



## **Client Agreement**

### **(Securities Trading Account)**

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**THIS IS AN IMPORTANT DOCUMENT. PLEASE READ IT CAREFULLY.**

**IF YOU ARE IN ANY DOUBT ABOUT THIS AGREEMENT OR ABOUT THE  
PURCHASE AND SALE OF SECURITIES AND OTHERWISE, PLEASE  
CONSULT YOUR LEGAL ADVISOR, ACCOUNTANT AND OTHER  
PROFESSIONAL ADVISOR.**

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## **CLIENT AGREEMENT (SECURITIES TRADING ACCOUNT)**

**THIS AGREEMENT** is made the date stated in the Account Opening Form.

**BETWEEN**

- (1) **NINTH ETERNITY CAPITAL HK LIMITED**, a company incorporated in Hong Kong whose registered office is at Room 909, 9/F, Office Plus @ Prince Edward, 794-802 Nathan Road, KLN., Hong Kong and is licensed for Type 1 Regulated Activity (i.e. Dealing in Securities) and Type 4 Regulated Activity (i.e. Advising on Securities) under the Securities and Futures Ordinance with CE No. BPU494, and an Exchange Participant of The Stock Exchange of Hong Kong Limited (hereinafter referred to as “**NECHK**”); and
- (2) The party whose full name, address and other details are set out in the NECHK Account Opening Form (hereinafter referred to as the “**Client**”).

NOW IT IS HEREBY AGREED as follows:

### **1. DEFINITION AND INTERPRETATION**

1.1 In this Agreement, the following terms shall bear the following meanings:

“**Account**” means one or more securities trading accounts opened and maintained by NECHK for the Client from time to time pursuant to this Agreement.

“**Account Number**” means a serial number assigned by NECHK to be used as the Client’s personal identification when opening the Account.

“**Automatic Exchange of Financial Account Information**” or “**AEOI**” means one or more of the following, as the context requires: (i) Foreign Account Tax Compliance Act (“**FATCA**”); (ii) the OECD Standard for Automatic Exchange of Financial Account Information in Tax Matters – the Common Reporting Standard (“**CRS**”) and any associated guidance; (iii) any intergovernmental agreement, treaty, regulation, guidance, standard or any other arrangement between Hong Kong and any other jurisdiction (including between any government bodies in each relevant jurisdiction), entered into to facilitate, implement, comply with or supplement the legislation, regulations, guidance or standards described in (i) and (ii) above; and (iv) any legislation, regulations or guidance implemented in Hong Kong to give effect to the matters outlined above.

“**Agreement**” means this Client Agreement between NECHK and the Client

(including the Account Opening Form) as may be varied, amended or supplemented from time to time. It manifests the contractual relationship between NECHK and the Client wherein NECHK act as the Client's agent, or in such other capacity as disclosed to the Client, in the buying, selling and otherwise dealing of securities and attend to other related administrative matters.

**"Business Day"** means a day (other than a Saturday) on which licensed banks and the Exchange are open for business. **"Common Reporting Standard"** or **"CRS"** means as a worldwide information-gathering and reporting requirement for financial institutions that is used to fight against tax evasion and protect the integrity of tax systems. Under the CRS, NECHK is required to determine where clients are **"tax residents"** (this will usually be where they are liable to pay income or corporate taxes) and give their national tax authorities information on those clients that are tax residents/paying tax outside Hong Kong. NECHK will share client information with the tax authority of the country (is) where clients are tax residents.

**"Connected Person"** means as it is defined under the 14A.07 to 14A.11 of Listing Rules.

**"Debit Balance"** means an account balance representing money owed to NECHK.

**"Electronic Trading Service"** or **"ETS"** means the software, systems and other facilities, including, but not limited to, NECHK's Website, telephone, facsimile, electronic mail and other devices provided by NECHK under this Agreement, which enables the Client to give electronic Instructions and to obtain information services provided by NECHK.

**"Exchange"** means The Stock Exchange of Hong Kong Limited.

**"Foreign Account Tax Compliance Act"** or **"FATCA"** means (I) Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 or any associated regulations or other official guidance; (ii) any treaty, law, regulation or other official guidance enacted in any other jurisdiction, or relating to an intergovernmental agreement between the U.S. and any other jurisdiction, which (in either case) facilitates the implementation of the legislation or guidance referred to in (i) above; and (iii) any agreement pursuant to the implementation of the legislation or guidance referred to in (i) or (ii) above with the U.S. Internal Revenue Service, the U.S. government or any governmental or taxation authority in any another jurisdiction.

**"Financial Product"** means any securities, futures contracts or leveraged foreign exchange contracts as defined under the SFO.

**"GEM"** means the Growth Enterprise Market operated by the Exchange.

**"HKSCC"** means the Hong Kong Securities Clearing Company Limited.

**“Hong Kong”** means the Hong Kong Special Administrative Region of the People's Republic of China.

**“Instruction”** means any instruction (including any subsequent amendment or cancellation thereof accepted by NECHK) the Client may give in connection with trading or dealing in securities, whether verbally or in writing, through the electronic trading service or such other means or in such other manner as NECHK may permit.

**“Listing Rules”** means the rules governing the Listing of Securities on the Exchange.

**“Log-In Name”** means the name chosen by the Client to gain an access to and use NECHK’s Electronic Trading Services (ETS). The Log-in name can be an e-mail address, a mobile phone number or HS Number of the Client.

**“Log-In Password”** means the personal password which is created and changed by the Client. This Log-In Password is owned by the Client and used to identify the identity of Client. It is used in conjunction with the Log-In Name to gain access to the NECHK Electronic Trading Services.

**“Main Board”** means the stock market operated by the Stock Exchange of Hong Kong Limited, excluding GEM and Option market.

**“Securities”** means (a) shares, stocks, debentures, loan stocks, funds, bonds or notes; (b) rights, options, interests, certificates of participation in, receipts for or warrants to subscribe for or purchase of such respects as specified in (a); and (c) interests in any collective investment scheme.

**“SFO”** means the Securities and Futures Ordinance (Chapter 571) of the Laws of Hong Kong.

**“SFC”** means the Securities and Futures Commission of Hong Kong.

**“Trading Password”** means Personal Identification Number created by the Client, as a security measure, to identify and verify the identity of Client, and identify the identity of individual giving Instructions.

**“Transaction”** means any transactions concerning the purchase, subscription, sale, exchange or other disposal of and dealings in any and all kinds of securities on any Exchange or any over-the-counter non-Exchange traded securities, including but not limited to safe-keeping of securities and the provision of nominee or custodian service therefore and other transactions effected under or pursuant to this Agreement.

**“NE Group”** means NECHK’s holding company (as defined in the Companies Ordinance of Hong Kong) or any of NECHK’s subsidiaries/affiliates or subsidiaries (as defined in the Companies Ordinance of Hong Kong) of such holding company.

**“NECHK Mail”** means the secure messaging facility operated by NECHK for the delivery and receipt of confirmations, statements and other notices.

- 1.2 In this Agreement, words denoting any gender include all genders; words denoting the singular include the plural; words denoting the plural include the singular; and reference to persons include a natural person, firm, company, sole proprietorship, partnership, and corporation.

## **2. THE ACCOUNT**

- 2.1 **Accurate Information:** The Client confirms that the information provided in the Account Opening Form is complete and accurate. The Client undertakes to inform NECHK of any changes to that information. It is the Client’s responsibility to ensure Account accuracy and to notify NECHK immediately with regard to any discrepancies. NECHK also undertakes to inform the Client of any material change of NECHK’s name, address, registration status, financial products and services, remuneration, margin facilities and short selling facilities.
- 2.2 **Credit Inquiries:** NECHK is authorized to conduct credit inquiries on the Client and to verify the information the Client has provided.
- 2.3 **Legal Capacity:** The Client represents that he is of required legal age and mentally fit to enter into this Agreement.
- 2.4 **Beneficial owner(s) of the Account:** The Client represents that the Client is ultimately owns or control the Client’s Account or on whose behalf a transaction or activity is being conducted. Should the direct ownership or direct beneficiary interests have changed, the Client agrees to inform and notify NECHK in writing promptly.
- 2.5 **Personal Data Protection:** NECHK will keep information relating to the Client Account confidential. The Client has read and fully understands and accepts that NECHK may provide data received from the Client to the following persons and/or for the following purposes: (a) any nominees in whose securities or other assets may be registered; (b) any contractor, agent or service provider which provides administrative, data processing, financial, computer, telecommunication, payment or securities clearing, financial, professional or other services to NECHK or to any other person to whom data is passed; (c) any person with whom NECHK

enter into or propose to enter into transaction on behalf of the Client or Account, or persons representing the same; (d) any assignee, transferee, participant, sub-participant, delegate, successor or person to whom this Agreement is notated; (e) governmental, regulatory or other bodies or institutions, whether as required by law or otherwise; (f) giving effect to the Client's orders relating to transactions or otherwise, and carrying out the Client's other Instructions; (g) providing services in connection with the Account, whether the services are provided by or through any other person; (h) conducting credit inquiries or checks on the Client and ascertaining the Client financial situations and investment objectives, and enabling or assisting any other person so to do; (i) observing any legal, regulatory or other requirements to which any other persons may be subject; and (j) other purposes related or incidental to any one or more of the above.

**2.6 Power of Attorney:** The Client agrees to and hereby irrevocably authorizes NECHK with full power as the Client's true and lawful attorney in fact, to the fullest extent permitted by law, for the purpose of carrying out the provisions of this Agreement and taking any action and executing any instrument, which NECHK deems necessary or advisable to accomplish the purposes of this Agreement.

**2.7 Safeguard of Log-In Password, Trading Password and Account Number:** For the protection of the security and integrity of the Client's Account, the Client will create a Log-In Password and a Trading Password to enter into and access his Account. The Client acknowledges, represents and warrants that the Client is the sole and exclusive owner(s) and authorized user(s) of such Log-In Password and Trading Password. The Client accepts the full responsibility for monitoring and safeguarding the integrity and security of the Client's Log-In Password, Trading Password and Account Number. The Client will immediately notify NECHK in writing, if the Client becomes aware of any loss, theft or unauthorized use of the Client's Log-In Password, Trading Password and/or Account Number. In the absence of such written notification, NECHK is not liable for any consequential damage in connection therewith.

### **3. JOINT ACCOUNT**

**3.1** If the Client is a joint account holder, the Client's obligations and liabilities under the Agreement shall be joint and several and NECHK may in its absolute discretion take recourse against any one or all of the Clients. Unless terminated in

accordance with this Agreement, the death of one joint holder does not operate to terminate this Agreement. Any notice, payment or delivery by NECHK to either or any one of the joint account holders shall be a full and sufficient discharge of NECHK's obligations to notify, pay or deliver under this Agreement. NECHK is also authorized by the Client to accept or carry out Instructions from either or any one of the joint account holders. For the avoidance of any doubt, upon the death of a joint account holder, all rights and interests of such joint account holder in the joint account will be vested in the survivor(s) under such account by operation of the rule of survivorship.

#### **4. NECHK'S EMPLOYEE OR AGENT**

- 4.1 **Associated with NECHK's Employee or Agent:** The Client represents and warrants to NECHK that the Client is not associated with any of NECHK's employee or agent or any employees or agents of any member of the NE Group including without limitation as a child under 18 years of such employee or agent. The Client agrees that if the Client is or becomes associated with any of such employee or agent, the Client shall promptly notify NECHK of the existence and nature of such association and acknowledge that NECHK may, upon receipt of such notice, at NECHK's absolute discretion, chooses to terminate the Account.
- 4.2 **Connected Person:** The Client further represents and warrants to NECHK that the Client is not a Connected Person of the company(is) and/or the securities, of which the Client shall place orders or Instructions with NECHK for the purchase or disposal of or otherwise deal in such company(is)'s securities unless the Client specifically notifies NECHK to the contrary prior to the placing of such orders or Instructions.

#### **5. APPLICABLE RULES AND REGULATIONS**

- 5.1 **Laws and Rules:** All transactions in securities traded on the Main Board and GEM of the Exchange and/or other exchanges or markets in other jurisdictions, which NECHK effects on the Client's behalf, shall be effected in accordance with all applicable laws, rules and regulations (as amended from time to time) of Hong Kong and other applicable jurisdictions and the by-laws, codes, rules, regulations, customs and usage of the SFC, the Exchange, the HKSCC and/or the relevant exchanges or markets in other jurisdictions.



**5.2 Legally Binding:** The Client hereby agrees that this Agreement (including the terms of the electronic trading service) and all the terms herein shall be binding upon the Client and the Client's heirs, estate, executors, representatives, successors and assignees. All actions taken by NECHK in accordance with such laws, rules and regulations shall be binding on the Client.

**5.3 Disclosure to Regulators:** If NECHK receives any request for information on any transaction relating to any of the Client's Account by any regulators in Hong Kong or elsewhere including but not limited to the SFC and the Exchange, even if the Client's account has been terminated prior to such request: (a) the Client shall provide the required information within two (2) Business Days of such regulator's request; (b) the Client shall, within two (2) Business Days of such regulator's request, inform NECHK or the relevant regulators of the identity, address, contact details and other relevant identification information of any beneficiary ("underlying client") or originator of instructions in respect of the Client's Account, where the Client acts as an intermediary of and effects trades for the benefit of such third party(is), and where the Client effects trades for discretionary accounts, discretionary trusts or collective investment schemes, the Client shall also provide NECHK or the relevant regulators with the identification information of such discretionary accounts, discretionary trusts or collective investment schemes and their managers, and whenever the manager's discretion is overridden by the beneficiary or any other persons, the identification information of such beneficiary or any other persons who has overridden the manager's discretion, and whenever the manager's discretion is overridden, the Client shall immediately inform NECHK such information in writing; (c) The Client, where acting as an intermediary, shall make arrangements with such underlying client(s) or any third party(is) to ensure or procure the provision of such identification information of its underlying clients, together with their written consents for the provision of such information and/or waivers of any benefits of the secrecy or personal data protection laws that prohibit disclosure, to the regulators; and (d) the Client shall, upon NECHK's request, immediately provide, or authorize NECHK to provide, the relevant identification information to any regulatory authority in Hong Kong or any other jurisdiction within two (2) Business Days of the regulator's request.

**5.4 Hong Kong Jurisdiction:** This Agreement shall be governed by, interpreted, and construed in accordance with the laws of Hong Kong. The Client irrevocably submits to the non-exclusive jurisdiction of the Hong Kong courts.

## 6. INSTRUCTIONS AND TRANSACTIONS

- 6.1 **Agents:** NECHK will act as the Client's agent in effecting transactions unless NECHK indicates (in the contract note for the relevant transaction or otherwise) that NECHK is acting as principal.
- 6.2 **Reliance on Instructions:** The Client expressly agrees to use internet or such other means or in such other manner as NECHK may permit to communicate or transmit the Client's trading and other related Instructions, including the subscriptions to acquire new listings or issues of securities. When the Client gives Instructions to NECHK via ETS, those Instructions will be linked to his Client's Account Number, Log-In Password and Trading Password. They will be considered as the one and only Instructions given by the Client. NECHK is under no duty to verify the identity or authority that emanates such instructions. The Client hereby waives any and all defenses that any such instructions was not in writing as may be required by the relevant laws, rules and regulations.
- 6.3 **Third Party Instructions:** The Client understands that NECHK will not accept any third party instruction, unless the Client has formally executed and delivered a valid power of attorney which expressly authorizes a named specific party to emit trade instruction on the Client's behalf. The Client further agrees to indemnify NECHK from any disputes, losses and other claims arising from the execution by NECHK of any unauthorized third party instruction transmitted on the Client's behalf. Should the Client decides to employ a third party to give instructions, the Client agrees to supply NECHK with an accurate and truthful identification and personal information about the designated third party. The Client also understands those personal information will be made available to Hong Kong regulators and other government agencies, including but not limited to the SFC, the Exchange, the Independent Commission Against Corruption ("ICAC") and so forth.
- 6.4 **Instruction Amendment or Cancellation:** The Client may amend or cancel the Client's instructions that have been previously transmitted. The Client agrees that NECHK is not obligated to accept such amendment or cancellation. Instructions may only be amended or cancelled prior to the execution. The Client shall accept full responsibilities for the transactions, partial or full, executed prior to the processing of the Client's amendment and/or cancellation request.
- 6.5 **Independent Judgment:** Subject to Clause 6.6 below, the Client agrees that the

Client shall independently make his own judgments and decisions with respect to each Instruction.

- 6.6 Suitability of Recommendation:** If NECHK solicits the sale of or recommend any financial product to the Client, the financial product must be reasonably suitable for the Client having regard to the Client's financial situation, investment experience and investment objectives. No other provisions of this Agreement or any other document NECHK may ask the Client to sign, and no statement NECHK may ask the Client to make derogates from this clause.
- 6.7 No Guarantee of Executions:** The Client acknowledges the fact that extraordinary events or technical difficulties may prevent or otherwise hinder the execution of the Client's instructions. The Client agrees that NECHK will not be liable for any loss, actual or projected, resulted, directly or indirectly, from government actions, price variations, exchange/market restrictions, equipment, communication and systems failure and breakdowns, unauthorized access or trade instructions, and other physical and technical restraints and conditions beyond NECHK's control.
- 6.8 Short Sell:** The Client acknowledges the fact that NECHK requires that stock certificate of securities or the equivalent be deposited into the Client's Account prior to the acceptance of a sell order. Upon placing of sale orders 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 frank disclosure of such order(s) to NECHK; (b) provide (without demand by NECHK) all documentary evidence in substantiation of the legality of the short selling under the SFO or other laws, rules and regulations of Hong Kong and of the Exchange; (c) authorize NECHK to arrange a buy-in of the relevant securities at the prevailing market price for the Client's Account that the Client accidentally sold short; (d) indemnify NECHK against all damage, loss, lawsuits, cost and expenses which may be sustained or incurred by NECHK as a result of the execution of the shorting selling order(s). In addition, the Client undertakes that: (a) prior to placing a short sell order, the Client will have entered into an effective securities borrowing arrangement or other form of cover acceptable to NECHK which will ensure that the securities in question will be delivered on the designated settlement date; and (b) prior to the execution of such an order, the Client will provide NECHK such documentary assurance that any such order is covered as NECHK shall specify.

**6.9 No Stop-Limit Orders:** Stop-Limit orders are types of conditional instructions. They are usually not immediately executable. The execution of such orders is pending on the satisfaction of certain previously defined conditions. The Client understands that NECHK generally does not accept such instructions. If such orders are accepted, NECHK does not guarantee the execution of such orders.

**6.10 Inside Dealing is prohibited:** It is unlawful to distribute, disseminate and act upon any unpublished price sensitive information to make a profit or to avoid a loss in securities trading. The Client confirms that he is aware of such practice are unlawful. The Client agrees not to engage in the said and other unlawful practices and to take full responsibility for the consequences.

**6.11 Restrictions on Trading:** The Client agrees that NECHK may, in NECHK's sole discretion and without giving the Client prior notice, prohibit or restrict his ability to trade securities through the Client's Account for cause. The Client agrees that NECHK is not liable for any losses and/or damages, actual or hypothetical, as a result of such restrictions.

**6.12 Transaction in Foreign Currency:** In the event that Client instructs NECHK to enter into any securities transactions on an Exchange or other market on which such transactions are effected in a currency other than the currency in which the account is denominated then:

- (i) Any profit, loss and expenses arising from fluctuation in the exchange rate of the relevant currencies shall be for the account of the account of the Client solely; and
- (ii) When such securities are bought, sold, set off or otherwise liquidated, NECHK may in its absolute discretion debit or credit the account in the currency in which the account is denominated at an exchange rate determined conclusively by NECHK on the basis of the prevailing market rates of exchange between the relevant currencies.

The Client authorizes NECHK to debit the account for any expenses incurred in effecting the currency conversion. NECHK hereby reserves the right at any time to refuse to accept any instructions from the Client in relation to currency conversion.

**6.13 Over-The-Counter Transaction:** In relation to any Over-The-Counter ("OTC")

transactions, including without limitation trading of any new securities before their listings on the relevant exchange, entered or to be entered into by the Client, the Client acknowledges and agrees that:

- (a) NECHK shall have the sole and absolute right exercisable at its sole discretion at any time, without notice to the Client, without limitation and without any liability to the Client:
  - To vary the trading hours of any trading of the OTC transactions;
  - To limit or suspend trading of the OTC transactions; and
  - To set limit on any Instructions in relation to the OTC transactions.

For any reason whatsoever, including any authorized use of the ETS provided to the Clients.

- (b) Subject to Clause 6.1 above, NECHK is acting as agent for the Client and does not guarantee the settlement of such OTC transactions;
- (c) The Client's orders may be partially executed or not executed at all. Trades executed will be cancelled and void if the relevant security subsequently fails to list on the relevant exchange;
- (d) In the event that the Client in selling any securities fails to deliver such Securities, NECHK is entitled to purchase in the market (at the prevailing market price) the relevant securities required for delivery in respect of such sale effected for the Client in order to complete the settlement of the relevant transaction. The Client shall bear all losses and expenses arising out of or in connection with such transaction;
- (e) In the event that (i) the Client buys securities from a seller and such seller fails to deliver the relevant Securities and (ii) the purchase of the relevant securities cannot be effected or the NECHK in its absolute discretion determines not to purchase the relevant Securities pursuant to Clause 6.13(c), the Client will not be entitled to obtain the relevant securities at the matched price and shall only be entitled to receive the money paid for the purchase of the relevant securities;
- (f) In the event that the Client in buying any securities fails to deposit the necessary settlement amount, NECHK is entitled to sell any and all securities or collateral

held in the Client's Account and use the sale proceeds after deducting all costs in settlement of the transaction. However, if the Client is the seller under such transaction and such transaction cannot be settled, the Client shall only be entitled to the relevant securities but not the sale proceeds of the relevant securities; and

- (g) Without prejudice to the above, the Client shall bear its own losses or expenses and shall be responsible to NECHK for any losses and expenses resulting from its and/or its counterparty's settlement failures.

## **7. SETTLEMENT**

**7.1 Commissions and Charges:** All transactions executed in pursuance of the instructions of the Client on the Exchange shall be subject to a transaction levy and other levies that the Exchange from time to time may impose. NECHK is authorized to deduct and collect any such levies in accordance with the rules prescribed by the Exchange from the Client's Account. The Client shall pay NECHK on demand and/or authorize NECHK to deduct from the funds available in the Client's Account commissions on purchases, sales and other transactions or services for the Account at such rate as NECHK may from time to time have notified the Client, together with all stamp duties, bank charges, transfer fees, interest and other charges in respect of or connected with the Account or any transactions or services thereof or any securities therein. The Client acknowledges and agrees that the commission rates and fees are determined and set solely by NECHK, the Exchange and other government agencies, and are subject to change at any time.

**7.2 Sufficient Funds/Securities:** Before NECHK executes the Client's instructions, the Client is required to have available funds or securities in the Client's Account at least equal to the amount to cover such purchase or sale (including all commissions, transaction costs and charges). Unless otherwise agreed, in respect of each transaction, or NECHK is already holding cash or securities on the Client's behalf to settle the transaction, the Client will, in a timely manner: (a) pay NECHK cleared funds or deliver to NECHK Securities in deliverable form; or (b) otherwise ensure that NECHK has received such funds or securities.

**7.3 Duty to Settle on Time:** The Client agrees that when NECHK has executed an instruction and settled the transaction on the Client's behalf, the Client shall, by

the due settlement date, make payment to NECHK against delivery of or credit to the Account for purchased securities, or make good delivery of sold securities to NECHK against payment, as the case may be. Whenever the Client fails to make such payment or delivery of securities by the due date as mentioned above or upon closure of the Account or termination of NECHK's relationship with the Client, the Client hereby irrevocably grants NECHK the authorization and rights under Clause 6.4 of this Agreement.

**7.4 Authorization to Cover:** In the event that the Client does not have such sufficient funds or securities available in the Client's Account, the Client authorizes NECHK that NECHK may at its sole discretion and without prior notification to the Client:

- (a) Execute, cancel or liquidate the Client's transactions;
- (b) Set off any amount receivable from and amount payable to the Client where such amounts arise from the purchase and sale of Securities;
- (c) Dispose any of the Client's securities in the Account to settle any liability owed by the Client to NECHK arising from the purchase of securities; or
- (d) Borrow on the Client's behalf and/or purchase securities with the funds available in the Client's Account arising from the sale of securities.

The Client hereby acknowledges that the Client shall indemnify NECHK against any loss, costs, fees and expenses that NECHK may incur in connection with the Client's failure to meet any of the Client's settlement failures.

**7.5 Undelivered Purchase:** The Client realizes that delivery of any securities the Client may purchase from the other party is not guaranteed.

**7.6 Lien and Right of Sale over Securities and Other Property:** NECHK shall have a lien over any and all securities, acquired on the Client's behalf, or in which the Client has an interest (either individually or jointly with other) which are held for the Client's Account and all cash and other property at any time held by NECHK on the Client's behalf, all of which shall be held by NECHK as a continuing security for the payment and/or discharge of the Client's obligations to NECHK arising from the business of dealing in securities and such security shall include all dividends or interest paid or payable after the date hereof on such securities and

all stocks, shares (and the dividends or interest thereon) rights, monies or property accruing or offered at any time by way of redemption, bonus, preference, option or otherwise to or in respect of such Securities. Upon default by the Client in payment on demand or on the due date therefor of any of the Client's indebtedness to NECHK or any other default by the Client hereunder, NECHK shall have the right, acting in good faith, to sell or otherwise dispose the whole or any part of such security as when and how and at such price and on such terms as NECHK shall think fit and to apply the net proceeds of such sale or disposition and any moneys for the time being in NECHK's hands in or towards discharge of the Client's indebtedness to NECHK; and such security shall be in addition to and shall not prejudice or be prejudiced by any right of set-off or other security which NECHK may hold at any time for the Client's indebtedness to NECHK or by any release modification or abstention from enforcement thereof or other dealing therewith.

- 7.7 Payment on Demand:** Notwithstanding any of the other provisions of this Agreement, the Client shall pay all the Client's indebtedness to NECHK on demand or earlier when due and at NECHK's request, shall deposit such cash, securities or otherwise and maintain such securities with NECHK as NECHK deems satisfactory or which may be required by the rules of any stock exchange or market of which NECHK is a member or to which NECHK may have any obligation, and such cash, securities or margin call shall be met immediately. The Client further acknowledges that NECHK may at any time require the Client to deposit sufficient cleared funds in the Account before carrying out any transactions in respect of any Securities on the Client's behalf. The Client acknowledges that NECHK shall not be responsible for any loss occasioned thereby. The Client will be responsible to NECHK for any losses and expenses in connection with enforcing payment or discharge of any such indebtedness, liability or obligation.
- 7.8 Interest:** The Client agrees to pay interest on all overdue debit balances (including interest arising after a judgment debt is obtained against the Client) charged at an annual rate of eight point seven five (8.75) per cent above the best lending rate (Prime Rate) on Hong Kong dollars quoted by bank from time to time or at such rate as be stipulated by NECHK's sole discretion from time to time. Such interest shall accrue on a day-to-day basis and shall be payable on the last day of each calendar month or upon any demand being made by NECHK. The Client also agrees that any interest accrued on the credit balances of the Account shall belong to NECHK absolutely.



- 7.9 **Costs of Collection:** The Client agrees to pay for the reasonable costs and expenses of collection of the debit balance and any unpaid deficiency in the Client's Account, including, but not limited to, attorney's fees, court costs and any other expenses incurred or paid by NECHK.

## 8. CUSTODY OF CLIENT FUNDS AND SECURITIES

- 8.1 **Fund Deposit:** The Client agrees to deposit the Client's own funds for the purpose solely of making securities investment. The Client further agrees not to deposit or transfer, and NECHK is under no obligation to accept for deposit, into the Client's Account any securities, cheques, bank drafts or other property which are not in the Client's name. Should NECHK decide to accept such deposit, the Client shall indemnify NECHK for all loss and liability incurred by NECHK in connection therewith.
- 8.2 **Fund Withdrawal:** Subject to payment of any indebtedness, liability or other obligation then due by the Client to NECHK, the Client may withdraw funds up to his credit balance from the Client's Account upon written or verbal notice to NECHK with applicable fees NECHK may charge. The Client shall effect such appointment by completing the form for the appointment of an agent for transfer of funds and/or securities accessible by notice in writing to NECHK, together with the Client's signature, via mail or facsimile, or calling to NECHK. Provided that NECHK has such authorization documents on file, NECHK is under no duty to verify the identity or authority of such agent who makes any withdrawal Instructions. The Client hereby declares that the Client will be solely responsible for any errors, misappropriations or losses arise from such appointments.
- 8.3 **Fund Balance:** Any cash held for the Client, other than cash received by NECHK in respect of settling a transactions and of fulfilling other debt obligations by the Client, shall be credited to the Client's bank account maintained with a licensed bank as required by applicable laws from time to time. The Client's Account will be credited at a rate as stipulated by NECHK's sole discretion from time to time.
- 8.4 **Safekeeping of Securities:** Any securities which are held by NECHK for safekeeping may, at NECHK's discretion, be registered (if registrable) in the Client's name or in the name of NECHK's nominee; or be deposited, at the Client's cost, in safe custody in a designated account with NECHK's bankers or with any

other institutions approved by the SFC, which provides facilities for the safe custody of documents. 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 NECHK, be credited to the Client's Account or paid or transferred to the Client, as agreed with NECHK. Where the securities form part of a larger holding of identical securities held for NECHK'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 holding.

## **9. NOTICE AND COMMUNICATIONS**

- 9.1 Mode of Delivery:** All notice and communications from NECHK to the Client under this Agreement may be sent and delivered by personal delivery, postal mail, facsimile, electronic mail or other electronic transmission to the address, facsimile number or electronic mail address in the Account Opening Form or as notified to NECHK in writing from time to time by at least fourteen (14) days' advance notice. All notices and other communications shall be deemed to be delivered to the Client (i) at the time of dispatch or transmission if delivered personally, by facsimile transmission or by electronic transmission; or (ii) one (1) Business Day after dispatch if sent by post, whichever shall be the first to occur. On the other hand, any notice or other communication to be given to NECHK shall be deemed effective only when received by NECHK.
- 9.2 Presumption of Receipt:** All notice and communications so sent whether by messenger, mail, facsimile, electronic mail or otherwise, shall be deemed delivered and received, unless otherwise notify to NECHK by the Client. It is the Client's responsibility to ensure the correctness and accuracy of the Account and to contact NECHK immediately with any discrepancies.
- 9.3 Verbal Communications:** NECHK may also communicate with the Client verbally. The Client is deemed to have received any message left for the Client on the Client's answer machine, voice mail or other similar electronic or mechanical devices at the time it is left for the Client.
- 9.4 Responsibility to Retrieve and Review Communications:** The Client agrees to check regularly the Client's mailbox, electronic mailbox, facsimile machine and other sources of facilities through which the Client receives communications from NECHK. NECHK will not be responsible for any losses that arise from the Client's

failure, delay or negligence to check such sources or facilities.

**9.5 Monitoring and Recording of Telephone Conversations and Electronic**

**Communications:** For the protection of the Client and NECHK, and as a tool to detect and rectify misunderstandings, the Client agrees and authorizes NECHK, at NECHK's discretion and without further prior notice, to monitor and record any or all telephone conversations and any electronic communications between NECHK and the Client.

**9.6 Confirmation and Statements of Account:**

The Client is responsible for reviewing all acknowledgements, confirmations, contract notes and statements of account in relation to the Client's transactions, other account activities and information upon first receiving them. All transactions and other information therein contained will be binding on the Client unless NECHK receives the Client's notice of objection in writing within two (2) Business Days after the Client receives or deemed to have received them. In all cases, NECHK has the right to determine the validity of the Client's objection to the relevant transactions or information.

**9.7 Undelivered or Returned Confirmations and Statements of Account:**

The Client endeavours to keep the Client's account information up to date and correct, and to notify NECHK in writing of any changes within fourteen (14) days. The Client understands, for the security and integrity of the Client's Account, that NECHK may temporarily or permanently disable or restrict the Client's Account, if and when confirmations and statements of account become undeliverable or are returned as a result of the Client's failure to provide, update and/or notify NECHK with most current and accurate account information.

**10. CONFLICTS OF INTERESTS**

**10.1** Subject to applicable laws, rules and regulations, NECHK shall be entitled to:

- (a) Act in any capacity for any other person or buy, sell, hold or deal in any securities for NECHK's own Account even if similar securities may be in the Client's Account or covered by the instruction in respect of the Client's Account;
- (b) Purchase for the Client's securities, fully or partially, held by NECHK from

NECHK's own Account;

- (c) Purchase for NECHK's own Account securities, fully or partially, from the Client's Account;
- (d) Match the Client's order with those of other NECHK's client(s);
- (e) Take the opposite position to the Client's order whether it is on NECHK's own Account or is on behalf of other clients of NECHK; and
- (f) Deal in securities where NECHK is involved in a new issue, rights issue, takeover or similar transactions concerning such securities,

provided that in cases under (b), (c), and (d) above, the terms of any transaction in which the Client is involved are not less favorable to the Client than they would have been, had the transaction been entered into at arm's length on the day in question. NECHK shall not be liable to the Client for or obligated to disclose to the Client, any commission, profits or other benefits whatsoever resulting from NECHK's carrying out any of the above actions or entering into any of the above transactions.

- 10.2 The Client acknowledges and agrees that NECHK may solicit, accept and retain for its own benefit any rebate, brokerage, commission, fee, discount and/or other benefit or advantage from any transaction effected by NECHK. NECHK will disclose such benefit or advantage to the Client upon request or otherwise in accordance with applicable laws, regulations and rules. NECHK may also offer at its discretion any benefit or advantage to any person in connection with such transaction.

## **11. NEW LISTING OF SECURITIES**

- 11.1 **Authority to Make Application:** In the event that the Client requests and authorizes NECHK to apply for securities in respect of a new listing and/or issue of securities on the Exchange as the Client's agent for the Client's benefit or for the benefit of any other person, the Client hereby warrants for NECHK's benefit that at the time of such application, NECHK shall have authority to make such application on the behalf of the Client.

- 11.2 Familiarization With the Terms and Conditions of the New Listing and/or Issue:** The Client shall familiarize himself and comply with all the terms and conditions governing the securities of the new listing and/or issue and the application for such new securities set out in any prospectus, offering documents and the application form or any other relevant documents in respect of such new listing and/or issue and the Client agrees to be bound by such terms and conditions in any such transaction the Client may have with NECHK.
- 11.3 Representations, Warranties and Undertakings:** The Client gives to NECHK all the representations, warranties and undertakings which an applicant for securities in a new listing and/or issue is required to give (whether to the issuer, sponsors, underwriters or placing agents of the relevant securities, the Exchange or any other relevant regulator or person).
- 11.4 Sole and Only Application:** The Client further declares and warrants, and authorizes NECHK to disclose and warrant to the Exchange on any application form (or otherwise) and to any other person as appropriate, that any such application made by NECHK as the Client's agent is the only application made, and there is no other application intended to be made, by the Client or on the Client's behalf to benefit the Client or the person for whose benefit the Client is applying. The Client acknowledges and accepts that the aforesaid declaration and warranty will be relied upon by NECHK and by the issuer, sponsors, underwriters or placing agents of the relevant securities, the Exchange or any other relevant regulator or person in respect of any application made by NECHK as the Client's agent.
- 11.5 Eligible Person for Applying for Securities:** The Client represents and warrants that the Client is an eligible person for applying for securities in respect of a new listing and/or issue pursuant to the prospectus and/or offering document and the application form or any other relevant document in respect of such new listing and/or issue and understand that such representation and warranty will be relied upon by NECHK.
- 11.6 Compliance with Relevant Rules and Industry Practice:** The Client recognizes and understands that the legal, regulatory requirements and market practice in respect of applications for securities may vary from time to time as may the requirements of any particular new listing or issue of securities. The Client undertakes to provide to NECHK such information and take such additional steps

and make such additional representations, warranties and undertakings as may be required in accordance with such legal, regulatory requirements and market practice as NECHK may in its absolute discretion determine from time to time.

**11.7 Bulk Application:** If NECHK or NECHK's agents make a bulk application for NECHK's own account and/or on behalf of NECHK's other clients, the Client acknowledges and agrees: (a) that such bulk application may be rejected for reasons which are unrelated to the Client and the Client application and neither NECHK nor NECHK's agent shall, in absence of fraud, negligence or willful default, be liable to the Client or any other person in consequence of such rejection; and (b) to indemnify NECHK if such bulk application is rejected either in circumstances where the representations and warranties have been breached or otherwise because of factors relating to the Client. The Client acknowledges that the Client may also be liable in damages to other persons affected by such breach or other factors.

**11.8 Offer of IPO Loan:** NECHK, on receipt of a request from the Client to apply for and purchase shares in companies that are being brought to the market by way of a new issue ("IPO Shares"), may provide assistance in financing subscriptions for such shares ("IPO Loan"). As continuing security for the due and punctual payment by the Client of all principal, interest and other sums owed by the Client to NECHK in respect of the IPO Loan, the Client as beneficial owner hereby charges by way of first legal charge the IPO Shares to NECHK until full payment made to NECHK of the IPO Loan by the Client; and hereby expressly authorizes NECHK to receive and apply all sums of whatever nature received by NECHK (or NECHK's nominees) in respect of any part of the charged shares towards payment of the IPO Loan in such manner and at such time as NECHK may determine.

**11.9 Postponement or Cancellation of Listing of New Securities:** If there is a postponement or cancellation of listing of new securities or an alternation to the listing time of new securities, NECHK shall not, in any circumstances, be liable in any way to the Client for any losses, damages, expenses or loss of profit whatsoever suffered and/or incurred by the Client arising out directly or indirectly or in connection with its not accepting, carrying out, executing or effecting such Instructions or omitting to give notice therefor.

## **12. ELECTRONIC TRADING SERVICE**

- 12.1 **Electronic Trading Service:** The Client understands that the Electronic Trading Service (“ETS”) is a semi-automated facility, which enables the Client to send electronic instructions and receive information and services. The Client agrees to use the ETS only in accordance with the terms of this Agreement. Any additional services offered through the ETS in the future shall only be use by the Client in accordance with the terms of this Agreement.
- 12.2 **Authorized Access:** The Client shall be the only authorized user of the ETS for the Client’s Account. The Client shall be responsible for the confidentiality and use of Log-In Password and Trading Password. The Client acknowledges and agrees that the Client shall be solely responsible for all Instructions entered through the ETS using Log-In Password and Trading Password and neither NECHK nor NECHK’s directors, officers or employees shall have any liability to the Client, or to any other person whose claim may arise through the Client, for any claims with respect to the handling, mishandling or loss of any Instructions.
- 12.3 **Proprietary System:** The Client acknowledges that the ETS is proprietary to NECHK. The Client warrants and undertakes that the Client shall not, and shall not attempt to, tamper with, modify, de-compile, reverse engineer or otherwise alter in any way, and shall not attempt to gain unauthorized access to, any part of the ETS. The Client acknowledges that NECHK may take legal action against the Client, if the Client at any time breaches this warranty and undertaking or if NECHK at any time reasonably suspects that the Client has breached the same. The Client undertakes to notify NECHK immediately if the Client becomes aware that any of the actions described above in this Clause is being perpetrated by any other person.
- 12.4 **Responsibility to Notify Errors:** The Client further acknowledges and agrees that, as a condition of using the ETS to give Instructions, the Client shall immediately notify NECHK if: (a) an Instruction in respect of the Account has been placed through the ETS and the Client has not received an order number; (b) an Instruction in respect of the Account has been placed through the ETS and the Client has not received an accurate acknowledgement of the Instruction or of its execution, whether by hard copy or via electronic or verbal means; (c) the Client has received acknowledgement, whether by hard copy, electronic or verbal means, of a transaction which the Client did not originate or instruct; and/or (d) the Client become aware of any unauthorized use of the Account Number, Log-

In Password and/or Trading Password.

**12.5 Alternative Trading Facilities:** The Client agrees that should the Client experience any problems in reaching NECHK through the ETS or vice versa, the Client shall attempt to use an alternative method or device, as NECHK may make available, to communicate with NECHK to place the Client orders and to inform NECHK of the difficulty the Client may experience. The Client acknowledges that NECHK gives no express or implied warranties (including but not limited to warranties of merchantability, functionality or fitness for a particular use) with respect to trade or trade related services. The Client agrees that NECHK shall not be responsible to the Client for any losses, costs, expenses, damages or claims which the Client may suffer as a result of any disruption, malfunction or other suspension of NECHK's service beyond NECHK's control.

**12.6 Third Party Market Data:** The Client understands that the ETS may provide, for informational purpose only data about securities published by third parties. Owing to market volatility and possible delay in the data-transmission process, the data may not be real-time market quotes for the relevant securities or investment. The Client understands that whilst NECHK believes such data to be reliable, it has no independent basis to verify or contradict the accuracy or completeness of the information provided. The Client understands that no recommendation or endorsement from NECHK shall be inferred from the data provided with respect to any securities or investment.

**12.7 No Guarantee of Accuracy or Timeliness of Information:** The Client acknowledges that the price quote service available at the ETS is provided by a third party provider appointed by NECHK from time to time. The Client understands that information provided in the ETS is on an "as is", "as available" basis and NECHK does not guarantee the timeliness, sequence, accuracy, adequacy or completeness of such information.

**12.8 Termination of Electronic Trading Services:** NECHK reserves the right to terminate the Client access to the ETS in its sole discretion, without notice or assigning any reasons.

### **13. FAX AND ELECTRONIC INSTRUCTIONS INDEMNITY**

**13.1 Fax and Electronic Instructions:** The Client acknowledges that from time to



time, NECHK needs to act on facsimile or electronic instructions (including but not limited to e-mail or short message service (SMS)) from the Client. The Client understands that facsimile and electronic instructions are not secure means of communication and there are risks involved. The Client hereby requests NECHK to accept such facsimile or electronic instructions for the Client's convenience. NECHK is hereby authorized to act on any facsimile or electronic instructions that NECHK in its sole discretion believe emanate from the Client. Provided that NECHK exercises reasonable care in verifying the signature of the purported authorized person in the facsimile instructions or the identity of the person giving the electronic instructions, NECHK shall not be liable for acting in good faith on facsimile or electronic instructions that emanate from unauthorized persons.

- 13.2 Binding Transaction and Indemnity:** Any transaction put through by NECHK for the Client pursuant to a facsimile or electronic instruction acted upon in good faith and in the absence of negligence default or fraud shall be binding upon the Client whether made with or without the Client's authority, knowledge or consent. The Client undertakes to indemnify NECHK and keep NECHK indemnified at all times against all actions, proceedings, claims, losses, damages, costs and expenses which may be brought against NECHK or suffered or incurred by NECHK and which shall have arisen either directly or indirectly out of or in connection with NECHK's accepting facsimile or electronic instructions and acting thereon, whether or not the same are confirmed in writing by the Client.

## **14. GENERAL PROVISIONS**

- 14.1 Entire Agreement:** This Agreement, including any Schedules and Appendices (as may be amended from time to time), contains the entire understanding between the Client and NECHK and supersedes all previous Agreements and arrangement (if any) made between NECHK and the Client in relation to the Account.
- 14.2 Severability:** If any provision of this Agreement shall be held to be invalid or unenforceable by any court or regulatory agency or body, such invalidity or unenforceability shall attach only to such provision. The validity of the remaining provisions shall not be affected thereby and this Agreement shall be carried out as if any such invalid or unenforceable provision were not contained here. Time shall be of the essence in relation to all matters arising under this Agreement. Where the Client consists of more than one person, the liability of each of the persons shall be joint and several and references to the Client shall be construed, as the context

requires, to any or each of the persons. NECHK shall be entitled to deal separately with any of the persons including the discharge of any liabilities to any extent without affecting the liability of the others.

**14.3 Presumption of Delivery:** All notices and communications to the Client may be effectively given by mailing the same by post addressed to the Client at any of the Client's residential, business or correspondence addresses as they appear from time to time on NECHK's records, or by delivering the same to the Client or to any such address, or by facsimile or e-mail to any facsimile number or address notified to NECHK from time to time for the purpose and shall be deemed to be received (a) the first Business Day after such notice is mailed (in the case of post), and (b) when delivered (in the case of personal delivery), or communicated (in the case of telephone, facsimile transmission or e-mail) and that no such notice or communication need be signed on NECHK's behalf.

**14.4 Duty to Notify:** The Client shall inform NECHK within two (2) Business Days of the possession or knowledge of information, if the Client acts as intermediary for or effected a Transaction on behalf of someone other than the Client as an ultimate beneficiary owner(s): and if the Client notices any discrepancies and/or error with regard to and in connection with any the Client's account information, Transactions, settlements and fund transfers. The Client agrees that the Client failure to notify of such discrepancy and/or error in a prompt manner would exonerate NECHK and NECHK's agents from any claims, liabilities or damages resulted from those discrepancies and/or errors.

**14.5 Amendment:** To the extent permitted by law, NECHK may from time to time amend any of the terms and conditions of this Agreement without prior notice to or approval from the Client, and such amendments shall come into effect immediately upon the receipt of notice from the Client pursuant to this Agreement. The Client acknowledges that the Client does not accept any amendments as notified by the Client from time to time. The Client shall have the right to terminate this Agreement.

**14.6 Material Change:** NECHK will notify the Client of material changes to any information provided to the Client, which may affect financial product(s) and/or service(s) provided to the Client under this Agreement.

**14.7 Waiver:** Waiver of any right under this Agreement must be in writing signed by

the party waiving such right. NECHK will not be regarded as having waived any right under this Agreement if NECHK fails or delays in exercising such right. Any single or partial exercise of any rights under this Agreement will not preclude any further exercise of such right or exercise of any other right. NECHK's failure to insist at any time on strict compliance with any of the terms or conditions of this Agreement or any continued course of such conduct on NECHK's part shall, in no event, constitute or be considered as a waiver by NECHK of any of NECHK's powers, rights, remedies or privileges.

**14.8 Assignment:** This Agreement shall be binding on and ensure for the benefit of the successors or assigns of the parties respectively, and shall continue to be binding on the Client notwithstanding any change in the name or constitution of NECHK, or the consolidation or amalgamation of NECHK into or with any other entity. The Client agrees that NECHK may transfer its rights and obligations under this Agreement to an associate or successor of NECHK, or change the office through which any transaction is booked, or through which it makes or receives payments or deliveries for the purpose of any service or transaction without prior consent from the Client. The rights and obligations of the Client under this Agreement may not be assigned without NECHK's prior written consent.

**14.9 Default:**

14.9.1 Any of the following events shall constitute an "Event of Default": (a) the Client has breached any material term(s) of this Agreement or defaulted in respect of any transaction with NECHK; (b) the Client fails to pay for or otherwise settle any purchase (including the subscriptions to acquire a new listing and issue) or other transaction under this Agreement when due; (c) in the event when a petition in bankruptcy or winding-up or the commencement of other analogous proceedings is filed against the Client; or (d) any warranty order of attachment or distress or equivalent is filed against the Client.

14.9.2 If an event of default occurs, without prejudice to any other rights or remedies that NECHK may have against the Client and without further notice to the Client, NECHK shall be entitled to: (a) cancel any or all outstanding orders or any other commitments made on the Client's behalf; (b) cover any short position in the Account through the purchase of securities or liquidate any long position in the Account through the

sale of securities; (c) sell, dispose of or otherwise deal with in whatever manner any securities in the Account and any Securities deposited by the Client with NECHK; (d) sell or realize all or any part of the Client's property held by NECHK or other member of NE Group in such manner and upon such terms as NECHK may conclusively decide and satisfy the Client's obligations and indebtedness towards NECHK or other member of NE Group out of the net proceeds (with fees, expenses and

- 14.9.3 Notwithstanding of Clause 14.10.2, NECHK may, at any time, combine or consolidate all or any of such accounts as are for the time being opened and maintained by the Client with NECHK or other member of NE Group, including the Account, and the Client hereby irrevocably authorize NECHK (without prejudice to the other authorities granted to NECHK hereunder): (a) to instruct other member of NE Group to transfer on the Client's behalf any funds standing from time to time in any account maintained at any time by the Client with other member of NE Group to any of the Client's account maintained at any time with NECHK; (b) to transfer any funds standing from time to time in any account maintained by the Client with NECHK to any account maintained at any time by the Client with other member of NE Group; (c) to set-off or transfer any sum standing to the credit of any one or more such accounts by the Client in or towards satisfaction of the Client's indebtedness, obligation or liability to NECHK or other member of NE Group on any of the accounts or in any other respect whatsoever, whether such indebtedness, obligations or liabilities be present or future, actual or contingent, primary or collateral, several or joint, secured or unsecured; and (d) to give other member of NE Group notice of such authority, and when such combination, consolidation, set-off or transfer requires the conversion of the currency into another, such conversion shall be calculated at such rate of exchange as conclusively determined by NECHK's prevailing in such foreign exchange market as NECHK may at its absolute discretion (but shall notify the Client of NECHK's decision) select on or about the date of the combination, consolidation, set-off or transfer. In respect of any payments by NECHK to offset and discharge any of the Client's obligations to other member of NE Group, NECHK shall not be concerned whether or not such obligation exist, provided demand has been made on NECHK by other member of NE Group.

#### **14.10 Termination:**

14.10.1 Either party may terminate this Agreement at any time by giving the other party not less than fourteen (14) Business Days' notice in writing. The Account shall also be deemed to be terminated upon the termination of this Agreement. Termination under Clause 14.10.1 shall not affect any transaction entered into by the NECHK pursuant to this Agreement before the written notice of that termination has been actually received by NECHK. Termination shall not extinguish, prejudice or vary any of NECHK's rights under this Agreement.

Termination under Clause 14.10 shall not affect in any way at all:

- (a) The validity of all acts performed by NECHK before termination, which shall be binding upon the Client;
- (b) The rights or liabilities of either the Client or NECHK in relation to any outstanding transactions at the time of termination until all those transactions have been processed, cancelled or settled and all those liabilities have been fully discharged;
- (c) Warranties, representations, undertakings and indemnities given by the Client under or in connection with any agreement relating to the Account and/or any transactions, all of which shall survive termination; or
- (d) The Client's obligations.

14.10.2 Upon termination of this Agreement under Clause 14.10, all amounts due or owing by the Client to NECHK under this Agreement shall become immediately due and payable.

14.10.3 Upon termination of this Agreement, NECHK may sell, realize, redeem, liquidate or otherwise dispose of all or part of the securities to satisfy all indebtedness of the Client to NECHK.

14.10.4 If a debit balance on the Account exists after application of the cash proceeds and deduction of any sums pursuant to Clause 14.10, the Client

shall immediately pay to NECHK an amount equal to such debit balance together with NECHK's cost of funding such amount as notified to the Client by NECHK up to the date of actual receipt of full payment by NECHK (after as well as before any judgment).

- 14.10.5 NECHK may effect such currency conversions as are necessary for the purposes of Clause 14.10 in each case at the spot rate of exchange (as determined by NECHK in its absolute discretion) prevailing in the relevant foreign exchange market (as determined by NECHK in its absolute discretion) on the relevant date.
- 14.10.6 If there is any cash or securities standing to the credit of the Account upon any termination of this Agreement and/or closure of the Account, the Client agrees to give Instructions to NECHK with respect to the withdrawal of such cash and/or securities within seven (7) days of such termination and/or closure. If the Client fails to comply with Clause 14.10.6, NECHK will be entitled (but not obliged) to sell any securities of the Client and return to the Client a cheque for the amount of the net proceeds of such sale plus the credit balance (if any) in the Account.
- 14.11 **English/Chinese Version:** The Client declared that the Client has been advised to read the English and/or the Chinese versions of this Agreement carefully, that the Client has done so, that the Client has been advised to seek independent legal advice and has had the opportunity to seek the same, that the contents of this Agreement have been fully explained to the client in a language of the Client's choice, that the Client understood them and the Client accepted and agreed to be bound thereby. If there is any inconsistency between the Chinese and English versions of this Agreement, the Client agreed that the English version shall prevail.
- 14.12 **Descriptive Headings:** The heading of each provision hereof is for descriptive purposes only. They shall not be deemed to modify, qualify or otherwise substitute for any of the rights or obligations set forth in each of the provisions thereof contained in this Agreement.
- 14.13 **Indemnification:** The Client agrees that NECHK and NECHK's directors, officers, employees and agents shall not be liable for any delay or failure to perform any of NECHK's obligations hereunder or for any losses caused

directly or indirectly by any condition or circumstances over which NECHK and NECHK's directors, officers, employees or agents do not have control, including but not limited to government restriction, exchange or market rulings, suspension of trading, failure of electronic or mechanical equipment or communication lines, telephone or other interconnect problems, unauthorized access, theft, war (whether declared or not), severe weather, earthquakes and strikes. The Client further agrees to indemnify NECHK and NECHK's officers, employees and agents on demand for any loss, cost, claim, liability or expense arising out of or in connection with any breach by the Client of the Client's obligations hereunder including any reasonable costs incurred by NECHK in collecting any debts due to NECHK or in connection with the closure of the Account.

## **15. RISK DISCLOSURE STATEMENTS**

- 15.1 **Risk of Securities Trading:** The price of securities fluctuates, 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.
- 15.2 **Fluctuation in Prices:** The Client acknowledges and agrees that the price of securities can and does fluctuate, and that any individual security may experience upward or downward movements and may even become valueless. There is an inherent risk associated with the dealings of securities and the Client is prepared and able to accept and tolerate such risk.
- 15.3 **Securities in Custody:** The Client acknowledges and agrees that there are risks in leaving securities in the safe custody of NECHK, NECHK's nominee or agent or in authorizing NECHK to deposit securities as collateral for loans or advances made to the Client or authorizing NECHK to borrow or loan securities; and that NECHK will not be responsible for any damage or loss arising in connection with such safe custody nor any act, default or negligence of any independent nominee, or other third party(is) and the Client accepts that any Securities placed and pledged with any of them are at the Client's own risk.
- 15.4 **Risk of Electronic Trading:** Access to the internet or other electronic devices may be limited or unavailable during periods of peak demand, market

volatility, systems upgrades or maintenance or for other reasons. Transactions conducted through the internet or other electronic devices may be subject to interruption, transmission blackout, and delayed transmission due to unpredictable traffic congestion and other reasons beyond NECHK's control. Internet is, due to technical limitation, an inherently unreliable medium of communication. As a result of such unreliability, there may be delays in the transmission and receipt of Instructions and other information and that this may result in delays in the execution of Instructions and/or the execution of Instructions at prices different from those prevailing prices at the time the Instructions were given. Moreover, communications and personal data may be accessed by unauthorized third party; and there are risks of misunderstanding or errors in any communication and that such risks shall be absolutely borne by the Client. The Client acknowledges and agrees that it shall not usually be possible to cancel an Instruction after it has been given.

If the Client uses NECHK's ETS via a third party platform, the Client understands that such third party platform may obtain his information and/or data. Owing to the technical limitation of third party platform, the Client may fail to gain access to his Account and/or give Instruction(s) when entering into NECHK's ETS via the third party platform. Under this circumstance, the Client agrees to accept full responsibilities for failure to gain access to his Account and/or give Instruction(s) via the third party platform. The Client further agrees that NECHK shall not be responsible for any liabilities, losses, claims, damages, costs, expenses and/or delays that may thereby be suffered or incurred by the Client arising from accessing to NECHK's ETS via a third party platform.

The client acknowledged and agreed that when the client uses NECHK's ETS via a third party platform, due to the constraints of third party platform, relevant commissions and expenses charged to the Account may be different from the client who uses NECHK's ETS without via a third party platform. The client agreed that NECHK shall not be responsible for those differences. At the same time, the client agreed to relinquish his right on claims on those differences as well.

- 15.5 **Risk of Trading GEM Stocks:** GEM stocks involve a high investment risk. In particular, companies may list on GEM with neither a track record of profitability nor any creditability to forecast future profitability. GEM stocks



may be very volatile and illiquid. The Client acknowledges that 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 website operated by the Exchange. GEM companies are usually not required to issue paid announcements in gazetted newspapers. The Client acknowledges that the Client should seek independent professional advice if the Client should be uncertain of or have not understood any aspect of this risk disclosure statement or the nature and risks involved in trading of GEM stocks.

- 15.6 **Risk of Trading Nasdaq-Amex Securities at the Exchange:** The securities under the Nasdaq-Amex Pilot Program ("PP") are aimed at sophisticated investors. The Client should consult NECHK and/or an independent Professional Advisor and become familiarized with the PP before trading in the PP securities. The Client should be aware that the PP securities are not regulated as a primary or secondary listing on the Main Board or GEM of the Exchange.
- 15.7 **Risks of Client Assets received or held outside Hong Kong:** The Client acknowledges and agrees that the client assets received or held by NECHK outside Hong Kong are subject to the applicable laws and regulations of the relevant overseas jurisdiction which may be different from the SFO and the rules made thereunder. Consequently, the Client's assets may not enjoy the same protection as that conferred on the Client's assets received or held in Hong Kong. In relation to non-Hong Kong securities or securities held outside Hong Kong, NECHK or NECHK's agent can, without specific authority from the Client: (a) deposit any of the Client's non-Hong Kong securities with any third parties outside Hong Kong including without limitation banks, securities dealers or lending institutions as collateral for any financial accommodation provided to NECHK; (b) borrow or lend any of the Client's non-Hong Kong securities with any third parties outside Hong Kong including without limitation banks, securities dealers or lending institutions; or (c) deposit any of the Client's non-Hong Kong securities with any third parties outside Hong Kong including without limitation banks, securities dealers or lending institutions as collateral for the discharge and satisfaction of NECHK's settlement obligations and liabilities.

15.8 **Risk of Trading Hong Kong Listed Derivative Warrants (“DW”):**

- 15.8.1 **Issuer Default Risk:** In the event that a DW issuer becomes insolvent and defaults on their listed securities, investors will be considered as unsecured creditors and will have no preferential claim to any assets held by the issuer. Clients should therefore pay close attention to the financial strength and credit worthiness of DW issuers.
- 15.8.2 **Uncollateralised Product Risk:** Uncollateralised DWs are not asset backed. In the event of issuer bankruptcy, Clients can lose their entire investment. Clients should read the listing documents to determine if a product is uncollateralised.
- 15.8.3 **Gearing Risk:** DWs are leveraged and can change in value rapidly according to the gearing ratio relative to the underlying assets. Clients should be aware that the value of a DW may fall to zero resulting in a total loss of the initial investment.
- 15.8.4 **Expiry Considerations:** DWs have an expiry date after which the issue may become worthless. Clients should be aware of the expiry time horizon and choose a product with an appropriate lifespan for their trading strategy.
- 15.8.5 **Extraordinary Price Movements:** The price of a DW 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.
- 15.8.6 **Foreign Exchange Risk:** Clients trading DWs 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 and thereby also affect the DW price.
- 15.8.7 **Liquidity Risk:** The Exchange requires all DW 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, Clients may not be able to buy or sell the product until a new liquidator provider has been assigned.

15.8.8 **Time Decay Risk:** All things being equal, the value of a DW will decay over time as it approaches its expiry date. DWs should therefore not be viewed as long term investments.

15.8.9 **Volatility Risk:** Prices of DWs can increase or decrease in line with the implied volatility of underlying asset price. Clients should be aware of the underlying asset volatility.

#### 15.9 **Risk of Trading Callable Bull/Bear Contracts (“CBBC”):**

15.9.1 **Issuer Default Risk:** In the event that a CBBC issuer becomes insolvent and defaults on their listed securities, Clients will be considered as unsecured creditors and will have no preferential claim to any assets held by the issuer. Clients should therefore pay close attention to the financial strength and credit worthiness of CBBC issuers.

15.9.2 **Uncollateralised Product Risk:** Uncollateralised CBBCs are not asset backed. In the event of issuer bankruptcy, Clients can lose their entire investment. Clients should read the listing documents to determine if a product is uncollateralised.

15.9.3 **Gearing Risk:** CBBCs are leveraged and can change in value rapidly according to the gearing ratio relative to the underlying assets. Clients should be aware that the value of a CBBC may fall to zero resulting in a total loss of the initial investment.

15.9.4 **Expiry Considerations:** CBBCs have an expiry date after which the issue may become worthless. Clients should be aware of the expiry time horizon and choose a product with an appropriate lifespan for their trading strategy.

15.9.5 **Extraordinary Price Movements:** The price of a CBBC 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.

15.9.6 **Foreign Exchange Risk:** Clients trading CBBCs 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 and thereby also affect the CBBC price.

15.9.7 **Liquidity Risk:** The Exchange requires all CBBC 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, Clients may not be able to buy or sell the product until a new liquidator provider has been assigned.

15.9.8 **Mandatory Call Risk:** Clients trading CBBCs should be aware of their intraday “knockout” or mandatory call feature. A CBBC will cease trading when the underlying asset value equals the mandatory call price/level as stated in the listing documents. Clients will only be entitled to the residual value of the terminated CBBC as calculated by the product issuer in accordance with the listing documents. Clients should also note that the residual value can be zero.

15.9.9 **Funding Costs:** The issue price of a CBBC includes funding costs. Funding costs are gradually reduced over time as the CBBC moves towards expiry. The longer the duration of the CBBC, the higher the total funding costs will be. In the event that a CBBC is called, Clients will lose the funding costs for the entire lifespan of the CBBC. The formula for calculating the funding costs are stated in the listing documents.

#### 15.10 **Risk of Trading Exchange Traded Funds (“ETF”):**

15.10.1 **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.

Clients must be prepared to bear the risk of loss and volatility associated with the underlying index/assets.

**15.10.2 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).

**15.10.3 Trading At Discount Or Premium:** An ETF may be traded at a discount or premium to its net asset value. 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.

**15.10.4 Foreign Exchange Risk:** Clients trading ETFs with underlying assets not denominated in Hong Kong dollars are also exposed to exchange rate risk. Currency rate fluctuations can adversely affect the underlying asset value and thereby also affect the ETF price.

**15.10.5 Liquidity Risk:** Securities market makers are Exchange Participants that provide liquidity to facilitate trading in ETFs. Although most ETFs are supported by one or more securities market makers, there is no assurance that active trading will be maintained. In the event that the securities market makers default or cease to fulfill their role, Clients may not be able to buy or sell the product.

**15.10.6 Counterparty Risk involved in ETFs with Different Replication Strategies:**

**(a) Full Replication and Representative Sampling Strategies:**  
An ETF using a full replication strategy generally aims to

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

(b) **Synthetic Replication Strategies:** ETFs utilizing a synthetic replication strategy use swaps or other derivative instruments to gain exposure to a benchmark. Currently, synthetic replication ETFs can be further categorized into two forms:

**(i) Swap-based ETFs**

- Total return swaps allow ETF managers to replicate the benchmark performance of ETFs without purchasing the underlying assets.
- Swap-based ETFs are exposed to counterparty risk of the swap dealers and may suffer losses if such dealers default or fail to honor their contractual commitments.

**(ii) Derivative Embedded ETFs**

- ETF managers may also use other derivative instruments to synthetically replicate the economic benefit of the relevant benchmark. The derivative instruments may be issued by one or multiple issuers.
- Derivative embedded ETFs are subject to counterparty risk of the derivative instruments' issuers and may suffer losses if such issuers default or fail to honor their contractual commitments.

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

## **15.11 Risk of Trading Equity Linked Instruments (“ELI”):**

ELI are structured products which can be listed on the Exchange under Chapter 15A of the main board Listing Rules. They are marketed to retail and institutional Clients who want to earn a higher interest rate than the rate on an ordinary time deposit and accept the risk of repayment in the form of the underlying shares or losing some or all of their investment.

When a Client purchases an ELI, the Client is indirectly writing an option on the underlying shares. If the market moves as the Client expected, he earns a fixed return from his investment which is derived mainly from the premium received on writing the option. If the market moves against the Client's view, he may lose some or all of his investment or receive shares worth less than the initial investment.

- 15.11.1 **Exposure to Equity Market:** Clients are exposed to price movements in the underlying security and the stock market, the impact of dividends and corporate actions and counterparty risks. Clients must also be prepared to accept the risk of receiving the underlying shares or a payment less than their original investment.
- 15.11.2 **Possibilities of Losing Investment:** Clients may lose part or all of their investment if the price of the underlying security moves against their investment view.
- 15.11.3 **Price Adjustment:** Clients 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. Clients should also note that issuers may make adjustments to the ELI due to corporate actions on the underlying security.
- 15.11.4 **Interest Rates:** While most ELIs 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.
- 15.11.5 **Potential Yield:** Clients should consult NECHK on fees and charges related to the purchase and sale of ELI and payment/delivery at expiry. The potential yields disseminated by

the Exchange have not taken fees and charges into consideration.

## **15.12 Risk of Trading Renminbi Products:**

- 15.12.1 **Renminbi Currency Risk:** Renminbi is not freely convertible at present and conversion of Renminbi through banks in Hong Kong is subject to certain restrictions. For Renminbi products which are not denominated in Renminbi or with underlying investments which are not Renminbi denominated, such products will be subject to multiple currency costs involved in making investments and liquidating investments, as well as the Renminbi exchange rate fluctuations and bid/offer spreads when assets are sold to meet redemption requests and other capital requirements (e.g. settling operating expenses). The People of Republic of China (“PRC”) government regulates the conversion of Renminbi and other currencies. If the restrictions on Renminbi convertibility and the limitations on the flow of the Renminbi funds between PRC and Hong Kong become more stringent, the depth of the Renminbi market in Hong Kong may become further limited.
- 15.12.2 **Exchange Rate Risk:** The value of the Renminbi against the Hong Kong dollar and other foreign currencies fluctuates and is affected by changes in the PRC and international political and economical conditions and by many other factors. For Renminbi products, the value of Client’s investment in Hong Kong dollar terms may decline if the value of Renminbi depreciates against Hong Kong dollar.
- 15.12.3 **Interest Rate Risk:** The PRC government has gradually liberalized the regulation of interest rates in recent years. Further liberalization may increase interest rate volatility. For Renminbi products which are, or may invest in, Renminbi debt instruments, such instruments are susceptible to interest rate fluctuations, which may adversely affect the return and performance of the Renminbi products.
- 15.12.4 **Limitation on the Provision of Renminbi Funding:** In case the Client does not have sufficient Renminbi funding in the account to subscribe Renminbi products, subject to compliance with all



applicable laws, rules and regulations, NECHK may assist the Client to convert other currencies to Renminbi. However, NECHK does not guarantee that it can assist the Client to obtain sufficient Renminbi funding due to the limitation on the flow of Renminbi funds in Hong Kong. NECHK may unwind the Client's trade due to insufficient Renminbi funding and the Client's investment may be adversely affected if he suffers losses due to settlement failure.

- 15.12.5 **Limited Availability of Underlying Investments denominated in Renminbi:** For Renminbi products that do not have access to invest directly in Mainland China, their available choice of underlying investments denominated in Renminbi outside Mainland China may be limited. Such limitation may adversely affect the return and performance of the Renminbi products.
- 15.12.6 **Projected Returns which are not Guaranteed:** For some Renminbi investment products, their returns may not be guaranteed or may only be partly guaranteed. Clients should read carefully the statement of illustrative return attached to such products and in particular, the assumption on which the illustration are based, including, for example, any future bonus or dividend declaration.
- 15.12.7 **Long Term Commitment to Investment Products:** For Renminbi products which involve a long period of investment, if the Client redeems his investment before the maturity date or during the lock-up period (if applicable), he may incur significant loss of principal where the proceeds may be substantially lower than the invested amount. The Client may also suffer from early surrender/withdrawal fees and charges as well as the loss of returns (where applicable) as a result of redemption before the maturity date or during lock- up period.
- 15.12.8 **Credit Risk of Counterparties:** For Renminbi products investing in Renminbi debt instruments which are not supported by any collateral, such products are fully exposed to the credit risk of the relevant counterparties. Where a Renminbi product may invest in derivative instruments, counterparty risk may also arise as the default by the derivative issuers which may adversely affect the

performance of the Renminbi product and result in substantial loss.

15.12.9 **Liquidity Risk:** Renminbi products may suffer significant losses in liquidating the underlying investment, especially if such investments do not have an active secondary market and their prices have large bid/offer spread.

15.12.10 **Possibility of Not Receiving Renminbi upon Redemption:** For Renminbi products with a significant portion of non-Renminbi denominated underlying investments, there is a possibility of not receiving the full amount in Renminbi upon redemption. This may be the case if the issuer is not able to obtain sufficient amount of Renminbi in a timely manner due to the exchange controls and restrictions applicable to the currency.

### 15.13 **Risk of Trading Bonds**

15.13.1 **Issuer Default Risk:** There is a risk that the issuer may fail to pay Clients the interest or principal as scheduled.

15.13.2 **Interest Rate Risk:** When the interest rate rises, the price of a fixed rate bond will normally drop. If Clients want to sell their bond before it matures, they may get less than their purchase price.

15.13.3 **Foreign Exchange Risk:** Clients trading bond denominated in a foreign currency face an exchange rate risk. Any fall in the foreign currency will reduce the amount Clients receive when they convert a payment of interest or principal back into the local currency.

15.13.4 **Liquidity Risk:** Clients may need to sell the bonds before maturity when they have an urgent cash-flow need or use the capital for other investments. However, Clients may not achieve this if the liquidity of the secondary bond market is low.

15.13.5 **Reinvestment Risk:** If Clients hold a callable bond, when the interest rate goes down, the issuer may redeem the bond before maturity. If this happens, Clients have to re-invest the proceeds, the yields on other bonds in the market will generally be less favorable.

15.13.6 **Equity Risk:** If the bond is “convertible” or “exchangeable”, Clients also face equity risk associated with stocks. A fall in the stock price will usually make the bond price fall.

15.14 **Risk of Providing Authority to Hold Mail or to Direct Mail to Third Parties:** If the Client provides NECHK 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 statements of the client account and review them in detail to ensure that any anomalies or mistakes can be detected in a timely fashion.

15.15 **Instructions Outside Hong Kong:** If the Client gives any Instruction to NECHK outside Hong Kong, the Client agrees to ensure and represent that such Instruction will have been given in compliance with any applicable law of the relevant jurisdiction from which the Client’s Instruction is given, and the Client further agrees that the Client shall, when in doubt, consult legal advisers and other professionals of the relevant jurisdiction. The Client accepts that there may be taxes or charges payable to relevant authorities in respect to any Instruction given outside Hong Kong, and the Client agrees to pay such taxes or charges as applicable.

15.16 **Acknowledgment of the Risk Disclosure Statements:** NECHK’s licensed representative has invited the Client to read this Risk Disclosure Statement, ask questions and take independent advice (if the Client wishes). The Client fully understood this Risk Disclosure Statements.

## 16. **CLIENT IDENTITY**

16.1 **Assistance to Regulators:** If, in respect of any transaction effected or to be effected by NECHK for the Client pursuant to this Agreement, the Client is acting as agent and the Client is for any reason prevented from disclosing or providing to NECHK client identity information in respect of the ultimate beneficiary owner in respect of that transaction, the Client undertakes to provide such client identity information to the regulators directly within two (2) Business Days (or such shorter period as the regulators may reasonably specify) of receipt of a written or verbal request either from NECHK or from the regulators.

- 16.2 **Disclosure of Beneficiaries:** If, in respect of any transaction effected or to be effected by NECHK for the Client pursuant to this Agreement, the Client is acting as investment manager of any investment scheme, discretionary account or discretionary trust (or any other person) and the Client's discretion is overridden by one or more of the beneficiaries of such scheme, account or trust (or such other person), the Client undertakes to (a) inform NECHK of such arrangement; and (b) provide NECHK with client identity information in respect of the ultimate beneficiary owner or such other person whose Instructions have overridden the Client's discretion. If for any reason the Client is prevented from disclosing or providing such client identity information to NECHK, the Client undertakes to provide such client identity information to the regulators directly within two (2) Business Days (or such shorter period as the regulators may reasonably specify) of the receipt of a written or verbal request either from NECHK or from the regulators.
- 16.3 **Disclosure where Beneficiaries are Intermediaries:** If, in respect of any transaction effected or to be effected by NECHK for the Client pursuant to this Agreement, the Client is acting as an intermediary in a jurisdiction with client secrecy laws, the Client confirms that (a) an agreement has been entered into by the ultimate beneficiary owner in respect of such transaction that waives the benefit of such secrecy laws in respect of providing to the regulators the information required by the regulators upon request pursuant to Clause 16; and (b) such agreement is legally binding under the relevant foreign law.
- 16.4 **Material Change to the Information:** The Client undertakes to supply to NECHK on demand at any time or times such client identity information, financial and other information about the Client (including, without limitation, the identities of the persons ultimately beneficially interested in the Account and/or any trading contract executed on the Account) as NECHK may request. Each of the Client and NECHK agrees to notify the other in the event of any material change to the information provided in or in connection with this Agreement.
- 16.5 **Survivability:** The provisions of Clause 16 shall continue in effect notwithstanding the termination of the Account(s) or this Agreement.

## 17. AEOI COMPLIANCE

17.1 **Disclosure, Consent and Waiver:** Under the standard of AEOI, financial institutions like NECHK are required to identify financial accounts held by tax residents of reportable jurisdictions or held by passive non-financial entities whose controlling persons are tax residents of reportable jurisdiction in accordance with due diligence procedures. Required information of these accounts has to be collected and furnished to relevant government agencies. Such client information (e.g. full name, address, tax identification number (“TIN”), date of birth, account number, account balance or account value as of the end of calendar year) will be exchanged on an annual basis. Clients will be requested to provide self-certifications on their personal information, so as to enable NECHK to identify the reportable accounts. Therefore, Clients shall provide to NECHK, NE Group, their agents or service providers, upon request, any documentation or other information regarding the Client and its beneficial owners that NECHK, NE Group, their agents or service providers may require from time to time in connection with their obligations under, and compliance with, applicable laws and regulations including, but not limited to, AEOI. The Client hereby agrees and consents that NECHK, NE Group and their agents and service providers may collect, store and process information obtained from the Client or otherwise in connection with this Agreement and/or the Client’s transactions for the purposes of complying with AEOI and/or other applicable law, including disclosures between NECHK and any of them and to the governmental authorities of the United States of America, Hong Kong, China and/or other jurisdictions. To the extent permitted by law, Client hereby waives any provision of any data protection, privacy, banking secrecy or other law or regulation of any jurisdiction and/or the terms of any confidentiality agreement, arrangement or understanding that would otherwise prevent compliance by NECHK, NE Group and their agents and service providers with AEOI and/or other applicable law. The Client acknowledges that this may include transfers of information to jurisdictions which do not have strict data protection, data privacy laws or banking secrecy laws. The Client shall ensure that, before the Client or anyone on its behalf discloses information relating to any third party to NECHK, NE Group or their agents or service providers in connection with this Agreement or the Client’s transactions that third party has been provided with such information and has given such consents or waivers as are necessary to allow NECHK, NE Group and their agents and service providers

to collect, store, process and disclose his, her or its information as described in this clause.

**17.2 Provision of Information:**

- (a) The Client shall upon request by NECHK confirm to NECHK (i) whether the Client is a person who is entitled to receive payments free from any deduction or withholding as required by AEOI (the “AEOI Exempt Person”); and (ii) supply to NECHK such forms, documentation and other information relating to the Client’s status under AEOI (including its applicable passthru rate or other information required under the U.S. Treasury Regulations or other official guidance including intergovernmental agreements) as NECHK reasonably requests for the purposes of that NECHK’s compliance with AEOI (and the compliance of any of NE Group).
- (b) If the Client confirm to NECHK pursuant to the above that the Client is a AEOI Exempt Party and the Client subsequently becomes aware that the Client is not, or has ceased to be a AEOI Exempt Party, the Client shall notify NECHK as soon as reasonably practicable.
- (c) If the Client fails to confirm its status. or to supply forms, documentation or other information requested in accordance with paragraph (a) above (including, for avoidance of doubt, where paragraph (b) above applies), then:
  - (i) If the Client failed to confirm whether the Client is (and/or remains) a AEOI Exempt Party then the Client will be treated as if the Client is not a AEOI Exempt Party; and
  - (ii) If the Client failed to confirm its applicable passthru rate then the Client will be treated as if its applicable passthru rate is 100%, until such time as the Client provides NECHK the requested confirmation, forms, documentation or other information.

**17.3 Withholding or Deduction:** If NECHK is required pursuant to AEOI or otherwise by law to withhold or deduct any AEOI withholding taxes (including any penalties or interest payable in connection with any failure to

pay or any delay in paying any such taxes) on any payments to the Client, NECHK may deduct such taxes and NECHK will not be required to increase any payment in respect of which NECHK makes such withholding. The Client shall be treated for all purposes of this Agreement as if the Client had received the full amount of the payment, without any deduction or withholding. The Client shall provide NECHK such additional documentation reasonably requested by NECHK to determine the amount to deduct and withhold from such payment.

**18. NORTHBOUND TRADING OF SHANGHAI-HONG KONG STOCK CONNECT/NORTHBOUND TRADING OF SHENZHEN-HONG KONG STOCK CONNECT**

18.1 Without prejudice to any other provisions in this Agreement, the Client acknowledges and accepts the following additional terms and conditions applicable to trading in securities listed in the Shanghai Stock Exchange (“SSE”) and/or Shenzhen Stock Exchange (“SZSE”) (“China Connect Securities”) through Stock Connect Northbound Trading (“Northbound Trading”):

- (a) Northbound Trading is traded and settled in Renminbi. NECHK is not responsible for Renminbi conversion relevant to Northbound investment.
- (b) Renminbi exchange rate might fluctuate due to various factors. Besides, Renminbi is currently not freely convertible subject to regulatory restrictions. These restrictions might vary from time to time. This Renminbi exchange rate fluctuation and conversion restriction might affect investment returns.
- (c) Except the trading arrangements and features specified by the Exchange, SSE and SZSE are not applicable to investment under Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, Northbound Trading executed in SSE’s market and SZSE’s market (each a “Connect Market” and together “Connect Markets”) will have to follow each Connect Market’s trading rules respectively. The Clients should fully understand the Mainland rules and regulations in relation to short-swing profits and disclosure obligations and follow such rules and regulations accordingly. The Clients must comply with SSE Rules,

SZSE Rules and other applicable laws of Mainland China relating to Northbound Trading.

- (d) Under Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, Northbound Trading can only involve in SSE and SZSE A shares that listed in the secondary markets. Northbound Trading Clients cannot participate in SSE's and SZSE's initial public offering activities.
- (e) At the initial stage of Shenzhen-Hong Kong Stock Connect, Clients eligible to trade shares that are listed on the ChiNext Board of SZSE under Northbound Trading will be limited to institutional professional investors.
- (f) SSE-listed and SZSE-listed issuers are only required to publish corporate documents in Simplified Chinese, and English translation will not be available.
- (g) According to existing Mainland practices, Northbound Trading Clients being the beneficial owners of SSE and/or SZSE securities are not allowed to appoint proxies to attend shareholders' meetings on their behalf. However, HKSCC will consolidate the voting instructions from the clients and endeavor to submit a combined single voting instruction to the relevant SSE-/SZSE-listed company via the designated on-line voting platform.
- (h) Northbound Trading is only limited to shares being included in the Lists of Eligible Stocks for Northbound Trading (the "Lists"), and the Lists might vary from time to time. Clients will only be allowed to sell but restricted from buying SSE/SZSE securities ("Sell-Only SSE/SZSE securities") in specific situations. These situations include SSE/SZSE securities subsequently cease to be a constituent stock of the relevant indices; and/or they are subsequently placed under risk alert; and/or the corresponding H shares of such securities are subsequently delisted from the Exchange; and/or (only applicable to SZSE securities) such securities are, based on any subsequent periodic review, determined to have a market capitalization of less than 6 billion Renminbi. The list of



sell-only SSE/SZSE securities will be published on the website of the Exchange or through such other means as it considers appropriate, and might be updated or amended from time to time. Sell-Only SSE/SZSE securities might affect the investment portfolio and strategies of Northbound Trading Clients.

- (i) (Only applicable to Securities Margin Trading Account) NECHK will announce an “A Shares Marginable List” and its margin ratio from time to time. Since Clients can only conduct margin trading in certain A shares that has been determined by SSE and SZSE to be eligible for margin trading, the A shares on the “A Shares Marginable List” must be the A shares on the “List of Eligible SSE Securities for Margin Trading” or “List of Eligible SZSE Securities for Margin Trading” (together “Lists for Margin Trading”). The Exchange will publish the Lists for Margin Trading on its website or through such other means as it considers appropriate and may update or amend the lists from time to time. Only those SSE and SZSE securities which are eligible for both buy orders and sell orders through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect will be included in the Lists for Margin Trading. “A Shares Marginable List” of NECHK will be changed from time to time by reference to the Lists for Margin Trading.
- (j) Northbound Trading hours will follow that of SSE and SZSE. The Exchange will begin to accept trading orders starting from 5 minutes before the Mainland market sessions open in the morning and in the afternoon.
- (k) Northbound Trading will only be available when both Hong Kong and Mainland markets are open for trading and when banks in both markets are open on the corresponding settlement days. Clients should take note of their own risk tolerance whether or not to take on risk of price fluctuation in A shares when Northbound Trading is not available.
- (l) Investments under Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect is subject to the cross-boundary daily quota. Purchase orders of Northbound Trading will be rejected if the trading volume has exceeded its quota according to the relevant regulations.

- (m) (Only applicable to Securities Margin Trading Account) According to the relevant rules of SSE and SZSE, each of SSE and SZSE may suspend margin trading activities in specific A shares in its market when the volume of margin trading activities in such A shares exceeds the threshold determined by it and resume margin trading activities when the volume drops below a prescribed threshold. Currently, each of SSE and SZSE will suspend further margin trading in a stock eligible for margin trading after the “margin trading indicator” for the stock reaches 25%. When the margin trading indicator drops below 20%, SSE/SZSE will allow margin trading to resume. Each of SSE and SZSE publishes a list of A shares which have reached the 25% margin trading indicator on its website.
- (n) (Only applicable to Securities Margin Trading Account) Margin trading orders will be flagged as margin trading orders to be routed to SSE and SZSE system as required by SSE and SZSE.
- (o) Only limit orders (i.e. orders which can be matched at the specified price or a better price) will be accepted throughout the day for Northbound Trading. Northbound orders cannot be amended. Clients who wish to amend their Northbound orders must cancel the original orders first and then input new orders subject to the quota balance at that moment and queue up again.
- (p) SSE and SZSE have imposed price limit on securities orders. The Exchange will also apply dynamic price check on Northbound purchase orders. Northbound orders with prices beyond the price limit will be rejected.
- (q) Investments under Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect is subject to the foreign shareholding restrictions imposed by the China Securities Regulatory Commission (“CSRC”). Northbound Trading Clients might be rejected for order placements or even be forced to sell their shares. Under current Mainland China rules, a single foreign investor’s shareholding in a listed company is not allowed to exceed 10% of the company’s total issued shares, while all foreign investors’ shareholding in the A shares of a listed company is not allowed to exceed 30% of its total issued shares.

Clients should make sure that the shareholding percentage complies with the related restriction. Besides, under Mainland China law, a Client is obliged to disclose in writing its interest in a SSE/SZSE listed issuer within three (3) Business Days of its interest reaching (or falling below) 5% of the total issued shares of such listed issuer to the CSRC, the relevant exchange and the listed issuer. The Client shall not trade in such shares within those three (3) Business Days until disclosure has been made. Every subsequent increase or decrease in the Client's holding by 5% will also trigger a disclosure obligation within three (3) Business Days along with an obligation on the Client not trade in shares until two (2) Business Days after the disclosure has been made.

- (r) Naked short selling in SSE and SZSE A shares and block trade facility are not allowed via Northbound Trading. All trading must be conducted on SSE or SZSE, i.e. no over-the-counter or manual trades are allowed.
- (s) Shares traded on SSE and SZSE are issued in scripless form, deposit and withdrawal of physical share certificates of SSE and SZSE securities into/from the Depository of The Central Clearing And Settlement System will not be available.
- (t) Day trading is prohibited in SSE and SZSE. Clients are only allowed to sell stocks on or after T+1 day. Pre-trade checking is applicable to Northbound Trading. If Clients wishes to sell A shares via NECHK, the A shares must be transferred to the securities trading accounts held by clients maintained with NECHK before the market opens on the day of selling (T-day). Sell orders will be rejected by NECHK if there are no sufficient stocks in their securities trading accounts maintained with NECHK before the market open on the day.
- (u) For Northbound Trading, shares will be settled on T day, and Clients are required to settle money on T+1 day.
- (v) NECHK might cancel Clients' orders in case of contingency (such as severe weather conditions). If Clients' request of order cancellation cannot be sent in case of contingency(such as when the Exchange loses all its communication lines with SSE or SZSE, etc.), and if the orders are matched and executed, Clients should still bear the settlement

obligations.

- (w) Clients involving Northbound Trading might be subject to charges determined by relevant regulatory bodies different from that of Hong Kong listed securities trading, including trading fees, stamp duties and other taxes, etc. These regulations will be changed from time to time.
- (x) Investments under Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect will not be covered by Hong Kong's ICF. Northbound Trading Clients will not receive any compensation from ICF for pecuniary losses as a result of default of a licensed intermediary or authorized financial institution.
- (y) Clients need to accept the risks concerned in Northbound Trading, including but not limited to prohibition of trading SSE and SZSE securities, being liable or responsible for breaching SSE Listing Rules, SSE Rules, SZSE Listing Rules, SZSE Rules and other applicable laws and regulations.
- (z) The Exchange may upon SSE's or SZSE's request, require NECHK to reject orders from Clients.
- (aa) NECHK has the right to force-sell Client's shares upon receiving the forced-sale notification from the Exchange.
- (ab) SSE and SZSE may request the Exchange to require NECHK to issue warning statements (verbally or in writing) to NECHK's clients, and not to provide service of Northbound Trading to NECHK's clients.
- (ac) If SSE Rules/SZSE Rules are breached, or the disclosure and other obligations referred to in SSE Listing Rules or SSE Rules/SZSE Listing Rules or SZSE Rules are breached, SSE/SZSE has the power to carry out an investigation, and may, through the Exchange, require NECHK to provide relevant information and materials and to assist in its investigation.
- (ad) The Exchange, the Exchange's subsidiary, SSE, SSE's subsidiary, SZSE and SZSE's 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 Clients or any third parties arising from or in connection with Northbound Trading or the China Stock Connect System.

(ae) The rules of Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect will be updated from time to time in the websites of the Exchange, SSE and SZSE. Clients are strongly advised by NECHK to visit these websites and read the relevant documents in details before participating in Northbound Trading.

(af) Risks Relating to Trading in SSE and SZSE:

(i) Market Volatility Risk – The Mainland stock markets like SSE and SZSE are relatively volatile as they are mostly made up of retail investors who tend to be speculative and susceptible to the policies and news of central government.

(ii) Macro-Economic Risk – There is a close relationship between the Chinese economy and stock market performance. The Chinese economic growth is still above the global average, but has already shown signs of slowdown. Moreover, there is growing concern over the country's government and corporate debts.

(iii). Currency Risk - Clients will expose to the risk of RMB exchange rate movements if they have to convert HKD into RMB for trading in A shares listed in SSE and SZSE. The conversion also incurs costs. Movements in the RMB exchange rate will affect the profits and debts of the Mainland listed companies. Such effects will be more significant to those export-oriented companies and companies having debts denominated in currencies other than RMB.

(iv) Policy Risk - Central government's economic and financial policies will affect the performance of investment market. Client shall beware of the central government policies for stimulating the economy or supporting different industries, as well as their different financial policies in respect of the currency, interest rate,

credit and stock markets.

(ag) Risk Relating in Trading in the ChiNext Board of SZSE

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

- (j) Regulatory Risk - The listing requirements of ChiNext Board are less stringent than Main Board and SME Board, e.g. requiring a shorter track record period and lower net profit, revenue and operating cash flow. Moreover, the disclosure rules applied to the ChiNext Board are different from Main Board and SME Board. For example, ad hoc reports of ChiNext companies are only required to be published on a CSRC designated website and on the issuers' website. If clients continue to check information through the usual disclosure channels for Main Board and SME Board, they may miss out some important information disclosed by ChiNext companies.
- (ii) Operating Risk - Companies listed on ChiNext Board are generally in the early stage of development, whose business is unstable, profitability is low, and less resilient against market and industry risks. Operating risks experienced by these companies often include technical failure, new products are not well-received by the market, failure to catch up the market development and any changes in the founder, management team and core technician team.
- (iii) Delisting Risk - Compared to the Main Board, the proportion of companies delisting is higher on the ChiNext Board.
- (iv) Fluctuation in Stock Price – As companies listed on ChiNext Board are relatively small and their business performance are unstable, they are more vulnerable to speculation. Share price of the ChiNext stocks is more volatile.
- (v) Technical Risk - Companies listed on ChiNext Board are mainly high

technology companies, whose success is subject to technical innovations. However, these companies are exposed to the risks and challenges relating to technical innovation, such as high R&D costs, technical failure, and rapid development and replacement in technology and product market.

- (vi) Risk Relating to Valuation - Generally, it is difficult to estimate the value of a company listed on ChiNext Board as they are in the early stage of development with short operating history and unstable profits and cash flow. Therefore, traditional valuation method, such as price-to-earnings ratio and price-to-book ratio, is difficult to be applied.

## MARGIN CLIENT AGREEMENT (SECURITIES TRADING ACCOUNT)

This Margin Client Agreement is supplemental to the Client Agreement (Securities Trading Account) entered into by NECHK and the Client to which this Margin Client Agreement is annexed whereby the Account is allowed to conduct securities margin trading and specified as a “margin account” (“**Margin Account**”) and NECHK agrees to grant credit facilities (“**Margin Facility**”) to the Client at the Client’s request for the Transactions.

Where any conflict arises between the provisions of the Client Agreement (Securities Trading Account) and this Agreement, the provisions of this Agreement shall prevail.

### 1. DEFINITIONS

- 1.1 Terms defined in this Agreement have the same meanings as in the Client Agreement (Securities Trading Account) unless stated otherwise.
- 1.2 Reference to “**Account**” in the Client Agreement (Securities Trading Account) is deemed to include the Margin Account as established pursuant to this Agreement.
- 1.3 “**Collateral**” means all monies and securities of the Client which are now or shall at any time hereafter be deposited with, transferred or caused to be transferred to or held by NECHK or other member of NE Group, or nominees, or transferred to or held by any other person in circumstances where NECHK accepts the same as security for the Client’s obligations under this Agreement. The Collateral shall include those monies and securities that shall come into the possession, custody or control of NECHK from time to time for any purpose whatsoever (which shall include any additional or substituted Securities and all dividends or interest paid or payable, rights, interest, monies or property accruing at any time by way of redemption, bonus, preference, options or otherwise on or in respect of any such Securities or additional or substituted Securities).
- 1.4 “**Margin Limit**” is the maximum amount of the Margin Facility that NECHK will grant to the Client irrespective of the amount of the Client’s collateral and Margin Ratio.
- 1.5 “**Margin Ratio**” is the percentage of the value of the Collateral up to which the Client is permitted to borrow (or otherwise to secure other forms of financial



accommodation) from NECHK against the Collateral.

## **2. MARGIN FACILITY**

- 2.1 The Margin Facility is granted to the Client in accordance with the provisions set out in this Agreement, the Client Agreement (Securities Trading Account) and any margin offer letter from NECHK to the Client (collectively referred as “Margin Facility Terms”). The Client agrees to use the Margin Facility only in connection with the acquisition or holding of securities by NECHK for the Client.
- 2.2 Subject to Clause 2.4 below, NECHK may grant the Client a Margin Facility of such amount up to the Margin Limit as may be notified to the Client from time to time. The Margin Limit available to the Client and the Margin Ratio may be varied at discretion of NECHK without notice to the Client. Notwithstanding the Margin Limit as notified to the Client, NECHK may at its discretion extend the Margin Facility to the Client in excess of the Margin Limit and the Client agrees that the Client shall be liable to repay the full amount of any Margin Facility given by NECHK on demand.
- 2.3 NECHK is authorized by the Client to draw on the Margin Facility to settle any amounts due to NECHK in respect of the Client’s purchase of securities, margin maintenance obligations for any positions required by NECHK or payment of any commission or other costs and expenses owing to NECHK including costs and any expenses that may be incurred in connection with the realisation of any Collateral.
- 2.4 NECHK will not at any time be obliged to provide any Margin Facility to the Client. In particular, the Client understands that NECHK will be under no obligation to provide or continue to provide any Margin Facility if any of the following circumstances arises:-
- (a) The Client is default of any provision of the Margin Facility Terms; or
  - (b) In the opinion of NECHK, 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 his/her liabilities or perform his/her obligations under the Margin Facility Terms; or

- (c) Making an advance would cause the applicable Margin Limit to be exceeded;  
or
- (d) NECHK in its absolute discretion considers it prudent or desirable for its protection not to do so.

- 2.5 For so long as there exists any indebtedness to NECHK on the part of the Client, NECHK shall be entitled at any time and from time to time to refuse any withdrawal of any or all of the Collateral and the Client shall not without the prior written consent of NECHK be entitled to withdraw any Collateral in part or in whole from the Client's Account. All amounts (less brokerage and other proper charges) received by NECHK for or on account of the Client from the sale of Securities shall firstly be paid to the credit of the Margin Account towards the repayment of any amount outstanding under the Margin Facilities.
- 2.6 The Client shall on demand from NECHK make payments or deposits of margin in monies, securities and/or other assets in such amount and in such form into a designated account and within such time as specified by NECHK (referred to as a "**Margin Call**"), as NECHK in its absolute discretion determines necessary to provide adequate security in respect of the Margin Facility. Payment of Margin Calls must be effected in cleared funds or deposit of Securities and/or other assets which the Client has good and free unencumbered titles. Unless the Margin Call is fully satisfied within the time specified, NECHK shall have no obligation to effect or respond to the Client's Instruction for the buy or sell of Securities on margin.
- 2.7 For the purpose of a Margin Call, NECHK shall use its best endeavor to contact the Client promptly by phone and/or by sending to the Client a Margin Call notice by post, facsimile, SMS, e-mail or otherwise. The Client agrees that he/it shall be deemed to have been properly notified of the Margin Call even if NECHK fails to contact him/it by phone or the Client fails to receive the written notice.
- 2.8 Any failure by the Client to comply with Clause 2.6 of this Agreement will constitute an "Event of Default" under Clause 13.10 of the Client Agreement (Securities Trading Account).
- 2.9 The Client agrees to pay interest on a daily basis on the amount of the Margin Facility granted to the Client. The interest rate shall be at a percentage above NECHK's cost of funds which will vary according to the prevailing money market situation and as notified to the Client by NECHK from time to time. Such interest

charges may be deducted by NECHK from the Margin Account or any other account of the Client with NECHK or other member of NE Group.

### **3. FIXED CHARGE**

- 3.1 The Client, as beneficial owner, charges in favour of NECHK by way of first fixed charge all the Client's respective rights, title, benefits and interests in and to all Collateral as a continuing security ("**Charge**") for the payment and satisfaction of all monies and liabilities under the Margin Facility Terms which are now or at any time hereafter may be due or owed to NECHK together with interest.
- 3.2 The Charge shall be a continuing security notwithstanding any intermediate payment or settlement of account or satisfaction of the whole or any part of any sum owed by the Client to NECHK notwithstanding the closing of any the Client's accounts with NECHK and which are subsequently reopened or the subsequent opening of any account by the Client either alone or jointly with others and shall extend to cover all or any sum of monies which shall for the time being constitute the balance due from the Client to NECHK on any account or otherwise.
- 3.3 The Client represents and warrants that:-
- (a) The Collateral is legally and beneficially owned by the Client;
  - (b) The Client is entitled to deposit the Collateral with NECHK; and
  - (c) The Collateral is and will remain free from any lien, charge or encumbrance of any kind, and any stocks, shares and other securities comprised in the Collateral are fully paid up.
- 3.4 Upon irrevocable payment in full of all sums which may be or become payable under this Agreement and the full performance of the Client's obligations under the Margin Facility Terms, NECHK will at the Client's request and expense release to the Client all the rights, title and interests of NECHK in the Collateral and will give such Instructions and directions as the Client may require in order to perfect such release.
- 3.5 Until the Charge becomes enforceable,

- (a) NECHK will have the right, subject only to giving the Client notice, to exercise rights relating to the Collateral to protect the value of the Collateral; and
- (b) Except as otherwise provided in this Agreement, the Client may direct the exercise of other rights attaching to, or connected with, the Collateral, but not in any manner which is inconsistent with the Client's obligations under the Margin Facility Terms, or which in any way may prejudice NECHK's rights in relation to the Collateral.

#### **4. POWER OF ATTORNEY**

The Client by way of security irrevocably appoints NECHK to be the Client's attorney on the Client's behalf and in the Client's name to do all acts and things and to sign, seal, execute, deliver, perfect and do all deeds, instruments, documents, acts and things which may be required for carrying out any obligation imposed on the Client by or pursuant to the Margin Facility Terms and generally for enabling NECHK to exercise the respective rights and powers conferred on it by or pursuant to the Margin Facility Terms or by law including (but without limitation to the followings):

- (a) To execute any transfer or assurance in respect of any of the Collateral;
- (b) To perfect its title to any of the Collateral;
- (c) To ask, require, demand, receive, compound and give a good discharge for any all monies and claims for monies due or to become due under or arising out of any of the Collateral;
- (d) To give valid receipts and discharges and to endorse any cheques or other instruments or orders in connection with any of the Collateral; and
- (e) Generally to file any claims or take any lawful action or institute any proceedings which it considers to be necessary or advisable to protect the security created under the Margin Facility Terms.

#### **5. DEFAULTS**

5.1 The Client agrees that NECHK may dispose of any Collateral (in whole or in part)

without notice to the Client if the Client:

- (a) Fails to maintain the Margin Ratio upon Margin Call; or
- (b) Fails to repay or discharge the Margin Facility upon demand; or
- (c) Fails to settle a transaction in securities against which Margin Facility has been provided, or
- (d) Has indebtedness owed to NECHK for dealing in securities which remains outstanding after NECHK has disposed of all the securities purchased under the Margin Facility.

5.2 The Client agrees that in the event of any sale pursuant to the Margin Facility Terms, any Collateral will be sold or disposed of in the absolute discretion of NECHK. Upon any sale by NECHK, a declaration made by an officer of NECHK that the power of sale has become exercisable shall be conclusive evidence of the fact in favour of any purchaser or other person deriving title to any of the Collateral under the sale and no person dealing with NECHK shall be concerned to inquire into the circumstances of the sale.

5.3 In the event the net proceeds of sale shall be in sufficient to cover the whole of the Client's liabilities under the Margin Facility Terms, the Client undertakes to pay to NECHK on demand any balance that may then be due.

5.4 The Client shall from time to time upon the request of NECHK promptly and duly execute and deliver any and all such further Instructions and documents as NECHK may deem necessary or desirable for the purpose of obtaining the full benefit of the Margin Facility Terms and of the rights and powers granted under the same.

## **6. TERMINATION MARGIN FACILITY**

6.1 The Margin Facility is repayable on demand and may be varied or terminated in the absolute discretion of NECHK. In particular the Margin Facility of the Client will be terminated upon the occurrence of any one or more of the following events:-

- (a) The withdrawal or non-renewal of the Client's authorization to NECHK as required by Section 7(2) of Securities & Futures (Client Securities) Rules (Cap.571H); or
- (b) Any termination in accordance with Clause 13.11 of the Client Agreement (Securities Trading Account), and any notice of termination for that purpose shall be deemed to be a notice of termination of the Margin Facility.

6.2 Upon termination of the Margin Facility, any outstanding indebtedness by the Client shall forthwith be repaid to NECHK.

6.3 Repayment of all or any of the loan amounts owed to NECHK will not of itself constitute cancellation or Termination of the Margin Facility Terms.

## **7. SECURITY UNAFFECTED**

Without Prejudice to the generality of the foregoing, neither the Charge nor the amounts thereby secured will be affected in any way by:-

- (a) Any other security guarantee or indemnity now or hereafter held by NECHK or other member of NE Group under or in respect of the Margin Facility Terms or any other liabilities;
- (b) Any other variation or amendment to or waiver or release of any security, guarantee or indemnity or other document (including, except to the extent of the relevant variation, amendment, waiver or release, the Charge);
- (c) The enforcement or absence of enforcement or release by NECHK or other member of NE Group of any security guarantee or indemnity or other document (including the Charge);
- (d) Any time, indulgence, waiver or consent given to the Client or any other person whether by NECHK or other member of NE Group;
- (e) The making or absence of any demand for payment of any sum payable under the Margin Facility Terms made on the Client whether by NECHK or any other person;

- (f) The insolvency, bankruptcy, death or insanity of the Client;
- (g) Any amalgamation, merger or reconstruction that may be effected by NECHK with any other person or any sale or transfer of the whole or any part of the undertaking, property or assets of NECHK to any other person;
- (h) The existence of any claim, set-off or other right which the Client may have at any time against NECHK or any other person;
- (i) Any arrangement or compromise entered into by NECHK with Client or any other person;
- (j) The illegality, invalidity or unenforceability of, or any defect in, any provision of any document relating to the Margin Facility or any security, guarantee or indemnity (including the Charge) or any of the rights or obligations of any of the parties under or in connection with any such document or any security, guarantee or indemnity (including the Charge), whether on the ground of ultra vires, not being in the interests of the relevant person or not having been duly authorized, executed or delivered by any person or for any other reason whatsoever;
- (k) Any agreement, security, guarantee, indemnity, payment or other transaction which is capable of being avoided under or affected by any law relating to bankruptcy, insolvency or winding-up or any release, settlement or discharge given or made by the Client on the faith of any such agreement, security, guarantee, indemnity, payment or other transaction, and any such release, settlement or discharge shall be deemed to be limited accordingly; or any other thing done or omitted or neglected to be done by NECHK or any other person or any other dealing fact, matter or thing which, but for this provision, might operate to prejudice or affect the Client's liabilities under the Margin Facility Terms.

## **8. RISK DISCLOSURE STATEMENTS**

- 8.1 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 Collateral. Market conditions may make it impossible to execute contingent orders, such as

“stop-loss” or “stop-limit” orders. The Client may be called upon on 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 Margin Account and interest charged thereon. 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.

- 8.2 Risk of Providing an Authority to Re-pledge Securities Collateral etc.** There is risk if the Client provides NECHK with an authority that allows it to apply the Client’s securities or securities collateral pursuant to a securities borrowing and lending agreement, re-pledge his/her securities collateral for financial accommodation or deposit his/her securities collateral as collateral for the discharge and satisfaction of his/her settlement obligations and liabilities.

If the Client’s securities or securities collateral are received or held by him/her in Hong Kong, the above arrangement is allowed only if the Client gives consent in writing. Moreover, unless the Client is a Professional Investor, his/her 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 his/her written consent) if NECHK issues the Client a reminder at least fourteen (14) days prior to the expiry of the authority, and the Client does not object to such deemed renewal before the expiry date of the then existing authority.

The Client is not required by any law to sign these authorities. But an authority is required by NECHK, for example, 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. NECHK should explain to the Client the purposes for which one of these authorities is to be used.

If the Client signs one of these authorities and his/her securities collateral are lent to or deposited with third parties, those third parties will have a lien or charge on Client’s securities collateral. Although NECHK is responsible to the Client for securities or securities collateral lent or deposited under Client’s authority, a default by it could result in the loss of Client’s securities or securities collateral.



A securities cash trading account not involving securities borrowing and lending is available from NECHK. If the Client does not require margin facilities or do not wish his/her securities or securities collateral to be lent or pledged, the Client should not sign the above authorities and should ask to open this type of securities cash trading account.

8.3 The Client should refer to Clause 15 Risk Disclosure Statements of the Client Agreement (Securities Trading Account) for other risks.

## **9. AUTHORIZATION UNDER SECTION 7(2) OF THE SECURITIES AND FUTURES (CLIENT SECURITIES) RULES (CAP. 571H)**

Without prejudice to any other right or remedy available to NECHK, the Client hereby authorizes NECHK to:

- (a) Apply any of Client's securities or securities collateral in the Margin Account pursuant to a securities borrowing and lending agreement;
- (b) Deposit any of securities collateral in the Margin Account with an authorized financial institution as collateral for financial accommodation provided to NECHK; or
- (c) Deposit any of securities collateral in the Margin Account with (i) a recognized clearing house; or (ii) another intermediary or registered for dealing in securities as collateral for the discharge and satisfaction of NECHK's settlement obligations and liabilities.

NECHK may do any of the above acts without giving notice to the Client.

This authorization is valid for a period of 12 months only, effective from the date of signing this Agreement.

The Client has the right to revoke this authorization by giving NECHK not less than fourteen (14) days' prior written notice provided that the Client has no outstanding debts owed to NECHK or any of its associated entities at that time. Such standing authorization which is not revoked prior to its expiry may be renewed or shall be deemed to have been renewed for further 12 months upon the same terms and conditions as specified above in accordance with the relevant rules under the SFO.

## **PERSONAL INFORMATION COLLECTION STATEMENT**

This Personal Information Collection Statement (“Statement”) is provided to the Client of NECHK in accordance with the requirements of the Personal Data (Privacy) Ordinance of Hong Kong. Terms defined in this Statement have the same meaning as in the Client Agreement (Securities Trading Account) and Margin Client Agreement (Securities Trading Account).

### **1. DISCLOSURE OBLIGATION**

- 1.1 From time to time, it is necessary for the Client to supply NECHK with data in connection with the opening or continuing of the Account and the establishment or continuation of credit facilities or provision of stock broking services, nominee and investment advisory services or other products or services offered by or through NECHK or any member of the NE Group. At the same time, some of the data are collected pursuant to any applicable laws binding on NECHK or any member of the NE Group.
- 1.2 Failure to supply such data may result in NECHK being unable to open or continue accounts or establish or continue credit facilities or provide securities brokerage, nominee and investment advisory services or any products or services offered by NECHK or any member of the NE Group.
- 1.3 It is also the case that data are collected from the Client in the ordinary course of the commencement or continuation of the business relationship. Information about the Client may also be collected when the Client uses NECHK's website, platform, APP or when the Client applies for or uses other services offered by NECHK or any member of the NE Group.
- 1.4 This statement may be revised, amended or updated from time to time by NECHK and is an integral part of all contracts, agreements and other binding arrangements with the Client entered into with NECHK.
- 1.5 If there is any inconsistency between the Chinese and English versions of this Statement, the Client agreed that the English version shall prevail.

### **2. USE OF PERSONAL DATA**

## 2.1 Users

Personal data held by NECHK relating to the Client, the Client's agent(s) or the Client's guarantor(s) (if any) may be used for the purposes of the maintenance and operation of the Account in accordance with relevant Agreement(s), distribution of research report, enforcement against counterparty, risk assessment, compliance with regulatory requirements of "Know Your Client" and to carry out due diligence to assess the Client's investment suitability and for any other directly related purposes and will be kept confidential, but NECHK may provide such information to:-

- (a) Any agent, contractor or third party service provider who provides administrative, telecommunications, computer, payment or securities clearing, printing or other services to NECHK in connection with the operation of its business;
- (b) Any other companies of NECHK or any member in the NE Group;
- (c) Any other person under a duty of confidentiality to NECHK including a company of NECHK which has undertaken to keep such information confidential;
- (d) Any financial institution with which the Client has or proposes to have dealings;
- (e) Any actual or proposed assignee of NECHK or participant or sub-participant or transferee of NECHK's rights in respect of NECHK;
- (f) Any person when we are compelled to make disclosure under the requirements of any law binding on NECHK or any member in the NE Group;
- (g) Any person with the Client's express or implied consent;
- (h) Any person where our interests require disclosure;
- (i) Any person where the public interest requires disclosure;
- (j) Any person to conduct credit checks at the time of the account opening and

at the time of regular or any reviews which can take place one or more times each year; and

- (k) The SFC, the Exchange and any regulator, agency, authority or person (where applicable) in compliance with their requirements or requests for information or any applicable laws.
4. Nothing in this Statement shall limit the rights of the Client under the Personal Data (Privacy) Ordinance of Hong Kong.

### **3. PURPOSES**

3.1 The purposes for which data relating to a Client may be used are as follows:

- (a) The daily operation of the services and credit facilities provided to the Client;
- (b) Conducting credit checks;
- (c) Assisting other financial institutions to conduct credit checks;
- (d) Ensuring ongoing credit worthiness of the Client;
- (e) Designing financial services and related products for the Client's use;
- (f) Marketing financial services or related products;
- (g) Determining the amount of indebtedness owed to or by the Client;
- (h) Collection of amount outstanding from the Client and those providing security for the Client's obligation;
- (i) Meeting the requirement to make disclosure under the requirements of any applicable laws binding on NECHK or any member in the NE Group;
- (j) Complying with any obligations, requirements, policies, procedures, measures or arrangements for sharing data and information within NECHK and/or other use of data and information in accordance with any programmes for compliance with sanctions or prevention or detection of money laundering, terrorist financing or any other activities; and

- (k) All other purposes ancillary or relating thereto and such other purposes to which the Client may from time to time agree.

3.2 In the course of performing other duties, NECHK may, as permitted by law, match, compare, transfer or exchange any personal data provided by the Client with data held, or hereafter obtained, for these or any other purposes by NECHK, government bodies, other regulatory authorities, corporations, organizations or individuals in Hong Kong or overseas for the purpose of verifying those data.

#### **4. USE OF DATA IN DIRECT MARKETING**

4.1 NECHK intends to use and/or transfer the Client's data to NECHK and/or any member of the NE Group for direct marketing and NECHK requires the consent (including no objection) of the Client for this purpose. Permission to use a Client's data for this purpose is voluntary only. In this connection, please note that:

- (a) The name, contact details, products and services, portfolio information, transaction pattern and financial background of the Client held by NECHK or any member in the NE Group may be used in direct marketing of investment or financial related products and services of NECHK; and
- (b) If a Client does not wish NECHK to use and/or transfer the Client's data for use in direct marketing, the Client may, without charge, exercise the right to opt-out.

4.2 To indicate consent/no consent to the use of the Client's personal data for direct marketing, the Client must complete an "Opt-out Request – Use of Personal Data in Direct Marketing" in the Account Opening Form.

4.3 If the Client does not wish NECHK to use the Client's data or provide their data to other persons for use in direct marketing as described above and also wants NECHK to advise those other persons to stop using the Client's data for direct marketing, he/she may say so in the Account Opening Form or notify NECHK of the same at any other time.

4.4 Failure to complete in Account Opening Form or send a notification to NECHK may mean that NECHK and any member in the NE Group will use personal data for direct marketing and that NECHK may transfer personal data for gain to any

member in the NE Group or for their direct marketing purposes.

## **5. NORTHBOUND TRADING OF SHANGHAI-HONG KONG STOCK CONNECT/NORTHBOUND TRADING OF SHENZHEN-HONG KONG STOCK CONNECT (“STOCK CONNECT NORTHBOUND TRADING”)**

5.1 When NECHK provides Stock Connect Northbound Trading Service to the Client, the Client acknowledges and agrees that NECHK is required to:

- (i) tag each of the Client’s orders submitted to the China Stock Connect System (“CSC”) with a Broker-to- Client Assigned Number (“BCAN”) that is unique to the Client; and
- (ii) provide to the Exchange the Client’s assigned BCAN and such identification information (“**Client Identification Data**” or “**CID**”) relating to the Client as the Exchange may request from time to time under its Rules.

5.2 Without limitation to any notification NECHK has given the Client or consent from the Client in respect of the processing of the Client’s personal data in connection with the Account and services to the Client, the Client acknowledges and agrees that NECHK may collect, store, use, disclose and transfer the Client’s personal data relating to the Client as required as part of NECHK’s Stock Connect Northbound Trading Service, including as follows:

- (a) to disclose and transfer BCAN and CID of the Client to the Exchange and the relevant Exchange Subsidiaries from time to time, including tagging the Client’s BCAN when inputting a China Connect Order into the CSC, which will be further routed to the relevant China Connect Market Operator on a real- time basis;
- (b) to allow the Exchange and the relevant SEHK Subsidiaries to: (i) collect, use and store BCAN and CID of the Client and any consolidated, validated and mapped BCANs and CID information provided by the relevant China Connect Clearing House (in the case of storage, by any of them or via Hong Kong Exchanges and Clearing Limited) for market surveillance, and monitoring purposes and enforcement of the Rules of SEHK; (ii) transfer such information to the relevant China Connect Market Operator (directly or through the relevant China Connect Clearing House) from time to time for

the purposes set out in (c) and (d) below; and (iii) disclose such information to the relevant regulators and law enforcement agencies in Hong Kong so as to facilitate the performance of their statutory functions with respect to the Hong Kong financial markets;

(c) to allow the relevant China Connect Clearing House to: (i) collect, use and store BCAN and CID of the Client to facilitate the consolidation and validation of BCANs and CID and the mapping of BCANs and CID with its investor identification database, and provide such consolidated, validated and mapped BCANs and CID information to the relevant China Connect Market Operator, the Exchange and the relevant Exchange Subsidiary; (ii) use BCAN and CID of the Client for the performance of its regulatory functions of securities account management; and (iii) disclose such information to the Mainland regulatory authorities and law enforcement agencies having jurisdiction over it so as to facilitate the performance of their regulatory, surveillance and enforcement functions with respect to the Mainland financial markets; and

(c) to allow the relevant China Connect Market operator to: (i) collect, use and store BCAN and CID of the Client to facilitate their surveillance and monitoring of securities trading on the relevant China Connect Market through the use of the China Connect Service and enforcement of the rules of the relevant China Connect Market Operator; and (ii) disclose such information to the Mainland regulatory authorities and law enforcement agencies so as to facilitate the performance of their regulatory, surveillance and enforcement functions with respect to the Mainland financial markets.

5.3 By giving NECHK any instruction relating to China Connect Securities, the Client acknowledges and agrees that NECHK may use the Client's personal data for the purposes of complying with the requirements of the Exchange and its rules as in force from time to time in connection with the Stock Connect Northbound Trading. The Client also acknowledges that despite any subsequent purported withdrawal of consent by the Client, the Client's personal data may continue to be stored, used, disclosed, transferred and otherwise processed for the above purposes, whether before or after such purported withdrawal of consent.

5.4 If the Client is failure to provide NECHK with his personal data or consent as described in Clause 5.2 and 5.3 may mean that NECHK cannot provide him with

Stock Connect Northbound Trading Service.

## **6. RIGHTS OF ACCESS AND CORRECTION**

6.1 Under and in accordance with the terms of the Personal Data (Privacy) Ordinance of Hong Kong, any individual:

- (a) Has the right to check whether NECHK holds data about him and the right of access to such data;
- (b) Has the right to require NECHK to correct any data relating to him which is inaccurate; and
- (c) Has the right to ascertain NECHK's policies and practices in relation to data and to be informed of the kind of personal data held by NECHK.

6.2 In accordance with the terms of the Personal Data (Privacy) Ordinance, NECHK has the right to charge a reasonable fee for the processing of any data access request.

## **7. NOTICE OF CONTACT PERSON TO REQUEST ACCESS OR CORRECTION**

7.1 The person to whom requests for access to data or correction of data or opt out of receiving direct marketing material or for information regarding policies and practices and kinds of data held are to be addressed is as follows:

### **Data Protection Officer**

Ninth Eternity Capital HK Limited  
Room 909, 9/F, Office Plus@Prince Edward,  
794-802 Nathan Road, KLN., Hong Kong  
E-mail: [cs@99securities.com.hk](mailto:cs@99securities.com.hk)



## **Appendix - Risk Disclosure Statement – Additional Risks for Structured Products**

### **1. RISKS ASSOCIATED WITH STRUCTURED PRODUCTS**

#### **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. You 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.

#### **Uncollateralised product risk**

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

#### **Gearing risk**

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

#### **Expiry considerations**

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

#### **Extraordinary price movements**

The price of a structured product may not match its theoretical price due to outside influences such as market supply and demand factors.

As a result, actual traded prices can be higher or lower than the theoretical price.

#### **Foreign exchange risk**

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 value of the underlying asset, also affecting the price of the

structured product.

### **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. RISKS INVOLVED IN TRADING CALLABLE BULL/BEAR CONTRACTS ( “CBBC” )**

### **Mandatory call**

CBBC are not suitable for all types of investors and you should consider your risk appetite prior to trading. In any case, you should not trade in CBBC unless you understand the nature of the product (including its intraday “knockout” or mandatory call feature) 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. Investors will only be entitled to the residual value of the terminated CBBC as calculated by the product issuer in accordance with the listing documents. 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 you will not be able to profit from the bounce - back.

### **Gearing effects**

Since CBBC is a leveraged product, the percentage change in the price of a CBBC is greater compared with that of the underlying asset.

You may suffer higher losses in percentage terms if you expect the price of the underlying asset to move one way but it moves in the opposite direction.

**Limited life**

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

**Movement with underlying asset**

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

**Liquidity**

Although CBBC have liquidity providers, there is no guarantee that you will be able to buy/sell CBBC at their target prices any time you wish.

**Funding costs**

The issue price of a CBBC includes funding costs and issuers will specify the formula for calculating the funding costs of their CBBC at launch in the listing documents. Since the funding costs for each CBBC issue may be different as it includes the issuer's financing /stock borrowing costs after adjustment for expected ordinary dividend of the stock (if the underlying is a Hong Kong stock since the CBBC will not be adjusted for ordinary dividend) plus the issuer's profit margin, you are advised to compare the funding costs of different issuers for CBBC with similar underlying assets and terms. The funding costs will gradually be reduced over time along with the CBBC in the secondary market as the CBBC moves towards expiry. In general, the longer the duration of the CBBC, the higher the total funding costs will be since it is similar to investors borrowing for a longer tenure to trade in the underlying asset. When a CBBC is called, you will lose the funding cost for the full period since the funding cost is built into the CBBC price upfront at launch even though with the MCE, the actual period of funding for the CBBC turns out to be shorter. In any case, investors should note that

the funding costs of a CBBC after launch may vary during its life and the Liquidity Provider is not obliged to provide a quote for the CBBC based on the theoretical calculation of the funding costs for that CBBC at launch.

#### **Trading of CBBC close to Call Price**

When the underlying asset is trading close to the Call Price, the price of a CBBC may be more volatile with wider spreads and uncertain liquidity. CBBC may be called at any time and trading will terminate as a result.

However, the trade inputted by 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, you 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), you may check with your brokers.

#### **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 Hong Kong Stock Exchange's trading hours. In such case, the CBBC will be terminated from trading on Hong Kong Stock Exchange in the next trading session or soon after the issuer has notified Hong Kong Stock 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.

### **3. RISKS INVOLVED IN TRADING DERIVATIVE WARRANTS**

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

**Issuer Risk**

Derivative warrant holders are unsecured creditors of an issuer and have no preferential claim to any assets an issuer may hold. Therefore, you are exposed to credit risk in respect of the issuer.

**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 you lose your entire purchase price.

**Limited Life**

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

**Time Decay**

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.

**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.

**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.

#### **4. RISKS INVOLVED IN TRADING EXCHANGE TRADED FUNDS ( “ETFs” )**

##### **Market risk**

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

##### **Tracking errors**

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

##### **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.

##### **Foreign exchange risk**

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

##### **Liquidity risk**

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

##### **Counterparty risk involved in ETFs with different replication strategies**

(a) Full replication and representative sampling strategies

An ETF using a full replication strategy generally aims to invest in all constituent stocks/assets in the same weightings as its benchmark.

ETFs adopting a representative sampling strategy will invest in some, but not all of the relevant constituent stocks/assets. For ETFs that invest directly in the underlying assets rather than through synthetic instruments issued by third parties, counterparty risk tends to be less of concern.

**(b) Synthetic replication strategies**

ETFs 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.

It is important that investors understand and critically assess the implications arising due to different ETF structures and characteristics.

**5. RISKS INVOLVED IN TRADING EXCHANGE TRADED NOTES (ETNs)**

ETN is a type of unsecured and unsubordinated debt security issued by an underwriting bank, designed to provide investors with access to the returns of various

market benchmarks. The returns of ETNs are usually linked to the performance of a market benchmark or strategy, minus applicable fees. Similar to other debt securities, ETNs have a maturity date and are backed only by the credit of the issuer.

You can buy and sell the ETNs on the exchange or receive a cash payment at the scheduled maturity or may early redeem the ETNs directly with the issuer based on the performance of the underlying index less applicable fees, sometimes with redemption restrictions, such as the minimum number of ETNs for early redemption, may apply.

There is no guarantee that investors will receive the initial investment back or any return on that investment at maturity, or upon an earlier repurchase. Significant adverse monthly performance for investors' ETNs may not be offset by any beneficial monthly performance. The issuer of ETNs may have the right to redeem the ETNs at the repurchase value at any time. If, at any time, the repurchase value of the ETNs is zero, the investors' investment will become worthless. ETNs may not be liquid and there is no guarantee that you will be able to liquidate your position whenever you wish.

Although both ETFs and ETNs are linked to the return of a benchmark index, ETNs as debt securities do not actually own any assets they are tracking, but is just a promise from the issuer to pay the investors the theoretical allocation of the return reflected in the benchmark index. It provides limited portfolio diversification with concentrated exposure to a specific index and the index components. In the event that the ETN issuer defaults, the potential maximum loss could be 100% of the investment amount and no return may be received, given the ETN is considered as an unsecured debt instrument.

The value of the ETN may drop despite no change in the underlying index, but due to a downgrade in the issuer's credit rating. Therefore, by buying ETNs, investors get direct exposure to the credit risk of the issuer and would only have an unsecured bankrupt claim if the issuer declares bankruptcy. The principal amount is subject to the periodic application of investor fees or any applicable fees that can adversely affect the returns. Where you trade ETNs with underlying assets not denominated in local currencies, investors are also exposed to exchange rate risk. Currency rate fluctuations can adversely affects the underlying asset value, which also affecting the ETN price.

Investors may have leveraged exposure to the underlying index, depending on the



product feature. The value of ETNs can change rapidly according to the gearing ratio relative to the underlying assets. You should be aware that the value of an ETN may fall to zero resulting in a total loss of the initial investment.

## **6. RISKS INVOLVED IN TRADING EQUITY LINKED INSTRUMENTS ( “ELI” )**

### **Possibilities of losing investment**

You may lose part or all of your investment if the price of the underlying security moves against your investment view.

### **Exposure to equity market**

You will be exposed to the movements in prices of the underlying securities and the stock market, dividend policy and corporate actions and counterparty risks. You must also be prepared to accept the risk of receiving the underlying securities or a payment less than your original investment.

### **Price adjustment**

You should note that any dividend declaration or payment may affect the prices of the underlying securities and the payback of the ELI at expiry due to ex - dividend pricing. You should also note that issuers may make adjustments to the ELI due to corporate actions on the underlying securities.

### **Fees and charges**

You should consult NECHK on the fees and charges related to the purchase and sale of ELI and payment / delivery at expiry. The potential yields disseminated by the Hong Kong Stock Exchange have not taken fees and charges into consideration.

### **Potential yields**

While most ELIs 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 individual ELIs.

This Risk Disclosure Statement may be revised or supplemented from time to time. Client should refer to its latest version which is available at the Official Website of NECHK.