AND TRADING

- (a) The Customer represents and warrants that it has read the terms of this Agreement, understands them fully, and that it has adequate financial expertise and resources to comply with the terms. The Customer agrees that, except as expressly required by applicable laws or regulations and subject to clause 13.2 of the Master Terms and Conditions, the Bank will not be required to provide the Customer with any investment advice, views or suggestions regarding the investment on its own initiative.
- (b) The Customer acknowledges and agrees that the Bank and / or the Bank's affiliates and / or the Bank's other customers may have a position similar to or adverse to that of the Customer and the Bank will not be responsible or liable, directly or indirectly, in any way for any loss or damage of any kind incurred by the Customer as a result of or in connection with those other positions.
- (c) The Customer acknowledges and agrees that the Bank will only take into account circumstances relating to the Customer that:-
  - (i) the Customer has disclosed to the Bank in accordance with clause 10(d) of the Master Agreement; or
  - (ii) the Bank should reasonably be aware of through the Bank's know-your-client process.
- (d) The Customer agrees that it will specifically disclose information on the Customer's financial situation, investment experience (including information on the Customer's investments held outside of the Bank) and investment objectives if the Customer would like the Bank to take such information into account:
  - (i) to the Customer's relationship manager and / or appropriate employee of the Bank who is authorized to provide investment services on behalf of the Bank; and
  - (ii) clearly indicate that the disclosure is made for the purposes of facilitating the Bank's provision of investment opportunities to the Customer.
- (e) To the extent that the Bank does not recommend to the Customer or advise the Customer on a Transaction contemplated under this Master Agreement, and to the extent permitted by



laws and regulations, the Customer represents and warrants to the Bank that it is not relying on any communication (written or oral) of the Bank as investment advice or as a recommendation to enter into that Transaction.

## 11. BANK'S OBLIGATIONS AND LIABILITIES

- (a) Under no circumstances whatsoever shall the Bank be, or be deemed to be, a trustee or, to the extent permitted by law, other fiduciary of the Customer with respect to any transactions effected under this Agreement or any other action taken or thing suffered in connection with this Agreement notwithstanding that the Bank may execute the Customer's instructions and, generally, may do other acts or things on behalf of and / or for the account of the Customer.
- (b) The Bank shall at all times remain free, for reasons sufficient to itself, to refuse to enter into any Transaction, and the manner of execution of any instructions of the Customer will be at the discretion of the Bank. The Bank reserves the right to prescribe any conditions and / or procedures subject to which it may accept any instruction from the Customer or refuse to act on any instruction from the Customer or make enquiries to clarify any instruction from the Customer (and, for the avoidance of doubt, the Bank shall not be responsible for any losses which may arise from any delay).
- (c) The Bank shall not (in the absence of negligence or wilful default) be liable for any losses, damages, costs or claims of any nature whatsoever and howsoever arising under or in connection with this Agreement, or resulting from delay in transmission of orders, breakdown, or failure of any communication system or any cause beyond the control or anticipation of the Bank.
- (d) Where relevant, the Bank shall provide to the Customer upon request product specifications and any prospectus or other offering documents covering the Transactions and a full explanation of margin procedures and the circumstances under which a Customer's position may be closed without the Customer's consent.
- (e) The Bank shall notify the Customer of any material change in the information on the Bank provided under the Master Agreement.
- (f) If the Customer is a "professional investor" as defined in Schedule 1 to the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), the Customer acknowledges and agrees that the Bank is not required to provide the Customer with contract notes, statements of account or receipts pursuant to the Securities and Futures (Contract Notes, Statements of Account and Receipts) Rules (Cap 571Q of the Laws of Hong Kong) (the "**Contracts Notes Rules**"). Although the Bank may provide the Customer with contract notes, confirmations, statements of account and / or receipts, the Customer agrees and acknowledges that the Bank is not required to provide the above mentioned documents in accordance with the requirement stated in the Contracts Notes Rules.

## 12. CUSTOMER'S AGENT

The Customer shall be entitled to appoint an agent to give instructions to, and generally for the purposes of this Agreement deal with, the Bank. The instructions and other acts and deeds of such an agent shall be binding upon the Customer unless and until written notice of revocation of the agency has been received by the Bank, which shall be under no obligation to enquire into the purpose validity or propriety of any instructions or other acts and deeds of such an agent. Any person making use of the Customer's password shall, by virtue of such use, be deemed to have been appointed by the Customer as the Customer's agent. References to "the Customer" in this

Agreement shall accordingly include references to "the Customer's agent", except where the context otherwise requires.

Without prejudice to the provisions above, the Bank shall incur no liability in respect of any action taken or thing suffered in reliance upon any paper or document of whatsoever nature believed to be genuine and to have been passed sealed signed or issued by the Customer, its agent or any other person.

None of the Bank's employees or representatives will accept an appointment by the Customer as agent of the Customer to give orders on its behalf to enter into any Contract unless a separate agreement for discretionary account services is entered into with the Bank for such purpose.

### 13. CUSTOMER ASSETS

The Customer authorises the Bank to dispose or initiate a disposal by an Associated Entity (as defined in the Securities and Futures Ordinance) of the Bank, of any of the client securities or securities collateral received or held on behalf of the Customer, in settlement of any liability owed by or on behalf of the Customer to the Bank, its Associated Entity or any third person.

### 14. MISCELLANEOUS

- (a) **Entire Agreement.** Subject to applicable laws and regulations, each of the parties acknowledges that in entering into this Agreement it has not relied on any oral or written representation, warranty or other assurance (except as provided for or referred to in this Agreement or in the Master Terms and Conditions) and waives all rights and remedies which might otherwise be available to it in respect thereof, except that nothing in this Agreement will limit or exclude any liability of a party for fraud.
- (b) **Amendments.** The Bank may amend this Agreement at any time without the prior written consent of the Customer by giving the Customer 30 day's written notice before the amendment becomes effective.
- (c) **Confirmations.** If the Bank agrees to enter into the Transaction, the Bank and the Customer intend that they are legally bound by the terms of each Transaction from the moment the Bank accepts the Customer's request or the parties otherwise agree the terms of the Transaction (whether orally, via email or otherwise). The Bank and the Customer agree that a Confirmation is not required to be exchanged in respect of a Transaction, however the Bank will send the Customer a Confirmation setting out the terms of the Transaction as soon as practicable following entry into the Transaction. In the absence of manifest error the Confirmation is conclusive as to the terms of the Transaction unless objected to in writing by the Customer within the time period specified in such Confirmation.
- (d) **Interest and Compensation.** If a party defaults in the performance of any (A) payment obligation, it will pay interest at the rate specified by the Bank as being the overnight cost of funding the unpaid amount plus a margin of 1% p.a. or (B) delivery obligation it will make good the delivery and will compensate the other party for loss or costs calculated, in good faith and using commercially reasonable procedures, by the party that was entitled to take delivery.
- (e) **Joint and Several.** If the Customer is a partnership or otherwise comprises more than one person, the liability of the partners or persons together comprising the Customer shall be joint and several and:
  - (i) the rule of survivorship shall apply to the Customer's accounts and the Margin, and on the death of any of the undersigned then any monies in the Customer's accounts and

- anything held by the Bank as security, safe custody or for any other purpose whatsoever shall be held to the order of the survivor(s);
- (ii) the Bank shall be entitled to act upon the instructions of, and generally for the purposes of this Agreement deal with, any one partner or person whose instructions and other acts and deeds shall be binding upon all other partners or persons who together comprise the Customer.
  - (f) **Other Agreements.** Nothing in this Agreement shall affect or impair in any way the rights of the Bank against the Customer, or any person comprised in the Customer, under any other agreement or arrangement to which the Bank and the Customer or such person are parties, either alone or with others.
  - (g) **Opposite Position.** The Bank's employees or representatives may be permitted to enter into similar transactions on their own account, and in such event, the Bank will have a written policy communicated to its employees for compliance. Further, the Bank or any of its employees or representatives transacting on his own may at any time take an opposite position to the Customer's order.
  - (h) **Regulators.** The Customer may be affected by curtailment of, or restrictions on, the capacity of the Bank to deal in respect of open positions as a result of action taken by the Hong Kong Monetary Authority or the Securities and Futures Commission under the Banking Ordinance, the Securities and Futures Ordinance and / or other applicable rules and regulations or for any other reason, and that in such circumstances, the Customer may be required to reduce or close-out its open positions with the Bank.
  - (i) **The Contracts (Rights of Third Parties) Ordinance.** A person who is not a party to this Agreement has no rights under the Contracts (Rights of Third Parties) Ordinance (Cap. 623 of the Laws of Hong Kong). Nothing in this Agreement, whether expressed or implied, is intended to, or will, confer on any person any benefit or any right to enforce any term which such person would not have but for the aforementioned Ordinance.
  - (j) **Dispute Resolution.** The Bank and the Customer will use the following procedure to identify and resolve disputes arising out of this Agreement between them (the "**Dispute**"): (i) either party may identify a Dispute by sending a written dispute notice (containing details of the relevant Dispute, "**Dispute Notice**") to the other party; (ii) on or following the day on which a Dispute Notice was issued ("**Dispute Day**"), the parties will consult in good faith in an attempt to resolve the Dispute in a timely manner, including, without limitation, by exchanging any relevant information and determining and applying a resolution method for the Dispute; and (iii) with respect to any Dispute that is not resolved within five General Business Days from the Dispute Day, the parties shall refer the Dispute internally to appropriately senior members of staff of such party in addition to actions under (ii) immediately above, and to the extent such referral has not occurred as a result of action under (ii) immediately above.

## 15. EXPENSES FOLLOWING AN EVENT OF DEFAULT

Following an Event of Default, the Customer will on demand indemnify the Bank and hold it harmless for and against all reasonable out-of-pocket expenses, including legal fees, execution fees and stamp, registration, documentation or similar tax, incurred by the Bank by reason of the enforcement and protection of its rights under this Agreement or any Credit Support Document to which the Customer is a party or by reason of the early termination of any Transaction, including, but not limited to, costs of collection.

## 16. DEBIT ACCOUNTS

Without prejudice to any right of set off under the Master Terms and Conditions, and in addition to any other rights that the Bank may have under this Agreement or at law, the Bank may debit any account of the Customer or any Credit Support Provider at any time and without prior notice with any amount due to the Bank from the Customer or the Credit Support Provider in respect of this Agreement.

## 17. NOTICES

Any notice or other communication in respect of this Agreement may be given in any manner permitted by law and in accordance with the Master Terms and Conditions except that a notice of an Event of Default or a notice specifying an Early Termination Date resulting from an Event of Default or a Termination Event may not be given by any non-recorded forms (e.g. non-recorded oral notice). For the avoidance of doubt, notices given by way of recorded oral notice, electronic messaging system or email are permitted to the extent permitted by applicable laws and regulations and in accordance with the Master Terms and Conditions.

## 18. RECORDING OF CONVERSATIONS.

All telephone conversations between the Customer and the Bank made in the course of business under this Agreement will be recorded on a centralized tape recording system operated by the Bank. Each party (i) consents to the recording of telephone conversations between the trading, marketing and other relevant personnel of the parties in connection with this Agreement or any potential Transaction, (ii) agrees to obtain any necessary consent of, and give any necessary notice of such recording to, its relevant personnel and (iii) agrees, to the extent permitted by applicable law, that recordings may be submitted in evidence in any Proceedings.

## 19. GOVERNING LAW AND JURISDICTION

This Agreement will be governed by and construed in accordance with the law of Hong Kong Special Administrative Region of the People's Republic of China and each party irrevocably submits to the non-exclusive jurisdiction of the courts of Hong Kong. Such submission shall not prejudice the Bank's right to commence action against the Customer in any other court of competent jurisdiction.

## 20. DEFINITIONS

As used in this Agreement terms have the meanings given in the Preamble and:—

**"Adjustment Event"** in respect of Schedule C, means any of the following events:

- (a) where the Underlying Stock is a security or interest in a collective investment scheme:
  - (i) any event which results in the Underlying Stock being consolidated, reconstructed, sub-divided or replaced with some other form of security or property;
  - (ii) the issuer of the Underlying Stock reduces its share capital through either a cash return of share capital, capital distribution or otherwise (whether or not resulting in the cancellation of securities in the Underlying Stock);
  - (iii) the issuer of the Underlying Stock declares a rights issue or restructures its share capital in any manner;
  - (iv) a scheme of arrangement, quasi-scheme of arrangement or merger in the nature of a scheme of arrangement occurs in relation to the issuer of the Underlying Stock;
  - (v) the issuer of the Underlying Stock makes a buy-back offer in relation to all or any of the Underlying Stock;

- (vi) the issuer of the Underlying Stock issues bonus shares, units or other property to holders of the Underlying Stock;
  - (vii) a takeover bid or tender offer is made or announced for all or any of the Underlying Stock;
  - (viii) any part of the Underlying Stock is or becomes subject to compulsory acquisition under the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) or otherwise;
  - (ix) the issuer of the Underlying Stock declares or makes a non-cash dividend or special dividend;
  - (x) any event occurs which constitutes a Disposal Event; or
  - (xi) the issuer of the Underlying Stock is insolvent by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting the issuer of the Underlying Stock; or
  - (xii) the Underlying Stock is illiquid and either the Customer or the Bank is unable to deliver, when due, the Underlying Stock due to illiquidity in the market for such Underlying Stock.
- (b) where the Underlying Stock is an index:
- (i) the Underlying Stock is suspended or ceases to be published for a period of 24 hours or more;
  - (ii) the Underlying Stock is not calculated and announced by the index sponsor, but is calculated and announced by a successor to the index sponsor;
  - (iii) the Underlying Stock is replaced by a successor index using the same or a substantially similar formula for and method of calculation; or
  - (iv) there is a suspension or material limitation on trading of securities generally on a relevant Exchange or related Exchange for a period of 24 hours or more;
  - (v) the index sponsor or any successor makes a material change in the formula for or the method of calculating the Underlying Stock or the basket constituents of the index or in any way materially modifies that Underlying Stock;
- (c) any Force Majeure Event occurs, or any other event occurs which the Bank determines in good faith results in the performance of its obligations having become or becoming, in circumstances beyond its reasonable control, impossible, unlawful, illegal or otherwise prohibited;
- (d) a Change in Law occurs;
- (e) the Bank's hedging arrangements, or any part, term, calculation, date, formula or otherwise of the hedging arrangements, are terminated, adjusted, amended, varied, changed, suspended, delayed, postponed, closed out or calculated on a different date for any reason or any underlying asset, index, security relevant to the hedging arrangement is terminated, suspended, adjusted, amended, varied, changed, delayed, postponed or closed out in any way;
- (f) information about the Underlying Stock is not published or provided as required;
- (g) trading in the Underlying Stock is suspended or restricted or any event which is or which results in the actual or proposed de-listing of the Underlying Stock or the actual or proposed removal from quotation of the Underlying Stock or the actual or proposed suspension from trading of the Underlying Stock occurs;
- (h) the Underlying Stock or its issuer becomes insolvent by reason of the voluntary or involuntary liquidation, administration, bankruptcy, insolvency, dissolution, winding-up or termination of or any analogous proceeding affecting the issuer of the Underlying Stock or other similar or like event (however described);

- (i) there is an event in respect of the Underlying Stock or its manager or index sponsor (if any) by which: (i) the entity will be merged with another entity (unless it will continue as an entity without reclassification or change of its shares / units); or (ii) there is a change in control of the entity;
- (j) any actual or proposed event that may in the Bank's reasonable opinion be expected to lead to any of the events referred to in paragraphs (a) to (n) or any event analogous to an event referred to in paragraphs (a) to (n) above occurring;
- (k) any other event which the Bank reasonably declares to be an Adjustment Event.

**"American Style Option"** means an Option that may be exercised at any time during Business Hours on or after the First Exercise Date but not later than the Expiration Time.

**"Associated Entity"** has the meaning ascribed to it under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

**"Affected Party"** has the meaning specified in Section 5(b).

**"Automatic Exercise"** means any Transaction where the Confirmation specifies that Automatic Exercise will apply to the Transaction and which will be automatically exercised as specified in the Confirmation, unless the Confirmation provides that the Buyer may notify the Seller that the Buyer chooses not to exercise the Transaction, and the Buyer provides such notice in accordance with the terms of the Confirmation. In the case of an European Style Option, Automatic Exercise means the Option will be exercised automatically if it is favourable to the Buyer.

**"Bank buy currency"** means the Foreign Exchange purchased by the Bank from a Customer under a Contract in exchange for which the Bank sells currency.

**"Bank sale currency"** means the Foreign Exchange which the Customer authorizes the Bank to purchase for the Customer's account and which the Bank sells to the Customer under a Contract.

**"Barrier Option"** means an Option with a specific Knock in or Knock-Out trigger set at the Trigger Rate.

**"Bermudan Style" or "Partial Window Style"** means an Option that may be exercised only in an Exercise Period consisting of certain specified dates.

**"Binary Option"** means an Option where the payout of the Option is fixed, and can only be exercised once the Trigger Rate has occurred.

**"Business Day"** means,

- (a) in respect of a Spot and Forward Foreign Exchange in Section 1 of Schedule A, means a day (other than Saturday) on which banks and foreign exchange markets are open for business both in Hong Kong and in the places of issue of the relevant currencies;
- (b) in respect of a currency option under Section 2 of Schedule A, means a day on which commercial banks are open for business generally or, as appropriate, for effecting payment and delivery of the relevant currencies in accordance with the market practice of the foreign exchange market in the places specified in the Confirmation or, if none is specified in the same currency as the payment obligation that is payable or in the principal financial centre of such currency;
- (c) in respect of currency and interest rate swaps in Schedule B, means a day on which commercial banks and foreign exchange markets settle payments and are open for general business in the same currency as the payment obligation that is payable or in the principal financial centre of such currency, subject to adjustment in accordance with the applicable Business Day Convention.

**"Business Day Convention"** means the convention of adjusting any relevant date which would otherwise fall on a date which is not a Business Day, as specified in this Schedule or in the relevant Confirmation. If **"Following"** is specified, then the date will be the first following Business Day. If



"**Modified Following**" is specified, it will be the first following Business Day, unless that day falls in the next calendar month, in which case the date will be the first preceding Business Day. If "**Nearest**" is specified, the date first preceding the date unless such day is a Sunday or Monday, in which case it will be the next following Business Day. If "**Preceding**" is specified, the date will be the first preceding Business Day.

"**Business Hours**" means the hours of the relevant Exchange is open for trading generally.

"**Buy Back Event**" means the event specified as such in the related Confirmation.

"**Buy Back Price**" means the price set out in the related Confirmation or otherwise specified by the Bank.

"**Buyer**" means the party specified as such in the Confirmation.

"**Calculation Agent**" means the Bank.

"**Calculation Amount**" means the applicable Notional Amount or Currency Amount, as the case may be.

"**Calculation Date**" means in respect of any Payment Date or any Calculation Period, the earliest date on which it is practicable to provide the notice that the Calculation Agent is required to give for that Payment Date or for that Calculation Period.

"**Calculation Period**" means the period from and including one Period End Date to but excluding the next following applicable Period End Date during the Term of the Transaction except that the initial Calculation Period will commence on and include the Effective Date and the final Calculation Period will end on but exclude the Termination Date.

"**Call Currency Amount**" means the amount specified as such in the related Confirmation.

"**Call Option**" means:

- (a) in respect of spot and forward foreign exchange, or currency options is an Option which entitles the Buyer to buy the Call Currency Amount at the Strike Price on the Settlement Date if the option is exercised; and
- (b) in respect of equity options, accumulators and decumulators, Call Option means an Option by which the Seller grants the Buyer the right, but not the obligation, to buy the Underlying Stocks.

"**Cash Settlement**" means settlement of a Transaction requiring a cash payment when exercised and does not require or permit physical delivery as settlement.

"**Cash Settlement Amount**" means an amount calculated as specified in the relevant Confirmation.

"**CEA**" means the U.S. Commodity Exchange Act, as amended.

"**CFTC**" means the U.S. Commodity Futures Trading Commission.

"**Change in Law**" means that on or after the Trade Date: (I) due to the adoption of or change in any applicable law or regulation (including, without limitation, any tax law) or (II) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority) it:

- (a) has become illegal to hold, acquire or dispose of the Underlying Stocks or the Bank's hedge; or
- (b) the Bank will incur a materially increased (as compared with circumstances existing on the Trade Date) cost in performing its obligations under the Transaction (including without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position).

"**Clearance System**" means the clearance system specified as such in the related Confirmation.

"**Close-out Amount**" means, with respect to each Terminated Transaction or each group of Terminated Transactions and the Bank (as the entity determining the Close-out Amount) the



amount of the losses or costs of the Bank that are or would be incurred under then prevailing circumstances (expressed as a positive number) or gains of the Bank that are or would be realised under then prevailing circumstances (expressed as a negative number) in replacing, or in providing for the Bank the economic equivalent of, (a) the material terms of that Terminated Transaction or group of Terminated Transactions, including the payments and deliveries by the parties under Section 2(a)(i) in respect of that Terminated Transaction or group of Terminated Transactions that would, but for the occurrence of the relevant Early Termination Date, have been required after that date (assuming satisfaction of the conditions precedent in Section 2(a)(iii)) and (b) the option rights of the parties in respect of that Terminated Transaction or group of Terminated Transactions. Any Close-out Amount will be determined by the Bank (or its agent), which will act in good faith and use commercially reasonable procedures in order to produce a commercially reasonable result. Unpaid Amounts and legal fees and out-of-pocket expenses are to be excluded in all determinations of Close-out Amounts. In determining a Close-out Amount, the Bank may consider any relevant information, including, without limitation, quotations (either firm or indicative) for replacement transactions supplied by one or more third parties and market data in the relevant market. When it is commercially reasonable to do so, the Bank may in addition consider in calculating a Close-out Amount any loss or cost (or gain) incurred in connection with its terminating, liquidating or re-establishing any hedge related to a Terminated Transaction. Commercially reasonable procedures used in determining a Close-out Amount may include the application of pricing or other valuation models that are, at the time of the determination of the Close-out Amount, used by the Bank in the regular course of its business in pricing or valuing transactions.

**"Close-out Contract"** means a Contract made for the purpose of closing-out a USD Contract or a Cross Currency Contract.

**"Closed-out Margin Ratio"** means such percentage as may be determined by the Bank and notified to the Customer from time to time, including in the Confirmation.

**"Closing Price"** means the official closing price per Underlying Stock on the Exchange on a Scheduled Trading Day.

**"Closing Time"** means the official time for close of trading on the Exchange on a Scheduled Trading Day.

**"CNY Illiquidity"** means the occurrence of any event that makes it impossible (where it had previously been possible) for a party to the Transaction to obtain a firm quote of an offer price in respect of an amount in CNY equal to the Notional Amount, a Fixed Amount, a Floating Amount, an Initial Exchange Amount, an Interim Exchange Amount, a Periodic Exchange Amount, a Final Exchange Amount, a Call Currency Amount, a Put Currency Amount or any other amount to be paid under this Transaction (the **"Relevant Disrupted Amount"**), in each case on the relevant Settlement Date, Payment Date or Exchange Date (as the case may be), either in one transaction or a commercially reasonable number of transactions that, when taken together, is no less than such Relevant Disrupted Amount, in the general CNY exchange market in each Offshore CNY Center in order to perform its obligations under this Transaction. For the avoidance of doubt, the inability for a party to obtain such firm quote solely due to issues relating to its creditworthiness shall not constitute CNY Illiquidity.

**"CNY Inconvertibility"** means the occurrence of any event that makes it impossible (where it had previously been possible) for a party to the Transaction to convert an amount of CNY no less than the Relevant Disrupted Amount into or from USD (or, if the Settlement Currency specified in the Fallback Matrix for the applicable Currency Pair is a currency other than USD, then such Settlement Currency) in the general CNY exchange market in each Offshore CNY Center, other than where such

impossibility is due solely to the failure of that party to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Trade Date of the Transaction and it is impossible for such party, due to an event beyond its control, to comply with such law, rule or regulation). For the avoidance of doubt, the inability for a party to convert CNY solely due to issues relating to its creditworthiness shall not constitute CNY Inconvertibility.

**"CNY Non-Transferability"** means the occurrence in each Offshore CNY Center of any event that makes it impossible (where it had previously been possible) for a party to the Transaction to transfer CNY (A) between accounts inside an Offshore CNY Center, (B) from an account inside an Offshore CNY Center to an account outside such Offshore CNY Center and outside Mainland China, or (C) from an account outside an Offshore CNY Center and outside Mainland China to an account inside such Offshore CNY Center, other than where such impossibility is due solely to the failure of that party to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Trade Date of the Transaction and it is impossible for such party, due to an event beyond its control, to comply with such law, rule or regulation). For the purpose of CNY Non-Transferability and Hong Kong as an Offshore CNY Center only, a segregated Chinese Renminbi fiduciary cash account with the People's Bank of China and operated by Bank of China (Hong Kong) Limited shall be deemed to be an account inside Hong Kong.

**"Consent"** includes a consent, approval, action, authorisation, exemption, notice, filing, registration or exchange control consent.

**"Contract"** means a Transaction for the sale to or purchase from the Customer (as the case may be) of any type of Foreign Exchange against any other type of Foreign Exchange, without delivery, and shall include a "Forward" Contract, a "Spot" Contract and a "Close-out Contract".

**"Contract Creation Day"** means the day on which the Customer enters into a Contract with the Bank;

**"Costs"** means all costs, charges, claims, demands, fees, commissions, interest and expenses, whether legal or otherwise, which are incurred or paid by, made upon, or due to, the Bank in consequence of or in connection with transactions effected under this Agreement.

**"Credit Support Document"** means the document(s) as set out in the Customer Information Sheet and / or the Facility Documents as the credit support document(s) for the Customer.

**"Credit Support Providers"** means the entity(ies) as set out in the Customer Information Sheet and / or the Facility Documents as the credit support provider(s) for the Customer.

**"Cross Currency Contract"** means a Contract under which USD is neither bought nor sold.

**"Currency Amount"** means the amount specified as such in the related Confirmation.

**"Customer"** means the person(s) identified in the Customer Information Sheet and in whose name an account is opened and maintained with the Bank and where relevant, includes the authorised signatories.

**"Customer Information Sheet"** means the customer information sheet set out at the front of the Master Agreement.

**"Day Count Fraction"** means:

- (a) where Actual / Actual or Act / Act is specified in the Confirmation, the actual number of days in the period divided by the actual number of days in the year;
- (b) where 30 / 360 or Bond Basis is specified in the Confirmation, the number of days in the period on the basis of a 30 day month and a 360 day year;
- (c) where Act / 360 is specified in the Confirmation, the actual number of days in the period and a 360 day year; and

(d) where Act / 365 is specified in the Confirmation, the actual number of days in the period and a 365 day year,

and any references in a Confirmation to industry bodies (e.g. ICMA or ISDA) is to the method prescribed by those bodies.

**"Defaulting Party"** has the meaning specified in Section 6(a).

**"Disposal Event"** means an event which gives rise to an obligation on the Bank under law to dispose of all or part of the Underlying Stock.

**"Early Termination Amount"** has the meaning specified in Section 6(e).

**"Early Termination Date"** means the date determined in accordance with Section 6(a) or 6(b).

**"EMIR"** means Regulation (EU) No 648 / 2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories.

**"European Style Option"** means an Option that may be exercised only on the Expiration Date and not later than the Expiration Time.

**"Event of Default"** has the meaning specified in Section 5(a) and, if applicable, in the Schedules.

**"Exchange"** means the exchange specified as such in the relevant Confirmation.

**"Exchange Date"** means, in respect of a Transaction and a party, each date specified as such in the related Confirmation.

**"Exercise Date"** means the day during the Exercise Period (including Regular Exercise Dates) on which the Transaction is exercised or deemed to be exercised.

**"Exercise Period"** means the period in which an Option can be exercised, as specified in the Confirmation.

**"Expiration Date"** means the date upon which an Option will expire as specified in the Confirmation.

**"Expiration Time"** means the time specified as such in the relevant Confirmation, or if none is specified in a Confirmation for an Equity Option, means the Closing Time as notified by the Exchange to market participants on the Expiration Date.

**"Facility Documents"** means any or all of the facility letters and any documents specified as such in the facility letter (including any confirmations and security documents) and any other documents which the Bank may from time to time require to be completed, executed and / or delivered in connection with the Transaction.

**"Fallback Matrix"** means the table specified as the Fallback Matrix in Schedule D.

**"Final Exchange Date"** means, in respect of a Transaction and a party, each date specified as such in the related Confirmation. If there is a Final Exchange Amount, but no Final Exchange Date is specified, the Final Exchange Date will be the Termination Date.

**"Final Exchange Amount"** means the amount specified as such in the Confirmation.

**"First Exercise Date"** means the date specified as the First Exercise Date or the date specified as the first Regular Exercise Date in the Confirmation.

**"Fixed Amount"** means, in respect of a Transaction and a Fixed Rate Payer, an amount that, subject to any other applicable provisions, is payable by that Fixed Rate Payer on an applicable Payment Date and is specified in the related Confirmation. In respect of currency and interest rate swaps, where no amount is specified in the confirmation, the Fixed Amount is determined by reference to Article 1 of Schedule B of this Agreement.

**"Fixed Rate"** means, in respect of a Transaction and a Fixed Rate Payer, the rate, expressed as a decimal, equal to the per annum rate specified in the related Confirmation.

**"Fixed Rate Payer"** or **"Fixed Amount Payer"** means, in respect of a Transaction, a party obligated to make payments from time to time during the term of the Transaction of amounts calculated by reference to a fixed per annum rate or to make one or more payments of a Fixed Amount.

**"Floating Amount"** means, in respect of a Transaction and a Floating Rate Payer, an amount that, subject to any other applicable provisions, is payable by that Floating Rate Payer on an applicable Payment Date and is determined pursuant to a method specified in the related Confirmation. In respect of currency and interest rate swaps, where no amount is specified in the confirmation, the Floating Amount is determined by reference to Article 2 of Schedule B to this Agreement.

**"Floating Rate Payer"** or **"Floating Amount Payer"** means, in respect of a Transaction, a party obligated to make payments from time to time during the term of the Transaction of amounts calculated by reference to a floating per annum rate or to make one or more payments of a Floating Amount.

**"Force Majeure Event"** has the meaning specified in Section 5(b).

**"Foreign Exchange"** means the lawful currency of any place which is from time to time and for the time being traded by or otherwise dealt in by the Bank.

**"Forward Contract"** means a Contract which has a Value Date of more than two (2) Business Days from and excluding the Contract Creation Day.

**"FRN Convention"** or **"Eurodollar Convention"** means the Payment Dates and Period End Dates in respect of a party will be each day during the Term of the Transaction that numerically corresponds to the preceding applicable Payment Date or Period End Date, as the case may be, of that party in the calendar month that is the specified number of months after the month in which the preceding applicable Payment Date or Period End Date occurred (or, in the case of the first applicable Payment Date or Period End Date, the day that numerically corresponds to the Effective Date) except that (a) if there is not any such numerically corresponding day in the calendar month, then it shall be the last Business Day in that month, (b) if it would fall on a day that is not a Business Day, then it shall be the first following Business Day unless that day falls in the next calendar month, in which case it will be the preceding Business day and (c) if the preceding applicable Payment Date or Period End Date occurred on the last day in a calendar month that was a Business Day, then all subsequent applicable Payment Dates or Period End Dates, as the case may be prior to the Termination date will be the last day that is a Business Day in the month that is the specified number of months after the month in which the preceding applicable Payment date or Period End Date occurred.

**"General Business Day"** means a day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits).

**"Governmental Authority"** means, in respect of non-deliverable CNY Transactions, any de facto or de jure government (or any agency or instrumentality thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of the People's Republic of China and each Offshore CNY Center.

**"Guarantee"** means an arrangement pursuant to which one party to a Swap has rights of recourse against a guarantor, with respect to its counterparty's obligations under the Swap. For these purposes, a party to a Swap has rights of recourse against a guarantor if the party has a conditional or unconditional legally enforceable right to receive or otherwise collect, in whole or in part, payments from the guarantor with respect to its counterparty's obligations under the Swap. In addition, in the case of any arrangement pursuant to which the guarantor has a conditional or unconditional legally enforceable right to receive or otherwise collect, in whole or in part, payments from any other guarantor with respect to the counterparty's obligations under the Swap, such arrangement will be deemed a guarantee of the counterparty's obligations under the Swap by the other guarantor. In this regard, **"Swap"** means a "swap" as defined in the Section 1a(47) of the CEA and CFTC Regulation 1.3(xxx).

**"Hong Kong"** means the Hong Kong Special Administrative Region of the People's Republic of China.

**"Illegality"** has the meaning specified in Section 5(b).

**"Initial Margin"** has the meaning given in clause 31(a) of Schedule C.

**"Initial Exchange Amount"** means the amount specified as such in the related Confirmation.

**"Initial Exchange Date"** means, in respect of a Transaction and a party, each date specified as such in the related Confirmation. If there is an Initial Exchange Amount but the Initial Exchange Date is not specified in a Confirmation, the Initial Exchange Date shall be the Effective Date.

**"Interim Exchange Amount"** or **"Periodic Exchange Amount"** means, in respect of a Transaction and a party, an amount that is specified as such (or determined pursuant to a method specified for such purpose) for that party and, subject to any other applicable provisions, is payable by that party on an applicable Interim Exchange Date.

**"Interim Exchange Date"** or **"Periodic Exchange Date"** means, in respect of a Transaction and a party, each date specified as such in the related Confirmation.

**"Knock-In Event"** means the event specified as such in the related Confirmation.

**"Knock-In Period"** means the period specified in the Confirmation (if any).

**"Knock-In Price"** means the price set out in the Confirmation (if any) or otherwise specified by the Bank.

**"Knock-Out Event"** means the event specified as such in the related Confirmation.

**"Knock-Out Period"** means the period specified in the Confirmation (if any).

**"Knock-Out Price"** means the price set out in the Confirmation (if any) or otherwise specified by the Bank.

**"Local Business Day"** means (a) in relation to any obligation under Section 2(a)(i), a General Business Day in the place or places specified in the relevant Confirmation and a day on which a relevant settlement system is open or operating as specified in the relevant Confirmation or, if a place or a settlement system is not so specified, as otherwise agreed by the parties in writing or determined pursuant to provisions contained, or incorporated by reference, in this Agreement, (b) in relation to any other payment, a General Business Day in the place where the relevant account is located and, if different, in the principal financial centre, if any, of the currency of such payment and, if that currency does not have a single recognised principal financial centre, a day on which the settlement system necessary to accomplish such payment is open, (c) in relation to any notice or other communication, including notice contemplated under Section 5(a)(i), a General Business Day (or a day that would have been a General Business Day but for the occurrence of an event or circumstance which would, if it occurred with respect to payment, delivery or compliance related to a Transaction, constitute or give rise to an Illegality or a Force Majeure Event) in the place specified in the address for notice provided by the recipient and, in the case of a notice contemplated by Section 2(b), in the place where the relevant new account is to be located and (d) in relation to Section 5(a)(xv)(2), a General Business Day in the relevant locations for performance with respect to such Specified Transaction.

**"Mainland China"** means the People's Republic of China (excluding Hong Kong, Macau and Taiwan).

**"Maintenance Margin Ratio"** means such percentage as may be determined by the Bank and notified to the Customer from time to time including in the Confirmation.

**"Margin"** means cash (in immediately available and transferable funds) in such currencies as approved by the Bank from time to time, securities and / or other collaterals in such amount, for such value and in such form as the Bank may require from time to time for securing Customer's performance of the obligations under the relevant Transaction;



**"Market Disruption Event"** means the occurrence or existence on any Scheduled Trading Day of any of the following events, in the determination of the Bank:

- (a) the suspension or material limitation or disruption of trading in one or more of the Underlying Stock or in securities or futures contracts generally on the Exchange, Relevant Exchange, or a market associated with any of the Underlying Stock; or
- (b) any of the Underlying Stock or prices relating to the Underlying Stock ceases to exist or is materially changed, fails to be calculated and published, or the method of calculation materially changes; or
- (c) the declaration of a general moratorium in respect of banking activities in the country where any Exchange or any Relevant Exchange is located; or
- (d) a market disruption event (however defined) under the Bank's hedging arrangement; or
- (e) any similar event the Bank reasonably declares to be a market disruption event, including a force majeure event.

For the purposes of this definition, (1) a limitation on the hours and number of days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of the Exchange or Relevant Exchange; (2) a limitation on trading imposed during the course of a day by reason of movements in price otherwise exceeding levels permitted by the Exchange or Relevant Exchange will constitute a Market Disruption Event; and (3) issues of materiality are to be determined in the reasonable discretion of the Bank.

**"Maturity Date"** means, in respect of a Transaction and a party, each date specified as such in the related Confirmation.

**"Maximum Number of Option Units"** means in respect of an Option to which Multiple Exercise is applicable the number specified as such in the Confirmation.

**"Merger Without Approval"** means the event specified in Section 5(a)(ix).

**"Minimum Number of Option Units"** means in respect of an Option to which Multiple Exercise is applicable the lesser of (i) the number specified in the Confirmation and (ii) the number of Option Units unexercised at the relevant time.

**"Multiple Automatic Exercise"** means an Option which is subject to Multiple Exercise and where the Periodic Number of Option Units is deemed to be exercised on each Regular Exercise Date in accordance with clause 13 of Schedule C.

**"Multiple Exercise"** means an Option which can be exercised on multiple Exercise Dates.

**"Non-affected Party"** means, so long as there is only one Affected Party, the other party.

**"Notice of Exercise"** means notification by the Buyer to the Seller of its intention to exercise an Option.

**"Notional Amount"** means the notional amount of the underlying Transaction or, if there is more than one currency, the Currency Amount in respect of the Buyer.

**"Offshore CNY Center"** means each of the jurisdiction(s) specified in the relevant Confirmation. If no Offshore CNY Center is specified in the relevant Confirmation, the Offshore CNY Center shall mean Hong Kong only.

For the avoidance of doubt, references to "general CNY exchange market in each Offshore CNY Center" in the definitions of CNY Illiquidity and CNY Inconvertibility refers to purchase, sale, lending or borrowing of CNY for general purpose (including, but not limited to, funding), and therefore any purchase or sale of CNY where such CNY is required by relevant laws or regulations for settlement of any cross-border trade transaction with an entity in Mainland China would not be purchase or sale made in such general CNY exchange market.

**"Option"** means a contract under which one party (the "Buyer") purchases the right (but not the obligation) to acquire or sell a specified currency (or to receive a cash sum calculated by the Bank in

relation to the relevant currency) from another party (the "Seller") at an agreed Strike Price in return for the price of the option (the "Premium"). The Option may be settled by way of either "Cash Settlement" or "Physical Settlement".

**"Optional Early Termination Date"** means a Business Day, which, unless specified by the parties in the related Confirmation, is the Settlement Date in respect of that Exercise Date.

**"Option Unit"** means the amount specified as such in the Confirmation.

**"Payment Date"** means either:

- (a) the dates specified as such in the Confirmation; or
- (b) if the Confirmation specifies that the Payment Dates will occur in accordance with the FRN convention at a specified interval of calendar months, each day determined in accordance with that convention; or
- (c) if "delayed payment" is specified in the Confirmation and Period End Dates are established for the Transaction or that party, each day that is a specified number of days after an applicable Period End Date or after the Termination Date; or
- (d) if "Early Payment" and a period of days are specified for a swap or a party and Period End Dates are established for the swap or a party, each day that is the specified number of days before an applicable Period End Date or before the Termination Date.

**"Period End Date"** means either (a) if Period End Dates are not specified, each Payment Date for that party during the Term of the Transaction or (b) the Period End Dates that are specified, subject to adjustment in accordance with the Modified Following Business Day Convention, unless a different convention is specified in the swap Confirmation or "No Adjustment" is specified in the Confirmation or (c) if FRN Convention applies and an interval of calendar months is specified, and if Delayed Payment or Early payment is specified, each day during the Term at the specified interval, determined in accordance with the FRN Convention.

**"Periodic Number of Option Units"** has the meaning given in the Confirmation.

**"Periodic Number of Underlying Stocks"** means the number of Underlying Stock specified as such in the related Confirmation.

**"Physical Settlement"** means settlement of an Option requiring physical delivery of the Underlying Stock when exercised.

**"Position Limit"** has the meaning given in clause 2 of Schedule C.

**"Potential Event of Default"** means any event which, with the giving of notice or the lapse of time or both, would constitute an Event of Default.

**"Premium"** means the amount specified in the Confirmation.

**"Premium Payment Date"** means the date specified in the related Confirmation.

**"Price Source Disruption"** means it becomes impossible to obtain the Settlement Rate on the Valuation Date (or, if different, the date on which rates for that Valuation Date would, in the ordinary course, be published or announced by the relevant price source).

**"Put Currency Amount"** means the amount specified as such in the related Confirmation.

**"Put Option"** means:

- (a) in respect of spot and forward foreign exchange, or currency options is an Option which entitles the Buyer to sell the Put Currency Amount at the Strike Price on the Settlement Date if the option is exercised; and
- (b) in respect of equity options, accumulators and decumulators, means an Option by which the Seller grants the Buyer the right, but not the obligation, to sell the Underlying Stocks.

**"Rate Calculation Date"** means the date specified as such in the related Confirmation.

**"Reference Currency"** means the currency specified as such in the related Confirmation.



**"Reference Currency Notional Amount"** means, in the case of an Option for which Cash Settlement applies and if not otherwise specified, whichever of the Call Currency Amount or the Put Currency Amount that is denominated in the Reference Currency.

**"Reference Price"** means the price specified in the Confirmation.

**"Regular Exercise Date"** means each of the Regular Exercise Dates specified in the Confirmation or the relevant date for valuation following a Market Disruption Event, subject to adjustment in accordance with the Local Business Day Convention. Each Regular Exercise Date shall be the Exercise Date for the relevant Periodic Number of Option Units.

**"Relevant Exchange"** means in the case of:

- (a) any exchange traded security or financial product, the primary exchange upon which that financial product is traded; and
- (b) an index, the primary exchange upon which the financial products which primarily constitute that index are traded; and
- (c) a commodity, any exchange where contracts or futures relating to the commodity are traded; or
- (d) as determined in the absolute discretion of the Bank.

**"Rate of Exchange"** includes, without limitation, any premiums and costs of exchange payable in connection with the purchase of or conversion into the Contractual Currency.

**"Relevant Jurisdictions"** means, with respect to a party, the jurisdictions (a) in which the party is incorporated, organised, managed and controlled or considered to have its seat, (b) where an office through which the party is acting for purposes of this Agreement is located, (c) in which the party executes this Agreement and (d) in relation to any payment, from or through which such payment is made.

**"Scheduled Trading Day"** means any day on which each Exchange is scheduled to open for trading for its regular trading session other than a day on which trading on such Exchange is scheduled to close prior to its regular weekday closing time.

**"Securities Account"** means the account specified as such in the Confirmation.

**"Seller"** means the party specified as such in the Confirmation.

**"Settlement Account"** means the account specified in the related Confirmation, or if no such account is specified in the Confirmation, means a multicurrency account, or any other account as approved by the Bank, which the Customer maintains with the Bank for the debiting of losses and the crediting of profits arising from transactions effected under this Agreement and debiting of all Costs.

**"Settlement Currency"** means the currency specified as such in the related Confirmation, and if not specified in the Confirmation, means the amount specified in the Fallback Matrix, or if not otherwise specified, HKD.

**"Settlement Date"** means the Settlement Date or Payment Date specified in the Confirmation or the relevant date for settlement following a disruption event, subject to adjustment in accordance with the Following Business Day Convention, unless otherwise agreed. For an Equity Accumulator or Equity Decumulator, there will be more than one Settlement Date. Upon the occurrence of a Knock-Out Event, settlement of any Underlying Stock shall be effected on the second Local Business Day immediately following the date on which the Knock-Out Event occurs.

**"Settlement Rate"** means the rate specified in the related Confirmation.

**"Significant Risk Subsidiary"** means any non-U.S. subsidiary of an ultimate U.S. parent entity where the ultimate U.S. parent entity has more than \$50 billion in global consolidated assets, as determined in accordance with U.S. GAAP at the end of the most recently completed fiscal year, but excluding non-U.S. subsidiaries that:

- (a) are subject to consolidated supervision and regulation by the Board of Governors of the U.S. Federal Reserve System as a subsidiary of a U.S. bank holding company or an intermediate holding company;
- (b) are subject to capital standards and oversight by the subsidiary's home country supervisor that are consistent with the Basel Committee on Banking Supervision's "International Regulatory Framework for Banks" and subject to margin requirements for uncleared swaps in a jurisdiction that the CFTC has found comparable pursuant to a published comparability determination with respect to uncleared swap margin requirements; or
- (c) meets any of the following conditions:
  - (i) the three year rolling average of the subsidiary's equity capital is equal to or greater than five percent of the three year rolling average of the ultimate U.S. parent entity's consolidated equity capital, as determined in accordance with U.S. GAAP as of the end of the most recently completed fiscal year;
  - (ii) the three year rolling average of the subsidiary's total revenue is equal to or greater than ten percent of the three year rolling average of the ultimate U.S. parent entity's total consolidated revenue, as determined in accordance with U.S. GAAP as of the end of the most recently completed fiscal year; or
  - (iii) the three year rolling average of the subsidiary's total assets is equal to or greater than ten percent of the three year rolling average of the ultimate U.S. parent entity's total consolidated assets, as determined in accordance with U.S. GAAP as of the end of the most recently completed fiscal year.

**"Specified Transaction"** means any transaction between the party or any Credit Support Provider of such party and the Bank which is not a Transaction under this Agreement but (i) which is an option, swap, swaption, total return swap, forward agreement, bond, cap, floor or collar transaction or forward purchase or sale transaction in respect of any security, commodity, index, rate or other financial instrument or interest or underlying or, foreign exchange transaction, credit protection transaction, credit swap, credit default swap, credit default option, credit spread transaction, repurchase or reverse repurchase transaction, buy / sell-back transaction, securities lending transaction or weather index transaction; or (ii) which is of a type and nature that is similar to a transaction referred to in (i) and is currently or in the future recurrently entered into in the financial markets; or (iii) is a combination of any transactions referred to in (i) and (ii) or (iv) otherwise as notified by the Bank to the party.

**"Spot Contract"** means a Contract which has a Value Date no more than two (2) Business Days from and excluding the Contract Creation Day

**"Spot Rate"** means, unless otherwise specified in the Confirmation, for any Rate Calculation Date, the exchange rate for that currency pair at that time as determined by the Bank in a commercially reasonable manner.

**"Strike Price"** means the price specified as such in the related Confirmation.

**"Target Redemption Event"** means the event specified as such in the related Confirmation.

**"Target Value"** means the accumulated value specified in the Confirmation (if any).

**"Tax"** means any present or future tax, levy, impost, duty, charge, assessment or fee of any nature (including interest, penalties and additions thereto) that is imposed by any government or other taxing authority in respect of any payment under this Agreement other than a stamp, registration, documentation or similar tax.

**"Tax Event"** has the meaning specified in Section 5(b).

**"Term"** means the period commencing on the Effective Date of a Transaction and ending on the Termination Date of the Transaction.

**"Terminated Transactions"** means, with respect to any Early Termination Date, (a) if resulting from an Illegality or a Force Majeure Event or a Tax Event, all Transactions affected by the occurrence of such Termination Event and (b) if resulting from an Event of Default or an Additional Termination Event, all Transactions in effect immediately before the effectiveness of the notice designating that Early Termination Date.

**"Termination Currency"** means United States Dollars.

**"Termination Currency Equivalent"** means, in respect of any amount denominated in a currency other than the Termination Currency (the **"Other Currency"**), the amount in the Termination Currency determined by the Bank as being required to purchase such amount of such Other Currency as at the relevant Early Termination Date, or, if the relevant Close-out Amount is determined as of a later date, that later date, with the Termination Currency.

**"Termination Event"** means an Illegality, a Force Majeure Event, a Tax Event or any Additional Termination Event.

**"Trade Date"** means the date on which the Transaction is entered into or transacted.

**"Trigger Rate"** in respect of a Barrier Option, or a Binary Option, means the preset barrier rate for determining if the Option is effective or not.

**"Underlying Stock"** means the stock specified as such in the related Confirmation.

**"United States"** or **"U.S."** means the United States, its states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, and any other territories or possessions of the United States government, or enclave of the United States government, its agencies or instrumentalities.

**"USD"** means the lawful currency of the United States of America.

**"USD Contract"** means a Contract under which USD is one of the currencies bought or sold.

**"U.S. Person"** means:

- (i) any natural person who is a resident of the United States;
- (ii) partnership, corporation, trust, investment vehicle, or other legal person organized, incorporated, or established under the laws of the United States or having its principal place of business in the United States. For purposes of this section, principal place of business means the location from which the officers, partners, or managers of the legal person primarily direct, control, and coordinate the activities of the legal person. With respect to an externally managed investment vehicle, this location is the office from which the manager of the vehicle primarily directs, controls, and coordinates the investment activities of the vehicle;
- (iii) an account (whether discretionary or non-discretionary) of a U.S. person; or
- (iv) an estate of a decedent who was a resident of the United States at the time of death.

**"Unpaid Amounts"** mean any unpaid amounts and the value of unsettled deliveries together with interest thereon.

**"Valuation Date"** means any Valuation Date specified in the Confirmation or, if there has been a disruption event, the day on which the Spot Rate is determined for the purposes of calculating the Settlement Rate, subject to adjustment in accordance with the Preceding Business Day Convention, unless otherwise agreed. In respect of a Currency Option, the Valuation Date will be the Exercise Date.

**"Valuation Time"** has the meaning given in the Confirmation.

**"Value Date"** means the date agreed or specified to settle a Contract.

Terms which are not defined in the Master Agreement, a Schedule or a Confirmation have the customary meaning given in the international swaps and derivatives markets, and the parties may have regard to any definitions or guidelines published by relevant industry bodies in interpreting them.

Conventions, market practices, procedures and the meaning of terms used in the international swaps and derivatives markets may be determined by reference to agreements, definitions, guidelines and other publications of relevant industry bodies such as the International Swaps and Derivatives Association, Inc. (ISDA), the Emerging Market Traders Association (EMTA), the International Capital Markets Association (ICMA), and the Foreign Exchange Committee of the New York Federal Reserve (FXC).

**SCHEDULE A**  
**SPOT AND FORWARD FOREIGN EXCHANGE; CURRENCY OPTIONS (INCLUDING FOREIGN EXCHANGE PARTICIPATING FORWARD)**

This Schedule sets out certain additional provisions and definitions applicable to this Agreement. This Schedule is supplemental to, and forms part of the Master Agreement. If any part of this Schedule is in any way inconsistent with the Master Agreement, this Schedule shall prevail for the purposes of the relevant Transaction. In the event of any inconsistency between this Schedule and the terms of any Confirmation, the Confirmation will prevail for the purposes of the relevant Transaction.

**1. SPOT AND FORWARD FOREIGN EXCHANGE**

The terms of this Section 1 shall govern all Transactions, obligations, liabilities and rights as between the Customer and the Bank with respect to sales and purchases of Foreign Exchange, and the related transfers of amounts to and from the Customer's accounts with the Bank.

**I. Purchases and Sales of Foreign Exchange by the Customer**

1. The Customer shall be entitled, subject to and in accordance with this Agreement, to enter into Contracts with the Bank for any Value Date which the Bank may quote. Each Contract shall be governed by this Agreement and evidenced by the relevant advice. Each Contract and the relevant advice shall be a supplement to and form a part of this Agreement and will together with this Agreement constitute a single agreement between the Customer and the Bank. All Contracts are entered into on this basis and parties would not otherwise do so.
2. The Customer authorises the Bank to purchase and / or sell Foreign Exchange for the account of the Customer in accordance with the instructions of the Customer and to act upon any such instructions given to the Bank over the telephone (or purported to be so given) or given to the Bank in writing whether by post, telex, facsimile or cable (or purporting to be so given). Such instructions constitute an irrevocable and binding offer to enter into a Contract.  
If instructions are given by the Customer over the telephone, the Bank may (without being obliged) require the Customer to quote the password assigned to it by the Bank for identification purpose or provide such other information as the Bank may deem necessary. The Customer acknowledges that:
  - (i) the password is confidential and shall at no time and under no circumstances be disclosed to any person except its duly appointed agent and the Bank who shall also keep the password confidential;
  - (ii) the Bank's only duty with respect to any use made of the password by any person is to verify the password;
  - (iii) the Bank may if it deems fit, enquire into or check the identity or authority of the person giving instructions by using the password or other information as the Bank may deem necessary, but the Bank shall be under no obligation to do so and shall not be liable for not doing so; and
  - (iv) the risk of the password being abused by unauthorized persons shall be borne by the Customer to the exclusion of the Bank and the Customer shall be bound by the instructions given by any such person and liable for all resulting indebtedness except where there is negligence or wilful default on the part of the Bank.
3. The Bank shall at all times remain free, for reasons sufficient to itself, to refuse to enter into any Contract and the manner and timing of execution of any instructions of the Customer will be at the discretion of the Bank.
4. The Customer shall be entitled to request from the Bank indications of spot and forward prices for any Foreign Exchange, provided that the Bank shall at no time be under any obligation to enter into

Contracts at values given in such indications. The Customer shall be bound by any Contract the Bank may enter into upon the belief that the Customer had intended to purchase or sell Foreign Exchange rather than request an indication of prices and the Customer hereby indemnifies the Bank for all indebtedness arising therefrom.

5. The Customer may only enter into Contracts for amounts which are not less than the minimum trading amounts of the Foreign Exchange concerned, as determined by the Bank from time to time.
6. Subject to the other provisions of this Agreement, any Spot Contract not closed-out on the Value Date shall remain open until the Customer instructs the Bank to close-out the Contract. Interest shall accrue on the Bank buy and sale currencies outstanding under such Contract up to the Value Date of the relevant Close-out Contract at the respective daily interest rates quoted by the Bank. The interest earned by the Bank and the Customer on the currencies respectively held by them under the Contract shall be converted into USD on such date in each month as the Bank may from time to time determine (which at the date of this Agreement is the second last Business Day of each month) or the Value Date of the relevant Close-out Contract (if earlier) at the prevailing exchange rate for the relevant Foreign Exchange and the difference in USD shall accordingly be credited or debited to the Settlement Account.
7. The Customer shall give instructions to the Bank on the closing-out of any Forward Contract at least two (2) Business Days before the Value Date and the resulting profit and / or loss shall be credited or debited, as the case may require, to the Settlement Account. If the Customer wishes to maintain any or all of the Foreign Exchange positions held under such Forward Contract, that Contract must be closed-out and a new Contract or Contracts at the then prevailing rate for the Foreign Exchange concerned must be made. If no such instructions are received, the Bank may nevertheless in its absolute discretion close-out such Forward Contract and enter into a new Spot Contract under which the Bank and the Customer hold the same types of Foreign Exchange as were outstanding and held by them respectively under the Contract which has been closed-out. Such new Spot Contract shall be made at the then prevailing rate for Foreign Exchange concerned. For the avoidance of doubt, if no instructions are received, the Bank is under no obligation to, and the Customer agrees that it will not rely on the Bank exercising its discretion to, close-out a Forward Contract and enter into a new Spot Contract, but the Bank may do so in its absolute discretion.
8. The Customer's profit or loss arising on the close-out of Contracts shall be settled in the Settlement Currency amount described in the Contract by crediting or debiting the Settlement Account, as the case may require. For this purpose, the profit or loss arising from Cross Currency Contracts shall be converted into USD at the exchange rate prevailing at the time of closing-out such Contracts. The crediting or debiting of profit or loss to the Settlement Account shall be effected at the close of business on the Value Date of the respective Close-out Contracts.
9. The Customer agrees that any loss shall be debited to the Settlement Account. For this purpose, any amount denominated in one currency may be converted to another by the Bank at its then prevailing Foreign Exchange rate and the Customer acknowledges that this may result in it incurring additional Costs.
10. The Customer agrees that if at any time the balance of its Settlement Account is not sufficient to cover all its indebtedness to the Bank, the Bank may at its discretion:
  - (i) debit the sum due to the Bank from the monies in any currency standing to the credit of any one or more account(s) of the Customer with the Bank (including but not limited, to current, savings, fixed or call deposit accounts howsoever named), notwithstanding that this may result in the account(s) concerned being overdrawn and overdraft interest accruing on the said account(s); and / or



- (ii) charge the Customer interest in USD on the sum due to the Bank at an interest rate reasonably determined by the Bank from time to time.
- 11. The Bank's trading hours in respect of Foreign Exchange may from time to time be changed by the Bank without any notice. The Customer acknowledges that instructions received from the Customer may only be effected during the usual market opening hours of the foreign exchange markets used by the Bank from time to time.
- 12. The Bank shall have and retain all rights to, interest in and ownership of, and the Customer hereby waives all rights to, interest in and ownership of, all value represented by any Contract until it is closed-out. The Customer acknowledges that any unrealised profits attributable to a Contract prior to its closing-out may not be set-off against any unrealised losses attributable to that or any other Contract.

## **II. Delivery of Foreign Exchange**

- 1. The Customer is entitled to take delivery or not to take delivery of the Foreign Exchange, as provided in the Contract.
- 2. The Customer may, in the same manner as specified above, instruct the Bank to transfer any amounts from any account held at the Bank in the Customer's name to another such account, regardless of the type or denomination of such accounts, provided always the Bank may, in its discretion, refuse to act on the Customer's instructions without being obliged to furnish any reasons therefor.

## **2. CURRENCY OPTIONS (INCLUDING FOREIGN EXCHANGE PARTICIPATING FORWARD)**

The terms of this Section 2 shall govern all Currency Option Transactions, and all obligations, liabilities and rights as between the Customer and the Bank with respect to such Currency Option Transactions, subject to changes agreed between the parties in respect of a Transaction.

Unless otherwise agreed in respect of a Currency Option Transaction and specified in the relevant Confirmation, the following terms have the following meanings.

### **I. Preliminary Terms Relating to Currency Options (including Foreign Exchange Participating Forward)**

- 1. The Confirmation will state (among other things) (i) the Trade Date; (ii) the Expiration Date; and (iii) the Expiration Time.
- 2. The Exercise Period for a European Style Option is any time after 9 am and before the Expiration Time on the Expiration Date. The Exercise Period for an American Style Option shall begin on a date referred to in a Confirmation as the "First Exercise Date", or if "First Exercise Date" is not specified in the Confirmation, then the Exercise Period shall commence on the "Commencement Date" or "Effective Date" and shall end at the Expiration Time on the Expiration Date. If no Commencement Date is specified in the Confirmation, it is the Trade Date.
- 3. An Option expires at the close of trading on the Expiration Date if it has not been exercised.

### **II. Knock-Out and Knock-In Events**

- 1. If a Knock-Out Event is stipulated as applicable in a Confirmation, and a Knock-Out Event occurs, then the unexercised Options of the subject of that Confirmation, or such portion of the Option Units (as specified in the Confirmation) which relate to the relevant Knock-Out Period (if any) specified in the Confirmation, automatically terminate and can no longer be



exercised and a Buyer's right to receive or obligation to make, a payment or delivery also terminates.

2. A Knock-Out Event will be as specified in the Confirmation. A Knock-Out Event includes, but is not limited to, if:
  - (i) the Underlying Currency trades at or above, or at or below (as specified in the Confirmation) a Knock-Out Price at the Closing Time on or before each Exercise Date or during the Knock-Out Period specified (if any); or
  - (ii) the Underlying Currency trades at or above, or at or below (as specified in the Confirmation) a Knock-Out Price at any time from and including the Trade Date to and including the Exercise Date or during the Knock-Out Period specified (if any); or
  - (iii) the Reference Price of an Underlying Currency at the Valuation Time on the Valuation Date is at or above, or, at or below (as specified in the Confirmation) the Knock-Out Price.
3. If a Knock-In Event is stipulated as applicable in a Confirmation, and a Knock-In Event occurs, then on the occurrence of a Knock-In Event, the option becomes active. Conversely, if a Knock-In Event is not occurred, the option will automatically expire and can no longer be exercised and a Buyer's right to receive or obligation to make, a payment or delivery also expires.
4. A Knock-In Event will be as specified in the Confirmation. A Knock-In Event includes, but is not limited to, if:
  - (i) for each Regular Exercise Date that the Underlying Currency trades at or above, or at or below (as specified in the Confirmation) a Knock-In Price at the Closing Time on or before each Exercise Date or during the Knock-In Period specified (if any); or
  - (ii) the Underlying Currency trades at or above, or at or below (as specified in the Confirmation) a Knock-In Price at any time from and including the Trade Date to and including the Exercise Date or during the Knock-In Period specified (if any); or
  - (iii) the Reference Price of an Underlying Currency at the Valuation Time on the Valuation Date is at or above, or, at or below (as specified in the Confirmation) the Knock-In Price.

### **III. Purchases and Sales of Currency Options (including Foreign Exchange Participating Forward)**

1. The Customer may sell Options where they close-out or partially close-out, existing open positions in respect of bought Options. The Customer may also sell Options as agreed by the Bank and on terms and conditions as the Bank may specify, including availability of credit facilities and / or the provision of collateral or margin satisfactory to the Bank. The Customer may agree to buy and the Bank may agree to sell Options on the condition only that the Customer pays the Premium on the Premium Payment Date.
2. The Buyer will pay the Premium to the Seller of the Option on the Premium Payment Date. Payment and receipt of the Premium will be effected by the Bank passing a direct debit or credit to the bank account which the Customer has nominated for settlement in respect of its trades, unless the Bank ascertains that there are obvious errors, in which case the Bank will take action in a manner it considers appropriate in the circumstances. The Bank reserves the right to close-out Options, where the Customer fails to settle. In the event that the Customer fails to settle any payment under an Option, the Customer will pay the Bank all costs and any loss it may suffer.
3. Upon exercise of an Option for which Physical Settlement applies, the parties will exchange the relevant currency at the Strike Price on the Settlement Date.
4. Upon exercise of an Option for which Cash Settlement applies, the parties will pay the cash settlement amount in the settlement currency specified in the Confirmation. The Cash

Settlement Amount is the amount specified as such in the Confirmation, or if none is specified, will be determined by reference to the difference between the Strike Price and the prevailing market spot FX rate.

5. Payment or receipts of the relevant currency will be effected, where possible by the Bank passing a direct debit or credit to Customer's bank account which Customer nominated for settlement in respect of Customer's regular trades with the Bank. Where a direct debit or credit facility is not available, the Bank will specify where Customer will deliver the relevant currencies in the Confirmation. The Bank reserves the right to withhold delivery of the relevant currency where Customer fails to settle. In the event that Customer fails to settle, the Bank will seek directly from Customer recovery of all costs and any loss it may suffer.
6. If two or more Options transactions have a common Settlement Date then, unless otherwise expressly agreed, only the net amount due from one party to the other in a particular currency will be paid on that date.

#### **IV. Price Sources**

If a price source is not published or available or otherwise subject to a Price Source Disruption, then the Bank may refer to any successor or alternate price source that actually publishes or announces the relevant information in accordance with applicable market conventions on that date.

#### **V. Disruption Events**

The parties may agree disruption events in respect of a Transaction, but otherwise no disruption events apply, except that if, in respect of an Option for which Cash Settlement applies, it becomes impossible to obtain the Settlement Rate on the Valuation Date (or, if different, the day on which rates for that Valuation Date would, in the ordinary course, be published or announced by the relevant price source) then the price will be determined by the Bank in good faith using commercially reasonable procedures.

#### **VI. Adjustments and Early Termination**

The Bank may make such changes, adjustments or modifications to the terms of any Transaction (including to the settlement currency, any Knock-In Price or Knock-Out Price and any Strike Price) as the Bank determines in good faith, acting reasonably, to be appropriate to preserve the economic terms of such Transaction or to ensure that the terms of such Transaction match market practices, as a result of disrupting events, including market disruptions, settlement disruptions, changes in law, market illiquidity and any extraordinary events such as inconvertibility and non-convertibility taking into account any considerations the Bank reasonably regards as relevant, including tax considerations.

If the Bank, acting in good faith and in a commercially reasonable manner, determines that any adjustment to the terms of such Transaction is unable to preserve the economic terms of such Transaction, the Bank may early terminate the Transaction. If the Bank elects to early terminate the Transaction, the Bank shall, acting in good faith and a commercially reasonable manner, calculate the early termination amount (if any) payable by the Bank to the Customer, based on the prevailing market conditions and taking into account of all costs (including the unwind cost of hedging).

#### **VII. Margin Trading Services**

The Bank may, at its discretion, require the Customer to lodge Margin with the Bank in connection with a Currency Option (including Foreign Exchange Participating Forward). Such Margin will be provided on the terms set out in clause 8 of the Master Agreement and this clause and such other

terms as the Bank may require from time to time, including, without limitation, the Banking Facility Letter. The Customer agrees and acknowledges that the Customer must lodge Margin with the Bank on or before the Trade Date for a Transaction and maintain Margin (including any additional Margin requested by the Bank) for the full term of the relevant Currency Option. Where the Customer transacts with the Bank on a margin basis: -

- (a) The Customer must provide the Bank an initial margin cover (the "**Initial Margin**") before entering into any of the Transactions. The required amount of Initial Margin varies with each type of Transaction and each Underlying Currency and the amount is determined by the Bank, from time to time, at its absolute discretion and specified as such in the related credit facility letter or otherwise notified to the Customer. Notwithstanding the entry into the Transaction, the Initial Margin required may be changed at any time and from time to time by the Bank at its sole discretion.
- (b) The Bank may at the time when Margin in respect of any Currency Option, after deducting all unrealized losses of the relevant Currency Option, is at or less than the Maintenance Margin Ratio demand from the Customer, and the Customer shall immediately upon such demand, deposit and maintain or procure to be deposited and maintained with the Bank additional Margin in such form as may be acceptable to the Bank as additional security for its obligations to the Bank under the relevant Currency Option so that the Margin after the addition of such payment will be not less than the Initial Margin Ratio of the relevant Currency Option. The Customer hereby undertakes to ensure that the Margin shall at all times exceed such requirements as the Bank may prescribe in its sole and absolute discretion.
- (c) The margin cover shall be provided by way of absolute transfer of the assets to the Bank in accordance with clause 8(d) of the Master Agreement. The current value or unrealized losses of any relevant Currency Option for the purpose of this clause shall be conclusively determined by the Bank using all mark-to-market mechanisms having regard to the prevailing market conditions daily against quotes on the relevant markets considered by the Bank to be appropriate and converting the relevant Margin and the Customer's position to such currency as may be selected by the Bank and / or any other methods the Bank deems fit.
- (d) The Margin provided by the Customer may, as determined by the Bank in its absolute discretion, fall below the amount required by the Bank from time to time due to various reasons. In such event and without limiting the Bank's rights under clause 8 of the Master Agreement, the Bank may take such action as the Bank in its sole discretion deems fit, including without limitation:
  - (i) Margin Call
    - (A) Without prejudice to clause VII (1)(d)(ii), the Bank shall have the right (but not the obligation) to give the Customer notice (by way of telephone or otherwise) which shall constitute a "Margin Call" under this clause to require the Customer to provide additional Margin as determined by the Bank in its sole discretion. The Bank may, but shall not be obliged, to confirm any Margin Call in writing and the absence of such written confirmation shall not prejudice or invalidate any Margin Call. For the avoidance of doubt, in the event that the Bank has used reasonable endeavors to notify the Customer that the Margin is below the requirements prescribed by the Bank by telephoning the Customer or by other means, such reasonable endeavors shall also constitute a Margin Call even if the Bank fails to contact the Customer.
    - (B) Each Margin Call shall be satisfied by the Customer within the time period specified by the Bank, or if no period is so specified, the Customer shall provide

the additional Margin within two (2) hours after the Bank has made the Margin Call.

- (ii) Realization  
Realizing such part or all of the Margin as the Bank deems necessary to satisfy the liabilities of the Customer without notice to or consent from the Customer or the party providing the Margin.
- (iii) Close-Out  
The Bank shall have the right to sell, terminate or close-out any or all of the Currency Options (including a Foreign Exchange Participating Forward) (to be selected at the sole discretion of the Bank) and apply the proceeds first in payment to the Bank of all Costs incurred by the Bank in exercise of this power and second in payment of any amount owing by the Customer to the Bank under this Agreement:
  - (A) If during the period between the time of making the Margin Call and the time such additional Margin is provided, the Margin in respect of any Currency Option (including Foreign Exchange Participating Forward), after deducting all unrealized losses of the relevant Currency Option (including Foreign Exchange Participating Forward) is at or less than the Closed-Out Margin Ratio of the Risk Exposure (or any other percentage as may be specified at the discretion of the Bank from time to time).
  - (B) If the Customer shall fail to provide additional Margin in accordance with this clause.
  - (C) If the Customer fails to meet any obligation under this Agreement.
  - (D) If any of Settlement Account and / or Securities Account which the relevant Currency Options (including a Foreign Exchange Participating Forward) is maintained, is to be or is terminated for whatever reason; or
  - (E) Following an Event of Default; or
  - (F) If, at any time, the Bank considers, at its sole discretion, that such action is necessary in order to protect its own interests.
- (iv) Closing out, liquidating, setting off (notwithstanding that any of the same has not yet matured), realizing or otherwise dealing with any or all outstanding Currency Options (including a Foreign Exchange Participating Forward) (whether or not any additional loss may thereby arise) by such time and by such means or in such manner as the Bank in its sole discretion thinks appropriate without notice to or consent from the Customer. In the event that the Currency Options (including a Foreign Exchange Participating Forward) are liquidated at a loss and the loss exceeds the aggregate Margin deposited, the Customer will be liable for any shortfalls.
- (e) The Customer hereby authorizes and directs the Bank, without notice to the Customer, to transfer to the Settlement Account from existing funds (if any) in any account of the Customer maintained with the Bank such amount of such currency and / or securities or other property as the Bank may from time to time in its absolute discretion thinks fit as Margin or part thereof pursuant to this clause, as the case may be.
- (f) The Customer agrees that any Margin provided may be used by the Bank to settle an Option on exercise or expiry, or pay any Early Termination Amount.

### 3. OFFSHORE DELIVERABLE CNY TRANSACTION

1. This Section 3 shall apply to all Offshore Deliverable CNY Transactions and all obligations, liabilities and rights as between the Customer and the Bank with respect to such Deliverable CNY Transactions, subject to changes agreed between the parties in respect of a Transaction.
2. Deliverable Settlement Terms:  
All payments in CNY in respect of the Transaction will be made solely by transfer to a Renminbi bank account maintained in accordance with applicable laws and regulations at a bank in an Offshore CNY Center.
3. Disruption Fallbacks and Other Terms:  
Terms used in this Section 3 of Schedule A which are not otherwise defined in this Master Agreement, have the definitions given to them in the following table.  
In the event that a CNY Disruption Event, as determined by the Calculation Agent, occurs on or prior to any date on which a payment is scheduled to be made under the Transaction (including, but not limited to, the Settlement Date, a Payment Date or an Exchange Date) and such CNY Disruption Event is continuing on such date, the following terms will apply:

Disruption Fallback for CNY Disruption Event:	The following Disruption Fallbacks will apply (in the following order): 1) Settlement Postponement; and 2) Settlement as a Non-Deliverable Substitute pursuant to the terms herein.
Settlement Postponement:	Settlement Postponement means that payments under the Transaction shall be postponed to two Business Days after the date on which the CNY Disruption Event ceases to exist, unless that CNY Disruption Event continues to exist for 14 consecutive calendar days from the original date that, but for the occurrence of the CNY Disruption Event, would have been the date for such payments (which payment date may be, but is not limited to, the Settlement Date, a Payment Date or an Exchange Date). In that case, Non-Deliverable Substitute will apply on the day immediately following the lapse of such 14 calendar day period (the " <b>Scheduled Valuation Date</b> ").
Non-Deliverable Substitute:	Non-Deliverable Substitute means that the relevant payment obligations under the Transaction shall be replaced by an obligation to pay an amount that would be due as if settlement were non-deliverable with the effect that any amounts in CNY payable under the Transaction (which payment date may be, but is not limited to, the Settlement Date, a Payment Date or an Exchange Date) shall be converted into the Settlement Currency Amount in the manner provided below as of the Valuation Date (as defined below), together with interest on such amount at a rate per annum equal to the cost (without proof of evidence of such cost) to the relevant party (certified by it) of funding that Settlement Currency Amount, as appropriate, for the period from, and including, the original date that, but for the occurrence of a CNY Disruption Event, would have been the Settlement Date, Payment Date or Exchange Date (as the case may be) to, but excluding, the actual date of payment of that

	Settlement Currency Amount. All the payments (including exchanges) hereunder shall be made in the Settlement Currency on the relevant Non-Deliverable Substitute Settlement Date as specified in "Non-Deliverable Settlement Terms" below. For the avoidance of doubt, the Non-Deliverable Substitute shall only apply to any payment which is scheduled to occur on a date (which may be, but is not limited to, the Settlement Date, a Payment Date or an Exchange Date) that is affected by the CNY Disruption Event and shall not affect any payments falling due on any other dates.
Termination Date Business Day Convention:	Shall not apply.
Fixed Amount Business Day Convention:	Shall not apply and shall be replaced by the Business Day Convention set forth in "Non-Deliverable Substitute Settlement Date"; provided that, the Business Day Convention applicable to the Fixed Amount shall apply to the Period End Date.
Floating Amount Business Day Convention:	Shall not apply and shall be replaced by the Business Day Convention set forth in "Non-Deliverable Substitute Settlement Date"; provided that, the Business Day Convention applicable to the Floating Amount shall apply to the Period End Date.
Payment Date:	Shall be a Fixed Rate Payer Payment Date and / or a Floating Rate Payer Payment Date, as appropriate. To the extent that the Fixed Rate Payer Payment Date and the Floating Rate Payer Payment Date are scheduled to occur on the same date, notwithstanding anything to the contrary contained herein, such Fixed Rate Payer Payment Date and Floating Rate Payer Payment Date shall occur on the same date, which date shall be the Non-Deliverable Substitute Settlement Date.
Exchange Date:	Shall be a Final Exchange Date, Initial Exchange Date, Interim Exchange Date and / or Exchange Date, as appropriate.

Non-Deliverable Settlement Terms:	
Currency Pair:	As specified in the relevant Confirmation. If no Currency Pair is specified in the relevant Confirmation, the Currency Pair shall be the first such Currency Pair specified in the Fallback Matrix for the applicable Reference Currency.
Reference Currency:	CNY.
Settlement Currency:	As specified in the Fallback Matrix for the applicable Currency Pair.
Reference Currency Notional Amount:	An amount that represents the amount that one party was due to pay the other party in CNY as provided herein.
Settlement Currency Amount:	Any Reference Currency Notional Amount payable hereunder on any day (which payment date may be, but is not limited to, the Settlement Date, a Payment Date or an Exchange Date) shall be converted into an amount in the Settlement Currency (the " <b>Settlement Currency Amount</b> ") as follows: (i) where the Settlement Currency is USD, by multiplying or dividing, as the case may be, any such Reference Currency



	<p>Notional Amount by the Spot Rate determined for the Valuation Date in accordance with the Settlement Rate Option specified in the Fallback Matrix for the applicable Currency Pair; or</p> <p>(ii) where the Settlement Currency is a currency other than USD:</p> <p>(A) by multiplying or dividing, as the case may be, any such Reference Currency Notional Amount by the Spot Rate determined for the Valuation Date in accordance with the Settlement Rate Option specified in the Fallback Matrix for the applicable Currency Pair, and</p> <p>(B) by multiplying or dividing, as the case may be, the resultant amount derived by applying sub-paragraph (A) above by the USD Spot Rate determined for the Valuation Date in accordance with the USD Settlement Rate Option specified in the Fallback Matrix for the applicable Currency Pair.</p> <p>The obligation of the relevant party to pay the Reference Currency Notional Amount shall be replaced by an obligation of such party to pay the corresponding Settlement Currency Amount (determined in accordance with paragraph (i) or (ii) above) in the Settlement Currency, on the relevant Non-Deliverable Substitute Settlement Date and in accordance with these additional provisions.</p>
Non-Deliverable Substitute Settlement Date:	Any payment date determined pursuant to the terms herein, subject to adjustment if the Scheduled Valuation Date is adjusted in accordance with the Following Business Day Convention or if Valuation Postponement applies, and in each such case, the Non-Deliverable Substitute Settlement Date shall be as soon as practicable, but in no event later than the number of Business Day(s) after the date on which the Spot Rate is determined, as specified under the column headed "Number of Business Day(s) for Non-deliverable Substitute Settlement Date term" in the Fallback Matrix for the applicable Currency Pair.
Settlement Method:	Non-deliverable.
Valuation Date:	The Scheduled Valuation Date, subject to adjustment in accordance with the Preceding Business Day Convention; provided however, that in the event of an Unscheduled Holiday, subject to adjustment in accordance with the Following Business Day Convention.
Unscheduled Holiday:	"Unscheduled Holiday" means a day that is not a Business Day and the market was not aware of such fact (by means of a public announcement or by reference to other publicly available information) until a time later than 9:00 a.m. local time in Hong Kong two Business Days prior to the Scheduled Valuation Date.
Deferral Period for Unscheduled Holiday:	In the event the Scheduled Valuation Date becomes subject to the Following Business Day Convention after the occurrence of an Unscheduled Holiday, and if the Valuation Date has not occurred on or before the number of consecutive calendar days specified in the Fallback Matrix under the column headed " <b>Deferral Period</b> " for the applicable Currency Pair, after the Scheduled Valuation Date (any



	such period being a "Deferral Period"), then the next day after the Deferral Period that would have been a Business Day but for the Unscheduled Holiday shall be deemed to be the Valuation Date.
Settlement Rate Option:	As specified in the Fallback Matrix for the applicable Currency Pair.
USD Spot Rate:	Where the Settlement Currency is a currency other than USD, for the Non-Deliverable Substitute Settlement Date, the currency exchange rate determined for the Valuation Date in respect of such Settlement Date in accordance with the USD Settlement Rate Option.
USD Settlement Rate Option:	As specified under the column headed "USD Settlement Rate Option" in the Fallback Matrix for the applicable Currency Pair.
Applicable Disruption Event:	
Price Source Disruption:	Applicable.
Applicable Disruption Fallbacks:	As specified in the Fallback Matrix for the applicable Currency Pair.
Valuation Postponement for Price Source Disruption:	"Valuation Postponement" means, in the event that the Settlement Rate Option is not available on or before the first Business Day (or day that would have been a Business Day but for an Unscheduled Holiday) succeeding the day on which the Price Source Disruption occurs, the Spot Rate will be determined in accordance with the next applicable Disruption Fallback on such day.
Fallback Reference Price:	In respect of a Valuation Date, the Calculation Agent shall in good faith select five leading dealers in total in the general CNY exchange market outside Mainland China, comprising dealer(s) who are active in the general CNY exchange market in respect of each Offshore CNY Center, to provide quotes in relation to the Settlement Rate. If five quotes of the Settlement Rate are provided as requested, the Settlement Rate will be calculated by eliminating the highest and lowest quotes and taking the arithmetic mean of the remaining quotes. If at least three, but fewer than five quotations are provided, the Settlement Rate will be the arithmetic mean of the quotations. If fewer than three quotations are provided as requested, the Settlement Rate shall be determined by way of Fallback Reference Price Postponement and Calculation Agent Determination of Settlement Rate in accordance with terms below.
Fallback Reference Price Postponement and Calculation Agent Determination of Settlement Rate:	In the event that the Fallback Reference Price is not available on or before the third Business Day (or a day that would have been a Business Day but for an Unscheduled Holiday) succeeding the end of either (i) Valuation Postponement for Price Source Disruption, (ii) Deferral Period for Unscheduled Holiday, or (iii) Cumulative Events, then the Calculation Agent will determine the Settlement Rate (or a method for determining the Settlement Rate), taking into consideration all available information that in good faith it deems relevant. For the avoidance of doubt, Cumulative Events, if applicable, does not preclude postponement of valuation in accordance with this provision.
Cumulative Events:	Notwithstanding anything herein to the contrary, in no event shall the total number of consecutive calendar days during which either

	(i) valuation is deferred due to an Unscheduled Holiday, or (ii) a Valuation Postponement shall occur (or any combination of (i) and (ii)), exceed the number of consecutive calendar days specified in the Fallback Matrix under the column headed "Deferral Period" for the applicable Currency Pair in the aggregate. Accordingly, (x) if, upon the lapse of any such consecutive calendar day period specified in the Fallback Matrix under the column headed "Deferral Period" for the applicable Currency Pair, an Unscheduled Holiday shall have occurred or be continuing on the day following such period that otherwise would have been a Business Day, then such day shall be deemed to be a Valuation Date, and (y) if, upon the lapse of any such consecutive calendar day period specified in the Fallback Matrix under the column headed "Deferral Period" for the applicable Currency Pair, a Price Source Disruption shall have occurred or be continuing on the day following such period, then Valuation Postponement shall not apply and the Spot Rate shall be determined in accordance with the next Disruption Fallback.
Relevant Cities for Business Day for Valuation Date:	As specified in the Fallback Matrix for the applicable Currency Pair.
Relevant City for Business Day for Non-Deliverable Substitute Settlement Date:	As specified in the Fallback Matrix for the applicable Currency Pair.

#### 4. GENERAL

##### I. Monthly Statements and other Notifications

1. For certain transactions, the Customer shall be issued with a monthly statement on the last Business Day of each calendar month or such other date as the Bank may from time to time determine, setting out the Customer's turnover for that particular month, details of any profits, losses and interests credited or debited to the Settlement Account and the estimate value of the Customer's outstanding Transactions as at the date of the statement. For other transactions, the Customer will receive deal confirmations only.
2. A Confirmation on the conclusion of each Transaction will be issued by the Bank promptly after the relevant Trade Date.
3. The Customer undertakes to verify the correctness of each statement and Confirmation received from the Bank within ninety (90) days from the receipt thereof and of any discrepancies, omissions or debts wrongly made to or inaccurate or incorrect entries in the statement and Confirmation as so stated. At the end of the said ninety (90) days period, the details of the Transactions as set out in the statement and / or the Confirmation shall in the absence of manifest error be conclusive evidence without any further proof that they are correct except as to any alleged errors so notified.
4. If the Customer is a "professional investor" as defined in Schedule 1 to the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), the Customer acknowledges and agrees that the Bank is not required to provide the Customer with contract notes, statements of account or receipts pursuant to the Contracts Notes Rules. Although the Bank may provide the Customer with contract notes, confirmations, statements of account and / or receipts, the Customer agrees and acknowledges that the Bank is not required to provide the above

mentioned documents in accordance with the requirement stated in the Contracts Notes Rules.

**II. Electronic Recording**

The Customer agrees to the electronic recording of its telephone conversations with any of the Bank's officers, agents or employees with or without the use of an automatic tone warning device. Such recording and transcripts may be used by the Bank. The Bank is not required to maintain copies of such transcripts.

**III. Bank Staff**

None of the Bank's employees or representatives will accept appointment by the Customer as agent to give order on the Customer's behalf to enter into any Transactions unless a separate agreement for discretionary account services is entered with the Bank for such purpose.

## SCHEDULE B CURRENCY AND INTEREST RATE SWAPS

The provisions of this Schedule apply to any Transaction that is an interest rate or currency swap or swaption transaction. This Schedule sets out certain additional provisions and definitions applicable to this Agreement. This Schedule is supplemental to, and forms part of the Master Agreement. If any part of this Schedule is in any way inconsistent with the Master Agreement, this Schedule shall prevail for the purposes of the relevant Transaction. In the event of any inconsistency between this Schedule and the terms of any Confirmation, the Confirmation will prevail for the purposes of the relevant Transaction.

### **ARTICLE 1 – FIXED AMOUNTS**

***Calculation of a Fixed Amount*** – If a Fixed amount is not specified in the Confirmation, it will be calculated for a Payment Date or for the related Calculating Period as follows:

Fixed Amount = Calculation Amount × Fixed Rate × Fixed Rate Day Count Fraction

### **ARTICLE 2 – FLOATING AMOUNTS**

***Calculation of a Floating Amount*** – If "Compounding" is not specified in the Confirmation for the swap Transaction, an amount calculated on a formula basis for that Payment Date or for the related Calculation Period as follows:

Floating Amount = Calculation Amount × [Floating Rate + Spread] × Floating Rate Day Count Fraction.

If "Compounding" is specified, Floating Amount is an amount equal to the sum of the Compounding Period Amounts for each of the Compounding Periods in the related Calculation Period; or if "Flat Compounding" is specified, Floating Amount is an amount equal to the sum of the Basic Compounding Period Amounts for each of the Compounding Periods in the related Calculation Period plus the sum of the Additional Compounding Period amounts for each such Compounding Period.

Floating Rate Options have the meaning given in the international swaps and derivatives markets, the market standard Day Count Fraction for each Floating Rate Option shall apply, and rates will be determined in accordance with standard market conventions unless otherwise agreed.

***Negative Interest Rates*** – Unless otherwise agreed, if the Floating Amount payable by a party on a Payment Date is a negative number (either due to a quoted negative Floating Rate or by operation of a negative spread), then that amount shall be payable by the other party to the Floating Rate Payer.

### **ARTICLE 3 – CALCULATION OF FLOATING RATE OPTIONS**

The Floating Rate will be determined in accordance with the standard market practice and procedures applicable to the relevant Floating Rate Option in the international swaps and derivatives markets.

### **ARTICLE 4 – ROUNDING; INTERPOLATION; DISCOUNTING**

Unless otherwise agreed, rounding, interpolation and discounting will apply in accordance with the conventions of the international swaps and derivatives markets. Currency amounts will be rounded in accordance with the relevant currency conventions.

### **ARTICLE 5 – MARK-TO-MARKET CURRENCY SWAPS**

If a swap is identified as a Mark-to-Market Currency Swap, and unless otherwise agreed, the Variable Currency Amount, in respect of any Calculation Period, shall be an amount equal to the Constant Currency Amount expressed in the Variable Currency by reference to the Currency Exchange Rate for such Calculation Period. The amount of any change in the Variable Currency Amount (the "**MTM Amount**") shall be paid by the relevant party to the other.

## **ARTICLE 6 – OPTIONS**

**Swaption** – an option that entitles the Buyer to enter into either an underlying payer swap or an underlying receiver swap or both or to enter into a swap to which optional early termination applies, as specified in the confirmation.

Other terms have the meaning given in the Confirmation.

## **ARTICLE 7 – EXERCISE OF OPTIONS**

**Procedure for Exercise** – unless Automatic Exercise applies, the Buyer may exercise the Option only by giving a Notice of Exercise which must be received by the Seller during the Exercise Period. Unless otherwise agreed, the Option must be exercised in full and may be exercised only once. If "**Automatic Exercise**" applies then it will be deemed exercised as of the Expiration Time on the Expiration Date if the transaction is in-the-money.

## **ARTICLE 8 – SETTLEMENT OF OPTIONS**

**Underlying Payer Swap** – the Buyer of the Option is the Fixed Rate Payer in respect of the underlying swap.

**Underlying Receiver Swap** – the Buyer of the Option is the Floating Rate Payer in respect of the underlying swap.

## **ARTICLE 9 – OPTIONAL EARLY TERMINATION DATE**

Upon exercise of optional early termination, and if cash settlement applies, the out-of-the-money party must pay the in-the-money party the Cash Settlement Amount on the Settlement Date and the Notional Amount of the Swap Transaction is reduced by the amount of the Swap Transaction exercised on that Exercise Date. If Cash Settlement does not apply, the Notional Amount exercised will be used to determine the Fixed Amount and the Floating Amount of the underlying swap being Physically Settled.

Unless otherwise agreed, Cash Settlement applies to any optional early termination.

## **ARTICLE 10 – MANDATORY EARLY TERMINATION DATE**

If a confirmation states that Mandatory Early Termination applies, the out-of-the-money party will pay the in-the-money-party the Cash Settlement Amount on the Mandatory Early Termination Date and the Notional Amount will be reduced to zero.

## **ARTICLE 11 – CASH SETTLEMENT**

**Cash Settlement Amount** – unless otherwise agreed, an amount in the Cash Settlement Currency is to be determined as at the Cash Settlement Valuation Time on the Cash Settlement Valuation Date in accordance with the applicable Cash Settlement Method.

**Cash Settlement Valuation Date** – unless otherwise agreed, the Exercise Date of a Swaption, or if optional early termination or mandatory early termination apply, the date determined in accordance with market convention for the relevant currency and floating rate option.

**Cash Settlement Method** – unless otherwise agreed, an amount determined with respect to the underlying swap transaction as the Close-Out Amount for that Transaction.

**In-the-money** – the Fixed Rate payer is in-the-money if the Settlement Rate exceeds the Fixed Rate under the swap. The Floating Rate payer is in-the-money if the Fixed Rate exceeds the Settlement Rate.

**Out-of-the-money** – the Floating Rate payer is out-of-the-money if the Settlement Rate exceeds the Fixed Rate. The Fixed Rate payer is out-of-the-money if the Fixed Rate exceeds the Settlement Rate.

**ARTICLE 12 – BANK STAFF**

None of the Bank's employees or representatives will accept appointment by the Customer as agent to give orders on the Customer's behalf to enter into any Transactions unless a separate agreement for discretionary account services is entered with the Bank for such purpose.

**ARTICLE 13 – MONTHLY STATEMENTS AND OTHER NOTIFICATIONS**

If the Customer is a "professional investor" as defined in Schedule 1 to the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), the Customer acknowledges and agrees that the Bank is not required to provide the Customer with contract notes, statements of account or receipts pursuant to the Contracts Notes Rules. Although the Bank may provide the Customer with contract notes, confirmations, statements of account and / or receipts, the Customer agrees and acknowledges that the Bank is not required to provide the above mentioned documents in accordance with the requirement stated in the Contracts Notes Rules.

## SCHEDULE C EQUITY OPTIONS, ACCUMULATORS AND DECUMULATORS

This Schedule sets out certain additional provisions and definitions applicable to this Agreement. This Schedule is supplemental to, and forms part of the Master Agreement. If any part of this Schedule is in any way inconsistent with the Master Agreement, this Schedule shall prevail for the purposes of the relevant Transaction. In the event of any inconsistency between this Schedule and the terms of any Confirmation, the Confirmation will prevail for the purposes of the relevant Transaction.

The terms of this Schedule C shall govern all Equity Option Transactions, including Accumulator Option Transactions and Decumulator Option Transactions, obligations, liabilities and rights as between the Customer and the Bank, subject to changes agreed between the parties in respect of a Transaction. A reference in this Schedule C to an Option or Equity Option Transaction shall include a reference to an Accumulator Option and Decumulator Option unless otherwise specified.

### **Preliminary Terms Relating to Equity Options, Accumulators and Decumulators**

Unless otherwise agreed in respect of an Equity Option Transaction (including Accumulator Option Transaction or Decumulator Option Transaction) and specified in the relevant Confirmation, the following terms have the following meanings.

### **Purchases and Sales of Equity Options, Accumulators and Decumulators**

1. The Customer may apply to open an account to enter into Equity Options with the Bank by submitting a duly completed and signed Master Agreement, Investment Services Application Form specifying the type of Equity Options the Customer wishes to enter into, Customer Acknowledgement, Investment Product Explanatory Memorandum (if applicable), Customer Declaration for Investment Transaction Witness Arrangement (if applicable), Deed of Charge (if applicable), Client Request Order Form (if applicable), Investment Product Rationale Record (if applicable), and such other documentation as the Bank may require from time to time. The Bank may from time to time provide the Customer with a sample term-sheet for Equity Options, Accumulators and Decumulators. The Customer agrees and acknowledges that such term-sheet is indicative only and that the Bank will not be bound by it. A Customer may only request that the Bank enter into additional types of Equity Options by duly completing and submitting an additional Investment Services Application Form and specifying the additional types of Equity Options, together with such additional documentation as the Bank may require from time to time. If the Bank accepts the Customer's application to open an account or enter into additional types of Equity Options, the Bank will open the account to facilitate the Customer entering into Options.
2. The Customer may buy or sell Equity Options as agreed by the Bank and on such terms and conditions as the Bank may specify, including the provision of 100% of the relevant Underlying Stock as Margin or such other collateral or Margin satisfactory to the Bank. The Customer may agree to buy and the Bank may agree to sell Equity Options on the condition only that the Customer pays the Premium on the Premium Payment Date. Nothing in this Agreement shall oblige the Bank to buy and / or sell any Equity Options from or to the Customer, and the Bank may at any time specify a limit in respect of the Option transactions limiting the number or value of the Options held by the Customer, or the number of Underlying Stocks in respect of which the Customer holds Option positions (a "**Position Limit**"). If a Position Limit has been specified, the total Options under this Agreement must not exceed the Position Limit.
3. Equity Options granted pursuant to this Agreement must be in respect of an individual Underlying Stock and may be American Style or European Style. If no election as to American Style or European



Style is made in the Confirmation, the Equity Option will be a European Style Option. The types of Equity Options that may be granted under this Agreement are (i) Put Options; (ii) Call Options; (iii) Equity Accumulator Options; (iv) Equity Decumulator Options and (iv) as otherwise agreed between the Bank and the Customer (including Bermudan Style options) (each an "Option").

4. The Customer may from time to time request that the Bank enters into one or more Equity Options with the Customer. The Bank, in its absolute discretion, may choose to accept or reject the Customer's request and may require the Customer to provide additional information or documentation prior to entering into an Equity Option. If the Bank agrees to enter into the Equity Option, the Bank and the Customer intend that they are legally bound by the terms of each Equity Option from the moment the Bank accepts the Customer's request or the parties otherwise agree the terms of the Equity Option (whether orally, via email or otherwise). The Bank and the Customer agree that a Confirmation is not required to be exchanged in respect of the Equity Option, however the Bank will send the Customer a Confirmation setting out the terms of the Equity Option as soon as practicable following entry into the Equity Option. In the absence of manifest error the Confirmation is conclusive as to the terms of the Equity Option unless objected to in writing by the Customer within the time period specified in such Confirmation. If the terms of the Option are agreed but the grant of the Option is expressed as being subject to the satisfaction of certain conditions, then:
  - (a) the Option shall be granted and become legally binding immediately upon the satisfaction of those conditions or waiver by the Bank of those conditions; and
  - (b) where the conditions are not satisfied or waived by the Bank for any reason no Option shall be granted or deemed to have been granted.

The Bank will promptly notify the Customer whether or not the conditions have been satisfied or waived. If the Bank fails to notify the Customer, the conditions will be deemed to have been satisfied.

5. On the Trade Date, the Seller grants the Buyer the Option on the terms set out in this Agreement (including any Confirmation for the Option) or as otherwise agreed by the parties.
6. The Buyer will pay the Premium to the Seller of the Equity Option on the Premium Payment Date. Payment and receipt of the Premium will be effected by the Bank passing a direct debit or credit to the bank account which the Customer has nominated for settlement in respect of its trades, unless the Bank ascertains that there are obvious errors, in which case the Bank will take action in a manner considered appropriate in all circumstances. Each Premium paid to the Seller is non-refundable. The Bank reserves the right to close-out Equity Options where the Customer fails to pay the Premium. In the event that the Customer fails to settle any payment under an Equity Option, the Customer will pay the Bank all costs and any loss it may suffer.

#### Exercise

7. No Option is exercisable until the Premium in respect of it has been paid. Exercise of an Option by a Customer is valid only if the Customer has transferred to the Bank or otherwise made available to the Bank sufficient funds or Underlying Stock to complete exercise of the Option. Failure to do so renders the exercise of the Option void.
8. Subject to clauses 11 to 15 and clauses 27 and 28, an American Style Option may be exercised on any Scheduled Trading Day during Business Hours on or after the First Exercise Date until the Expiration Time (inclusive) by the delivery of a Notice of Exercise from the Buyer to the Seller. Each Option may only be exercised at its Strike Price.

9. Subject to clauses 11 to 15 and clauses 27 and 28, a European Style Option may only be exercised at the Expiration Time by the delivery of a Notice of Exercise from the Buyer to the Seller. Each Option may only be exercised at its Strike Price.
10. Any Option where the Confirmation specifies that Automatic Exercise will apply to the Option will be automatically exercised as specified in the Confirmation, unless the Confirmation provides that the Buyer may notify the Seller that the Buyer chooses not to exercise the Option, and the Buyer provides such notice in accordance with the terms of the Confirmation.
11. If Multiple Exercise is specified in the Confirmation to be applicable to an American Style Option, provided that a Knock-Out Event has not occurred on or before the Closing Time on the relevant Exercise Date the Buyer may exercise all or less than all the unexercised Option Units on any Scheduled Trading Day during Business Hours on or after the First Exercise Date until the Expiration Time (inclusive), but may not exercise less than the Minimum Number of Option Units (if any) or more than the Maximum Number of Option Units (if any) on any one Scheduled Trading Day. For the avoidance of doubt, the Number of Option Units issued as at the Trade Date will be reduced on each Exercise Date by the corresponding number of Option Units exercised or deemed exercised under the terms of the Confirmation. At the time that all Options are exercised or deemed exercised, the transaction the subject of that Confirmation is terminated and the Buyer's rights or obligations to make or receive a payment under any of the Options expires.
12. Any attempt to exercise on any Scheduled Trading Day (i) more than the Maximum Number of Option Units will be deemed to be an exercise of the Maximum Number of Option Units (the Option Units exceeding the Maximum Number of Option Units being deemed to remain unexercised); and (ii) less than the Minimum Number of Option Units will be ineffective.
13. Where the Option is an American Style Option and Multiple Automatic Exercise is specified as applicable in the Confirmation, then on each Regular Exercise Date, provided that a Knock-Out Event has not occurred on or before the Valuation Time on the relevant Regular Exercise Date, the Buyer is deemed to automatically exercise the Periodic Number of Option Units to obtain settlement of the Periodic Number of Underlying Stocks up to an aggregate of the Number of Option Units specified in the Confirmation, unless the Confirmation provides that the Buyer may notify the Seller that the Buyer chooses not to exercise the Option, and the Buyer provides such notice in accordance with the terms of the Confirmation. If the Periodic Number of Underlying Stocks is specified as ["Double"] in a Confirmation, then for each Option Unit exercised the Buyer will obtain settlement of two Underlying Stocks and the Customer will be required to settle two Underlying Stocks. For the avoidance of doubt, the Number of Option Units issued as at the Trade Date will be reduced on each Regular Exercise Date by the corresponding number of Option Units exercised or deemed exercised by virtue of this clause 13. At the time that all Options are exercised or deemed exercised, the transaction the subject of that Confirmation is terminated and the Buyer's rights or obligations to make or receive a payment under any of the Options expires.
14. An American Style Option where Multiple Automatic Exercise is specified may only be exercised in accordance with clause 13 and Automatic Exercise of the Option is irrevocable, subject to clause 13.

#### **Knock-Out and Knock-In Events**

15. If a Knock-Out Event is stipulated as applicable in a Confirmation, and a Knock-Out Event occurs, then the unexercised Options of the subject of that Confirmation, or such portion of the Option Units (as specified in the Confirmation) which relate to the relevant Knock-Out Period (if any) specified in the Confirmation, automatically terminate and can no longer be exercised and a Buyer's right to receive or obligation to make, a payment or delivery also terminates.

16. A Knock-Out Event will be as specified in the Confirmation. A Knock-Out Event includes, but is not limited to, if:
- (i) the Underlying Stock trades at or above, or at or below (as specified in the Confirmation) a Knock-Out Price at the Closing Time on or before each Exercise Date or during the Knock-Out Period specified (if any); or
  - (ii) the Underlying Stock trades at or above, or at or below (as specified in the Confirmation) a Knock-Out Price at any time from and including the Trade Date to and including the Exercise Date or during the Knock-Out Period specified (if any); or
  - (iii) the Reference Price of an Underlying Stock at the Valuation Time on the Valuation Date is at or above, or, at or below (as specified in the Confirmation) the Knock-Out Price.
17. If a Knock-In Event is stipulated as applicable in a Confirmation, and a Knock-In Event occurs, then on the occurrence of a Knock-In Event, the Buyer is deemed to automatically exercise the Periodic Number of Option Units to obtain settlement of the Periodic Number of Underlying Stocks up to an aggregate of the Number of Option Units specified in the Confirmation, unless the Confirmation provides that the Buyer may notify the Seller than the Buyer chooses not to exercise the Option, and the Buyer provides such notice in accordance with the terms of the Confirmation.
18. A Knock-In Event will be as specified in the Confirmation. A Knock-In Event includes, but is not limited to, if:
- (i) for each Regular Exercise Date that the Underlying Stock trades at or above, or at or below (as specified in the Confirmation) a Knock-In Price at the Closing Time on or before each Exercise Date or during the Knock-In Period specified (if any); or
  - (ii) the Underlying Stock trades at or above, or at or below (as specified in the Confirmation) a Knock-In Price at any time from and including the Trade Date to and including the Exercise Date or during the Knock-In Period specified (if any); or
  - (iii) the Reference Price of an Underlying Stock at the Valuation Time on the Valuation Date is at or above, or, at or below (as specified in the Confirmation) the Knock-In Price.

### **Buy Back Event**

19. If a Buy Back is stipulated as applicable in a Confirmation for an Equity Accumulator Option, and a Buy Back Event occurs, then on the day the Buy Back Event occurs the Customer will sell the Underlying Stock in respect of the Option Units exercised on that day to the Bank for the Buy Back Price and settlement and delivery of the Underlying Stock shall be made through the Clearance System in accordance with the rules and regulations of the Clearance System.
20. A Buy Back Event will be as specified in the Confirmation. A Buy Back Event includes, but is not limited to an occurrence where the Reference Price of the Underlying Stock at the Valuation Time on a Valuation Date is below the Buy Back Price.

### **Settlement**

21. Upon exercise of an Equity Option for which Physical Settlement applies, then subject to clauses 27 and 28:
- (i) if the Option is a Call Option, settlement must take place on the Settlement Date as follows:
    - (a) the Seller must deliver, or cause to be delivered to the Buyer the Underlying Stock in respect of the Option Units being exercised; and
    - (b) the Buyer must pay to the Seller an amount being the product of the Strike Price and the number of Underlying Stocks in respect of the Option Units being exercised plus an amount equal to any Costs or Taxes chargeable in connection with the transfer or delivery of the Underlying Stock or the exercise of the Option; and

- (ii) if the Option is a Put Option, settlement must take place on the Settlement Date as follows:
  - (a) the Buyer must deliver, or cause to be delivered to the Seller the Underlying Stock in respect of the Option Units being exercised; and
  - (b) the Seller must pay to the Buyer an amount being the product of the Strike Price and the number of Underlying Stocks in respect of the Option Units being exercised less an amount equal to any Costs or Taxes chargeable in connection with the transfer or delivery of the Underlying Stock or the exercise of the Option.
- 22. Delivery of the Underlying Stock shall be made through the Clearance System in accordance with the rules and regulations of the Clearance System. Upon completion of the physical settlement of an Option in accordance with this clause, or a Knock-Out Event in accordance with clause 15, the relevant Option Unit is deemed to have been concluded and no further rights or obligations exist in respect of that Option Unit.
- 23. Upon exercise of an Equity Option for which Cash Settlement applies, then subject to clauses 27 and 28 (as specified in the Confirmation) either the Seller will pay the Buyer or the Buyer will pay the Seller the Cash Settlement Amount determined on the Exercise Date in the Settlement Currency. A Cash Settled Option may not be settled by the delivery of the Underlying Stock. Payment of the Cash Settlement Amount must be made no later than the Settlement Date. Upon completion of the cash settlement of an Option in accordance with this clause, or a Knock-Out Event in accordance with clause 15, the relevant Option Unit is deemed to have been concluded and no further rights or obligations exist in respect of that Option Unit.
- 24. If no election as to Cash Settlement or Physical Settlement is made in a Confirmation, the Option shall be a Physically Settled Option.
- 25. If there are one or more Call Options and one or more Put Options over the same Underlying Stock, the Exercise Date for such Equity Options must be the same date. If a Confirmation specifies different dates, the Bank may determine in its sole discretion, which date will be the Exercise Date for the purposes of such Equity Options.
- 26. The Customer hereby irrevocably authorizes the Bank to debit the Settlement Account for all amounts payable in connection with this agreement including the Premium, Cash Settlement Amount, payments upon settlement or any Costs and Taxes including stamp duty, fees and other charges payable under any Equity Option or to deduct such an amount from the proceeds otherwise payable by the Bank to the Customer on settlement of the Equity Option. All Underlying Stocks purchased by the Customer pursuant to any Equity Option shall be credited to the Securities Account. In the event that the Underlying Stock under any Equity Option is a stock which is traded on the stock exchange other than the Stock Exchange of Hong Kong Limited, the Customer hereby undertakes to execute or procure the execution of such authorization documents as may be required by the Bank from time to time in order to facilitate the aforesaid settlement.

### Adjustments

- 27. If an Adjustment Event has occurred in respect of an Option, then the Bank may, acting in good faith and a commercially reasonable manner, elect to do any or all of the following:
  - (a) adjust, vary or amend the Strike Price, Knock-Out Price, Knock-Out Event, Knock-In Price, Knock-In Event, Buy Back Price, number of Option Units, the Underlying Stock, the Periodic Number of Options or Periodic Number of Underlying Stock, Regular Exercise Date, Closing Time, Expiration Date, Valuation Time, Valuation Date or any other term of the Options as the Bank considers necessary in its absolute discretion; and / or
  - (b) substitute part or all of the Underlying Stock with any other asset or index; and / or
  - (c) withdraw part or all of the Underlying Stock; and / or

- (d) adjust, change, delay, amend, vary any variable, formula, amount or calculation applicable to an Equity Option; and / or
- (e) delay, suspend, vary or bring forward a formula, valuation or calculation or make a valuation calculation on a different date and / or by reference to different price information than set out in the Equity Option Confirmation; and / or
- (f) close-out or terminate all or part of any Option, in accordance with clause 28.

The Bank will notify the Customer of any adjustment or termination that it proposes to make under this clause before the adjustment or termination occurs or as soon as reasonably practicable after the adjustment or termination occurs and the Bank will determine and notify the Customer of the effective date of that adjustment or termination.

28. If, in the reasonable opinion of the Bank, it is not possible or desirable to deal with the occurrence of the Adjustment Event in accordance with clause 27, the Bank may nominate the event as an Additional Termination Event and may designate an Early Termination Date under clause 6(b) of the Master Agreement.

### **Market Disruption Event**

29. If there is a Market Disruption Event affecting any part of the Option or the Underlying Stock on any date that a calculation, payment, adjustment, amendment or determination is to be made (including whether a Knock-Out Event, Knock-In Event or Buy Back Event has occurred and including on the Expiration Date), then the Bank will take any action required to reflect any adjustment, change, substitution, delay, suspension or other action (including bringing forward payments, calculations, valuations) taken in relation to its hedging arrangements.
30. If a Market Disruption Event occurs, and the Bank has no hedging arrangements, then the date for the determination or calculation in relation to the Option or Underlying Stock (as the case may be) or the Expiration Date is to be the first succeeding Scheduled Trading Day on which there is no Market Disruption Event. However, if there is a Market Disruption Event on each of the 8 Scheduled Trading Days immediately following the original date that, but for the Market Disruption Event, would have been the date on which the determination or calculation was made or the Expiration Date, then:
- (i) that 8th Scheduled Trading Day is to be taken to be the Expiration Date or the relevant date for the determination or calculation (as applicable), despite the Market Disruption Event; and
  - (ii) the Bank must on that 8th Scheduled Trading Day in good faith and in its absolute discretion determine the observation to be reached for the calculation or determination that would have prevailed on the original date but for that Market Disruption Event.

The Bank must, as soon as practicable (and in no event later than 5 Local Business Days after the original date that, but for the occurrence or existence of a Market Disruption Event, would have been the date on which the determination or calculation was made or the Expiration Date) notify Customers of the existence or occurrence of a Market Disruption Event.

### **Margin Trading Services**

31. The Bank may, at its discretion, require the Customer to lodge Margin with the Bank in connection with an Equity Option (including an Equity Accumulator Option or Equity Decumulator Option). Such Margin will be provided on the terms set out in clause 8 of the Master Agreement and this clause 31 and such other terms as the Bank may require from time to time, including, without limitation, the Banking Facility Letter. The Customer agrees and acknowledges that the Customer must lodge Margin with the Bank on or before the Trade Date for a Transaction and maintain Margin (including any additional Margin requested by the Bank) for the full term of the relevant Equity Option. In



particular, if the Customer enters into a covered Call Option or Equity Decumulator, the Customer must lodge with the Bank the relevant Underlying Stock the subject of the Equity Option and the Bank will hold this Underlying Stock until settlement of the relevant Option. Where the Customer transacts with the Bank on a margin basis: -

- (a) The Customer must provide the Bank an initial margin cover (the "**Initial Margin**") before entering into any of the Transactions. The required amount of Initial Margin varies with each type of Transaction and each Underlying Stock and the amount is determined by the Bank, from time to time, at its absolute discretion and specified as such in the related credit facility letter or otherwise notified to the Customer. Notwithstanding the entry into the Transaction, the Initial Margin required may be changed at any time and from time to time by the Bank at its sole discretion.
- (b) The Bank may at the time when Margin in respect of any Equity Option, after deducting all unrealized losses of the relevant Equity Option, is at or less than the Maintenance Margin Ratio of the risk exposure of the relevant Equity Option (being the product of the remaining number of Exercise Dates under the relevant Equity Option and the Periodic Number of Underlying Stocks and the Reference Price of the Underlying Stock on the relevant date or as otherwise determined by the Bank in its absolute discretion acting in good faith and a commercially reasonable manner) (the "**Risk Exposure**") demand from the Customer, and the Customer shall immediately upon such demand, deposit and maintain or procure to be deposited and maintained with the Bank additional Margin in such form as may be acceptable to the Bank as additional security for its obligations to the Bank under the relevant Equity Option so that the Margin after the addition of such payment will be not less than the Initial Margin Ratio of the aforesaid risk exposure of the relevant Equity Option. The Customer hereby undertakes to ensure that the Margin shall at all times exceed such requirements as the Bank may prescribe in its sole and absolute discretion.
- (c) The margin cover shall be provided by way of absolute transfer of the assets to the Bank in accordance with clause 8(d) of the Master Agreement. The current value or unrealized losses of any relevant Equity Option for the purpose of this clause 31 shall be conclusively determined by the Bank using all mark-to-market mechanisms having regard to the prevailing market conditions daily against quotes on the relevant markets considered by the Bank to be appropriate and converting the relevant Margin and the Customer's position to such currency as may be selected by the Bank and / or any other methods the Bank deems fit.
- (d) The Margin provided by the Customer may, as determined by the Bank in its absolute discretion, fall below the amount required by the Bank from time to time due to various reasons. In such event and without limiting the Bank's rights under clause 8 of the Master Agreement, the Bank may take such action as the Bank in its sole discretion deems fit, including without limitation:
  - (i) Margin Call
    - (A) Without prejudice to clause 31(d)(ii), the Bank shall have the right (but not the obligation) to give the Customer notice (by way of telephone or otherwise) which shall constitute a "Margin Call" under this clause to require the Customer to provide additional Margin as determined by the Bank in its sole discretion. The Bank may, but shall not be obliged, to confirm any Margin Call in writing and the absence of such written confirmation shall not prejudice or invalidate any Margin Call. For the avoidance of doubt, in the event that the Bank has used reasonable endeavors to notify the Customer that the Margin is below the requirements prescribed by the Bank by telephoning the Customer or by other means, such

reasonable endeavors shall also constitute a Margin Call even if the Bank fails to contact the Customer.

- (B) Each Margin Call shall be satisfied by the Customer within the time period specified by the Bank, or if no period is so specified, the Customer shall provide the additional Margin within two (2) hours after the Bank has made the Margin Call.
- (ii) Realization  
Realizing such part or all of the Margin as the Bank deems necessary to satisfy the liabilities of the Customer without notice to or consent from the Customer or the party providing the Margin.
- (iii) Close-Out  
The Bank shall have the right to sell, terminate or close-out any or all of the Equity Options (to be selected at the sole discretion of the Bank) and apply the proceeds first in payment to the Bank of all Costs incurred by the Bank in exercise of this power and second in payment of any amount owing by the Customer to the Bank under this Agreement:
  - (A) If during the period between the time of making the Margin Call and the time such additional Margin is provided, the Margin in respect of any Equity Option, after deducting all unrealized losses of the relevant Equity Option is at or less than the Closed-Out Margin Ratio of the Risk Exposure (or any other percentage as may be specified at the discretion of the Bank from time to time).
  - (B) If the Customer shall fail to provide additional Margin in accordance with this clause.
  - (C) If the Customer fails to meet any obligation under this Agreement.
  - (D) If any of Settlement Account and / or Securities Account which the relevant Equity Option is maintained, is to be or is terminated for whatever reason; or
  - (E) Following an Event of Default; or
  - (F) If, at any time, the Bank considers, at its sole discretion, that such action is necessary in order to protect its own interests.
- (iv) Closing out, liquidating, setting off (notwithstanding that any of the same has not yet matured), realizing or otherwise dealing with any or all outstanding Equity Option (whether or not any additional loss may thereby arise) by such time and by such means or in such manner as the Bank in its sole discretion thinks appropriate without notice to or consent from the Customer. In the event that the Equity Options are liquidated at a loss and the loss exceeds the aggregate Margin deposited, the Customer will be liable for any shortfalls.
- (e) The Customer hereby authorizes and directs the Bank, without notice to the Customer, to transfer to the Settlement Account from existing funds (if any) in any account of the Customer maintained with the Bank such amount of such currency and / or securities or other property as the Bank may from time to time in its absolute discretion thinks fit as Margin or part thereof pursuant to this clause, as the case may be.
- (f) The Customer agrees that any Margin provided may be used by the Bank to settle an Option on exercise or expiry, or pay any Early Termination Amount.
- (g) The Customer also agrees that where Margin provided is, in part or in whole, of an equivalent type and description as the Underlying Stock the subject of an Option, then the Customer irrevocably authorises and directs the Bank to use, transfer, sell or convert such of the Margin held by the Bank as is necessary to effect the settlement of an Option including the delivery



by the Customer of the Underlying Stock as required upon exercise of a Physically Settled Option.

### **Security**

- (C) The Customer shall execute such security document(s) as may be required by the Bank from time to time, including without limitation, security documents to charge to the Bank all the Customer's rights, title and interest, present and future, in and to all the Margin and shares purchased by the Customer pursuant to any Equity Option and any interest, dividend and benefits thereof, to secure the Customer's performance of its obligations under this agreement.

### **Early Right to Terminate**

- (D) The Bank may terminate any or all Equity Options by giving not less than fourteen (14) days' prior notice to the Customer without giving any reason therefor and designate an Early Termination Date under clause 6(b) of the Master Agreement.
- (E) All costs and other expenses in connection with or incidental to the closing out of the terminated Equity Option shall be borne by the Customer solely.

### **Monthly Statements and other Notifications**

- (F) For certain transactions, the Customer shall be issued with a monthly statement on the last Local Business Day of each calendar month or such other date as the Bank may from time to time determine. For other transactions, the Customer will receive deal confirmations only.
- (G) The Customer undertakes to verify the correctness of each statement and advice received from the Bank within the time period specified in such statement or advice and of any discrepancies, omissions or debts wrongly made to or inaccurate or incorrect entries in the statement and advice as so stated. At the end of the said period, the details of the Transactions as set out in the statement and / or the advice shall in the absence of manifest error be conclusive evidence without any further proof that they are correct except as to any alleged errors so notified.
- (H) If the Customer is a "professional investor" as defined in Schedule 1 to the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), the Customer acknowledges and agrees that the Bank is not required to provide the Customer with contract notes, statements of account or receipts pursuant to the Contracts Notes Rules. Although the Bank may provide the Customer with contract notes, confirmations, statements of account and / or receipts, the Customer agrees and acknowledges that the Bank is not required to provide the above mentioned documents in accordance with the requirement stated in the Contracts Notes Rules.

### **Rights to Underlying Stock**

- (I) Before the Underlying Stocks are settled by the Customer pursuant to the terms of this agreement, the Customer shall not acquire any interest in the Underlying Stock, including but not limited to any shares, dividends, rights and other properties and interest derived from, attached to or in respect of such Underlying Stock. The Buyer acknowledges that to receive any distribution or dividends on the Underlying Stock, the Buyer must exercise a relevant Option which will result in the Customer holding the Underlying Stock so that the Settlement Date of the Option falls on or before the date on which the Underlying Stock goes ex-dividend or ex-distribution.

### **Electronic Recording**

- (J) The Customer agrees to the electronic recording of its telephone conversations with any of the Bank's officers, agents or employees with or without the use of an automatic tone warning device.

Such recording and transcripts may be used by the Bank. The Bank is not required to maintain copies of such transcripts.

**Bank Staff**

- (K) None of the Bank's employees or representatives will accept appointment by the Customer as agent to give order on the Customer's behalf to enter into any Transactions unless a separate agreement for discretionary account services is entered with the Bank for such purpose.

**Acknowledgement regarding hedging activities**

- (L) The Customer acknowledges that the Bank may enter into hedging arrangements to hedge its obligations under an Equity Option, and the Customer will not have any rights or interests in or security over those arrangements.

**Stop loss order**

- (M) The Customer may place a "stop-loss" order with the Bank, whereby the Bank is instructed and authorised to close-out the relevant open positions of the Customer without further notice as and when the mark-to-market loss on such open positions exceeds the pre-agreed levels (the "stop-loss" limit). However, placing "stop-loss" orders will not necessarily limit the Customer's losses to the intended amounts as market conditions may make it difficult or even impossible to execute such order(s). Accordingly, the Customer hereby releases and discharges the Bank from all liability arising out of the non-execution of a "stop-loss" order and hereby authorises the Bank, in such circumstances, to execute such order(s) at such rate and in such manner as the Bank may deem appropriate.

**SCHEDULE D  
FALLBACK MATRIX**

**ISDA Offshore Deliverable CNY Transaction Disruption Fallback Matrix (October 14, 2011, as amended and restated on January 28, 2014)**

Offshore CNY Center	Currency Pair	Number of Business Day(s) for Non-Deliverable Substitute Settlement Date Term	Settlement Rate Option	Disruption Fallbacks	USD Settlement Rate Option	Relevant City(ies) for Business Day for Valuation Date	Settlement Currency	Relevant City(ies) for Business Day for Non-Deliverable Substitute Settlement Date	Deferral Period
Hong Kong	CNY / USD	2	The Spot Rate for a Rate Calculation Date will be the Chinese Renminbi / U.S. Dollar official fixing rate, expressed as the amount of Chinese Renminbi per one U.S. Dollar, for settlement in two Business Days reported by the Treasury Markets Association which appears on Reuters page <CNHFIX> at approximately 11:15 a.m., Hong Kong time (the " <b>Spot USD / CNY(HK) Fixing</b> ")	1. Valuation Postponement 2. Fallback Reference Price 3. Fallback Reference Price Postponement and Calculation Agent Determination of Settlement Rate	N.A.	Hong Kong	USD	New York	14
Hong Kong	CNY / EUR	2	The Spot Rate for a Rate Calculation Date will be the Spot USD / CNY(HK) Fixing	1. Valuation Postponement 2. Fallback Reference Price 3. Fallback Reference Price Postponement and Calculation Agent Determination of Settlement Rate	REUTERS EBS SPOT FX FIXINGS FOR EUR AND USD	Hong Kong	EUR	TARGET Settlement Day	14
Singapore	CNY / USD	2	The Spot Rate for a Rate Calculation Date will be the Spot USD / CNY(HK) Fixing.	1. Valuation Postponement 2. Fallback Reference Price 3. Fallback Reference Price Postponement and Calculation Agent Determination of Settlement Rate	N.A.	Singapore and Hong Kong	USD	New York	14
Singapore	CNY / SGD	2	The Spot Rate for a Rate Calculation Date will be the Spot USD / CNY(HK) Fixing.	1. Valuation Postponement 2. Fallback Reference Price 3. Fallback Reference Price Postponement and Calculation Agent Determination of Settlement Rate	SGD VWAP or SGD3	Singapore and Hong Kong	SGD	Singapore	14
Taipei	CNY / USD	2	The Spot Rate for a Rate Calculation Date will be the Spot USD / CNY(HK) Fixing.	1. Valuation Postponement 2. Fallback Reference Price 3. Fallback Reference Price Postponement and Calculation Agent Determination of Settlement Rate	N.A.	Taipei and Hong Kong	USD	New York	14

## Section VI: Status as Covered Entity under the Supervisory Policy Manual (CR-G-14) Non-centrally Cleared OTC Derivatives Transactions – Margin and Other Risk Mitigation Standards of the Hong Kong Monetary Authority ("SPM")

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1. I / We understand that the Bank is, by virtue of being a financial counterparty under paragraph 1.1.1 of the SPM, a covered entity as defined thereunder and is subject to the margin provisions and risk mitigation standards under the SPM.
2. I / We also understand that I / we conducts non-centrally cleared derivatives transactions with the Bank from time to time. Such derivatives transactions shall be subject to the margin provisions of the SPM if the Entity is a covered entity (i.e. either being a financial counterparty or a significant non-financial counterparty) as defined under the SPM.
3. I / We understand that the Bank may conduct an annual review on the Entity's status as a financial counterparty or significant non-financial counterparty and / or (if applicable) the trading purpose of the Entity ("Status") and request the Entity to provide an updated self-declaration on such Status.
4. **(Applicable only to Non-Covered Entity and Hedging Covered Entity)** In consideration of the Bank agreeing to provide or continue to provide its trading services in respect of non-centrally cleared derivatives for the Entity, I / we hereby (for and on behalf of the Entity) represent and warrant to the Bank that the Entity is (a) a Non-Covered Entity or Hedging Covered Entity (as the case may be) and (b) not subject to the margin provisions under the SPM and agree to (i) forthwith inform the Bank in writing where there is a change in the Status of the Entity prior to the next annual review and (ii) indemnify the Bank and any other person for any losses, expenses and damages suffered or incurred, arising out of or in connection with the Entity's breach of this paragraph.
5. By entering into a non-centrally cleared derivative transaction with the Bank, the Entity is deemed to have repeated all representations and warranties under this Letter, and is deemed to represent that no change of Status and no event which might lead to a change of Status have occurred and be continuing.

### **Definition**

1. Please refer to paragraph 1.1.1 of the SPM for the definition of "non-centrally cleared derivative".
2. For a detailed list of "financial counterparty", please refer to paragraph 1.1.1 of the SPM. Examples of "financial counterparties", to name a few, include authorized institution, corporation licensed by the Securities and Futures Commission under the Securities and Futures Ordinance (Cap. 571), mandatory provident fund scheme registered under the Mandatory Provident Fund Schemes Ordinance (Cap. 485) etc.
3. "Group" means a group of entities for which consolidated financial statements are prepared.
4. In determining the AANA of the Entity and / or the Group it belongs to (as may be applicable), the followings shall be taken into account:
  - (i) AANA is calculated as the average of the total gross notional amount of month-end positions of non-centrally cleared derivatives for March, April and May preceding the 1 September starting date in a relevant year. Month-end positions should be converted into HKD using corresponding month-end spot rates, before calculating the average position;
  - (ii) AANA includes the gross notional amount of all non-centrally cleared derivatives, including (a) physically-settled FX forwards and FX swaps, and the "FX transactions" embedded in cross-currency swaps associated with the exchange of principal; (b) physically settled commodity forwards; and (c) from 1 March 2017 to 29 February 2020, non-centrally cleared single-stock options, equity basket options and equity index options;

- (iii) AANA is calculated on a Group level by including all non-centrally cleared derivatives of all entities within the Group; and
- (iv) AANA includes all the non-centrally cleared derivatives that entities within the Group have entered into with each other, counting each one of them.

**Disclaimer**

The information and interpretations provided in this document is for general reference only. It does not provide an exhaustive guide to the application of the SPM. For a complete and definitive statement of regulatory requirement, direct reference should be made to the SPM itself. Dah Sing Bank, Limited makes no express or implied warranties of accuracy or fitness for a particular purpose of use with respect to the information and interpretations set out in this SPM. You are advised to seek legal advice if necessary.

## Section VII: Terms and Conditions for Stock Order Status e-Alert Services

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1. The Bank and the related information providers endeavor to ensure the timeliness, accuracy and reliability of any data and information provided. The Bank cannot guarantee the timeliness or accuracy or reliability of such data and information and accept no liability (whether in tort or contract or otherwise) for any loss or damage arising from any inaccuracies or omissions except such losses and damages as may directly and primary arise from the Bank's negligence or willful default. The use of such data and information is at the user's risks. Such data and information should not be furnished to any other person or entity for any reason.
2. To enable us to provide you with the e-Alert Services, you are required to provide personal information to us and keep it updated. Otherwise, it may result in our inability to provide you such service. Should you have made any changes to or in any register with us related to the e-Alert Services, please notify us promptly;
3. The personal information that you provide will be used whenever necessary in connection with the provision of the e-Alert Services to you. It might be used, stored, disclosed, transferred (include DSB or any service provider(s)), obtained and / or exchanged to, from or with parties for any purposes that we consider necessary and appropriate;
4. We will from time to time modify, expand or reduce the scope and features of the e-Alert Services with or without notice. A notice of a change to the e-Alert Services may be given in such manner and by such means of communication, including, without limitation, use of direct mailing material, advertisement, branch display or electronic communications such as e-mail;
5. You may customize the type of e-Alert Services by updating your the preferences through DSB i-Securities services or other ways acceptable by DSB from time to time.
6. The e-Alert Services is available to you only if you have appropriate telecommunications equipment which must be a compatible piece of telecommunications equipment capable of receiving such e-Alert Services.
7. The e-Alert Services may without notice to you be suspended or terminated for any reason including without limitation invalid information; suspension and closure of relevant account services or whenever we deem necessary. We will not assume any liabilities or responsibilities for any such suspension or termination.
8. You acknowledge that any information sent to you from the e-Alert Services is for reference only, and shall not be taken as conclusive evidence of the matter to which it relates.
9. In case of any failure or delay in transmitting information to you or any error or failure in such information, neither we nor any of the telecommunications companies which may be designated by us for the purposes of providing the e-Alert Services assume any liability or responsibility on any resulting damages or losses. In addition, we shall not be responsible to arrange for any message to be re-sent to you.

10. You shall bear any fees, charges or expenses which may be imposed by your telephone service provider and / or any telecommunications company providing or servicing your telecommunications equipment in connection with the e-Alert Services.
11. You acknowledge that you shall indemnify us for any claims, demands, liabilities, losses, damages, costs and expenses of whatever nature that may result or which we may sustain, suffer or incur as a result of our agreeing to provide the e-Alert Services.
12. We will only send SMS messages once. Should you have deleted the SMS messages which we sent you, they cannot be sent again.
13. You should not reply to any e-Alert messages that we send you.
14. We will never make a request via the e-Alert Services to require you to provide your account information or security details. You should never respond to such request and immediately notify upon receipt of such request.
15. Should there be any event or circumstance beyond our reasonable control which causes the wholly or partly unavailability of the e-Alert Services, we will not be liable or responsible for any direct or indirect corresponding loss or costs.
16. You may modify, change, terminate or reactivate the e-Alert Services at any time by following the registration process through the channels we provide to you from time to time.
17. When you use the e-Alert Services, you must comply with these Terms and Conditions and other applicable terms and conditions including but not limited to those of the Master Terms & Conditions of DSB.
18. We reserve our rights to revise, amend or modify these Terms and Conditions from time to time at our absolute discretion.
19. In the event of discrepancy between the Chinese version and the English version, the version elected by the Customer as advised to the Bank in writing as the governing version shall prevail. In case the Customer has not made any election, the English version shall prevail.
20. The e-Alert Services and these Terms and Conditions are governed by and must be construed in accordance with the laws of HKSAR.

#### **Risk Disclosure for opting out from Stock Order Status e-Alert**

1. If you opt out from Stock Order Status e-Alert, you may suffer loss due to failure to discover and take necessary measures timely in the event of attack by hacking activities or unauthorized trading.



## **Section VIII: Terms and Conditions for Real-Time Stock Quote Services**

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### MegaHub Real-time Snapshot Stock Quote Service ("Snapshot Service")

1. Subject to the Bank's absolute discretion, VIP customers will be entitled to 1,000 and general customers will be entitled to 500 free Real Time Stock Quotes / Price Alert each month (collectively, "Free Quotes / Alerts") in respect of the Snapshot Service.
2. Price Alert Service will be provided as part of the Snapshot Service.
3. Each additional Real Time Stock Quote or Price Alert (which exceeds the Free Quotes / Alerts) will be charged at HK\$0.1 per quote or alert by the Bank ("Additional Charge").
4. Unused Free Quotes / Alert cannot be carried forward to the following month and will be cancelled at the end of each month.
5. Price Alert will be sent to me / us via email, SMS or other means as announced by the Bank from time to time.
6. Additional Charge will be debited from my / our Settlement Account in the following month.
7. The Real Time Stock Quotes and Price Alerts are for reference only and do not constitute any advice or invitation for securities buying or selling and the Bank shall not be responsible for any loss due to the service delay or inaccuracy, except such losses and damages as may directly and primary arise from the Bank's negligence or willful default.
8. The use of the Snapshot Service is also subject to the Dah Sing Bank Mobile Securities Trading User Agreement.

### Snapshot Service and / or Streaming Service (collectively, "Services")

1. The Bank and the related information providers endeavor to ensure the accuracy and reliability of any data and information provided by the Services. The Bank cannot guarantee the timeliness or accuracy or reliability of such data and information and accept no liability (whether in tort or contract or otherwise) for any loss or damage arising from any inaccuracies or omissions, except such losses and damages as may directly and primary arise from the Bank's negligence or willful default. The use of such data and information is at the user's risks. Such data and information should not be furnished to any other person or entity for any reason.
2. I / We shall not use or permit the use of any information obtained through the use of the Services for any illegal purpose.
3. I / We shall not use any information obtained through the use of the Services other than in the ordinary course of my / our own business (which shall not include dissemination to third parties).
4. I / We shall not use any information obtained through the use of the Services to establish, maintain

or provide or to assist in establishing, maintaining or providing a trading floor or dealing service where trading of securities listed on the Stock Exchange of Hong Kong or any other securities relating thereto is being undertaken otherwise than at or through the Stock Exchange of Hong Kong.

5. The Bank shall not be responsible for any losses or damages arising out of the use of the Services by me / us including (but not limited to) losses or damages arising out of the inaccuracy, non-availability or delay in transmission of any information provided through the Services, save to the extent resulting from the Bank's negligence or willful default.
6. The Bank may (without incurring any liability) terminate my / our subscribed Services if there is insufficient fund to be deducted from my / our Settlement Account for payment of the Additional Charge and / or Service Charge or as the Bank thinks fit without giving to me / us any reason or notice thereof.
7. This is only an application material in respect of the Services and does not constitute any solicitation or invitation of securities trading.
8. Investment involves risks. Share prices may go up or down.

#### Disclaimer from MegaHub Limited

(applicable to customers subscribed for MegaHub Real-time Snapshot Stock Quote Service or MegaHub Streaming Stock Quote Service (collectively, "MegaHub Service"))

1. By using the MegaHub Service, I / we understand and agree to the following terms and conditions and provisions contained in the Subscription Agreement (<https://www.megahubhk.com/en/terms/>) of MegaHub Limited ("MegaHub") and User.
2. I / we expressly acknowledge and agree that the MegaHub Service is provided to me / us on an "as is" basis and that my / our use of its content is at my / our sole risk. Only part of the MegaHub Service is translated and provided for convenience only. Translation may be imprecise and inaccurate in whole or in part. MegaHub, translator, and third party information providers ("Sources") do not make any warranty of any kind whatsoever relating to the MegaHub Service including any content furnished through the MegaHub Service, express or implied, including without limitation, non-infringement of third party rights or merchantability or fitness for any particular purpose of use. MegaHub and the Sources endeavor to ensure the accuracy and reliability of the content provided but do not guarantee its accuracy or reliability and accepts no liability (whether in tort or contract or otherwise) for any loss or damage arising from any inaccuracies or omissions.
3. I / we expressly acknowledges and agrees that:-  
"HKEX INFORMATION SERVICES LIMITED, ITS HOLDING COMPANIES AND / OR ANY SUBSIDIARIES OF SUCH HOLDING COMPANIES", "CHINA INVESTMENT INFORMATION SERVICES LIMITED, IT'S HOLDING COMPANIES AND / OR ANY SUBSIDIARY OF SUCH HOLDING COMPANIES", "SHENZHEN SECURITIES INFORMATION CO., LTD, IT'S HOLDING COMPANIES AND / OR ANY SUBSIDIARY OF SUCH HOLDING COMPANIES", MEGAHUB AND THE SOURCES ENDEAVOR TO ENSURE THE AVAILABILITY, COMPLETENESS, TIMELINESS, SEQUENCE, ACCURACY AND RELIABILITY OF THE INFORMATION

PROVIDED BUT DO NOT GUARANTEE (WHETHER EXPRESS, IMPLIED, STATUTORY, OR OTHERWISE, INCLUDING, ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE) ITS AVAILABILITY, COMPLETENESS, TIMELINESS, SEQUENCE, ACCURACY OR RELIABILITY AND ACCEPT NO LIABILITY (WHETHER IN TORT OR CONTRACT OR OTHERWISE) ANY LOSS OR DAMAGE ARISING DIRECTLY OR INDIRECTLY FROM ANY INACCURACIES, INTERRUPTION, INCOMPLETENESS, ERROR, DELAY, OMISSIONS, OR ANY DECISION MADE OR ACTION TAKEN BY YOU OR ANY THIRD PARTY IN RELIANCE UPON THE INFORMATION PROVIDED.

4. The content contained in the MegaHub Service is provided for information and reference purposes only and does not constitute or form part of any offer, or invitation, to subscribe for or to sell, or solicitation of any offer to subscribe for or purchase, any financial products (include but not limited to securities, future, option, warrants, callable bull / bear contracts or other structured products listed on The Stock Exchange of Hong Kong Limited and / or other exchange described in the MegaHub Service. Nothing contained in the MegaHub Service shall form the basis of any contract or commitment whatsoever. Content contained in the MegaHub Service should not be considered as investment advice or any form of recommendation to purchase or sell any financial products.
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6. Neither MegaHub, nor any of its directors, officers or employees, translators, nor any third party vendor will be liable or have any responsibility of any kind for any loss or damage that I / we incurs in the event of any failure or interruption of the MegaHub Service, or resulting from the act or omission of any other party involved in making the MegaHub Service or the data contained therein available to me / us, or from any other cause relating to my / our access to, inability to access, or use of the MegaHub Service or those materials, whether or not the circumstances giving rise to such cause may have been within the control of MegaHub or of any vendor providing software or services support.
7. Communications over the internet are not secure. Information contained in the MegaHub Service may be intercepted, lost, destroyed or delayed in transmission. MegaHub will take reasonable measures to minimize related risk, but do not accept any liability for any such occurrence and do not warrant that any communication or attachments or the software will be free from viruses, worms or other harmful components.
8. While reasonable effort is made to ensure the accuracy of the translation, any translation of the MegaHub Service may be imprecise and inaccurate in whole or in part. No liability and no responsibility are assumed by either MegaHub or the Sources for any errors, omissions, or ambiguities in the translations or other information provided by the MegaHub Service.
9. The Service Charge does not include mobile telecommunications service fee and / or 4G / 3G / HSPA

/ GPRS / EDGE / WiFi internet service fee collected by mobile network service providers. I / we should apply those services separately.

10. In the event of any discrepancy or conflict between this Disclaimer and Subscription Agreement, the Subscription Agreement shall prevail.

The above Terms and Conditions shall be governed by and construed in accordance with the laws of Hong Kong. In the event of any inconsistency between the English version and the Chinese version of the above Terms and Conditions, the English version shall prevail.

## **Section IX: Terms and Conditions for e-Corporate Action Service (Applicable to Securities Account e-Advice Only)**

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1. e-Corporate Action Service allows you to submit instructions for corporate actions for Hong Kong listed stocks and China Connect stocks via i-Securities or other available e-channels. The existing corporate action(s) having the e-Corporate Action Service supported by the Bank is "Cash Dividend with Scrip Option". The Bank shall have the discretion from time to time to amend the scope of e-Corporate Action Service supported by the Bank by giving you reasonable notice (by such means as the Bank shall deem appropriate).
2. You will need to suppress physical advice for your securities account via e-Banking, Mobile Banking or any branch of the Bank if you would like to use e-Corporate Action Service. In respect of joint name securities account, all of the account holders will need to suppress physical advice for the securities account.
3. For any corporate action which requires you to submit instruction, you will receive an email notification to notify you of the readiness of the e-Advice for the related corporate action. You should login e-Banking to check the e-Advice for details and submit your instruction via i-Securities.
4. You are free to choose whether to submit an instruction via i-Securities or other available e-channels or by physical letter. However, please do not submit the same instruction via different channels. If you submit the same instruction via different channels, the Bank shall treat the instruction last submitted via an e-channel or that submitted by way of physical letter as your final instruction to proceed (whereas in any event, your instruction submitted by physical letter, if any, shall override the same instruction submitted via any e-channel) and the Bank reserves the sole discretion to decline to handle your instruction.
5. If there is an insufficient quantity of related shares and / or subscription monies (including related fees & charges) in your securities account and / or settlement account for us to process all of your instructions for respective corporate actions, the Bank reserves the sole discretion to stop processing any or all of your instructions without prior notice and the Bank shall not be responsible for any loss incurred.
6. Any of the account holders of a joint name securities account can submit instructions for corporate actions through i-Securities or other available e-channels or by physical letter. Please note that only one instruction is required for the same corporate action from any holder of a joint name securities account. If more than one of the holders of a joint name securities account give instructions for the corporate action, the last instruction received by the Bank will be treated as the final instruction or the Bank reserves the sole discretion to decline to handle all instructions.
7. The Bank reserves the sole discretion to stop processing your instruction without prior notice.