



# **TERMS AND CONDITIONS**

## **ACCOUNT OPENING AGREEMENT**

Please read this document carefully. Its terms are important.

**China Galaxy International Securities (Hong Kong) Co., Limited is licensed with Securities and Futures Commission for Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) (CE No. AXM459).**

**We are also an Exchange Participant of The Stock Exchange of Hong Kong Limited.**

**China Galaxy International Futures (Hong Kong) Co., Limited is licensed with Securities and Futures Commission for Type 2 (dealing in futures) (CE No. AYH772).**

**We are also an Exchange Participant of Hong Kong Futures Exchange Limited.**

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## RISK DISCLOSURE STATEMENTS

### PART 1 – RISK OF SECURITIES TRADING

1. 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. Any representation of past performance is not necessarily a guide to future performance.
3. Investments in emerging markets need careful and independent assessment by you of each investment and the risks (including without limitation sovereign risk, issuer risk, price risk, liquidity risk, legal and tax risks). Further, you should be aware that, which such investments can yield high gains, they can also be highly risky as the markets are unpredictable and there may be inadequate regulations and safeguards available to investors.
4. Where investments involve exposure to foreign currencies, changes in rates of exchange may cause the value of the investments to fluctuate up or down.
5. **China Galaxy International Securities (Hong Kong) Co., Limited ('Galaxy International Securities')** and/ or **China Galaxy International Futures (Hong Kong) Co., Limited ('Galaxy International Futures')** is entitled to act upon your instructions and you cannot assume that Galaxy International Securities and/or Galaxy International Futures will warn you if your instructions are ill-timed or inadvisable for any reason or if the instructions are likely to cause you loss.
6. Before you make any investment, 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.

### PART 2 – 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 Galaxy International Securities / Galaxy International Futures. 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, your Collateral may be liquidated without your consent. Moreover, you will remain liable for any resulting deficit in your Account(s) and interest charged on your Account(s). You should therefore carefully consider whether such a financing arrangement is suitable in light of your own financial position and investment objectives.

### PART 3 – RISKS OF PROVIDING AN AUTHORITY TO REPLEDGE YOUR SECURITIES COLLATERAL

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

If your Securities or Collateral are received or held by Galaxy International Securities in Hong Kong, the above arrangement is allowed only when you have consented in writing. Your express consent will be/has been obtained in a separate document which will require your signature. Moreover, unless you are a Professional Investor, the 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 renewed (i.e. without your written consent) if Galaxy International Securities issues to you a written 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 Galaxy International Securities, for example, to facilitate margin lending to you or to allow your Securities or Collateral to be lent to or deposited as collateral with third parties. Prior to your entering into an authority, Galaxy International Securities will explain to you the purposes for which such authority is to be used.

If you sign one of these authorities and your Securities or Collateral are lent to or deposited with third parties, those third parties may have a lien or charge on your Securities or Collateral. Although Galaxy International Securities is responsible to you for Securities or Collateral lent or deposited under the authority, a default by Galaxy International Securities could result in the loss of your Securities or Collateral.

A Securities Cash Account not involving securities borrowing and lending is available. If you do not require margin facilities or do not wish your Securities or Collateral to be lent or pledged, you should not sign the above authorities but should open a Securities Cash Account instead.

### PART 4 – RISKS OF TRADING GROWTH ENTERPRISE MARKET STOCKS

Growth Enterprise Market (the “GEM”) stocks involve a high investment risk. In particular, companies may list on the 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 the GEM mean that it is a market more suited to professional and other sophisticated investors.

Current information on the GEM stocks may only be found on the internet website operated by the Stock Exchange. Companies listed on the GEM 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.

## **PART 5 – RISK OF TRADING NASDAQ-AMEX SECURITIES AT THE STOCK EXCHANGE OF HONG KONG LIMITED**

The Securities traded under the Nasdaq-Amex Pilot Program (the “PP”) are aimed at sophisticated investors. You should consult Galaxy International Securities and become familiarised 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 of the Stock Exchange or the GEM.

## **PART 6 – RISKS OF FUTURES AND OPTIONS TRADING**

This brief statement does not disclose all of the risks and other significant aspects of trading in futures and 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 futures and 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.

### **1. Risks Of Trading Futures And Options**

- 1.1 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, 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 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.

### **FUTURES**

#### **2. Effect Of “Leverage” Or “Gearing”**

- 2.1 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 **China Galaxy International Futures (Hong Kong) Co., Limited (“Galaxy International Futures”)** 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, your position may be liquidated at a loss and you will be liable for any resulting deficit.

#### **3. Risk-Reducing Orders Or Strategies**

- 3.1 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 simply “long” or “short” positions.

### **OPTIONS**

#### **4. Variable Degree Of Risk**

- 4.1 Transactions in options carry a high degree of risk. Purchasers and sellers of options should familiarise themselves with the type of option (i.e. put or call) which they contemplate trading and the associated risks.

##### **Warning to option holders**

- Some options may be exercised on an expiry day (European- Style Exercise) and other options may be exercised at any time before expiration (American-Style Exercise). Upon exercise, some options require delivery and receipt of the underlying securities, and that other options require a cash payment.
- An option is a wasting asset and there is a possibility that as an option holder you may suffer the loss of the total premium paid for the option. As an option holder, in order to realize a profit it will be necessary to either exercise the option or close the long position

in the market. Under some circumstances, it may be difficult to trade the option due to lack of liquidity in the market. You acknowledge that Galaxy International Securities and/or Galaxy International Futures has no obligation either to exercise a valuable option in the absence of your instruction, or to give you prior notice of the expiration date of the option.

**Warning to option writers**

- As a writer of an option, you may be required to pay additional margin at any time. You acknowledge that as an option writer, unlike an option holder, you may be liable for unlimited losses based on the rise or fall of the price of the underlying securities and your gain are limited to the option premium.
- Additionally, writers of American-Style Call (Put) options may be required at any time before expiry to deliver (or pay for) the underlying securities to the full value of the strike price multiplied by the number of underlying securities. You recognise that this obligation may be wholly disproportionate to the value of premium received at the time the options were written and may be required at short notice.

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.

- 4.2 The purchaser of options may offset or exercise the options or allow the options to expire. The exercise of an option results either in a cash settlement or in the purchaser acquiring or delivering the underlying interest. If the option is on a futures contract, the purchaser will acquire a futures position with associated liabilities for margin (see the section on Futures above). If the purchased options expire worthless, 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.
- 4.3 Selling ("writing or granting") an option generally entails considerably greater risk than purchasing options. Although the premium received by the seller is fixed, the seller may sustain a loss well in excess of that amount. The seller will be liable for additional margin to maintain the position if the market moves unfavourably. The seller will also be exposed to the risk of the purchaser exercising the option and the seller will be obligated to either settle the option in cash or to acquire or deliver the underlying interest. If the option is on a futures contract, the seller will acquire a position in a futures contract with associated liabilities for margin (see the section on Futures above). If the option is "covered" by the seller holding a corresponding position in the underlying interest or a futures contract or another option, the risk may be reduced. If the option is not covered, the risk of loss can be unlimited.
- 4.4 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 FUTURES AND OPTIONS**

**5. Terms And Conditions Of Contracts**

- 5.1 You should ask Galaxy International Securities and/or Galaxy International Futures about the terms and conditions of the specific futures or options which you are trading and associated obligations (e.g. the circumstances under which you may become obliged to make or take delivery of the underlying interest of a futures contract and, in respect of options, expiration dates and restrictions on the time for exercise). Under certain circumstances, the specifications of outstanding contracts (including the exercise price of an option) may be modified by the Exchange or clearing house to reflect changes in the underlying interest.

**6. Suspension Or Restriction Of Trading And Pricing Relationships**

- 6.1 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.
- 6.2 Further, normal pricing relationships between the underlying interest and the futures, and the underlying interest and the option may not exist. This can occur when, for example, the futures contract underlying the option is subject to price limits while the option is not. The absence of an underlying reference price may make it difficult to judge "fair value".

**7. Deposited Cash And Property**

- 7.1 You should familiarise 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.

**8. Commission And Other Charges**

- 8.1 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. By commencing any trading activities with Galaxy International

Securities and/or Galaxy International Futures, you acknowledge that you have been so informed by Galaxy International Securities and/or Galaxy International Futures.

**9. Transactions In Other Jurisdictions**

- 9.1 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 Galaxy International Securities and/or Galaxy International Futures about the types of redress available in both your home jurisdiction and other relevant jurisdictions before you start to trade.

**10. Currency Risks**

- 10.1 The profit or loss in transaction 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.

**11. Trading Facilities**

- 11.1 Electronic trading facilities are supported by computer-based component systems for the order-routing, execution, matching, registration or clearing of trades. As with all facilities and systems, they are vulnerable to temporary disruption or failure. 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 Galaxy International Securities/ Galaxy International Futures for details in this respect.

**12. Electronic Trading**

- 12.1 Trading on an electronic trading system may differ 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.

**13. Off-Exchange Transactions**

- 13.1 In some jurisdictions, and only then in restricted circumstances, firms are permitted to effect off-exchange transactions. Galaxy International Securities and/or Galaxy International Futures 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 undertake such transactions, you should familiarise yourself with applicable rules and attendant risks. (Please also see Part 11 on "Generic Risks Associated with OTC Derivative Transaction")

**14. Margin Or Additional Margin Requirements Or Demands For Variation Adjustment**

- 14.1 You agree to provide to and maintain with Galaxy International Securities and/or Galaxy International Futures such margin together with such guarantees and other security in such form and amount and on such terms as Galaxy International Securities and/or Galaxy International Futures may in its absolute discretion require from time to time. Such margin requirements established by Galaxy International Securities and/or Galaxy International Futures may exceed any margin requirements prescribed by any Exchange or Clearing house or broker. Galaxy International Securities and/or Galaxy International Futures may change margin requirement in its sole discretion and at any time without prior to the Client. If Galaxy International Securities and/or Galaxy International Futures determines that additional margin is required, the Client agrees to deposit with Galaxy International Securities and/or Galaxy International Futures such additional margin forthwith upon demand.
- 14.2 In respect of all futures contracts and/or option contracts entered into by Galaxy International Securities and/or Galaxy International Futures on behalf of the Client, the client shall provide to Galaxy International Securities and/or Galaxy International Futures such margin or additional margin or demands for variation adjustment as Galaxy International Securities and/or Galaxy International Futures may in its absolute discretion require immediately upon demand. Such calls for margin or additional margin requirements or demands for variation adjustment by Galaxy International Securities and/or Galaxy International Futures may exceed the margin requirements or variation adjustments prescribed by Futures Exchange or Clearing House and may be changed by Galaxy International Securities and/or Galaxy International Futures with immediate effect without prior notice to the Client. Galaxy International Securities and/or Galaxy International Futures is obliged to report to the Futures Exchange particulars of all Open Contracts in respect of which the Client has failed on two successive occasions to meet a demand for margin or additional margin or variation adjustments and Galaxy International Securities and/or Galaxy International Futures may close out the Client's Open Contracts in respect of which any demand for margin or additional margin variation adjustments has not been met.

**PART 7 – RISK OF PROVIDING AN AUTHORITY TO HOLD MAIL OR TO DIRECT MAIL TO THIRD PARTIES**

If you provide Galaxy International Securities and/or Galaxy International Futures with an authority to hold mail or to direct mail to third parties, it is important for you to promptly collect in person all contract notes and statements of your account and review them in detail to ensure that

any anomalies or mistakes can be detected in a timely fashion.

## **PART 8 – RISK OF CLIENT ASSETS RECEIVED OR HELD OUTSIDE HONG KONG**

Client assets received or held by Galaxy International Securities and/or Galaxy International Futures 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.

## **PART 9 – RISK OF TRADING EXCHANGE TRADED DERIVATIVES PRODUCTS**

### **DERIVATIVE WARRANTS**

Derivative warrants are an instrument that gives an investor the right but not the obligation to “buy” or “sell” an underlying asset at a pre-set price prior to a specified expiry date. At expiry, settlement is usually made in cash rather than a purchase or sale of the underlying asset.

Derivative warrants can be issued over a range of assets, including stocks, stock indices, currencies, commodities, or a basket of securities. They are generally divided into two types: calls and puts. Holders of call warrants have the right, but not obligation, to purchase from the issuer a given amount of the underlying asset at a predetermined price (also known as the exercise price) within a certain time period. Conversely, holders of put warrants have the right, but not obligation, to sell to the issuer a given amount of the underlying asset at a predetermined price within a certain time period.

### **RISK OF TRADING DERIVATIVES**

#### **1. Issuer risk**

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

#### **2. Gearing risk**

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

#### **3. Limited life**

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

#### **4. Time decay**

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

#### **5. Volatility**

An increase in the volatility of the underlying asset should lead to a higher warrant price and a decrease in volatility lead to a lower derivative warrant price. Investors should be aware of the underlying assets volatility.

#### **6. Market forces**

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

#### **7. Turnover**

High turnover in a derivative warrant should not be regarded as an indication that its price will go up. The price of a derivative warrant is affected by many factors from market forces to technical matters such as the price of the underlying asset, the volatility of the price of the underlying asset, the time remaining to expiry, interest rates and the expected dividend on the underlying asset.

### **CALLABLE BULL/BEAR CONTRACTS**

Callable Bull/Bear Contracts (“CBBC”) 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.

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

There are two categories of CBBC, namely Category N CBBC and Category R CBBC. A Category N CBBC refers to a CBBC where its Call Price is equal

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

## **RISK OF TRADING CALLABLE BULL/BEAR CONTRACTS**

### **1. Mandatory call**

A CBBC will be called by the issuer when the price of the underlying asset hits the Call Price and trading in that CBBC will expire early. Payoff for Category N CBBC will be zero when they expire early. When Category R CBBC expire early the holder may receive a small amount of Residual Value payment, but there may be no Residual Value payment in adverse situations. Once the CBBC is called, even though the underlying asset may bounce back in the right direction, the CBBC which has been called will not be revived and investors will not be able to profit from the bounce-back.

### **2. Gearing effects**

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

### **3. Limited life**

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

### **4. 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. Moreover, the delta for a particular CBBC may not always be close to one, in particular when the price of the underlying asset is close to the Call Price.

### **5. Liquidity**

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

### **6. Funding costs**

The issue price of a CBBC includes funding costs and issuers will specify the formula for calculating the funding costs of their CBBC at launch in the listing documents. Since the funding costs for each CBBC issue may be different as it includes the issuer’s financing/stock borrowing costs after adjustment for expected ordinary dividend of the stock plus the issuer’s profit margin, investors are advised to compare the funding costs of different issuers for CBBC with similar underlying assets and terms. Funding costs are gradually reduced over time as the CBBC moves towards expiry. The longer the duration of the CBBC, the higher the total funding costs. When a CBBC is called, the CBBC holders (investors) 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.

### **7. 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 Exchange participants after the MCE since there may be some time lapse between the MCE time and suspension of the CBBC trading. Any trade executed after the MCE will not be recognized and cancelled. Therefore, investors should be aware of the risk and ought to apply special caution when the CBBC is trading close to the call price.

### **8. CBBC with overseas underlying assets**

Investors trading CBBC with overseas underlying assets are exposed to an exchange rate risk as the price and cash settlement amount of the CBBC are converted from a foreign currency into Hong Kong dollars. Exchange rates between currencies are determined by forces of supply and demand in the foreign exchange markets which are affected by various factors. Besides, CBBC issued on overseas underlying assets may be called outside the Exchange’s trading hours.

## **LISTED EQUITY LINKED INSTRUMENTS**

Equity Linked Instruments (“ELI”) are structured products which can be listed on the Stock Exchange under Chapter 15A of the Rules Governing the Listing of Securities on the Stock Exchange. They are marketed to retail and institutional investors who want to earn a higher interest rate than the rate on an ordinary time deposit and accept the risk of repayment in the form of the underlying shares or losing some or all of their investment. When an investor purchases an ELI, he/ she is indirectly writing an option on the underlying shares. If the market moves as the investor expected, he/ she earns a fixed return from his/ her investment which is derived mainly from the premium received on writing the option. If the market moves against the investor’s view, he/she may lose some or all of his/ her investment or receive shares worth less than the initial investment. ELI is traded scripless in Hong Kong dollars and odd lots are settled in cash. Investors should note that short selling of ELI is prohibited. To match their directional view on the underlying securities, investors may choose from three different types of ELI listed on the Stock Exchange: Bull, Bear and Range. Other types of ELI may be traded on the Stock Exchange in future.

## **RISK OF TRADING LISTED EQUITY LINKED INSTRUMENTS**



### **1. Exposure to equity market**

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

### **2. Possibilities of losing investment**

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

### **3. Price adjustment**

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

### **4. Interest rates**

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

### **5. Potential yield**

Investors should consult their brokers on fees and charges related to the purchase and sale of ELI and payment/ delivery at expiry. The potential yields disseminated by the Hong Kong Exchanges and Clearing Limited ("HKEx") have not taken fees and charges into consideration.

## **EXCHANGE TRADED FUNDS WITH DERIVATIVE NATURE**

Exchange Traded Funds ("ETFs") are passively-managed and open-ended funds. All listed ETFs on the HKEx securities market are authorised by the Securities and Futures Commission as collective investment schemes. They are designed to track the performance of their underlying benchmarks (e.g. an index, a commodity such as gold, etc) and offer investors an efficient way to obtain cost-effective exposure to a wide range of underlying market themes.

ETFs can be broadly grouped into two types: Physical ETFs (i.e. traditional or in-specie ETFs) and Synthetic ETFs. Many of physical ETFs directly buy all the assets needed to replicate the composition and weighting of their benchmark (e.g. constituents of a stock index). Some physical ETFs with underlying equity-based indices may also invest partially in futures and options contracts. Synthetic ETFs do not buy the assets in their benchmark. Instead, they typically invest in financial derivative instruments to replicate the benchmark's performance.

## **RISK OF TRADING EXCHANGE TRADED FUNDS**

### **1. Market risk**

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

### **2. Tracking errors**

Tracking errors refer to the disparity in performance between an ETF and its underlying index/ assets. Tracking errors can arise due to factors such as the impact of transaction fees and expenses incurred to the ETF, changes in composition of the underlying index/ assets, and the ETF manager's replication strategy.

### **3. Trading at discount or premium**

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

### **4. 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.

### **5. Liquidity risk**

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

### **6. Counterparty risk involved in ETFs with different replication 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. Where ETFs utilising a synthetic replication strategy use swaps or other derivative instruments to gain exposure to a benchmark, they are exposed to counterparty risk of the swap dealers or the derivative instruments' issuers and may suffer losses if such dealers or issuers default or fail to honor their contractual commitments.

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

### **CONVERTIBLE BONDS**

Convertible bonds have investment characteristics of both debt and equity securities. A convertible bond gives its holder the right to convert the bond into shares of the issuing corporation according to predetermined terms during a conversion period or at conversion dates.

Convertible bonds have the characteristics of debt securities, such as interest payments and a definite date upon which the principal must be repaid. They also offer possible capital appreciation through the right to convert the bonds into shares at the holder's option according to stipulated terms over certain periods. Due to their conversion feature, convertible bonds usually offer a slightly interest payments than corporate bonds.

### **RISK OF TRADING CONVERTIBLE BONDS**

#### **1. Issuer risk**

Issuer may fail to pay interest or principal to bond holders on time.

#### **2. Interest rate risk**

The price of fixed rate bonds fluctuates according to changes in market interest rates. Prices for fixed rate bonds move inversely with changes in interest rates. In general, market interest rate movements have a larger impact on the price of bonds with a longer remaining period to maturity.

#### **3. Liquidity risk**

Liquidity of some bonds in the secondary market may be low. Investors may find it hard to buy or sell such bonds and need to hold them to maturity.

#### **4. Foreign exchange risk**

Exchange rate risk exists if the bond is denominated in foreign currency.

#### **5. Equity risk**

If the bond is converted into shares of the issuing corporation, equity risk associated with the stock will be existed.

### **OTHER MARKET CONDITIONS AND RISKS**

As with all investments, returns on derivatives products are influenced by external factors such as inflation and political changes.

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

## **PART 10 – RISK OF TRADING LISTED RENMINBI-DENOMINATED SECURITIES**

### **1. Currency Risk**

In general, a non-Mainland (including Hong Kong) investor who holds a local currency other than renminbi will be exposed to currency risk if he/she invests in a renminbi product. This is because renminbi is a restricted currency and subject to exchange controls, you may have to convert the local currency into renminbi when you invest in a renminbi product. When you redeem / sell your investment, you may also need to convert the renminbi received upon redemption / sale of your investment product into the local currency (even if redemptions / sale proceeds are paid in renminbi). During these processes, you will incur currency conversion costs (e.g. as a result of the fluctuations in the exchange rates between the relevant currencies) and you will also be exposed to currency risk. In other words, even if the price of the renminbi product remains the same when you purchase it and when you redeem / sell it, you will still incur a loss when you convert the redemption / sale proceeds into local currency if renminbi has depreciated.

Like any currency, the exchange rate of renminbi may rise or fall. Further, renminbi is subject to conversion restrictions and foreign exchange control mechanism.

### **2. Liquidity risk**

Renminbi products are also subject to liquidity risk as renminbi products are a new type of product and there may not be regular trading or an active secondary market. Therefore you may not be able to sell your investment in the product on a timely basis, or you may have to sell the product at a deep discount to its value. In addition, investors shall also find out whether the renminbi product is subject to any lock-up period or heavy penalty or charges for early surrender or termination of the product.

### **3. Issuer / counterparty risk**

Renminbi products are subject to the credit and insolvency risks of their issuers. You should consider carefully the creditworthiness of the issuers before investing. Furthermore, as a renminbi product may invest in derivative instruments, counterparty risk may also arise as the default by the derivative issuers may adversely affect the performance of the renminbi products and result in substantial losses.

### **4. Investment / Market risk**

Like any investments, renminbi products are subject to investment risk and may not be principal protected i.e. the assets that the products invest in or referenced to may fall as well as rise, resulting in gains or losses to the product.

Depending on the nature of the renminbi product and its investment objective, there may be other risk factors specific to the product which you should consider. Before making an investment decision, always read the risk factors as set out in the offering documents and seek professional advice where necessary.

## **PART 11 – GENERIC RISKS ASSOCIATED WITH OTC DERIVATIVE TRANSACTIONS**

OTC derivative transactions, like other financial transactions, involve a variety of significant risks. The specific risks presented by a particular OTC derivative transaction necessarily depend upon the terms of the transaction and your circumstances. In general, however, all OTC derivative transactions involve some combination of market risk, credit risk, funding risk and operational risk.

- (a) Market risk is the risk that the value of a transaction will be adversely affected by fluctuations in the level or volatility of or correlation or relationship between one or more market prices, rates or indices or other market factors or by illiquidity in the market for the relevant transaction or in a related market.
- (b) Credit risk is the risk that a counterparty will fail to perform its obligations to you when due.
- (c) Funding risk is the risk that, as a result of mismatches or delays in the timing of cash flows due from or to your counterparties in OTC derivative transactions or related hedging, trading, collateral or other transactions, you or your counterparty will not have adequate cash available to fund current obligations.
- (d) Operational risk is the risk of loss to you arising from inadequacies in or failures of your internal systems and controls for monitoring and quantifying the risks and contractual obligations associated with OTC derivative transactions, for recording and valuing OTC derivative and related transactions, or for detecting human error, systems failure or management failure.

There may be other significant risks that you should consider based on the terms of a specific transaction. Highly customized OTC derivative transactions in particular may increase liquidity risk and introduce other significant risk factors of a complex character. Highly leveraged transactions may experience substantial gains or losses in value as a result of relatively small changes in the value or level of an underlying or related market factor.

Because the price and other terms on which you may enter into or terminate an OTC derivative transaction are individually negotiated, these may not represent the best price or terms available to you from other sources.

In evaluating the risks and contractual obligations associated with a particular OTC derivative transaction, you should also consider that an OTC derivative transaction may be modified or terminated only by mutual consent of the original parties and subject to agreement on individually negotiated terms. Accordingly, it may not be possible for you to modify, terminate or offset your obligations or your exposure to the risks associated with a transaction prior to its scheduled termination date.

Similarly, while market makers and dealers generally quote prices or terms for entering into or terminating OTC derivative transactions and provide indicative or mid-market quotations with respect to outstanding OTC derivative transactions, they are generally not contractually obligated to do so. In addition, it may not be possible to obtain indicative or mid-market quotations for an OTC derivative transaction from a market maker or dealer that is not a counterparty to the transaction. Consequently, it may also be difficult for you to establish an independent value for an outstanding OTC derivative transaction. You should not regard your counterparty's provision of a valuation or indicative price at your request as an offer to enter into or terminate the relevant transaction at that value or price, unless the value or price is identified by the counterparty as firm or binding.

The above does not purport to disclose all of the risks and other material considerations associated with over-the-counter ("OTC") derivative transactions. You should not construe this generic disclosure statement as business, legal, tax or accounting advice or as modifying applicable law. You should consult your own business, legal, tax and accounting advisers with respect to proposed OTC derivative transactions and you should refrain from entering into any OTC derivative transaction unless you have fully understood the terms and risks of the transaction, including the extent of your potential risk of loss.

## **PART 12 – OVERSEAS MARKET RISK**

Transactions on market in other jurisdictions may expose you to additional risk. Such overseas 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. The Client understands that his local regulatory authority will be unable to compel the enforcement of the rules or regulatory authorities or markets in other jurisdictions where the Client's transactions have been effected.

## **PART 13 – INTERNET RISK**

Since Galaxy International Securities and/or Galaxy International Futures does not control signal power, its reception or routing via internet, configuration of your equipment or reliability of its connection, we cannot be responsible for communication failures, distortions or delays when trading online (via internet). Thus you agree to accept that such prices as Galaxy International Securities and/or Galaxy International Futures may offer from time to time are the best prices then available.

You acknowledge that electronic trading facilities are supported by computer-based component systems for the order-routing, execution, matching, registration or clearing of trades. As with all facilities and systems, they are vulnerable to temporary disruption or failure. You acknowledge that 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 particular firms, such limits may vary.

You understand that trading on an electronic trading system may differ from trading on other trading systems. You acknowledge that if you undertake transactions on an electronic 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.

#### **PART 14 – E-STATEMENT RISK DISCLOSURE STATEMENT**

You understand that electronic transmission 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. Due to unpredictable traffic congestion and other reasons, electronic transmission may not be a reliable medium of communication and that such unreliability is beyond the control of Galaxy International Securities and/or Galaxy International Futures.

You understand that communications and personal data may be accessed by unauthorized third parties.

#### **PART 15 – RISK OF UNDERTAKING OTC TRANSACTIONS**

You should only undertake OTC Transactions (including but without limitation transactions in relation to pre-IPO securities) if you understand the nature of such trading and such trading facilities and the extent of your exposure to risks. By trading through us with our counterparty (i.e. other authorized brokers), you are exposed to the credit, settlement and other risks of such counterparty to the relevant OTC Transactions. Settlement of the relevant transactions is not guaranteed and you will be responsible for any losses or expenses resulting from your and/or the counterparty's settlement failures.

The transactions in pre-IPO shares executed / trade executed on our counterparty's trading facilities will be cancelled and void if the relevant security subsequently fails to list on the Exchange. Galaxy International Securities and/or Galaxy International Futures is acting as agent for the Client and does not guarantee the settlement of such OTC transactions (including but without limitation transactions in relation to pre-IPO Securities, which trades are done through other authorized broker). Galaxy International Securities and/or Galaxy International Futures are bound by the terms and conditions from time to time agreed with such authorized broker when execute trades for the Client through such authorized broker and no prior notification will be given if there is any change in the terms agreed with such authorized broker.

Furthermore, your order may only be partially executed, or not all, as a result of the lower liquidity in trading through our counterparty as compared to regular market hours of the Exchange. There may also be greater volatility in trading through our counterparty than in regular market hours of the Exchange. The lower liquidity and higher volatility in trading through our counterparty may then result in wider than normal spreads for a particular type of securities.

The prices of securities traded through our counterparty may differ significantly from their opening or traded prices transacted during the regular market hours upon the listing of the securities on the Exchange. The prices by which the counterparty displayed may not reflect the prices in other concurrently operating automated trading systems dealing in the same securities. News announcements made by the issuers may affect the price of their securities after regular market hours. Similarly, important financial information is often announced outside regular market hours. In trading through our counterparty's facilities, these announcements may occur during trading and may cause an exaggerated and unsustainable effect on the price of a particular type of securities.

You should therefore carefully consider whether such trading is appropriate for you in the light of your experience, risk profile and other relevant circumstances and seek independent professional advice if you are in doubt.

*Terms used herein shall have the same meanings as those defined in the Terms & Conditions, unless stated herein to the otherwise.*

***\*\*Investors should make their own risk assessment and seek independent professional advice where necessary with respect to any exposure to derivative products to ensure that any decision you make is suitable with regards to your circumstances and financial position. In addition, investors should refer to the relevant derivative product's listing documents (including the full text of the risk factors stated therein) in detail before making any investment decision.***

# TERMS AND CONDITIONS

## PART A – INTERPRETATION

This section forms part of the Terms & Conditions and throughout the Terms & Conditions the following terms shall bear the following meanings:

|                            |   |
|----------------------------|---|
| “Account Application Form” | the account opening form which contains the particulars and other necessary information of the Client and the Account   |
| “Account(s)”               | Securities Cash Account and/ or Securities Margin Account and/ or Futures Account and/or Stock Options Account and/or any other trading account opened by the Client with Galaxy International Securities and/or Galaxy International Futures as the case may be through Offline Operation or Electronic Operation or by any other means  |
| “Agreement”                | these Terms & Conditions, the Account Application Form, any appendix and other documents entered into between (i) Galaxy International Securities and/or Galaxy International Futures and (ii) the Client or issued by Galaxy International Securities and/or Galaxy International Futures regarding the opening, maintenance and operation of the Account(s) as may be amended from time to time including any standing authority or written directions provided by the Client as may be amended from time to time |
| “Associated Entity”        | has the meaning given to that term in the Securities and Futures Ordinance  |
| “Business Day”             | any day other than a Saturday, a Sunday, a public holiday or a gale warning day or a black rainstorm warning day as defined in s.71(2) of the Interpretation and General Clauses Ordinance (Chapter 1 of the Laws of Hong Kong). For the avoidance of doubt, Business Day shall exclude an SWT Day;   |
| “Clearing House”           | the clearing houses including the HKSCC, the SEIOCH and any other relevant bodies, whether in Hong Kong or elsewhere which are recognized by the relevant Governing Rules to provide clearing and settlement services   |
| “Client”                   | the client of Galaxy International Securities and/or Galaxy International Futures who has opened the Account(s) and whose name, address and particulars are set out in the Account Application Form   |
| “Client Contract”          | has the meaning as defined in the Option Trading Rules which means a contract validly made at the time when an order in respect of an option series is matched by the Options System with another order in respect of that option series and incorporates the terms and conditions of the Standard Contract for a particular option series.   |
| “Closing Out”              | in relation to any contract, the entering into of another contract of the same specification and for the same amount but of an opposite position in order to cancel the former contract and/or to crystallize the profit or loss on such former contract, and the term “Close Out” shall be construed accordingly   |
| “Code”                     | the Code of Conduct for Persons Licensed by or Registered with the SFC as may be amended from time to time  |
| “Commodities”              | any item and includes, without limitation, agricultural commodities, metals, currencies, interest rates, indices (whether stock market or otherwise), other financial contracts, energy, right or authority, and shall where the case requires include a Futures Contract or options contract in respect of any of the above and in each case whether or not the item is capable of being delivered.  |
| “Collateral”               | all Securities and other assets acceptable to Galaxy International Securities and/or Galaxy International Futures which shall be maintained at or delivered to Galaxy International Securities and/or Galaxy International Futures by the Client as collateral under the Securities Margin Account and/or Futures Account.  |
| “CRS”                      | Common Reporting Standard, developed in response to the G20 request and approved by the OECD Council on 15 July 2014, calls on jurisdictions to obtain information from their financial institutions and automatically exchange that information with other jurisdictions on an annual basis. It sets out the financial account information to be exchanged, the financial institutions required to report, the different types of  |

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|                                    | accounts and taxpayers covered, as well as common due diligence procedures to be followed by financial institutions.  |
| "CRS Obligations"                  | means obligations under CRS (as varied or supplemented by the local legislations and guidance note issued by the applicable tax authorities) including, without limitation, our obligations to undertake due diligence into Account Holders to identify Reportable Account and Reportable Person, to report information on Reportable Person and Reportable Account to the applicable tax authorities pursuant to applicable laws and regulations.  |
| "Electronic Means"                 | includes the internet, electronic mail, mobile phone, personal digital assistant or any other electronic means of communication and such other means as may be permitted by Galaxy International Securities and/or Galaxy International Futures from time to time   |
| "Electronic Operation"             | electronic securities trading operated via Electronic Means by the Client under the Account   |
| "Electronic Service"               | the electronic facility which enables the Client to give instructions and obtain information services provided by Galaxy International Securities and/or Galaxy International Futures by Electronic Means   |
| "Encumbrance"                      | means any mortgage, charge, pledge, lien, assignment by way of security, financial lease, deferred purchase, sale-and-repurchase or sale-and leaseback arrangement, hypothecation, retention of title by a vendor or other security interest given or arising in respect of any assets, and any arrangement the effect of which is to prefer any creditor or any agreement for any of the same  |
| "Event Of Default"                 | an event of default as described in clause 13 of the General Terms  |
| "Exchange"                         | means the Stock Exchange, Futures Exchange and/or any other exchange, market or association of dealers in any part of the world on which Securities and/or Commodities and/or Futures Contract and/or options contract are bought and sold  |
| "Exchange Contract"                | a contract for a Commodity approved by the SFC and the Futures Exchange for trading on any of the market from time to time operated by the Futures Exchange and which may result in a Futures Contract  |
| "Exchange Traded Options Business" | business related to options contracts made pursuant to Options Trading Rule 513 incorporating the terms and conditions applicable to such options contracts as specified by the Stock Exchange from time to time as set out in the Options Trading Rules, and all matters incidental to Options Contracts.  |
| "FATCA"                            | <ul style="list-style-type: none"> <li>i. the Foreign Account Tax Compliance Act provisions of the U.S. Internal Revenue Service under Sections 1471 to 1474 of the Internal Revenue Code or any associated treasury regulations, as amended or supplemented from time to time, or other official guidance;</li> <li>ii. any treaty, law, regulation or other official guidance enacted in any other jurisdiction, or relating to an intergovernmental agreement between the U.S. and any other jurisdiction, which (in either case) facilitates the implementation of paragraph (i) above; or</li> <li>iii. any agreement pursuant to the implementation of paragraphs (i) or (ii) above with the U.S. Internal Revenue Service, the US government or any governmental or taxation authority in any other jurisdiction.</li> </ul> |
| "FATCA Withholding"                | a deduction or withholding from a payment under the Account as required by FATCA.   |
| "FATCA Withholdable Payments"      | include payments of interest (including original issue discount), dividends, and other items of fixed or determinable annual or periodical gains, profits, and income, in each case, from sources within the U.S., as well as gross proceeds from the sale of any property of a type which can produce interest or dividends from sources within the U.S. FATCA will also require withholding on the gross proceeds of such sales for payments made after December 31, 2016. Certain U.S. sourced financial payments in connection with lending transactions, investment advisory fees, custodial fees, bank or brokerage fees are also included.   |
| "Financial Accommodation"          | has the meaning given to that term in the Securities and Futures Ordinance  |
| "F.O. Business"                    | the business of dealing in Futures Contracts and/ or options contracts traded on the Futures Exchange and/or any other Exchange, market or association of dealers in any part of the world  |

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| "Futures Account"                 | the futures trading account opened by the Client with Galaxy International Futures through Offline Operation or Electronic Operation or any other means for the purpose of trading Futures Contracts and options contracts on the Futures Exchange and/or any other Exchange, market or association of dealers in any part of the world  |
| "Futures Contract"                | without prejudice to the meaning given to that term in the Securities and Futures Ordinance, it means a contract executed on any Exchange, the effect of which is that (a) one party agrees to deliver to the other party at an agreed future time an agreed Commodity or quantity of a Commodity at an agreed price; or (b) the parties will make an adjustment between them at an agreed future time according to whether the agreed Commodity is worth more or less or, as the case may be, stands higher or lower at that time than a level agreed at the time of making the contract, the difference being determined in accordance with the rules of the relevant Exchange in which that contract is made  |
| "Futures Exchange"                | the Hong Kong Futures Exchange Limited and any successors or assigns   |
| "Galaxy International Futures"    | China Galaxy International Futures (Hong Kong) Co., Limited, a limited company incorporated in Hong Kong with its principal place of business in Hong Kong and licensed by SFC (CE Number: AYH772) for Type 2 (dealing in futures contract) regulated activities under the Securities and Futures Ordinance and an exchange participant of the Futures Exchange.   |
| "China Galaxy International"      | any member of the controlling group of Galaxy International Securities and/or Galaxy International Futures including, its subsidiaries, its fellow subsidiaries, its direct and indirect controlling companies and the subsidiaries and associated companies of such controlling companies located in or outside Hong Kong   |
| "Galaxy International Securities" | China Galaxy International Securities (Hong Kong) Co., Limited, a limited company incorporated in Hong Kong with its principal place of business in Hong Kong and licensed by SFC (CE Number: AXM 459) for Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the Securities and Futures Ordinance and an exchange participant of the Stock Exchange  |
| "General Terms"                   | the general terms and conditions as set out in Part B of this Agreement and applicable to client accounts opened with Galaxy International Securities and/or Galaxy International Futures as the case may be.  |
| "Governing Rules"                 | the rules of the Regulators or other laws, rules, codes, guidelines, circulars and regulatory directions issued by the Regulators from time to time applicable to dealings in Securities and/or Commodities and/or Futures Contracts and/or options contracts or other instruments in respect of the Account and/or the operation of the Account   |
| "HKSCC"                           | Hong Kong Securities Clearing Company Limited  |
| "Hong Kong"                       | Hong Kong Special Administrative Region of the People's Republic of China  |
| "Instructions"                    | the instructions of the Client (i) for dealing in Securities, Futures Contracts or options contracts or other assets or property held in or on behalf of the Account in Hong Kong or elsewhere, (ii) for the transfer, deposit or withdrawal of funds or Securities or other assets or property into or out of the Account including transferring into or from any other account of the Client with the China Galaxy International, (iii) for the provision of Financial Accommodation, (iv) for close out any Futures Contracts or Options Contracts and/or (v) for any other act relating to the operation of the Account  |
| "Liabilities"                     | means all monies, liabilities and obligations, whether actual or contingent, present or future, due, owing or incurred from or by the Client to Galaxy International Securities and/or Galaxy International Futures, its associate, subsidiary or other associated company in connection with the Account and this Agreement or for which the Client may otherwise be or become liable to Galaxy International Securities and/or Galaxy International Futures on any account or in any manner or currency whatsoever (whether alone or jointly with any other person and in whatever name, style or firm), together with interest from the date of demand to the date of payment, legal costs and all other costs, charges and expenses incurred by Galaxy International Securities and/or Galaxy International Futures, its associate, subsidiary or other associated company in connection with the recovery or attempted recovery of such monies, liabilities and obligations |
| "Margin"                          | means deposits, collateral and margin (as defined in the Options Trading Rules of the Stock Exchange) (including, but without limitation to, initial margin and additional margin) being an amount calculated in accordance with the relevant Rules and as determined by Galaxy International Securities and/or Galaxy   |

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|                                    | International Futures from time to time, which are given as security for the Client's obligations to Galaxy International Securities and/or Galaxy International Futures under this Agreement   |
| "Margin Facility"                  | any Financial Accommodation provided by Galaxy International Securities to the Client for the Securities Margin Account   |
| "Obligations"                      | all monies or Securities falling due or otherwise owed to any member of China Galaxy International by the Client under the Account or owed by the Client under any other account maintained with any member of the China Galaxy International   |
| "Offline Operation"                | securities trading operated by the Client under the Account not by way of Electronic Means and/or in such manner as may be permitted by Galaxy International Securities   |
| "Omnibus Account"                  | an Account opened by any securities intermediary properly registered or licensed as a stock broker, dealer or bank or exempted from such registration or licensing in any jurisdiction and operated on behalf of his clients as indicated in the Account Application Form   |
| "Open Contracts"                   | a Futures Contract or an options contract which has not been closed out   |
| "Options Exchange Participant"     | a person registered by the Stock Exchange as either an Options Trading Exchange Participant or an Options Broker Exchange Participant (pursuant to Chapter 2 of the Options Trading Rules)  |
| "Options Trading Rules"            | the Options Trading Rules from time to time issued by the Stock Exchange  |
| "Options System"                   | the system provided by the Stock Exchange for the trading and clearing of options contracts and any other facility provided by the Stock Exchange for the transaction of options contracts and any other business related to option contracts and all matters incidental to options contracts   |
| "OTC"                              | means Over-the-Counter  |
| "Professional Investor"            | professional investor as defined in section 1 of Part 1 of Schedule 1 to the Securities and Futures Ordinance and the Securities and Futures (Professional Investor) Rules  |
| "Regulators"                       | means the SFC, the relevant Exchange, the relevant clearing house and any other regulators whether in Hong Kong or elsewhere  |
| "Reportable Account"               | means a financial account:<br>(i) that has been identified as such under the due diligence requirements of CRS; and<br>(ii) that is held by<br>(a) at least one reportable person; or<br>(b) certain corporate or other entity with at least one controlling person being a reportable person   |
| "Reportable Person"                | means according to the CRS:<br>(i) an individual or entity that is a resident for tax purposes of a reportable jurisdiction; or<br>(ii) an estate of a decedent who was a resident for tax purposes of a reportable jurisdiction; but<br>this does not include—<br>(a) a corporation the stock of which is regularly traded on an established securities markets;<br>(b) a corporation that is a related entity of a corporation mentioned in subparagraph (a) above;<br>(c) a governmental entity;<br>(d) an international organization;<br>(e) a central bank; or<br>(f) financial institution. |
| "Securities"                       | has the meaning given to "securities" in the Securities and Futures Ordinance and may also include such other instruments, interests, rights, assets or property as Galaxy International Securities may determine from time to time   |
| "Securities and Futures Ordinance" | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as may be amended or re-enacted from time to time   |



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| "Securities Cash Account"     | the cash securities trading account opened by the Client with Galaxy International Securities through Offline Operation or Electronic Operation or by any other means  |
| "Securities Margin Account"   | the securities trading account opened by the Client with Galaxy International Securities through Offline Operation or Electronic Operation or by any other means in respect of which Galaxy International Securities has agreed to provide the Margin Facility to the Client in accordance with this Agreement   |
| "Securities Margin Financing" | has the meaning given to that term in the Securities and Futures Ordinance   |
| "SEOH"                        | The SEHK Options Clearing House Limited  |
| "SFC"                         | the Securities and Futures Commission of Hong Kong   |
| "Standard Contract"           | means the standard terms and conditions applicable to an options contract as specified by the Stock Exchange from time to time as set out in the Sixth Schedule to the Options Trading Rules   |
| "Stock Exchange"              | The Stock Exchange of Hong Kong Limited  |
| "SWT Day"                     | any day from Monday to Friday (except a Hong Kong public holiday) on which the normal operations of the Hong Kong securities and derivatives markets are maintained during severe weather conditions, and severe weather refers to the scenario where a typhoon 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 Hong Kong Government. In addition, it would also be considered an SWT Day for the derivatives market if severe weather falls on a Hong Kong public holiday which is a holiday trading day for selected derivatives products; |
| "Stock Options Account"       | the stock option trading account opened by the Client with Galaxy International Securities through Offline Operation or Electronic Operation or any other means  |
| "Terms & Conditions"          | this document of terms and conditions as may be supplemented and amended from time to time and shall apply to the operation of the Account and bind the Client   |
| "Trading Limit"               | the trading limit allowed for the Client's Transactions under the Account in accordance with the Trading Policy or otherwise fixed by Galaxy International Securities and/or Galaxy International Futures. The limit is subject to change at Galaxy International Securities' and/or Galaxy International Futures' discretion from time to time  |
| "Trading Policy"              | the policies and procedures applicable to the operation of the Account which shall be binding on the Client and determined by Galaxy International Securities and/or Galaxy International Futures from time to time  |
| "Transactions"                | executed Instructions  |
| "Username And Password"       | the unique username and password provided to the Client for assessing the Electronic Service by Galaxy International Securities and/or Galaxy International Futures  |

References to statutory provisions, regulations or notices shall include those provisions, regulations or notices as amended, extended, consolidated, substituted or re-enacted from time to time.

Words denoting the singular shall include the plural and vice versa.

Reference to one gender shall include all genders and words denoting a subject shall include a person, firm, sole proprietorship, partnership, syndicate and corporation or vice versa

## PART B – GENERAL TERMS

These General Terms shall apply to all types of Accounts and shall be binding on the Client.

### 1. The Account

1.1 These Terms & Conditions and the Trading Policy shall apply to the operation of the Account.

1.2 If any conflict arises between the provisions in these Terms & Conditions and the Trading Policy, these Terms & Conditions shall prevail.

- 1.3 If Instructions are given via Electronic Operation, the following provisions shall apply:
- (a) The Client or such other persons authorized by the Client with Galaxy International Securities' and/or Galaxy International Futures' prior approval in writing shall be the only authorized users of the Electronic Service in respect of the Account.
  - (b) The Client shall not attempt to tamper with, modify, decompile, reverse engineer and otherwise alter in any way, and shall not attempt to gain unauthorized access to, any part of the Electronic Service.
  - (c) Under no circumstances shall Galaxy International Securities and/or Galaxy International Futures be responsible for any Electronic Operation for which it has not duly and properly received.
  - (d) Galaxy International Securities and/or Galaxy International Futures shall have no liability to the Client for any damage, delay or loss which he may suffer as a result of transmission errors, technical faults, malfunctions, illegal intervention in network equipment, network overloads, malicious blocking of access by third parties, internet malfunctions, interruptions or other deficiencies on the part of the internet service providers. The Client acknowledges that access to the Electronic Service may be limited or unavailable due to such system errors, and the Galaxy International Securities and/or Galaxy International Futures reserves the right upon notice to suspend access to the Electronic Service for this reason.
  - (e) All online quoted data and information provided by Galaxy International Securities and/or Galaxy International Futures or any other third party is for reference purpose only and Galaxy International Securities and/or Galaxy International Futures will not be liable for any inaccuracy thereof or any loss and damages whatsoever of the Client in reliance thereon.
- 1.4 If an Omnibus Account is opened by the Client, the Account shall be traded for and on behalf of his clients and the Client must be properly registered or licensed as a stock broker, dealer or bank or exempted from such registration or licensing in respect of such dealings in the jurisdiction where his clients were solicited and/or where such arrangement is carried out. The Client's registration/ licensing status (if applicable) shall remain valid at all times when the Account remains valid and operative. The Client is solely responsible for the legality and legitimacy of operating the Omnibus Account in the relevant jurisdiction(s) and agrees to indemnify Galaxy International Securities and any member of China Galaxy International against all actions, liabilities, losses, costs, expenses which may be brought against, suffered or incurred by Galaxy International Securities and any member of China Galaxy International by reason of the operation of an Omnibus Account.
- 1.5 The Client and, as the case may be, its officers (including directors), employees or agents shall keep confidential all access codes including the username and password, or otherwise for the operation of the Account and use thereof and the Client shall be wholly responsible for all Instructions placed and/or Transactions transacted for the Account through the use of such access codes.
- 1.6 The Client shall forthwith inform Galaxy International Securities and/or Galaxy International Futures in writing of any change to the information given in the Account Application Form and in any case, not later than 30 days after such change has occurred. Galaxy International Securities and/or Galaxy International Futures shall inform the Client of any material change to these Terms & Conditions and the information regarding Galaxy International Securities and/or Galaxy International Futures provided in this Agreement including changes to Galaxy International Securities' and/or Galaxy International Futures' name, address, licensed status and contact numbers or changes to the nature, or in respect, of Galaxy International Securities' and/or Galaxy International Futures' business which may affect the services Galaxy International Securities and/or Galaxy International Futures provides to the Client.
- 1.7 Galaxy International Securities and/or Galaxy International Futures shall keep information relating to the Account confidential, subject always to its right to disclose any information relating to the affairs of the Client or the Account to:
- (a) the Stock Exchange, the SFC, the Futures Exchange, the Clearing House, HKSCC, Hong Kong Exchanges and Clearing Limited and any other Regulators as may be requested by them from time to time or otherwise in compliance with the Governing Rules or applicable laws; or
  - (b) any member of the China Galaxy International; or
  - (c) any other party for the operation or performance of this Agreement or for the provision of financial and related services to the Client including the marketing of such services.
- 1.8 The Client's attention is specifically drawn to the provisions of Part XIII and Part XV of the Securities and Futures Ordinance as may be amended from time to time. The Client is reminded that it is his own responsibility to comply and ensure compliance with any duty or obligation under Part XIII and Part XV of the Securities and Futures Ordinance, in respect of anything done, or which the Client requests to be done, by Galaxy International Securities and/or Galaxy International Futures on his behalf. The Client hereby confirms that he is aware of the provisions of Part XIII and Part XV of the Securities and Futures Ordinance and that he shall at all time observe or ensure that such provisions are observed. Galaxy International Securities and/or Galaxy International Futures shall not be liable for any breach of the Securities and Futures Ordinance which may result from anything done or proposed to be done by Galaxy International Securities and/or Galaxy International Futures on the Client's directions or Instructions.
- 1.9 Unless otherwise specified in this Agreement or as Galaxy International Securities and/or Galaxy International Futures otherwise indicates or notifies in writing, the Client acts as principal and Galaxy International Securities and/or Galaxy International Futures acts as agent of the Client in respect of any and all Instructions given in respect of the Account. Nothing herein contained shall constitute Galaxy International Securities and/or Galaxy International Futures as trustee for the Client or a partnership between Galaxy International Securities and/or Galaxy International Futures and the Client. Notwithstanding that Galaxy International Securities and/or Galaxy International Futures is acting as the Client's agent in respect of all Instructions given in respect of the Account, Galaxy International Securities and/or Galaxy International Futures may, in its absolute discretion, decline to accept the Instructions without giving any reason out of or in connection with its not accepting or acting on such Instructions or omitting to give notice of the non-acceptance of any Instructions.

1.10 In compliance with the Client Identity Rule Policy published by the SFC in April 2003, in connection with any request for information made to Galaxy International Securities and/or Galaxy International Futures by any Regulators in respect of any transaction relating to the Client's account(s):-

- (a) the Client shall within two (2) Business Days, upon request by the Regulators provide Galaxy International Securities and/or Galaxy International Futures or to the relevant Regulators upon request with such information, including but not limited to the identity, address, contact details and other identification particulars (including FATCA and/or CRS related information) of (i) the person or entity for whose account the transaction was effected; (ii) the person or entity who has the ultimate beneficial interest in the transaction and/or assume the risk of economic or commercial loss; (iii) any third party who ultimately originated the transaction, to the best of the Client's knowledge, information and belief; and (iv) the instructions given by the person of sub-clause 1.10(a)(iii); and/or
- (b) If the Client effects the transaction for a collective investment scheme, discretionary account or discretionary trust, the Client shall within two (2) Business Days, upon request by the Regulators brought to the Client's attention through Galaxy International Securities and/or Galaxy International Futures, inform Galaxy International Securities and/or Galaxy International Futures or the relevant Regulators of the identity, address and contact details of the scheme, account or trust and its investment manager(s) who would be responsible for making investment decisions for the scheme, account or trust, if the Client's investment discretion is overridden by other person(s) or beneficiary(ies), the identity, address, occupation and contact details of the person(s) or beneficiary(ies) who, on behalf of the scheme, account or trust, instructed the Client to effect the transaction; and/or
- (c) If the Client is aware that his/her/its client is acting as intermediary for its underlying client(s) or for other intermediary(ies) for the latter's underlying clients, and the Client do not know the identity, address, occupation and contact details of the underlying client(s) or other intermediary(ies)' underlying client(s) for whom the transaction was effected, the Client confirms that:-
  - (i) The Client has made arrangements in place with his/her/its client(s) which entitle the Client to obtain the information set out in clause 1.10(a) and/or (b) above from his/her/its client(s) or procure that it be so obtained within two (2) Business Days after the request; and/or
  - (ii) the intermediary(ies) his/her/its client(s) act for has/have made necessary arrangements to ensure that it/they would directly provide the Regulators with the identity information of its/their underlying client(s) within two (2) Business Days after the request and the Client has no ground to doubt that such requests would not be complied with; andThe Client shall, upon request from the Regulators brought to the Client's attention by Galaxy International Securities and/or Galaxy International Futures in relation to a transaction under the Client's account, promptly request the information set out in clause 1.10(a) and/or (b) above from his/her/its client(s) on whose instructions the transaction was effected such that the information is provided to the Regulators within two (2) Business Days from the date of the request.

The Client confirms that the Client and the Client's underlying clients or the intermediary(ies) the Client acts for are not subject to any law on secrecy or confidentiality which prohibits the performance by them of the above clause 1.10(a), (b) and/or (c). If the Client's underlying client(s) or the intermediary(ies) the Client acts for is/are subject to such law, the Client or the Client's underlying clients or the intermediary(ies) the Client acts for (as may be the case) has/have already made arrangements to unequivocally waive the benefit or any requirement of such laws and consented in writing ("the Written Consent") to the disclosure to the Regulators of the identity particulars by the Client, the Client's underlying clients or the intermediary(ies) the Client acts for.

The obligations under this clause 1.10 and the Written Consent shall continue to be effective notwithstanding the termination of the account at Galaxy International Securities and/or Galaxy International Futures or the termination of this Agreement.

The Client understands that failure to comply with this clause 1.10 or to reply to the Regulators' request within two (2) Business Days, to the Regulators' satisfaction or at all, would amount to fundamental breach of this Agreement and would entitle Galaxy International Securities and/or Galaxy International Futures to suspend the Client's account(s) or terminate this Agreement and the Client's account(s) at Galaxy International Securities and/or Galaxy International Futures with no prior notice to the Client and no transaction shall be effected by the Client in Galaxy International Securities and/or Galaxy International Futures' account(s) unless and until the Client answers the request satisfactorily. In such event(s), the Client agrees that Galaxy International Securities and/or Galaxy International Futures would not be liable to any losses and damages, directly or indirectly, caused to the Client and/or the Client's underlying client(s), the intermediary(ies) the Client acts for and the latter's underlying clients. On the contrary, the Client understands that the Client could be liable to indemnify Galaxy International Securities and/or Galaxy International Futures for all costs, expenses and penalties incurred therefrom, if any at all.

The Client is fully aware of the fact that should the intermediary(ies) the Client acts for fail to comply with the request within two (2) Business Days after the request from the Regulators, the latter may contact and report the matter to the Regulator(s) of the intermediary(ies) the Client acts for which could lead to disciplinary action against the intermediary(ies). In such event, the Client agrees that Galaxy International Securities and/or Galaxy International Futures would not be liable to any losses and damages caused to the intermediary(ies) the Client acts for, if any at all.

The Client agrees and understands that this clause 1.10 shall have retrospective effect and be valid and legally binding on the Client on previous transactions made in Galaxy International Securities and/or Galaxy International Futures' account(s) by the Client or by Galaxy International Securities and/or Galaxy International Futures on the Client's behalf.

1.11 The Client agrees that Galaxy International Securities and/or Galaxy International Futures and/or any member of the China Galaxy International, may at its sole discretion and without giving the Client prior notice, prohibit or restrict his ability to conduct any transactions and/or to suspend and/or close the Account(s) for cause. The Client agrees that Galaxy International Securities and/or Galaxy International Futures and/or any member of the China Galaxy International is not liable for any losses and/or damages, actual

or hypothetical, as a result of the aforesaid restrictive measures.

- 1.12 Galaxy International Securities and/or Galaxy International Futures shall provide regular statements of the Account to the Client from time to time in accordance with the Governing Rules. For the avoidance of doubt, Galaxy International Securities and/or Galaxy International Futures do not need to count an SWT Day in determining the deadline by which the statements of the Account have to be provided to Client. Galaxy International Securities and/or Galaxy International Futures should, as far as practicable, provide the Clients with statements of the Account in accordance with the Governing Rules if the statements of the Account are provided via Electronic Means. In the absence of manifest error and objection by the Client by giving written notice to Galaxy International Securities and/or Galaxy International Futures within seven (7) Business Days from the date of such statement or record, it shall be conclusive and binding on the Client.
- 1.13 Galaxy International Securities and/or Galaxy International Futures may amend, modify or alter the provisions of this Agreement at any time and from time to time by notifying the Client in writing of such change. Any such changes shall be binding on the Client upon Galaxy International Securities' and/or Galaxy International Futures' issuance of the notice.
- 1.14 Communications made by Galaxy International Securities and/or Galaxy International Futures to the Client via the associated contact methods to the address, email address, fax number or phone number provided by the Client in the Account Application Form shall be deemed authorized and valid when deposited in the post or sent by Electronic Means or telephoned or faxed notwithstanding any delay or failure of such transmission. On an SWT Day, physical delivery and receipt of such notice may be delayed or interrupted. Any notice or communication made or given by the Client to Galaxy International Securities and/or Galaxy International Futures shall be made or given at the risk of the Client and shall be effective only upon actual receipt by Galaxy International Securities and/or Galaxy International Futures.
- 1.15 On an SWT Day, Instructions shall only be given by Electronic Means (other than by phone which service may be interrupted), unless otherwise agreed by Galaxy International Securities and/or Galaxy International Future.

## **2. Governing Law**

- 2.1 This Agreement is governed by and construed according to the laws of Hong Kong and the parties submit to the non-exclusive jurisdiction of the Hong Kong courts. All Transactions under the Account shall be effected in accordance with all Governing Rules including without limitation rules and regulations of the Stock Exchange, the SFC, the Futures Exchange, the Regulators, the Clearing House, HKSCC and the laws of Hong Kong, as may be amended from time to time. If a Transaction is executed outside Hong Kong, such Transaction may be subject to rules and laws of governing bodies of such other jurisdictions and the Client shall be solely responsible for ensuring compliance with the laws of such other jurisdictions.
- 2.2 The provision of services under this Agreement is principally targeted for Hong Kong residents. Non-Hong Kong residents should ensure their legality and compliance under the laws and regulations of their relevant jurisdiction.

## **3. Transactions**

- 3.1 Unless otherwise specified in this Agreement or as Galaxy International Securities and/or Galaxy International Futures otherwise indicates or notifies in writing, Galaxy International Securities and/or Galaxy International Futures acts as agent of the Client and the Client acts as principal in effecting any and all Instructions given by the Client. Galaxy International Securities and/or Galaxy International Futures may in its sole discretion act as agent for any of its other clients in fulfilling any transaction for the Client and shall not be liable to account to the Client for any commission, remuneration, profit or other benefit resulting from the same.
- 3.2 The Client may give Galaxy International Securities and/or Galaxy International Futures and Galaxy International Securities and/or Galaxy International Futures may accept (but in its absolute discretion shall not be bound to accept) Instructions to buy and sell or otherwise deal in Securities on behalf of the Client.
- 3.3 The Client shall inform Galaxy International Securities and/or Galaxy International Futures if Instructions placed involves short selling. The execution of any short-selling order shall be subject to the Trading Policy as may be amended from time to time. Until and unless the Client provides Galaxy International Securities and/or Galaxy International Futures with prior written notice to the contrary, all Instructions given by the Client for the sale of Securities shall be long sales in the sense that the Client (i) owns the Securities in question or (ii) has a presently exercisable and unconditional right to vest the Securities in the relevant purchaser.
- 3.4 If the Client maintains more than one account with Galaxy International Securities and/or Galaxy International Futures and/or any member of the China Galaxy International, the Client shall clearly specify in his Instructions the account in respect of which such Instructions are being given. In the absence of such specification or where it is unclear to Galaxy International Securities and/or Galaxy International Futures which account is specified, Galaxy International Securities and/or Galaxy International Futures may refuse to act on such Instructions or may in its absolute discretion determine which account to apply such Instructions as it deems fit.
- 3.5 Galaxy International Securities and/or Galaxy International Futures has the right to demand any initial and subsequent deposits for any Transaction. Galaxy International Securities and/or Galaxy International Futures has the absolute discretion to refuse to effect any Instructions for any reason whatsoever, including but not limited to, circumstances where the Client has insufficient cleared funds and/or Securities in the Account to meet the minimum balance requirements set by Galaxy International Securities and/or Galaxy International Futures from time to time.
- 3.6 For any Instructions placed or Transactions executed, the Client shall observe and comply with the Trading Limit. If the Trading Limit

is exceeded, Galaxy International Securities and/or Galaxy International Futures may decline such Instructions and/or, without giving the Client prior notice, do any other act to ensure that the Trading Limit is not exceeded including, but not limited to, disposal of Securities in the Account.

- 3.7 Subject to the Governing Rules, the Client authorizes Galaxy International Securities and/or Galaxy International Futures to accept any Instructions in written, facsimile, verbal form or through Electronic Means. However, Galaxy International Securities and/or Galaxy International Futures has the sole discretion to insist Instructions be given in a particular manner on a case-by-case basis. The Client shall fully indemnify Galaxy International Securities and/or Galaxy International Futures and/or any member of the China Galaxy International on demand against all actions, liabilities, losses, costs, expenses which may be brought against, suffered or incurred by Galaxy International Securities and/or Galaxy International Futures arising from Galaxy International Securities' and/or Galaxy International Futures' reliance on such Instructions or communications.
- 3.8 The Client acknowledges that by reason of physical restraints on Exchanges and/or the OTC markets and rapid changes in the prices of Securities that frequently take place, there may on occasions be a delay in dealing and that the Galaxy International Securities and/or Galaxy International Futures may not be able to trade in Securities and/or Commodities/Futures Contracts/options contracts at the prices quoted therefor at any specific time or at "best" or at "market" value and/or Galaxy International Securities and/or Galaxy International Futures may not be able to execute the Client's orders at all. The Client further acknowledges that Galaxy International Securities and/or Galaxy International Futures shall not be liable for any loss arising by reason of its failing, or being unable to comply with any terms of any order of the Client or any Authorised Person on behalf of the Client. Where Galaxy International Securities and/or Galaxy International Futures is unable to perform any order in full, unless otherwise specifically instructed on the particular occasion concerned, Galaxy International Securities and/or Galaxy International Futures is entitled to effect partial performance of such order without prior reference to or confirmation from the Client.
- 3.9 The Client further acknowledges that in relation to OTC transactions (including but without limitation transactions in relation to pre-IPO securities), trades executed may be cancelled and void if the relevant Securities and/or Commodities subsequently fail to list on the Exchange. The Client acknowledges that Galaxy International Securities and/or Galaxy International Futures is acting as agent for the Client and does not guarantee the settlement of such OTC transactions (including but without limitation transactions in relation to pre-IPO Securities, which trades are done through other authorized broker). The Client acknowledges and agrees that Galaxy International Securities and/or Galaxy International Futures are bound by the terms and conditions from time to time agreed with such authorized broker when execute trades for the Client through such authorized broker and no prior notification will be given if there is any change in the terms agreed with such authorized broker. In the event that the Client buys Securities from a seller and such seller fails to deliver the relevant Securities, the Client will not be entitled to obtain the relevant Securities at the matched price and shall only be entitled to receive the money paid for the purchase of the relevant Securities; In the event that the Client sells the relevant Securities to a buyer and such buyer fails to deposit the necessary settlement amount to complete the transaction, the Client will not be entitled to obtain the sale proceeds at the matched price and shall only be entitled to get back the relevant Securities. Without prejudice to the above, the Client shall bear its own losses or expenses and shall be responsible to Galaxy International Securities and/or Galaxy International Futures for any losses and expenses resulting from its and/or its counterparty's settlement failures.
- 3.10 Unless the Client gives specific instructions to the Galaxy International Securities and/or Galaxy International Futures to the contrary, the Client acknowledges that all orders or requests are good for the day only and that they will lapse at the end of the official trading day of the Exchange in respect of which they are given. In the event that the Client gives specific instructions to Galaxy International Securities and/or Galaxy International Futures regarding the types of order and/or the range of prices of orders, whether such instructions are given orally, in writing, by facsimile and/or by electronic means, the Client acknowledges and agrees that he understands the consequences for the specific instructions and that he will be solely responsible for the specific instructions.
- 3.11 The Client shall accept facsimile or any Electronic Means (if provided by the Client) as a communication medium with Galaxy International Securities and/or Galaxy International Futures for data transmission and documentation. Subsequent request for paper copies of such information or documents may be subject to a handling fee as determined by Galaxy International Securities and/or Galaxy International Futures from time to time.
- 3.12 For any Instructions placed or Transactions executed, contract notes shall be provided by Galaxy International Securities and/or Galaxy International Futures to the Client in accordance with the Governing Rules and shall be conclusive and deemed accepted unless the Client duly informs Galaxy International Securities and/or Galaxy International Futures in writing to the contrary within three (3) Business Days of the date of the contract note.
- 3.13 Subject to the Securities and Futures Ordinance and any other applicable laws, rules and regulations, Galaxy International Securities and/or Galaxy International Futures may take the opposite position to orders of the Client whether it is on Galaxy International Securities' and/or Galaxy International Futures' own account or for the account of any China Galaxy International company or on behalf of other clients of Galaxy International Securities and/or Galaxy International Futures. Galaxy International Securities and/or Galaxy International Futures has the right to consolidate and/or disaggregate any Instructions to purchase and/or sell Securities and/or Commodities with other similar instructions placed by other clients of Galaxy International Securities and/or Galaxy International Futures or with Galaxy International Securities' and/or Galaxy International Futures' own orders. The Client acknowledges that such consolidation or disaggregation may result in the execution of the Client's Instructions at a price more or less favourable than that could have been achieved had the Instructions been executed individually. In the event of there being insufficient or excessive Securities and/or Commodities available to satisfy the consolidated purchase or sale order, priority shall be determined in accordance with the order in which individual instructions are received by Galaxy International Securities and/or Galaxy International Futures. The number of Securities actually purchased or sold (as the case may be) shall be allocated to each individual instruction with due

- regard to the Governing Rules, the order in which such instructions are received by Galaxy International Securities and/or Galaxy International Futures and fairness to Clients. The Client acknowledges and agrees that Galaxy International Securities and/or Galaxy International Futures may at any time determine at its absolute discretion the priorities of instructions for the best execution pricing.
- 3.14 The Client consents to Galaxy International Securities and/or Galaxy International Futures monitoring and/or recording all Instructions and/or any other communications between Galaxy International Securities and/or Galaxy International Futures and the Client or any of the Client's authorized persons placed or made through telephone, Electronic Means or otherwise. The Client agrees to accept the contents of any such recording as conclusive and binding.
- 3.15 Galaxy International Securities and/or Galaxy International Futures may purchase and/or sell Securities, Commodities/ Futures Contract and/or option contracts on the Client's behalf by placing instructions with itself, any member of the China Galaxy International or any of its or their clients, whether acting as principals, underwriters, investment managers, merchant or commercial banks, registered or licensed deposit takers, brokers, dealers or otherwise, or with any other brokers or dealers, as Galaxy International Securities and/or Galaxy International Futures may in its sole discretion decide. The Client consents to Galaxy International Securities and/or Galaxy International Futures effecting any Transactions with or through itself, any member of the China Galaxy International or any of its or their clients without prior disclosure to the Client on a case-by-case basis provided that such dealing is at a price and on terms no less favourable than that could reasonably have been effected with or through an independent third party. Neither Galaxy International Securities and/or Galaxy International Futures nor any member of the China Galaxy International shall be liable to account to the Client for any profit, commission or remuneration or other benefit resulting from such Transaction.
- 3.16 Galaxy International Securities and/or Galaxy International Futures has the right to direct any Instructions to other brokers or dealers for execution as Galaxy International Securities and/or Galaxy International Futures deems fit.
- 3.17 Unless otherwise determined by Galaxy International Securities, the Client agrees that when Galaxy International Securities has executed a purchase or sale Transaction on the Client's behalf, the Client will by the due settlement date make payment to Galaxy International Securities against delivery of or credit to the Client's Account for purchased Securities or make good delivery of sold Securities to Galaxy International Securities against payment (as the case may be). The Client is encouraged to transfer funds or other assets electronically on an SWT Day to meet trading needs and settlement or margin obligations in a timely manner. On an SWT Day, no physical settlement or delivery can be facilitated by Galaxy International Securities and/or Galaxy International Futures. If the Client fails to do so, Galaxy International Securities is authorized to transfer and sell any purchased Securities or to borrow or purchase any sold Securities to meet the Client's obligations hereunder and the Client shall be responsible for any loss, fees and expenses in connection with the Client's failure to meet such obligations by the due settlement date.
- 3.18 If the Client requests Galaxy International Securities to apply for Securities in a new issue for listing on any Exchange, the Client:
- (a) authorises Galaxy International Securities (or any member of the China Galaxy International) to make such application on the Client's behalf;
  - (b) warrants that the application for Securities made on the Client's behalf is the only application made or intended to be made for the Client's benefit or any person for whose benefit the Client has requested the application to be made;
  - (c) warrants that no other application is being made or is intended to be made by the Client or for the Client's benefit by any other person;
  - (d) authorises Galaxy International Securities (or such member of the China Galaxy International) to represent and warrant on the application form that no other application is being made or is intended to be made by the Client or for the Client's benefit by any other person;
  - (e) authorises Galaxy International Securities (or such member of the China Galaxy International) to disclose that the application made by Galaxy International Securities (or such member of the China Galaxy International) on the Client's behalf is the only application made or intended to be made for the Client's benefit or any person for whose benefit the Client has requested the application to be made;
  - (f) acknowledges that the representations, warranties and disclosure referred to above will be relied upon by Galaxy International Securities (or such member of the China Galaxy International) in making the application and by the issuer of the Securities in deciding whether or not to allot Securities to Galaxy International Securities (or such member of the China Galaxy International) on the Client's behalf;
  - (g) acknowledges that the Client is not a U.S. person (as defined under the United States Securities Act of 1933) nor a Specified U.S. persons as defined under FATCA and will not acquire or hold Securities beneficially owned by or for a U.S. person or in violation of any applicable law; and
  - (h) undertakes to indemnify Galaxy International Securities (in its own capacity and in its capacity as trustee for its officers (including directors), employees and agents) in full against any and all losses, damages, claims, liabilities, costs or expenses arising out of or in connection with any breach of this clause 3.17.
- 3.19 The Client shall pay the brokerage fee/ commission and all applicable levies, stamp duties, bank charges, transfer fees, interest, tariffs, exchange fees, taxes, communication charges, settlement charges, custodial fees, insurance fees, premiums, currency exchange costs, legal expenses and any other expenses or charges in respect of any Instructions or any Transactions or in respect of or otherwise arising from or relating to the Account. The brokerage fee/ commission shall be at such rate as may be determined by Galaxy International Securities and/or Galaxy International Futures and notified to the Client from time to time. Galaxy International Securities and/or Galaxy International Futures shall be entitled to deduct from the Account any and all amounts payable by the Client as they may become due.
- 3.20 The Client shall be liable for any taxes, charges, tax reporting and other responsibilities to relevant authorities of whatsoever

- jurisdiction to which the Client may be subject in respect of placing any Instructions and/or any activities relating to the Account. Galaxy International Securities and/or Galaxy International Futures has the right to dispose of or liquidate any Securities, instruments, other assets or positions, or apply monies, held in the Account, for the settlement of such liabilities at any time without prior notice to the Client.
- 3.21 The Client shall pay interest on all sums owing and all overdue balances in respect of the Account (including interest arising after a judgment debt is obtained against the Client) at such rates and on such terms as required by Galaxy International Securities and/or Galaxy International Futures from time to time.
- 3.22 The Account shall be maintained in Hong Kong dollars or such other currencies as may be required by Galaxy International Securities and/or Galaxy International Futures from time to time for operations or transactions. Galaxy International Securities and/or Galaxy International Futures shall have the right, without notice and in its absolute discretion and sole judgment, to convert any moneys from their existing currency into such other currency/currencies in the Account to fulfill any Obligations of the Client. If conversion of currency is required for the operation of the Account, the exchange rate shall be determined by Galaxy International Securities and/or Galaxy International Futures in its sole discretion with reference to the prevailing rates in the foreign exchange market. Any conversion from one currency into another required to be made for performing any action or step taken by Galaxy International Securities and/or Galaxy International Futures under this Agreement may be effected by Galaxy International Securities and/or Galaxy International Futures in such manner and at such time as it may in its absolute discretion decide. Any profit or loss arising as a result of a fluctuation in the exchange rate between such currency and Hong Kong dollars will be entirely for the account of the Client.
- 4. Authority to sell**
- 4.1 You authorise Galaxy International Securities to sell or arrange for the sale of any quantity of the Securities held on your behalf at such price and on such terms as Galaxy International Securities may determine in its absolute discretion if:
- (a) Galaxy International Securities receives any instruction from the Stock Exchange, the SFC, the Futures Exchange, the Clearing House, HKSCC, Hong Kong Exchanges and Clearing Limited and any other Regulators; or
  - (b) Galaxy International Securities is of the view that you are in breach or may be in breach of any Governing Rules, including without limitation to, rules and regulations of the Stock Exchange, the SFC, the Futures Exchange, the Clearing House, HKSCC, any other Regulators, and the laws of Hong Kong as may be amended, supplemented, modified or varied from time to time.
- 5. Product Recommendation and Own Judgment**
- 5.1 If Galaxy International Securities and/or Galaxy International Futures solicit the sale of or recommend any financial product to the Client, the financial product must be reasonably suitable for the Client having regard to the Client's financial situation, investment experience and investment objectives. No other provision of this agreement or any other document Galaxy International Securities and/or Galaxy International Futures may ask the Client to sign and no statement Galaxy International Securities and/or Galaxy International Futures may ask the Client to make derogates from this clause.
- 5.2 "Financial product" means any securities, futures contracts or leveraged foreign exchange contracts as defined under the SFO. Regarding "leveraged foreign exchange contracts", it is only applicable to those traded by persons licensed for Type 3 regulated activity.
- 6. Investor Compensation Fund**
- 6.1 If the Client suffers pecuniary loss by reason of Galaxy International Securities' and/or Galaxy International Futures' default as defined in Part XII of the Securities and Futures Ordinance the Client may make a claim under the Investor Compensation Fund established under the Securities and Futures Ordinance or any other Governing Rules but subject to such monetary limits and terms specified in the Securities and Futures (Investor Compensation – Compensation Limited) Rules. There can be no assurance that any pecuniary loss sustained by reason of such a default will necessarily be recouped from the Investor Compensation Fund in full, in part or at all.
- 7. Payments**
- 7.1 All sums payable by the Client shall be paid when due or on demand by Galaxy International Securities and/or Galaxy International Futures in immediately available and freely transferable funds to the account that Galaxy International Securities and/or Galaxy International Futures may specify from time to time and such sums payable by the Client may, at the discretion of Galaxy International Securities and/or Galaxy International Futures, be deducted from the Account.
- 8. Personal Data Protection**
- 8.1 The Client shall read, understand and accept the provisions relating to personal data protection as set out in Part K.
- 9. Set Off**
- 9.1 Subject to applicable laws, rules and regulations, including without limitation, the Securities and Futures (Client Money) Rules and Securities and Futures (Client Securities) Rules, Galaxy International Securities and/or Galaxy International Futures shall be entitled and authorized to, at any time or from time to time and without prior notice to the Client, notwithstanding any settlement of Account or other matter whatsoever, combine or consolidate all or any accounts of whatever type maintained by the Client with Galaxy International Securities and/or Galaxy International Futures or any member of the China Galaxy International, including the Account or to transfer or to allow any member of the China Galaxy International to transfer any funds or assets from the Account to set off any obligations or liabilities arising from any of those accounts. Where such set-off, consolidation, combination or transfer requires the

conversion of one currency into another, such conversion shall be calculated at the rate of exchange conclusively determined by Galaxy International Securities and/or Galaxy International Futures to be applicable. Any profit or loss arising as a result of a fluctuation in the exchange rate between such currency and Hong Kong dollars will be entirely for the account of the Client.

**10. Directorship, Employees And Accredited Persons**

10.1 The Client shall promptly notify Galaxy International Securities and/or Galaxy International Futures if (i) he is a director or employee or accredited person of an exchange participant of the Stock Exchange or a registered person of the SFC, or is acting as an intermediary for the Account or is otherwise associated therewith or (ii) he is associated with any employee or accredited persons of any member of the China Galaxy International.

**11. Disclaimer**

11.1 The Client agrees that Galaxy International Securities and/or Galaxy International Futures and its officers (including directors), employees and agents shall not be liable for any failure or delay in the performance of any of Galaxy International Securities' and/or Galaxy International Futures' obligations under this Agreement or for any losses caused directly or indirectly by any condition or circumstances over which Galaxy International Securities and/or Galaxy International Futures and its officers (including directors), employees or agents have no direct control including, but not limited to, any government restriction, war, strikes, natural disaster, severe weather, Exchange or market rulings, suspension of trading, default or delay of any counterparty, failure of electronic or mechanical equipment or communication lines, computer viruses, telephone or other connection problems, unauthorised access or theft.

11.2 None of Galaxy International Securities and/or Galaxy International Futures and its officers (including directors), employees nor agents shall be liable to the Client for any loss, damage or litigation costs resulting from any error of fact or judgment, or from action taken or inaction or omission or default by Galaxy International Securities and/or Galaxy International Futures and its officers (including directors), employees or agents, or from any consequences thereof whatsoever, save and except where such loss, damage or cost is suffered or incurred is finally proved by a competent court as a direct result of gross negligence or wilful default in the performance of Galaxy International Securities' and/or Galaxy International Futures' obligations under this Agreement.

**12. Power Of Attorney**

12.1 Galaxy International Securities and/or Galaxy International Futures as the case may be shall have full power as the true and lawful attorney of the Client to take any action and execute any instrument to achieve the purposes of the Account or any Instructions.

**13. Event Of Default**

13.1 Any of the following events shall constitute an Event Of Default:-

- (a) the Client's failure to provide sufficient funds, in any particular foreign currency as required by Galaxy International Securities and/or Galaxy International Futures, or Collateral or margin deposit (as the case may be) to Galaxy International Securities' and/or Galaxy International Futures' satisfaction from time to time for any Transaction or for the Account when due;
- (b) the death, insolvency or liquidation of the Client, the filing of a petition for bankruptcy or winding-up or the commencement of other analogous proceedings against the Client;
- (c) the levying of attachment against the Account;
- (d) the Client's default in the due performance or observance of any term of these Terms & Conditions;
- (e) in Galaxy International Securities' and/or Galaxy International Futures' absolute opinion, the occurrence of an adverse change in the assets or financial condition of the Client or the value of the Collateral (if applicable);
- (f) the termination of the Account or the objection of the Client to Galaxy International Securities' and/or Galaxy International Futures' alteration of (i) any term of the Terms & Conditions or (ii) the operation of the Account;
- (g) the Client's failure to meet any of the Obligations.
- (h) the Client's failure to provide sufficient information and/or documentations for Galaxy International Securities and/or Galaxy International Futures timely when Galaxy International Securities and/or Galaxy International Futures is requested to confirm the Client's FATCA/CRS status.

13.2 If an Event Of Default occurs, Galaxy International Securities and/or Galaxy International Futures shall (without prejudice to Galaxy International Securities' and/or Galaxy International Futures' any other rights against, and remedies from, the Client) be entitled to take any or all of the following actions:-

- (a) cancel all outstanding Instructions;
- (b) cancel all commitments made by Galaxy International Securities and/or Galaxy International Futures;
- (c) liquidate or cover all positions in the Account by any means;
- (d) suspend and/or close the Account;
- (e) appropriate or apply or realize or take possession of any credit balance, assets or Collateral (as the case may be) under the Account to offset and discharge any of the Obligations; and/or
- (f) charge default interest and/or handling fee as determined by Galaxy International Securities and/or Galaxy International Futures from time to time.
- (g) perform necessary withholding of taxes and reporting of the account to relevant tax authorities if Galaxy International Securities and/or Galaxy International Futures are required to do so in accordance with applicable laws, regulations, legislations, rules or codes binding on Galaxy International Securities and/or Galaxy International Futures .

**14. Indemnity**

14.1 The Client shall indemnify Galaxy International Securities and/or Galaxy International Futures and its officers (including directors), employees or agents on demand against any losses, costs, expenses, damages, claims, liabilities, expenses or demands that Galaxy



International Securities and/or Galaxy International Futures may suffer or incur arising out of or, by reason of, the performance of Galaxy International Securities' and/or Galaxy International Futures' obligations under this Agreement or due to any act or breach of the Client in connection with the Account and/or this Agreement, including costs reasonably incurred in collecting debts from the Client and in closing the Account.

**15. Termination**

- 15.1 The Account may be terminated by written notice given by Galaxy International Securities and/or Galaxy International Futures at any time and Galaxy International Securities and/or Galaxy International Futures shall not be obliged to give any reason for such termination. The Client may terminate the Account by written notice to Galaxy International Securities and/or Galaxy International Futures provided that the Account shall not be deemed terminated by the Client until Galaxy International Securities and/or Galaxy International Futures accepts the Client's written notice of termination. Such termination shall not prejudice Galaxy International Securities' and/or Galaxy International Futures' rights against or remedies from the Client for any debit balance to the Account and the interest accrued and to be accrued thereto. For the avoidance of doubt, the Client shall pay to Galaxy International Securities and/or Galaxy International Futures all amounts due to Galaxy International Securities and/or Galaxy International Futures (without any set-off or withholding) and Galaxy International Securities and/or Galaxy International Futures may deduct the same from the Account and refuse to deliver up any Securities, assets or funds in the Account unless and until the same has been duly satisfied.
- 15.2 To the extent permitted by law, Galaxy International Securities and/or Galaxy International Futures may at any time and from time to time amend any term of the Terms & Conditions by notice to the Client. If the Client does not accept such amendment the Client shall have the right to terminate the Account in accordance with this clause 15.

**16. Assignment**

- 16.1 The Client may not assign or otherwise part with any of his rights, interests or obligations hereunder except with the prior written consent of Galaxy International Securities and/or Galaxy International Futures.
- 16.2 The Client undertakes not to create any charge, pledge or encumbrance over the Account or any Securities or assets in the Account except as permitted under this Agreement nor to appoint any other person to manage or deal with the Account without first obtaining Galaxy International Securities' and Galaxy International Futures' consent in writing.
- 16.3 Subject to the Governing Rules, Galaxy International Securities and/or Galaxy International Futures shall be entitled, without prior consent of the Client, to assign, transfer, delegate or otherwise dispose of all or any of its rights, interests or obligations (or the performance thereof) in or under this Agreement to any person, firm or company as it thinks fit.
- 16.4 This Agreement shall be binding upon and ensure for the benefit of the Client and Galaxy International Securities and/or Galaxy International Futures and their respective successors, permitted assigns and personal representatives (as the case may be).

**17. General**

- 17.1 If any provision of this Agreement shall be held to be illegal, invalid, void or unenforceable by any court or regulatory body, such illegality, invalidity or unenforceability shall not affect the legality, validity or enforceability of the remaining provisions of this Agreement.
- 17.2 Any forbearance or failure or delay by Galaxy International Securities and/or Galaxy International Futures in exercising any right under this Agreement shall not be deemed to be a waiver of such right and any single or partial exercise of any right hereunder shall not preclude the future exercise thereof.
- 17.3 No provision of this Agreement shall operate to remove, exclude or restrict any rights of the Client or obligation of Galaxy International Securities and/or Galaxy International Futures under Hong Kong law.
- 17.4 If the Client consists of more than one party, all such parties shall be jointly and severally liable as the Client under this Agreement and references to the Client shall be construed as references to each of and/or any such parties. Unless terminated in accordance with this Agreement, the death of one joint Client does not operate to terminate this Agreement. Any notice, payment or delivery by Galaxy International Securities and/or Galaxy International Futures to either or any one of the joint Clients shall be full and sufficient discharge of Galaxy International Securities' and/or Galaxy International Futures' obligations to notify, pay or deliver under this Agreement. Galaxy International Securities and/or Galaxy International Futures is also authorized by the Client to carry out Instructions from either or any one of the joint Clients.
- 17.5 This Agreement, including any schedules and appendices (as may be amended from time to time), contains the entire understanding between the Client and Galaxy International Securities and/or Galaxy International Futures and supersedes all previous agreements and arrangements (if any) made between Galaxy International Securities and/or Galaxy International Futures (as the case may be) and the Client in relation to the Account.
- 17.6 The Client confirms that this Agreement, including the Risk Disclosure Statements, has been provided and explained to the Client in English and/or Chinese, which is the language of the Client's choice. In the event that there is any inconsistency between the English version and the Chinese version of this Agreement, the English version shall prevail.
- 17.7 The Client hereby warrants, represents and undertakes to Galaxy International Securities and/or Galaxy International Futures that:-  
(a) he is entering into this Agreement as a principal and is not trading on behalf of any other person unless Galaxy International

- Securities and/or Galaxy International Futures is notified otherwise in writing;
- (b) the Client will be the ultimate originator of all Transactions and is dealing on its own account as beneficial owner of the relevant Securities and/or Commodities and the Account and that no one other than the Client has any interest in the Securities and/or Commodities in or held for the Account save that where the Account is opened by the Client acting as an agent, and the same is disclosed in the Account Application Form, the Client shall not be taken to warrant or represent that it is the beneficial owner and shall in lieu represent and warrant that the beneficial owner is as advised in the Account Application Form;
  - (c) he has the full power and authority to enter into and perform his obligations as contained in this Agreement and confer on Galaxy International Securities and/or Galaxy International Futures such authorities as are necessary to enable Galaxy International Securities and/or Galaxy International Futures to perform under this Agreement and any agreement supplemental hereto will be binding upon him;
  - (d) upon execution by the Client, this Agreement constitutes a valid and legally binding agreement on the Client enforceable in accordance with its terms;
  - (e) this Agreement and its performance and the obligations contained herein do not and will not:
    - (i) contravene any existing applicable law, statute, ordinance, rule or regulation or any judgement, decree or permit to which the Client is subject; or
    - (ii) conflict with or result in any breach of the terms of or constitute any default under any agreement or other instrument to which the Client is a party or is subject or by which any of the Client's property is bound, or
    - (iii) (if the Client is a company) contravene or conflict with any provision of the Client's memorandum and articles of association or articles of incorporation or by-laws as appropriate and as the case may be.
  - (f) Unless Galaxy International Securities and/or Galaxy International Futures is/are specifically notified to the contrary at the time of the Client's placing Instructions, he is not, or in the case where the Client is a company or body corporate, none of the Client's officers are a connected person (as defined in the Rules Governing the Listing of Securities on the Stock Exchange and/or the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange, as the case may be) of the issuer of the securities which are or are directly relevant to the subject of these instructions.

**18. General Disclosure on Foreign Account Tax Compliance Act**

- 18.1 Under the U.S. Foreign Account Tax Compliance Act, or FATCA, all non-United States entities in a broadly defined class of financial institutions (FIs), are required to comply with an expansive documentation and reporting regime, or, beginning from July 1, 2014, be subject to a 30% United States withholding tax on certain U.S. payments constituting "withholdable payments" (beginning in 2017, a 30% withholding tax applies to gross proceeds from the sale of assets which could produce withholdable payments and foreign passthru payments). Certain passive non-U.S. entities which are not FIs are required to either certify they have no substantial U.S. beneficial ownership or report certain information with respect to their substantial U.S. beneficial ownership, or, beginning from July 1, 2014, become subject to the same 30% U.S. withholding tax as described above. The reporting obligations imposed under FATCA generally require FIs to obtain and disclose information about certain clients to the United States Internal Revenue Service (IRS).
- 18.2 The impact of FATCA on FIs in a specific country may be modified by an intergovernmental agreement (IGA) between the United States and that country. The United States has entered into an IGA with Hong Kong (Hong Kong IGA).
- 18.3 A Hong Kong IGA should apply to the Galaxy International Securities and/or Galaxy International Futures as it is resident in Hong Kong. Under the Hong Kong IGA, the Galaxy International Securities and/or Galaxy International Futures is obligated to apply prescribed due diligence procedures, and report "U.S. Accounts" and account information with respect to "Nonparticipating Financial Institutions" to the IRS.
- 18.4 Client may be requested to provide a self-certification or other documentation to the Galaxy International Securities and/or Galaxy International Futures in order to establish their tax residence. Furthermore, if there is any change in circumstances that would affect the Client's tax residence statuses or there is reason for the Galaxy International Securities and/or Galaxy International Futures to know that the self-certification is incorrect or unreliable, a new self-certification and/or additional documentation may be required from the Client.

**19. FATCA Compliance**

- 19.1 Client shall confirm that all the information and documents provided in connection with the Account Opening application are true, correct, complete, and not misleading. Client undertakes to notify Galaxy International Securities and/or Galaxy International Futures promptly and within 30 days of such change in writing with updated information and documents whenever there is any change in such information or documents.
- 19.2 Galaxy International Securities and/or Galaxy International Futures reserves the right to request and the Client has the obligation and agrees to provide to the Galaxy International Securities and/or Galaxy International Futures additional documentary evidence to validate the U.S. or non-U.S. status for FATCA purposes by Galaxy International Securities and/or Galaxy International Futures before account opening and during the course of relationship .
- 19.3 If Client fails to provide Galaxy International Securities and/or Galaxy International Futures with any information requested or to take action as is specified by Galaxy International Securities and/or Galaxy International Futures in the Agreement within the time period specified, Galaxy International Securities and/or Galaxy International Futures shall be entitled to reach whatever conclusions Galaxy International Securities and/or Galaxy International Futures considers to be appropriate and Galaxy International Securities and/or Galaxy International Futures reserves the right to close the Client's Account or classify the Client's Account as "non-consenting" or "non-participating FFI" and/or execute applicable withholding and reporting under FATCA regulations.

- 19.4 Client hereby agrees that it is reasonable and appropriate for Galaxy International Securities and/or Galaxy International Futures or its subsidiaries/affiliates to collect, gather, store, use, process, disclose and report the client information. Client agree to the sharing of the client information, together with any other information collected by Galaxy International Securities and/or Galaxy International Futures in respect of this Account Application Form, with its subsidiaries/affiliates and also with the relevant government/tax authorities, service providers or counterparties, based on the relevant tax/legal requirements and subject to all applicable laws and regulations. The process together with the related data processes may involve a transfer of information outside the Hong Kong Special Administrative Region and may also involve the transfer of data through intermediaries, service providers, counterparties or government bodies/ authorities. If a payee or any third party information is involved in any of the transfer, Client agrees that Client has obtained all necessary consent from all such relevant parties in providing the above.
- 20. Excluding Third Party Rights**
- 20.1 Except as expressly provided for in this agreement, any person who is not a party to this agreement shall not have any rights under the Contracts (Rights of Third Parties) Ordinance (Cap 623 of the Laws of Hong Kong) to enforce or enjoy the benefit of any term of this agreement. Notwithstanding any provision of this agreement, the rights of the parties to terminate, rescind, or agree on any variation, waiver, or settlement under this agreement are not subject to the consent of any third party at any time.
- 21. General Disclosure on Common Reporting Standard**
- 21.1 CRS is promulgated by the Organization for Economic Co-operation and Development ("OECD") to facilitate the exchange of financial account information between relevant jurisdictions around the globe in an international and standardized manner. As part of different countries' commitment in the global AEOI efforts in enhancing tax transparency and combatting cross-border tax evasion, governments worldwide have enacted local legislations to implement CRS through their respective local laws.
- 21.2 CRS regulations requires financial institutions to perform due diligence on the account holders, obtain certain information from the account holders (including, but not limited to, tax residency and tax identification number etc.) and report information on any reportable accounts to the applicable tax authorities. They will then exchange the information collected with jurisdictions that have a Competent Authority Agreement ("CAA") with the local jurisdictions on an annual basis, to support tax compliance of partner jurisdictions and assist tax authorities of partner jurisdictions identify and take follow-up action against taxpayers who have not properly disclosed their offshore financial assets / income in their local jurisdictions.
- 21.3 Under CRS regulations, all financial institutions (except those exempted) in Hong Kong are required by law to perform due diligence on account holders and to obtain self-certifications and/or further information, if needed, from account holders in order to document the tax status of the account holders.
- 22. CRS Compliance**
- 22.1 Client shall confirm that all the information and documents provided in connection with the Account Opening application are true, correct, complete, and not misleading. Client undertakes to notify Galaxy International Securities and/or Galaxy International Futures promptly and within 30 days of such change in writing with updated information and documents whenever there is any change in such information or documents.
- 22.2 Galaxy International Securities and/or Galaxy International Futures reserves the right to request and the Client has the obligation and agrees to provide to the Galaxy International Securities and/or Galaxy International Futures additional documentary evidence to validate the tax status for CRS purposes by Galaxy International Securities and/or Galaxy International Futures before account opening and during the course of relationship.
- 22.3 If Client fails to provide Galaxy International Securities and/or Galaxy International Futures with any information requested or to take action as is specified by Galaxy International Securities and/or Galaxy International Futures in the Agreement within the time period specified, Galaxy International Securities and/or Galaxy International Futures shall be entitled to reach whatever conclusions Galaxy International Securities and/or Galaxy International Futures considers to be appropriate and Galaxy International Securities and/or Galaxy International Futures reserves the right to close the Client's Account or classify the Client's Account as "undocumented accounts" and/or execute applicable reporting under CRS regulations.
- 22.4 Client hereby agrees that it is reasonable and appropriate for Galaxy International Securities and/or Galaxy International Futures or its subsidiaries/affiliates to collect, gather, store, use, process, disclose and report the client information. Client agree to the sharing of the client information, together with any other information collected by Galaxy International Securities and/or Galaxy International Futures in respect of this Account Application Form, with its subsidiaries/affiliates and also with the relevant government/tax authorities, service providers or counterparties, based on the relevant tax/legal requirements and subject to all applicable laws and regulations. The process together with the related data processes may involve a transfer of information outside the Hong Kong Special Administrative Region and may also involve the transfer of data through intermediaries, service providers, counterparties or government bodies/ authorities. If a payee or any third party information is involved in any of the transfer, Client agrees that Client has obtained all necessary consent from all such relevant parties in providing the above.
- 23. Anti-Bribery**
- 23.1 Each party hereby undertakes not to commit any form of bribery and corruption whether by itself, its directors, officers, employees or agents (if applicable) at all times in connection with and throughout the course of this Agreement and thereafter, whether in Hong Kong or elsewhere. Both party confirm and acknowledge that they must comply with the Prevention of Bribery Ordinance (POBO) of Hong Kong. They must not offer, promise, give, authorize, solicit or accept any undue pecuniary or other advantage of any kind (or implied that they will or might do any such thing in future) in any way connected with this Agreement and/or the services provided

hereunder.

## **PART C – ADDITIONAL TERMS FOR SECURITIES CASH ACCOUNT OPENED WITH GALAXY INTERNATIONAL SECURITIES**

### **1. Introduction**

1.1 This Part is supplemental to the General Terms and applies to Securities Cash Account opened with Galaxy International Securities.

### **2. Custody Over Securities**

2.1 Securities in respect of the Securities Cash Account which are Securities listed or traded on the Stock Exchange or interests in a collective investment scheme authorised by the SFC shall be deposited in safe custody in a segregated account which is designated as a trust account or client account maintained in Hong Kong by Galaxy International Securities or an Associated Entity of Galaxy International Securities with an authorised financial institution, a custodian approved by the SFC for providing custodian facilities or another intermediary licensed for dealing in securities or registered in the name of the Client or in the name of the Associated Entity.

2.2 Securities in respect of the Securities Cash Account which are not Securities listed nor traded on the Stock Exchange nor are interests in a collective investment scheme authorised by the SFC shall be dealt with according to the applicable Governing Rules.

2.3 Galaxy International Securities will credit any dividends or other amounts received by or for the Client or arising from the Securities received on behalf of the Client to the Securities Cash Account after deduction of any fees and/or handling charges determined by Galaxy International Securities from time to time.

2.4 If Galaxy International Securities is required at any time to make delivery or return any Securities to the Client, it shall be sufficient if Galaxy International Securities delivers or returns Securities of the same class and relevant nominal amount (subject to any capital reorganization of the company to which the Securities relate).

2.5 Galaxy International Securities has the right to hold all Securities and assets or other property in the Securities Cash Account as a continuing security for the payment and/or discharge of the Obligations of the Client arising from any Transaction. Galaxy International Securities further has the right to appropriate or dispose of all or part of the Securities or assets or other property held under the Securities Cash Account for the settlement of any Obligations.

2.6 Galaxy International Securities or its nominee may, but is not obliged to, exercise the voting rights attached to the Securities in accordance with the Client's Instructions.

### **3. Interest On Trust Money**

3.1 Galaxy International Securities has the right to retain for itself any and all interest accrued on any amount in any trust account or any account established by Galaxy International Securities for the Securities Cash Account unless the Client is notified by Galaxy International Securities to the contrary. Any interest earned will be at such rate and on such terms as may be determined by Galaxy International Securities from time to time.

## **PART D – ADDITIONAL TERMS FOR SECURITIES MARGIN ACCOUNT OPENED WITH GALAXY INTERNATIONAL SECURITIES**

### **1. Introduction**

1.1 This Part is supplemental to the General Terms and applies to Securities Margin Account opened with Galaxy International Securities.

1.2 The Client acknowledges that Galaxy International Securities has certain rights when any amount in the Securities Margin Account becomes due and payable by the Client including with respect to enforcing the Collateral as set out in Clause 5 of this Part D below.

### **2. Activities Under The Securities Margin Account**

2.1 Galaxy International Securities will only provide Financial Accommodation to the Client for the purpose of the acquisition or the continued holding of Securities and the Client may not withdraw funds under such facility for any other purposes.

2.2 The Client agrees that Galaxy International Securities is under no obligation at any time to provide or continue to provide any Financial Accommodation or to make any advances. For the avoidance of doubt, if a debit balance arises on the Client's Securities Margin Account or any other margin account held with any member of the China Galaxy International, Galaxy International Securities shall not be, nor shall it be deemed to be, obliged to make, provide or continue to provide Financial Accommodation. For instance, but without limitation, the fact that Galaxy International Securities permits a debit balance to arise in any margin account shall not imply any obligation on the part of Galaxy International Securities to advance monies or incur any obligation on the Client's behalf on any subsequent occasion, but without prejudice to the Client's Obligations in respect of any debit balance which Galaxy International Securities has permitted to arise.

### **3. Authorization To Galaxy International Securities**

- 3.1 The Client authorizes Galaxy International Securities to do the following acts and things relating to the Securities Margin Account at the sole discretion of Galaxy International Securities:-
- (a) to deposit into or transfer payment to and from the Securities Margin Account whether to settle any outstanding payments or to effect any set off;
  - (b) to draw on any credit balance in the Securities Margin Account, including the disposal of any Collateral or other Securities or other assets held for or on the Client's behalf for the settlement of any Obligations owed by the Client to Galaxy International Securities, a member of the China Galaxy International or any third party;
  - (c) to ask for and receive from any member of the China Galaxy International all information relating to the status of any account maintained with such member of the China Galaxy International.
- 3.2 Galaxy International Securities shall have the right in its sole discretion to do any of the following provided standing authority is obtained from the Client:
- (a) to withdraw or take possession of the Collateral and to pledge, charge, dispose of and realise all or part of the Collateral;
  - (b) to deposit any Collateral with or lend any Collateral to an authorized institution or a licensed dealer or such other party permitted by the Governing Rules as collateral for Financial Accommodation provided to Galaxy International Securities or for the discharge or satisfaction of Galaxy International Securities' settlement obligations and liabilities; and
  - (c) (i) to apply any Securities or Collateral pursuant to a securities borrowing and lending agreement which shall be under arm's length commercial terms equivalent to the market standard terms set out in the International Securities Lending Association Global Master Securities Lending Agreement (the "GMSLA") which shall,
    - (a) include a commercially reasonable valuation mechanism to value securities equivalent to the Securities or Collateral borrowed by Galaxy International Securities where Galaxy International Securities is unable to return such Securities or Collateral, as applicable; and
    - (b) in contrast to the market standard terms of the GMSLA, not entitle the Client to receive any cash or equivalent securities collateral from Galaxy International Securities in return for permitting Galaxy International Securities to borrow the Securities or Collateral.
- (ii) Where the Securities or Collateral are applied to such securities borrowing and lending agreement the Client acknowledges the following:
- (A) the Client has read and understood Part 3 of the Risk Disclosure Statements – "Risk of providing an authority to repledge your securities collateral" set out at the outset of these Terms and Conditions;
  - (B) the Client understands that there is risk that in the event of Galaxy International Securities becoming subject to insolvency, bankruptcy, liquidation, administration, moratorium, reorganisation and/or similar laws generally affecting the rights of creditors, the Client may become an unsecured creditor of Galaxy International Securities with respect to the securities borrowing and lending agreement which may result in the Client receiving either (a) only a small percentage or (b) none of (i) the securities equivalent to the Securities and/or Collateral borrowed, and/or (ii) any cash sum equal to the value of the securities equivalent to the Securities and/or Collateral borrowed which may be owed to the Client by Galaxy International Securities;
  - (C) the Client is aware of the length of term of any standing authority into which it enters with Galaxy International Securities, and that such standing authority may be deemed renewed without the Client's written consent if Galaxy International Securities issues the Client a reminder at least 14 days prior to the expiry of any existing authority and the Client does not object to the renewal before the expiry date of the existing authority; and
  - (D) the Client is aware that it can open a Securities Cash Account with Galaxy International Securities whereby the Client's Securities or Collateral will not be applied to any securities borrowing and lending arrangement. A Securities Cash Account may only be opened in the event that there is no Margin Facility provided to the Client in accordance with this Agreement.
- 4. Custody Over Securities And Securities Collateral**
- 4.1 The Client agrees to pay Galaxy International Securities and/or deposit at all times sufficient Collateral in such form and of such amounts as required by Galaxy International Securities from time to time for the procurement of the Margin Facility.
- 4.2 The Client warrants and represents that the Collateral shall be free from all encumbrances other than that constituted under the Securities Margin Account and that the Client is lawfully entitled to create security over them in favour of Galaxy International Securities.
- 4.3 Securities in respect of the Account which are Securities listed or traded on the Stock Exchange or interests in a collective investment scheme authorised by the SFC and not deposited with Galaxy International Securities as Collateral shall be deposited in safe custody in a segregated account which is designated as a trust account or client account maintained in Hong Kong by Galaxy International Securities or an Associated Entity of Galaxy International Securities with an authorised financial institution, a custodian approved by the SFC for providing custodian facilities or another intermediary licensed for dealing in securities or registered in the name of the Client or in the name of the Associated Entity of Galaxy International Securities.
- 4.4 Securities in respect of the Account which are deposited as Collateral and are Securities listed or traded on the Stock Exchange or are

interests in a collective investment scheme shall be deposited in safe custody in a segregated account which is designated as a trust account or client account maintained in Hong Kong by Galaxy International Securities or an Associated Entity of Galaxy International Securities with an authorised financial institution, a custodian approved by the SFC for providing custodian facilities or another intermediary licensed for dealing in securities or registered in the name of the Client, the name of Galaxy International Securities or the name of an Associated Entity of Galaxy International Securities.

- 4.5 Securities in respect of the Account, including Securities deposited as Collateral with Galaxy International Securities which are not listed nor traded on the Stock Exchange nor are interests in a collective investment scheme shall be dealt with according to the applicable Governing Rules.
- 4.6 Galaxy International Securities will credit any dividends or other amounts received by or for the Client or arising from the Collateral and other Securities received on behalf of the Client to the Securities Margin Account after deduction of any fees and/or handling charges determined by Galaxy International Securities from time to time. Dividends or other amounts derived from Collateral may, at Galaxy International Securities' discretion, be considered as Collateral.
- 4.7 Galaxy International Securities or its nominee may, but is not obliged to, exercise the voting rights attached to the Securities (including Collateral) in accordance with Client's Instructions.
- 4.8 If Galaxy International Securities is required at any time to make delivery of or return any Securities, including any Collateral to the Client, it shall be sufficient if Galaxy International Securities delivers or returns Securities or property of the same class and relevant nominal amount.
- 4.9 Subject to Clause 4.10 in this Part D below, (i) Galaxy International Securities has the right to hold all Collateral and any Securities, assets or other property in the Securities Margin Account as a continuing security for the payment and/or discharge of the Obligations of the Client arising from any Transaction or any matter relating to the Account or any amounts owing to Galaxy International Securities or any member of the China Galaxy International, and (ii) Galaxy International Securities further has the right to appropriate or dispose of all or part of the Collateral, Securities, assets or other property held under the Securities Margin Account for the settlement of any Obligations.
- 4.10 Where any Securities or Collateral is applied to a securities borrowing and lending agreement pursuant to Clause 3.2(c) of this Part D above, Galaxy International Securities' right to (i) continuing security over all Collateral and Securities in the Securities Margin Account, and (ii) appropriate or dispose of all or part of Collateral or Securities held under the Securities Margin Account set out in Clause 4.9 to this Part D above shall cease immediately prior to such Securities or Collateral being applied to the securities borrowing and lending agreement.

## **5. Enforcement Of Collateral**

- 5.1 Galaxy International Securities has the right without prior notice or consent from the Client, to dispose of or otherwise deal with any part of the Collateral in its absolute discretion when any amount in the Securities Margin Account has become due and payable. In the event of any deficiency after disposal of the Collateral, the Client shall make good and pay on demand to Galaxy International Securities such deficiency.
- 5.2 Cash in the Securities Margin Account and any proceeds from the disposal of Collateral shall be applied in the following order: (a) in payment of all costs, charges, legal and other fees and expenses including stamp duty, commission and brokerage properly incurred in transferring or perfecting title of any part of the Collateral; (b) in payment of the interest for the time being accrued and due; (c) towards the payment of the amount due (other than the interest) under the Securities Margin Account; (d) towards the payment of all or part of the amount due by the Client to any member of the China Galaxy International; and (e) the residue, if any, shall be paid to the Client or his order.
- 5.3 Galaxy International Securities may resort to other means of obtaining payment or securing performance as it thinks fit without affecting the security created herein.
- 5.4 The Client shall pay or reimburse Galaxy International Securities immediately upon demand all costs, charges and expenses incurred by Galaxy International Securities in connection with the enforcement of or the preservation of any of the rights of Galaxy International Securities under the Securities Margin Account including but not limited to the legal fees and collection expenses incurred by Galaxy International Securities on a full indemnity basis.

## **6. Interest**

- 6.1 Galaxy International Securities may charge interest on any loans or facilities made under or available for the Securities Margin Account on a daily basis at such rate as may be determined by Galaxy International Securities from time to time subject to any applicable laws.
- 6.2 Galaxy International Securities will notify the Client of the interest rate and the arrangements regarding collection of interest from time to time. The interest rate and arrangements for collection shall be subject to change at Galaxy International Securities' discretion and shall be binding on the Client.
- 6.3 Galaxy International Securities has the right to retain for itself any and all interest accrued on any amount in any trust account or any account established by Galaxy International Securities for the Securities Margin Account unless the Client is notified by Galaxy

International Securities to the contrary. Any interest earned shall be at such rate and on such terms as may be determined by Galaxy International Securities from time to time.

## **PART E – ADDITIONAL TERMS FOR FUTURES ACCOUNT OPENED WITH GALAXY INTERNATIONAL FUTURES**

### **1. Introduction**

- 1.1 This schedule is supplemental to the General Terms and applies to Futures Account opened with Galaxy International Futures.

### **2. Orders And Instructions**

- 2.1 The Client hereby authorizes Galaxy International Futures to sell and/or purchase Futures Contracts and/ or options contracts traded on the Futures Exchange and/or the Exchange for and on behalf of the Client pursuant to his Instructions given in accordance with clause 2.2 of this Part E.
- 2.2 The Client may give Instructions to effect Transactions or for transfer or withdrawal of funds in the Futures Account orally, in writing (including but not limited to telex, fax or electronic mail) or through any Electronic Means as approved by Galaxy International Futures from time to time and must quote the Futures Account's name, number or other forms of identification as Galaxy International Futures may designate. The Client's Instructions shall be irrevocable unless Galaxy International Futures expressly agrees otherwise and shall only be effective upon actual receipt by Galaxy International Futures. Unless otherwise disclosed herein or to the Client in writing, Galaxy International Futures is acting solely as broker to any Transactions made with Galaxy International Futures by the Client and does not trade on its own discount. Save as aforesaid, Galaxy International Futures shall have the right (at the absolute discretion of Galaxy International Futures, and without assigning any reason thereof) to refuse to act for the Client in any particular Transaction and shall not in any circumstances whatsoever be liable in any way for any loss of profit or gain, damage, liability, cost or expense suffered or incurred by the Client arising out of or in connection with Galaxy International Futures declining to act on such Instruction.
- 2.3 The Client also agrees not to exceed the position limits set by any Regulators as well as limits established by the Futures Exchange, other Exchanges and boards of trade for the Client's Account, acting alone or in concert with others, and to promptly advise Galaxy International Futures if the Client is required to file reports of the Client's positions with the Securities and Futures Commission, the Futures Exchange, the Clearing House or other similar regulatory authority.
- 2.4 The Client acknowledges the right of Galaxy International Futures to limit the number of open positions the Client may maintain or acquire through Galaxy International Futures at any time.
- 2.5 The Client acknowledges that Galaxy International Futures is bound by Rules 630 and 632 of the Futures Exchange which permits the Chief Executive of the Futures Exchange to take steps to limit positions or require the Closing Out of Exchange Contracts on behalf of such clients who in the opinion of the Chief Executive are accumulating positions which are or may be detrimental to any particular market or markets or which are or may be capable of adversely affecting the fair and orderly operation of any market or markets as the case may be.
- 2.6 The Client may from time to time instruct Galaxy International Futures to enter into any Futures Contract and/ or options contract traded on the Futures Exchange and/or the Exchange on behalf of the Client and Galaxy International Futures shall be entitled in its absolute discretion but not bound to accept such Instruction. Any such Instruction shall be transmitted at the risk of the Client. Where following the sale of any Securities, Commodities or other properties by Galaxy International Futures at the direction of the Client (including any short sale effected for the Client) Galaxy International Futures shall be unable to deliver the same to the purchaser by reason of the Client's failure to supply Galaxy International Futures therewith the Client authorizes Galaxy International Futures to borrow and/or do anything necessary to make delivery of any Securities, Commodities or other properties and the Client hereby agrees to guarantee, indemnify and hold Galaxy International Futures harmless against any loss which Galaxy International Futures may sustain thereby including any costs associated with borrowing and/or doing anything necessary to make delivery of any such Securities, Commodities or other properties, any premiums which Galaxy International Futures may be required to pay, or for any loss which Galaxy International Futures may sustain where Galaxy International Futures is unable to deliver the Securities, Commodities or other properties sold.
- 2.7 The Client acknowledges that subject to the provisions of the Securities and Futures Ordinance, and any applicable law, Galaxy International Futures may take the opposite position to the Client's order in relation to any Futures Contract and/ or options contract traded on the Futures Exchange and/or the Exchange, whether for Galaxy International Futures' own account, for the account of any member of the China Galaxy International or for the account of other clients of Galaxy International Futures, provided that such trade is executed competitively on or through the facilities of the Futures Exchange and/or the Exchange in accordance with the rules and regulations and procedures of the Futures Exchange and/or the Exchange or the facilities of any other commodity, futures or options exchange in accordance with the rules and regulation of such other exchange.
- 2.8 If Galaxy International Futures or its agent (as the case may be) shall for any reason whatsoever and howsoever fail to receive payment of all or any part of any amount or delivery of all or any part of any amount of any Commodity (whether from the relevant Exchange and/or Clearing House and/or any other person) due to be paid or delivered to the Client in respect of any Futures Contract or options contract traded on the Futures Exchange and/or the Exchange entered into by Galaxy International Futures on behalf of the Client on the due date for payment or delivery thereof in accordance with the rules and regulations of the relevant Exchange and/ or Clearing House and/ or any applicable laws, Galaxy International Futures' obligations to make payment or to deliver any Commodity to the Client in respect of such Futures Contract or options contract traded on the Futures Exchange and/or the Exchange shall thereupon

and by virtue of such failure become obligations to make payment of such amount or delivery of such amount of such Commodity as is equal to such payment or such amount as is actually received by Galaxy International Futures in respect hereof.

- 2.9 Galaxy International Futures shall be entitled, in its absolute discretion, but shall not be bound to act on any Instruction from the Client to take any action whatsoever or howsoever against any Exchange and/or Clearing House and/or any other person in respect of any failure by such Exchange and/or Clearing House and/or other person to make any payment or to deliver any amount of any Commodity in respect of any Futures Contract or options contract traded on the Futures Exchange and/or the Exchange entered into by Galaxy International Futures on behalf of the Client as provided in clause 2.8 of this Part E provided that if any such action is taken by Galaxy International Futures, the Client shall indemnify Galaxy International Futures, its directors, officers, employees and agents in respect of all costs, claims, demands, damages and expenses arising out of or in connection with the taking of such action.
- 2.10 If Galaxy International Futures or its agent is not able to enter into the number of Futures Contracts or options contracts traded on the Futures Exchange and/or the Exchange which are specified in any such Instruction, Galaxy International Futures or its agent may enter into any lesser number of such Futures Contracts or options contracts traded on the Futures Exchange and/or the Exchange as it may in its absolute discretion determine and the Client shall be bound by such Futures Contracts or options contracts traded on the Futures Exchange and/or the Exchange so entered into provided that Galaxy International Futures or its agent (as the case may be) shall not have any obligation or liability whatsoever and howsoever in respect of any Futures Contract or options contract traded on the Futures Exchange and/or the Exchange specified in such Instruction which have not been entered into.
- 2.11 Galaxy International Futures may, for the purpose of carrying out any Instruction given by the Client, contract with or otherwise deal with or through any other agent, including any person or party associated in any manner with Galaxy International Futures or any member of the China Galaxy International on such terms and conditions as Galaxy International Futures may in its absolute discretion determine. Galaxy International Futures or any member of the China Galaxy International may be the counterparty to any transaction effected by Galaxy International Futures on the Client's behalf.
- 2.12 The Client shall, forthwith upon request by Galaxy International Futures, supply to Galaxy International Futures in relation to any Futures Contract or options contract traded on the Futures Exchange and/or the Exchange entered into by Galaxy International Futures on its behalf such information in relation to the delivery and/or settlement and/or (in the case of an options contract traded on the Futures Exchange) exercise of any such Futures Contract or options contract traded on the Futures Exchange and/or the Exchange which has not been Closed Out or, as the case may be exercised, as Galaxy International Futures may request.
- 2.13 Any statement or confirmation issued by Galaxy International Futures stating the price or value at which any Futures Contract or options contract traded on the Futures Exchange and/or the Exchange is entered into or Closed Out, or the exchange rate applicable in any currency conversion, or the amount owing by the Client to Galaxy International Futures at any given time, shall (in the absence of manifest error) be binding on the Client as to the particulars stated.
- 2.14 Every Futures Contract entered into by Galaxy International Futures on behalf of the Client is made on the understanding that both Galaxy International Futures and the Client contemplate actual performance thereof and, as between Galaxy International Futures and the Client, shall be deemed to contain obligations on the Client and Galaxy International Futures to make settlement of such contract and/or delivery of the Commodity the subject matter of such contract, as the case may be. In respect of Open Contracts maturing in a current futures month, the Client shall at least one (1) business day before the cut-off date for the tender of exercise instructions prescribed by the writer of the Futures Contract and/or options contract or the relevant Exchange, Clearing House, or other person(s) (whichever prescribes the earliest cut-off date), either give instructions to Galaxy International Futures to close out the same or deliver to Galaxy International Futures all monies or Commodities deliverable by the Client under such contracts in order to enable due settlement of such contracts by Galaxy International Futures in accordance with the rules of the applicable Exchange or Clearing House. If the Client fails to provide Galaxy International Futures with such instructions, monies or Commodities on or before the aforesaid deadline, Galaxy International Futures may without notice either close out the relevant contracts or make or receive delivery on behalf of the Client upon such terms and by such methods as Galaxy International Futures may in its absolute discretion determine. The Client shall keep Galaxy International Futures indemnified in respect of all costs, losses, claims, penalties, fines, taxes, damages and expenses incurred by Galaxy International Futures as a result of action taken by Galaxy International Futures in connection with any delivery, exercise or settlement effected pursuant to the terms of this clause 2.14, save as the same may arise as a consequence of the gross negligence, willful default or fraud of Galaxy International Futures.
- 2.15 The Client authorises Galaxy International Futures to instruct overseas brokers and dealers to execute transactions in overseas Securities and/or Commodities and/or Future Contracts and/or options contracts in such terms and at such times as in Galaxy International Futures' discretion deems fit and acknowledges that the terms of business of such overseas brokers and dealers shall apply to such transactions and the Client agrees to be bound by such terms.

### 3. **Lien And Power Of Sale**

- 3.1 Without prejudice and in addition to any powers, authorities, rights, remedies, general lien, right of set off or similar right to which Galaxy International Futures may be entitled by law or otherwise, any funds, Securities, Commodities, Futures Contracts, options contract, or other properties held by Galaxy International Futures for any purpose for the Client or carried by Galaxy International Futures in the Client's Account (either solely or jointly with others) or which may be in the possession or control of Galaxy International Futures, or in the possession or control of any member of the China Galaxy International in Hong Kong or in other parts of the world, at any time and for any purpose, including but not limited to safe-keeping, for the Client and/or in the Client's name (hereinafter collectively called "Client's Property") shall be subject to a general lien in favour of Galaxy International Futures and are to be held by Galaxy International Futures as security for the payment of any liability of the Client to Galaxy International Futures. Galaxy



International Futures shall also have the right to exercise any or all of the powers more particularly set out in clauses 3.5 and 3.6 of this Part E hereof in respect of the Client's Property regardless of whether any other person is interested in the Client's Property or Galaxy International Futures has made advances in connection with the Client's Property and irrespective of the number of the Client's Account.

- 3.2 The Client agrees that the Client shall be liable for all debit balance owing in the Client's Account whether or not the Client's Account is liquidated including all debts and/or deficiencies resulting from a liquidation of the Client's Account.
- 3.3 Debit balance in the Client's Account shall be charged with interest thereon at a rate to be determined by Galaxy International Futures from time to time with or without notice to the Client and the Client shall promptly settle, upon demand, all liabilities outstanding to Galaxy International Futures, together with all fees, costs, commissions, brokerage, levies, and other charges and expenses which Galaxy International Futures may charge against the Client in accordance with this Agreement and all costs, charges and expenses (including all legal fees and expenses on full indemnity basis) which Galaxy International Futures may incur in enforcing or obtaining payment from the Client or in attempting to do so.
- 3.4 The Client agrees to pay immediately on demand any amount owing to Galaxy International Futures with respect to any of the Client's Account.
- 3.5 If any of the following events occurs:
- (a) (if applicable) a petition is presented or an order is made or an effective resolution is passed or analogous proceedings are taken for the winding up of the Client save for the purposes of an amalgamation, merger or reconstruction the terms whereof have previously been approved by Galaxy International Futures;
  - (b) the Client fails to pay or admits his inability to pay his debts as and when they fall due or the Client convenes a meeting for the purpose of making, or proposes and/or enters into any arrangement or composition for the benefit of the Client's creditors;
  - (c) (if applicable) the Client shall become bankrupt, or otherwise become insolvent or make any arrangement or composition with the Client's creditors;
  - (d) an encumbrancer takes possession or a receiver or similar officer is appointed of the whole or any part of the assets or the undertaking (if applicable) of the Client or a distress or execution is levied or enforced upon or sued out against the property or the Client's Account and is not discharged within seven days of being levied;
  - (e) in the event of the death or judicial declaration of incompetence of the Client;
  - (f) whenever Galaxy International Futures at its sole discretion shall consider it necessary for the protection of Galaxy International Futures, because of margin requirements or otherwise;
  - (g) determines in its absolute discretion that Galaxy International Futures is under an obligation to comply with any requirement imposed by any relevant Exchange and/or Clearing House and/or broker or any applicable laws, rules and regulations;
  - (h) the Client violates or fails to perform on a timely basis any term, covenant or condition on its part to be performed under the Agreement;
  - (i) any third party asserts a claim in respect of any monies in the Account;
  - (j) any information supplied by the Client to Galaxy International Futures or any warranty made by the Client is incorrect or misleading in any material respect;
  - (k) it shall become unlawful for the Client to maintain the Account or to perform any of the Client's obligations under these additional terms, or any authorization, consent, approval or licence necessary for the Client to continue the Account or to perform any of his obligations under these additional terms shall be revoked or otherwise cease to be in full effect; or
  - (l) there occurs a material adverse change in the business, assets or general condition of the Client which, in the absolute opinion of Galaxy International Futures, may adversely affect the due performance by the Client of his Obligations under these additional terms.
- Galaxy International Futures shall have the right, without notice and in its absolute discretion and sole judgment, to take such action as it may consider necessary or desirable to comply with or to perform, cancel or satisfy any obligation of Galaxy International Futures to a Client or any obligations of the Client and/or Galaxy International Futures to a relevant Exchange and/or Clearing House and/or broker, as the case may be, in respect of any Open Contract and such action includes to:
- (a) sell, realize or convert into cash the Client's property (and Galaxy International Futures is hereby authorized by the Client to do all such things necessary or incidental to such sale) and utilise the proceeds to offset and discharge part or all of the Obligations the Client may have to Galaxy International Futures (either directly or by way of guarantee or surety) or to any member of the China Galaxy International;
  - (b) sell any or all Securities, or Commodities which may be long in the Client's Account;
  - (c) buy any or all Securities, or Commodities which may be short in the Client's Account;
  - (d) enter into liquidate straddle or spread positions with respect to any Securities or Commodities long or short in any of the Client's Account;
  - (e) cancel any outstanding orders or other commitments made on behalf of the Client; and/or
  - (f) exercise any option (put or call) arising from any options contracts traded on the Futures Exchange held by Galaxy International Futures on behalf of the Client in order to close the Client's Account.
- 3.6 Such sale or purchase may be public or private and all rights in clause 3.5 of this Part E above may be exercised with or without advertising or notice to the Client and in such manner as Galaxy International Futures may, in its sole discretion determine, and no demands, tenders or notices which Galaxy International Futures makes or gives shall be considered a waiver of the right of Galaxy International Futures to sell or to buy without demand or notice as herein provided. At any such sale Galaxy International Futures may purchase the Securities or Commodities free of any right of redemption and the Client agrees that in respect of any such sale

Galaxy International Futures shall have no liability for loss thereby incurred and without prejudice to the generality of the foregoing the Client shall not make any claim against Galaxy International Futures concerning the manner of sale or timing thereof. The proceeds of such transactions are to be applied in such manner as Galaxy International Futures may, in its discretion, determine, including but not limited to reduce the indebtedness owing to Galaxy International Futures, if any.

- 3.7 On the exercise of Galaxy International Futures' right under clause 3.5 of this Part E, all accounts owing to Galaxy International Futures hereunder shall become immediately payable and Galaxy International Futures shall not be obliged to deliver to the Client any amount of the underlying Commodity or any money due to the Client in respect of any Futures Contract or options contract until all sums due from and liabilities of the Client to Galaxy International Futures in respect of any such contract or otherwise howsoever in accordance with the terms of this Agreement are satisfied or discharged to the satisfaction of Galaxy International Futures.
- 3.8 Notwithstanding anything contained in this Agreement or in any other agreement between Galaxy International Futures or any member of China Galaxy International and the Client or any Client of China Galaxy International, the Client irrevocably directs Galaxy International Futures to set-off and withhold from and apply (subject to applicable laws and regulations) all of the Client's interest in any funds, Futures Contract and/or options contract and property held by Galaxy International Futures or any member of China Galaxy International at any time for any purpose, including (without limitation) safe-keeping, for full or partial discharge of all of the Client's obligations and liabilities to Galaxy International Futures in respect of the Account or in respect of margin or additional margin or otherwise whatsoever or howsoever in accordance with the terms of this Agreement, and Galaxy International Futures may without notice combine and/or consolidate all or any of the accounts comprised in the Accounts and set off or transfer any money or other property interchangeably between any of the Accounts in such manner as Galaxy International Futures may in its absolute discretion determine.
4. **Client's Account**
- 4.1 All monies, approved securities, approved debt securities or other properties received by Galaxy International Futures from the Client or from any other person, including the Clearing House for the Client's Account shall be held by Galaxy International Futures as trustee, segregated from Galaxy International Futures' own assets and paid into a segregated bank account, a segregated securities account or a segregated debt securities account (as appropriate) (collectively "Segregated Account(s)") in the manner specified in paragraphs 7 to 12 of Schedule 4 to the Code and that all money or other property so held by Galaxy International Futures shall not form part of the assets of Galaxy International Futures for insolvency or winding up purposes but shall be returned to the Client promptly upon the appointment of a provisional liquidator or similar officer over all or any part of Galaxy International Futures' business or assets.
- 4.2 Any monies, approved debt securities or approved securities received by Galaxy International Futures from the Client or from any other person (including the Clearing House) are held in the manner specified in paragraphs 7 to 12 of Schedule 4 to the Code, the Client hereby authorises Galaxy International Futures to apply such monies, approved debt securities or approved securities in the segregated bank account, segregated debt securities or segregated securities account respectively in the manner specified in paragraphs 14 to 15 of Schedule 4 to the Code in order to:
- (a) meet the obligations of Galaxy International Futures to the Clearing House or an executing agent arising in connection with F.O. Business transacted by Galaxy International Futures on the Instructions of the Client provided that no withdrawal from the Segregated Account(s) may be made which would have the effect that the Clearing House margin, variation adjustment requirements or other trading related liabilities in respect of F.O. Business conducted on behalf of any client are thereby financed by other Client's money, approved debt securities or approved securities;
  - (b) meet commission, brokerage, levies and/or other proper charges directly relating to F.O. Business transacted by Galaxy International Futures on the Instructions of Client (whether or not payable to Galaxy International Futures);
  - (c) transfer to another Segregated Account;
  - (d) make payments/ returned to or in accordance with the directions of the Client, but in such a case notwithstanding the Client's directions, no money may be paid/ no approved debt securities or approved debt may be deposited into another account of Galaxy International Futures unless that account is a segregated bank account, segregated debt securities account or segregated securities account respectively; and
  - (e) in particular, the Client acknowledges that Galaxy International Futures may apply such monies, approved debt securities or approved securities in or towards meeting Galaxy International Futures' obligations to any party insofar as such Obligations arise in connection with or incidental to F.O. Business transacted on the Client's behalf. The Client agrees that Galaxy International Futures may retain interest on the Client's money and withdraw such interest from the segregated bank account.
- 4.3 If you are operating on Omnibus Account with us while you are not an exchange participant of the HKFE, you warrant and undertake that:
- (a) You shall, in respect of your dealings with each of the persons from whom you receive instructions with respect to your Omnibus Account, comply with and enforce the margin and variation adjustment requirements and procedures as stipulated in the rules of the HKFE as if you were an Exchange Participant and as though each person for whose account or benefit such instructions are given were a Client;
  - (b) You shall enter into Exchange Contracts in fulfilment of instructions relating to your Omnibus Account, so that there shall in no circumstances be any dealing with the instructions in a manner which constitutes unlawful dealing in differences in market quotations of commodities under the laws of Hong Kong or any other applicable jurisdiction or in a manner which constitutes or involves betting, wagering, gaming or gambling with respect to such items in contravention of Hong Kong laws or any other applicable laws; and
  - (c) You shall ensure that each person from whom you receive instructions in relation to your Omnibus Account complies with the margin and variation adjustment requirements and procedures as stipulated in the rules of HKFE and you shall ensure that such

requirements and procedures are complied with by all persons through whom instructions pass with respect to your Omnibus Account as if each in turn is the Client for whom your Omnibus Account is operated.

**5. Clearing House Account**

- 5.1 The Client acknowledges that in respect of any account of Galaxy International Futures maintained with the Clearing House, whether or not such account is maintained wholly or partly in respect of the F.O. Business transacted on behalf of the Client and whether or not monies, approved debt securities or approved securities paid or deposited by the Client has been paid to or deposited with the Clearing House, as between Galaxy International Futures and the Clearing House, Galaxy International Futures deals as principal and accordingly no such account is impressed with any trust or other equitable interest in favour of the Client and monies, approved debt securities or approved securities paid to or deposited with the Clearing House are thereby freed from the trust referred to in clause 4.1 of this Part E.
- 5.2 The Client acknowledges that the client's rights to assets held by Galaxy International Futures in Galaxy International Futures' omnibus account with a Clearing House may be subject to Galaxy International Futures fulfilling its obligations to the Clearing House, which may be further subject to Galaxy International Futures' other clients fulfilling their obligations to Galaxy International Futures, despite the fact that the Client did not default on his or her obligations to Galaxy International Futures.
- 5.3 The Client acknowledges that the Client's rights to assets held by Galaxy International Futures in Galaxy International Futures' omnibus account with an executing or a Clearing House may be subject to Galaxy International Futures, Galaxy International Futures' other clients, the executing agent or the Clearing House or their agents, and other clients of the executing agent or the Clearing House or their agents fulfilling their obligations to their counterparties, despite the fact that the Client did not default on his or her obligations to Galaxy International Futures.
- 5.4 The Client acknowledges that Galaxy International Futures' ability to provide the services under this schedule is subject to the due performance by the executing agent or the Clearing House of its obligations. Any action or inaction of the execution agent or the Clearing House or a failure or delay by the execution agent or the Clearing House in the performance of its obligations may result in a failure of settlement, or the loss, of Futures Contracts and/ or options contracts traded on the Futures Exchange and/or the Exchange and/or monies in connection with them and the Client may suffer losses as a result. Neither Galaxy International Futures nor China Galaxy International is responsible or liable for any such losses.

**6. Margin Requirements**

- 6.1 Except for the purpose of Closing Out the Client's open positions or as the Futures Exchange may from time to time prescribe, generally or otherwise, the Client agrees that Galaxy International Futures shall not transact F.O. Business for the Client until and unless Galaxy International Futures has received from the Client Collateral adequate to cover the Client's expected trading liabilities, minimum margins and variation adjustments.
- 6.2 The original margin and variation adjustment, the rates of which to be determined from time to time by Galaxy International Futures in its sole discretion shall be settled and maintained by the Client in the Client's Account. Any margin call and/or demand for variation adjustment shall be met within the period specified by Galaxy International Futures from time to time failing which Galaxy International Futures may Close Out the Client's open positions with or without notice to the Client. If Galaxy International Futures determines that additional margin is required, the Client agrees to deposit with Galaxy International Futures such additional margin forthwith upon demand, provided, however, that notwithstanding any demand for additional margin, Galaxy International Futures may at any time proceed in accordance with clause 3.5 of this Part E. Galaxy International Futures may require more margin or variation adjustment than that specified by the Futures Exchange and/or the Clearing House and/or other Exchanges. Galaxy International Futures may at any time and in its sole discretion change margin requirements. No previous margin shall establish any precedent. Any new margin requirements once established shall, in the absence of any contrary provisions by Galaxy International Futures at the sole discretion of Galaxy International Futures, apply to the Client's existing positions as well as to the new positions in Futures Contracts. Margin requirements may be met by a deposit of cash or Securities or any other form acceptable by Galaxy International Futures and in accordance with the Governing Rules including the rules and regulations of the Futures Exchange or the rule of other Exchanges governing the relevant markets. Margin requirements in the form of assets other than cash will only be accepted by Galaxy International Futures in its absolute discretion. Where Securities and/or other valuables are deposited as margin, Galaxy International Futures shall have an absolute discretion to assign a notional value (which need not correspond to the market value) to the asset for margin and/or variation adjustment purpose, which value may change from time to time as determined by Galaxy International Futures in the light of the prevailing market value of the asset or otherwise.
- 6.3 Without prejudice and in addition to any other rights and remedies of Galaxy International Futures hereunder, the Client irrevocably authorises Galaxy International Futures, without prior notice to the Client, to apply all or any part of any cash deposit or other property held for the account of the Client by Galaxy International Futures or any member of the China Galaxy International on any account whatsoever and whether or not relating to trading in Futures Contracts and/or options contracts, notwithstanding that any such application may result in the Client being required by Galaxy International Futures to provide additional margin:
- (a) in or towards the provision of any margin or additional margin demanded by Galaxy International Futures pursuant to clause 6.1 of this Part E;
  - (b) in payment to any Exchange, Clearing House or broker in or towards satisfaction of any liability to provide
  - (c) margin demanded or required by such Exchange, Clearing House or broker in respect of any Futures Contract and/or option contracts entered into by Galaxy International Futures on behalf of the Client, or towards provision of security (whether in the form of mortgage, deposit, charge, pledge or otherwise) in favour or to the order of any Exchange, Clearing House or broker, without prior notice to the Client and free of any beneficial interest of the Client or of any other person in the margin, as security

- for Galaxy International Futures' obligations to (and upon terms specified by) the Exchange, Clearing House or broker in respect of any Futures Contract and/or options contract entered into by Galaxy International Futures on behalf of the Client, with power to such Exchange, Clearing House or broker to enforce the security in satisfaction of any obligations of Galaxy International Futures, provided that the Client's deposit or property shall not be applied to finance or act as security for any Clearing House margin requirements or trading liabilities in respect of Futures Contract and/or option contracts entered into by Galaxy International Futures on behalf of any other client (and in either event, such deposit or property will be dealt with according to the rules and regulations of the relevant Exchange, or Clearing House, or the terms of trading of the broker);
- (d) in satisfaction of any other obligations of Galaxy International Futures to any party insofar as such obligations arise in connection with or incidental to any Futures Contract and/or options contract entered into by Galaxy International Futures on behalf of the Client; and/or,
  - (e) in or towards payment of money properly required to meet commissions, brokerage, levies or other proper charges relating to any Futures Contract and/or options contract entered into by Galaxy International Futures on behalf of the Client;
7. **Margin Call**
- 7.1 Margin calls must be met on demand of Galaxy International Futures (or such other time limit as may be specified by Galaxy International Futures from time to time, however, never later than the time the relevant Exchange requires client margin to be met). Without prejudice to the provisions of clause 3.5 of this Part E, Client's failure to meet such calls may result in Galaxy International Futures being entitled or obliged by the rules or regulations of the relevant Exchange and/or Clearing House to close out the Open Contracts held on behalf of the Client in respect of which calls have not been met, and/or to notify the relevant Exchange, Clearing House or broker particulars of such Open Contracts. The Client acknowledges that Galaxy International Futures will report to the Futures Exchange and the SFC particulars of all open positions in respect of which two successive margin calls and demands for variation adjustment are not met within the period specified by Galaxy International Futures and Galaxy International Futures may require more margin or variation adjustments than that specified by the Futures Exchange and/or Clearing House and may close out open positions in respect of which any margin calls and demands for variation adjustments are not met within the period specified by Galaxy International Futures or at the time of making such call(s) or demands(s).
- 7.2 Unless specifically instructed by the Client, Futures Contract and/or options contract held in the Account which the Exchange allows to be set off for margin purpose will automatically be set off for the determination of Margin without reference to the Client, but these Futures Contract and/or options contract will not be closed out or treated as netted off for any other purpose.
- 7.3 If the Client maintains a cash account with Galaxy International Futures for options contracts, only long options contract positions can be carried in the account. The Client shall pay Galaxy International Futures the full cash value of the premium of the options contract on the date of the Client's instruction to Galaxy International Futures to purchase the options contract.
8. **Transactions In Foreign Currencies**
- 8.1 In the event that the Client directs Galaxy International Futures to enter into any contract on an Exchange or other market on which such Transactions are effected in a foreign currency,
- (a) any profit or loss arising as a result of fluctuation in the Exchange rate affecting such currency will be entirely for the Account and risk of the Client;
  - (b) all initial and subsequent deposits for margin purpose shall be made in such currency in such amounts as Galaxy International Futures may at the sole discretion of Galaxy International Futures require; and
  - (c) when such a contract is liquidated Galaxy International Futures shall debit or credit the Client's account in the currency in which such account is denominated at an exchange rate (where the relevant contract is denominated in currency other than that of the account) determined by Galaxy International Futures at the sole discretion of Galaxy International Futures on the basis of the then prevailing money market rates of exchange between such currencies.
9. **Levies And Commission**
- 9.1 Every Exchange Contract shall be subject to the charge of an Investor Compensation Fund levy and a levy pursuant to the Securities and Futures Ordinance, the cost of both of which shall be borne by the Client.
- 9.2 Where an Exchange Contract is executed in a market that is subject to the charge of a special levy pursuant to the Exchanges (Special Levy) Ordinance, the Client will bear the cost of any such changes.
- 9.3 In respect of contracts executed in markets other than those organized by the Futures Exchange, any charges levied on such contracts by the relevant markets shall be borne by the Client.
- 9.4 The Client agrees to pay commission, brokerage, levies, and interest on the Client's Account (where applicable) and/or fees and charges or any other charges which Galaxy International Futures may think fit at a rate to be determined by Galaxy International Futures or any charges pursuant to the laws of Hong Kong or the Rules of the Futures Exchange or the rules of other Exchanges governing the relevant markets.
- 9.5 In the event that the Client suffers pecuniary loss by reason of default committed by Galaxy International Futures, the liability of the Compensation Fund will be restricted to valid claims as provided for in the Ordinance and will be subject to the monetary limits specified in the Securities and Futures (Investor Compensation – Compensation Limits) Rules and accordingly there can be no assurance that any pecuniary loss sustained by the Client by reason of such a default will necessarily be recouped from the Compensation Fund in full, in part or at all.

10. **Rules And Laws**

- 10.1 All Transactions shall be subject to the consultation, rules, regulations, customs, usages, rulings and interpretations, from time to time extant or in force of the Exchange or other markets (and of their respective clearing house, if any), where the Transactions are executed by Galaxy International Futures or the agents of Galaxy International Futures. All Transactions under this Agreement shall also be subject to any law, rules or regulation then applicable thereto, including but not by way of limitation the provisions of the Securities and Futures Ordinance, as amended from time to time and the rules and regulations thereunder.
- 10.2 Transactions related to Exchange Contracts shall be subject to the Governing Rules and the procedures of the Futures Exchange. Such rules contain provisions requiring Galaxy International Futures in certain circumstances to disclose name, beneficial Identity and such other information concerning the Client as the Futures Exchange may require and the Client agrees to provide such information concerning the Client as Galaxy International Futures may require in order for Galaxy International Futures to comply with the Governing Rules and the procedures and that in the event Galaxy International Futures fails to comply with the disclosure requirement under Rule 606(a) or 613(a) of the Futures Exchange, the Chief Executive of the Futures Exchange may require the Closing Out of positions on behalf of the Client or the imposition of a margin surcharge on the positions of the Client.
- 10.3 In respect of Transactions related to the F.O. Business executed in markets other than those organized by the Futures Exchange, the Client acknowledges such Transactions shall be subject to the rules and regulations of those markets and not those of the Futures Exchange, with the result that the Client may have a markedly different level and type of protection in relation to those transactions as compared to the level and type of protection afforded by the Rules of the Futures Exchange.
- 10.4 Galaxy International Futures and any of its officers, directors, employees or agents may trade on its/their own account or on the account of any member of the China Galaxy International.
- 10.5 The Client agrees to appoint the Chief Executive (as defined in the Rules of the Futures Exchange) of the Futures Exchange (or such other persons as the Board of the Futures Exchange may appoint) and/or Clearing House as the joint and several attorney of the Client to do all things necessary to transfer any Open Contracts held by Galaxy International Futures on behalf of the Client and any money and security standing to the credit of the Client's account with Galaxy International Futures to another Exchange Participant (as defined in the HKFE Rules) of the Futures Exchange in the event the rights of Galaxy International Futures as an Exchange Participant of the Futures Exchange are suspended or revoked;
- 10.6 Galaxy International Futures shall provide to the Client upon request product specifications and any prospectus or other offering documents covering derivative products, including futures contracts or options;
- 10.7 The Client agrees that Galaxy International Futures may withdraw from a segregated debt securities account:
- (a) approved debt securities required to meet obligations of Galaxy International Futures to the Clearing House or an executing agent arising in connection with the business of dealing in Futures Contract and/or options contracts transacted by Galaxy International Futures on the instructions of one or more clients provided that no withdrawal may be made which would have the effect that Clearing House margin, variation adjustment or other trading related liabilities in respect of the business of dealing in Futures Contract and/or options contracts conducted on behalf of any client are thereby financed by other clients' approved debt securities;
  - (b) approved debt securities which are transferred to another segregated debt securities account; and
  - (c) approved debt securities returned to or in accordance with the directions of the Client, but in such a case notwithstanding the Client's directions, no approved debt securities may be deposited into another account of Galaxy International Futures unless that account is a segregated debt securities account.
- 10.8 Subject to Galaxy International Futures having obtained such other consent(s) as may be required under applicable laws, rules and regulations, the Client agrees and gives specific authority to Galaxy International Futures that the following may be withdrawn from a segregated securities account:
- (a) approved securities required to meet the obligations of Galaxy International Futures to the Clearing House or an executing agent arising in connection with the business of dealing in Futures Contract and/or options contracts transacted by Galaxy International Futures on the instructions of one or more clients provided that no withdrawal may be made which would have the effect that Clearing House margin, variation adjustment or other trading related liabilities in respect of the business of dealing in Futures Contract and/or options contracts conducted on behalf of any client are thereby financed by other clients' approved securities;
  - (b) approved securities which are transferred to another segregated securities account; and
  - (c) approved securities returned to or in accordance with the directions of the Client, but in such a case notwithstanding the Client's directions, no approved securities may be deposited into another account of Galaxy International Futures unless that account is a segregated securities account.
- 10.9 The construction validity and/or performance of this Agreement shall be subject to and governed by the laws from time to time in force in Hong Kong. This provisions herein shall be continuing and shall cover individually and collectively all the Client's Accounts which the Client may open or re-open with Galaxy International Futures and shall inure to the benefit of, and bind Galaxy International Futures, Galaxy International Futures' successors and assigns, whether by merger, consolidation or otherwise, as well as the heirs, executors, administrators, legatees, successors, personal representatives and assigns of the Client.

- 10.10 No act or omission to act or forbearance by Galaxy International Futures shall be or be deemed to be a waiver by Galaxy International Futures of any rights against the Client. Any consent or waiver given by Galaxy International Futures shall operate as a consent or waiver only in relation to the particular matter it relates and shall in no way be considered as a consent waiver or release of any of the provisions hereof nor shall it be construed as dispensing with the necessity of obtaining the specific written consent of Galaxy International Futures in future unless expressly so provided in writing and duly signed by and on behalf of Galaxy International Futures.
- 10.11 Time shall in all respects be of the essence for the performance of the Client's Obligations under or in relation to this Agreement.
- 10.12 The Client shall not assign any contract entered into with Galaxy International Futures or any of the rights or Obligations thereunder and hereunder without the consent in writing from Galaxy International Futures given or withheld at Galaxy International Futures' absolute discretion.
- 10.13 The Client shall immediately on demand supply to Galaxy International Futures such financial and other information relating to the Client (or, where applicable, the Beneficial Identity of the Client) as Galaxy International Futures may, in its absolute discretion and without giving any reason therefore require.

## **PART F – ADDITIONAL TERMS FOR STOCK OPTIONS ACCOUNT OPENED WITH GALAXY INTERNATIONAL SECURITIES**

### **1. Introduction**

- 1.1 This schedule is supplemental to the General Terms and applies the options contracts made pursuant to Rule 513 of the Options Trading Rules incorporating the terms and conditions applicable to such options contract as specified by the Stock Exchange from time to time as set out in the Options Trading Rules, and an Account in respect of which Clients deals in the Options Contract
- 1.2 Galaxy International Securities is an Options Exchange Participant of the Stock Exchange. It will be primarily responsible for the Client's affairs with respect to the Stock Options Account.

### **2. Laws And Rules**

- 2.1 All Exchanged Traded Options Business shall be effected in accordance with the Governing Rules which apply to Galaxy International Securities. These include, without limitation, the Options Trading Rules, the Clearing Rules of SEOCH and the rules of the HKSCC. In particular, the SEOCH has authority under the Governing Rules to make adjustments to the terms of contracts (including on an SWT Day), Galaxy International Securities shall notify the Client of any such adjustments which affect Client Contracts to which the Client is a party. All actions taken by Galaxy International Securities, the Stock Exchange, the SEOCH or the HKSCC in accordance with such Governing Rules shall be binding on the Client.
- 2.2 All the rights and authority of Galaxy International Securities or the members of the China Galaxy International pursuant to this Part F shall be subject to the relevant Governing Rules but without limitation to any other rights and remedies which Galaxy International Securities or any member China Galaxy International may have.
- 2.3 The Client agrees that the terms of the Standard Contract for the relevant options series shall apply to each Client Contract between Galaxy International Securities and the Client, and that all Client Contracts shall be created, exercised, settled and discharged in accordance with the Governing Rules.

### **3. Confirmation**

- 3.1 The Client confirms that:
- (a) he is not employed by any other Options Exchange Participant of the Stock Exchange, and no employee of any other Options Exchange Participant will have a beneficial interest in the Stock Options Account; or
  - (b) the Options Account is operated solely for his account and benefit, and not for the benefit of any other person; or
  - (c) he has disclosed to Galaxy International Securities in writing the name of the person(s) for whose benefit the Options Account is being operated; or
  - (d) he has requested Galaxy International Securities to operate the Options Account as an Omnibus Account, and will immediately notify Galaxy International Securities, on request, of the identity of any person(s) ultimately beneficially interested in the Client Contracts.

### **4. Margin Requirements**

- 4.1 The Client agrees to provide Galaxy International Securities with Margin as may be agreed from time to time, as security for his obligations to Galaxy International Securities under this Agreement. Margin shall be paid or delivered as demanded by Galaxy International Securities from time to time. The amounts required by way of Margin shall not be less than, but may exceed, the amounts as may be required by the Governing Rules in respect of the Client's open position and delivery Obligations, and further Margin may be required to reflect changes in market value.
- 4.2 If Galaxy International Securities accepts Client's Securities by way of Margin, the Client authorises and agrees that Galaxy International Securities may, to the extent permitted under the prevailing laws and regulations, deliver such Securities to the SEOCH as SEOCH collateral in respect of Exchange Traded Options Business resulting from the Client's Instructions to Galaxy International Securities, without further notice to the Client. Galaxy International Securities does not have any further authority from the Client to borrow or

lend such Securities or otherwise part with possession (except to the Client or on the Client's Instructions) of any of such Securities for any other purpose.

**5. Client Default**

5.1 The Client agrees to indemnify Galaxy International Securities, its officers (including directors), employees and agents, against all losses and expenses resulting from breach of the Client's Obligation under this Agreement, including costs reasonably incurred in collecting debts from the Client, and in closing the Stock Options Account.

5.2 Without prejudice to Clause 13 of this Agreement, if the Client fails to comply with any of his Obligations and/ or to meet his liabilities under this Part F, including failure to provide Margin, and/or in any way commit default of Client's obligations under the Options Trading Rules, Galaxy International Securities may :

- (a) decline to accept further Instructions from the Client in respect of Exchange Traded Options Business;
- (b) Close Out some or all of the Client's Client Contracts with Galaxy International Securities;
- (c) enter into contracts, or transactions in Securities, futures or Commodities, in order to settle obligations arising or to hedge the risks to which Galaxy International Securities is exposed in relation to the Client's failure; or
- (d) dispose of Margin, and apply the proceeds thereof to discharge the Client's liabilities to Galaxy International Securities; or
- (e) dispose of any or all securities held for or on behalf of Client in order to set off any of its obligations and to exercise any rights of set off Galaxy International Securities may have in relation to the Client

Any proceeds remaining after discharge of all of the Client's liabilities to Galaxy International Securities shall be paid to the Client.

5.3 Client agrees to pay interest on all overdue balances (including interest arising after a judgment debt is obtained against the Client) at such rates and on such other terms as Galaxy International Securities has notified to the Client from time to time. Client agrees that Galaxy International Securities shall be entitled (but not be obliged), at any time and from time to time, without prior notice, to debit any Account with Galaxy International Securities and/or any other account(s) of Client with other members of the Group with any interest due and payable in accordance with this Clause 5.3 and Client undertakes to, immediately upon demand by Galaxy International Securities, do such act(s) and/or execute such document(s) as may be required by Galaxy International Securities at any time and from time to time in order to give full effect to each such debit.

**6. Contracts**

6.1 In respect of all contracts effected on the Client's Instructions, the Client will pay Galaxy International Securities, within the time period notified by Galaxy International Securities, premium, commission and any other charges, and applicable levies imposed by the Stock Exchange, as have been notified to the Client. Galaxy International Securities may deduct such premium, commissions, charges and levies from the Options Account or any other Accounts in Client's name maintained with Galaxy International Securities.

6.2 Galaxy International Securities may place limits on the open positions or delivery obligations that the Client may have at any time.

6.3 The Client acknowledges that:

- (a) Galaxy International Securities may be required to Close Out options contracts to comply with position limits imposed by the Stock Exchange; and
- (b) if Galaxy International Securities goes into default, the default procedures of the Stock Exchange may result in Client Contracts being Closed Out, or replaced by Client Contracts between the Client and another Options Exchange Participant.

6.4 Galaxy International Securities may agree, upon the Client's request, to replace the Client Contracts between Galaxy International Securities and the Client, in accordance with the Options Trading Rules, with Client Contracts between the Client and another Options Exchange Participant.

6.5 On exercise of a Client Contract by or against the Client, the Client shall perform his delivery Obligations under the relevant contract, in accordance with the Standard Contract and as notified by Galaxy International Securities.

6.6 The Client shall be responsible for notifying the Stock Exchange or other relevant Regulators in the event that the Client holds a reportable position (as defined in the Securities and Futures (Contract Limited and Reportable Positions) Rules (Cap. 571Y of the Laws of Hong Kong) or other applicable rules and regulations). Please refer to Part J for details.

6.7 The Client acknowledges that, although all options contracts are to be executed on the Stock Exchange, the Client and Galaxy International Securities shall contract as principals under Client Contracts.

6.8 The Client acknowledges that, subject to the provisions of the Securities and Futures Ordinance and any other applicable laws, Galaxy International Securities may take the opposite position to Client's order in relation to any options contract, whether on Galaxy International Securities' own account or for the account of any member of the China Galaxy International or their respective officers, employees or representatives or other clients of Galaxy International Securities or any members of China Galaxy International, provided that the trading is executed competitively on or through the facilities of the Stock Exchange in accordance with the Governing Rules and procedures of the Stock Exchange or the facilities of any other Exchange in accordance with the Governing Rule of such other Exchange.

6.9 Without prejudice to clause 13 of this Agreement, when Galaxy International Securities exercise any of its rights under clause 5.2 or 6.3 of this Part F by closing or giving-up all or any position in the Options Account or under any other clauses in this Part F by Closing Out all or any positions or sale or purchase of Securities and/or Commodities and/or Future Contracts and/or options contracts in any

Accounts which Galaxy International Securities or any member of the China Galaxy International may carry on Client's behalf or maintain with the Client, such closing or giving-up or Closing Out or sale or purchase (in this clause 6.8 referred to as "the transactions") may be made on any Exchange or market where the transactions are usually transacted or in such manner as shall be decided by Galaxy International Securities. The Client agrees that in respect of such transactions, Galaxy International Securities shall not be liable for any resulting loss. Without prejudice to the foregoing, the Client shall not make any claim against Galaxy International Securities concerning the manner or timing of the transactions. The Client understands that in all cases, Galaxy International Securities has the right to exercise closing, Closing Out or giving up without demand or notice. A prior demand or call or notice of such closing or giving up shall not be considered as a waiver of Galaxy International Securities' above-mentioned rights.

- 6.10 The Client acknowledges that on the expiry day and only on the expiry day, the Options System will automatically generate exercise instructions in respect of all open long positions which are in-the-money by or above the percentage prescribed by the SEOCH from time to time. The Client may instruct Galaxy International Securities to override such an "automatically generated exercise instruction" before the system closure on the expiry day in accordance with the operational clearing procedures of the SEOCH.

## **7. General**

- 7.1 Client acknowledges that stock options account pair with Securities Cash account will not be allowed to short call/short put option.
- 7.2 Galaxy International Securities shall provide the Client, upon request, with the product specifications for options contracts and any prospectus or other offering document covering such option contracts and (ii) the HKEx's booklet "Understanding Stock Options (and their Risks)".
- 7.3 If Galaxy International Securities fails to meet its obligations to the Client pursuant to this Agreement in respect of Options Accounts, the Client shall have a right to claim under the Investor Compensation Fund established under the Securities and Futures Ordinance, subject to the terms of the Investor Compensation Fund from time to time.
- 7.4 Galaxy International Securities shall designate a representative to be primarily responsible for Client's affairs. Client shall be notified of the name of that representative and such particulars of the licence of that representative as required by the applicable laws and Governing Rules. Galaxy International Securities may, in its absolute discretion, at any time and from time to time, designate another representative of its to replace the first-mentioned representative and such replacement will be effective on such date as conclusively determined by Galaxy International Securities. Any information provided pursuant to this Clause 7.4 shall form part of this Agreement.

## **PART G – CLIENT-BASED DELTA POSITION LIMITS IMPOSED BY THE HONG KONG FUTURES EXCHANGE RULE ("HKFE") 632A**

HKFE Rule 632A imposes a limit on the positions in HSI Futures, HSI Options, Mini-HSI Futures and Mini-HSI Options combined held by a person or group of persons. This Rule is intended to avoid potentially destabilizing market conditions arising from an over concentration of positions accumulated by a single person or group of persons. Details of the said rule are set out as follow. If the Client is in any doubt about this document or the risks involved in non-compliance with Rule 632A, the Client should consult his/her dealer or independent professional. (In the event of any difference in interpretation or meaning between the Chinese and English version of this document, the English version shall be prevailed.)

1. No person shall own or control positions in HSI Futures, HSI Options Mini-HSI Futures and Mini-HSI Options Markets combined that exceed a position delta of 10,000 long or short in all contract months combined, or own or control positions in the Mini-HSI Futures Market or Mini-HSI Options that exceed a position delta of 2,000 long or short in all contract months combined. For this purpose, the position delta of one Mini-HSI Futures Contract will have a value of 0.2 and the position delta of one Mini-Hang Seng Index Option Contract will be one fifth of the position delta of the corresponding series in the Hang Seng Index Option Contract ("Position Limit").
2. In determining the position delta for a person, the positions of all accounts under the direct or indirect common control or management of a person, and the positions of all accounts of persons acting pursuant to an express or implied agreement or understanding, shall be subject to aggregation.
3. Where different accounts or groups of accounts are managed by the same person or follow the investment strategies of the same person, the positions in such accounts shall be considered to be under the direct or indirect common control or management of the person and shall be aggregated for the purpose of Exchange Rule 632A. These include, but not limited to, mutual funds, discretionary accounts or trusts advised or managed by the same investment adviser, strategist or fund manager.
4. If a client holds positions of an account or aggregated accounts which exceed the Position Limit, HKFE will request our Company to liquidate the client's positions necessary to bring the account or aggregated accounts into compliance with the Position Limit.
5. In addition, our Company will not execute client's order when the Company has knowledge that such client's aggregated positions approach the Position Limit and that the execution of such order will result in a breach of the Position Limit.



## PART H – DISCLAIMER

### **DISCLAIMER delivered pursuant to the relevant provisions of the regulations for trading Futures and Options Contract based on existing & subsequent indices developed by the Hong Kong Futures Exchange Limited.**

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

### **DISCLAIMER in Relation to Trading of Stock Index Futures Contracts**

Hang Seng Indices Company Limited ("HSIL") currently publishes, compiles and computes a number of stock indices and may publish, compile and compute such additional stock Indices at the request of Hang Seng Data Services Limited ("HSDS") from time to time (collectively, the "Hang Seng Indices"). The marks, names and processes of compilation and computation of the respective Hang Seng Indices are the exclusive property of and proprietary to HSDS, HSIL has granted to the Futures Exchange by way of licence the use of the Hang Seng Indices and the four sub-indices of the Hang Seng Index, the Hang Seng China-Affiliated Corporation Index and the Hang Seng China Enterprises Index solely for the purposes of and in connection with the creation, marketing and trading of futures contracts based on any of such Indices respectively and may from time to time grant to the Futures Exchange corresponding use of other Hang Seng Indices (collectively, "Futures Contracts"). The process and basis of compilation and computation of any of the Hang Seng Indices and any of the related formula or formulae, constituent stocks and factors may at any time be changed or altered by HSIL without notice and the Futures Exchange may at any time require that trading in and settlement of such of the Futures Contracts as the Futures Exchange may designate be conducted by reference to an alternative index or alternative Indices to be calculated. Neither the Futures Exchange nor HSDS nor HSIL warrants or represents or guarantees to any Participant or any third party the accuracy or completeness of the Hang Seng Indices or any of them and the compilation and computation thereof or any information related thereto and no such warranty or representation or guarantee of any kind whatsoever relating to the Hang Seng Indices or any of them is given or may be implied. Further, no responsibility or liability whatsoever is accepted by the Futures Exchange, HSDS or HSIL in respect of the use of the Hang Seng Indices or any of them for the purposes of and in connection with the Futures Contracts or any of them and/or dealings therein, or for any inaccuracies, omissions, mistakes, errors, delays, interruptions, suspension, changes or failures (including but not limited to those resulting from negligence) of HSIL in the compilation and computation of the Hang Seng Indices or any of them or for any economic or other losses which may be directly or indirectly sustained as a result thereof by any Participant or any third party dealing with the Futures Contracts or any of them. No claims, actions or legal proceedings may be brought by any Participant or any third party against the Futures Exchange and/or HSDS and/or HSIL in connection with or arising out of matters referred to in this disclaimer. Any Participant or any third party deals in the Futures Contracts or any of them in full knowledge of this disclaimer and can place no reliance whatsoever on the Futures Exchange, HSDS and/or HSIL. For the avoidance of doubt, this disclaimer does not create any contractual or quasi-contractual relationship between any Participant or third party and HSIL and/or HSDS and must not be construed to have created such relationship.

### **DISCLAIMER in Relation to Trading of Stock Index Option Contracts**

Hang Seng Indices Company Limited ("HSIL") currently publishes, compiles and computes a number of stock indices and may publish, compile and compute such additional stock indices at the request of Hang Seng Data Services Limited ("HSDS") from time to time (collectively, the "Hang Seng Indices"). The marks, names and processes of compilation and computation of the respective Hang Seng Indices are the exclusive property of and proprietary to HSDS, HSIL has granted to the Futures Exchange by way of licence the use of the Hang Seng Index and the four sub-indices of the Hang Seng Index, the Hang Seng China-Affiliated Corporations Index and the Hang Seng China Enterprises Index solely for the purposes of and in connection with the creation, marketing and trading of option contracts based on any of such indices respectively (collectively, the "Option Contracts"). The process and basis of compilation and computation of the Hang Seng Indices and any of the related formula or formulae, constituent stocks and factors may at any time be changed or altered by HSIL without notice and the Futures Exchange may at any time require that trading in and settlement of such of the Option Contracts as the Futures Exchange may designate be conducted by reference to an alternative index or alternative Indices to be calculated. Neither the Future Exchange nor HSDS nor HSIL warrants or represents or guarantees to any Participant or any third party the accuracy or completeness of the Hang Seng Indices or any of them and the compilation and computation thereof or any information related thereto and no such warranty or representation or guarantee of any kind whatsoever relating to the Hang Seng Indices or any of them is given or may be implied. Further, no responsibility or liability whatsoever is accepted by the Futures Exchange, HSDS or HSIL in respect of the use of the Hang Seng Indices or any of them for the purposes of and in connection with the Option Contracts or any of them and/or dealings therein, or for any inaccuracies, omissions, mistakes, errors, delays, interruptions, suspension, changes or failures (including but not limited to those resulting from negligence) of HSIL in the compilation and computation of the Hang Seng Indices or any of them or for any economic

or other losses which may be directly or indirectly sustained as a result thereof by any Participant or any third party dealing with the Option Contracts or any of them. No claims, actions or legal proceedings may be brought by any Participant or any third party against the Futures Exchange and/or HSDS and/or HSIL in connection with or arising out of matters referred to in this disclaimer. Any Participant or any third party deals in the Option Contracts or any of them in full knowledge of this disclaimer and can place no reliance whatsoever on the Futures Exchange, HSDS and/or HSIL. For the avoidance of doubt, this disclaimer does not create any contractual or quasi-contractual relationship between any Participant or third party and HSIL and/or HSDS and must not be construed to have created such relationship.

**(Note: In the event of any difference in interpretation or meaning between the Chinese and English version of this disclaimers, the English version shall be prevailed.)**

## **PART I – SUMMARY OF PRESCRIBED LIMITS AND REPORTING LEVEL APPLICABLE TO FUTURES ACCOUNTS OPENED WITH GALAXY INTERNATIONAL FUTURES**

Pursuant to the Rules of Futures Exchange, the Securities and Futures (Contracts Limits and Reportable Positions) Rules (“the SFC Rules”) made pursuant to Section 35 (1) of the Securities and Futures Ordinance (the “Ordinance”) and Guidance Note on Position Limits and Large Open Position Reporting Requirements issued by the SFC (“Guidance Note”), certain prescribed limits and reporting level set by the SFC under the SFC Rules will directly affect your Account(s) – these are summarized below. The Client should note that failure to comply with such limits or to report may constitute a criminal offence under the Ordinance and the Rules.

### **PRESCRIBED LIMITS**

The SFC Rules imposes restrictions on the maximum number of futures contracts, including an option on a contract made under the rules or conventions of a futures market as defined in the Ordinance, for any one contract month or series that may be held or controlled by the Client. The prescribed limits on futures contracts are specified in schedule 1 of the SFC Rules. In general, the prescribed limits in schedule 1 of the SFC Rules are also reflected in the Rules of Futures Exchange. The Client should note that in addition to the prescribed limits, the Futures Exchange may impose other position limits on a particular contract, Galaxy International Futures or the Client where situations warrant such action.

The Client should make reference to the HKEX website for the latest prescribed limits:

[https://www.hkex.com.hk/Services/Trading/Derivatives/Overview/Trading-Mechanism/Large-Open-Positions-and-Position-Limits?sc\\_lang=en](https://www.hkex.com.hk/Services/Trading/Derivatives/Overview/Trading-Mechanism/Large-Open-Positions-and-Position-Limits?sc_lang=en)

The prescribed limits apply to all positions held or controlled by any person including positions held by the person for his own account and positions belonging to other persons but under the control of such person (“Aggregation Requirements”). A person is regarded as having control of positions as for example where a person is allowed to exercise discretion to trade or dispose of the positions independently without the day-to-day direction of the owner of the positions. The prescribed limits do not apply to a person who controls positions merely by virtue of its corporate relationship (e.g. a parent company in relation to positions held by its affiliates/subsidiaries) provided that such person does not give its affiliates/subsidiaries any day-to-day direction with respect to trading.

EachE of Galaxy International Futures and the Client is prohibited from entering into, holding or controlling more than the prescribed limits, unless the excess is expressly authorised by the Futures Exchange or SFC in accordance with the SFC Rules.

### **REPORTABLE POSITIONS AND REPORTING LEVEL**

The SFC Rules requires a person holding or controlling a reportable position, which is similar to the concept of Large Open Position prescribed in the Rules of Futures Exchange, to notify the recognized exchange company of any reportable position in writing, i.e. the Large Open Position Report (“LOP Report”). The reportable positions for futures contracts are calculated based on the number of contracts held or controlled for a contract month or series and the reporting levels are specified in schedule 1 of the SFC Rules. The Aggregation Requirements as mentioned in the above Prescribed Limits section equally apply to the reportable positions for futures contracts.

The Client should make reference to the HKEX website for the latest reporting levels:

[https://www.hkex.com.hk/Services/Trading/Derivatives/Overview/Trading-Mechanism/Large-Open-Positions-and-Position-Limits?sc\\_lang=en](https://www.hkex.com.hk/Services/Trading/Derivatives/Overview/Trading-Mechanism/Large-Open-Positions-and-Position-Limits?sc_lang=en)

The Client acknowledges that, if the open positions holding for the Client exceeding 60% of the position limit of stock index futures and options products with the same underlying index, Galaxy International Futures is required to report to Futures Exchange all outstanding positions in the products concerned, including those positions that are below the reporting level.

EachE of Galaxy International Futures and the Client is prohibited from holding or controlling positions more than the reporting levels unless the position held or controlled is reported to the Futures and/or other recognized exchange pursuant to the SFC Rules.

### **THE FUTURES EXCHANGE'S LARGE OPEN POSITION REPORT PROCEDURES**

The Futures Exchange has also set Large Open Position limits in a number of markets operated by the Futures Exchange. In particular, the Client should note that the Client shall itself have direct reporting obligations to the Futures Exchange where the Client holds or controls, in aggregate, open positions equal to or more than the number of futures contracts and/or options contracts specified by Futures Exchange from time to time, whether directly or through the Client's affiliate, and whether through one or more participants of the Futures Exchange, in which event the Client shall be required to file a LOP/LOP Report with the Futures Exchange. For the purposes of the Rules of the Futures Exchange, Large Open Position means the number of open futures contracts, including an option on a contract made under the rules or conventions of a futures market as defined in the Ordinance, in a particular futures contract month or option series in a particular market determined by the Board (as defined in the Rules of the Futures Exchange) to be a Large Open Position pursuant to Rules 628 of the Rules of the Futures Exchange. This is similar to the concept of “reportable position” prescribed in the SFC Rules.

## RESPONSIBILITIES OF REPORTING AND REPORTING REQUIREMENTS

The prescribed limits and reporting level apply to Galaxy International Futures for its own account and separately and directly to the Client. Clients using more than one participant of the Futures Exchange continue to be subject to the prescribed limits and reporting level. The Client is therefore required to file LOP Report to the Futures Exchange a position which exceeds the prescribed reporting level and the specific positions held through each participant of the Futures Exchange.

The Client holding or controlling a reportable position in the accounts with Galaxy International Futures, can choose to submit the LOP Report to report such reportable position to the Futures Exchange directly ([hkfelop@hkex.com.hk](mailto:hkfelop@hkex.com.hk)) or through Galaxy International Futures. For the avoidance of doubt, where the Client holds or controls a reportable position with more than one participants of the Futures Exchange and notwithstanding that positions separately held by each of these participants of Futures Exchange for the Client may not have exceeded the reporting levels, the Client has direct obligation to ensure LOP Reports are filed to the Futures Exchange such that the total number of positions reported shall represent the total number of positions which are held by the Client. Galaxy International Futures has no obligation to report to the Futures Exchange any positions held or controlled by the Client with other participants of the Futures Exchange.

The LOP Report should be made within ONE reporting day following the day on which the Client first holds or controls the reportable positions and each succeeding day on which the Client continues to hold or control the reportable positions. The Client should submit the LOP Report by using a prescribed form by 12:00 noon on the reporting day. [A LOP Report template can be downloaded from the HKEX website.]

The Client hereby acknowledges and agrees to provide Galaxy International Futures immediately upon request of Futures Exchange with any details of transactions/positions in other markets (e.g. OTC market) underlying the reportable positions held by Galaxy International Futures on behalf of the Client. Failure to provide such information to the Futures Exchange could lead to the imposition of position limits other than the prescribed limits according to the Rules of Futures Exchange.

The Client hereby acknowledges the responsibilities of reporting and reporting requirements set out herein, the Rules of Futures Exchange, SFC Rules and Guidance Notes.

The Client is advised to read the Guidance Note on Position Limits and Large Open Position Reporting Requirements issued by the SFC which can be downloaded from the SFC's website at [www.sfc.hk](http://www.sfc.hk).

## PART J – SUMMARY OF PRESCRIBED LIMITS AND REPORTING LEVEL APPLICABLE TO STOCK OPTIONS ACCOUNTS OPENED WITH GALAXY INTERNATIONAL SECURITIES

Pursuant to the Rules of SEHK, Options Trading Rules of SEHK, Operational Trading Procedures of SEHK, the Securities and Futures (Contracts Limits and Reportable Positions) Rules ("the SFC Rules") made pursuant to Section 35 (1) of the Securities and Futures Ordinance (the "Ordinance") and Guidance Note on Position Limits and Large Open Position Reporting Requirements issued by the SFC ("Guidance Note"), certain prescribed limits and reporting level set by the SFC under the SFC Rules will directly affect your Account(s) – these are summarized below. The Client should note that failure to comply with such limits or to report may constitute a criminal offence under the Ordinance and the Rules.

### PRESCRIBED LIMITS

The SFC Rules imposes restrictions on the maximum number of stock options contracts in any one market direction (N.B. long calls and short puts are in the same market direction while short calls and long puts are in the same market direction) for all expiry months combined that may be held or controlled by the Client. The prescribed limits on stock options contracts are specified in schedule 2 of the SFC Rules. In general, the prescribed limits in schedule 2 of the SFC Rules are also reflected in the Rules of SEHK. The Client should note that in addition to the prescribed limits, the SEHK may impose other position limits on a particular contract, Galaxy International Securities or the Client where situations warrant such action.

The Client should make reference to the HKEX website for the latest prescribed limits:

[https://www.hkex.com.hk/Services/Trading/Derivatives/Overview/Trading-Mechanism/Large-Open-Positions-and-Position-Limits?sc\\_lang=en](https://www.hkex.com.hk/Services/Trading/Derivatives/Overview/Trading-Mechanism/Large-Open-Positions-and-Position-Limits?sc_lang=en)

The prescribed limits apply to all positions held or controlled by any person including positions held by the person for his own account and positions belonging to other persons but under the control of such person ("Aggregation Requirements"). A person is regarded as having control of positions as for example where a person is allowed to exercise discretion to trade or dispose of the positions independently without the day-to-day direction of the owner of the positions. The prescribed limits do not apply to a person who controls positions merely by virtue of its corporate relationship (e.g. a parent company in relation to positions held by its affiliates/subsidiaries) provided that such person does not give its affiliates/subsidiaries any day-to-day direction with respect to trading.

Each of Galaxy International Securities and the Client is prohibited from entering into, holding or controlling more than the prescribed limits, unless the excess is expressly authorised by the SEHK or SFC in accordance with the SFC Rules.

### REPORTABLE POSITIONS AND REPORTING LEVEL

The SFC Rules requires a person holding or controlling a reportable position, which is similar to the concept of Large Open Position prescribed in the Rules of Futures Exchange, to notify the recognized exchange company of any reportable position in writing, i.e. the Large Open Position Report ("LOP Report"). The reportable positions for stock options contracts are calculated based on the number of contracts held or controlled in an expiry month and the reporting levels are specified in schedule 2 of the SFC Rules. The Aggregation Requirements as mentioned in the above Prescribed Limits section equally apply to the reportable positions for stock options contracts.

The Client should make reference to the HKEX website for the latest reporting levels:  
[https://www.hkex.com.hk/Services/Trading/Derivatives/Overview/Trading-Mechanism/Large-Open-Positions-and-Position-Limits?sc\\_lang=en](https://www.hkex.com.hk/Services/Trading/Derivatives/Overview/Trading-Mechanism/Large-Open-Positions-and-Position-Limits?sc_lang=en)

Each of Galaxy International Securities and the Client is prohibited from holding or controlling positions more than the reporting levels unless the position held or controlled is reported to the SEHK and/or other recognized exchange pursuant to the SFC Rules.

#### **THE SEHK OPTIONS TRADING RULES AND THE OPERATIONAL TRADING PROCEDURES**

The SEHK has also imposed position limit on the open positions the Client can carry at any one time and prescribed reporting level in excess of which the Client is required to report to SEHK. In particular, the Client should note that the Client shall itself have direct reporting obligations to the SEHK where the Client holds or controls, in aggregate, open positions equal to or more than the number of stock options contracts specified by SEHK from time to time, whether directly or through the Client's affiliate, and whether through one or more participants of the SEHK, in which event the Client shall be required to file a LOP Report with the SEHK. For the purposes of the Options Trading Rules and the Operational Trading Procedures, Large Open Position is similar to the concept of "reportable position" prescribed in the SFC Rules.

The Client should make reference to chapter 5 paragraph 5.9 – 5.11 of the Operational Trading Procedures of SEHK.

#### **RESPONSIBILITIES OF REPORTING AND REPORTING REQUIREMENTS**

The prescribed limits and reporting level apply to Galaxy International Securities for its own account and separately and directly to the Client. Clients using more than one participant of the SEHK continue to be subject to the prescribed limits and reporting level. The Client is therefore required to file LOP Report to the SEHK a position which exceeds the prescribed reporting level and the specific positions held through each participant of the SEHK.

The Client holding or controlling a reportable position in the accounts with Galaxy International Securities, can choose to submit the LOP Report to report such reportable position to the SEHK directly ([hkfelop@hkex.com.hk](mailto:hkfelop@hkex.com.hk)) or through Galaxy International Securities. For the avoidance of doubt, where the Client holds or controls a reportable position with more than one participants of the SEHK and notwithstanding that positions separately held by each of these participants of SEHK for the Client may not have exceeded the reporting levels, the Client has direct obligation to ensure LOP Reports are filed to the SEHK such that the total number of positions reported shall represent the total number of positions which are held by the Client. Galaxy International Securities has no obligation to report to the SEHK any positions held or controlled by the Client with other participants of the SEHK.

The LOP Report should be made within ONE reporting day following the day on which the Client first holds or controls the reportable positions and each succeeding day on which the Client continues to hold or control the reportable positions. The Client should submit the LOP Report by using a prescribed form. **[A LOP Report template can be downloaded from the HKEX website.]**

The Client hereby acknowledges and agrees to provide, and procure the counterparties to provide, Galaxy International Securities immediately upon request of SEHK with any details of transactions/positions in other markets (e.g. OTC market) underlying the reportable positions held by Galaxy International Securities on behalf of the Client. Failure to provide such information to the SEHK could lead to the imposition of position limits other than the prescribed limits according to the Rules of SEHK.

The Client hereby acknowledges the responsibilities of reporting and reporting requirements set out herein, the Rules of SEHK, Options Trading Rules of SEHK, Operational Trading Procedures of SEHK, SFC Rules and Guidance Notes.

The Client is advised to read the Guidance Note on Position Limits and Large Open Position Reporting Requirements issued by the SFC which can be downloaded from the SFC's website at [www.sfc.hk](http://www.sfc.hk).

## **PART K – NOTES RELATING TO PERSONAL DATA PRIVACY POLICY**

1. From time to time, it may be necessary for you to supply Galaxy International Securities and/or Galaxy International Futures and/or any member of China Galaxy International with personal data ("Data") as defined in the Personal Data (Privacy) Ordinance (Cap. 486 of the laws of Hong Kong, "PDPO"), General Data Protection Regulation ("GDPR") of the European Union or any other applicable laws in connection with the opening or continuation of Accounts and the establishment or continuation of credit facilities or provision of the relevant trading, nominee, investment advisory and other related services (collectively, the "Services"). For the avoidance of doubt, Data shall include client identification data ("CID") and Broker-to-Client Assigned Number ("BCAN") as defined in paragraph 5.6 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission. The Data is collected pursuant to PDPO, GDPR and other applicable laws, regulations, rules or codes binding on Galaxy International Securities and/or Galaxy International Futures and/or any member of China Galaxy International. These notes apply to you and includes any borrowers, guarantors, third party security providers, depositors, directors, shareholders, officers and managers of any corporate applicants/customers or other similar data subjects. Nothing in these notes shall limit your rights under the PDPO. For any Data of other persons supplied by you, you represent and warrant that you have full authority and consent to provide such Data to Galaxy International Securities and/or Galaxy International Futures and/or any member of China Galaxy International for purposes and uses as set out in these notes.
2. Failure to supply such Data may result in Galaxy International Securities and/or Galaxy International Futures and/or any member of China Galaxy International being unable to provide related Services.

3. Data provided by you to Galaxy International Securities and/or Galaxy International Futures and/or any member of China Galaxy International shall be true, correct and complete. You shall notify Galaxy International Securities and/or Galaxy International Futures and/or any member of China Galaxy International immediately on any changes to the Data. Galaxy International Securities and/or Galaxy International Futures and/or any member of China Galaxy International are not liable for any violation of any applicable laws, regulations, rules or codes resulting from your failure to notify us timely of any changes.
4. It is also the case that Data may be collected from (i) you in the ordinary course of the continuation of providing related Services, (ii) a person acting on behalf of you whose data are provided, (iii) your use of websites and apps of China Galaxy International and (iv) other sources (for example, information obtained from credit reference agencies).
5. The purposes for which the Data relating to you may be used are as follows:-
  - (a) disclosing and transferring Data to SEHK and/or the SFC in accordance with the rules and requirements of SEHK and the SFC in effect from time to time;
  - (b) allowing SEHK to: (i) collect, store, process and use Data for market surveillance and monitoring purposes and enforcement of the Rules of the Exchange of SEHK; and (ii) disclose and transfer such information to the relevant regulators and law enforcement agencies in Hong Kong (including, but not limited to, the SFC) so as to facilitate the performance of their statutory functions with respect to the Hong Kong financial markets; and (iii) use such information for conducting analysis for the purposes of market oversight;
  - (c) allowing the SFC to: (i) collect, store, process and use Data for the performance of its statutory functions including monitoring, surveillance and enforcement functions with respect to the Hong Kong financial markets; and (ii) disclose and transfer such information to relevant regulators and law enforcement agencies in Hong Kong in accordance with applicable laws or regulatory requirements;
  - (d) allowing HKSCC to: (i) retrieve from SEHK (which is allowed to disclose and transfer to HKSCC), process and store your CID and/or BCAN(s) and transfer your CID and/or BCAN(s) to the issuer's share registrar to enable HKSCC and/or the issuer's share registrar to verify that you have not made any duplicate applications for the relevant share subscription and to facilitate initial public offering ("IPO") balloting and IPO settlement; and (ii) process and store your CID and/or BCAN(s) and transfer your CID and/or BCAN(s) to the issuer, the issuer's share registrar, the SFC, SEHK and any other party involved in the IPO for the purposes of processing your application for the relevant share subscription or any other purpose set out in the IPO issuer's prospectus;
  - (e) the daily operation of the related Services and credit facilities provided to you;
  - (f) conducting credit checks;
  - (g) assisting other financial institution (whether or not a member of China Galaxy International) to conduct credit checks;
  - (h) ensuring on-going credit worthiness of you;
  - (i) designing financial services or related products for your use;
  - (j) advertising and marketing services, products and other subjects (please see further details in Paragraph (6) below);
  - (k) determining the amount of indebtedness owed to or by you;
  - (l) the enforcement of your obligations, including without limitation the collection of amounts outstanding from you and those providing security or guarantee for your obligations;
  - (m) Meeting obligations, requirements or arrangements, whether compulsory or voluntary, for disclosing and using Data that apply to Galaxy International Securities and/or Galaxy International Futures and/or any member of China Galaxy International or that it is expected to comply according to:
    - (i) Any applicable law, regulation, judgment, court order, voluntary code, sanctions regime, or any guidelines or guidance, including but not limited to that governing the group risk monitoring obligations, given or issued by any legal, regulatory, governmental, tax, law enforcement or other authorities, or self-regulatory or industry bodies or associations of financial services providers within or outside Hong Kong Special Administrative Region existing currently and in the future, and any international guidance, internal policies or procedures;
    - (ii) Any present or future contractual or other commitment with local or foreign legal, regulatory, judicial, administrative, public or law enforcement body, or governmental, tax, revenue, monetary, securities or futures exchange, court or other authorities, or self-regulatory or industry bodies or associations of financial services providers or any of their agents with jurisdiction over all or any part of China Galaxy International (together the "Authorities" and each an "Authority") that is assumed by, imposed on or applicable to the Galaxy International Securities and/or Galaxy International Futures and/or any member of China Galaxy International;
    - (iii) any agreement or treaty between Authorities;
  - (n) complying with any obligations, requirements, policies, procedures, measures or arrangements for sharing data and information within China Galaxy International and/or any other use of data and information in accordance with any programmes for compliance with sanctions or prevention or detection of money laundering, terrorist financing or other unlawful activities;
  - (o) conducting any action to meet obligations of Galaxy International Securities and/or Galaxy International Futures and/or any member of China Galaxy International to comply with applicable laws or international guidance or regulatory requests relating to or in connection with the detection, investigation and prevention of money laundering, terrorist financing, bribery, corruption, tax evasion, fraud, evasion of economic or trade sanctions and/or any acts or attempts to circumvent or violate any applicable laws relating to these matters;
  - (p) meeting any obligations of Galaxy International Securities and/or Galaxy International Futures and/or any member of China Galaxy International to comply with any demand or request from the Authorities;
  - (q) enabling an actual or proposed assignee of Galaxy International Securities and/or Galaxy International Futures and/or any member of China Galaxy International, or participant or sub-participant of Galaxy International Securities' and/or Galaxy International Futures' rights in respect of you to evaluate the transaction intended to be the subject of the assignment, participation or sub-participation; and

- (q) purposes ancillary or relating to any of the above.
6. Data held by Galaxy International Securities and/or Galaxy International Futures and/or any member of China Galaxy International relating to you will be kept confidential but Galaxy International Securities and/or Galaxy International Futures and/or any member of China Galaxy International may provide such information to the following parties (whether within or outside Hong Kong) for the purposes set out in Paragraph 5 above:-
- (a) any member of China Galaxy International.
  - (b) any agent, contractor or third party service provider who provides administrative, telecommunications, telemarketing, direct sales, data processing, information technology, legal, accounting, payment or securities clearing or other services to Galaxy International Securities and/or Galaxy International Futures and/or any member of China Galaxy International in connection with the operation of its business;
  - (c) any person under a duty of confidentiality to Galaxy International Securities and/or Galaxy International Futures and/or any member of China Galaxy International;
  - (d) any financial institution with which you have or propose to have dealings;
  - (e) Any persons acting on behalf of you whose data are provided, payment recipients, beneficiaries, authorized persons, intermediary, banks, clearing houses, clearing or settlement systems, market counterparties, swap or trade repositories, stock exchanges, companies in which you have an interest in securities (where such securities are held by Galaxy International Securities and/or Galaxy International Futures and/or any member of China Galaxy International) or a person making any payment into your account;
  - (f) any actual or proposed assignee of Galaxy International Securities and/or Galaxy International Futures and/or any member of China Galaxy International or participant or sub-participant or transferee of Galaxy International Securities' and/or Galaxy International Futures' rights in respect of you;
  - (g) any person to whom Galaxy International Securities and/or Galaxy International Futures and/or any member of China Galaxy International is compelled by law or by relevant regulatory authorities to make disclosure;
  - (h) any Authorities in order to satisfy any applicable law, regulation, rule or guideline existing currently and in the future, including but not limited to those related to CRS or FATCA;
  - (i) any person with your express or implied consent;
  - (j) any person where Galaxy International Securities' and/or Galaxy International Futures' and/or any member of China Galaxy International's interests require disclosure; and
  - (k) any person where the public interest requires disclosure.

Such information may be transferred to a place outside Hong Kong. Galaxy International Securities and/or Galaxy International Futures and/or any member of China Galaxy International share your Data to the abovementioned parties only in accordance with strict internal security standards, confidentiality policies and applicable laws.

7. If you are subject to the rules under GDPR, you shall be aware of and agree to the transfer of the Data outside the European Economic Area ("EEA") as follows:
- (a) The Data that Galaxy International Securities and/or Galaxy International Futures and/or any member of China Galaxy International collect from you may be transferred to, and stored at, a destination outside the EEA, including but not limited to being transferred to affiliates of Galaxy International Securities and/or Galaxy International Futures and/or any member of China Galaxy International which are located outside the EEA.
  - (b) Data may also be processed by individuals operating outside of the EEA who work for affiliates of Galaxy International Securities and/or Galaxy International Futures and/or any member of China Galaxy International or for one of suppliers of Galaxy International Securities and/or Galaxy International Futures and/or any member of China Galaxy International.
  - (c) Where Galaxy International Securities and/or Galaxy International Futures and/or any member of China Galaxy International transfer the Data outside the EEA, Galaxy International Securities and/or Galaxy International Futures and/or any member of China Galaxy International will ensure that it is protected in a manner that is consistent with how the Data will be protected by Galaxy International Securities and/or Galaxy International Futures and/or any member of China Galaxy International in the EEA. This can be done in a number of ways, for instance:
    - (i) the country that Galaxy International Securities and/or Galaxy International Futures and/or any member of China Galaxy International send the Data to might be approved by the European Commission as offering a sufficient level of protection;
    - (ii) the recipient might have signed up to a contract based on "model contractual clauses" approved by the European Commission, obliging them to protect the Data; or
    - (iii) where the recipient is located in the US, it might be a certified member of the EU-US Privacy Shield scheme.
  - (d) In other circumstances the law may permit Galaxy International Securities and/or Galaxy International Futures and/or any member of China Galaxy International to otherwise transfer the Data outside the EEA. In all cases, however, Galaxy International Securities and/or Galaxy International Futures and/or any member of China Galaxy International will ensure that any transfer of the Data is compliant with applicable data protection law.

You can obtain more details about the protection given to the Data when it is transferred outside the EEA by contacting us in writing to the address provided in paragraph 16 below or contact the Responsible Officer at 3698-6836.

8. If you accept services in relation to Northbound Trading of China Connect Securities as defined in Appendix 1 of this Terms and Conditions, you shall be aware of and agree to the following provisions:
- (a) Galaxy International Securities and/or any member of China Galaxy International may need to use the Data for the following purpose:
    - (i) Tag each of the customers' orders submitted to the China Stock Connect System ("CSC"), as defined in the Rules of the Exchange, with a BCAN that is unique to each customer or the BCAN that is assigned to a joint account, as appropriate;

- and
- (ii) Provide to appropriate regulatory authorities, including but not limited to the Hong Kong Exchanges and Clearing (“HKEX”), the Hong Kong Stock Exchange Limited (“SEHK”) and any of their subsidiaries from time to time (the “SEHK Subsidiaries”), the customers’ assigned BCAN and CID as HKEX, SEHK or any SEHK Subsidiaries may from time to time request under any applicable laws or regulatory rules and requirements.
- (b) Without limitation to any notifications Galaxy International Securities and/or any member of China Galaxy International have given to you or consent which Galaxy International Securities and/or any member of China Galaxy International have obtained from you, Galaxy International Securities and/or any member of China Galaxy International may collect, store, use, disclose and transfer personal data relating to you as follows (defined terms shall have the meaning under the Rules of the Exchange, unless otherwise indicated):
  - (i) To disclose and transfer your BCAN and CID to HKEX, SEHK or any SEHK Subsidiaries from time to time, including by indicating your BCAN when inputting a China Connect order into the CSC, which will be further routed to the relevant China Connect Market Operator on a real-time basis;
  - (ii) To allow each of HKEX, SEHK or the SEHK Subsidiaries to : (1) collect, use and store your BCAN, CID and any consolidated, validated and mapped BCANs and CID information provided by the relevant China Connect Clearing House (in the case of storage, by any of them or via HKEX) for market surveillance and monitoring purposes and enforcement of the Rules of the Exchange; (2) transfer such information to the relevant China Connect Market Operator (directly or through the relevant China Connect Clearing House) from time to time for the purposes set out in paragraphs (iii) and (iv) below; and (3) disclose such information to the relevant regulators and law enforcement agencies in Hong Kong so as to facilitate the performance of their statutory functions with respect to the Hong Kong financial markets;
  - (iii) To allow the relevant China Connect Clearing House to: (1) collect, use and store your BCAN and CID to facilitate the consolidation and validation of BCANs and CID and the mapping of BCANs and CID with its investor identification database, and provide such consolidated, validated and mapped BCANs and CID information to the relevant China Connect Market Operator, HKEX, SEHK and any SEHK Subsidiary; (2) use your BCAN and CID for the performance of its regulatory functions of securities account management; and (3) disclose such information to the People’s Republic of China regulatory authorities and law enforcement agencies having jurisdiction so as to facilitate the performance of their regulatory, surveillance and enforcement functions with respect to the People’s Republic of China financial markets;
  - (iv) To allow the relevant China Connect Market Operator to: (1) collect, use and store your BCAN and CID to facilitate their surveillance and monitoring of securities trading on the relevant China Connect Market through the use of the China Connect Service and enforcement of the rules of the relevant China Connect market Operator; and (2) disclose such information to the People’s Republic of China regulatory authorities and law enforcement agencies so as to facilitate the performance of their regulatory, surveillance and enforcement functions with respect to the People’s Republic of China financial markets.
- (c) By instructing Galaxy International Securities and/or any member of China Galaxy International in respect of any transaction relating to China Connect Securities (as defined in the Rules of the Exchange), you acknowledge and agree that Galaxy International Securities and/or any member of China Galaxy International may use your personal data for the purposes of complying with the requirements of HKEX, SEHK or any SEHK Subsidiaries and their rules as in force from time to time in connection with Stock Connect Northbound Trading.

#### 9. Use of Data in Direct Marketing

Galaxy International Securities and/or Galaxy International Futures and/or any member of China Galaxy International intend to use your Data in direct marketing and Galaxy International Securities and/or Galaxy International Futures and/or any member of China Galaxy International requires your consent (which includes an indication of no objection) for that purpose. In this regard, please note that:

- (a) Galaxy International Securities and/or Galaxy International Futures and/or any member of China Galaxy International may use the following categories of data for its direct marketing purposes:
  - (i) the name, contact details, products and services portfolio information, transaction pattern and behavior, transaction location, financial background and statistics held by the Galaxy International Securities and/or Galaxy International Futures and/or any member of China Galaxy International from time to time; and
  - (ii) information relating to your use of China Galaxy International’s websites, apps from time to time, whether through cookies or otherwise;
- (b) the following classes of services, products and subjects may be marketed:
  - (i) financial services and products;
  - (ii) investment related services and products (including but not limited to Capital Investment Entrant Scheme and investment consultancy services); and
  - (iii) reward, loyalty or privileges programmes and related services and products;
- (c) the above services, products and marketing subjects maybe provided or solicited by Galaxy International Securities and/or Galaxy International Futures and/or:
  - (i) any member of the China Galaxy International;
  - (ii) third party financial institutions, insurers, securities and investment services providers; and
  - (iii) third party reward, loyalty or privileges programme providers or merchants
- (d) in addition to marketing the above services, products and subjects itself, the Galaxy International Securities and/or Galaxy International Futures and/or any member of China Galaxy International also intends to provide the Data described in Paragraph 9(a) above to all or any of the persons described in Paragraph 9(c) above for use by them in marketing those services, products and subjects, and Galaxy International Securities and/or Galaxy International Futures and/or any member of China Galaxy International requires your written consent (which includes an indication of no objection) for that purpose;
- (e) Galaxy International Securities and/or Galaxy International Futures and/or any member of China Galaxy International may

- receive money or other property in return for providing the Data to the other persons in Paragraph 9(d) above and, when requesting your consent or no objection as described in Paragraph 9(d) above, Galaxy International Securities and/or Galaxy International Futures and/or any member of China Galaxy International will inform you if it will receive any money or other property in return for providing the Data to the other person;
- (f) if you do not wish Galaxy International Securities and/or Galaxy International Futures and/or any member of China Galaxy International to use or provide to other persons your Data for use in direct marketing as described above, you may, at any time, request Galaxy International Securities and/or Galaxy International Futures and/or any member of China Galaxy International to cease using your Data for direct marketing purpose by writing to Responsible Officer at the address provided in Paragraph 16 without any charges;
  - (g) you understand that if you so request, Galaxy International Securities and/or Galaxy International Futures and/or any member of China Galaxy International is required to cease to use the Data for such purpose. In addition, to comply with all relevant laws, regulations, guidelines or guidance, Galaxy International Securities and/or Galaxy International Futures and/or any member of China Galaxy International, while retaining such Data, shall cease from using such Data for direct marketing.
10. In the course of performing Galaxy International Securities' and/or Galaxy International Futures' and/or any member of China Galaxy International's duties, Galaxy International Securities and/or Galaxy International Futures and/or any member of China Galaxy International may as permitted by law, (1) match, compare, transfer or exchange any personal Data provided by you with Data held, or hereafter obtained, for these or any other purposes by Galaxy International Securities and/or Galaxy International Futures and/or any member of China Galaxy International, government bodies, other regulatory authorities, corporations, organizations or individuals in Hong Kong or overseas for the purpose of verifying those Data; and (2) transfer such Data (and other information) to any place outside Hong Kong (whether for the processing, holding or use of such Data (and other information) outside Hong Kong).
11. Under and in accordance with the terms of the PDPO you:-
- (a) have the right to check whether Galaxy International Securities and/or Galaxy International Futures and/or any member of China Galaxy International holds Data about you, obtain information regarding the processing of the Data and access to such Data;
  - (b) have the right to require Galaxy International Securities and/or Galaxy International Futures and/or any member of China Galaxy International to correct any Data relating to you which is inaccurate; and
  - (c) have the right to ascertain Galaxy International Securities' and/or Galaxy International Futures' and/or any member of China Galaxy International's policies and practices in relation to Data and to be informed of the kind of personal Data held by Galaxy International Securities and/or Galaxy International Futures and/or any member of China Galaxy International.
12. Where GDPR is applicable, under and in accordance with the terms of the GDPR, in addition to the rights stipulated under paragraph 11 above, you:-
- (a) have the right to obtain information regarding the processing of the Data except where (1) you already have the information; (2) involving disproportionate effort; (3) disclosure as permitted by law and measures are taken to protect your legitimate interests; (4) secrecy obligation;
  - (b) have the right to the followings save that Galaxy International Securities and/or Galaxy International Futures and/or any member of China Galaxy International may still be entitled to process/retain the Data if Galaxy International Securities and/or Galaxy International Futures and/or any member of China Galaxy International have other legitimate reason for doing so:-
    - (i) withdraw the consent to processing of the Data at any time;
    - (ii) erase the Data under specified circumstances, including (1) where the Data is no longer necessary in relation to the purposes for which it is collected; (2) where you withdraw the consent; (3) where there is no overriding legitimate interest; or (4) the Data collected is about children in relation to an information society service;
    - (iii) object to, and the right to request that Galaxy International Securities and/or Galaxy International Futures and/or any member of China Galaxy International restrict, the processing of the Data under certain circumstances as stipulated in the GDPR.
  - (c) have the right to receive Data provided by you to Galaxy International Securities and/or Galaxy International Futures and/or any member of China Galaxy International in a structured, commonly used and machine-readable format and/or request that Galaxy International Securities and/or Galaxy International Futures and/or any member of China Galaxy International transmit those data to a third party where this is technically feasible.
  - (d) have the right to lodge a complaint with the data protection regulator if you believe that any of your data privacy rights have been infringed by Galaxy International Securities and/or Galaxy International Futures and/or any member of China Galaxy International.
13. In accordance with the terms of the PDPO, Galaxy International Securities and/or Galaxy International Futures and/or any member of China Galaxy International has the right to charge a reasonable fee for the processing of any Data access request.
14. The retention period of Data may vary and shall be kept as long as:-
- (a) necessary for serving the purpose(s) for which Galaxy International Securities and/or Galaxy International Futures and/or any member of China Galaxy International are processing; and
  - (b) required by any applicable laws, guidelines or regulations.
15. You acknowledge that despite any subsequent purported withdrawal of consent by you, your Data (which was provided before such withdrawal) may continue to be stored, used, disclosed, transferred and otherwise processed for the above purposes, whether before or after such purported withdrawal of consent. Galaxy International Securities and/or Galaxy International Futures and/or any member of China Galaxy International will not, or no longer be able to, as the case may be, carry out your trading instructions or provide you with the



securities related services including Stock Connect Northbound Trading service if you fail to provide Galaxy International Securities and/or Galaxy International Futures and/or any member of China Galaxy International with your personal data or consent as described above.

16. Nothing in these notes shall limit the rights of yours under the PDPO, GDPR or applicable laws.
17. The person to whom requests for access to Data or correction of Data or for information regarding policies and practices and kinds of Data held are to be addressed is as follows:-

**Responsible Officer**

**China Galaxy International Securities (Hong Kong) Co., Limited and**

**China Galaxy International Futures (Hong Kong) Co., Limited**

**20th Floor, Wing On Centre, 111 Connaught Road Central, Sheung Wan, Hong Kong**

**Phone: (852) 3698 6836**

**Email: [Enquiry@chinastock.com.hk](mailto:Enquiry@chinastock.com.hk)**

## Appendix 1 – Stock Connect Supplement to Terms and Conditions

### 1. Definition and Interpretation

1.1. Unless otherwise defined below, terms defined in the Terms and Conditions of Account Opening Agreement (“Terms and Conditions”) shall have the same meaning in this Supplement.

1.2. In this Supplement, unless the context otherwise requires, the following expressions shall have the following meanings:

**Applicable Requirements** means the relevant laws, rules, regulations, policies, interpretations, guidelines, requirements and other regulatory documents promulgated by relevant governmental or regulatory bodies of Hong Kong and Mainland China from time to time including the Stock Connect Rules and any other relevant requirements and/or restrictions of any governmental or regulatory body, exchange or clearing house as may be published and/or amended from time to time.

**BCAN** means the Broker-to-Client Assigned Number which is a unique and confidential number assigned by Galaxy International Securities to a Client in respect of Northbound Trading.

**BCAN-CID Submission Deadline** means the deadline for Galaxy International Securities to submit the BCAN and Client Identification Data mapping files to the SEHK as notified by the SEHK or other Stock Connect Authorities from time to time.

**Cash** means all cash or cash equivalents in Offshore RMB received and held by Galaxy International Securities based on the terms of this Supplement.

**CCASS** means the Central Clearing and Settlement System operated by HKSCC for the clearing of securities listed or traded on SEHK and/or any system established for the purpose of Stock Connect.

**CCASS Rules** means the general rules of CCASS as amended, supplemented, modified and/or varied from time to time.

**ChinaClear** means China Securities Depository and Clearing Corporation Limited.

**China Connect Market** means SSE or SZSE as applicable.

**China Connect Market Operator** means SSE or SZSE as applicable

**China Connect Securities** means any securities listed on a China Connect Market which are from time to time accepted as eligible stocks for trading in Hong Kong and overseas investors under Stock Connect. Unless the context requires otherwise, “China Connect Securities” includes “Special China Connect Securities”.

**ChiNext Shares** means any securities accepted for listing and admitted to trading on the ChiNext market operated by SZSE from time to time.

**Circuit Breaker** means any measures that may be imposed or activated by a China Connect Market Operator on the relevant China Connect Market in accordance with the Circuit Breaker Provisions.

**Circuit Breaker Provisions** means the relevant provisions in the Operator Rules under which Circuit Breaker may be imposed for the purpose of, among others, minimising or averting substantial upward or downward price movements of securities traded on the relevant China Connect market including all related provisions on the application and lifting of the Circuit Breaker.

**Client Identification Data (“CID”)** includes the following information:

- (a) With respect to an individual Client, the Client’s full name on the identity document, the issuing country or jurisdiction of the individual’s identity document, the type of identity document (i.e. ID Card, passport or any other official identity document), the number on the identity document and such other information as requested by SEHK and other Stock Connect Authorities from time to time; and
- (b) With respect to an institutional or corporate Client, the entity’s name as shown on the certificate of incorporation or Legal Entity Identifier (“LEI”), place of incorporation, certificate of incorporation or LEI, certificate number or LEI, and such other information as requested by SEHK and other Stock Connect Authorities from time to time.

**Costs** includes costs, charges and expenses, including those in connection with the provision of legal advice.

**CSRC** means the China Securities Regulatory Commission of Mainland China.

**HKEx** means the Hong Kong Exchanges and Clearing Limited.

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

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

**Institutional Professional Investor** means a "professional investor" within the meaning of paragraph (a), (b), (c), (d), (e), (f), (g), (h) or (i) of the definition of "professional investor" in section 1 of Part 1 of Schedule 1 to Securities and Futures Ordinance (Cap 571).

**Investor ID Model Effective Date** means the date that the Northbound Trading investor identification (Investor ID) model launches as notified by the SEHK or other Stock Connect Authorities on the HKEx website or the SFC website.

**Loss** includes any loss, damage, demand, claims, liabilities and Costs of any kind.

**Mainland China** means, for the purposes of this Supplement, the People's Republic of China other than Hong Kong, Macau and Taiwan.

**Northbound Trading** means the trading of China Connect Securities by Hong Kong and overseas investors through Stock Connect.

**Offshore RMB** means RMB available for general exchange market transactions outside Mainland China.

**Operator China Connect Rules** means the SSE China Connect Rules or the SZSE China Connect Rules as applicable.

**Operator Listing Rules** means the SSE Listing Rules or the SZSE Listing Rules as applicable.

**Operator Rules** means the SSE Rules or the SZSE Rules as applicable.

**RMB** means Renminbi, the lawful currency of the People's Republic of China.

**SAFE** means the State Administration of Foreign Exchange of Mainland China.

**Shanghai-Hong Kong Stock Connect** means the securities trading and clearing links programme developed by the SEHK, SSE, HKSCC and ChinaClear for the establishment of mutual market access between the SEHK and the SSE.

**Shenzhen-Hong Kong Stock Connect** means the securities trading and clearing links programme developed by the SEHK, SZSE, HKSCC and ChinaClear for the establishment of mutual market access between the SEHK and the SZSE.

**Short Selling** means the sale of China Connect Securities, which are from time to time included in the list of eligible China Connect Market securities for short selling published by the SEHK from time to time, in respect of which the Client has a presently exercisable and unconditional right to vest such securities in the purchaser by virtue of having borrowed such securities under a Stock Borrowing and Lending Arrangement.

**Special China Connect Securities** means any securities listed on a stock market in Mainland China acceptable to SEHK which are from time to time accepted as eligible stocks for sale only but not for purchase by Hong Kong and overseas investors under Stock Connect.

**Special Segregated Account** has the meaning set out in CCASS Rules.

**SPSA Order** means Stock Connect sale order for the sale of China Connect Securities held in a Special Segregated Account.

**SSE** means the Shanghai Stock Exchange.

**SSE China Connect Rules** means the SSE Regulations on the Shanghai-Hong Kong Stock Connect which have been published by SSE for the purposes of implementing Shanghai-Hong Kong Stock Connect, as amended, supplemented, modified and/or varied from time to time.

**SSE Listing Rules** means the Rules Governing the Listing of Stocks on Shanghai Stock Exchange as amended, supplemented, modified and/or varied from time to time.

**SSE Rules** means the SSE China Connect Rules and the business and trading rules and regulations of SSE as amended, supplemented, modified or varied from time to time.

**SZSE** means the Shenzhen Stock Exchange.

**SZSE China Connect Rules** means the rules and regulations on Shenzhen-Hong Kong Stock Connect which have been published by SZSE for the purposes of implementing Shenzhen-Hong Kong Stock Connect, as amended, supplemented, modified and/or varied from time to time.

**SZSE Listing Rules** means the Rules Governing the Listing of Stocks on Shenzhen Stock Exchange, as amended, supplemented, modified and/or varied from time to time.

**SZSE Rules** means the SZSE China Connect Rules and the business and trading rules and regulations of SZSE, as amended, supplemented, modified and/or varied from time to time.

**Stock Borrowing and Lending Arrangement** has the meaning as set out in the Stock Connect Rules.

**Stock Connect** means Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect, or such other securities trading and clearing links programme developed or to be developed between SEHK and a trading platform in Mainland China as applicable.

**Stock Connect Authorities** means the exchanges, clearing systems and regulators which provide services and/or regulate Stock Connect and activities relating to Stock Connect, including the Hong Kong Monetary Authority, SFC, SEHK (and its relevant subsidiary), HKSCC, the People's Bank of China, CSRC, SAFE, China Connect Market Operators, ChinaClear and any other regulator, agency or authority with jurisdiction or responsibility in respect of Stock Connect.

**Stock Connect Rules** means, in the context of Stock Connect, any laws, rules, regulations, policies, interpretations, guidelines, requirements or other regulatory documents promulgated, published or applied by any Stock Connect Authority in relation to the relevant market from time to time in respect of Stock Connect or any activities arising from Stock Connect.

**Supplement** means this Stock Connect Supplement to the Terms and Conditions.

**Taxes** means any present or future taxes, levies, imports, duties, fees, assessments or other charges of whatever nature, imposed by any government department, taxing authority, regulatory body, agency and/or other political subdivision in Hong Kong and/or any place in the world, and all interest, penalties, fines, expenses or similar liabilities with respect thereto.

**Trading Day** means a day on which trading is conducted through the system for receiving and routing Northbound Trading orders on SEHK.

**Uptick Long Sale** means:

- (a) the Client places a sell order with Galaxy International Securities for China Connect Securities which is not a Short Selling order;
- (b) the Client has borrowed other shares of that China Connect Security pursuant to a Stock Borrowing and Lending Arrangement and such shares are not subject to the sell order referred to in (a);
- (c) the Client has not returned all of the shares that the Client has borrowed under the Stock Borrowing and Lending Arrangement; and
- (d) the price requirements set out in the Stock Connect Rules relating to Short Selling apply to the sell order.

## 2. Application

This Supplement is supplemental to, and without prejudice to, the Terms and Conditions and any applicable terms agreed between the Client and Galaxy International Securities. This Supplement applies at any time that the Client trades China Connect Securities under Stock Connect through Galaxy International Securities. In the event of any inconsistency between this Supplement and the Terms and Conditions, this Supplement prevails in relation to the trading of China Connect Securities through China Connect.

## 3. Eligible Investors

The Client acknowledges that Northbound Trading is available only to Hong Kong and overseas investors and represents and undertakes on a continuing basis, including without limitation on each date that the Client place an order or give an instruction in respect of China Connect Securities under this Supplement, that:

- (a) unless the Client is an Institutional Professional Investor and such status has been confirmed by Galaxy International Securities, the Client will not place any order or give any Instruction to buy or sell ChiNext Shares under Stock Connect (other than Special China Connect Securities which are eligible for sell orders only);
- (b) in the case where the Client is acting as agent on behalf of its/his/her client, the Client will not place any order or give any Instruction

to buy or sell ChiNext Shares under Stock Connect on behalf of such client (other than Special China Connect Securities which are eligible for sell orders only), unless the Client is reasonably satisfied that such client is an Institutional Professional Investor; and

- (c) the Client's investment in China Connect Securities is in compliance with laws and regulations of Hong Kong and Mainland China in respect of China Connect or any activities arising from China Connect and laws and regulations of Mainland China, including those in relation to foreign exchange control and reporting, as may be amended from time to time.

#### **4. Compliance with Applicable Requirements**

- 4.1. Trading in any China Connect Securities is subject to the Applicable Requirements.
- 4.2. Galaxy International Securities is not obliged to act until it has received all necessary Instructions, funds, property and documents, but Galaxy International Securities may do so. If Galaxy International Securities does so, it has the right to apply any procedures or requirements in respect of any trading of China Connect Securities through Stock Connect which it determines in its discretion to be necessary or desirable for the purpose of complying with any Applicable Requirements, its policies and/or market practice. Galaxy International Securities' rights will not be affected if Galaxy International Securities does not do so or as a consequence of anything done or omitted to be done by it acting in good faith.
- 4.3. Galaxy International Securities may, in its discretion, refuse to execute any Instruction provided by the Client, if such Instruction is not, or Galaxy International Securities reasonably believes it may not be, in compliance with any Applicable Requirements or its policies. Galaxy International Securities is not liable for any Loss incurred by the Client which may result directly or indirectly from such refusal.

#### **5. Placing Orders**

- 5.1. Galaxy International Securities only accepts orders for Northbound Trading that comply with the Applicable Requirements. Galaxy International Securities is not liable for any Loss that the Client may suffer as a result of any attempt by the Client to place an order for Northbound Trading that does not comply with any Applicable Requirements.
- 5.2. Galaxy International Securities will not accept any Short Selling orders or Uptick Long Sale orders in respect of China Connect Securities. The Client represents and undertakes on a continuing basis on each date that any order that the Client places with Galaxy International Securities in relation to China Connect Securities is not, and will not be, a Short Selling order or an Uptick Long Sale order which is subject to the Stock Connect Rules in relation to Short Selling.
- 5.3. Galaxy International Securities will not accept any Northbound buy order for ChiNext Shares unless it determines in its absolute discretion that the Client is an Institutional Professional Investor.

#### **6. Enhanced Pre-Trade Checking**

- 6.1. To the extent that the Client instructs Galaxy International Securities to execute an SPSA Order on behalf of the Client, the provisions set out in this Clause 6 apply.
- 6.2. Prior to instructing Galaxy International Securities to execute any SPSA Order, the Client will provide to Galaxy International Securities all information or document in the manner as may be required by Galaxy International Securities from time to time in order for Galaxy International Securities to place an SPSA Order on behalf of the Client.
- 6.3. The Client authorises, and the Client has appropriate arrangements in place to authorise, the reproduction, replication and transmission of the stock holding records of the Special Segregated Account at any time for the purpose of enabling SEHK and its subsidiaries to carry out their pre-trade checking procedures.
- 6.4. In the event that:
  - (a) the Client instructs Galaxy International Securities to execute an SPSA Order on behalf of the Client and an investor identification number other than the Client's investor identification number is used to execute such order, the Client acknowledges and confirms that Galaxy International Securities may settle such SPSA Order using China Connect Securities from the Special Segregated Account pursuant to the Client's original Instructions; or
  - (b) the Client's investor identification number is used by Galaxy International Securities to execute an SPSA order on behalf of another client of Galaxy International Securities, the Client acknowledges and confirms that Galaxy International Securities may settle such SPSA order using China Connect Securities from the Special Segregated Account of such client pursuant to that client's original Instructions.
- 6.5. The Client represents and undertakes on a continuing basis, including at each time that the Client places an SPSA Order, or otherwise give an Instruction, in respect of the China Connect Securities held in a Special Segregated Account, that in respect of any SPSA Order

which the Client instructs Galaxy International Securities to execute, at all relevant times:

- (a) the Client has been designated such Special Segregated Account and CCASS has assigned the investor identification number to such Special Segregated Account that the Client has provided to Galaxy International Securities in respect to any such SPSA Order, in each case in accordance with the CCASS Rules and any applicable Stock Connect Rules;
- (b) the Client unconditionally authorises Galaxy International Securities to execute the sale of the relevant China Connect Securities in the specified Special Segregated Account on behalf of the Client;
- (c) (A) there are, and will be, sufficient China Connect Securities in the Special Segregated Account for the Client to settle the delivery obligations in respect of such SPSA Order on the settlement day as required under the Stock Connect Rules; and  
  
(B) the Client will ensure that the China Connect Securities that are the subject of the SPSA Order will be delivered to Galaxy International Securities or to the account specified by Galaxy International Securities no later than the cut-off time for delivery as may be specified by Galaxy International Securities from time to time or, if earlier, as may be specified by any relevant Stock Connect Authority, on the settlement day specified by Galaxy International Securities and in compliance with any other requirements for settlement which may be specified by Galaxy International Securities to the Client or the Client's agent for settlement from time to time;
- (d) the total number of China Connect Securities subject to SPSA Orders, in respect of China Connect Securities in that Special Segregated Account on any relevant Trading Day will not exceed the total stock holding position in respect of the same China Connect Security as shown against the investor identification number for the relevant Special Segregated Account (A) immediately before the commencement of operation of Stock Connect on that Trading Day or (B) as at such other time as may be specified by Galaxy International Securities or any relevant Stock Connect Authority from time to time;
- (e) to the extent that (i) the Client is a fund manager and (ii) the Client aggregates SPSA Orders across more than one Special Segregated Account (whether they are maintained with one or more custodian participant registered pursuant to the CCASS Rules),  
  
(A) the Client has authority from all relevant parties (including the relevant funds or sub-funds) so to aggregate such SPSA Orders and allocate China Connect Securities across such Special Segregated Accounts at the Client's discretion; and  
  
(B) any such actions taken or to be taken comply with all Applicable Requirements and do not involve any misappropriation of client assets;
- (f) the relevant number of China Connect Securities recorded in the relevant Special Segregated Account will be used by the Client for stock settlement of such SPSA Order in accordance with the CCASS Rules and any other relevant Stock Connect Rules; and
- (g) to the extent that an SPSA order is a Short Selling order, the borrowed Short Selling Securities are held in the relevant Special Segregated Account and the order is in compliance with (i) the China Connect Rules applicable to any SPSA order and (ii) the obligations set out herein. For the avoidance of doubt, Galaxy International Securities does not accept any Short Selling orders.

6.6. The Client must immediately inform Galaxy International Securities if any of the representations set out above in clause 6.5 are no longer correct or have become misleading or the Client has not complied, or will not comply, with any of the obligations under this Supplement or under the Stock Connect Rules in a way which may affect the ability of Galaxy International Securities to execute an SPSA Order in compliance with the Stock Connect Rules.

6.7. In the event that there is a breach of any of the terms of Clause 6 which results in a failure by Galaxy International Securities to deliver any China Connect Securities held in the relevant Special Segregated Account to CCASS in respect of any SPSA Order as required by the Stock Connect Rules:

- (a) the Client acknowledges that Galaxy International Securities is entitled to inform HKSCC that the failure to deliver was the result of the failure to deliver from a Special Segregated Account and, as a consequence, any overdue short stock position quantities will be deducted from the sellable balances of the relevant Special Segregated Account; and
- (b) the Client agrees to provide any information or any other assistance as may be required by Galaxy International Securities to ensure that SEHK and/or HKSCC is satisfied that the overdue short stock position was a result of a failure to deliver the China Connect Securities from a Special Segregated Account.

## **7. Settlement, currency conversion and instructions**

7.1. Northbound Trading is traded and settled in RMB. If the Client does not have sufficient Offshore RMB in the Account(s) for any purchase order of China Connect Securities through Northbound Trading or other payment obligation in connection with Stock Connect, the Client authorises Galaxy International Securities to convert any funds in another currency in any Account(s) into Offshore RMB for the purposes

of settlement in connection with Stock Connect. However, if there are no such funds (or all or any part of such funds cannot be converted into sufficient Offshore RMB) before any such settlement, settlement may be delayed and/or fail and the Client may not be able to purchase or transfer the relevant China Connect Securities.

- 7.2. Notwithstanding any other provision in the Terms and Conditions, where it is necessary to convert one currency to another pursuant to, in relation to or arising from this Supplement, such currency conversion may be carried out automatically by Galaxy International Securities in good faith at a rate Galaxy International Securities reasonably considers appropriate without prior notice to the Client. The Client indemnifies Galaxy International Securities for any shortfall arising from any such conversion.
- 7.3. The Client waives any of its/his/her right in any jurisdiction to pay any amount other than in the currency in which it is due. If Galaxy International Securities receives an amount in a currency other than that in which it is due:
- (a) Galaxy International Securities may convert the amount into the due currency on the date and at rates Galaxy International Securities reasonably considers appropriate without prior notice to the Client. Galaxy International Securities may deduct its Costs incurred in the conversion; and
  - (b) the Client satisfies its/his/her obligations to pay in the due currency only to the extent of the amount of the due currency obtained from the conversion after deducting the Costs of the conversion.
- 7.4. The Client must comply with all applicable exchange control laws and requirements in connection with this Supplement and Northbound Trading.
- 7.5. Galaxy International Securities may in its discretion reject the Client's sell order if Galaxy International Securities considers that the Client does not have sufficient available China Connect Securities in the Account(s) by the applicable cut-off time (as notified to the Client by Galaxy International Securities from time to time) or if for any other reason Galaxy International Securities considers that there is or may be non-compliance with any Applicable Requirement. The Client indemnifies Galaxy International Securities for any Loss incurred in connection with any non-compliance or potential non-compliance with pre-trade checking and/or any Applicable Requirement.
- 7.6. Galaxy International Securities may reject the Client's purchase order or sell order upon a request from SEHK, a China Connect Market Operator, or other Stock Connect Authorities. Galaxy International Securities is not liable for any Loss incurred by the Client in connection with any such request from SEHK, the China Connect Market Operator, or other Stock Connect Authorities.
- 7.7. If Galaxy International Securities is unable to effect an order cancellation request received from the Client due to the occurrence of a contingency (such as a breakdown or failure of all communication links between SEHK and a China Connect Market Operator), the Client shall remain liable for its/his/her settlement obligations if the relevant order has already been matched and executed.
- 7.8. Galaxy International Securities is not liable for any Loss incurred by the Client in connection with any trading based on the Client's Instructions. Galaxy International Securities is not able to unwind any trade, and the Client should also take note of the settlement arrangements in respect of China Connect Securities under Stock Connect, the pre-trade checking requirement and the restriction on day (turnaround) trading which may affect the Client's ability to mitigate the consequences of its/his/her own error trades.

## **8. Authority to sell**

- 8.1. The Client authorises Galaxy International Securities to sell or arrange for the sale of any quantity of China Connect Securities held on the Client's behalf at such price and on such terms as Galaxy International Securities may determine in its absolute discretion if:
- (a) Galaxy International Securities receives an instruction directly or indirectly from a China Connect Market Operator or other Stock Connect Authority requiring the Client to sell and liquidate any specified China Connect Securities;
  - (b) Galaxy International Securities is of the view that the Client is in breach or may be in breach of any Applicable Requirements; or
  - (c) Galaxy International Securities has held on the Client's behalf such China Connect Securities for a period longer than Galaxy International Securities' prescribed period as notified to the Client from time to time.

## **9. Limitation of liability and indemnity**

- 9.1. Unless an Applicable Requirement prohibits Galaxy International Securities from excluding or limiting its liability or where the Loss is directly caused by Galaxy International Securities' gross negligence, fraud or wilful misconduct, Galaxy International Securities is not liable for any Loss incurred in connection with this Supplement or any Northbound Trading (including in connection with the provision, unavailability or improper functioning of any Stock Connect related services, delay or error in the transmission of any electronic payment transfer, failure or delay in the execution of any Instruction, breakdown or failure of any communications system, delay in providing funds to the Client, or any other thing Galaxy International Securities does or does not do). This applies where the Loss arises for any reason and even if the Loss was reasonably foreseeable or Galaxy International Securities had been advised of the possibility of the Loss.

- 9.2. To the maximum extent permitted by the Applicable Requirements, the Client indemnifies Galaxy International Securities against, and must pay Galaxy International Securities on demand for, any Loss Galaxy International Securities reasonably incurs in connection with all proceedings and/or Taxes howsoever arising, directly or indirectly, out of or resulting from the Client's trading of China Connect Securities pursuant to Stock Connect.
- 9.3. For the avoidance of doubt, this Clause 9 is in addition to Clause 14 (Indemnity) under Part B of the Terms and Conditions and any other exclusions or limitations of Galaxy International Securities' liability and indemnities set out in this Supplement, the Terms and Conditions, or otherwise.

#### **10. Miscellaneous**

- 10.1. The Client agrees to execute any further documents and provide any materials and/or information as Galaxy International Securities may reasonably request to enable Galaxy International Securities to perform its duties and obligations under this Supplement which may become necessary as and when the Stock Connect Rules are updated, amended and/or replaced from time to time. The Client's failure to comply with this provision may result in a suspension of Stock Connect services to the Client.
- 10.2. Without prejudice to the Terms and Conditions, the Client acknowledges that Galaxy International Securities may use any such materials and/or information received from the Client for compliance with the Applicable Requirements and may retain any such materials and/or information received from the Client for such period as it deems appropriate pursuant to the Applicable Requirements.
- 10.3. Galaxy International Securities reserves the right to vary any of the terms of this Supplement by written notice to the Client in accordance with Clause 15 (Termination) under Part B of the Terms and Conditions.
- 10.4. Save for Clause 9 above, this Supplement automatically terminates upon the termination of the Terms and Conditions.
- 10.5. This Supplement and all transactions in relation to Stock Connect with the Client are, unless otherwise agreed, governed by the laws of Hong Kong. The Client agrees to submit to the non-exclusive jurisdiction of the Hong Kong courts.

#### **11. Risk disclosures and acknowledgement**

- 11.1. The Client acknowledges that it/he/she has read and understands the risk disclosures and other information set out in Appendix 2 and that the Client understands its/his/her obligations set out in this Supplement and Appendix 2.
- 11.2. The Client acknowledges that it/he/she understands and has assessed the risks relating to Stock Connect (including but not limited to those as set out in Appendix 2) and the Client is willing to undertake those risks.
- 11.3. The Client acknowledges that Galaxy International Securities is not liable for any Loss the Client may suffer as a result of the materialization of any of the risks described in Appendix 2 or other risks relating to trading under Stock Connect.
- 11.4. The Client acknowledges and accepts that Galaxy International Securities does not provide any Short Selling or Stock Borrowing and Lending services in respect of the China Connect Securities and as a result, relevant clauses in the Terms and Conditions (including but not limited to clause 6.5 (g) of this Supplement) do not apply.
- 11.5. The Client acknowledges that it/he/she must comply with all Applicable Requirements applicable to its/his/her trading of China Connect Securities through Stock Connect. In particular, the Client acknowledges that among other things, the following in respect of Northbound Trading:
- (a) no day trading is allowed (i.e. China Connect Securities purchased on a Trading Day shall not be sold on the same day);
  - (b) unless an SPSA Order arrangement is in place, pre-trade checking is in place so that the Client must have its/his/her China Connect Securities transferred to Galaxy International Securities' corresponding CCASS account before trading commences on a Trading Day if it/he/she intends to sell those China Connect Securities during that Trading Day;
  - (c) all trading must be conducted on a China Connect Market, i.e. no over-the-counter or manual trades are allowed;
  - (d) naked short selling is not allowed;
  - (e) foreign ownership limits (including the individual shareholding limit (currently at 10%) and the aggregate shareholding limit (currently at 30%) which are applicable to foreign investors and the forced-sale arrangement) are in place, and Galaxy International Securities shall have the right to sell the Client's shares upon receiving any forced-sale notification from HKEx. The Client shall not in any event claim against Galaxy International Securities for any losses or damages incurred by the Client arising from or in connection with such foreign ownership limits;



- (f) the Client should understand fully the Applicable Requirements in relation to “short swing profits” and its/his/her disclosure obligations (including, but not limited to, the shareholding disclosure requirement (currently at 5%) applicable to persons who invest in A shares under the applicable laws of Mainland China), and it/he/she should follow such rules and regulations accordingly;
- (g) Galaxy International Securities shall have the right to cancel the Client’s orders in case of contingency. The Client shall not in any event claim against Galaxy International Securities for any losses or damages incurred by it/him/her arising from or in connection with such cancellation;
- (h) Galaxy International Securities may not be able to send in a Client’s request to cancel an order in case of contingency, such as when HKEx loses all its communication lines with a China Connect Market Operator, and the Client should still be liable for the settlement obligations if the orders are matched and executed;
- (i) the Client must comply with the Operator Rules and other applicable laws of Mainland China relating to Northbound Trading;
- (j) Galaxy International Securities is entitled to provide information regarding the Client’s identity or such other information (including Client’s personal data and trading activities) to SEHK or its subsidiary which may disclose, transfer and provide such information to a Stock Connect Authority for the purposes of assisting in any surveillance and investigation by a Stock Connect Authority;
- (k) if the Operator Rules are breached, or the disclosure and other obligations referred to in the Operator Listing Rules or Operator Rules are breached, the relevant China Connect Market Operator may have the power to carry out an investigation, and the relevant China Connect Market Operator may, through HKEx or its subsidiaries, require Galaxy International Securities to provide relevant information and materials and to assist in its investigation. The Client shall authorise and fully cooperate with Galaxy International Securities to provide such information and materials;
- (l) HKEx or its subsidiary may upon a China Connect Market Operator’s request, require Galaxy International Securities to reject orders from the Client and the Client shall not in any event claim against Galaxy International Securities for any losses or damages incurred by the Client arising from or in connection with such rejection;
- (m) the Client needs to accept all the risks relating to Northbound Trading, including, but not limited to, the risks disclosed in Appendix 2;
- (n) a China Connect Market Operator may request HKEx or its subsidiaries to require Galaxy International Securities to issue warning statements (verbally or in writing) to the Client, and not to extend Northbound Trading services to the Client. The Client shall not in any event claim against Galaxy International Securities for any losses or damages incurred by the Client arising from or in connection with such non-extension;
- (o) HKEx and its subsidiaries, the China Connect Market Operators and their subsidiaries, and any Stock Connect Authorities and their respective directors, employees and agents shall not be responsible or held liable for any losses or damages directly or indirectly incurred by the Client or any third parties arising from or in connection with Northbound Trading, or arising from or in connection with the China Connect Market Operator making, amending or enforcing the relevant Operator Rules, or any action taken by it in the discharge of its supervisory functions or regulatory obligations; and
- (p) the imposition of a Circuit Breaker by a China Connect Market Operator on any trading day of the relevant China Connect Market will result in suspension of trade execution on the relevant China Connect Market.

11.6. The Client acknowledges and accepts that:

- (a) this Supplement does not purport to disclose all the risks or other material considerations in connection with Northbound Trading or securities transactions in general;
- (b) this Supplement does not modify any Applicable Requirements (except to the extent set out in this Supplement and permitted under the Applicable Requirements);
- (c) SEHK has the power not to extend any service relating to trading China Connect Securities through Stock Connect to the Client and the power to require Galaxy International Securities not to accept Instructions from the Client if it is found that the Client, Galaxy International Securities and/or any of Galaxy International Securities’ clients has or may have committed any abnormal trading conduct set out in the Stock Connect Rules or failed to comply with any Stock Connect Rules;
- (d) the relevant China Connect Market Operator has the power to carry out investigations, and may, through SEHK (or any other governmental or regulatory body), require Galaxy International Securities and/or China Galaxy International to provide relevant information and materials relating to the Client including, without limitation, in relation to the identity, personal data, and trading activity of the Client; and assist in a Stock Connect Authority’s investigation in relation to the Client and/or the Client’s trading activity;

- (e) where a Stock Connect Authority considers that there is a serious breach of the Applicable Requirements, Galaxy International Securities and/or China Galaxy International may be required by a Stock Connect Authority to (a) issue warning statements (verbally or in writing) to the Client; and (b) cease providing the Client with any service relating to trading China Connect Securities through Stock Connect;
- (f) this Supplement does not constitute any business, legal, tax or accounting advice and that the Client should seek independent professional advice and undertake its/his/her own research and assessment before entering into any transaction through Stock Connect; and
- (g) the Client should refrain from entering into any transaction through Stock Connect unless it/he/she has fully understood the terms and risks of the relevant transaction, including the extent of its/his/her potential risk of loss.

## **12. Investor ID model for Northbound Trading**

- 12.1. This Clause 12 applies at any time that the Client trades China Connect Securities under Stock Connect through Galaxy International Securities from the Investor ID Model Effective Date.
- 12.2. The Client agrees to provide the updated Client Identification Data to Galaxy International Securities. If there are any changes to the CID after its provision, the Client shall inform Galaxy International Securities as soon as possible.
- 12.3. The Client acknowledges that a BCAN will be assigned to it to map its CID by Galaxy International Securities. If the Client holds any joint account with any other Client of Galaxy International Securities, the Client acknowledges that Galaxy International Securities will assign a separate BCAN to such joint account, and the CID of both the Client and the joint holder(s) should be provided under the BCAN for such joint account.
- 12.4. The Client represents and undertakes on a continuing basis, including at each time that the Client places an order, or otherwise gives an Instruction, in respect of the China Connect Securities, that the CID provided to Galaxy International Securities is accurate and up-to-date.
- 12.5. The Client authorises and consents, and the Client has appropriate arrangements in place to authorise and consent,
  - (a) Galaxy International Securities to collect, store, use, disclose and transfer its CID and/or BCAN(s) to SEHK or other Stock Connect Authorities, and to tag its BCAN(s) in the Northbound Trading orders submitted or routed to SEHK or other Stock Connect Authorities;
  - (b) the SEHK to collect, store, use, disclose and transfer such Client Identification Data and/or BCAN to China Connect Market Operators (directly or through ChinaClear) or other Stock Connect Authorities for Northbound Trading, and to disclose to the relevant regulators and law enforcement agencies in Hong Kong; and
  - (c) the ChinaClear and the China Connect Market Operators to collect, store, use, disclose and transfer such Client Identification Data and/or BCAN to other Stock Connect Authorities, and to disclose to the relevant regulators and law enforcement agencies in Mainland China.
- 12.6. The Client acknowledges that:
  - (a) The Client cannot place a trade order until the completion of account opening and/or successful update of its CID from Galaxy International Securities;
  - (b) Notwithstanding that the Client has submitted its updated CID, a trade order of the Client may still be rejected if the CID provided by Client and BCAN have not yet been submitted to and/or approved by SEHK, the China Connect Market Operator or other Stock Connect Authorities at the time of such trade order, and Galaxy International Securities shall not be liable to the Client for any failure or delay in submitting such CID and BCAN to SEHK, the China Connect Market Operator or other Stock Connect Authorities;
  - (c) If the CID and BCAN mapping information fails to pass the relevant validation check by SEHK, the China Connect Market Operator or other Stock Connect Authorities, all the trade orders of the Client will be rejected;
  - (d) If the Client is an individual, and does not provide the necessary consents and authorizations (both written and prescribed) in relation to the collection, storage, use, disclosure and transfer of his or her CID and/or BCAN, or the Client's BCAN or BCAN-CID mapping are otherwise invalid or deficient, Galaxy International Securities may, in its own discretion, place Northbound Trading sell orders on behalf of the Client in relation to such BCAN, but no Northbound Trading buy order is allowed in relation to such BCAN;
  - (e) If the Client is an individual, and does not provide the necessary consents and authorizations (both written and prescribed) in relation to the collection, storage, use, disclosure and transfer of his or her CID and/or BCAN, Galaxy International Securities may,

- (A) request the Client to confirm that he/she has not otherwise provided such consent to other brokers for Northbound Trading;
- (B) conduct appropriate due diligence on the Client to ensure that he/she is not abusing the Northbound Trading sell order exception in paragraph (d) above, and the Client agrees to cooperate with any due diligence; or
- (C) refuse to place any further Northbound Trading orders for the Client until the Client provides the necessary consents or authorizations; and
- (f) If abnormal trading activities are identified in respect of the Client by the China Connect Market Operators (via CID and BCAN), the China Connect Market Operators may in its discretion suspend trading by the Client or take such other actions as permitted by Stock Connect Rules, any applicable regulations and laws against the Client.

12.7. In connection with clauses 12.5 and 12.6 above, the Client agrees and acknowledges that:

- (a) If the CID and BCAN mapping information fails to pass the relevant validation check by SEHK, the China Connect Market Operator or other Stock Connect Authorities, or SEHK, the China Connect Market Operator or other Stock Connect Authorities rejects the Client's Northbound Trading orders due to such failure or any other reason:
  - (A) Galaxy International Securities has no obligation, liability or whatsoever, to provide any explanation or reason for such failure or rejection to the Client; and
  - (B) subject to the Applicable Requirements or notification from the SEHK, the China Connect Market Operator or other Stock Connect Authorities, Galaxy International Securities may deliver the failure or rejection message to the Client or follow up with the Client in relation to such failure or rejection in such manner and at such time as it deems appropriate;
- (b) Galaxy International Securities is not liable for any Loss incurred by the Client in connection with any such actions taken by SEHK, the China Connect Market Operator, or other Stock Connect Authorities;
- (c) Galaxy International Securities is not liable for any Loss incurred in connection with this Supplement or any Northbound Trading with respect to any force majeure, the provision, unavailability, technical error or improper functioning of any Stock Connect related services, delay or error in the transmission of any information (including the BCAN and/or CID), failure or delay in the execution of any Instruction, breakdown or failure of any communications system or payment system; and
- (d) The Client indemnifies Galaxy International Securities for any Loss incurred in connection with any non-compliance or potential non-compliance with any Applicable Requirements.

12.8. If the Client is an exchange participant of the SEHK conducting the Northbound Trading through Galaxy International Securities, the Client agrees and acknowledges that:

- (a) The Client shall follow the rules and requirements and implement adequate policies and procedures in connection with the BCAN and CID, including but not limited to, assigning a BCAN to its clients within the BCAN range designated by Galaxy International Securities ("Designated Range");
- (b) With respect to any Northbound Trading orders from the Client, (i) in the case where the Client is placing Northbound Trading orders for its client, the Client shall provide Galaxy International Securities with the BCAN assigned by the Client to its client (which should be within the Designated Range) (the "Indirect Client BCAN"), and Galaxy International Securities will tag such Northbound Trading order with the Indirect Client BCAN, or (ii) in the case where the Client is placing Northbound Trading orders for itself, Galaxy International Securities will tag such Northbound Trading orders with the Client's BCAN assigned by Galaxy International Securities; and
- (c) The Client shall include related or similar acknowledgements and statements contained herein into its Stock Connect business terms with its clients, in particular, in regard of paragraph (b) above, the Client shall obtain the relevant authorizations and consents from its clients, including but not limited to, the authorizations and consents set out in Clause 12.5 and 12.6 above.

## Appendix 2 – Stock Connect Risk Disclosure and other information

Unless otherwise defined below, terms defined in the Terms and Conditions of Account Opening Agreement (“Terms and Conditions”) and Appendix 1 shall have the same meaning in this Appendix.

This Appendix describes some of the key risk factors concerning Stock Connect based on Galaxy International Securities’ current understanding of the Applicable Requirements and the Mainland China stock market. Galaxy International Securities has not verified the accuracy of the Mainland China stock market requirements or rules. This Appendix is not exhaustive and does not disclose all the risks and other significant aspects of Northbound Trading. The Client should ensure that it/he/she understands the nature of Stock Connect and it/he/she should consider carefully (and consult its/his/her own advisers where necessary) whether trading in China Connect Securities is suitable for the Client in light of its/his/her circumstances. It is the Client’s decision to trade in China Connect Securities, but the Client should not trade in China Connect Securities unless it/he/she fully understands and is willing to assume the risks associated with Stock Connect.

Galaxy International Securities does not represent that the information set out in this Appendix is up-to-date or complete, nor does Galaxy International Securities undertake to update it from time to time. For further information, please refer to the materials published on the HKEx website, the SFC website, the SSE website and/or the SZSE website applicable to Stock Connect from time to time and other relevant sources. If in doubt, the Client should seek professional advice.

### 13. Pre-trade checking and enhanced pre-trade checking

Under the Mainland China law, a China Connect Market Operator may reject a sell order if an investor does not have sufficient available China Connect Securities in its account. In respect of a sell order of China Connect Securities that is not an SPSA order, SEHK will apply similar checking on all sell orders of Northbound Trading at the exchange participant level to ensure there is no overselling by any individual exchange participant (“Pre-Trade Checking”). Enhanced pre-trade checking applies in respect of an SPSA order (“Enhanced Pre-Trade Checking”).

Accordingly, the Client may be unable to execute Northbound sell orders due to Pre-Trade Checking (in respect of sell order that is not an SPSA order) or Enhanced Pre-Trade Checking (in respect of sell order that is an SPSA order) related requirements.

The Client may be unable to execute a sell order of China Connect Securities if:

- (a) (in respect of a sell order that is not an SPSA order) there has been a delay or failure for whatever reason in the transfer of the relevant China Connect Securities to Galaxy International Securities’ designated clearing account(s); or
- (b) (in respect of sell order that is an SPSA order) Galaxy International Securities considers that the Client does not (by the commencement of trading on the Trading Day on which the Client wishes to execute a sell order or any other cut-off time specified by Galaxy International Securities from time to time) hold sufficient available China Connect Securities in a relevant Special Segregated Account to cover a proposed SPSA order; and/or the required number of China Connect Securities will not be delivered from the Special Segregated Account as required by Galaxy International Securities on a settlement day to fulfil an SPSA order; or
- (c) if for any other reason Galaxy International Securities considers that there is or may be non-compliance with any Applicable Requirements.

Any risk, loss or cost resulting from non-compliance or potential non-compliance with Pre-Trade Checking (in respect of sell order that is not an SPSA order) or Enhanced Pre-Trade Checking (in respect of sell order that is an SPSA order), and/or the relevant Applicable Requirements shall be borne by the Client.

### 14. SPSA Orders – delivery versus payment

Notwithstanding that a delivery versus payment mechanism may be offered by SEHK or CCASS for SPSA orders, unless Galaxy International Securities agrees to pre-fund, freely transferable funds may only be credited by the relevant clearing bank to the Client’s account with the custodian or settlement agent, as applicable, in accordance with the CCASS operations and procedures after the settlement day upon which the delivery obligations in respect of such SPSA orders are required to be settled. Any risk, liability, loss, cost or expense resulting from this delay shall be borne by the Client.

### 15. Settlement arrangements

Northbound Trading follows the settlement cycle of A shares listed on the relevant China Connect Market. For settlement of China Connect Securities trades, ChinaClear will debit or credit the securities accounts of its participants (including HKSCC as clearing participant) on the Trading Day on which the order is made (“T day”) free of payment. Galaxy International Securities may have settlement arrangements in place that are different from the ChinaClear settlement arrangements. Unless Galaxy International

Securities agrees to prefund, settlement of funds relating to such trading will be effected on the Trading Day following T day ("T+1 day").

**16. Quota on Northbound Trading**

Relevant governmental or regulatory bodies may impose quotas on the trading of China Connect Securities from time to time depending on market conditions and readiness, the level of cross-boundary fund flows, stability of the markets and other factors and considerations. The Client should read the relevant details on such quota restrictions, including the quota limit, level of quota utilisation, balance of available quota and the applicable restrictions and arrangements published on the SEHK website from time to time to ensure it/he/she has the most updated information. Purchases of China Connect Securities through Stock Connect are currently subject to certain quota controls as detailed below. SEHK has absolute discretion to take all such actions, steps or measures as it considers necessary or appropriate to ensure or facilitate compliance with the relevant quota requirements or restrictions including, without limitation, the following:

- (a) restricting or rejecting buy orders for Northbound Trading;
- (b) suspending or restricting the access to or the use of all or any part of the trading services for Northbound Trading; and
- (c) amending the operational hours and related arrangements of Northbound Trading.

As a result, there is no assurance that a buy order for Northbound Trading can be successfully placed through Stock Connect. The daily quota caps the net buy value of cross-boundary trades under Stock Connect on each Trading Day ("Daily Quota"). The Daily Quota may change from time to time without prior notice and the Client should refer to the HKEx website and other information published by HKEx for up-to-date information.

Under the Stock Connect Rules, investors may sell their China Connect Securities regardless of whether there is a breach of the Daily Quota. If there is a suspension of buying China Connect Securities through Northbound Trading as a result of a breach of the Daily Quota, Galaxy International Securities will be unable to carry out any buy orders and any Instruction to buy submitted but not yet executed will be rejected. Please note that buy orders already accepted will not be affected by the Daily Quota being used up and will remain on the order book of the relevant China Connect Market Operator unless otherwise cancelled by the relevant exchange participants.

**17. Restriction on day trading**

Unless the SEHK otherwise determines, day (turnaround) trading is not permitted on the A share market in Mainland China. If the Client buys China Connect Securities on T day, it/he/she may only be able to sell such shares on or after T+1 day and as a result, the Client will be exposed to the market risk of holding such shares from T day to T+1 day. Due to the Pre-Trade Checking requirements, if the Client sends to Galaxy International Securities Instructions to sell the China Connect Securities the Client bought on T day, Galaxy International Securities can only accept such Instructions on or after the applicable cut-off time (as notified to the Client by Galaxy International Securities from time to time) on T+1 day.

**18. Trading methods and insider trading implications**

Trading in China Connect Securities in Mainland China currently involves the use of fax machines for placing orders and orders must be transmitted by 7.30am (Mainland China time) on the morning of the desired trade. Information about the Client's trade may be accessed and utilized by persons privy to the information to trade for their own benefit. Further, the trading arrangements may not be supported by technological checks and balances, resulting in a risk of human error and/or malfeasance.

**19. Client errors**

Neither Galaxy International Securities nor China Galaxy International shall be liable for any loss, damage or expense or consequential loss, damage or expense suffered by the Client as a result of any trading based on the Client's Instructions. Galaxy International Securities will not be able to unwind any trade, and the Client should take note of the settlement arrangements in respect of China Connect Securities under Stock Connect, including but not limited to quota restrictions which may affect the ability to mitigate the consequences of any error trades.

There is a general prohibition on off-exchange trading or transfers under the Stock Connect Rules, subject to certain exceptions (such as transfers effected to rectify error trades between an exchange participant and its clients in limited circumstances). Currently, there are no detailed rules or guidelines on permissible off-exchange transfers. In addition, SEHK may also suspend the right of a particular exchange participant to conduct non-trade transfers for error trade rectification if SEHK has reasonable cause to suspect or to believe that the exchange participant may abuse or may have abused such rectification arrangements or may have used such rectification arrangements to circumvent the prohibition against off-exchange trades or transfers. Galaxy International Securities is not obliged to effect any off-exchange transfer for rectification of error trades but has absolute discretion to determine whether to conduct such off-exchange transfer. Neither Galaxy International Securities nor China Galaxy International is liable for any losses which may result

directly or indirectly from any error trade or any refusal to conduct a transfer to rectify an error trade.

**20. Disclosure of interests**

Under Mainland Chinese requirements, if the Client holds or controls shares in a Mainland Chinese company which is listed on a Mainland Chinese stock exchange (a "Mainland Chinese Listco") up to a certain threshold as may be specified from time to time by a relevant Stock Connect Authority, the Client must disclose such interest within the period specified by the relevant Stock Connect Authority, and the Client must not buy or sell any such shares within the period specified by the relevant Stock Connect Authority. The Client must also disclose any substantial change in its/his/her holding as required by the relevant Stock Connect Authority. It is the Client's responsibility to comply with any disclosure of interest rules from time to time imposed by the relevant Stock Connect Authorities and arrange for any relevant filings.

**21. Short swing profit rule**

Under Mainland Chinese requirements, the "short swing profit rule" requires a person to give up or return any profits made from purchases and sales in respect of China Connect Securities of a Mainland Chinese Listco if: (a) such person's shareholding in the Mainland Chinese Listco exceeds the threshold prescribed by the relevant Stock Connect Authority from time to time; and (b) the corresponding sale transaction occurs within the six months after a purchase transaction, or vice versa. The Client (and the Client alone) is responsible for complying with the Mainland Chinese's rules applicable to the "short swing profit rule".

**22. Foreign ownership limits**

Under Mainland Chinese requirements, there is a limit as to how many shares a single foreign investor is permitted to hold in a single Mainland Chinese Listco, and also a limit as to the maximum combined holdings of all foreign investors in a single Mainland Chinese Listco. Such foreign ownership limits may be applied on an aggregate basis (i.e. across both domestically and overseas issued shares of the same listed company, whether the relevant holdings are through Northbound Trading, qualified foreign institutional investor/RMB qualified foreign institutional investor regime or other investment channels). Where the aggregated foreign ownership of a single Mainland Chinese Listco reaches a designated percentage, HKEx (or its relevant subsidiary) will suspend accepting any purchase order of the relevant China Connect Securities through Stock Connect until the percentage of foreign ownership of such Listco is reduced to a certain level.

It is the Client's responsibility to comply with all foreign ownership limits from time to time imposed by Applicable Requirements. The Client may also be required to report to the relevant authorities when a designated percentage of ownership is reached. If Galaxy International Securities becomes aware that the Client has breached (or reasonably believe that the Client may breach upon execution of further buy orders) any foreign ownership limits, or if Galaxy International Securities is so required by any Stock Connect Authority (including without limitation to, as a result of a forced-sale notice issued by a China Connect Market Operator), the Client authorises Galaxy International Securities to sell any China Connect Securities in order to ensure compliance with all Applicable Requirements. However, Galaxy International Securities is not obliged to do so and the Client should not rely on such action by Galaxy International Securities to ensure the Client's compliance with any Applicable Requirements.

**23. China Connect Securities eligible for Northbound Trading**

SEHK will include and exclude securities as China Connect Securities based on the prescribed criteria under the Stock Connect Rules. The Client will only be allowed to sell a China Connect Security and be restricted from further buying, if (i) the China Connect Security subsequently ceases to be a constituent stock of the relevant indices, and/or (ii) the China Connect Security subsequently moves to the risk alert board, and/or (iii) the corresponding H share of the China Connect Security subsequently ceases to be traded on SEHK, and/or (iv) other criteria prescribed in SSE China Connect Rules and SZSE China Connect Rules.

According to the Operator Listing Rules, if any China Connect Market-listed company is in the delisting process, or its operation is unstable due to financial or other reasons such that there is a risk of being delisted or exposing investors' interest to undue damage, the China Connect Market-listed company will be earmarked and traded on the risk alert board. Any change to the risk alert board may occur without prior notice. For details concerning the risk alert board, please refer to the Operator Listing Rules and the provisional trading arrangement on the risk alert board of China Connect Market Operator.

**24. No off-exchange transfers**

Galaxy International Securities and China Galaxy International may not provide any off-exchange services relating to the transfer in any China Connect Securities otherwise than through the Stock Connect, unless otherwise provided by a Stock Connect Authority (such as post-trade allocation of shares by a fund manager across the funds and/or sub-funds it manages, stock borrowing and lending of China Connect Securities which are eligible for covered short selling and with a tenor of no more than one month and any other situations specified by the China Connect Market Operator and ChinaClear).

**25. Offshore RMB exchange rate risks**

Similar to other foreign currencies, the exchange rate of Offshore RMB may rise or fall. There is no guarantee that RMB will not depreciate. The exchange rate of Offshore RMB will be affected by, amongst other things, foreign exchange control imposed by the Mainland Chinese central government from time to time (for example, there are currently restrictions on the conversion of RMB into other currencies). The exchange rate of Offshore RMB may fluctuate as a result of market conditions and economic factors.

In addition, RMB is currently subject to foreign exchange control and restrictions by the Mainland China central government. There is currently a limited pool of RMB outside Mainland China. Should the Mainland China central government tighten its foreign exchange control over the cross-border movements between onshore RMB and Offshore RMB, the liquidity in RMB is likely to be adversely affected.

If RMB is not the Client's home currency, the Client may have to convert its/his/her home currency into RMB when investing in China Connect Securities and vice versa for any payments in RMB from transactions under the China Connect Securities. The Client will be incurring currency conversion costs (being the spread between buying and selling of Offshore RMB) and subject to exchange rate fluctuation risks in any such currency conversion, which may adversely affect the market value of China Connect Securities.

**26. Placing orders**

Galaxy International Securities only accepts orders for Northbound Trading that comply with the Applicable Requirements. Currently, only limit orders with a specified price are allowed for China Connect Securities pursuant to the Applicable Requirements, whereby buy orders may be executed at or lower than the specified price and sell orders may be executed at or higher than the specified price. Market orders will not be accepted.

**27. Price limits for China Connect Securities**

China Connect Securities are subject to a general price limit of  $\pm 10\%$  based on the previous Trading Day's closing price (and  $\pm 5\%$  for stocks under risk alert). The price limit may be changed from time to time. All orders in respect of China Connect Securities must be within the price limit. Any orders with a price beyond the price limit are rejected by the relevant China Connect Market Operator.

**28. Dynamic price check**

To prevent mischievous behaviour towards the use of the Daily Quota, SEHK has put in place a dynamic price checking for buy orders. Buy orders with input prices lower than the current best bid (or the last traded price in the absence of current best bid, or the previous closing price in the absence of both current best bid and last traded price) beyond a prescribed percentage will be rejected.

During the opening call auction session, the current bid (or the previous closing price in the absence of the current bid) will be used for checking. During the closing call auction of SZSE, the current bid (or last traded price in the absence of the current bid) will be used for checking. Dynamic price checking will be applied throughout each Trading Day, from the 5-minute input period before the start of an opening call auction session until market close of the China Connect Market. SEHK has set the dynamic price checking at 3% during the initial phase of Stock Connect. Such price checking percentage may be adjusted from time to time subject to market conditions.

**29. Restrictions on selling China Connect Securities**

Investors are prohibited from using China Connect Securities purchased through Stock Connect to settle any sell orders placed through channels other than Stock Connect. Accordingly, there may be a limited market and/or lower liquidity for China Connect Securities purchased through Stock Connect (as compared to the same shares purchased through other channels).

In addition, there are restrictions on any entitlement security received by the Client in respect of China Connect Securities. If such entitlement securities are in the form of Special China Connect Securities, they are only eligible for sale through Stock Connect (i.e. they cannot be purchased by other parties through Stock Connect). If such entitlement securities are not in the form of Special China Connect Securities, they are not eligible for trading through Stock Connect (i.e. they are only available for trading in the relevant stock market in Mainland China). Accordingly, there is a risk of low (or no) liquidity for such shares received by way of entitlement.

If China Connect Securities involve odd lots, they cannot be purchased through Stock Connect. A sale of China Connect Securities involving odd lots is allowed if the sale order of such China Connect securities relates to the sale of all, but not part, of the odd lots held in respect of such China Connect Securities. It is common that a board lot buy order may be matched with different odd lot sell orders, resulting in odd lot trades. Accordingly, there may be a limited market and/or lower liquidity for China Connect Securities involving odd lots purchased through Stock Connect.

**30. Taxation**

China Connect Securities traded under Stock Connect currently enjoy a temporary exemption from Mainland Chinese capital gain tax and Mainland Chinese business tax. It is uncertain when such exemptions will expire and whether other Mainland Chinese Taxes will be applicable to trading of China Connect Securities under Stock Connect. Dividends derived from China Connect Securities are subject to Mainland Chinese withholding tax. Mainland Chinese stamp duty is also payable for transactions in China Connect Securities under

Stock Connect. The Client is fully responsible for any Taxes in respect of China Connect Securities, and agrees to indemnify Galaxy International Securities on demand from and against all Taxes which Galaxy International Securities may incur or be subject to in connection with any China Connect Securities which the Client holds, trades or otherwise deals in. Neither Galaxy International Securities nor China Galaxy International assumes any responsibility for advising on or handling any tax issues, liabilities and/or obligations in connection with Stock Connect, and neither Galaxy International Securities nor China Galaxy International will provide any service or assistance in this regard. Prior to investing in China Connect Securities, the Client is strongly urged to consult its/his/her own tax advisers with respect to the possible tax consequences to it/him/her of such investment since such tax consequences may differ in respect of different investors.

**31. Hong Kong Client Securities Rules**

As a general rule, investors participating in Northbound Trading do not enjoy the full protection afforded under the Securities and Futures Ordinance and its related subsidiary legislation. In particular, as the China Connect Securities traded through Stock Connect are not listed or traded on SEHK, the Client will not have protection under the Securities and Futures (Client Securities) Rules made by the SFC under section 148 of the SFO as amended from time to time, unless otherwise specified by the SFC or any other relevant Stock Connect Authority.

**32. Investor Compensation Fund**

Trading in China Connect Securities does not enjoy the protections afforded by the Investor Compensation Fund established under the Securities and Futures Ordinance. Accordingly, unlike the trading of SEHK-listed securities, the Client will not be covered by the Investor Compensation Fund in respect of any loss it/he/she may sustain by reason of a default by any SFC licensed or registered person.

**33. Ownership of China Connect Securities**

China Connect Securities are uncertificated and are held by HKSCC for its account holders. Physical deposit and withdrawal of China Connect Securities are not available under the Northbound Trading.

Under current Mainland China regulations, China Connect Securities will be recorded in a nominee account opened by HKSCC with ChinaClear and the Client's title or interests in, and entitlements to, China Connect Securities (whether legal, equitable or otherwise) will be subject to Applicable Requirements, including laws relating to any disclosure of interest requirement or foreign shareholding restriction. This is a complicated area of law and the Client should seek independent professional advice.

**34. Disclosure of information and publication of trade information**

The SEHK may require Galaxy International Securities to provide information on the Client's profile, and the type and value of its/his/her orders in relation to Northbound Trading of China Connect Securities and the trades which Galaxy International Securities executed for it/him/her, at such intervals and in such form as SEHK may specify from time to time for purposes of the publication, dissemination or public distribution of aggregated information in respect of China Connect Securities trades under Stock Connect, trading volumes, investor profiles and other related data.

**35. No manual trade or block trade**

There is no manual trade facility or block trade facility for Northbound Trading.

**36. Amendment of orders and loss of priority**

Consistent with the current practice in Mainland China, if an investor engaged in Northbound Trading wishes to amend an order, the investor must first cancel the original order and then input a new one. Accordingly, order priority will be lost and, subject to the restrictions on the balance of the Daily Quota, any subsequent order may not be filled on the same Trading Day.

**37. Difference in Trading Day**

Stock Connect is open for trading only when (a) each of HKEx and the relevant China Connect Market is open for trading; and (b) banking services are available in both Hong Kong and Mainland China on the corresponding money settlement days. If any of the exchanges is not open or if the banks in either Hong Kong or Mainland China are not open for money settlement business, the Client will not be able to conduct any Northbound Trading. The Client should take note of the days on which the Stock Connect operates and decide according to its/his/her own risk tolerance capability whether or not to take on the risk of price fluctuations in China Connect Securities during the time when the Stock Connect is not available for Northbound Trading.

**38. Operational hours**

SEHK has absolute discretion to determine from time to time the operational hours of the Stock Connect, and will have absolute



discretion to change the operational hours and arrangements of the Stock Connect at any time and without advance notice whether on a temporary basis or otherwise. Neither Galaxy International Securities nor China Galaxy International shall be under any obligation to inform the Client of any such determinations by SEHK as to the operational hours of the Stock Connect. The Client should be aware of the risk of price fluctuations in China Connect Securities during the time when the Stock Connect is not available for Northbound Trading.

**39. Risk of ChinaClear default**

ChinaClear has established a risk management framework and measures that are approved and supervised by the CSRC. Pursuant to the General Rules of CCASS, if ChinaClear (as the host central counterparty) defaults, HKSCC may, in good faith, seek recovery of the outstanding China Connect Securities and monies from ChinaClear through available legal channels and through ChinaClear's liquidation process, if applicable. HKSCC will in turn distribute the China Connect Securities and/or monies recovered to clearing participants on a pro-rata basis as prescribed by the relevant Stock Connect Authorities. Galaxy International Securities in turn will be distributing China Connect Securities and/or monies only to the extent recovered directly or indirectly from HKSCC. Although the likelihood of a default by ChinaClear is considered to be remote, the Client should be aware of this arrangement and of this potential exposure before engaging in Northbound Trading.

**40. Risk of HKSCC default**

Galaxy International Securities' ability to provide the services under this Supplement is subject to the due performance by HKSCC of its obligations. Any action or inaction of the HKSCC or a failure or delay by the HKSCC in the performance of its obligations may result in a failure of settlement, or the loss, of China Connect Securities and/or monies in connection with them and the Client may suffer losses as a result. Neither Galaxy International Securities nor China Galaxy International is responsible or liable for any such losses.

**41. Company announcements on corporate actions**

Any corporate action in respect of China Connect Securities is announced by the relevant issuer through the relevant China Connect Market Operator's website and certain officially appointed newspapers. HKSCC also records all corporate actions relating to China Connect Securities in CCASS and informs its clearing participants of the details via the CCASS terminals as soon as practicable on the announcement date. Investors engaged in Northbound Trading may refer to the relevant China Connect Market Operator's website and the relevant newspapers for the latest listed company announcements or, alternatively, the HKEx website's China Stock Markets Web (or such other replacement or successor web-page from time to time) for corporate actions in respect of China Connect Securities issued on the previous Trading Day. The Client should note that SSE-listed issuers or SZSE-listed issuers publish corporate documents in Chinese only, without any official English translation.

In addition, pursuant to the General Rules of CCASS, HKSCC endeavours to collect and distribute cash dividends relating to China Connect Securities to clearing participants in a timely manner. Upon receipt of the dividend amount, HKSCC will arrange to distribute it to the relevant clearing participants on the same day, to the extent practicable.

Following existing market practice in Mainland China, investors engaged in Northbound Trading are not entitled to attend shareholder meetings by proxy or in person, unlike the current practice in Hong Kong in respect of SEHK-listed shares.

Galaxy International Securities does not verify or warrant the accuracy, reliability or timeliness of any company announcements of corporate actions, and neither Galaxy International Securities nor China Galaxy International accepts any liability (whether in tort or contract or otherwise) for any Loss arising from any errors, inaccuracies, delays or omissions or any actions taken in reliance thereon. Galaxy International Securities expressly disclaims all warranties, expressed or implied, as to the accuracy of any company announcement or as to the fitness of the information for any purpose.

**42. Rights issuance**

Where the Client receives shares or other types of securities from an issuer of a China Connect Security as entitlements, the Client should note that the Client may not be able to buy or sell such entitlement security through the Stock Connect in certain circumstances (for example, if such entitlement security is listed on a China Connect Market but is not traded in RMB or if such entitlement security is not listed on a China Connect Market).

**43. General market risks associated with investing in China Connect Securities**

Investing in China Connect Securities involves special considerations and risks, including without limitation greater price volatility, less developed regulatory and legal framework, economic, and social and political instability of the stock market in Mainland China. The Client should also note that the China Connect Market Operator's trading rules, listing rules, and other applicable laws and regulations may be published in Chinese only, without any official English translation.

**44. Risks associated with trading of ChiNext Shares**

The trading of ChiNext Shares is subject to the risks associated with the SZSE ChiNext market, including but not limited to such risks arising from the following: (a) volatility and overvaluation of the share prices; (b) the less stringent requirements on profitability and share capital of the ChiNext market (compared to the main board markets in Mainland China); (c) given the technological focus of the companies listed on the ChiNext market, such companies are more susceptible to technical failures in their respective business areas; and (d) conventional valuation methods may not be entirely applicable to companies listed on the ChiNext market due to the high-risk nature of the relevant industries.

Only Institutional Professional Investors are allowed to place orders with Galaxy International Securities to buy or sell ChiNext Shares which are accepted as China Connect Securities (other than Special China Connect Securities which are eligible for sell orders only) through the use of Stock Connect.

**45. Warning statements and termination of service**

Galaxy International Securities may be required by SEHK and/or a China Connect Market Operator to issue to the Client, either verbally or in writing, a warning statement and terminate the provision of Northbound Trading services to the Client for a period which SEHK and/or the China Connect Market Operator may prescribe.

**46. Novelty of Stock Connect**

Stock Connect is an unprecedented scheme launched jointly between the China Connect Market Operators and HKEx to facilitate cross-border trading of China Connect Securities through HKEx. Trading in China Connect Securities under Northbound Trading is subject to all Applicable Requirements. Any change in the Applicable Requirements may have an adverse impact on the trading of China Connect Securities. Such impact may adversely affect the Client's investment in China Connect Securities. In the worst case scenario, the Client may lose a substantial part of its/his/her investments in China Connect Securities under Stock Connect.

Galaxy International Securities provides trading services based on the Stock Connect market system which is operated by the relevant China Connect Market Operator. Galaxy International Securities is not responsible for any delay or failure caused by the Stock Connect market system and investors accept all risks arising from trading China Connect Securities through the Stock Connect market system. Neither Galaxy International Securities nor China Galaxy International shall be responsible or held liable for any loss or damage directly or indirectly suffered by the Client arising from or in connection with the Stock Connect or the China stock connect system for receiving and routing Stock Connect orders to a Stock Connect market system for automatic matching and execution, through Northbound Trading.

**47. Margin trading**

Subject to certain conditions prescribed by the Stock Connect Authorities, Hong Kong and overseas investors may conduct margin trading in China Connect Securities determined by the relevant Stock Connect Authorities to be eligible for margin trading ("Eligible Margin Trading Securities"). HKEx will from time to time publish a list of Eligible Margin Trading Securities. Each of the China Connect Market Operators may suspend margin trading activities in any specific A Share if the volume of margin trading activities in such A Share exceeds a threshold determined by such China Connect Market Operator and resume margin trading activities when the volume of margin trading activities drops below a prescribed threshold. Where SEHK is notified by a China Connect Market Operator that a suspension or resumption involves a security on the list of Eligible Margin Trading Securities, HKEx will disclose such information on its website. In such circumstances, any margin trading in the relevant China Connect Security shall be suspended and/or resumed accordingly. Each of the China Connect Market Operators has reserved the right to require margin trading orders to be flagged as margin trading orders when routed to Stock Connect. Neither Galaxy International Securities nor China Galaxy International shall have any obligation to update you in respect of the list of Eligible Margin Trading Securities or any restrictions or suspensions in respect of margin trading from time to time.

**48. Limits on Short Selling**

Hong Kong and overseas investors are currently prohibited from naked Short Selling China Connect Securities.

Covered Short Selling of China Connect Securities is permitted subject to certain requirements in the Stock Connect Rules. However, Galaxy International Securities will not facilitate covered Short Selling of China Connect Securities and/or any Uptick Long Sale. The Client shall be fully responsible for understanding and complying with the Short Selling requirements in effect from time to time and for any consequences of non-compliance.

**49. Stock Borrowing and Lending**

Stock borrowing and lending are permitted for the eligible China Connect Securities as specified by the China Connect Market Operators for the purposes of (a) covered short selling, (b) satisfying the Pre-Trade Checking requirement and (c) in any other circumstances as SEHK or the China Connect Market Operators may specify from time to time. The China Connect Market Operators will determine a list of eligible China Connect Securities for stock borrowing and lending. Stock borrowing and lending of eligible China Connect Securities will be subject to restrictions set by SEHK and the China Connect Market Operators, including but not limited to the following:

- (a) stock borrowing and lending agreements for the purpose of covered short selling shall have a duration of not more than one month;
- (b) stock borrowing and lending agreements for the purpose of satisfying the Pre-Trade Checking requirement shall have a duration of not more than one day (and roll-over is not permitted);
- (c) stock lending will be restricted to certain types of persons to be determined by the China Connect Market Operators; and
- (d) stock borrowing and lending activities will be required to be reported to SEHK.

Only certain persons are eligible to lend China Connect Securities in stock borrowing and lending arrangements concerning China Connect Securities.

Galaxy International Securities will be required to file a monthly report to SEHK providing details of its stock borrowing and lending activities with respect to China Connect Securities. This may include (amongst others) details of the borrower, lender, amount of shares borrowed/lent, amount of shares outstanding and date of borrowing/returning.

The Client should refer to the relevant provisions from time to time governing stock borrowing and lending of China Connect Securities under the Applicable Requirements. Neither Galaxy International Securities nor China Galaxy International shall have any obligation to update the Client in respect of any change to the relevant Applicable Requirements.

#### **50. Risks associated with the Circuit Breaker mechanism**

The execution of trades in China Connect Securities is subject to the Stock Connect Rules including the Circuit Breaker Provisions. Imposition of a Circuit Breaker on any China Connect Market Trading Day will result in the suspension of the execution of trades through the China Connect Market system for such period or periods as set out in the Circuit Breaker Provisions. Further, the lifting of a Circuit Breaker during a continuous auction session of any China Connect Market Trading Day may result in trades being executed through call auction.

Unless otherwise determined by the SEHK, where the Circuit Breaker Provisions allow orders in respect of China Connect Securities to be cancelled during the period when a Circuit Breaker is in effect, Galaxy International Securities may input order cancellation requests through the Stock Connect during such period as usual.

Notwithstanding this, no Stock Connect order is regarded as cancelled unless and until a cancellation confirmation has been issued by the relevant China Connect Market system, and neither the SEHK nor its subsidiaries shall have any liability in the event that a Stock Connect order which Galaxy International Securities has required to be cancelled is not cancelled for any reason whatsoever.

#### **51. Provision of Client Identification Data**

For Northbound Trading, from the Investor ID Model Effective Date, the Client is required to provide Client Identification Data and keep such information updated for the Stock Connect Authorities to collect the Northbound Trading investors identification information and to track their trade orders on a real-time basis. It is the Client's obligation to keep the Client Identification Data accurate and up-to-date.

The Client cannot place a trade order until the completion of account opening and/or successful update of its CID from Galaxy International Securities. Notwithstanding that the Client has submitted its CID, a trade order of the Client may still be rejected if the CID provided by Client and BCAN have not yet been submitted to and/or approved by SEHK, the China Connect Market Operator or other Stock Connect Authorities at the time of such trade order, and Galaxy International Securities shall not be liable to the Client for any failure or delay in submitting such CID and BCAN to SEHK, the China Connect Market Operator or other Stock Connect Authorities. If the Client is an individual client, and does not provide the necessary consents and authorizations (both written and prescribed) in relation to the collection, storage, use, disclosure and transfer of his or her CID and/or BCAN, or the Client's BCAN or BCAN-CID mapping are otherwise invalid or deficient, Galaxy International Securities may, in its own discretion, place Northbound Trading sell orders in relation to such BCAN, but no Northbound Trading buy order is allowed in relation to such BCAN. If abnormal trading activities are identified in respect of the Client by the China Connect Market Operators, the China Connect Market Operators may in its discretion suspend trading with the Client or take such other actions as permitted by Stock Connect Rules, any applicable regulations and laws against the Client. The Client is liable for any Loss incurred in connection with any such actions taken by SEHK, the China Connect Market Operator, or other Stock Connect Authorities.

#### **52. Acknowledgement**

The Client acknowledges and accepts that since Galaxy International Securities does not provide any Short Selling or Stock Borrowing and Lending services in respect of the China Connect Securities, relevant clauses in the Terms and Conditions (including but not limited to clauses 36 and 37 of this Supplement) do not apply.