

# MASTER SERVICE AGREEMENT

This MASTER SERVICE AGREEMENT (“MSA” or “Agreement”), is by and between BPI WEALTH HONG KONG LIMITED, a deposit taking company within the purview of the Hong Kong Banking Ordinance (Cap.155), and an institution registered with the Securities and Futures Commission (“SFC”) under the Securities and Futures Ordinance (Cap.571) (“SFO”), Hong Kong, with Central Entity Number AAJ382 and with business address at 5/F LHT Tower, 31 Queen’s Road Central, Central, Hong Kong (herein referred to as the “Company”); and the Customer(s) whose identity(ies) are accordingly duly disclosed in the Account Opening Form (herein referred to as the “Customer”).

WHEREAS, the Customer has engaged the Company to service relating to: dealings in securities (Type 1), advising on securities (Type 4) and asset management (Type 9), (the “Services”) under the SFO under CE No. AAJ382, and Deposit products pursuant to this MSA and the Account Opening Form (the “Agreement”);

NOW, THEREFORE, for and in consideration of the agreements set forth below, the Company and the Customer hereby agree as follows:

<p><b>PART I.</b> <b>GENERAL TERMS AND CONDITIONS APPLICABLE TO ALL KINDS OF ACCOUNT (DEPOSIT ACCOUNT, INVESTMENT MANAGEMENT ACCOUNT, and/or GLOBAL SECURITIES ACCOUNT)</b></p>
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**Section 1. Definition of Terms.** The following terms shall have the following meanings when used in this Agreement:

“**Account**” refers to the Deposit Account, the Investment Management Account and/or the Global Securities Account opened and operated pursuant to this Agreement.

“**Agreement**” shall mean this Master Services Agreement and the Account Opening Form.

“**BPI Group**” refers to the Company or Bank of the Philippine Islands, its holding company, subsidiaries or affiliates and/or subsidiaries or affiliates of its holding company.

“**Cash Account**” shall have the meaning given to it by Part II, Section 3(1).

“**Company**” shall refer to BPI Wealth Hong Kong Limited, including its successors and assigns, a deposit taking company and a registered institution under the SFO. The Company is registered with the SFC with Central Entity Number AAJ382.

“**Customer**” shall refer to the person(s) who opened a Deposit Account, an Investment Management Account and/or a Global Securities Account pursuant to the terms and conditions of this Agreement, and whose particulars are set out in Section A of the Account Opening Form.

“**Discretionary Account**” refers to an Investment Management Account for which Customer’s prior approval or consultation is NOT necessary.

“**Global Securities Account**” shall have the meaning given to it by Part II, Section 3(1).

“**Instruction(s)**” means each and any instruction given by any means or mediums as may be acceptable to the Company from time to time either orally in person or by telephone or in writing through prepaid post or personal delivery, facsimile, electronic mail, other electronic transmission or in such other manner as the Company may permit.

“**Investment Management Account**” refers to the arrangement whether the Customer appoints the Company as its investment adviser and the Company accepts such appointment to provide investment advisory and management services in respect of the Portfolio.

“**Non-Discretionary Account**” refers to an Investment Management Account for which Customer’s prior approval or consultation is necessary.

“**Portfolio**” refers to the assets of the Customer of whatever nature and kind which may be deposited from time to time by the Customer into the Account, including, without limitation, cash, stocks, shares, bonds, debentures, notes, units, units in units trusts, shares in mutual fund corporations, certificates of deposit and other securities and any certificates, receipts, warrants, options, derivatives and other instruments evidencing or representing any other rights and interests of the Customer therein.

“**Securities**” shall have the meaning given to it by Part II, Section 3(1).

“**Settlement Account**” refers to the Customer-nominated account where income and proceeds derived from the sale or purchase of securities, investments made, including maturity of time deposits, pursuant to the Agreement are to be credited. Fees due to the Company for services rendered pursuant to this Agreement, as well as fees, expenses and reasonable charges such as brokerage, commission or other expenses on purchases, sales, safe custody and handling fees charged by banks, stockbrokers and other institutions which may be incurred by the Company in the performance of its services herein may likewise be debited from this Customer-nominated Account.

“**Severe Weather**” refers to the scenario where a typhoon signal No.8 or above or a black rainstorm warning is issued by the Hong Kong Observatory, or an “extreme conditions” announcement is made by the HKSAR Government.

“**SWT Day**”, for the purposes of the Hong Kong securities and derivatives markets, refers to any day from Monday to Friday except a Hong Kong public holiday on which Severe Weather falls, provided that where Severe Weather falls on a Hong Kong public holiday which is a holiday trading day for selected derivatives products, such Hong Kong public holiday shall be an SWT Day for such products.

## Section 2. Authorised Signatory(ies)

The person(s) specified by the Customer in the Account Opening Form or thereafter notified by the Customer to the Company in accordance with this Agreement shall be the Customer’s “**Authorised Signatory(ies)**” who shall have authority to issue Instructions, notices and/or other communications with respect to the opening, maintenance, and/or operation of Customer’s Account.

The Customer shall immediately notify the Company in writing of any change in the Authorised Signatory(ies) and any change of address or any other information previously provided to the Company, and shall deliver to the Company all relevant documents detailing such change(s) as the Company may reasonably request.

## Section 3. Representations and Warranties

- In addition to the Declarations it made in Section C of the Account Opening Form, the Customer hereby further represents and warrants to the Company on a continuing basis that:
  - neither the signing, delivery or performance of this Agreement nor any Instructions given hereunder will contravene or constitute a default under any existing applicable law, statute, ordinance, rule or regulation or judgment or cause to be exceeded any limit by which the Customer or any of the Customer’s assets is bound;
  - the Customer is the beneficial owner of the assets or funds comprising the Account or otherwise has full right and power to deal with such assets or funds free from any encumbrances, adverse interests or other restrictions and to give Instructions to the Company for the purposes of this Agreement;
  - to the extent that the Instructions originate from the Customer, he is the person who is ultimately responsible for originating instructions to the Company relating to all transactions and ultimately benefits from and bears the risk of any and all transactions performed by the Company in accordance with the terms and conditions of said Instruction and, if he is not the ultimate beneficiary or the person ultimately responsible for originating instructions to the Company, he shall provide to the Company forthwith full details (including the identity, address and contact details) of the ultimate beneficiary and of the

person ultimately responsible for originating the relevant Instructions upon request;

- (d) the information supplied by or on behalf of the Customer to the Company in connection with the Account Opening Form is complete, true and correct. The Company is entitled to rely on such information until written notice from the Customer of any changes therein has been received by the Company;
  - (e) the Customer understands the purposes of the accounts contemplated by this Agreement and the risks described in the Risks Disclosure Statements under Part II herein; and
  - (f) the Customer, if a natural person, is of legal age to enter into this Agreement.
2. The Customer further undertakes to perform such acts, sign and execute all such agreements or documents whatsoever as may be required by the Company for the performance or implementation of this Agreement or any part thereof.
  3. The Company and the Customer agree that:
    - (a) the Company will notify the Customer of any material change to its name, address and registration status, the services to be provided hereunder and the remuneration payable by the Customer hereunder;
    - (b) the Customer will notify the Company of any change of his name, address and other particulars, and any change of information previously provided to the Company, and shall deliver to the Company all relevant documents detailing such change(s) as the Company may reasonably request.

#### **Section 4. Joint Accounts**

Where the Customer consists of more than one person, the following provisions shall apply:

- (a) this Agreement shall bind each joint Customer jointly and severally (whether or not any of them is not intended to be bound);
- (b) unless otherwise instructed in writing by the joint Customers, the Company may credit any account with monies received or collected for the credit of any one or more of the joint Customers;
- (c) any notice or communication sent by the Company to any one of the joint Customers shall be deemed to have been sent to all of them and any notice or communication sent to the Company by any one of the joint Customers shall be deemed to have been signed and sent by all of them;
- (d) in the event of death of any one or more of the joint Customers, being survived by any one or more of the others, the Account, as well as this Agreement shall not terminate and the interest of the deceased joint Customer in the Account, as well as this Agreement shall automatically inure to the benefit of and shall henceforth belong absolutely to the surviving joint Customer(s), but without affecting the joint and several liability of the deceased's estate arising out of or in connection with any matter arising on, prior to or in connection with his death, the surviving joint Customer(s) shall forthwith by notice in writing inform the Company of the death and produce to the Company's satisfaction such documentary evidence as the Company may in its absolute discretion require to prove the same;
- (e) in the event of the bankruptcy of any one or more of the joint Customer(s), instructions in relation to the Account shall be given jointly by the trustee in bankruptcy of such joint Customer(s) on the one hand, and the other joint Customer(s) on the other hand;
- (f) all instructions regarding withdrawal or renewal or other operational matters in relation to the Account must be given in accordance with the signing authority contained in the Account Opening Form or otherwise notified to the Company in accordance with the provisions hereof; and

- (g) if any of the joint Customers expressly forbids or otherwise disputes payment of any amount deposited or any interest thereon to any one or more of the other joint Customers, then payment shall not be made notwithstanding the signing authority contained in the Account Opening Form except against the discharge of all the joint Customers.

#### **Section 5. Standard of Care**

The Company shall exercise the powers granted hereunder and discharge its duties hereunder honestly, in good faith and in the best interest of the Account and shall exercise the degree of care, diligence and skill that a reasonably prudent person would exercise under such circumstances.

For its part, the Customer agrees and understands that time shall in all respects be of essence in the performance of all of the Customer's obligations under this Agreement.

#### **Section 6. Reports and Statements**

The Company will provide the Customer with, or procure the provision of, such reports and statements concerning the Account as required by applicable laws and/or this Agreement. The Customer agrees to examine each such report and statement and shall notify the Company without delay of any error contained therein. If the Customer fails to notify the Company of any such error within ninety (90) calendar days of receiving such report or statement, the Company may regard such report and statement, as the case may be, as conclusive.

#### **Section 7. Instructions, Notices and Other Communications**

1. The Company is hereby authorized to act upon Instructions given by the Customer. Except as otherwise provided by other provisions in this Agreement, all Instructions shall be given by the Customer to the Company either orally in person or by telephone or in writing through prepaid post or personal delivery, facsimile, electronic mail, other electronic transmission or in such other manner as the Company may permit.
2. The Company may accept and act upon any Instruction, notice and other communications sent by personal delivery, prepaid post, facsimile, electronic mail or other electronic transmission which it reasonably believes in good faith as having emanated from the Customer or the Authorised Signatory(ies). Although the Company undertakes to exercise reasonable care in accepting Instructions, notice or other communications, the Company is under no duty to verify the identity or authority, or the genuineness of any signature contained in such Instructions, notices or other communications. Such Instructions, notices and communications are binding on the Customer who agrees to fully indemnify the Company and its officers, employees and agents against any and all losses and liabilities which any of them may reasonably incur or suffer pursuant to or in connection with the acceptance of or acting upon any such Instructions, notices and/or communications, whether or not in fact given by the Customer or the Authorized Signatory(ies), and even if they: (a) were not accurately transmitted or received; or (b) were not properly understood by the Company, save where due to its gross negligence or willful fault.
3. The Company reserves the right, in its sole discretion, at any time to refuse to accept an Instruction from the Customer or the Authorised Signatory(ies). The Customer agrees that the Company shall have no obligation to inform the Customer of the reasons for such refusal. The Company may also refuse to act upon any Instructions by telephone if the Company is in doubt as to whether such Instructions have been properly authorized, accurately transmitted or received or properly understood by the Company or if such Instructions are ambiguous and the Company shall incur no liability for so refusing to act.
4. The Company shall not be obliged to act on any Instruction for cancellation, variation or amendment of any Instruction already given to the Company nor be responsible or liable to the Customer for any loss or expense suffered or incurred by the Company if the original Instruction has already been completed or in the opinion of the Company, the Company has insufficient time or is unable to act on such Instruction to cancel, vary or amend the original Instruction.

5. All telephone conversations between the Customer (or Authorised Signatory(ies) and the Company made in the course of business may be recorded by the Company. Any such recording (or a transcript thereof) shall be conclusive evidence of the contents and nature of the relevant Instructions or telephone conversations.
6. All notices, confirmations, statements and other communications from the Company to the Customer hereunder may be sent by personal delivery, prepaid post, facsimile, electronic mail or other electronic transmission (including posting on the Company's website) to the address, facsimile number, electronic mail address specified in the Account Opening Form or notified to the Company in writing from time to time by at least seven (7) days' prior notice. The Customer is deemed to have received any such notices, confirmations, statements and other communications upon delivery if personally delivered, upon expiry of two (2) days after being put into the post, upon successful transmission message being obtained if sent by facsimile, electronic mail or other electronic transmission.

#### **Section 8. Withdrawal**

Notice of withdrawals of cash or deposits from the Settlement Account, the Cash Account or the Deposit Account shall be lodged by the Customer to the Company in writing at least two (2) business days before the value date of the proposed withdrawals.

#### **Section 9. Force Majeure**

The Company shall not be liable or responsible for failure to implement transactions, process instructions, provide information, statements, reports or files, whether in print or electronic form, or generally deliver its obligations hereunder for reasons due to *force majeure* or circumstances beyond its direct control, such as but not limited to:

- (a) Natural disasters, calamities, earthquakes, floods, typhoons, fires or epidemics; war, rebellion, insurgency, riots, or invasion; strikes, lock-outs, boycotts, or other form of work stoppage; government restriction; or order of competent court.
- (b) Misuse of the Company's facilities and channels of delivery, whether by negligence, omission, act of fraud or collusion, or willful violation of the terms of this Agreement by the Customer, its officers, employees or representatives; as well as inaccurate information provided by the Customer.
- (c) Acts of third parties or any unauthorized person gaining access to the Company's facilities, breakdown of mechanical equipment and/or electronic system due to electrical and/or communication line failures or errors inadvertently committed, provided there is no gross negligence or willful misconduct on the part of the Company, its officers, employees or representatives.

#### **Section 10. Conflict of Interests**

1. The Company shall disclose to the Customer any material interest it may have in any investment or proposed transaction, and conduct all purchase/sales transactions or investment activities in accordance with the applicable code of ethics and any applicable law, regulation, ruling or order.
2. The Customer acknowledges that the Company may delegate its powers and responsibilities to any member of the BPI Group. The appointment of such persons by the Company shall not be regarded as giving rise to any conflicts of interest.
3. The Customer agrees that the Company may perform its duties under this Agreement through third parties, including any member of the BPI Group or other third parties who may be acting as agent or as principal. Neither the Company nor such third party is obliged to account to the Customer for any commission, fees or other benefits obtained in connection therewith. In particular, the Customer agrees that the Company may execute the Instructions through such brokers or dealers as it may in its sole discretion decide.

#### **Section 11. Custody**

1. For purposes of safekeeping, lodging, clearing, settlement and delivery of the securities and investments (or documents of title

thereto) in the Portfolio/Securities, the Company is authorized to avail of the services of any bank, custodian, reputable intermediaries licensed for dealing in securities or acceptable third party institutions and to use custodian, depository, clearing systems and related market infrastructures under such terms and conditions as may be customary for deposits, clearing, safekeeping and settlement with such entities and the Customer agrees to be bound by such terms and conditions. The Customer shall execute and deliver such documents as the Company shall reasonably determine to be necessary or desirable in connection with the safe custody, clearing, registration and settlement of all or any of the securities and investments constituting the Portfolio/Securities. Custody of such securities and investments may be on an unallocated basis together with other like securities and investments so long as the necessary records evidencing the Customer's entitlement are kept. Investments constituting the Portfolio/Securities (where capable of registration) may be registered in the name of the Company's nominee.

2. The Company shall be authorized to give any instruction to any person under any relevant custodian, depository, clearing system or nominee agreement in relation to the Portfolio/Securities. The Customer hereby waives confidentiality in the event the Company shall be required to disclose information with regard to the Customer and the investments and securities sold and purchased through or safekept with any custodian, depository or clearing system.
3. The Company is not obligated to book investments and securities in the Portfolio/Securities prior to receipt of such investments or securities through the standard settlement or delivery procedure. The Company shall reject instructions from the Customer that will result in the delivery of investments or securities exceeding the outstanding holdings in the Portfolio/Securities. The Customer recognizes that it bears the settlement and delivery risks associated with the purchase or sale of securities through brokers/dealers/banks. The Customer shall indemnify and hold the Company free and clear of any opportunity losses arising from the non-delivery of securities, particularly in cases of unfavorable price movements. The Company is not obligated to credit the Portfolio/Securities or cause the credit of Customer's Settlement Account before receipt by the Company of corresponding and final payment of cleared funds. However, the Company may opt to credit Customer's Settlement Account based on pre-advice prior to actual receipt of final payment of cleared funds. Should the Company do so, such credits are conditional upon receiving final confirmation of payments by the payor and of actual receipt of such payment in freely available funds for the Company at its correspondent bank. Such conditional credits may be reversed in case of any problem or delay in the confirmation of payments by the payor, failure of the payor to settle its obligations, or if the Company believes that the corresponding payment will not be received by the Company. Should there be a need of reversal or in the event of miscredit or excess payment, the Company is hereby expressly authorized to debit or cause the debit of the Customer's Settlement Account or any of the Customer's accounts with the Company, any member of the BPI Group or the custodian and/or sell or liquidate any securities or investments in the Customer's Account with the Company or any member of the BPI Group or the custodian.
4. In order to secure obligations with the custodian in respect of the Customer's securities or investments in custody, the Customer hereby pledges and grants the Company and the custodian a continuing lien and security interest in, and right of set-off against all of the Customer's right, title and interest in and to the Customer's Settlement Account and securities and investments in the Portfolio/Securities, including proceeds thereof, money and other property now or hereafter held by the Company or the custodian. In this regard, the Company and the custodian shall be entitled to all rights and remedies of a pledgee and secured creditor under applicable laws, rules and regulations in effect.

#### **Section 12. Disclosure to Regulators and Other Authorized Disclosures**

1. If the Company receives any lawful request for information for any transaction relating to the Account by any regulator in Hong Kong or overseas including but not limited to the Hong Kong Monetary Authority ("HKMA"), The Stock Exchange of Hong Kong Limited and the SFC (the "**Regulators**"), whether directly from any regulator in Hong Kong or overseas or indirectly through a service

- provider, the Customer hereby acknowledges and agrees that the Company may provide any such information as may be contained in this Account Opening Form to the Regulators to comply with such request without any reference to the Customer. The Customer further undertakes to provide the Regulators with such further information for any transaction relating to any of his Accounts as they may request within two (2) calendar days of request by the Company.
2. The Customer's obligations and the Company's rights under this Section shall continue notwithstanding the termination of this Agreement for any reason.
  3. Other authorized disclosures. – The Customer acknowledges that:
    - (a) the Company may from time to time be asked to provide banker's references to other financial institutions or other parties about the Customer and the Customer agrees to the Company giving such references;
    - (b) the Company may, without any notice or reference to the Customer, disclose the state of any account or transaction with the Company or any other information relating to the Customer or any Account to (a) any proposed assignee of or participant in any of the Company's rights in relation to the Customer and (b) in order to comply with any applicable law, regulation (including codes of practice), official directive or court order whether in Hong Kong or elsewhere (including but not limited to requests by the HKMA, and the Customer agrees to such disclosure; and
    - (c) Other specific or general descriptive information, such as, but not limited to, details of fees and charges of services, identification requirements of Customers, operation of accounts (for individuals (single or joint) or limited companies, set-off rights, interest rates, time deposits and other payment services may be published, displayed in the Company's premises or available from the Company upon request, as the Company considers appropriate, and the Customer agrees to such publication, display or availability.
  4. Nothing herein contained shall place the Company under any duty to disclose to the Customer any fact or thing which comes to its notice in the course of acting in any capacity for any other person or in its own capacity.

### Section 13. Personal Data

1. The Customer may from time to time supply to the Company and the BPI Group data in connection with the Account. If the Customer fails to supply such data, the Company may not be able to open and maintain the Account for him and/or provide him with the services in connection therewith.
2. The Company recognises its responsibilities in relation to the collection, holding, processing, use and/or transfer of personal data under the Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong) ("PDPO"). Personal data will be collected only for lawful and relevant purposes and all practicable steps will be taken to ensure that personal data held by the Company is accurate. The Company will take all practicable steps to ensure security of the personal data and to avoid unauthorised or accidental access, erasure or other use.
3. All data relating to the Customer will be kept confidential but, subject to the provisions of any applicable law or regulation, may be provided by the recipient to the following persons whether or not they are in Hong Kong: (a) any member of the BPI Group; (b) any agent, contractor or third party service provider who provides administrative, telecommunications, technology, payment clearing, nominee, custodian or other services to any member of the BPI Group; (c) where data is collected by a member of the BPI Group as agent or for forwarding to or otherwise for any facility or service, any person for such purpose who may not be in Hong Kong and may not be subject to the PDPO and not restricted in the use of the data; (d) credit reference agencies and, in the event of default, debt collection agencies commissioned by the Company to collect an overdue amount owed to the Company; (e) any person to whom the Company transfers or proposes to transfer its interests and/or obligations in respect of the Account or any services provided to the Customer; and (f) any person to whom the Company are required

by law, regulation, court instruction/order or request from any governmental or regulatory body to provide such data.

4. All data relating to the Customer held by the BPI Group (whether supplied by the Customer or a third party and whether before or after the Customer opens the Account) may be used for: (a) operating internal control/verification procedures; (b) conducting credit and other status checks and assisting other institutions to conduct such checks; (c) ongoing administration of the Account; (d) providing the Customer other related services; (e) any purpose relating to collection of any sums due to or enforcement of any charge or security in favour of any member of the BPI Group; (f) designing and/or marketing other services and products of any member of the BPI Group; (g) forming part of the records of the recipient of the data as to the business carried on by it; (h) observing any legal, governmental or regulatory requirements of Hong Kong or other relevant jurisdiction including any disclosure or notification requirements; and (i) any other purpose relating to the business and dealings of the BPI Group.
5. The Customer hereby agrees that his data may be transferred to any place outside Hong Kong, whether for the processing, holding or use of such data outside Hong Kong, and also to service providers which offer services to the Company or any member of the BPI Group in connection with the operation of its business.
6. The Customer has the right in accordance with the terms of the PDPO to: (a) check whether the Company holds data about him; (b) request access to and the correction of any such data held by the Company; (c) ascertain the Company's policies and practices in relation to data and to be informed of the kind of data it holds; and (d) in relation to customer credit, request to be informed which items of data are routinely disclosed to credit reference agencies or debt collection agencies, and be provided with further information to enable the making of an access and correction request to the relevant credit reference agency or debt collection agency. The Company may charge a reasonable fee for processing any data access request.
7. The Customer may direct any request for access to or correction of data or for information regarding policies and practices and kinds of data held by the Company to the Data Protection Officer/Compliance Officer at the Company at 5/F LHT Tower, 31 Queen's Road Central, Central, Hong Kong.

### Section 14. Payment of Fees

1. The Customer agrees that the Company's obligations under the Agreement are conditional upon the Customer paying in full to the Company such fee(s) as stipulated by the Company from time to time. The Customer hereby authorizes the Company to debit such fees directly from the Portfolio or the Settlement/Cash Account with the BPI Group.
2. For all purposes, including any legal proceedings, a certificate issued by any officer of the Company as to the sums and liabilities for the time being due or incurred to the Company by the Customer shall, in the absence of manifest error, be conclusive evidence thereof against the Customer.
3. The Customer agrees and acknowledges that the Company may charge the Customer an administrative fee for the late payment of any fees owing to the Company and/or the late or insufficient settlement of any transactions instructed by the Customer ("Late Payment Administrative Fee"). The Customer hereby authorizes the Company to debit the Late Payment Administrative Fee directly from the Portfolio or the Settlement/Cash Account with the BPI Group or any Deposit as defined below.

### Section 15. No Performance Guarantee

The Customer acknowledges that the Company does not in any way guarantee the performance of the Portfolio/Securities and shall not be responsible for any loss sustained except where such loss arises solely out of its acts and omissions done or suffered in manifest bad faith or through gross negligence, gross misconduct, willful neglect, willful fault or breach either of the provisions, terms and conditions of this Agreement which, in any manner, materially and adversely affects the value of the Portfolio/Securities or any applicable law or regulation or requirement of any regulatory body in the relevant jurisdictions.

## Section 16. Right of Set-Off

1. In addition and without prejudice to any general right to set-off or similar rights to which the Company is entitled by law, the Company for itself or as agent for any of the BPI Group may at any time and without notice or reference to the Customer:-
  - (a) combine or consolidate all Accounts of any nature whatsoever and either individually or jointly with others, maintained with the Company and/or the BPI Group and the Company may, without prior notice or reference to the Customer, appropriate, transfer or set off any securities, money or other property in any such accounts to satisfy debts, obligations or liabilities on the Customer's part due and owing to the Company or the BPI Group, whether such debts, obligations and liabilities are actual or contingent primary or collateral, secured or unsecured, or joint or several; and
  - (b) if any sum due but remains unpaid hereunder, retain all or any securities, valuables or any other property whatever and wherever situate which may be deposited with or otherwise held by the Company and/or BPI Group for or in the Customer's name whether for safe custody or otherwise and sell the same or any part thereof at such price and in such manner as the Company shall in the Company's discretion determine and the Company may retain such agent or broker therefore and shall apply the proceeds thereof to set off any and all sums owing under this MSA after full deduction of all costs and expenses.
2. The Company shall inform the Customer promptly after exercising any such rights of appropriation, set off or transfer (as the case may be).
3. The Company is authorized at any time and in its absolute discretion convert any sum in the Accounts into any currency by any lawful means at the Company's disposal and at the prevailing rate of exchange as determined by the Company on the day of passing the entry for the purpose of appropriation, transfer or set off without reference to the Customer.
4. The foregoing provisions shall apply notwithstanding that the Account comprises of deposits that may have been deposited for a fixed period or may be subject to a period of notice and the fixed period or period of notice may not have expired or notice may not have been given. The Company shall further be irrevocably authorized from time to time, at the Company's sole discretion and without reference to the Customer or any other person, to renew any or all of the deposits on the Customer's behalf until all the Customer's liabilities to the Company have been fully satisfied and discharged and the Customer shall not be entitled to withdraw or in any way dispose of or encumber the deposits without the Company's consent.

## Section 17. Limitation of Liability, Indemnity and Further Assurance

1. The Customer understands that the purchase and sale of the securities/instruments for the Account shall be without recourse to the Company, with the exception of the Certificates of Deposits issued directly by the Company. The Customer accepts all risks in connection with the opening, maintenance and operation of the Account impliedly or expressly set out in this Agreement and acknowledges that the Company shall not be responsible for or incur any liability to the Customer in respect of any loss incurred by the Customer resulting from such risks except where such loss arise solely from the gross negligence or willful fault of the Company.
2. Without prejudice to any other provision herein, the Customer hereby agrees to hold harmless and fully indemnify the Company and its officers, employees and agents against any and all losses, liabilities, claims, obligations, damages, taxes, duties, penalties, actions, costs, expenses and disbursements of any kind and nature whatsoever (including legal fees and expenses) which any of them may reasonably incur or suffer pursuant to or in connection with: (a) any act or omission by any of them in the performance of the Customer's obligations hereunder, save where due solely to the gross negligence or willful fault of the Company or any of its officers, employees or agents; or (b) any failure by the Customer to observe the provisions of, or perform his obligations under the Agreement.

3. The Customer agrees, at his own expense and when requested by the Company, to promptly do and execute, or cause to be done and executed, such acts and documents as may, in the Company's reasonable opinion, be necessary or desirable to give full effect to all rights, remedies or powers conferred upon the Company hereunder.

## Section 18. Complaints

Any disputes or complaints (with all relevant details) must be made in writing and should be referred in the first instance to the Company's Complaint Officer, and if not resolved to the Customer's satisfaction, may be referred by him formally to the Company's Compliance Department.

## Section 19. Events of Default and Termination

1. Any one of the following events shall constitute an event of default:
  - (a) the Customer's failure to pay any amount payable to the Company or submit to the Company any documents or deliver any assets to the Company hereunder, when called upon to do so or on due date (including, where applicable, an SWT Day);
  - (b) breach of this Agreement by the Customer;
  - (c) the filing of a petition in bankruptcy or the commencement of any analogous proceedings against any of the Customer;
  - (d) the levying of any attachment against the Account or any other accounts maintained with the Company;
  - (e) any information, declaration representation or warranty made by the Customer to the Company in this Agreement being or becoming incorrect or misleading;
  - (f) the death of the Customer (if the Account is not a joint account); and
  - (g) any other matter or event including any regulatory requirements or the nature of the instructions given by the Customer to the Company which the Company in good faith believes may expose or lead the Company to any actions, claims, proceedings, losses, damages, costs, expenses or liabilities of whatever nature.
2. Either the Company or the Customer shall have the right to at any time upon giving reasonable notice to close the Account without assigning any reason thereof. The Company shall be entitled to close the Account without giving reasonable notice to the Customer if an event of default set out in Part I, Section 19, No. 1 above occurs or in the event of exceptional circumstances (such as when the Account is being used for criminal activities) and also notwithstanding that the Account is in credit.
3. In the event that the Account is closed and/or this Agreement is terminated in accordance with Part I, Section 19, No. 1 or No. 2 above, to the extent permitted under applicable laws and regulations but without any prejudice to any other rights and remedies the Company may have, the Company shall be entitled to:
  - (a) close out all or any open positions held by the Company for the Customer in the Account or any other accounts;
  - (b) create a position or positions to offset the Customer's position with the Company held by the Company for the Customer;
  - (c) to the fullest extent permitted by law, dispose of any securities, collateral or other assets comprising the Portfolio/Securities;
  - (d) convert any currency; and
  - (e) cancel any outstanding Instructions in order to suspend or close the Account, and apply all and any cash held by the Company and/or the proceeds in satisfaction of all or any amounts owing to the Company (including without limitation, amounts due in respect of settlement, fees, commissions and interest).
4. The Company reserves the right to combine all or any other accounts opened with the Company in the name of the Customer (including the Account) and to consolidate the balances in such accounts and to set off such balances between the Customer and the Company.
5. Without prejudice to the foregoing, the Customer shall pay to the Company on demand any replacement or other costs which may arise as a consequence of the premature liquidation of the investments of the Portfolio /Securities provided that such costs are reasonably incurred. The Customer irrevocably authorizes the

Company to deduct all such costs from the proceeds of the liquidation of the Portfolio/Securities.

6. The Customer authorizes the Company to transfer or appropriate without his prior notice or consent any securities, money or other property held at the Company in his name to set off the balances still owing to the Company notwithstanding that the money or any part thereof may have been deposited for a fixed period or may be subject to a period of notice.
7. Subject to the provisions of this Agreement and after deduction of all monies and liabilities due by the Customer to the Company, the Company shall as soon as practicable remit the proceeds of the liquidation of the Portfolio/Securities or, if requested by the Customer, return such securities or other property as from time to time constitute part or whole of the Portfolio/Securities to the order and at the risk of the Customer.
8. The Customer and the Company acknowledge that closing the Account, terminating the Company's services or this Agreement will not affect the rights and obligations of either party already accrued and/or incurred prior thereto.
9. The Company shall not in any way be responsible for any diminution of value of the investments/securities or part thereof by reason of termination of this Agreement for whatever reason and the Customer shall in such event bear all losses, penalties or expenses arising from the sale, transfer, disposal or liquidation of the Portfolio or part thereof.

#### **Section 20. Amendment or Modification of the Agreement**

1. The Company may, from time to time, and at its discretion, amend, modify, delete or substitute any provision, term or condition found in this Agreement or add new provisions, terms or conditions upon giving prior notice as follows to the Customer by way of written notice to Customer, or display/advertisement in the Company's premises or by such other means and/or methods as the Company considers fit, appropriate and effective. The amendment, modification, deletion/substitution, or addition shall take effect and shall be deemed to be incorporated into this Agreement as of such date:
  - (a) 30 calendar days' notice when the amendment, modification, deletion/substitution, or addition affects fees and charges and the liabilities or obligations of the Customer;
  - (b) 60 calendar days' notice where the amendment, modification, deletion, substitution or addition constitutes (i) significant changes to terms and conditions, or facility terms, of loans or overdraft, or (ii) an increase in the annualized percentage rate ("APR") or changes in the interest rate margin of floating rates which increase the overall interests (other than due to a breach of the facility terms by the Customer), provided that (1) in the case of an increase in the APR or a change in the interest rate margin of a floating rate which increases the overall interest rate due to a breach of the facility terms by the Customer, the Company will give an advance notice to the Customer after the event triggering the rate increase during which the Customer can reject the change by terminating the loans and overdrafts; and (2) where the Customer opts to terminate the loans and overdrafts before the effective date of the change, the Company will give the Customer a reasonable period to repay the balances at the existing APR or floating rate and the Company will not increase the interest rate until at least 30 days after the date of advance notice; or
  - (c) reasonable notice for all other amendments, modifications, deletions/substitutions, or additions.
2. The notice shall show the amendment, modification, deletion, substitution or addition, the ways in which the Customer may indicate refusal and the consequence of such refusal. When any amendment, modification, deletion/substitution, or addition involves substantial changes or if the changes are complicated, the Company may provide a summary of the key features and, if the Company, deems appropriate, a consolidation of the revised terms and conditions. If the Customer refuses to accept the amendment(s), modification(s), deletion(s)/substitution(s), or addition(s) and elects to close the Account within a reasonable period, the Company will repay the annual or periodic fee (if any) on a pro rata basis, if the fee concerned can be separately distinguished and is more than HK\$100.00.

3. If the Customer does not close the Account prior to the taking effect of the amendment(s), modification(s), deletion(s), substitution(s) or addition(s), the Customer shall be deemed to have agreed to such amendment(s), modification(s), deletion(s) /substitution(s), or addition(s).

#### **Section 21. Severability**

Any provision or part of a provision contained herein which is held to be illegal, invalid, prohibited or unenforceable in any jurisdiction shall be ineffective only to the extent of such illegality, invalidity, voidness, prohibition or unenforceability without affecting the remaining provisions hereof, and any such illegality, invalidity, voidness, prohibition or unenforceability in any jurisdiction shall not invalidate or render illegal, void or unenforceable any such provision in any other jurisdiction.

#### **Section 22. Waiver**

1. Waiver of any right under this Agreement must be made in writing and signed by the party waiving such right. The Company will not be regarded as having waived any right under this Agreement if it fails or delays in exercising such right. Any single or partial exercise of any right under this Agreement will not preclude any further exercise of such right or the exercise of any other rights.
2. A party who waives any breach of any provision of this Agreement will not be regarded as having waived any subsequent breach of that provision or any other provision.

#### **Section 23. Binding Effect of the Agreement; Assignment**

This Agreement shall be binding on the Customer and his estate, executors, administrators, personal representatives, trustee in bankruptcy, receiver, liquidator or other successors and permitted assigns and shall operate for the benefit of the Company and his successors, assigns and agents, notwithstanding any change by way of amalgamation, consolidation or otherwise in the constitution of the Company or any of his successors, assigns or agents. The Customer shall not assign or transfer any of his rights or obligations under this Agreement without the Company's prior written consent. The Company may assign or otherwise transfer or grant participations in all or any of its rights and interests under this Agreement and any transaction to which this Agreement relates and/or the goods, documents and other properties in respect of which the Company has a security interest and may deliver the same to the transferee(s), who shall thereupon become vested with all the rights and powers in respect thereof which were formerly vested in the Company. The Company shall be released and discharged from any liability or responsibility in respect of the goods, documents or other properties so transferred but shall retain all its rights and powers in respect of goods, documents or other properties not so transferred.

#### **Section 24. Power of Attorney**

The Customer hereby agrees and irrevocably appoints the Company, with full power as his true and lawful attorney, to the fullest extent permitted by law, to carry out the provisions of this Agreement, take any action and execute any instrument that it deems necessary or advisable for the purposes of this Agreement. The Customer hereby ratifies and confirms and agrees to ratify and confirm any instrument, act or thing which such attorney may execute or do.

#### **Section 25. Entire Understanding**

This Agreement, together with the Account Opening Form, as well as all other written agreements between the Customer and the Company related to the Account and terms contained on statements and confirmation sent by the Company to the Customer, as well as any amendment or updates thereto, contain the entire understanding between the Customer and the Company concerning the subject matter of this Agreement.

#### **Section 26. English/Chinese Versions**

The Customer confirms that: (a) he has read the English and/or Chinese versions (if any) of this Agreement; and (b) he fully understands, and accepts and agrees to be bound by, this Agreement. If there is any conflict between the English and Chinese versions of this Agreement, the English version will prevail.

## Section 27. Interpretation

1. The expression "Customer" shall include any one or more holders of a joint account and "his" shall include "hers," "theirs," and "its" and in relation to any such account the liabilities of the Customer to the Company shall be joint and several.
2. Words denoting the singular include the plural and vice versa; and words importing any gender include every gender and references to persons include companies and corporations.
3. Capitalized terms used herein shall have the meanings given to them in Part I Section 1.

## Section 28. Jurisdiction and Governing Law

1. This Agreement shall be governed by and construed in accordance with the laws of Hong Kong. The Customer hereby irrevocably submits to the non-exclusive jurisdiction of the Hong Kong courts.
2. All transactions made pursuant to this Agreement shall be subject to: (a) all applicable laws, rules and regulations of Hong Kong and other relevant jurisdictions; and (b) the constitution, rules, regulations, codes, customs and usages of the HKMA, SFC and any other relevant authority, exchanges and clearing houses.

## Section 29. Risk Disclosure Statements

**The Customer acknowledges and agrees that he has read, fully understands and agrees to the following risk disclosure statements set out in Schedule 1 to this MSA.**

<p style="text-align:center"><b>PART II. SPECIFIC PROVISIONS APPLICABLE ONLY TO CERTAIN KINDS OF ACCOUNT</b></p>
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The applicability of the following Sections shall depend on the services required by the Customer and Account opened by the Customer pursuant to Section B of the Account Opening Form and shall be in addition to, and shall complement/supplement the General Terms and Conditions applicable to all account types provided in Part I of this MSA.

In case of conflict between the terms of Part I and the provisions found in the following Sections, the terms of the following Section shall prevail.

### **SECTION 1.** **PROVISIONS APPLICABLE TO** **DEPOSIT ACCOUNTS**

1. **Relationship.** - The relationship between the Company and the Customer is basically that of debtor and creditor. However, other relationships may arise, such as bailor and bailee when items are held in safe custody, according to banking services provided by the Company.
2. **Instructions.** - All instructions with respect to withdrawal or renewal of deposits in Deposit Accounts must be routed through the Company; such instructions shall be given in writing but the Company may, at its sole discretion, act upon oral or facsimile instructions given by the Customer.
3. **Minimum Credit Balance.** - A minimum credit balance of HK\$100,000.00 or an equivalent amount in the currencies of United States Dollars and other foreign currency that are offered by the Company (e.g. USD13,000.00) or such amount as may from time to time be prescribed in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) as the minimum sum of a deposit that can be taken by a deposit taking company in the Hong Kong Special Administrative Region (HKSAR) of the People's Republic of China shall at all times be maintained in each Deposit Account.
4. **Minimum Period.** - All deposits shall be placed with the Company for a minimum period of three (3) months and will be considered paid out unless prior written instruction for its withdrawal or disposition is received by the Company two (2) business days prior to the rollover date.
5. **Settlement.** - Settlement of deposits by the Customer shall either be by:

- (a) cheque for deposits in Hong Kong Dollars /United States Dollars; or
- (b) telegraphic transfer for deposits in the currencies of Hong Kong Dollars /United States Dollars /Great Britain Pound / Canadian Dollars /Australian Dollars/ EURO, or such other acceptable major foreign exchanges currencies. Such telegraphic payments shall be subject to the Company's usual charges for cable/telex.

## 6. Issuance of Bearer Deposit Confirmation; Risks in Relation

**Thereof.** - Where the Company issues a bearer deposit confirmation upon the written request of the Customer, the Customer acknowledges that such issuance is completely at its sole risk and the Company shall not be responsible in any way for theft, loss or destruction or any fraud committed in connection therewith (save where due solely to the gross negligence or willful default of the Company or any of its officers, employees or agents) and shall not be obliged to stop payment, issue any replacement or make reimbursement of such deposit or any interest thereon. Further, the Company may in its absolute discretion act upon Instructions believed by the Company in good faith to have been given by the holder or bearer of a deposit confirmation without further reference or notice to the Customer and the Company shall hold the deposit and accrued interests thereon pending the holder's or bearer's instructions.

7. **Non-Negotiability.** - Deposits are not negotiable and are transferable only at the Company's office or such other offices which the Company may from time to time appoint as agent, and upon presentation of appropriate documents as may be required.

8. **Acceptance of Cheques, Drafts and Other Instruments.** - All cheques, drafts and any other instruments are accepted for deposits subject to final payment. The Company reserves the right to charge the Customer's Deposit Account(s) with items which are subsequently returned unpaid and the Company may adjust interest accordingly.

9. **Interest on Credit Balances.** - Interest will be paid on credit balances on Deposit Accounts with the Company only (and not for credit balances on accounts with the Company's banking correspondents in other countries) at such rates (if any) and at such times as the Company may from time to time determine.

10. **Others.** - The Company may, at its discretion, destroy any documents relating to the Account after microfilming the same.

### **SECTION 2.** **PROVISIONS APPLICABLE TO** **INVESTMENT MANAGEMENT ACCOUNT**

The Customer and the Company hereby agree that the Customer shall retain and appoint the Company as its investment adviser (an "Adviser") and the Company shall accept its appointment as an Adviser to provide investment advisory and management services (the "Services") in respect of any the Portfolio which may be deposited from time to time by the Customer into the Account opened with the Company.

## 1. DISCRETIONARY ACCOUNTS

The following terms and conditions shall apply to Discretionary Accounts only.

- (a) The Customer authorizes the Company to manage the Portfolio and to effect transactions on behalf of the Customer on a discretionary basis in accordance with the investment guidelines, if any, provided by the Customer to the Company. The Customer acknowledges that the Company is not required to consult with the Customer or obtain the Customer's specific approval or authorization in respect of any transactions effected pursuant to this Agreement.
- (b) In providing the Services, the Company shall:
  - (i) evaluate investments which it considers to be appropriate for investment by the Customer;
  - (ii) advise on the price movements in respect of such investments and on such other factors as it considers to be relevant for consideration by the Customer in making investment decisions;
  - (iii) analyse continually the progress of all investments which are from time to time comprising the Portfolio and provide to the Customer periodic reports in writing thereon;

- (iv) advise the Customer on all actions which it considers to be appropriate for the Customer to take in relation to the Portfolio in order to implement the investment objectives of the Customer; and
  - (v) evaluate and recommend to the Customer appropriate changes in the investment policies, objectives and restrictions.
- (c) The Company is authorized (but not obliged) to take such steps including, without limitation, the following, as it may, at its discretion and without the prior approval of or consultation with the Customer, consider expedient to enable it to provide the Services and to exercise its powers and rights as an Adviser under this Agreement:
- (i) to purchase or sell any investment for the Customer and to place orders with brokers and dealers to purchase, sell and otherwise trade in or deal with any investment in the name, on behalf and at the risk of the Customer;
  - (ii) to place all or part of the Portfolio with one or more reputable international banks or their subsidiaries or any Philippine commercial bank in Manila, including the Bank of the Philippines Islands (BPI) on a call/short term deposit account including but not limited to fixed-term interest bearing money and capital market instruments, such as, but not limited to, bonds, repurchases, acceptances, agreements, T-Bills, and Certificates of Deposits (fixed or floating);
  - (iii) to select brokers or dealers as it shall from time to time think fit for the purpose of executing transactions on behalf of the Customer;
  - (iv) to instruct the custodian to deliver securities sold, exchanged or otherwise disposed of from the Portfolio and to pay cash for investment acquired for the Customer upon delivery to the custodian;
  - (v) to comply with any law, regulation, code, rule, order, directive, notice or request of any government agency or regulatory body or authority (whether or not having the force of law) requiring the Company to take or refrain from action;
  - (vi) to exercise and enforce all rights and powers conferred by or incidental to the ownership of and investments in the Portfolio including, without limitation, all such powers of veto or control as the Company shall in its absolute discretion consider fit;
  - (vii) to consult with legal advisers concerning any question that may arise in respect of its duties under this Agreement or the Portfolio generally; and
  - (viii) generally to do all acts and things which are necessary for or incidental to the provision of the Services.
- (d) The Customer acknowledges and agrees that, in requesting the Company to provide the Services in relation to his Portfolio in the Discretionary Account, the Company has explained to the Customer and the Customer fully understands the additional risks of giving discretionary powers to the Company to manage the Portfolio.

## 2. NON-DISCRETIONARY ACCOUNT

The Customer authorizes the Company to manage the Portfolio on a non-discretionary basis and to effect transactions on behalf of the Customer only upon the Instructions of or after consulting with the Customer.

## 3. PROVISIONS APPLICABLE TO BOTH DISCRETIONARY AND NON-DISCRETIONARY INVESTMENT MANAGEMENT ACCOUNTS

### (a) Management Fee, Commission and Expenses

- (i) In consideration of the provision of the Services, the Customer shall pay to the Company in arrears every end of the quarter or every interest payment/settlement date, the management fee (the “**Management Fee**”) calculated in the manner set out in Section B of the Account Opening Form or as further agreed between the Company and the Customer. To the extent applicable, the term “total value of the Portfolio” in respect of each quarter shall mean the total value of the Portfolio as stated in the written report for that quarter prepared by the Company.
- (ii) The Customer agrees that the Company may change the rate and calculation of the Management Fee at the end

of each calendar year provided that notice of such change shall be given to the Customer in writing at least thirty (30) calendar days prior to the effective date of the change.

- (iii) The Company shall be and is hereby authorized to incur reasonable charges such as brokerage, commission or other expenses on purchases, sales, safe custody and handling fees charged by banks, stockbrokers and other institutions which charges shall be debited from the Portfolio or the Settlement Account with the BPI Group. The Company shall pay on the Customer’s behalf all commissions, brokerage and all other costs and expenses reasonably incurred in connection with any transaction, safe custody or other dealing or custody involving any part of the investments in the Portfolio. Within seven (7) calendar days from its receipt of demand for reimbursement from the Company, the Customer shall reimburse the Company for all expenses and brokerage, commissions reasonably incurred pursuant to or in connection with the performance of the Services or in respect of any transaction relating to the Portfolio and in particular and without prejudice to the generality of the foregoing, the reasonable cost of retaining professional advisers or services (whether legal, tax, accounting or otherwise) in respect of all matters in connection with the Portfolio. A certificate as to the nature and amount of such brokerages, commissions, charges and expenses signed by any duly authorized officer of the Company shall, in the absence of manifest error, be conclusive evidence of the amounts incurred.
- (iv) The Company hereby reserves the right to charge and the Customer hereby agrees to pay a reasonable fee for any additional service which the Customer may request the Company to undertake.
- (v) Save for the Management Fee which shall become due in arrears quarterly, payment of all commissions, expenses and fees shall become due and payable on the day they are incurred. The Customer authorizes the Company to pay directly from the Settlement Account, where appropriate, the Management Fee, commissions, expenses and all other applicable fees as they exist from time to time and as they apply to such Account and the Services provided by the Company.

### (b) Brokerage

- (i) The Company shall have full discretion to select brokers or dealers to effect the purchase and sale of securities or other investment for the Account on behalf of the Customer. When placing orders with brokers, dealers or any other financial institutions, the Company shall use its reasonable efforts to obtain the most favourable net price and execution for the Customer provided that the Company shall not be obligated to place any order solely on the basis of obtaining the lowest price if the other standards hereinafter set forth are not satisfied. Accordingly, in placing orders with brokers, dealers or any other financial institutions, the Company shall attempt to obtain the best net price and the most favourable execution of its orders but may take into account, to the fullest extent permitted by law, research services, statistical and other similar services provided to the Company for the benefits of the Customer by such brokers and/or dealers. The Customer hereby consents to the receipt of such services by the Company. The Company will provide the Customer with regular reports setting out orders placed with brokers, dealers or any other financial institutions which provide research services and any related information which the Company may reasonably request.
- (ii) The Customer also agrees that the Company shall be entitled, subject to such annual or applicable disclosure and other requirements prescribed by the SFC or other regulatory bodies and authorities from time to time, to accept and retain cash and/or money rebates, brokerages, commission, benefit and/or other advantage in relation to transactions (including without limitation to any sale, purchase, subscription and/or dealing



howsoever of the Portfolio) effected on behalf of the Customer.

(c) **Disposal of Securities**

The Company is authorized to dispose or initiate a disposal by its associated entity (as defined in the SFO) of any of the Customer's securities or securities collateral comprising the Portfolio on such terms as the Company may determine in good faith for the purpose of settling any liability owed by or on behalf of the Customer to the Company, the associated entity or a third person.

(d) **No Credit Facilities**

The Company shall not be obliged to provide liquidity or banking facilities or accommodation whatsoever for the instruments purchased on a without recourse basis through the Company in its capacity as an Adviser, although the Company may in its absolute discretion assist the Customer in approaching other persons or institutions to provide such liquidity, banking facilities or other accommodation.

(e) **Agent**

(i) The Customer acknowledges that the Company is acting as his agent in respect of all transactions in relation to the Portfolio except (i) in the event that the Customer instructs the Company to purchase or sell on the Customer's behalf shares, securities or other property of a certain class, denomination or other specifications and the Company as principal itself purchases from or sells to the Customer such shares, securities or other property as the case may be; and (ii) as the Company otherwise notifies the Customer in writing.

(ii) The Customer acknowledges that all transactions entered into by the Company as an agent for and on behalf of the Customer in the provision of the Services in relation to the Account, including collection and receipt of funds or assets and all payments and delivery of funds or assets will be made by the Company for the Customer's sole account and at the Customer's sole risk.

(f) **Conflict of Interests**

(i) The Customer acknowledges that the BPI Group have or will have portfolio management and/or advisory responsibilities and contracts with other persons. The Company may give investment advice with respect to the Portfolio which may differ from investment decisions for or advice given to such other persons even though the investment objectives may be the same or similar, provided that the Company acts in good faith and follows a policy of allocating over a period of time investment opportunities to the Portfolio on a basis that is fair and equitable to the Portfolio relative to such other persons.

(ii) The Customer agrees that the Company is authorized to act as principal to buy or sell securities from or to the Portfolio and in such circumstances, the Company is not obligated to account to the Customer for any benefit or loss resulting therefrom if such purchase or sales, as the case may be, are transacted at the prevailing market price.

(g) **Delegation**

The Company may employ or engage, and rely and act on, information or advice received from distributors, brokers, depositories, electronic data processors, managers, legal or tax advisers and other experts reasonably believed to be competent and shall be entitled to delegate any or all of its powers and responsibilities under this Section to sub-advisers ("**Sub-Advisers**"). The Company shall not be responsible or liable for the acts or omissions of any Sub-Adviser, including any loss or depreciation in the value of the Portfolio. The Company undertakes to include provisions regarding standard of care in its agreement with each Sub-Adviser that are substantially the same as those set out in this Agreement.

(h) **Additional Representations and Warranties**

(i) The Customer agrees not to pledge or charge any securities or monies forming part of any assets comprising the Portfolio without the prior consent of the Company, or to sell, grant an option over, or otherwise

deal in any securities or monies forming part of the Portfolio.

(ii) On each occasion the Customer or the Authorised Signatory(ies) give an Instruction in relation to the Non-Discretionary Account, the Customer represents and warrants to the Company that:

- a. he is giving the Instruction as principal, that is, on his own behalf and not for any third person, or in the event he is placing the Instruction on behalf of a third person, he undertakes to inform the Company of the identity of the ultimate beneficial owner(s) prior to placing the Instruction;
- b. his entering into the contract contemplated by the Instruction is not in breach of any applicable law or regulation which applies to him;
- c. he is not subject to any restrictions in placing the Instruction or entering into the contract contemplated by the Instruction;
- d. he has sufficient funds in his Non-Discretionary Account to cover all requirements in connection with his Instruction.

(i) **Suitability**

If the Company solicits the sale of or recommends any Financial Product to the Customer (or is otherwise required by applicable laws or regulations), the Financial Product must be reasonably suitable for the Customer having regard to the Customer's financial situation, investment experience and investment objectives. No other provision of this agreement or any other document the Company may ask the Customer to sign and no statement the Company may ask the Customer to make derogates from this clause. For purposes of this Clause 3(i), Financial Product means any securities, futures contracts or leveraged foreign exchange contracts as defined under the SFO and "leveraged foreign exchange contracts", mean those traded by persons licensed for Type 3 regulated activity under the SFO.

(j) **General**

The Customer hereby unconditionally and irrevocably authorizes the Company to contact such credit reporting agencies, credit bureaus and other information sources as the Company deems necessary and to obtain, exchange and disclose such information as the Company requires to open and operate the Account and to act as an investment manager and to execute transactions on behalf of the Customer. The Customer hereby undertakes to supply all information requested by the Company.

**SECTION 3.**  
**PROVISIONS APPLICABLE TO**  
**GLOBAL SECURITIES ACCOUNT**

**1. DEFINITIONS**

"**Authority**" means the authority given to the Company by the Customer pursuant to Clause 2 below.

"**Cash Account**" means the account maintained by the Company and/or as may be designated by the Customer for the purpose of debiting and crediting funds in connection with the Services.

"**Corporate Action**" means any entitlement attributable to a security and offered by the Issuer thereof.

"**Global Securities Account**" means the account maintained with the Company by the Customer for the purpose of holding Securities.

"**Securities**" means such stocks, shares, warrants, bonds, notes, derivative instruments, certificates of deposit, collective investment schemes and other interest commonly known as securities held or to be held in the nominee name of the Company, or the Company's nominee which the Company shall from time to time allow to be sold, purchased, transferred or deposited pursuant to the Terms and Conditions provided that the Securities must be beneficially owned by the Customer or jointly by each of the persons making up the Customer, where it is more than one.

“Services” means the security purchase/sale/related investment and or trading transactions and custodial services provided pursuant to these terms and conditions.

## 2. AUTHORITY

The Company is hereby appointed and authorized by the Customer on the terms set out below, as may be amended from time to time, and subject to relevant provisions of this Section. This Authority may be revoked at any time by the Customer pursuant to the terms of this Agreement

**(a) Investment/Trading Services.** - The Company is hereby appointed and authorized to perform all or any of the following investment/trading services but reserves the right to refuse to do so if, in its opinion, there are grounds for such refusal. The authority shall cover the following:

- (i) To purchase or subscribe for any type of Security in accordance with the Customer’s instructions;
- (ii) To sell or otherwise dispose of Securities and to deal with the proceeds in accordance with the Customer’s instructions;
- (iii) To enter into such transactions related to the Security purchased /held for and in behalf of the Customer, as may be specifically instructed by the Customer;
- (iv) To deliver the documents of title and any other instruments relating to such Securities to the Customer or to the order of the Customer in accordance with any Instruction but to the sole risk of the Customer.

**(b) Custodial Services.** - As a necessary and incidental service, the Company is hereby appointed and authorized to perform all or any of the following custodial services. Company reserves the right to refuse to do so if, in its opinion, there are grounds for such refusal:

- (i) To hold or to arrange for Securities to be held in safe custody with other Authorized Institutions /Custodian Banks/Entities;
- (ii) To hold bearer instruments in that form and to register other instruments in the name of the Company or any other person appointed by it;
- (iii) Where Securities are registered in the name of the Company or any other person appointed by it and have been deposited under this Section, to notify the Customer of information received by the Company which requires action to be taken by the Customer in relation to such Securities and so request, collect, receive and make payments or distributions attributable to such Securities arising from acquisition, ownership, disposal, conversion, exchange or otherwise.

In providing the Custodial Services, the Company shall:

- (i) Maintain a Global Securities Account or accounts;
- (ii) Maintain records which identify the Securities which records shall segregate such Securities from other assets held by the Company for its own account and for the account of other customers;
- (iii) Maintain a Cash Account where income and proceeds derived from the Securities are to be credited. The Cash Account may be in the form of a Customer duly nominated settlement account with another authorized institution or banking entity. The Cash Account shall not accrue interest. Any income and proceeds derived from the Securities shall be automatically credited to the Cash Account.

No Security may be deposited with the Company under this Part II, Section 3 unless it is:

- (i) Either:
  - (a) Beneficially owned by and registered in the name of the Customer; or
  - (b) Is accompanied by such transfer documents and/or Instructions as the Company may require to transfer the beneficial ownership to the Customer;
- (ii) Accompanied by such transfer documents and instructions as the Company may require to enable the Company to transfer such Securities to the name of the Company or the Company’s nominee; and
- (iii) Any fees, expenses, duties or other sums payable in respect of any transfer under (a) and/or (b) above shall have been paid by the Customer. The Company may refuse to accept the deposit of any Securities until such sums have been paid.

All Securities delivered purchased or held pursuant to this Part II, Section 3 will be held in the name of the Company, as nominee, or by the Company’s nominee or as the Company in its complete discretion may deem fit. For the purposes of settlement of any purchase or sale of any Security and/or for the purposes of transacting any Corporate Action, the Company may transfer Securities to such entities.

## 3. GENERAL PROVISIONS

- (a) The purchase and sale of the securities/instruments by the Company under this Agreement shall be on a without recourse basis. The Company neither warrants nor guarantees payment of principal and/or interest thereon or both at maturity. The risk of default by the Issuer of the securities for any reason shall specifically be assumed by the Customer.
- (b) In the event the Customer wishes to sell the security/instrument, the Company will on a best effort basis sell the same on behalf of the Customer at prevailing market price.
- (c) The Company shall recognize any sale, transfer or assignment of the securities only when recorded in its books.
- (d) The Customer confirms that his right to the securities purchased under this arrangement is subject to the receipt of cleared fund by the Company. Payment of securities purchased shall be debited from good/cleared funds in the Customer’s nominated settlement account. All checks/drafts or other instruments delivered to the Company or deposited in the Settlement Account as payment for the purchase of securities/instruments are accepted subject to clearing and final payment. If the same is subsequently returned unpaid, the Customer is obligated to return to the Company the corresponding contract note or any document confirming payment /investment which shall be considered of no force and effect from the beginning.

## 4. PROVISION OF SERVICES

- (a) The Company is authorized, at its discretion, to take such steps as it may consider expedient to enable it to provide the Services and to exercise its powers under this Part II, Section 3, including the right to:
  - (i) To comply with any law, regulation, order, directive, notice or request of any government agency (whether or not having the force of law) requiring the Company to take or refrain from action an nothing herein shall remove, exclude or restrict any rights of the Customer under such law;
  - (ii) On behalf of the Customer, to withhold and/or make payments of any taxes or duties payable on or in respect of the Securities;
  - (iii) Not to notify the Customer of any Corporate Action information pursuant to Part II, Section 3 including receipt of proxy voting forms without notice to the Customer;
  - (iv) In the absence or delay in receiving Instructions from the Customer in response to a notification and request in accordance with Part II, Section 3, to act or refrain from acting in accordance with the default option as specified in the notification and request;
  - (v) To co-mingle the Securities with the property of other owners;
  - (vi) To return to the Customer Securities which may not have the same serial number or identification as those originally deposited with or received by the Company; and
  - (vii) To participate in and to comply with the rules and regulations of any depository and system which provides central clearing and settlement facilities in respect of Securities and to hold the Securities in any such depository or system without the Company incurring any liability for any acts or omissions on the part of the manager or operator of such system or depository.
- (b) Where any Securities are held in the Company’s name or the name of any nominee of the Company unless the Company receives an Instruction (which shall be deemed to include the default option specified in any notification and request for Instructions) the Company shall not attend any meeting or exercise any voting or other rights including completion of proxies.

- (c) The Company may appoint any other person as its nominee or agent to perform any of the Services on its behalf and may delegate any of its powers under this Part II Section 3 to such person but, in such a case, the Company shall remain liable for the gross negligence or willful fault of any such appointee as if no such appointee had been made.
- (d) In performing the Services, the Company shall exercise the same degree of care as it exercises in respect of its own property save as may otherwise be provided in this Agreement.
- (e) The Company is authorized to disclose any information it has concerning the Customer, any Securities and the Services to any other person appointed by it in connection with the Services.
- (f) Where foreign listed Securities are accepted in jurisdictions restricting foreign ownership of Securities the Company shall not have the duty to ascertain the nationality of the owner of the Securities or whether Securities deposited are approved for foreign ownership unless specifically instructed by the Customer.
- (g) If the Company solicits the sale of or recommends any Financial Product (as defined at the end of this clause) to the Customer (or is otherwise required by applicable laws or regulations), the Financial Product must be reasonably suitable for the Customer having regard to the Customer's financial situation, investment experience and investment objectives. No other provision of this agreement or any other document the Company may ask the Customer to sign and no statement the Company may ask the Customer to make derogates from this clause. For purposes of this Clause 4(g), Financial Product means any securities, futures contracts or leveraged foreign exchange contracts as defined under the SFO and "leveraged foreign exchange contracts" mean those traded by persons licensed for Type 3 regulated activity under the SFO.
- (h) In respect of any purchase and/or sale of any Securities by the Customer and unless otherwise required by applicable laws or regulations, the Customer may enter into any such purchase and/or sale without or inconsistent with any solicitation or recommendation from the Company. If the Customer decides to enter into any such purchase and/or sale of any Securities without or inconsistent with any solicitation or recommendation from the Company, the Company will not have any obligation or duty to assess whether or ensure that such Securities are suitable for the Customer. The Customer acknowledges and agrees that it is his/her sole responsibility to assess and be satisfied that any such purchase and/or sale of Securities is appropriate for him.
- (i) With respect to any transactions from the Customer to purchase and/or sell Securities without or inconsistent with any solicitation or recommendation from the Company, the following provisions will apply unless otherwise required by applicable laws or regulations and notwithstanding any other provisions of these terms and conditions as applicable:
  - (i) all decisions on whether to invest in, hold or dispose of any Securities or to enter into any trading will be made by the Customer;
  - (ii) the Company will only execute transactions in respect of the Securities specified by the Customer in accordance with the Customer's Instructions; and
  - (iii) the Company will not advise the Customer on the investment merits of the Securities nor be obliged to ensure such Securities are suitable for the Customer and the Customer may not benefit from applicable laws and regulations regarding the suitability of such Securities for the Customer as may otherwise be applicable to a solicited or recommended transaction.

## 5. REPORTS, STATEMENTS AND INFORMATION

- (a) The Company shall provide the Customer with such reports and statements concerning the Securities at least on a monthly basis. No account statement will be issued if an account registers no transactions for the relevant period. The Customer shall examine each report and statement provided by the Company to check their accuracy and to see if there are any error(s) or omission(s) therein and notify the Company of any alleged error(s) or omission(s) therein, within ninety (90) calendar days after (i) personal delivery of such report or statement to the Customer, or (ii) the Company has posted such report or statement if the report or statement is sent by post; or (iii) the Company has emailed such report or statement if it is sent by email and, after such period, such report or statement shall be

deemed to be correct and conclusively settled between the Company and the Customer and the Customer shall be deemed to have agreed to waive any rights to raise objections or pursue any remedies against the Company in respect thereof.

- (b) The Company and the Customer hereby undertake to notify the other in the event of any material change to any information provided to the other in connection with the Global Securities Account. The Customer acknowledges that the Company may make use of any such information recorded with the Company (including without limitation address, telephone number, email address and fax number) as a means of communication with the Customer (whether through letters, telephone calls, SMS, fax, email or otherwise). Any communication from the Company to the Customer delivered personally, sent by post, facsimile transmission or email shall be deemed to have been received by the Customer (where delivered personally) at the time of personal delivery or on leaving it at the address last notified in writing by the Customer to the Company, (where sent by post) forty-eight (48) hours after posting if such address is in the Hong Kong Special Administrative Region ("HKSAR") and seven days after posting if such address is outside the HKSAR or (where sent by facsimile transmission or email) immediately after transmitting to the facsimile or email address last notified in writing by the Customer to the Company.
- (c) After effecting a securities transaction, the Company will make available the essential features of the transaction as soon as reasonably possible through such means or mediums provided by the Company from time to time. The Customer shall check the essential features of the securities transaction by himself through such means or mediums provided by the Company. The Customer accepts that the Company is not obliged to confirm with the Customer the essential features of the securities transaction otherwise than in accordance with the foregoing.

## 6. PURCHASE AND SALE INSTRUCTION

- (a) On receipt of any Instruction to purchase Securities pursuant hereto the Company acting in good faith will forthwith calculate the sums required to meet such purchase instruction plus an estimate of the sums required to meet any tax, duty or other expenses in connection with such purchase. Following such calculation the following provisions shall apply:
  - (i) The Company shall be entitled to set-off over an amount equivalent to such sum available in the Cash Account or any other account maintained by the Customer or any of them with the Company (in the form of credit balance and/or credit facility) against all actual or contingent liabilities incurred by the Company as a consequence of the said Instruction including any liability to pay the purchase price and other expenses to any third party.
  - (ii) Until completion of the said purchase the Customer shall not be entitled to withdraw all or any part of the said amount and the said amount shall not constitute a debt owed by the Company to the Customer.
  - (iii) The Customer hereby charges the said amount in favour of the Company as security for the Company's actual or contingent liabilities in respect of the said purchase monies and anticipated purchase expenses.
- (b) On receipt of any Instruction to sell Securities pursuant hereto, the Company shall be entitled to debit the Global Securities Account with the relevant Securities on or (*at the Company's sole discretion*) at any time before completion of the said sale. The Customer acknowledges that the Customer shall not be entitled to withdraw or in any way deal with all or any part of such relevant Securities (which shall be held on trust for the Company) until completion of the said sale.

## 7. LIMITATIONS ON LIABILITY AND INDEMNITY

- (a) The provision of the Services does not constitute the Company a trustee and the Company shall have no trust or other obligation in respect of the Securities except those as may be explicitly provided for.
- (b) The Company is under no duty to examine or verify the validity of the ownership of or title to any Securities and shall not be liable in respect of any defect in ownership or title.
- (c) Neither the Company nor any of its market information providers shall be liable for any taxes or duties payable on or in respect of the Securities nor for the management of or any diminution in the value of the Securities.

- (d) The Company accepts no responsibility and shall not be liable for losses of any kind which may be incurred by the Customer as a result of the provision of the Services by the Company in accordance with Instructions decided and issued from the Customer or, in any other case, including without limitation any failure, delays, errors or inaccuracies in the handling of Instructions due to the breakdown or failure of transmission or communication the facilities or to any other cause or causes beyond its control including (without prejudice to the generality of the foregoing) government restrictions, contract market rulings or suspension of trading, or in respect of the accuracy, completeness or otherwise any information provided by the Company where such information has been prepared by a third party, unless due to (i) the negligence or willful fault of the Company or any other person appointed by it or their respective officers or employees or (ii) is otherwise in breach of Clause 4, Provisions of Services, (g).
- (e) The Customer shall indemnify the Company, its market information providers, any other person appointed by it and their respective officers and employees against all claims, liabilities, damages, losses, costs and expenses of any kind which may be incurred by any of them and all actions or proceedings which may be brought by or against any of them in connection with the provision of the Services and/or as a result of any default by the Customer in the performance of its obligation (including without limitation to the generality of the foregoing, any costs incurred or actions or proceedings brought as a result of the Customer failing to maintain sufficient Securities in the Global Securities Account) and/or the enforcement of the provisions of this Agreement unless due to the gross negligence or willful fault of the Company any other person appointed by it or their respective officers or employees and this indemnity shall continue despite the termination of the Agreement.
- (f) The Company may at its discretion and subject to any conditions it may require agree to include in the Securities, Securities which are not fully paid. Where such securities are included in the Securities, the Customer shall indemnify the Company and any other person appointed by the Company against all claims, liabilities, damages, costs and expenses of any kind which may be incurred by them as a result. In particular, (but without limitation) the Customer agrees to pay to the Company on demand or as specified by the Company the amount of any call received by the Company or any such person in respect of any such Securities.

## 8. CUSTOMER REPRESENTATIONS AND WARRANTIES AND ACKNOWLEDGMENTS

- (a) The Customer further represents and warrants as follows:
- (i) That the Customer is not resident in a Country where there is any restriction on the Customer's purchase of any Security. If the Customer becomes resident in any such Country the Customer will inform the Company immediately and will if so required by the Company sell or redeem any such restricted Securities;
  - (ii) That the Customer when purchasing or dealing in any Securities will ensure that the Customer is not subject to, and is not acting on behalf of any person who is subject to any prohibition against the purchase or dealing in any such Security;
  - (iii) That unless the Company has solicited or recommended Securities to the Customer such that Clause 4(g) applies, any decision to sell or purchase any Securities is made by the Customer and that the Customer has not relied on any advice of or information produced by the Company.
- (b) The Customer acknowledges having read /understood the Risk Disclosure Statements contained explicitly in Part II of the MSA.
- (c) The Customer hereby represents and warrants that the Customer is acting as principal in relation to the Services.

## 9. FEES, EXPENSES, COMMISSIONS

- (a) *Service Fee.* - In consideration of Services rendered, the Customer shall pay to the Company in arrears such amount as may be further agreed upon by the Customer and the Company every Security Holdings' coupon payment date/settlement date, or every quarter calculated in the manner set out in the

Customer Account Opening Instruction Document, or as may be further agreed between the Company and Customer. The Service Fee shall cover attendant costs for collection, debiting/crediting, and other transactions related to the Security Holdings. To the extent applicable, the term "total value of the client's Security Holdings" in respect of each quarter shall mean the total value of the client's Security Holdings as stated in the written report for that quarter prepared by the Company.

- (b) *Commission.* The Customer agrees that the Company may accept from any stockbroker(s) or underwriter(s) or any other third party engaged in any transaction authorized in accordance with this Agreement any rebate or reallowance of any brokerage or commission payable in respect thereof. The Customer further agrees that the Company shall be entitled to retain any interest generated on any payment(s) made by/to the Customer pending transfer to the Cash Account (*or any other account maintained by the Customer or any of them with the Company*) or to stockbrokers, underwriters and/or fund houses to effect an Instruction hereunder.
- (c) The Customer shall also pay to the Company all other expenses incurred by the Company or any other person appointed by it in the provision of the Services. A certificate as to the nature and amount of such expenses issued by the Company shall be conclusive evidence against the Customer of such expenses.
- (d) Without prejudice to any other rights under the Agreement, if any of the fees and expenses referred to herein or incurred or owing pursuant to the Agreement remain outstanding after they have become due and payable:
- (i) The Company shall be entitled to debit automatically and/or set-off against any account of the Customer with the Company in or towards settlement;
  - (ii) The Company shall have a lien over the Securities which shall stand as security for such fees and expenses with power to sell, by public or private sale on such conditions as the Company thinks fit, any such Securities in or towards settlement and any proceeds of sale may be applied in or towards payment of the said fees and expenses.
- (e) The Company's rights pursuant to this Clause shall be in addition to and not in substitution for any other rights of a similar nature enjoyed by the Company.

## 10. PRICES

- (a) Any price of any Security quoted by the Company in response to any enquiry by the Customer is for reference only and shall not be binding on the Company or any of its market information providers. The Company shall be entitled to act on any Instruction for the sale and purchase of any Security even if the price of such Security has altered to the disadvantage of the Customer between the time of receipt of such Instruction and the time at which the Company or its agent completes any such sale or purchase.
- (b) The Company, is understood to be acting as broker/dealer under Part II, Section 3 of the Agreement; and as such understood to quote a selling /buying price similarly acceptable to the Company, acting as Principal, and which price shall be based on market information accordingly received in good faith.
- (c) While the Company and its market information providers endeavor to ensure the accuracy and reliability of prices quoted, no guarantee as to their accuracy is given and no liability (*whether in tort or contract or otherwise*) is accepted by the Company for any loss or damages arising from any inaccuracies or omissions.
- (d) No Customer who has obtained quotes of the prices of any Securities from the Company shall:
- (i) disseminate such quotes (*or any part thereof*) to any other person;
  - (ii) use or permit the use of such quotes (*or any part thereof*) for any illegal purpose;
  - (iii) use such quotes (*or any part thereof*) other than for the Customer's own personal use; or
  - (iv) use such quotes (*or any part thereof*) in relation to any trading or dealing of Securities otherwise than through the Company.

## Schedule 1

### Risk Disclosure Statements

#### 1. RISK OF SECURITIES TRADING

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

#### 2. RISK OF TRADING FUTURES AND OPTIONS

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

#### 3. RISK OF TRADING IN LEVERAGED FOREIGN EXCHANGE CONTRACTS

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

#### 4. RISK OF TRADING GROWTH ENTERPRISE MARKET STOCKS

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

You should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Current information on GEM stocks may only be found on the internet website operated by The Stock Exchange of Hong Kong Limited ("SEHK"). GEM companies are usually not required to issue paid announcements in gazetted newspapers.

You should seek independent professional advice if you are uncertain of or have not understood any aspect of this risk disclosure statement or the nature and risks involved in trading of GEM stocks.

#### 5. RISK OF CLIENT ASSETS RECEIVED OR HELD OUTSIDE HONG KONG

Client assets received or held by us outside Hong Kong are subject to the applicable laws and regulations of the relevant

overseas jurisdiction which may be different from the Securities and Futures Ordinance and the rules made thereunder. Consequently, such client assets may not enjoy the same protection as that conferred on client assets received or held in Hong Kong.

#### 6. RISK OF PROVIDING AN AUTHORITY TO REPLEDGE YOUR SECURITIES COLLATERAL ETC.

There is risk if you provide us with an authority that allows us to apply your securities or securities collateral pursuant to a securities borrowing and lending agreement, repledge your securities collateral for financial accommodation or deposit your securities collateral as collateral for the discharge and satisfaction of our settlement obligations and liabilities.

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

Additionally, your authority may be deemed to be renewed (i.e. without your written consent) if we issue you a reminder at least 14 days prior to the expiry of the authority, and you do not object to such deemed renewal before the expiry date of your then existing authority.

You are not required by any law to sign these authorities. But an authority may be required by us, for example, to facilitate margin lending to you or to allow your securities or securities collateral to be lent to or deposited as collateral with third parties. We should explain to you the purposes for which one of these authorities is to be used.

If you sign one of these authorities and your securities or securities collateral are lent to or deposited with third parties, those third parties will have a lien or charge on your securities or securities collateral. Although we are responsible to you for securities or securities collateral lent or deposited under your authority, a default by us could result in the loss of your securities or securities collateral.

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

#### 7. RISK OF MARGIN TRADING

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

#### 8. RISK OF TRADING NASDAQ-AMEX SECURITIES AT THE STOCK EXCHANGE OF HONG KONG LIMITED

The securities under the Nasdaq-Amex Pilot Program ("PP") are aimed at sophisticated investors. You should consult us and become familiarized with the PP before trading in the PP securities. You should be aware that the PP securities are not

regulated as a primary or secondary listing on the Main Board or the Growth Enterprise Market of SEHK.

## **9. ADDITIONAL RISK DISCLOSURE FOR FUTURES AND OPTIONS TRADING**

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

### **FUTURES**

#### **Effect of “Leverage” or “Gearing”**

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

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

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

### **OPTIONS**

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

Transactions in options carry a high degree of risk. Purchasers and sellers of options should familiarize themselves with the type of option (i.e. put or call) which they contemplate trading and the associated risks. You should calculate the extent to which the value of the options must increase for your position to become profitable, taking into account the premium and all transaction costs.

The purchaser of options may offset or exercise the options or allow the options to expire. The exercise of an option results either in a cash settlement or in the purchaser acquiring or delivering the underlying interest. If the purchased options expire worthless, you will suffer a total loss of your investment which will consist of the option premium plus transaction costs. If you are contemplating purchasing deep-out-of-the-money options, you should be aware that the chance of such options becoming profitable ordinarily is remote.

Selling (“writing” or “granting”) an option generally entails considerably greater risk than purchasing options. Although the premium received by the seller is fixed, the seller may sustain a loss well in excess of that amount. The seller will be liable for additional margin to maintain the position if the market moves unfavorably. The seller will also be exposed to the risk of the purchaser exercising the option and the seller will be obligated to either settle the option in cash or to acquire or deliver the underlying interest. If the option is

“covered” by the seller holding a corresponding position in the underlying interest or a futures contract or another option, the risk may be reduced. If the option is not covered, the risk of loss can be unlimited.

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

### **ADDITIONAL RISKS COMMON TO OPTIONS**

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

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

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

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

Further, normal pricing relationships between the underlying interest and the option may not exist. The absence of an underlying reference price may make it difficult to judge “fair value”.

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

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

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

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

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

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

#### **Currency risk**

The profit or loss in transactions in foreign currency-

denominated contracts (whether they are traded in your own or another jurisdiction) will be affected by fluctuations in currency rates where there is a need to convert from the currency denomination of the contract to another currency.

#### 10. RISK OF TRADING IN COMMODITIES OPTIONS

The risk of loss in trading commodities options is substantial. In addition to the risk disclosure statements above, trading in commodities options can be highly speculative and carries inherent risks not ordinarily experienced in less volatile investment arrangements. Commodity markets may move abruptly or unpredictably and substantial losses may be incurred. You should therefore study and understand commodities options before making any trades, and carefully consider whether such trading is suitable in light of your own experience, objectives, financial resources and other relevant circumstances.

#### 11. RISK OF TRADING OTHER DERIVATIVE PRODUCTS AND STRUCTURED PRODUCTS

Derivative products are investments where the return is dependent on the performance of some underlying financial instruments. Typical financial instruments include market indices, equities, interest rates, fixed-income instruments, foreign exchange or a combination of these or the occurrence of any credit event in respect of a credit derivative. Derivative products may carry a high degree of risk and may not be suitable for many members of the public, as the risks associated with the financial instruments may be interconnected. For structured products which are not principal protected, you could lose all of your investment. For structured investment products which involve derivatives, they are not equivalent to nor should they be treated as a time deposit, and are not protected deposits for the purposes of the Hong Kong Deposit Protection Scheme. Thus, the extent of loss due to market movements can be substantial. You should understand the inherent risks involved. You should evaluate the various risks associated with each financial instrument separately and consider the exposure to different financial instruments (including derivative products) as a whole. You should note that in respect of derivative products, investors can only assert their rights against the issuer or the counterparties to which the derivative product transactions are entered into. Particular attention should be paid to issuer/ counterparty risks and that a total loss of investment is possible if the issuer/counterparty defaults.

Derivative products could be imbedded with options. Transactions in options carry a high degree of risk. The risk of loss in trading options can be substantial. Prospective investors should have knowledge of, or experience in option markets. You should carefully consider whether such trading is suitable in the light of your own investment and financial background and investment objectives.

Depending on the structure of a particular derivative product, you may be obligated to accept delivery or make delivery (as the case may be) of the underlying assets if the conversion price is triggered or pursuant to the terms and conditions of the relevant agreement, contract or confirmation of the subject transaction. Depending on the market conditions, you may be obligated to accept delivery of the underlying at a price which is above the market price such underlying or to make delivery of the underlying at a price which is below the market price of such underlying and losses may occur resulting from such actions which can be substantial. The loss resulting from investing such derivative products can be over and above the initial amount invested to a substantial extent.

##### Credit risk

Your investment is subject to the creditworthiness of the issuer/ your counterparty in the derivative transaction (which is not us (unless otherwise specified and agreed by us)) and there is no assurance of protection against a default by the issuer/your counterparty. The value of derivative products

depends on the ability of the issuer/counterparty to perform its obligations under the relevant term sheets, offering documents and other product and transaction documents. These obligations (including but not limited to the delivery to you in accordance with the terms and conditions of the derivative products either the underlying asset or the cash settlement amount upon exercise, expiry or maturity, as the case may be) are the unsecured obligations of the issuer/counterparty and of no other person. If the issuer of any derivative products or a counterparty becomes unable to meet its obligations, then such investments may become worthless and any trading costs and profits may become irrecoverable.

##### Gearing Risk

Structured products often involve a high degree of gearing, so a relatively small movement in the price of the underlying assets results in a disproportionately large movement in the price of the structured product. **You should be aware that the value of a structured product may fall to zero resulting in a total loss of the initial investment.**

##### Market risk

Derivative products involve a high degree of risk. The value of derivative products will be affected by a number of market variables that change from time to time, such as interest rates, foreign exchange rates, time value, volatility and liquidity of the markets, political or economic conditions, and other inter-related factors which affect the performance of the markets generally.

A derivative product is a product linked with underlying assets and its value may derive from and depend on the return of the underlying assets. The value of the underlying assets may go down as well as up and past performance is not necessarily a guide to future performance. Changes in the value of the underlying assets may result in changes to the price and/or the repayment value of the derivative products and income derived therefrom (if any). The value of derivative products may fall as rapidly as it may rise or become worthless at or before maturity. You may risk losing all or a significant proportion of your investment. You should not invest in a derivative product unless you are prepared to sustain a total loss of the money you have invested plus any commission or other transaction charges.

The value of the derivative products may be reduced due to any downgrades by credit rating agencies.

##### Liquidity risk

It is not possible to predict if and to what extent a secondary market may develop in any derivative products or at what price such derivative products will trade in the secondary market or whether such market will be liquid or illiquid.

If any derivative products are not listed or traded on any exchange, it may be difficult to obtain pricing information for such derivative products and the liquidity of these derivative products may also be adversely affected.

##### Currency risk

The derivative products and/or the underlying assets may comprise transactions in foreign currency-denominated contracts. The profits or loss in such transactions (whether they are traded in your home jurisdiction or another jurisdiction) will be affected by fluctuations in currency rates where there is a need to convert from the currency denomination of the contract to another currency. Exchange controls imposed by the relevant authorities may also adversely affect the applicable exchange rate and result in the receipt of a reduced principal.

##### Event risk

The value and/or the settlement of the derivative products

may be affected by the occurrence or existence of certain events such as (but not limited to) credit performance of the reference entities, mergers and disposals, trading suspension, price source disruption, material change in the calculation and/or composition of indices comprising a basket of indices etc. In certain circumstances, you may risk losing all or a significant proportion of your investment.

If there is an extraordinary event or an adjustment event such as stock split, issue of bonus shares or other unexpected event that change the number, value or weighting of issued shares of the underlying stock, the counter-party/calculation agent may adjust the contract terms, at its sole discretion, to reflect the new market conditions. This may include unwinding the contract. You should seek independent advice from professional parties in the event of such extraordinary events or adjustments.

#### **Performance of underlying assets**

An investment in the derivative products is not the same as an investment in the underlying assets and you have no rights in respect of such underlying assets. However, the performance of the underlying assets will have a direct effect on the value of the derivative products. We have not performed, and will not perform any investigation or review of the underlying assets. We do not make and will not make any guarantee or express or implied warranty in respect of the performance of the underlying assets, nor the selection thereof.

#### **Potential conflicts of interest**

Members of our group or our affiliates may from time to time engage in transactions involving the underlying assets as principal and as agent. Such transactions may have a positive or negative effect on the value of the underlying assets and consequently upon the value of the relevant derivative products. Members of our group or our affiliates may also provide services to entities and affiliates of those entities that are issuers or are related to the underlying assets of the derivative products.

The above represents only some of the risks generally associated with investing in the derivative products and does not purport to disclose all of the risks and all of the significant aspects of the derivative products. You should carefully read the contents of the relevant offering documents and terms sheets to understand the features of and the specific risks associated with the derivative products. Where in doubt, you should consult your own legal, regulatory, tax, financial and/or accounting advisors or such other professional advisors to the extent you consider it necessary and appropriate before making any investment decision.

#### **Regulatory risk**

You should ensure that a purchase of a particular derivative product is lawful under the laws of the jurisdiction of your incorporation/domicile and the jurisdiction in which you operate (if different), and that such purchase will not contravene any law, regulation or regulatory policy applicable to you.

#### **Price indications**

For derivative products (and non-listed financial instruments in general), in particular in “combined” or “structured” transactions, the absence of a “marker” or “common” reference price may make it impossible for us to provide the precise value of the transaction. Therefore, you should be aware that the price indications by us are always based on the latest available market prices of the underlying instrument or have arrived from sources believed to be reliable. Consequently, price indications might only reflect historic prices and may not reflect the final terms where the transaction is terminated or assigned immediately, if this is possible at all. We do not make any representation as to the accuracy or completeness of price indications for any

transactions and do not accept liability for any losses arising from the use thereof.

Since the prices and characteristics of over-the-counter derivative products are individually negotiated and there is no central source for obtaining prices, there are inefficiencies in transaction pricing.

#### **Equity-linked instruments (“ELIs”)**

ELIs carry a high degree of risk. ELIs are products combining notes/deposits with stock options which may allow a bull, bear or strangle (i.e. trading range) bet. The return component of ELI is based on the performance of a single equity security, a basket of equity securities, or an equity index. ELIs may come in different forms: equity-linked notes, equity-linked deposits and equity-linked contracts. You acknowledge and agree that while the maximum return on investment is usually limited to a predetermined amount of cash, you stand to potentially lose up to the entire investment amount if the price of the underlying or reference assets moves substantially against the investor's view. You should be able to understand the risks you are bearing before investing in ELIs.

Please also refer to Additional Risk Disclosure Statements for Exchange-Traded Derivative Products.

### **12. RISK OF TRADING NON-TRADITIONAL FUNDS**

Non-traditional funds may take a variety of forms, and each particular case may involve different risks. A common type of a non-traditional fund is hedge fund. Hedge funds represent speculative investments and involve very high levels of risk in aiming to make a profit. Due to the complexity involved, hedge funds are only suitable for investors who are able to understand and bear the risks involved. Compared to other types of mutual funds, information on hedge funds and how underlying assets are managed is limited and infrequent. Most hedge funds are subject to minimal or no regulations or investor protection rules and therefore there is no guarantee that an investor's legal rights will be enforceable. The performance of hedge funds substantially depends on the expertise of individual managers who may decide to exit from that role. Some hedge funds may use a single advisor or employ a single strategy, which could mean a lack of diversification and higher risk. A hedge fund and its managers may be subject to various conflicts of interest. The portfolio managers of hedge funds receive performance-linked bonuses and often have a personal stake in the funds. Hedge funds generally demand high minimum investments and that there may be restrictions to and exit penalties imposed for early redemption. Hedge funds are typically long tenured with options to be extended. The liquidity and tradability of non-traditional investments can vary substantially and provisions regarding trading frequency and holding periods may change frequently and rapidly.

Investment strategies of non-traditional investments can be complex and are normally high risk. Due to leverage, a small movement in the market can result a significant gain/loss. You may risk losing all or a significant proportion of your investment. You should seek independent professional advice about the particular risks involved and study and understand carefully the term sheets, offering documents and subscription agreement and other information on the relevant investments. You should fully understand and agree to assume the risks involved and the exposure to potential loss (which could involve a complete loss of your investment) before investing.

### **13. RISK OF TRADING BONDS AND FIXED INCOME PRODUCTS**

When trading in bonds, you will need to consider the issuer's creditworthiness as this determines its ability to pay the principal and interests under the bond or other fixed income products. The credit rating of the product is a reflection of



the issuer's creditworthiness. Bond prices move in opposite direction to interest rates. When the interest rate rises, the price of a fixed rate bond will normally drop in the secondary market. The longer the life of the bond, the more sensitive will its price be to changes in interest rates. For foreign currency denominated bonds, any fall in that foreign currency will reduce the amount the bondholder will receive in local currency.

The value of the bond is determined by the quality of the creditworthiness of the issuer and the likelihood of default. A bond issue with little or no default risk will trade at relatively low yields whereas one with higher default risk has to offer a higher yield to compensate the bondholders for the higher risk.

#### **14. SPECIFIC RISK OF INVESTING IN OVERSEAS ISSUERS**

##### **Risk relating to investing in overseas issuers**

An overseas issuer is subject to a different set of corporate laws governing its affairs including duration, organization structure, governing bodies and their powers, shares transfer, shareholders' rights, shareholders' dispute resolutions.

It may be difficult for local shareholders/investor of an overseas issuer to enforce their shareholder rights against the issuer or its directors due to complications arising from cross-border access to evidence, legal services, court assistance or the incremental costs related to those services.

Hong Kong regulators may not have extra-territorial investigation and enforcement jurisdiction. Instead, reliance has to be placed on the overseas regulatory regimes to enforce against any corporate governance breaches committed by their subject.

If an overseas issuer's principal operations and assets are outside its place of incorporation or Hong Kong, they may be subject to other laws, standards, restrictions and risks that significantly differ from those in Hong Kong. Certain overseas companies' home jurisdictions may allow the issue of bearer share certificates. Under such regimes, ownership of shares in a company may be transferred by the physical transfer of share certificates without the transferor and transferee having signed any document evidencing such transfer. Shareholders holding bearer share certificates instead of holding shares through CCASS will be subject to the risks of losing the legal ownership of the shares in case of loss or destruction of the physical share certificates. Investors are advised to carefully study the relevant company's listing document and to understand the risks of holding bearer share certificates and their rights under the relevant law of the company's home jurisdiction.

##### **Risk relating to investing in secondary listed companies in Hong Kong**

Secondary listed issuers are primarily regulated by another stock exchange and financial regulator and are often granted extensive waivers from the Hong Kong listing rules requirements. They do not conform to the Hong Kong listing rules in their entirety. Given the different characteristics of overseas and Hong Kong securities markets, fluctuations in the price of securities are more likely.

##### **Additional risks relating to investing in Hong Kong depository receipts issuers**

The Hong Kong Depository Receipts ("HDR") framework is an alternative facility for issuers, in particular overseas issuers, to list on SEHK. There are no changes to the listing regime. An issuer seeking to list in Hong Kong through HDRs will have to comply with generally the same requirements as an issuer of shares, except for the modifications in Chapter 19B of the Main Board Rules. However, HDRs are not shares and therefore do not attract the same legal consequences as those of shares. The HDR

depository's obligations are set out in a deposit agreement.

HDR holders do not have rights of shareholders and must rely on the HDR depository to exercise on their behalf the rights of a shareholder. For example, HDR holders may only vote by providing instructions to the HDR depository.

HDR holders need to pay for the fees and expenses charged by the HDR depository for services rendered. Investors are advised to carefully study the HDR issuer's listing document and the deposit agreement and to understand the rights and obligations of an HDR holder.

#### **15. RISK OF INVESTING IN RENMINBI PRODUCTS**

Renminbi ("RMB") is currently not freely convertible in Hong Kong, and is subject to foreign exchange controls and restrictions (for example, the PRC government regulates conversion between RMB and foreign currencies). Conversion of RMB through banks in Hong Kong is subject to certain restrictions, and conversion may be subject to multiple currency conversion costs. In particular, the conversion of RMB by an individual in Hong Kong is subject to a daily limit. If an individual investor intends to convert an amount of RMB from/to another currency exceeding such daily limit, he should allow sufficient time for the conversion.

For RMB products which are with underlying investments which are not RMB-denominated, such products will be subject to multiple currency conversion costs involved in making investments and liquidating investments, as well as the RMB exchange rate fluctuations and bid/offer spreads when assets are sold to meet redemption requests and other capital requirements. For RMB products with a significant portion of non-RMB-denominated underlying investments, there is a possibility of not receiving the full amount in RMB upon redemption. This may arise if the issuer is not able to obtain sufficient amount of RMB in a timely manner due to the exchange controls and restrictions applicable to the currency.

The value of RMB against other currencies may be affected by a wide range of factors and may fluctuate substantially, which may adversely affect the return on the investment when RMB is converted into the investor's home currency. There is no guarantee that RMB will not depreciate.

The liquidity of RMB products may be adversely affected by the limited availability of RMB outside the PRC and the exchange control and restrictions on the conversion of RMB. Particularly, secondary market for RMB related products may not be well developed and you may not be able to find a buyer, or the sale price could be much lower than the amount you invested and hence suffer significant loss.

RMB products are subject to investment risk and may not be principal protected, i.e. the assets that the products invest in or referenced to may fall as well as rise, resulting in gains or losses to the product. This means that you may suffer a loss even if RMB appreciates.

RMB products are subject to the credit and insolvency risks of their issuers. Furthermore, as a RMB product may invest in derivative instruments, counterparty risk may also arise as the default by the derivative issuers may adversely affect the performance of the RMB products and result in substantial losses.

#### **16. EMERGING MARKETS**

Investing in or entering into transactions in emerging markets carry heightened risks due to the developing nature of the economies and inadequate regulations/safeguards available to investors. Changes in political, economic and foreign policies of emerging markets may have a greater effect than on more mature markets. The profit outlook for foreign investors may fluctuate dramatically due to country risks such as government intervention in markets in the form of exchange control laws or restrictions in the repatriation of profits, or

other events such as natural disasters, fluctuations in commodity prices and/or exchange rates and political upheavals. The relative market volatility is heightened by frequent dependence on commodities price trends and the tendency for slower recovery from adverse economic events.

Emerging markets may have a different settlement or clearance procedures. There may also be a lack of standardized settlement regulations that could prevent you from transacting at your preferred time or price. You should be aware that regulatory supervision and legal protection of your rights may be adversely different to that of more mature or transparent financial systems.

When investing in or entering into transactions involving emerging markets, you confirm that you have assessed the risks (including but not limited to sovereign risk, issuer risk, price risk, political risk and liquidity risk) involved and that we have not made any representations or warranties as to the creditworthiness or performance of any issuer. You should make your appraisal and investigations into the creditworthiness and performance of the relevant issuer. You should consult your own legal, regulatory, tax, financial and/or accounting advisors or such other professional advisors to the extent you consider it necessary and appropriate before making any investment decision.

## 17. TRANSACTIONS IN OTHER JURISDICTIONS

Transactions on markets in jurisdictions other than Hong Kong ("**Foreign Jurisdictions**"), including markets formally linked to a domestic market, may expose you to additional risk. Such markets may be subject to regulation which may offer different or diminished investor protection. The value of, or income deriving from, investing in Foreign Jurisdictions may be more volatile and less liquid than investing in Hong Kong and could be adversely affected by changes in currency rates of exchange, foreign tax practices, foreign laws and regulations, government policies and the local and/or international political environment.

Before you invest or enter into a transaction, you should enquire about any rules relevant to your particular transaction as well as the nature or risks of such investment. Your local regulatory authority will be unable to compel the enforcement of the rules of regulatory authorities or markets in other jurisdictions where your transactions have been effected. You are responsible for enquiring and ensuring that you are aware of the details about the types of redress available in both your home jurisdiction and other relevant jurisdictions before you invest or enter into a transaction. In addition, there may be restrictions for non-residents, repatriation of capital investments and profits and there may be withholding or additional forms of tax.

You should only undertake transactions or investments in the markets of any Foreign Jurisdiction if you understand the nature of transactions or investments in such Foreign Jurisdiction, and the extent of your exposure to risks. In particular, investing or transacting in the markets of Foreign Jurisdictions may not be regulated by the Hong Kong regulators and may not be covered by the investor compensation fund established under the Securities and Futures Ordinance. Further, the recovery of the monies invested and any profits or gains may be reduced, delayed or prevented by exchange controls, debt moratorium or other rules and regulations imposed by the relevant government or regulatory bodies in the Foreign Jurisdiction. You should carefully consider if the transactions are suitable having regard to your financial situation, investment experience, risk tolerance (including the risk of loss of capital), investment objectives and any other factors as you consider relevant. You should seek independent professional advice as you see fit before making any investment decision.

For transactions in which your money, securities and/or any other assets are held with any bank, exchange, depository, clearing house, broker, agent, intermediary or any other institution in any Foreign Jurisdiction ("**Foreign**

**Institutions**"), in the event of insolvency the applicable legal and regulatory regime might be different from that of Hong Kong. In those situations your money, securities and/or any other assets may be treated differently from the treatment which would apply if your money, securities and/or any other assets were held in Hong Kong. We will not be liable for any loss, damage, liability, cost, claim or expense arising from or in connection with the solvency, acts or omissions of such Foreign Institutions.

In the event of insolvency of any Foreign Institution, there is a risk of a shortfall arising on the money, securities and/or assets available to meet your claim as a creditor, and any of your money, securities and/or assets held with a Foreign Institution may be subject to a security interest, lien or right of set-off in favour of such Foreign Institution.

## 18. OFF-EXCHANGE TRANSACTIONS

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

## 19. ELECTRONIC TRADING

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

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

The risks involved in electronic trading include the following: (a) access to the internet services may be limited or unavailable during periods of peak demand, market volatility, systems upgrades or maintenance or for other reasons; (b) transactions conducted through the internet may be subject to interruption, transmission blackout, delayed transmission due to internet traffic or incorrect data transmission due to the public nature of the internet; (c) your instructions may not be executed or may be delayed so that they are executed at prices different from those prevailing at the time when your instructions were given; (d) communications and personal data may be accessed by unauthorized third parties; (e) your instructions may be executed without being subject to human review; (f) there may be system failure which may result in your instructions not being executed; or (g) your lack of internet experience may result in your instructions not being executed or executed with error; or (h) the same instructions may be issued for more than once because the system could not promptly indicate completion of the transactions. We accept no responsibility for any loss which may be incurred by you as a result of such interruptions or delays or access by third parties.

Further, it is not usually possible to cancel an instruction after it has been given, thus you should exercise caution before placing any orders. Any attempt made by you to cancel an order is simply a "request to cancel". Whilst we will use our

reasonable efforts to process your “request to cancel”, we will not be liable to you if we are unable to change or cancel the order.

The internet is a global wireless network for the public and it is not controlled by any organization. The internet is an inherently unreliable medium of communication and such unreliability is beyond our control. Any communication or data transmitted through the internet may not be secure or traceable, and may be accessed by unauthorized third parties. We will not be liable to you for any possible leakage of data information.

There may also be a risk that some people use a similar name to our company or imitate our electronic trading website layout and server in the internet to embezzle clients’ data information. You are responsible for installing reliable security software or appropriate settings on your computer to prevent or warn yourself of any risks that may exist.

## **20. INVESTOR COMPENSATION FUND**

The liability of the investor compensation fund established under section 236 of the Securities and Futures Ordinance will be restricted to valid claims as provided for in the Securities and Futures (Investor Compensation-Claims) Rules, and will be subject to the monetary limits specified in the Securities and Futures (Investor Compensation-Compensation Limits) Rules, and other restrictions specified in the Securities and Futures Ordinance. Accordingly, there is no assurance that any loss sustained by reason of a default committed by a broking member will necessarily be recouped from the investor compensation fund in full, in part or at all.

## **21. ADDITIONAL RISK DISCLOSURE STATEMENTS FOR EXCHANGE-TRADED DERIVATIVE PRODUCTS**

You are advised to read the following risk disclosure statements carefully. These risk disclosure statements are not and are not intended to be a complete list of all the risks and considerations relevant to any investment in exchange-traded derivative products or services provided or your decision to invest in such products. Additional information is provided upon request.

Derivative transactions are complex and may involve a high risk of loss. In light of the risks, you should invest or undertake such transactions only if you understand the nature of the investments and contracts (and contractual relationships) into which you are entering as well as the extent of your exposure to risks. Trading in exchange-traded derivative products is not suitable for many members of the public. You should carefully consider whether the investments or transactions are appropriate for you in light of your experience, objectives, financial resources and other relevant circumstances. Prior to investing or entering into a transaction you should consult your own legal, regulatory, tax, financial and/or accounting advisors or such other professional advisors to the extent you consider it necessary and appropriate, and make your own investment, hedging and trading decisions.

### **Exchange trading risk**

For transactions in relation to investments involving contracts or instruments which are traded on an exchange, the risk of loss may increase if certain events (such as disruption of the normal market operations or conditions of the relevant exchange or clearing house, suspension or restriction of trading certain contracts or instruments and/or other events which affect the closing out of such transactions or the liquidating of the relevant positions) occur.

### **Liquidity risk**

It is not possible to predict the liquidity of structured products. The fact that the structured products may be listed does not necessarily lead to greater liquidity than if they were

not listed. Further, in respect of structured products traded on certain exchanges (such as SEHK), the exchange requires all structured product issuers to appoint a liquidity provider for each individual issuer. The role of liquidity providers is to provide two way quotes to facilitate trading of the products. The liquidity provider may be the only market participant for some products and therefore the secondary market may be limited. In the event that a liquidity provider defaults or ceases to fulfil its role, you may not be able to buy or sell the product until a new liquidity provider has been assigned.

## **22. ADDITIONAL RISKS RELATING TO CALLABLE BULL/BEAR CONTRACTS (“CBBCs”)**

CBBCs are a type of structured product that tracks the performance of an underlying asset without requiring investors to pay the full price required to own the actual asset. They are issued either as “bull” or “bear” contracts with a fixed expiry date, allowing investors to take bullish or bearish positions on the underlying asset. CBBCs are issued by a third party, usually an investment bank, independent of the exchange and of the underlying asset. CBBCs may be issued with a lifespan of 3 months to 5 years typically or such other periods and are settled in cash only.

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

### **Mandatory call risk**

CBBCs are not suitable for all types of investors and investors should consider their risk appetite prior to trading. In any case, you should not trade in CBBC unless you understand the nature of the product and are 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. You will only be entitled to the residual value of the terminated CBBC as calculated by the product issuer in accordance with the listing documents. You should also note that the residual value can be zero. 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.

In addition, in respect of CBBCs traded on the exchange, the mandatory call event (“MCE”) of a CBBC with overseas assets as underlying may be triggered outside the exchange’s trading hours.

### **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. Prices of CBBC are affected by a number of factors, including its own demand and supply, funding costs and time to expiry. It should be noted when the underlying asset of a CBBC is trading at a price close to its call price, the change in the value of CBBC may be more volatile and disproportionate with the change in the value of the underlying asset.

### **Funding costs risk**

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 (for example, 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, the CBBC holders 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, you 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 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.

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

CBBC issued on overseas underlying assets may be called outside the trading hours of the exchange on which the CBBC is traded. In such case, the CBBC will be terminated from trading on the exchange in the next trading session or soon after the issuer has notified the exchange about the occurrence of the MCE.

### **23. ADDITIONAL RISKS RELATING TO DERIVATIVE WARRANTS**

#### **Time decay risk**

The value of a derivative warrant will decay over time as it approaches to its expiry date, provided that all other factors remain unchanged. You should not view derivative warrants as long term investments.

#### **Volatility risk**

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.

### **24. ADDITIONAL RISK RELATING TO EXCHANGE TRADED FUNDS ("ETF")**

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

#### **Tracking error**

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.

#### **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.

#### **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**

In respect of ETFs traded on an exchange, Securities Market Makers ("SMMs") are participants of the exchange 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, you may not be able to buy or sell the product.

#### **Counterparty Risks 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 honour their contractual commitments.

FUTURE PERFORMANCE. INVESTMENT RETURNS ARE LIKELY TO FLUCTUATE.

Certain "complex products" will only be made available to professional investors.

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 you understand and critically assess the implications arising due to different ETF structures and characteristics.

## 25. **Warning Statement in relation to Complex Products**

A "complex product" is an investment product whose terms, features and risks are not reasonably likely to be understood by a retail investor because of its complex structure. Whether a product is a "complex product" will be determined based on the following factors:

- (a) whether the investment product is a derivative product;
- (b) whether a secondary market is available for the investment product at publicly available prices;
- (c) whether there is adequate and transparent information about the investment product available to retail investors;
- (d) whether there is a risk of losing more than the amount invested;
- (e) whether any features or terms of the investment product could fundamentally alter the nature or risk of the investment or pay-out profile or include multiple variables or complicated formulas to determine the return; and
- (f) whether any features or terms of the investment product might render the investment illiquid and/or difficult to value.

### **RISK WARNING:**

Where we have identified and indicated to you that an investment product is a "complex product", you should always exercise caution in deciding whether to invest in such "complex product" and you should not invest in such investment product unless you have understood the product, its inherent risks and have determined that it is suitable for you in view of your financial situation, investment experience, and investment objectives. Unless any such complex product is principal protected, **YOU MAY LOSE MORE THAN YOUR PRINCIPAL INVESTMENT AMOUNT.**

IN RESPECT OF COMPLEX PRODUCTS NOT AUTHORISED BY THE REGULATORS, THE RELEVANT OFFERING DOCUMENTS HAVE NOT BEEN REVIEWED BY THE HONG KONG SECURITIES AND FUTURES COMMISSION AND/OR OTHER REGULATORS. INVESTORS ARE ADVISED TO EXERCISE CAUTION IN RELATION TO THE OFFER.

EVEN WHERE THE "COMPLEX PRODUCT" HAS BEEN REVIEWED AND AUTHORISED BY THE HONG KONG SECURITIES AND FUTURES COMMISSION AND/OR OTHER REGULATORS, SUCH AUTHORISATION IS NOT A RECOMMENDATION OR ENDORSEMENT OF THE PRODUCT NOR DOES IT GUARANTEE THE COMMERCIAL MERITS OF THE PRODUCT OR ITS PERFORMANCE. ANY PAST PERFORMANCE PROVIDED IN RELATION TO SUCH "COMPLEX PRODUCT" IS ALSO NOT INDICATIVE OF ITS