

## Notice of Amendments to Wing Hang Bank Terms and Conditions of Investment Account

To: Customers of Wing Hang Bank, Limited

With effect from 24 Jan 2014 ('Effective Date'), there will be amendments for the Clauses of the Terms and Conditions of Investment Account of Wing Hang Bank as follows:

### PART A: General Terms and Conditions

#### 1. Definition & Interpretation:

"Account"	means individually or collectively the Investment Account, the Settlement Account and the Credit Facility Account, if applicable, opened and maintained or to be opened and maintained with the Bank by the Customer.
"Agents"	means all agents, associate affiliates, information service providers, providers of EREF (including Wing Hang Shares Brokerage Company Limited or any other related company or affiliate of the Bank), and providers of other financial products.
"Credit Facility Account"	means the credit facilities including overdraft facilities, loans or other banking facilities grant or to be granted by the Bank to the Customer, if applicable.
"Instruction"	means (a) verbal instruction; and/or (b) instruction through various delivery channels acceptable to the Bank; and/or (c) instruction given through eTrading Services; and/or (d) written instruction given in such form and delivered or transmitted to the Bank by such means as the Bank may from time to time prescribe or accept, in each case subject to the applicable minimum and/or maximum amount as may be prescribed by the Bank from time to time in respect of any particular type of instruction. The instructions may include acquisition, subscription, exchange or otherwise disposal of and dealings in any and all kinds of Securities or any investment vehicles to the Bank. The instructions may also include the input of electronic Initial Public Offering (eIPO) applications.
"Investment Account"	means the account(s) opened and maintained with the Bank by the Customer:- (i) for safekeeping and custody of Securities, effecting the Securities settlements arising from the purchases and sales of Securities and other dealings in Securities; and (ii) for effecting or implementing any orders or Instructions in relation to Transactions in Securities.
"Securities"	means individually or collectively the following: (1) Part 1 of Schedule 1 of the Securities and Futures Ordinance Cap.571; (2) Securities traded on the Growth Enterprise Market of the Stock Exchange ("GEM"); (3) Securities under the Nasdaq-Amex Pilot Program (PP) of the Stock Exchange of Hong Kong Limited; (4) derivative products now being offered and other derivative products to be developed and offered by the Bank from time to time; (5) certificates of deposit; (6) Units; and (7) such other products as designated by the Bank from time to time for which Services will be provided.
"Services"	means the services offered by the Bank as described in Clause 2.1.

Definition and interpretation of "Communication" is deleted.

1.2 Reference to the plural shall include the singular and vice versa; words importing a gender shall include every gender; references to a "person" shall include any individual, firm, body, company, corporation, government, state or agency of a state or any association, trust or partnership (whether or not having separate legal personality) or two or more of the foregoing; references to "including" or "includes" shall mean including or includes without limitation; references to an "account" shall unless the context otherwise requires include the Account.

2.1 The Customer may use or continue to use any one of more of the following services subject by these Terms and Conditions:

- (a) Securities trading (including trading in Units in any of the Investment Schemes);
- (b) Securities custodian service; and
- (c) any other services as agreed in writing to be provided by the Bank at its sole discretion from time to time.

2.2 All Customers who use or continue to use one or more of the above Services shall, as the case may be, open and maintain the Accounts, which shall be subject to these Terms and Conditions and other terms and conditions as applicable to the Accounts.

2.6 The Bank shall be entitled (but not obliged), without prior notice to or consent from the Customer, to take or omit to take any steps or actions as it or its Agents may consider necessary or expedient to comply with :

- (a) all applicable laws (including without limitation the laws of Hong Kong) and regulations of government agencies and statutory bodies of competent jurisdiction (including without limitation the Hong Kong Regulators);
  - (b) the constitution, rules, practices and customs of exchange, clearing houses or other market in any country where the Transactions are executed; and/or
  - (c) banking regulations, practices and customs in any country in connection with the delivery and settlement of Securities,
- and the Customer shall bear all the charges fees or levies which may be imposed and the Bank shall not be liable to the Customer for any loss or damage the Customer may suffer or sustain arising from or in connection with the taking of or omission to take any such steps or actions by the Bank (or its Agents) notwithstanding that any of the Services may be affected delayed suspended or withheld save and except any negligence or wilful misconduct of the Bank.

#### 3.1 Statement of Account

A statement of account will be sent to the Customer every month or at regular intervals as determined by the Bank from time to time. No statement will, however, be sent for any of the Account where during the relevant period, there is no trading activity and the Account balance is zero. If the Customer fails to receive the statement by the 14th day after the end of the month or such arranged intervals immediately following that to which the statement relates, the Customer should immediately notify the Bank and request for a copy thereof.

The Customer is required in respect of the Account to verify the correctness of all Transaction details contained in each statement of account received from the Bank and within 90 days after the time when they should have been received to notify the Bank in writing of any alleged omissions from or debits wrongly made to or inaccurate entries in the Account as so stated. At the end of the said 90 days, the statement of account shall be conclusive evidence and binding upon the Customer without any further proof and all the entries therein are correct, and the Bank shall be free from all claims in respect of the Account save and except in situations where the Customer can prove the statement of account contains (a) unauthorized transactions arising from forgery or fraud and in relation to which the Bank has failed to exercise reasonable care and skill and (b) unauthorized transactions arising from forgery or fraud of the Bank's officers or employees.

#### 3.3 Exclusion of Liability

Unless due to the negligence or wilful default of the Bank, its Personnel and only to the extent of direct and reasonably foreseeable loss and damage (if any) arising directly and solely therefrom, the Bank (i) does not assume any liability or responsibility to the Customer or any third party, (ii) shall not be liable for

taking or omitting to take any action and (iii) shall not be responsible for any direct or indirect losses, damages, costs and expenses suffered by the Customer or any third party arising out of or in connection with:-

- (a) access to the Services by the Customer or any other person whether or not authorized;
- (b) the operation of the Account and the Bank's provision of dealing, safekeeping and other Services pursuant to the provisions of these Terms and Conditions;
- (c) any circumstances or situations restricting or affecting the Bank's ability to account for or carry out any Transaction, including government restriction, imposition or change of any applicable laws or regulations, Exchange or market rulings, market disruption or fluctuation, restriction or suspension of trading, failure of electronic or mechanical equipment or communication lines, telephone or other interconnect problems, unauthorized access, theft, war (whether declared or not), severe weather, earthquakes, strikes, and insolvency or liquidation or bankruptcy of any relevant financial institution, broker, Exchange, clearing house or government;
- (d) actions or omissions (including and negligence or default) of any Agents, custodian or counterparty involved in any Transactions;
- (e) any interruption, suspension, delay, loss, damage, mutilation or other failure or inaccuracy in transmission of Instructions or other information howsoever caused;
- (f) disclosure or leakage of Instruction or information relating to the Customer by any telecommunication company, equipment, device or intermediary through which the Instruction or information is communicated to or from the Bank or the Bank's Agents or any other third party;
- (g) the Bank's inability to execute any Instruction due to prevailing market conditions and the manner and timing of execution of an Instruction;
- (h) any damage to any terminal or related facilities used by the Customer or any loss or corruption of any data in connection with the operation of eTrading Services; and/or
- (i) mechanical failure, power failure, malfunction, breakdown, interruption or inadequacy of equipment or installation in connection with the eTrading Services, Acts of God, government act, flood, fire, civil commotion, public demonstration, strike, war, terrorist activity of any kind or any other causes beyond the reasonable control of the Bank.

#### 3.4 Set-off and Lien:

- (a) In addition and without prejudice to any other security or any general lien, right of set-off or similar right to which the Bank may be entitled at law, in equity, under these Terms and Conditions or any other agreement between the Customer and the Bank, the Bank shall have a lien on all the Customer's property (including the Securities) which may now or hereafter be in the Bank's possession whether for safekeeping or otherwise, and the Bank shall also have the right and is hereby authorized (but not obliged to), to the fullest extent permitted by law and without notice to the Customer or to any other person, to retain, set-off, appropriate and apply in such manner and order and in respect of such of the Customer's obligations and liabilities to the Bank as the Bank at its absolute discretion decides:
  - (i) any credit balance on any account (whether subject to notice or not and whether matured or not and in whatever currency(ies)) of the Customer or of any other person with the Bank or any other company related to or associated with the Bank to which the Customer may be beneficially entitled, and
  - (ii) any other sum due or owing by the Bank to the Customer in whatever currency(ies), and
  - (iii) any credit balance on any account opened by the Bank in its name on the Customer's behalf with any other financial institutions in Hong Kong Special Administrative Region or elsewhere,against or on account of the Customer's obligations and liabilities to the Bank whether actual, future or contingent. For the purposes of this Clause 3.4, an account shall be deemed to have a credit balance if under and pursuant to an overdraft facility funds may be drawn out of that account (even though the account may already be overdrawn but the amount overdrawn is still less than the maximum amount available under the overdraft facility), and the amount of such credit balance shall be equal to the amount which under the overdraft facility is still available. Further, in so far as any of the Customer's liabilities are contingent or future, the Bank's liability to make payment of any sum or sums standing to the credit of any of the Customer's accounts to the Customer shall, to the extent necessary to cover such liabilities, be suspended until the happening of the contingency or future event.
- (b) Without prejudice to all other rights or remedies of the Bank and for the avoidance of doubt, all Securities held in the Customer's Investment Account shall be subject to the Bank's first lien. The Bank shall also have the power to sell such property of the Customer coming into the possession or control of the Bank for custody or for any reason and whether or not in the ordinary course of banking business (including without limitation all or any of such Securities in the Investment Account) as security, constituting the lien of the Bank, in such manner and at such price(s) as the Bank considers appropriate in light of the prevailing market conditions, and the Bank shall apply the proceeds of sale after deduction of reasonable expenses in satisfaction of any obligations and liabilities whatsoever of the Customer owed to the Bank whether present or future, actual or contingent.
- (c) In case of a joint account, the Bank may exercise the right in this Clause 3.4 and apply any credit balance on such joint account in or towards satisfaction of any indebtedness owed to the Bank by one or more of the holders of such joint account.
- (d) The Bank is authorized to carry out any currency conversion as the Bank may consider necessary to effect any right under this Clause 3.4 at an exchange rate determined by the Bank at the sole and absolute discretion, and the cost of such conversion shall be borne by the Customer and shall form part of the obligations and liabilities owed to Bank for its exercise of any of its right under this Clause 3.4.
- (e) The Customer agrees and acknowledges that the Customer's obligations and liabilities to the Bank against which the Bank is entitled to retain, set-off, appropriate and apply pursuant to this Clause 3.4 shall include (i) any time-barred obligations and liabilities (whether or not as a result of the provisions of the Limitation Ordinance) and (ii) any other obligations and liabilities which for any reason(s) are unenforceable.
- (f) Upon exercising the rights and powers of the Bank under this Clause 3.4, the Bank will use its reasonable endeavors, as soon as practicable thereafter, to notify the Customer of the same and the further performance by the Bank of any of its outstanding obligations to the Customer under these Terms and Conditions (whether for the payment of money or otherwise) shall be conditional upon the Customer having fully discharged all his obligations and liabilities to the Bank under these Terms and Conditions.

#### 3.5 Joint Account

3.5.1 When the Customer consists of more than one person, these Terms and Conditions shall be jointly and severally binding on all such persons.

3.5.2 The Customer agrees to authorize the Bank:

- (a) to debit the joint account or accounts (referring to any of the Account) with any payment made by the Bank upon presentation by any person with a withdrawal slip, withdrawal/delivery instruction signed by the Authorized Person to be supplied and approved by the Bank or by other means or in such manner acceptable to the Bank from time to time.
- (b) on the death of any Customer, subject to any claim, right, lien, charge, pledge, set-off or whatever right the Bank may have and subject to Clause 3.14(a), to pay or deliver to, or to the order of, the survivor of the Account holder any moneys and/or Securities now or hereafter standing to the credit of the joint Account together with anything held by the Bank for safe keeping or for collection or for any purpose relating to the joint Account.

The Customer agrees that any liability whatsoever incurred to the Bank in respect of the foregoing shall be joint and several.

3.5.3 If one of joint Account holders should die, the Account shall belong to the survivor absolutely, however, without prejudice to the Bank's rights under Clause 3.14.

### 3.6 Amendments

It is hereby expressly agreed that the Bank shall be entitled from time to time and at such time in its sole and absolute discretion without the consent of the Customer to replace, revise, increase, add, amend and/or delete any or all of these Terms and Conditions for the time being in force and such replacement, revision, increase, addition, amendment and/or deletion shall be conclusively and absolutely binding on the Customer as from the effective day (as hereinafter defined) if 30 days' notice thereof by display in the Bank hall, advertisement, or by mailing to Customer at his last address registered with the Bank or by other means as the Bank thinks fit has been given to the Customer, and such replacement, revision, increase, addition, amendment and/or deletion shall be binding on the Customer if the Customer continues to maintain the Account with the Bank after the effective date thereof. Provided Always That

(a) such notice shall specify the day on which such replacement, revision, increase, addition, amendment and/or deletion shall take effect ("the effective day") and (b) the Customer shall not have closed the Account prior to the effective date so specified in such notice.

### 3.7 Change of Signature Specimen

The Customer shall inform the Bank for any change in the specimen signature or information provided to the Bank and shall complete a change form for the record of the Bank. In the case the Customer being a corporation, a resolution for such purpose duly passed by the board of directors should be submitted to the Bank as soon as possible without delay. New specimen signature cards indicating the date from which the new signature will become effective should also be submitted. No new signature shall be used without the consent of the Bank.

### 3.9 Service Charges, Interest and Fees

The Bank reserves the right, at its discretion, to impose service charge stated in a service charge booklet as issued by the Bank from time to time ("the Service Charge Booklet") in the case of any Account which, in the opinion of the Bank, is inactive or constantly carries a small balance, or which has a balance in the Bank's unclaimed balance account ("Unclaimed Balance Account").

The Bank shall be entitled to prescribe, from time to time, commission, fees, interest and charges payable in respect of the Services herein provided subject to the Bank's notice for a period of 30 days for any variation of such commission, fees, interest and charges, which may be given by display in the Bank hall, advertisement, mailing to Customer at his last address registered with the Bank or other means as the Bank thinks fit, and such variation shall be binding on the Customer if the Customer continues to maintain the Account with the Bank after the effective date thereof. Commission, fees, interest and charges already paid are non-refundable notwithstanding early termination of the Services, or as the case may be, closure of the Account.

The Customer agrees to pay such commissions, fees, interest and charges as the Bank may from time to time prescribe, details of which may be obtained from the Bank, in consideration of its Services herein and all expenses paid or incurred by the Bank or the Depositories with respect thereto, and the Bank may deduct any amount due to the Bank from any moneys received by it for the Customer or shall be authorized on behalf of the Customer to deduct any such due amount from any moneys standing to the credit of the Account with the Bank and further may retain the Securities by way of pledge to secure the payment of such commission, fees, interest, charges and expenses. If the Customer fails to pay such commission, fees, interest, charges and expenses within fourteen days after a demand of payment is made, the Bank is authorized from time to time, without notice to the Customer or any other person, to have all or any of the Securities registered in the name of the Bank or its Nominees appointed by it and to collect all or any of the Securities, and to sell by public or private sale all or any of the Securities upon such terms and conditions as the Bank may see fit, and to apply the proceeds of any such collection or sale, after deduction of the expenses thereof, in payment or reduction of such commission, fees, charges and expenses. The Managing Director or Manager or Secretary of the Bank for the time being is hereby irrevocably appointed the attorney of the Customer, with full powers of substitution from time to time, for each and all of the foregoing purposes of these Terms and Conditions and with power to sign and execute all documents and perform all acts in the name and on behalf of the Customer or as otherwise required in connection herewith. Commission, fees, interest, charges and expenses already paid are non-refundable notwithstanding early termination of the Services, or as the case may be, closure of the Account.

### 3.12 Collection of Amounts Due

The Bank shall be entitled to employ outside debt collecting agency and/or institution to collect any or all sums due but unpaid by the Customer. For so doing, the Customer shall be obliged to pay the Bank a reasonable amount of costs and expenses reasonably incurred by the Bank in employing such outside debt collection agency or its nominated agent and all legal fees and disbursements reasonably incurred by the Bank in recovery thereof; however, in some situations, the same can exceed his indebtedness to the Bank.

### 3.13 Suspension and Termination of Services

3.13.1 The Bank may at any time and in any manner as the Bank at its absolute discretion consider appropriate without being obliged to give any reason or notice to the Customer and without any liability whatsoever close the Account or suspend any of its Services. If a notice of closure of the Account is sent to the Customer at his registered address, the Bank shall henceforth be released from any further obligations. The Customer shall be held solely responsible for any and all consequences resulting or arising therefrom. Any notice sent to the Customer by post or courier to his registered address shall be deemed to have been duly received by him on the day following that on which the notice is posted or sent.

The Bank may transfer any balance in the Account closed by the Bank to the Bank's Unclaimed Balance Account. Subject to payment of the service charges, the Customer may collect the balance from the Bank during the Bank's business hours.

3.13.2 These Terms and Conditions may be terminated at any time by written notice given by either party to these Terms and Conditions provided that these Terms and Conditions shall not be deemed to be terminated by the Customer until the Bank has advised him in writing (which notice may not be unreasonably withheld) that it accepts his termination notice on the basis that the Customer does not have outstanding balances or liabilities in the Account or other account(s) maintained with the Bank. Such notice shall not affect any transaction entered by the Bank prior to its receipt of such written notice and shall be without prejudice to any of the rights, powers or duties of the Bank or the Customer prior to such receipt.

3.13.3 Upon issuance of the notice pursuant to Clause 3.13.1 or 3.13.2, without prejudice to all other rights the Bank may have, the Bank may terminate the Account and convert all monies held in or for the Account into Hong Kong Dollars and realize any Securities in the Account and subject to the full payment of all money owed by him to it, the Bank shall:

- (a) credit any balance on the Account to his bank account;
- (b) send by post at the risk of the Customer to his last known address a cheque in the amount of credit balance of the Account; or
- (c) deliver to him personally or to his duly authorized agent or attorney a cheque in the amount of the credit balance of the Account and send to him all documents of title relating to the Securities in the Account.

### 3.14 Deceased Customer or Mentally Incapacitated Customer

(a) In the event of the death or mental incapacity of the Customer, the Bank shall be entitled to refuse any withdrawal of the credit balance or Securities, if any, from the Account, regardless of whether such Account is held jointly or singly or on trust, until the Bank is satisfied in its sole discretion that (i) the proper disposition of the Customer's interest in the Account has been finally and validly determined and (ii) procedures or steps reflecting good practices generally applicable to the circumstances or specifically required by the Bank (including the opening of a new account in a representative capacity or a committee account, and the giving of an indemnity to the Bank) shall have been performed or taken. The Bank shall be entitled to deduct from any account (including

the Account) of the Customer all costs and expenses (including legal fees) paid or incurred by the Bank with respect to or relating to any Account or its termination, or the transfer of the credit balance or Securities thereof to any person legally entitled to such balance.

- (b) In the event of the death of the Customer, the Bank shall be entitled (but not obliged) to give and /or disclose (including in case of a joint account, without consent of the surviving Customer ) to any person applying for a grant of probate or letter of administration of the estate of the deceased Customer any information or documents or matters relating to the Account including, without limitation, the details and balance of the Account (and, in addition, the name of the surviving Customer, in case of a joint account), for the purposes of facilitating such application or any procedures or proceedings incidental to or arising from such application or ascertaining the property comprising the estate of the deceased Customer, without any liability to any person deriving an interest from the estate of the deceased Customer (and/or the surviving Customer, in case of a joint account).

### 3.15 Ultimate Beneficiary

Delete 'without limitation'.

3.15(a) Subject to as provided below, the Customer shall, immediately upon request by the Bank, inform the Hong Kong Regulators of the identity, address, occupation and contact details of that other Customer for whose account the Transaction was effected and (so far as known to the Customer) of the person with the ultimate beneficial interest in the Transaction. The Customer shall also inform the Hong Kong Regulators of the identity, address, occupation and contact details of any third party (if different from that other Customer/the ultimate beneficiary) who originated the Transaction.

3.15(b) (i) If the Customer effected the Transaction for a collective investment scheme, discretionary account or discretionary trust, the Customer shall, immediately upon request by the Bank, inform the Hong Kong Regulators of the identity, address and contact details of the scheme, account or trust if applicable, the identity, address, occupation and contact details of the person who, on behalf of the scheme, account or trust, instructed the Customer to effect the Transaction.

(ii) If the Customer effected the Transaction for a collective investment scheme, discretionary account or discretionary trust, the Customer shall, as soon as practicable, inform the Bank when the discretion of the Customer to invest on behalf of the scheme, account or trust has been overridden and/or cancelled. In the case where the investment discretion of the Customer has been overridden and/or cancelled, the Customer shall, immediately upon request by the Bank, inform the Hong Kong Regulators of the identity, address, occupation and contact details of the person who has given the Instruction in relation to the Transaction.

### 3.16 Representation of the Customer

3.16.1 By applying to the Bank for the provision of Services under these Terms and Conditions, the Customer (and if the Customer is more than one individual each of such individuals) hereby represents, warrants and confirms that:

- (a) he is not a citizen or resident of the United States of America;
- (b) he has not been nor does he anticipate or expect to be present in the United States for a period aggregating 183 or more days during a calendar year;
- (c) the gains from his purchase, switching or redemption transactions carried out pursuant to the Unit Trust and Nominee Services are not effectively connected or related to any US trade or business which the Customer is engaged in or plans to engage in during the calendar year;
- (d) if any of (a) to (c) above change(s) or appears likely to change, the Customer will notify the Bank in writing as soon as reasonably practicable and in any event within 30 days of such change of him becoming aware of the likelihood of such change.

3.16.2 The Customer warrants, represents and undertakes to the Bank:

- (a) unless the Customer notifies the Bank in advance, the Customer is entering into these Terms and Conditions and giving each Instruction under these Terms and Conditions as principal and is not acting on behalf of any other person, and the Customer has unencumbered and absolute beneficial title to all Securities deposited with or transferred to the Bank whether for sale, safe keeping, or any other purpose, all of which are fully paid and free of and not subject to any charge, lien, trust, hypothecation or other adverse interest or claim; and
- (b) the performance of any obligations contained in these Terms and Conditions by the Customer and any Instruction given by the Customer do not contravene any applicable law, statute ordinance, rule or regulation, or any judgment, decree or permit to which the Customer is subject, or conflict with or result in any breach of the terms or constitute any default under any agreement or other instrument to which the Customer is a party or is subject.

### 3.17 Miscellaneous

3.17.1 Notwithstanding any provisions contained in these Terms and Conditions to the contrary, the Bank shall have an **overriding right** at any time to require the Customer's immediate repayment **on demand** of all his indebtedness, liabilities and outstanding amounts whether actual or contingent (together with interest and default interest, if any) owing to the Bank, and/or to require cash collateralization of all or any sums actually owing or contingently owing to the Bank and the Customer shall immediately deposit such monies, Securities or otherwise and maintain such Securities with the Bank to the Bank's satisfaction. The Customer further acknowledges that the Bank may at any time require him to deposit sufficient cleared funds in the Account before carrying out any Transaction in respect of any Securities on his behalf.

3.17.2 The Bank may prescribe such limits in connection with the use of the eTrading Services as the Bank may from time to time consider appropriate. Such limits may include, without limitation, the maximum number of enquiries and/or orders which may be made each day, the number of different Securities which may be dealt with in each enquiry, the minimum transaction amount of each order and the quantity of Securities which may be the subject of each order and the range of prices available.

The Bank reserves the right at any time, at its discretion, to impose service charge for enquiries and/or orders made through the eTrading Services.

3.17.3 All information on Securities prices and Hang Sang stock indexes provided pursuant to the eTrading Services are for the Customer's reference only and it is the Customer's responsibility to confirm such information at the time of any Transaction.

3.17.4 The Bank will notify the Customer of any material change to its full name and address (including its registration status and the CE number as shown on the cover of these Terms and Conditions) or the Services provided by the Bank.

3.17.5 The Bank's rights in relation to these Terms and Conditions (whether arising under these Terms and Conditions or under the general law) shall not be capable of being waived or varied otherwise than by an express waiver or variation in writing. Any failure to exercise or any delay in exercising any of such rights shall not preclude any other or further exercise of that or any other such right.

3.17.6 Each of the rights, powers and remedies given to the Bank under these Terms and Conditions shall be cumulative with and without prejudice and in addition to all other rights, powers and remedies given to the Bank under or by virtue of any other agreement between the Bank and the Customer, statute or rule of law or equity.

3.17.7 The Customer's rights in respect of the Securities and/or monies in the Account shall not without the Bank's prior written consent be assigned or subject to any third party's rights or encumbrances, other than as created under these Terms and Conditions.

3.17.8 The Customer shall, immediately upon the Bank's request and at the Customer's expense, execute any further documents and take any other action which the Bank may require for the purpose of protecting or securing the Bank's rights in respect of or under these Terms and Conditions.

3.17.9 In the event of any conflict between any provision of the English version of these Terms and Conditions and the corresponding provision of the Chinese version of these Terms and Conditions, the English version shall prevail.

### 3.18 Supply and Disclosure of Information

3.18.1 The Customer confirms that the information provided in the Account's mandate and all related documents and forms where applicable is true, complete and accurate. The Customer will forthwith inform the Bank of any changes to that information. The Bank is authorized to conduct credit enquiries on the Customer to verify the information provided.

3.18.2(A)(f) these Terms and Conditions are a continuing agreement and shall continue to be valid and binding for all purposes upon the corporation's successors and permitted assigns and any liquidator of such corporation.

3.18.2(B)(d) these Terms and Conditions are a continuing agreement and shall continue to be valid and binding for all purposes upon such individual's personal representatives and permitted assigns and any trustee in bankruptcy of such individual.

3.18.2(C)(b) notwithstanding any Instructions to the contrary (whether given before or after the date of these Terms and Conditions), any one of such persons shall have the full authority to singly give any Instruction and receive communication or delivery of deposited Securities from the Bank hereunder, and there is no need for the Bank to obtain confirmation of Instruction from other such persons, provided that the Bank may insist that each such person to give Instruction to the Bank; and

3.18.2(C)(c) the Bank shall be entitled to (but not obliged) to give and/or disclose to any one of such persons any document (including bank statements, advices, confirmations, contract notes and all correspondences) or matter relating to these Terms and Conditions or any Account of the Customer, and notification by the Bank of any matter to any one of such persons shall be deemed to be notification to each other persons constituting the Customer.

3.18.3 Delete original clause

### 3.19 Indemnity

3.19.1 In consideration of the Bank's agreeing to act under these Terms and Conditions, the Customer undertakes to keep the Bank indemnified at all times against, and to save the Bank harmless from, all actions, proceedings, claims, loss, damage, costs and expenses which may be brought against the Bank or suffered or incurred by the Bank which shall have arisen either directly or indirectly out of or in connection with the Bank's accepting Instruction given in electronic, verbal, facsimile or whatsoever as permitted by the Bank from time to time and acting thereon.

3.19.2 The Customer hereby agrees to indemnify and hold harmless the Bank for itself and as trustee for Nominees and its respective Personnel against all losses, damages, costs, interests and expenses which may be imposed on, asserted against or incurred or suffered by the Bank, Nominees or its Personnel arising out of, or in connection with, at any time or from any cause whatsoever including (a) the purchase, holding of Securities including switching and redemption of Units, (b) the operation of the Account, (c) the enforcement of these Terms and Conditions, (d) taxes, imposts, levies, duties, withholdings or other liabilities imposed or assessed against, and any other claims against, the Bank, each of its Nominees or Agents by any governmental authority with respect of any payment, collection or other transaction effected under the Account, or of any reclaim or refund of taxes, imposts, levies, duties, withholdings or other liabilities effected by the Bank or any of its Nominees or Agents, and/or (e) the exercise of any right of the Bank under these Terms and Conditions or otherwise, save and except where such losses, damages, costs, interests and expenses have been incurred by the Bank, Nominees and/or its Personnel as a result of its respective negligence or willful breach of duty.

3.19.3 Neither the Bank nor Nominees nor their respective Personnel shall, in the absence of negligence or willful breach of duty, be liable to the Customer for any action or omission in the course of or in connection with the Services rendered by them under these Terms and Conditions and/or for any losses or damages which the Customer may suffer or sustain as a result or in the course of discharging by the Bank and/or Nominees and/or their respective Personnel of their duties under or pursuant to these Terms and Conditions or exercising any rights or enforcing any powers of the Bank and/or Nominees and/or their respective Personnel under or pursuant to these Terms and Conditions or otherwise.

3.19.4 Neither the Bank nor Nominees shall be liable to the Customer for or in respect of any losses or damages suffered by any party arising out of or in connection with any failure to comply or delay in complying with its obligations under these Terms and Conditions which is caused directly or indirectly by force majeure, Act of God, war, terrorism, industrial disputes, natural disaster, adverse weather conditions, failure of communication systems or any other cause, event or circumstance beyond the Bank's or Nominees' reasonable control.

3.19.5 Neither the Bank nor Nominees shall be required to take any legal action unless it is fully indemnified by the Customer on a full indemnity basis (as a prerequisite to taking such action) against all its costs and liabilities.

3.19.6 Each indemnity given by the Customer in these Terms and Conditions (whether or not under this Clause 3.19) shall be an obligation of the Customer independent of and in addition to its other obligations to the Bank.

### 3.21 Governing Law & Jurisdiction

Delete original clause (b), (d) and (e)

### 3.22 Anti-Money Laundering and Sanctions

3.22.1 The Customer agrees that the Bank may delay, block or refuse to process any Transaction without incurring any liability if the Bank suspects that:

- (a) the Transaction may breach any laws or regulations in Hong Kong or any other country;
- (b) the Transaction involves any person (natural, corporate or governmental) that is itself sanctioned or is connected, directly or indirectly, to any person that is sanctioned under economic and trade sanctions imposed by the United Nations, the United States, the European Union or any country; or
- (c) the Transaction may directly or indirectly involve the proceeds of, or be applied for the purposes of, conduct which is unlawful in Hong Kong or any other country.

3.22.2 The Customer declares and undertakes to the Bank that the processing of any Transaction by the Bank in accordance with the Customer's Instructions will not breach any laws or regulations in Hong Kong or any other country.

3.22.3 The Bank may take and instruct any delegate to take any action which it in its sole discretion considers appropriate so as to comply with any applicable law, regulation, request of a public or regulatory authority or any policy of the Bank which relates to the prevention of fraud, money laundering, terrorism or other criminal activities or the provision of financial and other services to sanctioned persons or entities. Such action may include but is not limited to the interception and investigation of transactions on accounts (particularly those involving the international transfer of funds) including the source of the intended recipient of fund paid into or out of accounts. In certain circumstances, such action may delay or prevent the processing of Instructions, the

settlement of Transactions over the Accounts or the Bank's performance of its obligations under these Terms and Conditions. Where possible, the Bank will use reasonable endeavors to notify the relevant parties of the existence of such circumstances. Neither the Bank nor any Agent of the Bank will be liable for any loss (whether direct or consequential and including, without limitation, loss of profit or interest) caused in whole or in part by any actions which are taken by the Bank or any delegate of the Bank pursuant to this Clause 3.22.

## **Part B: Specific Terms and Conditions**

### **Section I: Trading in Securities in general**

#### **4. The Account**

4.1 The Customer understands, acknowledges and agrees that the Bank (a) may report and provide any information and documents relating to the Account and/or Transactions of the Customer to the Hong Kong Regulators, overseas regulatory bodies and any exchanges or clearing houses to comply with their requirements or the applicable laws, regulations, codes and rules (whether or not having the force of law) and (b) may also provide such information and documents in compliance with the lawful requests from Agents. The Customer agrees that the Bank shall not be liable to the Customer in any way for so doing.

4.2 The Customer acknowledges that the Bank will NOT provide him with any financial, investment, legal, tax or accounting advice or any advice regarding the suitability or profitability of any Securities. The Customer also acknowledges that the Bank's Personnel are not authorized to give any such advice and agrees that the Customer shall not solicit or rely on any such advice from the Bank or any of its Personnel of the Bank. The Customer agrees that he will independently and without reliance on the Bank make his own judgments and decisions with respect to each Instruction/Transaction or investment. The Customer assumes full responsibility for Transactions in or for the Account and for his investment decisions. The Customer acknowledges and agrees that the Bank shall be under no liabilities whatsoever in respect of any information, advice and suggestion rendered by any of its Personnel or Agents irrespective of whether or not such advice and suggestion are given at the Customer's request; such information, advice or suggestion rendered are for the Customer's reference only and the Customer should seek independent professional advice.

4.3 The Customer requests the Bank to contact him concerning trading and investment opportunities that may come to the Bank's attention from time to time and that the Bank believes may be of interest to him. The Customer fully understands and agrees that :

(i) all publication including but not limited to the prospectuses, explanatory memoranda, semi-annual and annual reports and accounts, analysis, other promotional and advertising literature and statistical information in relation to the relevant investment are for reference only and that the Bank is under no obligation to make any such information available to the Customer or to provide the Customer with any financial, market or investment information or suggestion;

(ii) if the Bank so acts, the Bank is not providing such information or suggestion or documents as a required service, nor as an advisor of any kind whatsoever, and such information or suggestion or documents shall not be considered as investment advice and the Customer shall not rely on such information or suggestion or documents;

(iii) the investment is made solely upon the Customer's own judgment and independent analysis and at the Customer's discretion notwithstanding any such information, suggestion or documents the Bank may have provided to the Customer;

(iv) the Bank assumes no responsibility for the accuracy and completeness of any information or documents provided by any third party, whether via the Bank or not, (including but not limited to the information of the investment as stated in (i) above); and

(v) the Bank assumes no responsibility for the performance or outcome of any Transaction or investment made by the Customer after receipt of such information or documents or for the performance of the Customer's portfolio in part or in whole.

The Customer acknowledges and agrees that the Customer should seek independent professional advice.

4.5 The Bank shall not be under any obligations or shall not assume any duties (including any fiduciary duties) to or towards the Customer other than those for which express provisions are made in these Terms and Conditions. Notwithstanding any other provisions contained in these Terms and Conditions, the Customer agrees and acknowledges that no provision in these Terms and Conditions shall incorporate into these Terms and Conditions any part or provision of any code, guideline, guidance note, circular or any other communication from time to time issued by any regulator (including, without limitation, the Hong Kong Regulators) which does not have the force of law (including, without limitation, the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission issued by the Securities and Futures Commission).

#### **5. Transactions**

5.1 The Bank will act as the Customer's agent only in executing Transaction but not otherwise. On the other hand, the Bank may act as principal if it is so indicated in the contract note or other document for the relevant Transaction.

5.3 The Customer understands and agrees that sufficient Securities shall be ready in the Account before placing a sell order. The Customer understands and agrees that he will not place any sell order related to the Securities which he does not own, i.e. no short selling. The Customer undertakes to promptly inform the Bank when a sell order is, in respect of Securities which the Customer does not own, a short sell order. Failing such information from the Customer, the Bank shall assume that it is not a short sell order. In the event of a short sell order, if the Customer does not promptly supply the Bank with Securities to be sold on the Customer's order, the Bank is entitled to request the Customer to pay or deposit and maintain with the Bank such money securities and/or collateral in such amount and in such form and within such time as may be required from time to time for such short sell order and/or may at its option (and is authorized by the Customer to) borrow or purchase the Securities required for such short sell order and the Customer shall reimburse the Bank for all loss, damage, cost or expense suffered or incurred by the Bank through such borrowing or purchase or the Bank's subsequent failure to make delivery of such Securities PROVIDED ALWAYS THAT notwithstanding the aforesaid, the Bank shall be entitled to refuse to accept or give effect to such short sell order at any time without any liability to the Customer. On the other hand, in the event that the Bank has to purchase Securities on the Customer's behalf in the open market following the failure of the selling broker to deliver on the settlement date, the Bank will not be responsible for any difference in price and all incidental expenses in connection with such open market purchase all of which shall be borne by the Customer absolutely.

5.5 The Customer will be responsible to the Bank for any losses and expenses resulting from his failure to settle any Transaction.

5.6 The Customer agrees to pay interest on all overdue balance, if any, (including interest at the rate arising after a judgment debt is obtained against him) at such rates and on such other terms as the Bank may notify him from time to time.

5.7 In the case of a purchase Transaction if the selling broker fails to deliver on the settlement date and after communicating with the Customer and upon the Customer's Instruction and confirmation, the Bank has to purchase Securities to settle the Transaction, the Customer will be responsible to the Bank for the costs and expenses of such purchase.

#### **5A. Renminbi Securities**

5A.1 Without prejudice to this Clause 5A, other provisions in these Terms and Conditions shall apply to such Securities denominated in Renminbi ("RMB Securities").

- 5A.2 The Customer understands and agrees that all subscriptions, purchases, acquisitions or otherwise of the RMB Securities are required to be settled in Renminbi ("RMB"). All payments of RMB payable by Customer shall be made solely through the Settlement Account subject to the applicable laws and regulations and the applicable terms and conditions of the Settlement Account. The Bank will not accept any payments of RMB by any other means.
- 5A.3 Before the Customer gives any Instruction to trade the RMB Securities in the Exchange or otherwise, the Customer must ensure that there are sufficient funds in RMB in the Settlement Account at the material time for completion of such Transaction.
- 5A.4 If the Customer fails to provide sufficient RMB funds as required at the material time, the Bank shall be entitled not to accept or give effect to any Instructions (or any part thereof) of the Customer and the Bank shall not be liable for any claims, costs, losses, damages or liabilities whatsoever, which the Customer may suffer, sustain or incur, directly or indirectly, as a result of or in connection with the Bank's failure to accept or give effect to any such Instructions (or any part thereof).
- 5A.5 The Customer understands and agrees that in the event of any corporate action requiring the exercise of any right attaching to or in respect of the RMB Securities held by the Bank on the Customer's behalf, the Customer shall give the Bank all necessary Instructions which must be received by the Bank within the time prescribed by the Bank from time to time as the case may be, and shall provide sufficient funds in RMB in the Settlement Account at the material time, so as to allow the Bank to give effect to such Instructions. If the Customer fails to do so, the Bank shall, in addition to Clause 5A.4 above, not be liable for any claims, costs, losses, damages or liabilities whatsoever, which the Customer may suffer, sustain or incur, directly or indirectly, as a result of or in connection with (a) the Bank's failure to accept or give effect to any Instruction; and/or (b) the Customer's failure to participate in and/or benefit from the relevant corporate action.
- 5A.6 The Customer understands and agrees that an extra amount of money (in such amount and in such currency as specified by the Bank from time to time) will be held for each Instruction of subscription or purchase or acquisition or otherwise of RMB Securities for the purpose of settling the shortfall of various trading related fees (including stamp duty, levies, tariff, etc.) payable by the Customer in Hong Kong dollars after converting such fees by using the relevant exchange rate determined by the Hong Kong Monetary Authority, subject to the Bank's absolute discretion.
- 5A.7 In the event that any sum of RMB in relation to the RMB Securities is receivable by the Customer, the Customer authorizes the Bank to receive that sum on behalf of the Customer, but the Bank shall not be obliged to make available to the Customer that sum until it has been able to establish that it has received that sum. In the event that that sum is received by the Bank in other currency, the Bank will make available to the Customer that amount of currency as actually received by the Bank. The Bank shall not be liable to the Customer for any losses, damages, interests, costs or expenses which the Customer may suffer or incur or sustain, directly or indirectly, arising from or in connection with the fact that any sum of RMB payable to the Customer is not actually received by the Bank or any sum of RMB is paid in any other currency.
- 5A.8 The scope and eligibility requirements of the Services in relation to RMB Securities are subject to the applicable laws, regulations, codes, guidelines and the like (whether or not having the force of law) as issued or promulgated by the relevant governmental and regulatory authorities in Hong Kong and Mainland China from time to time, the Bank's respective agreements from time to time signed with HKSCC or the Exchange or the clearing bank or other parties in relation to the provision of Services regarding the RMB Securities, and all the terms and conditions from time to time issued by the Bank applicable to such Services and/or RMB Securities. The Customer agrees to comply with all of the above, if applicable. Provided that nothing in any of the said regulations, codes, guidelines and the like shall impose upon the Bank any obligation or duty that the Bank would not otherwise have under these Terms and Conditions, notwithstanding any other provision of these Terms and Conditions.
- 5A.9 Notwithstanding anything in these Terms and Conditions to the contrary, the Bank shall, at its sole and absolute discretion at any time and from time to time, without liability to the Customer, have the rights, without prior notice, (a) to refuse, terminate, suspend, withdraw, modify, cancel or vary the provision of any Services (or any part thereof) to the Customer; and/or (b) not to accept or carry out or give effect to any Instructions (or any part thereof) of the Customer; and/or (c) to amend, revise, add, vary, supplement or otherwise change these Terms and Conditions; and/or (d) to freeze, suspend, close, cancel the Account.
- 5A.10 The Customer shall indemnify and keep the Bank on a full indemnity basis from and against any and all claims, demands, actions, proceedings, losses, liabilities (actual or contingent), damages, risks, charges, costs (including legal costs reasonably incurred), expenses of whatsoever nature which may be incurred or sustained by the Bank arising out of or in connection with (a) any breach or non-performance by the Customer of any of this Clause 5A; (b) any representations, warranties, information or documents provided to the Bank from time to time by or on behalf of the Customer being found or reasonably suspected to be untrue or incorrect or misleading or deceptive; (c) any misuse or improper use of the Account; (d) the Bank's provision of or refusal to provide any Services to the Customer in accordance with these Terms and Conditions; (e) any acts or omission to act by the Bank in accordance with these Terms and Conditions; and/or (f) the exercise or preservation of the Bank's powers, rights and remedies; save and except to the extent directly due to the negligence, fraud or willful misconduct of the Bank.

## 6. Instruction

- 6.1 The Bank is entitled to accept and execute Instructions of any nature believed by the Bank to be genuine and purporting to be signed, given or issued by the Customer or by an Authorized Person, whether or not it is in fact genuine or authorized. Upon the Customer's request, a Branch may relay Instructions to another Branch on behalf of the Customer and is only acting as the Customer's agent in doing so.
- 6.2 (a) after taking such practicable steps as the Bank may reasonably consider appropriate, the Bank shall be entitled (but not bound) to accept as genuine and act upon any Verbal Instruction believed by the Bank in good faith to have been given by the Customer or Authorized Person, whether or not it is in fact genuine or authorized. Further, the Bank shall be entitled to accept as genuine and act upon any signature which in the Bank's reasonable opinion appears to be the signature of the Customer or Authorized Person on a Facsimile Instruction, whether or not it is in fact the signature of the Customer or Authorized Person. Thus, the Bank shall not be under any obligations to enquire into the genuineness of any Verbal Instruction or Facsimile Instruction nor into the good faith of the person giving any Verbal Instruction or Facsimile Instruction and such Facsimile Instruction or Verbal Instruction shall be binding on the Customer.
- 6.11 The Customer understands and acknowledges, that, except by using the Access Codes in the eTrading Services, the Bank shall not accept any Instruction for dealing in the Account made by the Customer through e-mail sent by him to the e-mail address of the Bank's Personnel or Agent, if any.
- 6.13.2 The Bank may from time to time set or change the daily cut-off time without notice or responsibility to the Customer, if giving of notice is impracticable for reason beyond its control. Any Transaction done through eTrading Services after such set or change of cut-off time shall be treated as a Transaction valued at next business day.
- 6.13.4 The Customer shall be the only authorized user of the eTrading Services under the Account. The Customer shall be responsible for the confidentiality and use of the Access Codes. The Customer acknowledges and agrees that he shall be solely responsible for all Instructions entered through the eTrading Services using the Access Codes and neither the Bank nor its Personnel or Agents shall have any liability to the Customer, or to any other person whose claim may arise through him, for any claims with respect to the handling, mishandling or loss of any Instructions unless the handling, mishandling or loss of any Instructions is due to negligence, wilful default or fraud of the Bank or its Personnel or Agents.
- 6.13.5 Without prejudice to the Bank's rights under Clauses 6.7, 6.13.4 and 6.13.6, the Customer :

- (a) undertakes to inform the Bank as soon as reasonably practicable if the Customer knows, has reason to believe or suspect that any other person knows the Account number and/or the Access Codes, or that unauthorized Transactions will be or have been taken place, and if the Customer fails to do so, he shall be liable for any unauthorized Transactions made; and
- (b) shall in any event be liable for all his losses and damages if he acts fraudulently or with negligence including failing to properly safeguard the Account number/Access Codes.

- 6.13.8 The Customer acknowledges and agrees that, as a condition of using the eTrading Services to give Instructions, the Customer shall forthwith notify the Bank if:
- (a) an Instruction has been placed through the eTrading Services but the Customer has not received an accurate acknowledgement of the Instruction or of its execution (whether by hard copy, electronic or verbal means); or
  - (b) the Customer has received acknowledgment (whether by hard copy, electronic or verbal means) of a Transaction but which did not tally with his Instructions or was in conflict with his Instructions.

The Customer agrees that if he fails to notify the Bank forthwith when any of the above situations occurs, neither the Bank nor its Personnel or Agents shall have any liability to him, or to any other person whose claim may arise through him, for any claims with respect to the handling, mishandling or loss of any Instruction unless the handling, mishandling or loss of any Instruction is due to negligence, wilful default or fraud of the Bank or its Personnel or Agents.

Any communications or notices required to be given by the Bank or Nominees on the Bank's behalf to the Customer may be given in writing and sent by mail (postage prepaid) or facsimile addressed to the Customer at the last mailing address or facsimile number on record with the bank. Any such communication or notice shall be deemed to have been received if sent by letter: next day after posting; and if sent by facsimile: when dispatched provided that the transmission report reveals no error or break in transmission; and if sent by eTrading Services: simultaneously as sent out by the Bank without any failure report.

- 6.13.12 The Customer acknowledges and agrees that it is not usually possible for the Bank to cancel an Instruction after the Instruction has been given to the Bank, especially via eTrading Services. As stated in Clause 6.13.9, if the eTrading Services is unable to operate, whether it is or is not caused by the eTrading Services, the Customer shall seek alternative forms of communication such as telephone, in person, etc. in order to give Instruction to the Bank.

- 6.14 Without prejudice to any other rights of the Bank under these Terms and Conditions and notwithstanding anything in these Terms and Conditions to the contrary, if the Bank believes, in its sole discretion, that any Instruction issued by or on behalf of or purporting to be issued by or on behalf of the Customer may not have been authorized by the Customer or, even if issued or authorized by the Customer, may expose the Bank to any claims, suits, losses, expenses, liabilities or damage whether directly or indirectly, the Bank may decline to act on the Instruction or may only act on the Instruction after the Bank has received such confirmation and/or indemnity as required by the Bank in its absolute discretion. Without prejudice to the generality of Clause 3.13, the Bank may also, without giving any notice and reason to the Customer, regard any mandate it holds as being suspended and may suspend the operation of all or any Account until such time as the Bank in its absolute discretion considers appropriate and shall not be liable therefor, except in respect of reasonably foreseeable and direct loss or damage caused directly and solely by the negligence or wilful default of the Bank.

## 7. Settlement Services

- 7.2 The Customer understands and acknowledges that the Bank shall earmark or hold the full value of the purchase and related charges and expenses against the available balance in his Settlement Account upon the receipt of an order or Instruction from the Customer for buying Securities on his behalf. If there are insufficient funds or monies in his Settlement Account to meet any purchase payments or the Instructions are impossible to execute, the Bank shall not be obliged to execute the said Instructions partially or at all, without any liability to the Customer.

- 7.4 The Customer authorizes the Bank to hold Securities from the Investment Account upon receipt of a request from the Customer for the sale of Securities on his behalf. If there is insufficient stock in his Investment Account to meet any sale orders or the Instructions are impossible to execute, the Bank shall not be obliged to execute the said Instructions partially or at all, without any liability to the Customer.

- 7.7 If the Customer fails to pay the Bank in cleared funds or deliver to it Securities in deliverable form by the settlement due date, without prejudice to all rights the Bank may have, the Bank may
- (a) in the case of a purchase Transaction, sell the purchased Securities and
  - (b) in the case of a sale Transaction, borrow and/or purchase Securities in order to settle the Transaction.

## 8. Bank's Role, Responsibility and Liability

- 8.1 The Bank is authorized to employ Agents to perform all or part of its duties under these Terms and Conditions. The Bank may purchase and/or sell Securities on the Customer's behalf by placing instructions with itself or any other company or client associated with it whether acting as underwriters, licensed deposit takers, brokers, dealers or otherwise, or with any other brokers or licensed deposit takers, dealers or otherwise as it in its sole discretion decides.

- 8.2 The Bank may delegate the performance of its functions or duties to any Agent, broker, Nominees, custodian, counterpart or any other parties at the Customer's cost.

- 8.3 The Bank is authorized to disclose any information it has concerning the Customer, any of his Account and the Services to any such Agent, broker, Nominees, custodian, counterpart or any other parties employed by it or to whom the functions or duties are delegated in connection with the performance of all or part of its functions or duties under these Terms and Conditions.

- 8.4 The Bank shall not be liable for any act, omission, negligence or default of any such Agent, broker, Nominees, custodian, counterpart or any other parties provided that the Bank has exercised such care in employing or delegating to the same as it would employ for its own business.

## 9. Credit Facility

- 9.2 The Bank may lend to the Customer any amount in such currency as it may from time to time fix (the "Limit") which shall immediately be repaid by him **upon demand** by the Bank. The Limit shall be determined by the Bank on a daily basis by reference to the value of the Securities in his Investment Account.

- 9.3 The Bank may terminate such facilities without prior notice the Customer and the Customer agrees to immediately repay his liability (together with charges and/or interests accrued) under such facility upon its demand. The Customer also agrees to fully indemnify the Bank against all costs, expenses, liabilities and obligations incurred by it in connection with the provision of any such credit facilities.

## 10. Employees, agents, associates and connected persons

- 10.1 The Customer represents and warrants to the Bank that he is not associated with any of the Bank's Personnel or Agents or any Personnel or Agents of any member of its related companies including as a spouse or as a child under 18 years of such Personnel or Agents, and agrees that if he is or becomes associated with any of such Personnel or Agents, he shall promptly notify the Bank of the existence and nature of such association and acknowledges that the Bank may, upon receipt of such notice, at its absolute discretion, choose to terminate the Account without any liability to the Customer.

- 10.2 The Customer further represents and warrants to the Bank that he is not a connected person (as defined in the Listing Rules or other relevant applicable laws and regulations) of the company the Securities of which he shall place orders or Instructions with the Bank for the purchase or disposal of or otherwise dealings in the company's Securities, unless he specifically notifies the Bank to the contrary prior to the placing of such orders or Instructions.
- 10.3 The Customer further agrees to indemnify the Bank **on demand** for any losses, costs, damages, claims or demands the Bank may reasonably suffer in respect of its reliance on or the breach by the Customer of Clauses 10.1 or 10.2.
- 10.4 The Customer agrees to indemnify the Bank and its Personnel and Agents **on demand** for any loss, cost, claim, liability or expense arising out of or in connection with any breach by him of the obligations in this Clause 10 including any reasonable costs reasonably incurred by the Bank in collecting any debts due to it or in connection with the closure of the Account.
12. Power of Attorney  
The Customer agrees to and hereby irrevocably and by way of security appoints the Bank with full power as his true and lawful attorney in fact, to the fullest extent permitted by law, to take any action and execute any instrument which the Bank deems necessary or advisable (whose opinion shall be conclusive and binding on the Customer) for the purpose of carrying out the provisions of these Terms and Conditions or for giving to the Bank the full benefit of all or any of the provisions in these Terms and Conditions. The Customer covenants that he will ratify and confirm all that the Bank shall lawfully do or cause to be done by virtue of these presents.
14. Nomination  
The Bank shall be authorized to register all the Securities in its own name or in the name of its Nominee(s) and to hold them on behalf of the Customer or to deposit them for the account of the Customer with such Nominee(s) including the Wing Hang Bank (Nominees) Ltd., the HKSCC (Nominees) Ltd and the Depositories as the Bank may from time to time appoint. The Depositories shall be deemed in all respects to be the Nominees of the Bank and all Securities held by or registered in their names shall be deemed to be held by or deposited with the Bank direct. All such Securities may also be transferred to or held in any account with any clearing system for the account of the Bank or its Nominees or Agents. The Customer shall sign and execute all instruments of transfer and documents required therefor. The Bank shall under no circumstance be liable to the Customer for any loss and cost which may be suffered or incurred by the Customer as a result of any act neglected by the Depositories and the Customer shall fully indemnify the Bank for any charges and expenses for depositing the Securities with the Depositories.
16. Customer Authorization
- 16.1 (a) to part with possession and/or control of, transfer, lend, pledge, re-pledge or otherwise deal with all or any of the Customer's Securities or deposit them with certain third parties in accordance with the Securities and Futures (Client Securities) Rules of the Securities and Futures Ordinance (Cap.571) under a written authorization signed by the Customer and its subsequent renewals,
- 16.3 The Bank shall not be obliged to monitor any shareholder communications in respect of any of the Securities or to inform the Customer of any shareholder communications that it has received.
- 16.4 The Customer shall promptly pay calls or other payments due in respect of any of the Securities and in default of his so doing, the Bank (or its Agent) is authorized, but not obliged to, make such payments on the Customer's behalf. The Customer shall repay the Bank (or its Agent) **on demand** any sum so paid. The Bank (or its Agent) shall not be liable for failing to present any interest coupon, bond or stock which may be due or called for repayment or redemption or to pay any call or instalment or to accept any offer relating to the Securities or otherwise for failing to act or refrain from acting in relation to the Securities or to notify the Customer of any of such matters.
- 16.5 The Customer whose correspondence address is shown on the Bank's record as situated outside Mainland China, Hong Kong SAR, or Macau SAR as at the record date of the relevant issuer ("Overseas Shareholder") shall, notwithstanding anything contained in the circular, prospectus or any other documents of the relevant issuer to the contrary, NOT be entitled
- (i) to exercise any option to elect to receive any scrip dividend in lieu of cash in case of a scrip dividend scheme declared by the relevant issuer, so that only cash will be paid to the Overseas Shareholder for the dividend declared, and/or
- (ii) to take up or acquire any rights shares or new shares in case of a rights issue or new issue declared by the relevant issuer and the Bank will not entertain any requests of the Overseas Shareholder for taking up or acquiring the rights shares or new shares, so that the Overseas Shareholder has the responsibility to decide whether such right to rights shares or new shares should be allowed to lapse or should be sold (if there is a market) subject to the relevant laws and regulations applicable to the Overseas Shareholder.
- The Bank shall not be liable for all losses or damages the Overseas Shareholder may suffer or sustain arising out of or in connection with this Clause 16.3. Customers whose correspondence addresses are situated in Mainland China, Hong Kong SAR, or Macau SAR will not be affected.
- 16A. Currency Conversion  
Any proceeds or amount of money from time to time received by the Bank and/or any amount payable by the Customer denominated in currency other than the currency of the Customer's Settlement Account or such other accounts specified by the Customer shall be converted by the Bank to the appropriate currency at the prevailing rate of exchange in accordance with the Bank's usual practices without further reference to the Customer. The Customer shall be responsible for any loss arising from fluctuations in the rate of exchange between the two currencies and all costs of exchange and any other related costs, and the Bank is authorized to deduct all such loss or costs from the proceeds or amount of money received by the Bank or from the Customer's Settlement Account or such other accounts, as the case may be.
17. Indemnity for custody
- 17.1 The Bank (or its Agents and correspondents) shall not be liable for any loss of or damage to or diminution in value of any of the Securities however arising while the same are in possession, custody or control of the Bank (or its Agents and correspondents) and the Customer agrees to indemnify the Bank and its Agents and correspondents against and hold them harmless from and against all expenses, liabilities, claims and demands and all consequences which arise or result therefrom and shall immediately reimburse the Bank (or its Agents and correspondents) **upon demand** for any payment, loss or damage which the Bank (or its Agents and correspondents) may make, suffer or sustain by reason or on account thereof or otherwise in relation to or in connection with the Securities or anything lawfully done by the Bank (or its Agents and correspondents).
18. Obligation and liability
- 18.3 In respect of the indemnities stipulated in Clauses 3.19.1, 6.13.6, 9.3, 10.3, 10.4, 14 and 17.1, all losses, damages, liabilities, obligations, costs and expenses which may be incurred or suffered by the Bank and which shall be so indemnified as stipulated in the aforesaid Clauses shall mean such losses, damages, obligations, costs and expenses as may be reasonably incurred or suffered by the Bank save and except the same are caused directly and solely by the negligence or wilful default of the Bank.

18A (ii) any other terms used herein or in any other related documents or forms which may be commonly or legally referred to as deposits (including, without limitation, any principal, proceeds, cash, fund, money, amount, sum or credit balance in any account) for settlement of Securities Transactions, the service charges for trading whether or not on margin and payment to a third party,

## **Section II: Trading in Units**

### **20. Unit Trust Transactions**

20.7 Subject to Clause 20.6 in the case of redemption, if at any time the Customer wishes to transfer, or sell or otherwise dispose of any of the Units acquired pursuant to these Terms and Conditions, the Customer shall terminate its use of the Services in accordance with Clause 3.13.2, and upon such termination, the provisions of Clause 3.13.3 shall apply, unless otherwise agreed by the Bank.

20.8 Amend "gross negligence" to "negligence".

### **21. Receipt and Disbursement of Moneys**

21.2(b) for the payment by the Customer, whether to the Bank, Nominees or otherwise, of all taxes, fees, disbursements, charges, expenses and other amounts properly payable by the Customer pursuant to these Terms and Conditions or in respect of the acquisition, holding or disposal of Units; and

21.3 The Customer agrees at all times to maintain sufficient funds in the Customer's Settlement Account for the purpose of effecting any purchases of Units on the Customer's Instructions and/or for paying any fees, costs, expenses or other amounts which the Customer is liable to pay under these Terms and Conditions. The Customer acknowledges and agrees that if at any time there are in the reasonable opinion of the Bank (having regard to other payments debited or due to be debited) insufficient funds in the Customer's Settlement Account for these purposes the Bank may, without prejudice to other rights of the Bank under these Terms and Conditions

21.3(c) Add "or other amounts" after "expenses".

### **22. Custody of Investments**

22.4 If at any time it is, in the opinion of the Bank and/or Nominees, necessary in order to protect the interests of the Customer, even if without Instructions, the Bank may (but shall not be obliged to) act or procure Nominees to act as if it were the absolute beneficial owner of the Units and in this connection the Bank may advance moneys to the Customer in accordance with Clause 21.3(c) and the Bank and/or Nominees may subscribe or otherwise deal with any money, securities or other rights offered in respect of the Units.

### **24. No Voting**

24.1 The Bank shall procure that Nominees will not vote in relation to any of the Units held for the account of the Customer except in accordance with Instructions received from the Customer in accordance with Clause 6 and upon such conditions and indemnity and provision for expenses as the Bank may require. The Bank shall, if required in accordance with such Instructions, use reasonable efforts to procure the delivery by Nominees, or the execution in blank and delivery by Nominees, to the Customer of all notices, proxies, and proxy soliciting materials in relation to the Units held pursuant to these Terms and Conditions.

24A Delete original clause

## **Schedule II: Derivative Products**

28. The Customer agrees that the Bank shall not be liable if the Customer incurs any loss in the investment.

29. The Customer understands that the derivative products is/is not a capital guaranteed investment and the choice of the repayment option at maturity is made at the sole discretion of the relevant issuer.

30. The Customer also understands that early redemption will be subject to the agreement of the derivative products issuer and will be subject to such terms and conditions as the relevant issuer shall conclusively determine.

31A Delete original clause.

## **Schedule III: Risk Disclosure Statement**

### **36. Risk Disclosure Statement (Exchange Traded Derivative Products and/or Structured Products)**

#### **A. General risks of Derivative Products and/or Structured Products traded in Exchange**

**Issuer default risk:** In the event a structured product issuer becomes insolvent and defaults on its listed securities, I/we will be considered as unsecured creditors and will have no preferential claims to any assets held by the issuer. I/We should therefore pay close attention to the financial strength and credit worthiness of structured product issuers.

**Uncollateralised product risk:** Uncollateralised structured products are not asset backed. In the event of issuer becomes insolvent or bankrupt, I/we can lose my/our entire investment. I/We should read the listing documents to determine if a product is uncollateralised.

**Gearing risk:** Structured products such as derivative warrants and callable bull/bear contracts are leveraged and can change in value rapidly according to the gearing ratio relative to the underlying assets. I/We should be aware that the value of a structured product may fall to zero resulting in a total loss of the initial investment.

**Expiry considerations:** Structured products have an expiry date after which the issue may become worthless. I/We should be aware of the expiry time horizon and choose a product with an appropriate lifespan for my/our trading strategy.

**Extraordinary price movements:** The price of a structured product may not match its theoretical price due to outside influences such as market supply and demand factors. As a result, actual traded prices can be higher or lower than the theoretical price.

**Foreign exchange risk:** I/We trading structured products with underlying assets not denominated in Hong Kong dollars am/are also exposed to exchange rate risk. Currency rate fluctuations can adversely affect the underlying asset value, also affecting the structured product price.

Liquidity risk: The Exchange requires all structured product issuers to appoint a liquidity provider for each individual issue. The role of liquidity providers is to provide two way quotes to facilitate trading of their products. In the event that a liquidity provider defaults or ceases to fulfill its role, I/we may not be able to buy or sell the product until a new liquidity provider has been assigned.

## B. Additional risks of Derivative Products and/or Structured Products traded in Exchange

### B(1) Derivative Warrants

Exchange traded derivative warrants fall under the category of derivative investment instruments or structured products. They have a life of six months to five years. The underlying assets of derivative warrants include ordinary shares, market indices, currencies and baskets of shares. Derivative warrants are issued by a third party, generally an investment bank, independent of the issuer of the underlying assets. The issuer of derivative warrants may not be the issuer of the underlying assets but should hold or have a right to hold the underlying assets.

Exchange traded derivative warrants can be linked to a single security or a basket of securities, stock indices, currencies, commodities or futures contracts (like crude oil futures). Almost all derivative warrants currently traded in Hong Kong are cash-settled. Warrants linked to a basket of securities, stock indices or securities listed in other jurisdictions will always be settled by cash. Similar to other securities, I/we can buy or sell derivative warrants anytime during the securities market's trading hours.

When a physically settled call derivative warrant on a single stock is exercised, the warrant holder will receive the underlying stock from the issuer. Unlike equity warrants, no new shares will be issued.

#### Risks involved in trading Derivative Warrants

Issuer Risk: Derivative Warrant holders are unsecured creditors of the issuer and have no preferential claim to any assets an issuer may hold.

Gearing Risk: Although derivative warrants often cost less than the price of the underlying assets, a derivative warrant may change in value to a much greater extent than the underlying assets. Although potential return on derivative warrants may be higher than that on the underlying assets, it should be noted that in the worst case the value of derivative warrants may fall to zero and holders may lose their entire investment amount.

Limited Life: Unlike stocks, derivative warrants have an expiry date and therefore a limited life. Unless the derivative warrants are in-the-money, they become worthless at expiration.

Time Decay: So long as other factors remain unchanged, 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.

Market Forces: In addition to the basic factors that determine the theoretical price of a derivative warrant, derivative warrant prices are also affected by the demand for and supply of the derivative warrants. This is particularly the case when a derivative warrant issue is almost sold out and when there are further issues of an existing derivative warrant.

Turnover: High turnover should not be regarded as an indication that a derivative warrant's price will go up. The price of a derivative warrant is affected by a number of factors in addition to market forces, such as the price of the underlying assets and its volatility, the time remaining to expiry, interest rates and the expected dividend on the underlying assets.

Volatility: Prices of derivative warrants can increase or decrease in line with the implied volatility of underlying asset price. I/We should be aware of the underlying asset volatility.

Obligation of liquidity providers: The listing document lists the exact obligations of the liquidity provider. In normal circumstances, liquidity providers should provide liquidity for derivative warrant issues through continuous quotes or in response to quote requests from five minutes after the market opens until the market closes. The liquidity provider should provide liquidity for at least a certain number of board lots of the derivative warrant. An issuer must specify the maximum spread between the bid and offer prices for its derivative warrants in the listing document. Under the quote request system, I/we may request a quote from the liquidity provider. In the event that a liquidity provider defaults or ceases to fulfill its role, I/we may not be able to buy or sell the product until a new liquidity provider has been assigned.

### B(2) Callable Bull/Bear Contracts ("CBBC")

Exchange traded CBBC are a type of structured product that tracks the performance of an underlying asset without requiring me/us to pay the full price required to own the actual asset. They are issued either as Bull or Bear contracts with a fixed expiry date, allowing me/us to take bullish or bearish positions on the underlying asset. CBBC are issued by a third party, usually an investment bank, independent of Exchange and of the underlying asset. Similar to other securities, I/we can buy or sell CBBC anytime during the securities market's trading hours.

Exchange traded CBBC are issued with the condition that during their lifespan they will be called by the issuers when the price of the underlying asset reaches a level (known as the "Call Price") specified in the listing document. If the Call Price is reached before expiry, the CBBC will expire early and the trading of that CBBC will be terminated immediately. The specified expiry date from the listing document will no longer be valid.

For Bull contracts, the Call Price must be either equal to or above the Strike Price. For Bear contracts, the Call Price must be equal to or below the Strike Price. If the underlying asset's price reaches the Call Price at any time prior to expiry, the CBBC will expire early. The issuer must call the CBBC and trading of the CBBC will be terminated immediately. Such an event is referred to as a Mandatory Call Event (MCE).

CBBC may be issued with a lifespan of 3 months to 5 years and are settled in cash only. There are two categories of CBBC, namely Category N CBBC and Category R CBBC.

- i) A Category N CBBC refers to a CBBC where its Call Price is equal to its Strike Price, and the CBBC holder will not receive any cash payment once the price of the underlying asset reaches or goes beyond the Call Price.
- ii) A Category R CBBC refers to a CBBC where its Call Price is different from its Strike Price, and the CBBC holder may receive a small amount of cash payment (called "Residual Value") upon the occurrence of an MCE but in the worst case, no residual value will be paid.

#### Risk involved in trading CBBC

Mandatory call: CBBC are not suitable for all types of investors and I/we should consider my/our risk appetite prior to trading. In any case, one should not trade in CBBC unless I/we understands the nature of the product and is prepared to lose the total amount invested since a CBBC will be called by the issuer when the price of the underlying asset hits the Call Price and trading in that CBBC will expire early. Payoff for Category N CBBC will be zero when they expire early. When Category R CBBC expire early the holder may receive a small amount of Residual Value payment, but there may be no Residual Value payment in adverse situations. The Bank may charge its customers a service fee for the collection of the Residual Value payment from the respective issuers.

In general, the larger the buffer between the Call Price and the Spot Price of the underlying asset, the lower the probability of the CBBC being called since the underlying asset of that CBBC would have to experience a larger movement in the price before the CBBC will be called. However at the same time, the larger the buffer, the lower the leverage effect will be. Once the CBBC is called, even though the underlying asset may bounce back in the right direction, the CBBC which has been called will not be revived and I/we will not be able to profit from the bounce-back.

Besides, the MCE of a CBBC with overseas assets as underlying may be triggered outside the Exchange's trading hours.

Gearing effects: Since a CBBC is a leveraged product, the percentage change in the price of a CBBC is greater compared with that of the underlying asset. I/We may suffer higher losses in percentage terms if I/we expect the price of the underlying asset to move one way but it moves in the opposite direction.

Limited life: A CBBC has a limited life, as denoted by the fixed expiry date, with a lifespan of 3 months to 5 years. The life of a CBBC may be shorter if called before the fixed expiry date. The price of a CBBC fluctuates with the changes in the price of the underlying asset from time to time and may become worthless after expiry and in certain cases, even before the normal expiry if the CBBC has been called early.

Movement with underlying asset's price: Although the price of a CBBC tends to follow closely the price of its underlying asset, but in some situations it may not (i.e. delta may not always be close to one). Prices of CBBC are affected by a number of factors, including its own demand and supply, funding costs and time to expiry. Moreover, the delta for a particular CBBC may not always be close to one, in particular when the price of the underlying asset is close to the Call Price.

Liquidity: Although CBBC have liquidity providers, there is no guarantee that I/we will be able to buy/sell CBBC at my/our target prices any time I/we wish. In the event that a liquidity provider defaults or ceases to fulfill its role, I/we may not be able to buy or sell the product until a new liquidity provider has been assigned.

Funding costs: The issue price of a CBBC includes funding cost and issuers are required to specify the formula for calculating the funding costs of their CBBC at launch in the listing documents. The funding cost of a CBBC includes the issuer's financing/stock borrowing costs after adjustment for expected ordinary dividends of the shares (if the underlying assets are dividend-paying shares) and the issuer's profit margin. These items fluctuate from time to time, therefore the funding costs are not fixed throughout the tenure of the contracts. In general, the longer the duration of the CBBC, the higher the funding costs. The funding costs decline over time as the CBBC moves towards expiry. I/We am/are advised to compare the funding costs of different issuers of CBBC with similar underlying assets and features.

When a CBBC is called, the CBBC holders (investors- e.g. I/we) will lose the funding cost for the full period since the funding cost is built into the CBBC price upfront at launch even though with the MCE, the actual period of funding for the CBBC turns out to be shorter.

In any case, I/we should note that the funding costs of a CBBC after launch may vary during its life and the Liquidity Provider is not obliged to provide a quote for the CBBC based on the theoretical calculation of the funding costs for that CBBC at launch.

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.

However, the trade inputted by me/us may still be executed and confirmed by me/us after the MCE since there may be some time lapse between the MCE time and suspension of the CBBC trading. Any trades executed after the MCE (i.e. Post MCE Trades) will not be recognized and will be cancelled. Therefore, I/we should be aware of the risk and ought to apply special caution when the CBBC is trading close to the Call Price.

Issuers will announce the exact call time within 1 hour after the trigger of MCE, and the Exchange will also send the list of Post MCE Trades to the Bank, and the Bank will inform the customers accordingly.

CBBC with overseas underlying asset: I/We trading CBBC with overseas underlying assets am/are exposed to an exchange rate risk as the price and cash settlement amount of the CBBC are converted from a foreign currency into Hong Kong dollars. Exchange rates between currencies are determined by forces of supply and demand in the foreign exchange markets which are affected by various factors.

Besides, CBBC issued on overseas underlying assets may be called outside the Exchange's trading hours. In such case, the CBBC will be terminated from trading on Exchange in the next trading session or soon after the issuer has notified Exchange about the occurrence of the MCE. There will be no automatic suspension of the CBBC trading.

### B(3) Exchange Traded Funds("ETFs")

ETFs are passively managed and open-ended funds. All listed ETFs on the Exchange securities market are authorized by the Securities and Futures Commission as collective investment schemes.

Similar to other securities, I/we can buy or sell ETFs anytime during the securities market's trading hours.

ETFs can be broadly grouped into two types:

#### Physical ETFs (i.e. traditional or in-specie ETFs)

Many of these ETFs directly buy all the assets needed to replicate the composition and weighting of their benchmark (eg constituents of a stock index). However, some only buy a portion of the assets needed to replicate the benchmark or assets which have a high degree of correlation with the underlying benchmark but are not part of it.

Some physical ETFs with underlying equity-based indices may also invest partially in futures and options contracts. Lending the shares they own is another strategy used by some physical ETFs. I/We should read the ETF prospectus carefully to ensure I/we understand how the fund operates.

#### Synthetic ETFs

These ETFs do not buy the assets in their benchmark. Instead, they typically invest in financial derivative instruments to replicate the benchmark's performance. The ETFs are required to have collateral when investing in derivatives (details of the net and gross counterparty exposure and types and composition of the collateral are published on the ETF's website). An ETF's net risk exposure to any single counterparty (i.e. net of the value of any collateral provided) cannot be more than 10 per cent of its Net Asset Value ("NAV"). I/We should read the ETF prospectus carefully to ensure I/we understand how the fund operates.

#### Risk involved in trading ETFs

Market risk: ETFs are typically designed to track the performance of certain indices, market sectors, or groups of assets such as stocks, bonds, or commodities. ETF managers may use different strategies to achieve this goal, but in general they do not have the discretion to take defensive positions in declining markets. I/We must be prepared to bear the risk of loss and volatility associated with the underlying index/assets.

Tracking errors: Tracking errors refer to the disparity in performance between an ETF and its underlying index/assets. Tracking errors can arise due to factors such as the impact of transaction fees and expenses incurred to the ETF, changes in composition of the underlying index/assets, and the ETF manager's replication strategy. (The common replication strategies include full replication/representative sampling and synthetic replication which are discussed in more details below.)

Trading at discount or premium: An ETF may be traded at a discount or premium to its NAV. This price discrepancy is caused by supply and demand factors, and may be particularly likely to emerge during periods of high market volatility and uncertainty. This phenomenon may also be observed for ETFs tracking specific markets or sectors that are subject to direct investment restrictions.

Foreign exchange risk: I/We trading ETFs with underlying assets not denominated in Hong Kong dollars are also exposed to exchange rate risk. Currency rate fluctuations can adversely affect the underlying asset value, also affecting the ETF price.

Liquidity risk: Securities Market Makers ("SMMs") are Exchange Participants that provide liquidity to facilitate trading in ETFs. Although most ETFs are supported by one or more SMMs, there is no assurance that active trading will be maintained. In the event that the SMMs default or cease to fulfill their role, I/we may not be able to buy or sell the product.

Counterparty risk involved in ETFs with different replication strategies:-

(a) Full replication and representative sampling strategies

An ETF using a full replication strategy generally aims to invest in all constituent stocks/assets in the same weightings as its benchmark. ETFs adopting a representative sampling strategy will invest in some, but not all of the relevant constituent stocks/assets. For ETFs that invest directly in the underlying assets rather than through synthetic instruments issued by third parties, counterparty risk tends to be less of concern.

(b) Synthetic replication strategies

ETFs utilizing a synthetic replication strategy use swaps or other derivative instruments to gain exposure to a benchmark. Currently, synthetic replication ETFs can be further categorized into two forms:

i) Swap-based ETFs

Total return swaps allow ETF managers to replicate the benchmark performance of ETFs without purchasing the underlying assets.

Swap-based ETFs are exposed to counterparty risk of the swap dealers and may suffer losses if such dealers default or fail to honor their contractual commitments.

ii) Derivative embedded ETFs

ETF managers may also use other derivative instruments to synthetically replicate the economic benefit of the relevant benchmark. The derivative instruments may be issued by one or multiple issuers.

Derivative embedded ETFs are subject to counterparty risk of the derivative instruments' issuers and may suffer losses if such issuers default or fail to honor their contractual commitments.

Even where collateral is obtained by an ETF, it is subject to the collateral provider fulfilling its obligations. There is a further risk that when the right against the collateral is exercised, the market value of the collateral could be substantially less than the amount secured resulting in significant loss to the ETF.

B(4) Listed Equity Linked Instruments ("ELI")

Exchange traded ELI are structured products which are marketed to retail and institutional investors who want to earn a higher interest rate than the rate on an ordinary time deposit and accept the risk of repayment in the form of the underlying shares or losing some or all of their investment. Similar to other securities, I/we can buy or sell exchange traded ELI anytime during the securities market's trading hours.

When I/we purchase an ELI, I/we are indirectly writing an option on the underlying shares. If the market moves as I/we expected, I/we earn a fixed return from my/our investment which is derived mainly from the premium received on writing the option. If the market moves against my/our view, I/we may lose some or all of my/our investment or receive shares worth less than the initial investment.

Risk involved in trading ELI

Exposure to equity market: I/We are exposed to price movements in the underlying security and the stock market, the impact of dividends and corporate actions and counterparty risks. I/We must also be prepared to accept the risk of receiving the underlying shares or a payment less than my/our original investment.

Possibilities of losing investment: I/We may lose part or all of my/our investment if the price of the underlying security moves against my/our investment view.

Price adjustment: I/We should note that any dividend payment on the underlying security may affect its price and the payback of the ELI at expiry due to ex-dividend pricing. I/We should also note that issuers may make adjustments to the ELI due to corporate actions on the underlying security.

Interest rates: While most ELI offer a yield that is potentially higher than the interest on fixed deposits and traditional bonds, the return on investment is limited to the potential yield of the ELI.

Potential yield: There are fees and charges related to the purchase and sale of ELI and payment / delivery at expiry. The potential yields disseminated by Exchange have not taken fees and charges into consideration.

Obligation of liquidity providers: Obligations of liquidity providers for an ELI are specified in the listing document, including, among other things: (1) circumstances under which liquidity will and will not be provided; (2) the minimum quantity of the ELI (at least 10 board lots) for which liquidity is provided; and (3) the maximum bid/ask spread per quote. In the event that a liquidity provider defaults or ceases to fulfill its role, I/we may not be able to buy or sell the product until a new liquidity provider has been assigned.

The information in relation to this Clause 36 "Risk Disclosure Statement – Exchange Traded Derivative Products and/or Structured Products" is quoted from the website of Hong Kong Exchange and Clearing Limited ("HKEx"). For further information, please refer to the website of HKEx (<http://www.hkex.com.hk/eng/index.htm>).

#### 37. Risk of Trading Options

The risk of loss in trading options is substantial in some circumstances, I/we may sustain losses in excess of my/our 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. I/We may be called upon at short notice to deposit additional margin funds. If the required liable funds are not provided within the prescribed time, my/our position may be liquidated. I/We will remain liable for any resulting deficit in my/our Account. I/We should therefore study and understand options before I/we trade and carefully consider whether such trading is suitable in the light of my/our own financial position and investment objectives. If I/we trade options, I/we should understand the exercise and expiration procedures and my/our rights obligations upon exercise or expiry.

#### 40. Risk of Trading Renminbi Securities or Investing in Renminbi Investments

Exchange risks and Daily Conversion Limit, etc.

RMB is currently not freely convertible and there may at any given time be limited availability of RMB outside Mainland China. There is conversion risk in RMB denominated securities, and daily or other limits may apply to conversion amounts. If converting to or from RMB in Hong Kong, I/we may have to allow sufficient time to avoid exceeding such limits. In addition, there is a liquidity risk associated with RMB denominated securities, especially if such securities do not have an active secondary market and their prices have large bid/offer spreads.

Investment in RMB denominated securities is subject to exchange rate risks. The value of the RMB against any other foreign currencies fluctuates and is affected by changes in Mainland China and international political and economic conditions and by many other factors. The value of RMB settlement amounts compared to other currencies will vary with the prevailing exchange rates in the market.

For RMB products which are not denominated in RMB or with underlying investments which are not RMB-denominated, such products will be subject to multiple currency conversion costs involved in making investments and liquidating investments, as well as the RMB exchange rate fluctuations and bid/offer spreads when assets are sold to meet redemption requests and other capital requirements (e.g. settling operating expenses).

#### Limited availability of underlying investments denominated in RMB

For RMB products that do not have access to invest directly in Mainland China, their available choice of underlying investments denominated in RMB outside Mainland China may be limited. Such limitation may adversely affect the return and performance of the RMB products.

#### Projected returns which are not guaranteed

If the RMB investment product is attached with a statement of illustrative return which is (partly) not guaranteed, I/we should pay particular attention to any disclosure relating to the return (or the part of the return, as the case may be) which is not guaranteed and the assumptions on which the illustrations are based, including, e.g., any future bonus or dividend declaration.

#### Long term commitment to investment products

For RMB products which involve a long period of investment, I/we should pay particular attention to the fact that if he redeems the investment before the maturity date or during the lock-up period (if applicable), I/we may incur a significant loss of principal where the proceeds may be substantially lower than the invested amount. I/we should beware of the early surrender/withdrawal fees and charges, if any, as well as the loss of bonuses (where applicable) as a result of redemption before the maturity date or during the lock-up period.

#### Credit risk of counterparties

I/we should pay particular attention to the credit risk of counterparties involved in the RMB products. To the extent that the RMB products may invest in RMB debt instruments not supported by any collateral, such products are fully exposed to the credit risk of the relevant counterparties. Where a RMB product may invest in derivative instruments, counterparty risk may also arise as the default by the derivative issuers may adversely affect the performance of the RMB product and result in substantial loss.

#### Interest rate risk

For RMB products which are, or may invest in, RMB debt instruments, I/we should pay attention to the fact that such instruments may be susceptible to interest rate fluctuations, which may adversely affect the return and performance of the RMB products.

#### Liquidity Risk

I/we should pay attention to the liquidity risk associated with the RMB products, and where applicable, the possibility that the RMB products may suffer significant losses in liquidating the underlying investments, especially if such investments do not have an active secondary market and their prices have large bid/offer spreads.

#### Possibility of not receiving RMB upon redemption

For RMB products with a significant portion of non-RMB denominated underlying investments, I/we should pay attention to the possibility of not receiving the full amount in RMB upon redemption. This may be the case if the issuer is not able to obtain sufficient amount of RMB in a timely manner due to the exchange controls and restrictions applicable to the currency.

#### Additional risks associated with leveraged trading

Prior to conducting leveraged trading of RMB products, I/we should make sure that I/we understand and accept the risks and the terms and conditions of the borrowing arrangement. Leveraging heightens the investment risk by magnifying prospective losses. I/we should pay attention to the circumstances under which I/we will be required to place additional margin deposits at short notice and that my/our collateral may be liquidated without my/our consent. I/we should beware of the risk that market conditions may make it impossible to execute contingent orders, such as "stop-loss" orders. In addition, I/we should be mindful of the exposure to interest rate risk, and in particular, the cost of borrowing may increase due to interest rate movements."

Please notify us in writing of your objection to the above revised amendments before the Effective Date if you do not accept the above amendments so that appropriate arrangements can be made to discontinue the services. Please note that the above amendments shall be binding on you and you will be deemed to have consented to the above revised amendments if you continue using such services after the Effective Date.

Please contact our branches or our customer service hotline 2852 5568 if you have any enquiries.