

恒大證券(香港)有限公司  
恒大期貨(香港)有限公司

Evergrande Securities (Hong Kong) Limited  
Evergrande Futures (Hong Kong) Limited

客 戶 協 議 書

Client Agreement

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**Section 1 – Introduction**

This Agreement and the documents to be signed under it are intended to create legal relations between Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) and the Client.

“Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong)” refer to Evergrande Securities (Hong Kong) Limited and Evergrande Futures (Hong Kong) Limited.

“Client” refers to any person or legal entity identified in the Client Agreement and any individual who is notified to Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) in writing as authorized by the Client to give Instructions to Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) on the Client’s behalf (“Authorized Persons”).

Clients who have any cash, margin, futures, stock options and/or asset management trading accounts with Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) are all bound by the general terms and conditions and the relevant supplements set out in this Agreement. The Client should therefore consult its own professional advisers prior to entering into the Agreement. This Agreement shall substitute and be exclusive of any prior terms of business between the Client and Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong).

Unless otherwise specified, the terms stated in this Agreement are subject to the interpretation of all Applicable Laws of Hong Kong Special Administrative Region (“HK SAR”) including but not limited to Securities and Futures Ordinance (Cap. 571) (“SFO”), together with all relevant sub-legislations and Codes & Guidelines issued by Securities and Futures Commission (“SFC”) and Rules/Guidance issued by The Stock Exchange of Hong Kong Limited (“SEHK”) and Hong Kong Futures Exchange Limited (“HKFE”) (collectively “Applicable Laws”).

Evergrande Securities (Hong Kong) Limited is an Exchange Participant (Broker No. 7707, 7708 and 7709) of the SEHK, whose registered office is located at Room 2004-06, 20/F, China Evergrande Centre, 38 Gloucester Road, Wan Chai, Hong Kong. It is a licensed corporation (CE No. AFE504) to carry on regulated activities (Type 1, 4, 6 and 9) under the SFO.

Evergrande Futures (Hong Kong) Limited carries on business of trading in commodity futures and options contracts. Its registered office is located at Room 2004-06, 20/F, China Evergrande Centre, 38 Gloucester Road, Wan Chai, Hong Kong. It is an Exchange Participant of HKFE and is a licensed corporation (CE No. AJD535) to carry on regulated activities (Type 2 and 5) under the SFO.

## Section 2 – General Terms and Conditions

### 1. Account

- 1.1 Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) will open, operate and maintain one or more accounts with the Client in accordance with the terms and conditions set out in this Agreement.
- 1.2 Any order, notice or communication (“Instructions”) shall be given by the Client or on the Client’s behalf by and Authorized Person orally or in writing or in such other form as Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) and the Client may agree.

### 2. Dealing

- 2.1 Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) shall be entitled but not bound to act on an Instruction either orally or in writing from the Client and its Authorized Persons to carry out a transaction. All such Instructions from the Client shall be irrevocable, unless otherwise specified and Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) shall be entitled to act upon as agent, and to act as it thinks fit as a consequence of, any such instruction.
- 2.2 Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) reserve the right to refuse execution of any Instructions for and on behalf of the Client when Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) think fit. In case Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) decline to accept or act on an Instruction, it will take reasonable steps to notify the Client, but will not be liable for any loss incurred by the Client for failure to notify.
- 2.3 Unless the Client gives specific Instructions to Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong), the Client acknowledges that Instructions are good only for the official trading day of the exchange in respect of which they are given.
- 2.4 Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) may, without giving prior notice to Client, match or combine the Client’s orders with those of other clients provided that the execution price of the Instructions would not be less favourable than that could have been achieved if the Instruction is executed individually.
- 2.5 Upon placing of sale order of securities which are not owned by the Client at the time of the sale (i.e. short selling), the Client hereby undertakes to:
  - a) make full and honest disclosure of such order(s) to Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong);
  - b) provide (without demand by Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong)) all documentary evidence in substantiation of the legality of the short selling subject to all Applicable Laws.
- 2.6 The Client understands and agrees that, for the mutual protection, Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) may electronically monitor and record any of the communication between Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) and the Client (including without limitation through telephone or internet) at the sole discretion of Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong). The Client also acknowledges that Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) are entitled to record by any media and in any manner.
- 2.7 In the event that Client places order(s) for sale or purchase of Renminbi-denominated securities, the Client acknowledges and agrees that (1) Renminbi is subject to exchange control and is not freely convertible, therefore transactions involving Renminbi-denominated securities may involve substantial exchange risks; (2) unless otherwise indicated by Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong), transactions of Renminbi-denominated securities will be settled in Renminbi; (3) if Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) is required to settle a transaction on behalf of Client by purchasing or selling Renminbi from or through the market, unless otherwise indicated by Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong), the exchange rate will be based on prevailing market rate determined by Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong).

### 3. Information

- 3.1 Following execution of the Client’s orders, Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) will confirm the execution details to the Client either orally or in writing. Such confirmations shall be conclusive and binding on the Client when it is not objected in writing by the Client within 24 hours after delivery.
- 3.2 Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) will also provide the Client with a monthly statement of accounts summarizing transactions that have been entered for the Client. Such monthly statement in the absence of manifest errors shall be conclusive in respect of all information set out therein and be deemed to be accepted if within 7 business days after the date of posted mail.

### 4. Fees and Commission

- 4.1 The Client will pay to Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong), on or before the settlement date for a transaction, such reasonable fees, charges and expenses as Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) may from time to time notify to the Client in advance, whether orally or in writing, together with all applicable levies, brokerage charges, transfer fees, registration fees, stamp duties and other liabilities, taxes, charges, costs and expenses, whatsoever incurred from the Client’s settlement obligation. If the Client fails to settle all the above charges before the due date as requested by

Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong), Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) are entitled to liquidate or realize the securities in Client's account by market price on the due date and, under any circumstances, Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) will not be liable for any loss suffered by the Client. Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) may also transfer any balance in Client's account to settle any outstanding debts or financial obligations.

- 4.2 If the disposal proceeds from liquidating the securities fail to cover all outstanding trading fees, the Client hereby undertakes to settle the balance as requested by Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong).
- 4.3 The Client hereby agrees to pay Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) any and all interest on overdue balance at such reasonable rate as Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) may from time to time determine in good faith.

## 5. Settlement

- 5.1 The Client shall provide Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) with cleared funds and make good delivery of securities in sufficient time to enable Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) to settle all transactions for the Client on the required settlement day.
- 5.2 Unless Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) or market practice requires otherwise, all payments and deliveries between Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) and the Client will be made on a delivery versus payment basis.
- 5.3 All currency exchange risks in respect of any transaction and/or settlement shall be entirely at the Client's risk and Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) are authorized to convert funds for the Client at such rate of exchange at the absolute discretion of Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong).

## 6. Custody

- 6.1 Any securities held by Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) for custody ("relevant securities"), at Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong)'s discretion may
- be registered in the Client's name or in the name of Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong)'s nominees; or
  - be deposited in safe custody in a designated account with Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong)'s bankers or any other institution which provides facilities for the safe custody of documents to the satisfaction of the SFC.
- 6.2 Where securities are not registered in the Client's name, any dividends or other benefits arising in respect of such securities shall, when received by Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong)'s nominee, be credited to the Client's account or paid or transferred to the Client, as agreed with the Client. Where the securities form part of a larger holding of identical securities held for Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong)'s Clients, the Client shall be entitled to the same share of the benefits arising on the holding as the Client's share of the total holdings.
- 6.3 If any loss is suffered or any expenses are incurred by Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) in connection with relevant securities in the event of any dividends or other distributions of benefits, the relevant account will be debited with the proportion of such loss equal to the proportion of the total number of amount of relative securities which shall comprise securities held on behalf of the Client.

## 7. Liability and Indemnity

- 7.1 The Client agrees to indemnify Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) or any of the staff and agent of Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) against all loss and/or liabilities which may be incurred, suffered directly or indirectly in connection with, arising out of the performance of any of Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong)'s duties or the exercise of any of its powers, discretions under this Agreement, any breach by the Client of its obligations to Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) or of the terms under this Agreement.
- 7.2 Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) shall not be liable for any delay or failure to perform obligations and any losses, damages or costs as long as they have acted in good faith. Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) shall also not be held responsible for any undesirable consequences resulting from any direct or indirect uncontrollable events including but without limitation to social, political or economical unforeseeable circumstances which are beyond Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong)'s control.
- 7.3 If Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) solicit the sales of or recommend any financial product to the Client, the financial product must be reasonably suitable for the Client having regard to his/her financial situation, investment experience and investment objectives. No other provision of this agreement or any other document Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) may ask the Client to sign and no statement Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) may ask the Client to make derogates from this clause.

Note: Financial product” means any securities, futures contracts or leveraged foreign exchange contracts as defined under the SFO.

## 8. Set-off, lien and Combination of Accounts

- 8.1 Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) are hereby authorized by the Client to combine and consolidate at any time and without notice to the Client any or all of the Client’s accounts held with Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong), in order to set-off, transfer or apply monies, securities or other property in such accounts in satisfaction of the obligations and liabilities of the Client owed to Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) and such obligations and liabilities may be actual or contingent, primary or collateral, secured or unsecured, joint or several. When such combination, consolidation, set-off or transfers requires the conversion of one currency to another, such conversion shall be at a rate of exchange determined on the basis of the then-prevailing market rates of exchange between the two currencies.
- 8.2 Until any amount owed to Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) have been paid in full, Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) shall hold as security and subject to a general lien in favour of Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) regarding all money, securities and other property of the Client held from time to time by Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong).

## 9. Trust Accounts

- 9.1 For all money or other property received by Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) from the Client other than settlement purpose shall be held by Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) and within a reasonable time from the receipt of such money or other property by Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) shall be segregated from Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong)’s own assets and paid into a segregated client trust account maintained with a licensed bank as required by Applicable Laws from time to time.
- 9.2 The Client hereby agrees that Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) are entitled to credit the Client account at an interest rate other than those received from the Client’s money deposited in the segregated client trust account.

## 10. Default

### 10.1 In the event that

- a. Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) deem it necessary to comply with any rules, regulations of any relevant exchange, clearing house or broker; or
- b. the Client or any guarantor of the Client’s obligations hereunder shall become bankrupt, insolvent by reason of its inability to pay its debts as they fall due, enter into liquidation whether voluntarily or involuntarily, or shall have appointed a receiver for all or any part of its assets, or suffer the filing of a petition for its winding-up or similar action in consequence of a debt or if the Client or any guarantor of the Client’s obligations hereunder otherwise becomes (voluntarily or involuntarily) the subject of any equivalent procedures under any relevant bankruptcy, liquidation, reorganization or similar law; or
- c. if, in the opinion of Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong), the Client has breached any material terms of this Agreement; or
- d. the Client or any guarantor of the Client’s obligations hereunder defaults in respect of any transaction with Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) to which it is a party of; or
- e. any warrant or order of attachment or distress or equivalent order is issued against any of the Client’s accounts with Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) or a judgment is levied, enforced or executed against any such account; or
- f. a judicial declaration of incompetence is made in respect of the Client, or the Client deceased; or
- g. the Client is diagnosed by a qualified medical practitioner to be suffering from mental illness, disease or disorder,

then all amounts owing by the Client to Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) shall become immediately payable on demand, and interest will accrue if such amounts remain unpaid for more than the date after the demand by Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong), at such reasonable rate as Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) may from time to time determine in good faith on the amounts outstanding, the further performance by Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) of any of its outstanding obligations to the Client under this Agreement (whether for the payment of money or otherwise) shall be conditional upon the Client having fully discharged all its obligations to Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) under this Agreement, and Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) shall be entitled at its absolute discretion, without further notice or demand, to forthwith:

- a. cancel any open orders;
- b. sell any or all securities long in the Client’s account;
- c. buy any or all securities which may be short in the Client’s account;
- d. close out all positions held in the Client’s account;

- e. close the account; or
  - f. exercise any of its rights under this Agreement
- 10.2 Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) may at its absolute discretion apply the net proceeds (after deduction of all fees, cost and expenses incurred in connection with the exercise of the powers conferred on Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) or actually received by Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) pursuant to this Agreement) in reduction of the Client's then outstanding obligations to Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) in such order or manner as Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) consider fit.

## 11. Representations and Warranties

- 11.1 The Client warrants and represents (on a continuing basis) that
- a. he has read and understood the risk disclosures set out in Section 4 - RISK DISCLOSURE STATEMENTS AND DISCLAIMERS.
  - b. he enters into this Agreement as principal and is not trading on behalf of any other persons (except where notified to and expressly approved by Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong));
  - c. all information provided by him to Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) is complete, accurate and not misleading in all material respects and that Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) are entitled to rely on all such information until Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) receive written notice from the Client of any change;
  - d. he has full power and legal capacity to enter into and perform his obligations under this Agreement;
  - e. he and all his Authorized Persons have requisite consents and authorizations to act in relation to this Agreement and any transaction or contract entered into pursuant to this Agreement at all times;
  - f. he will not charge, pledge or allow any charge or pledge over the Client's securities or monies in his account or grant or purporting to grant an option over any securities or monies in his account without the prior written consent of Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong).
- 11.2 The Client will notify Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) immediately of any change in the information provided to Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong).
- 11.3 Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) will notify the Client of any material change in its name, address and Hong Kong regulated status.

## 12. Notices

- 12.1 All notice or communication given by Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) to the Client shall be deemed made or given:
- a. at the time of dispatch or transmission if delivered personally, by fax, electronic means or telephone, or
  - b. two business days after the date of posting if sent by ordinary mail;
  - c. seven business days after the date of posting if sent by air mail.
- 12.2 The Client expressly consents to Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) sending any notice or communication to the Client by electronic means and receiving the same in electronic form.

## 13. Compensation Fund

- 13.1 If the Client suffers pecuniary loss by reason of Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong)'s default, the Client understands that he could seek compensation under the Investor Compensation Fund established under the SFO. However, the right to claim will be restricted to extent provided for therein.

## 14. General Provisions

- 14.1 Time shall be of the essence in relation to all matters arising under this Agreement.
- 14.2 Each of the provision in this Agreement is several and distinct from the others and if any one or more so such provisions is or becomes invalid or unenforceable, the validity, legality and enforceability of the remaining provision shall not in any way be affected or impaired thereby.
- 14.3 Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) shall have the right to assign, transfer or otherwise dispose of all or any of its rights or interests in or under this Agreement to any third party as it thinks fit and without any prior notice to the Client. The Client shall not be entitled to assign, transfer or otherwise dispose of any of its rights and obligations under these terms.
- 14.4 Where the Client is acting as agent for one or more principals, the provision of Schedule 1 will apply.
- 14.5 Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) are entitled and hereby authorized to conduct a credit enquiry or check on the Client for the purpose of ascertaining the financial situation and investment objectives of the Client.
- 14.6 Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) will keep information related to the Client and its account confidential, save where Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) are required to disclose its details to the relevant exchange, securities regulators, government

agencies, or to any persons pursuant to any court orders or statutory provisions. Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) will comply with such requests without notice to or consent from the Client.

14.7 Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) may from time to time in its absolute discretion add, amend, delete or substitute any of the terms in this Agreement by sending to the Client a written notice of such changes which will become effective from the date specified in such notice which date shall not be a date earlier than the notice. The Client shall be deemed to accept the amendments of the terms to this Agreement if he has not closed his account.

#### **15. Joint Account**

15.1 If the Client is a joint account holders, its obligations and liabilities under this Agreement shall be joint and several and Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) may at its absolute discretion take actions against any or all of the account holders. Any notice, payment or delivery by Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) to either or any one of the joint account holders shall be a full sufficient discharge of Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong)'s obligations to notify, pay or deliver under this Agreement.

15.2 If any one of the Clients deceased, Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) may, in its absolute discretion, treat the death of the Client as a default under this Agreement and take such action as Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) shall deem fit, or accept and treat the Instructions of the surviving Client as an affirmation of the validity of this Agreement.

#### **16. Termination**

16.1 Either party may terminate this Agreement at any time on the giving of no less than 7 business days' written notice to the other.

16.2 Any revocation or termination, however, shall not affect any transaction entered into by Client pursuant to this Agreement or the continued operation of this Agreement on other accounts not terminated before written notice of revocation or termination has been actually received by Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) and its subsidiaries or any rights of Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) hereunder existing at such time and all obligations of the Client to Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) shall remain in full force and effect and shall be enforceable notwithstanding such revocation or termination.

#### **17. Governing Law**

17.1 This Agreement and all rights, obligations and liabilities under the same shall be governed by, construed and enforced in accordance with the laws of Hong Kong Special Administrative Region of the People's Republic of China.



**Schedule 1****Client Acting as Intermediaries**

- 1.1 The Client represents and warrants (on a continuing basis) that where the Client is acting as agent for one or more principals (its "Customers"):
- a. the Client has all necessary licenses to act on behalf of its Customers, and is duly authorized by each Customer to deal in securities on the Customer's behalf, including having sufficient authority to grant security over the Customer's assets, and that all transactions effected on the Customer's behalf will constitute valid and legally binding obligations of the Client;
  - b. the Client, and not Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong), is responsible for ascertaining the information about the Customers which is required to meet applicable "know your client" and anti-money laundering laws and rules, and for ascertaining the suitability of the Customers for the transactions effected on their behalf by the Customer;
  - c. he is not subject to any law which prohibits its performance of the obligations set in paragraph 1.2 below or, if it is subject to such law, that the Client or its Customers (as defined below) as the case may be, have waived such requirement or consented in writing to the performance by the Client of such obligations; and
  - d. the Client and its Customer(s) shall be jointly and severally liable for all liabilities and obligations under this Agreement.
- 1.2 Where the Client effects transactions for the account of its Customers, whether on a discretionary or non-discretionary basis, and whether as agent or by matching transactions as principal with its Customers, the Client hereby agrees that in relation to a transaction where Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) have received an enquiry from any regulator, the following provisions shall apply:
- a. subject as provided below, the Client shall, immediately upon request by Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) (which request shall include the relevant contact details of the regulator) inform the regulators of the identity, address, occupation and contact details of the Customers for whose account the transaction was effected (or in the case of a back to back principal transaction, the counterparty with whom the Client is transacting) and (so far as is known to the Client) of the person with the ultimate beneficial interest in the transaction. The Client shall also inform the regulator of the identity, address, occupation and contact details of any third party (if different from the Client/the ultimate beneficiary) who originated the transaction;
  - b. if the Client effects the transaction for a collective investment scheme, discretionary account or discretionary trust, the Client shall immediately upon request by Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong), which request shall include the relevant contact details of the regulator, inform the regulators of the identity, address, occupation and contact details of the scheme, account or trust and, if applicable, the identity, address, occupation and contact details of the person who, on behalf of the scheme, account or trust, instructed the Client to effect the transaction;
  - c. If the Client effects the transaction for a collective investment scheme, discretionary account or discretionary trust, the Client shall as soon as possible, inform Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) when the Client's discretion to invest on behalf of the scheme, account or trust has been overridden. In the case where the Client's discretion has been overridden, the Client shall immediately upon request by Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong), which request shall include the relevant contact details of the regulator, inform the regulators of the identity, address, occupation and contact details of person(s) who has or have given the instruction in relation to the transaction;
  - d. if the Client is aware that its Customer is also acting as an intermediary for its underlying client(s), and the Client does not know the identity, address, occupation and contact details of the underlying client(s) for whom the transaction was effected, the Client hereby confirms that it:
    - i. has arrangements in place with its Customer which entitle the Client to obtain the information set out in sub-paragraph (a) and/or (b) of this paragraph 1.2 from its Customers immediately upon request or procure that it be obtained; and
    - ii. will, upon request by Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) in relation to a transaction (which request shall include the relevant contact details of the regulator), promptly request the information set out in sub-paragraph (a) and/or (b) of this paragraph 1.2 from its Customer on whose instructions the transaction was effected, and provide the information to the regulator as soon as it has been received from its Customer or procure that it be so provided.

## Section 3 - Electronic Trading Terms

### 1. Definitions

1.1 In this Section, unless the context requires otherwise, the following words and expressions shall have the following meanings:

“Access Code” means together the password and the login name.

“ETS” means Electronic Trading Services, which is the facility to enable Client to give electronic Instructions and to access the information via internet.

### 2. Electronic Trading Services

2.1 The Client acknowledges that it is at the Client's own risk in selecting ETS to send Instructions or receive other information relating to any Instructions in respect of any of the Client's account.

2.2 The Client warrants that he is only the authorized user of its Access Codes and he will be responsible for the confidentiality, use and application of the Access Code. The Client shall also be solely responsible for all Instructions entered through ETS using the password as provided by Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong). Neither Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) nor its staff or agents shall be liable to the Client or any person whose claim may arise from the account(s) with respect to the handling or loss of any Instruction.

2.3 The Client acknowledges that the ETS is proprietary to Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong). The Client warrants and undertakes that it shall not tamper with, modify, decompile, reverse, engineer or otherwise alter in any way, and gain unauthorized access to, any part of the ETS. Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) may take legal action against the Client, if it at any time breach this warranty and undertaking or if Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) at any time reasonably suspect the Client have breached the same. The Client undertakes to notify Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) immediately if it becomes aware that any of the actions described about in this paragraph is being perpetrated by any other person.

2.4 The Client acknowledges that the real-time quote and the message alert service that may be available through internet is provided by a third party appointed by Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) from time to time. The Client agrees that Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) shall not be responsible to Client or other parties for any losses incurred by failing to provide message alert service, and/or relying on real-time quote service for any investment products provided by ETS.

2.5 Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) shall not be liable for any losses in relation to any private or confidential Client information being stolen, disclosed or destroyed by hackers.

### 3. Instructions

3.1 The Client is responsible for the accuracy and adequacy of all Instructions and information communicated via ETS. Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) shall be entitled to rely and act on such Instructions and information as being accurate, complete and duly authorized by and binding on the Client. Any transactions executed by Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) in consequence of any such Instruction, information or use shall be binding on the Client regardless of whether or not it has in fact been effected through the Client's authority.

3.2 Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) shall not be responsible for delays in the transmission, receipt or execution of Instruction due to breakdown and failure of transmission, failure on communication facilities, unreliable medium of communication or to any other circumstances beyond the Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong)'s control or anticipation.

3.3 The Client shall keep his Access Code confidential and should not disclose it to any party. Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) shall not be responsible for the leakage of any data or information as contained in the Access Code (whether accidentally or negligently) of the Client.

### 4. Service Interruption

4.1 Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) may suspend any service provided to Client under ETS without notice where Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) consider it necessary or advisable to do so, for example, when there is a suspected breach of security or other reasons.

4.2 Where Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) consider it necessary, it may from time to time to suspend some or all of ETS for routine, non-routine or emergency maintenance. In the event of such a suspension being necessary, Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) will try its best endeavour to provide Client with a reasonable period of notice prior to the suspension.

4.3 Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) reserve absolute rights to nullify and/or void trades executed or transacted under significant deviation from the market price including but not limited to erroneous price information through data feed and any form of deviation such as machine breakdown, hacking, network disconnection, technical and/or human error etc. Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) reserve absolute and final decisions on the matter.

**5. Others**

- 5.1 Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) may in its sole discretion, from time to time, impose restrictions or limits on the Client's use of the Internet.
- 5.2 Either party may terminate the provision of this Section for whatever reason by seven business days' written notice to the other.

## Section 4 - Risk Disclosure Statements and Disclaimers

### A. Risk Disclosure Statements for Cash and Margin Account

#### 1. Risk of Securities Trading

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

#### 2. Risk of Trading Renminbi Securities or Making Renminbi Investments

##### 2.1 Currency Risk

Non-mainland Client who holds a local currency other than Renminbi will be exposed to currency risk if the Client invests in Renminbi products, as Renminbi is a restricted currency and subject to exchange controls. The Client may have to convert the local currency into Renminbi when investing in Renminbi products; however, there may at any given time be limited availability of Renminbi outside Mainland China. When the Client redeems/sells investment, the Client may also need to convert the Renminbi received upon redemption/sale of investment product into local currency during which the Client may incur currency conversion costs and be exposed to currency risk. Like other currencies, the exchange rate of Renminbi may rise or fall and Renminbi is subject to conversion restrictions and foreign exchange control mechanism.

##### 2.2 Secondary Market for Renminbi Products

There may not be any secondary market for Renminbi products. The Client should check with investment adviser or seek professional advice on the availability of secondary market for the Renminbi product the Client plans to invest and its liquidity. The Client should also find out whether the Renminbi product is subject to any lock-up period or heavy penalty or charges for early surrender or termination of product. The Client should consider carefully liquidity needs before committing to any investment.

##### 2.3 Investment/Market Risk

Like all other investments, Renminbi products are subject to investment risk and may not be principal protected, i.e. the assets that the products invest in or referenced to may fall as well as rise, resulting in gains or losses to the product. The Client may suffer a loss even if Renminbi appreciates.

##### 2.4 Liquidity Risk

Renminbi products are subject to liquidity risk as there may not be regular trading or an active secondary market. Therefore the Client may not be able to sell investment in the product on a timely basis, or the Client may have to sell the product at a deep discount to its value.

##### 2.5 Issuer/Counterparty Risk

Renminbi products are subject to credit and insolvency risks of their issuers. The Client should consider carefully the creditworthiness of the issuers before making investment. Furthermore, as Renminbi 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 Renminbi products and result in substantial losses.

#### 3. Risk of Trading Growth Enterprise Market Stocks

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

3.2 The Client should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors. Current information on GEM stocks may only be found on the internet website operated by the Stock Exchange of Hong Kong Limited. GEM companies are usually not required to issue paid announcements gazetted newspapers.

3.3 The Client should seek independent professional advice if it is uncertain of or has not understood any aspect of this risk disclosure statement or the nature and risks involved in trading of GEM stocks.

#### 4. Risk of Trading NASDAQ-AMEX Securities at the Stock Exchange of Hong Kong Limited

The securities under the Nasdaq-Amex Pilot Programme (PP) are aimed at sophisticated investors. The Client should consult its dealer and become familiarized with the PP before trading in the PP securities. The Client should be aware that PP securities are not regulated as a primary or secondary listing on the Main Board or the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited.

## **5. Risks of Client Assets Received or Held Outside Hong Kong**

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

### **B. Risk Disclosure Statements for Margin Account**

#### **1. Risk of Margin Trading**

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

#### **2. Risk of Providing an Authority to Repledge the Client's Securities Collateral etc**

There is risk if the Client provides Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) with an authority that allows it to apply the Client's securities or securities collateral pursuant to a securities borrowing and lending agreement, repledge the Client's securities collateral for financial accommodation or deposit the Client's securities collateral as collateral for the discharge and satisfaction of its settlement obligations and liabilities.

If the Client's securities or securities collateral are received or held by Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong), the above arrangement is allowed only if you consent in writing. Moreover, unless the Client is a professional investor, the Client's authority must specify the period for which it is current and be limited to not more than 12 months. If the Client is a professional investor, these restrictions do not apply.

Additionally, the Client's authority may be deemed to be renewed (i.e. without its written consent) if Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) issue the Client a reminder at least 14 days prior to the expiry of the authority, and the Client do not object to such deemed renewal before the expiry date of its then existing authority.

The Client is not required by any law to sign these authorities. But an authority may be required by Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) to facilitate margin lending to the Client or to allow the Client's securities or securities collateral to be lent to or deposited as collateral with third parties. Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) shall explain to the Client the purposes for which one of these authorities is to be used.

If the Client sign one of these authorities and the Client's securities or securities collateral are lent to or deposited with third parties, those third parties will have a lien or charge on the Client's securities or securities collateral. Although Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) are responsible to the Client for securities or securities collateral lent or deposited under the Client's authority, a default by it could result in the loss of your securities or securities collateral.

A cash account not involving securities borrowing and lending is available from most dealers. If the Client do not require margin facilities or do not wish its securities or securities collateral to be lent or pledged, do not sign the above authorities and ask to open this type of cash account only.

### **C. Risks in Relation to Transaction in Structured and Derivative Products**

The following paragraphs are intended as a general guide to highlight some basic risks associated with trading in structured or derivative products and shall not mean to cover all risks and other significant aspects. You should undertake such transactions only if you understand the nature and risks of the structured or derivative products into which the transaction(s) is/are entered into. Trading in structured or derivative products is not suitable to all investors. You should carefully consider whether relevant trading is appropriate taking into account your experience, objectives, financial resources and other relevant circumstances.

## **1. General Risk Associated with Structured Products**

### 1.1 Issuer default risk

In the event that a structured product issuer becomes insolvent and defaults on their listed securities, investors will be considered as unsecured creditors and will have no preferential claims to any assets held by the issuer. Investors should therefore pay close attention to the financial strength and credit worthiness of structured product issuers.

Note: "Issuers Credit Rating" showing the credit ratings of individual issuers is now available under the Issuer and Liquidity Provider Information sub-section under Derivative Warrants and under CBBCs section on the HKEx corporate website.

### 1.2 Uncollateralised product risk

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

### 1.3 Gearing risk

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

### 1.4 Expiry considerations

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

### 1.5 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.

### 1.6 Foreign exchange risk

Investors trading structured products 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 structured product price.

### 1.7 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, investors may not be able to buy or sell the product until a new liquidity provider has been assigned.

## **2. Specific Risk Associated with Derivative Warrants**

Derivative warrant trading involves high risks and is not suitable for every investor. Investors should understand and consider the following risks before trading in derivative warrants:

### 2.1 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.

### 2.2 Time decay

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

### 2.3 Volatility

Other factors being equal an increase in the volatility of the underlying asset should lead to a higher warrant price and a decrease in volatility lead to a lower derivative warrant price.

### 2.4 Market forces

In addition to the basic factors that determine the theoretical price of a derivative warrant, derivative warrant prices are also affected by all other prevailing market forces including the demand for and supply of the derivative warrants. Supply and demand forces may be greatest when a derivative warrant issue is almost sold out and when issuers make further issues of an existing derivative warrant issue.

### **3. Specific Risk Associated with Callable Bull/Bear Contract**

#### **3.1 Mandatory call**

CBBC are not suitable for all types of investors and investors should consider their risk appetite prior to trading. In any case, one should not trade in CBBC unless he/she 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. Brokers may charge their clients 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 investors 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.

#### **3.2 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.

#### **3.3 Movement with underlying asset**

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.

#### **3.4 Funding costs**

The issue price of a CBBC includes funding costs charged upfront for the entire period from launch to normal expiry. When a CBBC is called, the CBBC holders (investors) will lose the funding cost for the remaining period even though the actual period of funding for the CBBC turns out to be shorter. Investors should also note that the funding costs of a CBBC after launch may vary during its life.

#### **3.5 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 the investor may still be executed and confirmed by the investors 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, investors 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 HKEx will also send the list of Post MCE Trades to the relevant Exchange Participants (brokers) who in turn will inform their clients accordingly. For avoidance of doubt on whether their trades have been cancelled (i.e. whether they are Post MCE Trades), the investors may check with their brokers.

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

Investors trading CBBC with overseas underlying assets 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 the Exchange in the next trading session or soon after the issuer has notified the Exchange about the occurrence of the MCE. There will be no automatic suspension

of the CBBC by AMS/3. For Category R CBBC, valuation of the residual value will be determined on the valuation day according to the terms in the listing documents.

#### **4. Risks Involved In Trading Derivative Warrants**

Derivative warrant trading involves high risks and is not suitable for every investor. Investors should understand and consider the following risks before trading in derivative warrants.

##### **4.1 Gearing Risk**

Although derivative warrants may cost a fraction of the price of the underlying assets, a derivative warrant may change in value more or less rapidly than the underlying asset. In the worst case the value of the derivative warrants falls to zero and investors lose their entire purchase price.

##### **4.2 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.

##### **4.3 Time Decay**

One should be aware that other factors being equal the value of derivative warrants will decrease over time as they approach their expiry dates. Therefore, derivative warrants should never be viewed as products that are bought and held as long term investments.

##### **4.4 Volatility**

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

##### **4.5 Market Forces**

In addition to the basic factors that determine the theoretical price of a derivative warrant, derivative warrant prices are also affected by all other prevailing market forces including the demand for and supply of the derivative warrants. Supply and demand forces may be greatest when a derivative warrant issue is almost sold out and when issuers make further issues of an existing derivative warrant issue.

#### **5. Specific Risk Associated with Exchange Traded Funds (ETFs)**

##### **5.1 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. Investors must be prepared to bear the risk of loss and volatility associated with the underlying index/assets.

##### **5.2 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 detail below.)

##### **5.3 Trading at discount or premium**

An ETF may be traded at a discount or premium to its Net Asset Value (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.

##### **5.4 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 utilising 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 honour 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.

## **6 Specific Risk Associated with Equity Linked Instruments (ELI)**

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

Possibilities of losing investment - Investors may lose part or all of their investment if the price of the underlying security moves against their investment view.

Price adjustment - Investors 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. Investors 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 - Investors should consult their brokers on fees and charges related to the purchase and sale of ELI and payment / delivery at expiry. The potential yields disseminated by HKEx have not taken fees and charges into consideration.

## **7 Risk Disclosure Statement and Disclaimers for Futures Account**

### **A. Risk of Trading Futures and Options**

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

### **Additional Risk Disclosure For Futures And Options Trading Futures**

#### **1.1 Effect of "Leverage" or "Gearing"**

Transactions in futures carry a high degree of risk. The amount of initial margin is small relative to the value of the futures contract so that transactions are "leveraged" or "geared". A relatively small market movement will have a proportionately larger impact on the funds the Client have deposited or will have to deposit: this may work against as well as for the Client. The Client may sustain a total loss of initial margin funds and any additional funds deposited with the firm to maintain your position. If the market moves against the Client's position or margin levels are increased, the Client may be called upon to pay substantial additional funds on short notice to maintain the Client's position. If the Client fail to comply with a request for additional funds within the time prescribed, the Client's position may be liquidated at a loss and the Client will be liable for any resulting deficit.

#### **1.2 Risk-reducing orders or strategies**

The placing of certain orders (e.g. "stop-loss" orders, or "stop-limit" orders) which are intended to limit losses to certain amounts may not be effective because market conditions may make it impossible to execute such orders. Strategies using combinations of positions, such as "spread" and "straddle" positions may be as risky as taking simple "long" or "short" positions.

## **B. OPTIONS**

### **2.1 Variable degree of risk**

Transactions in options carry a high degree of risk. Purchasers and sellers of options should familiarize themselves with the type of option (i.e. put or call) which they contemplate trading and the associated risks. The Client should calculate the extent to which the value of the options must increase for its position to become profitable, taking into account the premium and all transaction costs. The purchaser of options may offset or exercise the options or allow the options to expire. The exercise of an option results either in a cash settlement or in the purchaser acquiring or delivering the underlying interest. If the option is on a futures contract, the purchaser will acquire a futures position with associated liabilities for margin (see the section on Futures above). If the purchased options expire worthless, the Client will suffer a total loss of its investment which will consist of the option premium plus transaction costs. If the Client is contemplating purchasing deep-out-of-the money options, it should be aware that the chance of such options becoming profitable ordinarily is remote. Selling ("writing" or "granting") an option generally entails considerably greater risk than purchasing options. Although the premium received by the seller is fixed, the seller may sustain a loss well in excess of that amount. The seller will be liable for additional margin to maintain the position if the market moves unfavourably. The seller will also be exposed to the risk of the purchaser exercising the option and the seller will be obligated to either settle the option in cash or to acquire or deliver the underlying interest. If the option is on a futures contract, the seller will acquire a position in a futures contract with associated liabilities for margin (see the section on Futures above). If the option is "covered" by the seller holding a corresponding position in the underlying interest or a futures contract or another option, the risk may be reduced. If the option is not covered, the risk of loss can be unlimited. Certain exchanges in some jurisdictions permit deferred payment of the option premium, exposing the purchaser to liability for margin payments not exceeding the amount of the premium. The purchaser is still subject to the risk of losing the premium and transaction costs. When the option is exercised or expires, the purchaser is responsible for any unpaid premium outstanding at that time.

## **C. ADDITIONAL RISKS COMMON TO FUTURES AND OPTIONS**

### **3.1 Terms and conditions of contracts**

The Client should ask the firm with which it deals about the terms and conditions of the specific futures or options which it are trading and associated obligations (e.g. the circumstances under which it may become obliged to make or take delivery of the underlying interest of a futures contract and, in respect of options, expiration dates and restrictions on the time for exercise). Under certain circumstances the specifications of outstanding contracts (including the exercise price of an option) may be modified by the exchange or clearing house to reflect changes in the underlying interest.

### **3.2 Suspension or restriction of trading and pricing relationships**

Market conditions (e.g. illiquidity) and/or the operation of the rules of certain markets (e.g. the suspension of trading in any contract or contract month because of price limits or "circuit breakers") may increase the risk of loss by making it difficult or impossible to effect transactions or liquidate/offset positions. If the Client has sold options, this may increase the risk of loss. Further, normal pricing relationships between the underlying interest and the futures, and the underlying interest and the option may not exist. This can occur when, for example, the futures contract underlying the option is subject to price limits while the option is not. The absence of an underlying reference price may make it difficult to judge "fair" value.

### **3.3 Deposited cash and property**

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

### **3.4 Commission and other charges**

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

### **3.5 Transactions in other jurisdictions**

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

### 3.6 Currency risks

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

### 3.7 Trading facilities

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

### 3.8 Off-exchange transactions

In some jurisdictions, and only then in restricted circumstances, firms are permitted to effect off exchange transactions. The firm with which the Client deals may be acting as its counterparty to the transaction. It may be difficult or impossible to liquidate an existing position, to assess the value, to determine a fair price or to assess the exposure to risk. For these reasons, these transactions may involve increased risks. Off-exchange transactions may be less regulated or subject to a separate regulatory regime. Before you undertake such transactions, the Client should familiarize yourself with applicable rules and attendant risks.

## HKFE Disclaimer

Stock indices and other proprietary products upon which contracts traded on Hong Kong Futures Exchange Limited (the "Exchange") may be based may from time to time be developed by the Exchange. The HKFE Taiwan Index is the first of such stock indices developed by the Exchange. The HKFE Taiwan Index and such other indices or proprietary products as may from time to time be developed by the Exchange (the "Exchange Indices") are the property of the Exchange. The process of compilation and computation of each of the Exchange Indices is and will be the exclusive property of and proprietary to the Exchange. The process and basis of compilation and computation of the Exchange Indices may at any time be changed or altered by the Exchange without notice and the Exchange may at any time require that trading in and settlement of such futures or options contracts based on any of the Exchange Indices as the Exchange may designate be conducted by reference to an alternative index to be calculated. The Exchange does not warrant or represent or guarantee to any Member or any third party the accuracy or completeness of any of the Exchange Indices or their compilation and computation or any information related thereto and no such warranty or representation or guarantee of any kind whatsoever relating to any of the Exchange Indices is given or may be implied. Further, no responsibility or liability whatsoever is accepted by the Exchange in respect of the use of any of the Exchange Indices or for any inaccuracies, omissions, mistakes, errors, delays, interruptions, suspensions, changes or failures (including but not limited to those resulting from negligence) of the Exchange or any other person or persons appointed by the Exchange to compile and compute any of the Exchange Indices in the compilation and computation of any of the Exchange Indices or for any economic or other losses which may be directly or indirectly sustained as a result thereof by any Member or any third party dealing with futures or options contracts based on any of the Exchange Indices. No claims, actions or legal proceedings may be brought by any Member or any third party against the Exchange in connection with or arising out of matters referred to in this disclaimer. Any Member or any third party engages in transactions in futures and options contracts based on any of the Exchange Indices in full knowledge of this disclaimer and can place no reliance on the Exchange in respect of such transactions.

## Disclaimer - HSI and Sub-Index Futures

The Hang Seng Index and each of the four Sub-indices of the Hang Seng Index (namely Hang Seng Finance Sub-index, Hang Seng Utilities Sub-index, Hang Seng Properties Sub-index and Hang Seng Commerce & Industry Sub-index (collectively "**the Hang Seng Sub-indices**")), their respective marks, names and processes of compilation and computation are the exclusive property of and proprietary to Hang Seng Data Services Limited and are published, compiled and computed by HSI Services Limited. HSI Services Limited has granted to the SEHK by way of license the use of the Hang Seng Index and the Hang Seng Sub-indices solely for the purposes of and in connection with the creation, marketing and trading of futures contracts based on the Hang Seng Index and the Hang Seng Sub-indices (collectively "**the Futures Contracts**"). The process and basis of compilation and computation of Hang Seng Index and each of the Hang Seng Subindices and any of the related formula or formulae, constituent stocks and factors may at any time be changed or altered by HSI Services Limited without notice and the HKFE may at any time require that trading in and settlement of such of the Futures Contracts as the HKFE may designate be conducted by reference to an alternative index or alternative indices to be calculated. Neither the HKFE nor Hang Seng Data Services Limited nor HSI Services Limited warrants or represents or guarantees to any Exchange Participant or any third party the accuracy or completeness of the Hang Seng Index and/or any of the Hang Seng Sub-indices and its compilation and computation or any information related thereto and no such warranty or representation or guarantee of any kind whatsoever relating to the Hang Seng Index and/or any of the Hang Seng Sub-indices is given or may be implied. Further, no responsibility or liability whatsoever is accepted by the HKFE, Hang Seng Data Services Limited

or HSI Services Limited in respect of the use of the Hang Seng Index and/or any of the Hang Seng Sub-indices for the purposes of and in connection with the Futures Contracts and/or dealings therein, or for any inaccuracies, omissions, mistakes, errors, delays, interruptions, suspension, changes or failures (including but not limited to those resulting from negligence) of HSI Services Limited in the compilation and computation of the Hang Seng Index and/or any of the Hang Seng Sub-indices or for any economic or other losses which may be directly or indirectly sustained as a result thereof by any Exchange Participant or any third party dealing with the Futures Contracts. No claims, actions or legal proceedings may be brought by and Exchange Participant or any third party against the HKFE and/or Hang Seng Data Services Limited and/or HSI Services Limited in connection with or arising out of matters referred to in this disclaimer. Any Exchange Participant or any third party deals in the Futures Contracts in full knowledge of this disclaimer and can place no reliance whatsoever on the HKFE, Hang Seng Data Services Limited and/or HSI Services Limited.

### **Disclaimer - HSI Options**

The Hang Seng Index and each of the four Sub-indices of the Hang Seng Index (namely Hang Seng Finance Sub-index, Hang Seng Utilities Sub-index, Hang Seng Properties Sub-index and Hang Seng Commerce & Industry Sub-index (collectively "the Hang Seng Sub-indices"), their respective marks, names and processes of compilation and computation are the exclusive property of and proprietary to Hang Seng Data Services Limited and are published, compiled and computed by HSI Services Limited. HSI Services Limited has granted to the HKFE by way of license the use of the Hang Seng Index and the Hang Seng Sub-indices solely for the purposes of and in connection with the creation, marketing and trading of index option contracts based on the Hang Seng Index and the Hang Seng Sub-indices (collectively "the Index Option Contracts"). The process and basis of compilation and computation of Hang Seng Index and each of the Hang Seng Sub-indices and any of the related formula or formulae, constituent stocks and factors may at any time be changed or altered by HSI Services Limited without notice and the HKFE may at any time require that trading in and settlement of such of the Index Option Contracts as the HKFE may designate be conducted by reference to an alternative index or alternative indices to be calculated. Neither the HKFE nor Hang Seng Data Services Limited nor HSI Services Limited warrants or represents or guarantees to any Exchange Participant or any third party the accuracy or completeness of the Hang Seng Index and/or any of the Hang Seng Sub-indices and its compilation and computation or any information related thereto and no such warranty or representation or guarantee of any kind whatsoever relating to the Hang Seng Index and/or any of the Hang Seng Sub-indices is given or may be implied. Further, no responsibility or liability whatsoever is accepted by the HKFE, Hang Seng Data Services Limited or HSI Services Limited in respect of the use of the Hang Seng Index and/or any of the Hang Seng Sub-indices for the purposes of and in connection with the Index Option Contracts and/or dealings therein, or for any inaccuracies, omissions, mistakes, errors, delays, interruptions, suspension, changes or failures (including but not limited to those resulting from negligence) of HSI Services Limited in the compilation and computation of the Hang Seng Index and/or any of the Hang Seng Sub-indices or for any economic or other losses which may be directly or indirectly sustained as a result thereof by any Exchange Participant or any third party dealing with the Index Option Contracts. No claims, actions or legal proceedings may be brought by any Exchange Participant or any third party against the HKFE and/or Hang Seng Data Services Limited and/or HSI Services Limited in connection with or arising out of matters referred to in this disclaimer. Any Exchange Participant or any third party deals in the Index Option Contracts in full knowledge of this disclaimer and can place no reliance whatsoever on the HKFE, Hang Seng Data Services Limited and/or HSI Services Limited.

### **8 Risk of using the Electronic Services under the On-line Trading Agreement**

- a. If the Client undertakes transactions via Electronic Services, it will be exposed to risks associated with the Electronic Services system including the failure of hardware and software, the result of any system failure cause its order is either not executed according to your Instructions or is not executed at all;
- b. Electronic Services may not be reliable due to unpredictable on-line traffic congestion and other reasons. So transactions conducted via Electronic Services may be subject to delays in transmission and receipt of its Instructions or other Information, delays in execution or execution of its Instructions at prices different from those prevailing at the time its Instructions were given, transmission interruption or blackout. There are risks of misunderstanding or errors in communication, and that there is also usually not possible to cancel an Instruction after it has been given. Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) accept no responsibility for any loss which may be incurred by the Client as a result of such interruptions or delays or access by third parties. The Client should not place any Instruction with us via Electronic Services if it is not prepared to accept the risk of such interruptions or delays; and market data and other information made available to the Client through our Electronic Service may be obtained by Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) from third parties. While Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) believe such market data or information to be reliable, neither Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) nor such third parties guarantees the accuracy, completeness or timeliness of any such market data or information.

### **9 Risk Disclosure Statements for all Types of Accounts**

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

If the Client provide Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) with an authority to hold mail or to direct mail to third parties, it is important for the Client to promptly collect in person all contract notes and statement of its account and review them in details to endure that any anomalies or mistakes can be detected in a timely fashion.

## Section 5 - Margin Trading Terms

### 1. Definitions

1.1 In this Section, unless the context requires otherwise, the following words and expressions shall have the following meanings:

“Acceptable Value” means the discounted market value of the collateral.

“Charge” means the charge over the Collateral.

“Charged Securities” means any shares, stocks, debentures, loan stocks, money, bonds, or notes or other similar instruments of any kind whatsoever or any rights, title or interest arising from it, which is pledged to Evergrande Securities (Hong Kong).

“Credit Facilities” means all or any of the credit facilities agreed to be made available or granted from time to time by Evergrande Securities (Hong Kong) to the Client, including all amounts debited to the Margin Account.

“Collateral” means such monies or assets of the Client charged to Evergrande Securities (Hong Kong) as continuing security for the Credit Facilities granted by Evergrande Securities (Hong Kong) and for performance of all obligations of the Client to Evergrande Securities (Hong Kong) from time to time.

“Margin Account(s)” means the margin securities trading accounts(s) which the Client established with Evergrande Securities (Hong Kong) pursuant hereto to govern the purchase and sale of securities effected by Evergrande Securities (Hong Kong) as agent on behalf of the Client and in respect of which Evergrande Securities (Hong Kong) provides the Client with the Credit Facilities.

### 2. Credit Facilities

2.1 The Client shall be granted Credit Facilities from Evergrande Securities (Hong Kong) up to a maximum aggregate principal amount determined by Evergrande Securities (Hong Kong) at its sole discretion and notified to the Client from time to time.

2.2 The Client also understands that Evergrande Securities (Hong Kong) may withdraw any Credit Facilities granted to the Client if any of the following circumstance apply:

- a. if the Client is in default of any provision set out in this Agreement; or
- b. in the opinion of Evergrande Securities (Hong Kong) there is or has been a material adverse change in the Client's financial condition or in the financial condition of any person which might adversely affect the Client's ability to discharge its liabilities or perform its obligations under this Agreement; or
- c. make an advance would cause the applicable ratios to be exceeded.

2.3 The Client shall on demand from Evergrande Securities (Hong Kong) make payments of deposits or margins in cash, securities or otherwise in amounts agreed with Evergrande Securities (Hong Kong) or which may be required by the rules of any exchange or market of which Evergrande Securities (Hong Kong) is a member.

2.4 The Client hereby irrevocably authorizes and instructs Evergrande Securities (Hong Kong), at any time without prior notice to the Client, to debit the Margin Account with:

- a. all advances under the Credit Facilities required by Evergrande Securities (Hong Kong) for purchasing securities on the Client's behalf in accordance with the terms hereof;
- b. all transactions costs, brokerage commissions, custodian fees, interest and all other monies and sums payable to Evergrande Securities (Hong Kong) from time to time under the terms and conditions of this Agreement; and
- c. all other fees, levies, charges, disbursements, taxes and out-of-pocket expenses which Evergrande Securities (Hong Kong) may incur on the Client's behalf whether in connection with the purchase or sale of securities or otherwise pursuant in this Agreement.

2.5 Evergrande Securities (Hong Kong) may, at its full discretion and without prior notice to the Client, adjust the margin financing ratio of each particular stock from time to time.

### 3. Charge

3.1 In consideration of Evergrande Securities (Hong Kong) granting or continuing to make the Credit Facilities available to the Client, the Client being the beneficial owner, hereby charges, assigns and releases to Evergrande Securities (Hong Kong) as continuing security for the punctual payment to Evergrande Securities (Hong Kong) on the respective due dates of all amounts outstanding under the Credit Facilities and all other monies and sums due or owing from the Client to Evergrande Securities (Hong Kong) from time to time pursuant the terms and conditions of this Agreement:

- a. all its rights, title and interest in and to the securities which shall at any time hereafter and from time to time be purchased or held by Evergrande Securities (Hong Kong) or its nominees for or on account of the Client pursuant to the terms hereof, together with all dividends or interest paid or payable on or in respect of any of such securities and all accretions thereto by way of bonus, distributions, options, rights or otherwise howsoever accruing or offered at any time hereafter; and

- b. all and any funds standing to the credit of the margin account and all funds held by Evergrande Securities (Hong Kong) for or on account of the Client from time to time.
- 3.2 The Client hereby represents and warrants to Evergrande Securities (Hong Kong) that for so long as any sums owed by the Client to Evergrande Securities (Hong Kong):
- a. the Client has and will maintain unencumbered and absolute beneficial and legal title to the Charged Securities (subject only to the charge); and
  - b. the Client shall deposit with Evergrande Securities (Hong Kong) or to its order, all certificates, instruments and evidence of title to the Charged Securities, together, where appropriate, with all such necessary forms of transfer as Evergrande Securities (Hong Kong) may from time to time require; and
  - c. the Client shall provide such further assignments, charges, authorities and other documents as Evergrande Securities (Hong Kong) may from time to time require for perfecting its title to or for vesting or enabling Evergrande Securities (Hong Kong) to vest the full benefit of the Collateral in its favour.
- 3.3 If at any time, the Acceptable Value of securities shall be less than the total debit balance outstanding in the margin account, the Client shall forthwith transfer or otherwise deposit with Evergrande Securities (Hong Kong) additional securities to be charged in favour of Evergrande Securities (Hong Kong) pursuant to the terms hereof to form part of the Charged Securities or alternatively, deposit cash in the margin account to reduce the aggregate amount outstanding under the credit facilities to such a level that the acceptable value of securities is equal to or more than such total debit balance.

## Section 6 - Commodities Futures and Options Trading Terms

### 1. Definitions

1.1 In this Section, unless the context requires otherwise, the following words and expressions shall have the following meanings:

“Approved Debt Securities” means Exchange Fund Bills or Notes issued by the Hong Kong Special Administrative Region Government for the account of the Exchange Fund, Treasury Bills or Notes issued by the government of United States of America (other than United States Treasury Callable Corpus (TCAL) and Separate Trading of Registered Interest and Principal of Securities (STRIPS)) and other debt securities or instruments as may from time to time be approved by the HKFE as cover for margin.

“Approved Securities” means TraHK Units and such other securities as may from time to time be approved by the HKFE as a form of cover for margin.

“Clearing House” means the HKFE Clearing Corporation Limited.

“HKFE” means The Hong Kong Futures Exchange Limited and includes its successors, assigns and any resulting or surviving entity into or with which it may consolidate, amalgamate or merge.

“Futures Margin” means such monies in such currency and such other property or collateral as security or guarantee for the performance of the Client’s obligations hereunder as Evergrande Futures (Hong Kong) may from time to time demand in its absolute discretion from the Client by way of margin or variation adjustment in relation to Futures/Options Contracts.

“Omnibus Account(s)” mean the futures accounts from time to time opened with and maintained by Evergrande Futures (Hong Kong) in the name of the Client in respect of which Evergrande Futures (Hong Kong) is notified by the Client that the futures account(s) is/are to be operated for a customer or a number of customers of the Client and not the Client.

“Variation Adjustment” means, in relation to transactions on the HKFE, the amount payable by or to the Clearing House and/or Evergrande Futures (Hong Kong) on behalf of the Customer, calculated on a daily basis in accordance with Rules 408 to 411 of the Clearing House Rules.

### 2. Orders and Instructions

2.1 The Client hereby authorizes Evergrande Futures (Hong Kong) to sell and or purchase futures/options contracts for and on behalf of the Client pursuant to its Instructions.

2.2 The Client may give Instructions to effect transactions or other transfer or withdrawal of funds in the futures account orally, in writing or through any electronic means as agreed by Evergrande Futures (Hong Kong) from time to time. The Client’s Instructions shall be irrevocable unless Evergrande Futures (Hong Kong) expressly agrees otherwise and shall be effective upon actual receipt by Evergrande Futures (Hong Kong).

### 3. Futures Margin

- 3.1 The Client hereby agrees to maintain Futures Margin as required by HKFE and meet immediately on demand all Futures Margin calls and/or demands for Variation Adjustment and provide Evergrande Futures (Hong Kong) with such guarantees and other security in such amount or form and within such time and on such terms as Evergrande Futures (Hong Kong) may from time to time designate in relation to the future account. The Client acknowledges and agrees that Evergrande Futures (Hong Kong) may be required to report to HKFE and the SFC of all open positions in respect of which two successive Futures Margin calls and/or demands for Variation Adjustment are not met within the period specified by Evergrande Futures (Hong Kong) from time to time and notified to the Client. Evergrande Futures (Hong Kong) may require additional Futures Margin or Variation Adjustment other than that specified by HKFE and/or the Clearing House.
- 3.2 Evergrande Futures (Hong Kong) may close out any or all open futures/options contract of the Client if the Client fails to meet immediately any Futures Margin calls or Variation Adjustment on demand.
- 3.3 Without prejudice and in addition to any other rights and remedies of Evergrande Futures (Hong Kong) hereunder, the Client hereby irrevocably authorizes Evergrande Futures (Hong Kong), without prior notice to the Client, to apply all or any part of any monies or other property held by Evergrande Futures (Hong Kong) for any account maintained with Evergrande Futures (Hong Kong) by Client in any of the following event:
- in or towards the provision of any Futures Margin or additional Futures Margin required by Evergrande Futures (Hong Kong) pursuant to this Agreement; and/or
  - in or towards satisfaction of any obligations or liabilities of Evergrande Futures (Hong Kong) to any person insofar as such obligations and liabilities arise in connection with or incidental to any futures/options contracts entered into by Evergrande Futures (Hong Kong) for and on behalf of the Client; and/or



- c. in or towards payment of monies properly required to meet commission, brokerages, levies or other proper charges and fees relating to any futures/options contracts entered into by Evergrande Futures (Hong Kong) for and on behalf of the Client.

#### **4. Security and Right over Account**

- 4.1 Without prejudice and in addition to any general lien, right of set-off or similar right to which Evergrande Futures (Hong Kong) may be entitled by law, all of the Client's interest in any monies, futures/options contracts, or other property (whether possessed or controlled individually or with others) in the possession or control of Evergrande Futures (Hong Kong), or standing to the credit of the futures account at any time and for any purpose including, without limitation, safe-keeping, collection or otherwise, shall be subject to a general lien in favour of Evergrande Futures (Hong Kong). Evergrande Futures (Hong Kong) shall have the right to sell such property (And Evergrande Futures (Hong Kong) is authorized by the Client to perform all necessary matters and conducts in respect of the sale, and is able to sign any necessary document and deed) and utilize the proceeds to set-off and discharge all or any of the liabilities and obligations of the Client due or owing to Evergrande Futures (Hong Kong) under this Agreement.
- 4.2 The Client hereby irrevocably and unconditionally acknowledges and warrants to Evergrande Futures (Hong Kong), to the intent that this warranty shall apply on a continuing basis, that the Client is the sole beneficial owner of the Futures Margin free from any mortgage, pledge, charge, lien or any other forms of encumbrance or security interest of any kind whatsoever and howsoever arising on or over the Futures Margin.

#### **5. Omnibus Account**

- 5.1 In the case that the Client operates an omnibus account and is not an exchange participant of the HKFE, the Client shall, in relation to transactions on the HKFE:
  - a. in the Client's dealing with the customer(s) from whom the Client receives Instructions with respect to the omnibus account, comply with and enforce the margin and variation adjustment requirements and procedures as stipulated in the Rules as though the Client were an exchange participant of HKFE and as though the customer(s) for whose account or benefit such instructions are given were clients;
  - b. cause the Exchange Contract (as defined in the Rules) to be entered into in fulfillment of such instructions, so that there shall, in no circumstances, be any dealing with the instructions in a manner which constitutes unlawful dealing in differences in market quotations of commodities under the laws of Hong Kong or any other applicable jurisdiction or in a manner which constitutes or involves betting, wagering, gaming or gambling with respect to such items in contravention of Hong Kong laws or any other applicable laws; and
  - c. ensure that the customers from whom the Client receives instructions comply with the margin and variation adjustment requirements as stipulated in the Rules, with the result that, as between HKFE and Evergrande Futures (Hong Kong), Evergrande Futures (Hong Kong) should be responsible for ensuring that such requirements are complied with by all customers through whom instructions pass with respect to the omnibus account as if each in turn was the client for whom such omnibus account was operated.

#### **6. Other Prescribed Provisions**

- 6.1 Every HKFE contract shall be subject to the charge of an Investor Compensation Fund levy and a levy pursuant to the SFO, both levies shall be borne by the Client.
- 6.2 If the Client suffers pecuniary loss by reason of Evergrande Futures (Hong Kong)'s default, the liability of the Investor Compensation Fund will be restricted to valid claims as provided in the SFO and the relevant subsidiary legislation and will be subject to the monetary limits specified in the Securities and Futures (Investor Compensation – Compensation Limits) Rules and accordingly there can be no assurance that any pecuniary loss sustained by reason of such a default will necessarily be recouped from the Investor Compensation Fund in full, in part or at all.
- 6.3 Evergrande Futures (Hong Kong) may, subject to the provisions of the SFO and any applicable law, take the opposite position to the client's order in relation to any exchange traded futures and options contracts, whether on Evergrande Futures (Hong Kong)'s own account or for the account of Evergrande Futures (Hong Kong)'s associated company or other clients of Evergrande Futures (Hong Kong), provided that such trade is executed competitively on or through the facilities of HKFE in accordance with its rules or the facilities of any other commodity, futures or options exchange in accordance with the rules and regulations of such other exchange.
- 6.4 The Client acknowledges that the Clearing House may do all things necessary to transfer any open positions held by Evergrande Futures (Hong Kong) on the Client's behalf and any money and security standing to the credit of its account with Evergrande Futures (Hong Kong) to another exchange participant of HKFE in the event the rights of Evergrande Futures (Hong Kong) as an exchange participant of HKFE are suspended or revoked.
- 6.5 All money and other property received by Evergrande Futures (Hong Kong) from the Client or from any other person (including the Clearing House) for the account of the Client shall be held by Evergrande Futures (Hong Kong) as trustee and segregated from Evergrande Futures (Hong Kong)'s own asset. These assets so held by Evergrande Futures (Hong Kong) shall not form part of the asset of Evergrande Futures (Hong Kong) for insolvency or winding up purposes but shall be returned to the Client promptly upon the appointment of a provisional liquidator, liquidator or similar officer over all or any part of Evergrande Futures (Hong Kong)'s business or assets.

- 6.6 Any monies or approved debt securities received by Evergrande Futures (Hong Kong) from the Client or from any other persons (including the Clearing House) are held in the manner specified under paragraphs 7 to 12 of Schedule 4 of the Code of Conduct for Persons Registered with the SFC ("Code of Conduct") and the Client authorizes Evergrande Futures (Hong Kong) to apply any such monies, approved debt securities or approved securities in the manner specified under paragraphs 14 to 15 of Schedule 4 of the Code of Conduct. In particular, Evergrande Futures (Hong Kong) may apply such monies, approved debt securities in or towards meeting Evergrande Futures (Hong Kong)'s obligations to any party insofar as such obligations arise in connection with or incidental to futures/options business transacted on that client's behalf.
- 6.7 The Client acknowledges that in respect of any account of Evergrande Futures (Hong Kong) maintained with the Clearing House, whether or not such account is maintained wholly or partly in respect of futures/options business transacted on behalf of the Client and whether or not monies or Approved Debt Securities paid or deposited by the Client have been paid to or deposited with the Clearing House, as between Evergrande Futures (Hong Kong) and the Clearing House, Evergrande Futures (Hong Kong) deals as principal and accordingly no such account is impressed with any trust or other equitable interest in favour of the Client and monies, Approved Debt Securities and Approved Securities paid to or deposited with the Clearing House are thereby freed from the trust stipulated in paragraph 2(h) of Schedule 4 of the Code of Conduct.
- 6.8 The Client acknowledges that Evergrande Futures (Hong Kong) is bound by the Rules which permit the HKFE to take steps to limit the positions or require the closing out of relevant contracts on behalf of such Clients who in the opinion of the HKFE are accumulating positions which are or may be detrimental to any particular Market or Markets or which may be capable of adversely affecting the fair and orderly operation of any market or markets as the case may be.
- 6.9 Evergrande Futures (Hong Kong) shall provide to the Client contract specifications upon request, a full explanation of Futures Margin procedures and the circumstances under which the Client's position may be closed without the Client's consent.

## Section 7 - Stock Options Trading Terms

This Stock Options Trading Agreement is supplemental to the Client Agreement entered into by and between Evergrande Securities (Hong Kong) and the Client to which this Stock Options Trading Agreement is annexed whereby the Client is allowed to conduct Stock Options Trading on the SEHK ("Stock Options Account") and Evergrande Securities (Hong Kong) agrees to provide Exchange Traded Stock Options Business to the Client. Where any conflict arises between the Client Agreement and the provisions of this Stock Options Trading Agreement, the provisions of the latter shall prevail.

### 1. Definitions

- 1.1 Terms defined in this Stock Options Trading Agreement have the same meanings as in the Client Agreement or the Stock Options Trading Rules of the SEHK unless stated otherwise.
- 1.2 Reference to "Account" in the Client Agreement is deemed to include the Stock Options Accounts established pursuant to this Stock Options Account Agreement.
- 1.3 "Stock Options Trading" means the purchase, closing, exercise, settlement and discharge of long Stock Options transactions and include writing of stock options through the Stock Options Account or otherwise creating any short open position.
- 1.4 "Client Contract" has the meaning as defined in the Stock Options Trading Rules of the SEHK which means a contract validly made at the time when an order in respect of an option series is matched by the Stock Options System with another order in respect of that option series and incorporates the terms and conditions of the Standard Contract for a particular option series.

### 2. Laws and rules

- 2.1 All Exchange Traded Stock Options Business shall be effected in accordance with all laws, rules and regulatory directions (the "Rules") applying to Evergrande Securities (Hong Kong). This includes the Stock Options Trading Rules of the SEHK, the Clearing Rules of the SEHK Option Clearing House Limited ("SEOCH") and the rules of the Hong Kong Securities Clearing Company Limited ("HKSCC"). In particular, SEOCH has authority under the Rules to make adjustments to the terms of Contracts, and Evergrande Securities (Hong Kong) shall notify the Client of any such adjustments which affect Client Contracts to which the Client is a party. All actions taken by Evergrande Securities (Hong Kong), by the SEHK, by the SEOCH or by the HKSCC in accordance with such Rules shall be binding on the Client.
- 2.2 The Client agrees that the terms of the Standard Contract for the relevant Stock Options series shall apply to each Client Contract between Evergrande Securities (Hong Kong) and the Client, and that all Client Contracts shall be created, exercised, settled and discharged in accordance with the Rules.

### 3. Collateral

- 3.1 The Client agrees to provide Evergrande Securities (Hong Kong) with cash and/or securities and/or other assets ("Collateral") as may be agreed from time to time, as security for the Client obligations to Evergrande Securities (Hong Kong) under this Stock Options Trading Agreement. Such Collateral shall be paid or delivered to Evergrande Securities (Hong Kong) as demanded by the Evergrande Securities (Hong Kong) from time to time. The amounts required by way of Collateral shall not be less than, but may exceed, the amounts as may be required by the Rules in respect of the Client's open positions and delivery obligations, and further Collateral may be required by Evergrande Securities (Hong Kong) to reflect changes in market value.
- 3.2 The Client hereby authorizes Evergrande Securities (Hong Kong) to withdraw funds/stocks from Client's Securities/Futures account(s) opened and maintained with Evergrande Securities (Hong Kong) and transfer the same to Client's Stock Options Trading Account or from Client's Stock Options Trading Account to Client's Securities/Futures account(s) for the purpose of settling or partially settling any of Client's debts or any other relevant financial obligations owed to Evergrande Securities (Hong Kong) in respect of Client's Stock Options/Securities/Futures Account(s) maintained with Evergrande Securities (Hong Kong).
- 3.3 The Client shall on request provide Evergrande Securities (Hong Kong) with such authority as Evergrande Securities (Hong Kong) may require under the Rules to authorize Evergrande Securities (Hong Kong) to deliver such securities, directly or through an Stock Options Exchange Participant, to SEOCH as SEOCH Collateral in respect of Exchange Traded Stock Options Business resulting from the Client's instructions to Evergrande Securities (Hong Kong); and Evergrande Securities (Hong Kong) does not have any further authority from the Client to borrow or lend the Client's securities or otherwise part with possession (except to the Client or on the Client's instructions) of any of the Client's securities for any other purpose.

### 4. Default

- 4.1 If the Client fails to comply with any of the Client's obligations and/or to meet the Client's liabilities under this Stock options Trading Agreement, including failure to provide Collateral as required by Evergrande Securities (Hong Kong), this will be treated as an event of Default under Clause 10 of General Terms and Conditions of the Client Agreement. In addition, Evergrande Securities (Hong Kong) is further authorized to:
  - a. decline to accept further instructions from the Client in respect of Exchange Traded Stock Options Business;

- b. immediately close out or give up or exercise some or all of the Client Contracts with Evergrande Securities (Hong Kong), cover any short position of the Client through the purchase of securities on the relevant Exchanges;
  - c. enter into Contracts, or into transactions in securities, futures or commodities, for the purpose of meeting the obligations arising or to hedge the risks to which Evergrande Securities (Hong Kong) is exposed in relation to the Client's default; or
  - d. dispose of Collateral, and apply the disposal proceeds thereof to discharge the Client's liabilities to Evergrande Securities (Hong Kong). Any remaining proceeds after discharge of all the Client's liabilities to Evergrande Securities (Hong Kong) shall be returned to the Client.
- 4.2 The Client agrees to pay interest on all overdue balances in its Stock Options Account (including interest arising after a judgment debt is obtained against the Client) at such rates and on such other terms as Evergrande Securities (Hong Kong) may have notified the Client from time to time.

## 5. Contracts

- 5.1 In respect of all Stock Options contracts effected on the Client's Instructions, the Client will pay Evergrande Securities (Hong Kong), within the time period notified by Evergrande Securities (Hong Kong), Premium, Evergrande Securities (Hong Kong)'s commission and any other charges, and applicable levies imposed by the SEHK, as have been notified to the Client. Evergrande Securities (Hong Kong) may deduct such Premium, commissions, charges and levies from the Stock Options Account or any other account of the Client with Evergrande Securities (Hong Kong) or any subsidiary.
- 5.2 Evergrande Securities (Hong Kong) may place limits on the open positions or delivery obligations that the Client may have which will be notified to the Client from time to time.
- 5.3 Client acknowledges that:
- a. Evergrande Securities (Hong Kong) may close out or give-up Client Contracts to comply with position limits imposed by the SEHK;
  - b. if Evergrande Securities (Hong Kong) goes into default, the default procedures of SEHK may result in Client Contracts being closed out, or replaced by Client Contracts between the Client and another Stock Options Exchange Participant.
- 5.4 On exercise of a Client Contract by or against the Client, the Client shall perform the Client's delivery obligations under the relevant contract, in accordance with the Standard Contract and as notified by Evergrande Securities (Hong Kong).
- 5.5 The Client acknowledges that on the expiry day but only on the expiry day, the Stock Options System will automatically generate exercise instructions in respect of all open long positions which are in-the-money by or above the percentage prescribed by SEOCH from time to time. The Client may instruct Evergrande Securities (Hong Kong) to override such an "automatically generated exercise instruction" before the System Closure on the expiry day in accordance with the Operational Clearing Procedures of SEOCH.
- 5.6 The Client acknowledges that Evergrande Securities (Hong Kong) may, at the Client's request, agree to the Client Contracts between the Evergrande Securities (Hong Kong) and the Client being replaced, in accordance with the Rules, by Client Contracts between the Client and another Stock Options Exchange Participant.
- 5.7 The Client acknowledges that, although all Stock Options Contracts are to be executed on SEHK, the Client and Evergrande Securities (Hong Kong) shall contract as principals under Client Contracts.
- 5.8 The Client acknowledges that the Client retains full responsibilities for all trading decisions in the Stock Options Account and Evergrande Securities (Hong Kong) is merely responsible for execution, clearing and carrying of transactions in the Account; that Evergrande Securities (Hong Kong) has no responsibilities or obligations regarding any conduct, action, representation or statement of any introducing firm, investor advisor or other third party in connection with the Account or any transaction therein and that any form of advice or information provided by Evergrande Securities (Hong Kong) or its employees or agents, whether or not solicited, shall not constitute an offer to enter into a transaction and Evergrande Securities (Hong Kong) shall not be liable in respect of such advice or information.

## 6. Risk Disclosure Statement

- 6.1 Evergrande Securities (Hong Kong) refers the Client to the Risk Disclosure Statements set forth in Section 4 of the Client Agreement.

## 7. Representation and Warranties

The Client hereby represents and warrants to Evergrande Securities (Hong Kong) that:

- a. the Stock Options Account is operated solely for the Client's Account and benefit, and not for the benefit of any other person; or
- b. the Client has disclosed to Evergrande Securities (Hong Kong) in writing the name of the person(s) for whose benefit the Stock Options Account is being operated; and
- c. the information contained in the Client agreement or other information supplied by the Client to Evergrande Securities (Hong Kong) in relation to the Stock Options Account is accurate, complete and true.

## Stock Options Trading - Points to Note

1. If the Client receives margin call from Evergrande Securities (Hong Kong) as the margin amount is below the level of maintenance margin but fails to place sufficient deposit to cover the initial margin, Evergrande Securities (Hong Kong) is entitled to close the position of the Client at any time. The Dealing Department is entitled to close the position if the stock options margin is 30% below the initial margin.
2. Client who sold a call option should ensure there are sufficient securities in account for exercise. If the position is exercised without adequate securities, the Client should inform Settlement Department the day after the trading day before 11:00am (T+1), in order that the Settlement Department of Evergrande Securities (Hong Kong) will notify the Exchange same day afternoon for compulsory buy-in the relevant shares. Client should bear all the costs incurred.
3. Client should ensure there is sufficient amount of money for exercise if he sold a put option.
4. Client should inform Account Executives or Settlement Department before 5:00pm on trading day if he wishes to exercise stock options.
5. Client should inform Account Executives or Settlement Department before 5:00pm on trading day if he sold a call option with securities collateral.
6. All open long positions in the spot month which are in-the-money by or over the percentage prescribed by SEOCH will be exercised automatically on the expiry date. Client should inform Account Executives or Settlement Department before 5:00pm on trading day if he wishes to decline such exercise.

## Section 8 – Shanghai Connect and Shenzhen Connect Stock Trading Terms

### 1. Mutual Market Access Program

It is the establishment of mutual market access between the Mainland and Hong Kong, with Shanghai and Shenzhen Connect for the stock market.

Shanghai Connect is a securities trading and clearing links programme developed by Hong Kong Exchanges and Clearing Limited (HKEX), Shanghai Stock Exchange (SSE) and China Securities Depository and Clearing Corporation Limited (ChinaClear), aiming to achieve a breakthrough in mutual market access between the Mainland and Hong Kong.

Under Shanghai Connect, The Stock Exchange of Hong Kong Limited (SEHK), a wholly-owned subsidiary of HKEX, and SSE have established mutual order-routing connectivity and related technical infrastructure to enable investors of their respective market to trade designated equity securities listed in the other's market.

Hong Kong Securities Clearing Company Limited (HKSCC), also a wholly-owned subsidiary of HKEX, and ChinaClear are responsible for the clearing, settlement and the provision of depository, nominee and other related services of the trades executed by their respective market participants and/or investors.

Shanghai Connect was launched on 17 November 2014. Information relating to the development of Shanghai Connect can be found on the HKEX website.

Shenzhen Connect was launched on 5 December 2016. Shenzhen Connect by and large applies similar programme principles and design. Information relating to the development of Shenzhen Connect can be found on the HKEX website.

### 2. Shanghai Connect and Shenzhen Connect open to all investors

Trading of SSE Securities under Shanghai Connect is open to all Hong Kong and overseas investors including institutional and individual investors.

Trading of Shenzhen Stock Exchange (SZSE) Securities, under Shenzhen Connect except ChiNext stocks, is open to all Hong Kong and overseas investors including institutional and individual investors. ChiNext stocks will be limited to institutional professional investors during the initial launch of Shenzhen Connect.

### 3. Risks Disclosure

#### 1. Not Allow Day Trading of Connect Securities

In the Connect Markets, shares purchased by investors cannot be sold before settlement, which means day trading is not allowed. Hong Kong and overseas investors as well as EPs trading Connect Securities through Shanghai and Shenzhen Connect have to follow the same rule.

#### 2. Pre-trade Checking Arrangement

Pre-trade checking is in place so that the Client have his/her shares transferred to the EP's corresponding CCASS account before the commencement of trading day if he/she intends to sell the shares during a trading day, unless an SPSA arrangement is in place.

#### 3. Not Allow Off-Exchange Trading or No Over-the-Counter (OTC)

Transfers of SSE Securities should only be conducted on SSE. Off-exchange trading is not allowed unless otherwise permitted.

Details of the arrangement for the collection of stamp duty from investors for these non-trade transfers in SSE Securities have been included in the CCASS Operational Procedures published on the HKEX website at <http://www.hkex.com.hk/eng/rulesreg/clearrules/ccassop/documents/sectn12.pdf>. The same arrangement for Shanghai Connect is applied to Shenzhen Connect.

#### 4. Not Allow Naked Short Selling

Naked short selling is prohibited for Northbound Trading. Only eligible Connect Securities (Short Selling Security) can be short sold.

#### 5. Foreign Shareholding Restriction, Including the Forced-Sale Arrangement

Foreign shareholding restriction, including the forced-sale arrangement is in place and the EP should have the right to "force-sell" client's shares upon receiving the forced-sale notification from SEHK.

#### 6. Obey the Mainland Rules & Regulations In Relation To Short-swing Profits and Disclosure Obligations & rules & Regulations

According to the Law of the PRC on Securities, when an investor holds or controls up to 5% of the issued shares of a Mainland listed company, the investor is required to report in writing to the CSRC and the relevant exchange, and inform the listed company within three working days. The investor is not allowed to continue purchasing or selling shares in that listed company during the three days.

For such investor, every time when a change in his shareholding reaches 5%, he is required to make disclosure (in the same manner as mentioned above) within three working days. From the day the disclosure obligation arises to two working days after the disclosure is made, the investor may not buy or sell the shares in the relevant Mainland listed company.

If a change in shareholding of the investor is less than 5% but results in the shares held or controlled by him falling below 5% of the relevant Mainland listed company, the investor is required to disclose the information within three working days. This disclosure obligation is completely responsible for investors and shareholders. Evergrande Securities (Hong Kong) does not have responsibility to in charge and report this disclosure obligation to CSRC and the related exchanges and the listed companies instead of the Client. Investors and shareholders shall often pay attention and obey on the latest rules to be promulgated by Shanghai Exchange and Shenzhen Exchange and CSRC for the disclosure obligation & Interests.

#### 7. Emergency Situation Arrangement

The EP may have the right to cancel the client's orders in case of contingency such as hoisting of Typhoon Signal No 8 in Hong Kong. If SSE or SZSE is suspended due to inclement weather, there will be no Northbound trading in the relevant market and Hong Kong investors and CCEPs will be informed by SEHK.

The EP may not be able to send in the client's order cancellation requests in case of contingency such as when SEHK loses all its communication lines with SSE, etc. and the client should still bear the settlement obligations if the orders are matched and executed;

8. The Client must comply with SSE and SZSE Rules and other applicable laws of Mainland China relating to Northbound trading;

9. The Exchange Participants (EP) v may forward the Client's identity to SEHK which may on-forward to SSE for surveillance and investigation purposes.

If the SSE Rules are breached, or the disclosure and other obligations referred to in the SSE Listing Rules or SSE Rules are breached, SSE has the power to carry out an investigation, and may, through SEHK, require the EP to provide relevant information and materials and to assist in its investigation. This situation is also applied to Shenzhen Stock Exchange.

10. SEHK may upon SSE's request, require the EP to reject orders from the client. This situation is also applied to Shenzhen Stock Exchange.

11. The client needs to accept the risks concerned in Northbound trading, including but not limited to prohibition of trading SSE Securities, being liable or responsible for breaching the SSE Listing Rules, SSE Rules and other applicable laws and regulations. This situation is also applied to Shenzhen Stock Exchange.

12. SSE may request SEHK to require the EP to issue warning statements (verbally or in writing) to the client, and not to extend Northbound trading service to the client. This situation is also applied to Shenzhen Stock Exchange.

13. HKEX, SEHK, SEHK Subsidiary, SSE and SSE Subsidiary and their respective directors, employees and agents shall not be responsible or held liable for any loss or damage directly or indirectly suffered by the EP, the client or any third parties arising from or in connection with Northbound trading or the CSC.

#### 14. Not cover Investor Compensation Fund under SFO

Hong Kong Investors should note that the Investor Compensation Fund established under the Securities and Futures Ordinance ("SFO") does not cover any Northbound activities.

#### 15. Used Up Daily Quota

If the Northbound Daily Quota Balance drops to zero or the Daily Quota is exceeded during the opening call auction session, new buy orders will be rejected.

Once the Northbound Daily Quota Balance drops to zero or the Daily Quota is exceeded during a continuous auction session (or closing call auction session for SZSE), no further buy orders will be accepted for the remainder of the day. SEHK will resume the Northbound buying service on the following trading day.

It should be noted that buy orders already accepted will not be affected by the Daily Quota being used up and will remain on the order book of SSE/SZSE unless otherwise cancelled by relevant EPs.

#### 16. Difference in Trading Day and Time

Shanghai Connect and/ or Shenzhen Connect will only separate on the days when both markets (Shanghai and Hong Kong/Shenzhen and Hong Kong) are open for trading and when banks in both markets are open on the corresponding settlement days. So it is possible that there are occasions when it is a normal trading day for the Mainland market but the Client cannot carry out any A-share trading. The Client should take note of the days

Shanghai Connect/ Shenzhen Connect is open for business and decide according to their own risk tolerance capability whether or not to take on the risk of price fluctuation in A-Shares during the time when Shanghai Connect/ Shenzhen Connect is not trading.

#### 17. Currency Risk

The Client who holds a local currency other than Renmenbi will be exposed to currency risk if he/ she invests in Renmenbi product due to the need for the conversion of the local currency to Renmenbi. During the conversion, currency conversion costs will be incurred. Even if the price of the Renmenbi asset remains the same when the Client purchases it and when the Client redeems/ sells it, it will still incur a loss or affect the profits when the Client converts the redemption/ sale proceeds into local currency if Renmenbi has depreciated.

According to the Client Agreement of "Section 10 – Shanghai Connect and Shenzhen Connect Stock Trading Terms" mentions the several risk factors of Shanghai Connect and Shenzhen Connect, it is written based on Evergrande Securities (Hong Kong)' awareness and preparation on the current application of the provisions of the Mainland stock market rules and regulation. Evergrande Securities (Hong Kong) does not verify the accuracy of the Mainland stock market rules and regulations. Otherwise, the above terms mentioned are not fully covered and disclosed all risks and other important parts of the Northbound trading. Therefore, Evergrande Securities (Hong Kong) does not declare all mentioned information whether is correct or complete or not and does not promise to update the content. All conditions and terms of Mutual Market Access Program in Shanghai and Shenzhen Connect shall be based on HKEX official announcement. Please browse HKEX website: [www.hkex.com.hk](http://www.hkex.com.hk). If having any question, the Client shall ask for the opinion of professional.



## Document Checklist

**For individual/Joint Account**

- HKID Card/Passport/Other Identification document of the Account Holder(s)\*
- Proof of Residential Address with the last three months (P.O. Box not acceptable)

**For Corporate Account**

- HKID Card/Passport /Other Identification document and his/her proof of Residential Address of each director, Authorized Person to operate the account and ultimate beneficial owner(s) of the Account\*
- Certificate of Incorporation\*
- Board minutes / resolution approving opening of account(s) and appointing authorized person(s)\*
- Copy of List of Director(s) and Authorized Person(s)
- Latest Register of Members, Register of Directors and Annual Return/Company Search Report\* (Register of Members is not applicable to listing company)
- Business Registration Certificate\*
- Memorandum and Articles of Association or Bye-Laws or equivalent constitutional documents\*
- Trust Deed
- Entity Tax Residency Self-Certification
- Controlling Persons Tax Residency Self-Certification (Each Controlling Person must complete and sign)
- Bank Reference (e.g. statement or savings pass book)
- Personal Guarantee provided by any one of the directors and his/her proof of Residential Address (if applicable)
- Latest Audited Accounts (signed by Director or Director and authorized person)
- Latest 3 months effective address proof
- Organization chart showing the ownership and control structure of the company, up to the ultimate individual Beneficial Owners and their addresses (certified by Director)
- Certificate of incumbency issued by the company's registered agent in the place of incorporation (within 6 months, not applicable to company registered in Hong Kong)

## Remarks

1. \*Document submitted should be (A) originals and copies of them or (B) certified true copies of the originals.
  - a. Originals will be used for certification and they will be returned to the client after Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) retains a set copy of the certified documents for its records.
  - b. Certified true copies: must be certified by independent third parties such as practicing solicitors/accountants. Evergrande Securities (Hong Kong) and Evergrande Futures (Hong Kong) will retain all certified copies documents for its records. The certifier shall, on the documents certified by him:
    - I. sign and date
    - II. print clearly his name
    - III. print his office or capacity
    - IV. state that the document is a true copy of its original
2. If either English or Chinese is not the legal language of the country of the corporate client, board minutes/resolution should contain a version of the corporate client country's language and its translated English duly notarized by a notary public.
3. Certified true copies of the documents for the changes in respect of the registered details of the Annual Return (of a Hong Kong Corporate) subsequent to the date of Return filed with Hong Kong Company Registry.