



Effective from 25 March 2016

CLSA SECURITIES DEALING SERVICES: HONG KONG MARKET ANNEX

1. Definitions and Interpretation

1.1 In this Securities Dealing Services: Hong Kong Market Annex, including the Schedule, capitalised terms have the meaning given to them in the "CLSA Asia-Pacific Terms of Business" and the "Securities Dealing Services Annex". In addition, the following capitalised terms have the following meaning:

"**Code of Conduct**" means the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission.

"**GEM**" means the growth enterprise market, the secondary board for trading provided by SEHK.

"**Main Board**" means the main board for trading provided by SEHK.

"**Professional Investor Rules**" means Securities and Futures (Professional Investor) Rules (Cap. 571D).

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

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

1.2 This Securities Dealing Services: Hong Kong Market Annex is referred to herein as "this Annex".

1.3 References in this Annex to "we", "us" and "our" mean, unless the context otherwise requires, CLSA and where the context requires will also include any company in the CLSA Group, or persons connected with the CLSA Group.

2. Effect of Terms of Business; Amendment

2.1 This Annex shall apply to you if (a) you requested in your Application Form that we provide you with Securities Dealing Services and requested that such Securities Dealing Services be provided in respect of the Hong Kong Market; or (b) we currently provide you with Securities Dealing Services in respect of the Hong Kong Market; or (c) your account is opened with CLSA Limited, a licensed corporation under the SFO licensed to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 7 (providing automated trading services) regulated activities (C.E Number AAB893) with registered office at 18/F, One Pacific Place, 88 Queensway, Hong Kong.

2.2 The terms and conditions set out in this Annex shall apply to all Securities Dealing Services in the Hong Kong Market or through an account opened with CLSA Limited, provided by us to you in addition to, and supplemental to, the terms and conditions set out in the Terms of Business. Accordingly, the terms and conditions in this Annex are legally binding and take effect



when you signify your acceptance by placing an order for Securities in the Hong Kong Market with us or through an account opened with CLSA Limited, following your receipt of our Terms of Business.

- 2.3 For the avoidance of doubt, the Terms of Business (including this Annex), the Application Form, the Confirmation, as well as any contract notes, trade confirmations, statement of accounts and/ or receipts of transactions (each document as amended and/or supplemented from time to time) constitute a legally binding contract and take effect when you signify your acceptance by placing an order with us.
- 2.4 The English version of the Terms of Business shall prevail unless you have confirmed in writing to us that the Chinese version shall prevail.

3. Short Selling

- 3.1 Without limitation to your obligations under the Terms of Business and the Securities Dealing Services Annex, for every transaction in Securities in the Hong Kong Market, or through an account opened with CLSA Limited, you will inform us if that trade is a short selling order prior to or at time of the order. This shall include orders placed by oral or electronic means (including, without limitation, through Direct Market Access Services), or in writing by fax or other means of transmission. In particular but without limiting the generality of the foregoing, when you place a short sell order through FIX Protocol and check "No" in tag 114, such action on your part represents you confirm that i) you have a presently exercisable and unconditional right to vest the Securities to which the order relates in the purchaser of such Securities; and ii) where the Securities to which the order relates have been borrowed to cover the sale, you have obtained confirmation from the lender(s) of such Securities that such lender(s) has / have such Securities available to lend to you.
- 3.2 For every short selling order conducted through us, you confirm that you will make proper arrangements to cover the trade settlement, and if applicable, that you have confirmation from your lender for the delivery of the trade.
- 3.3 Should we request, prior to accepting the order you will provide, in written form by Bloomberg or means as otherwise agreed, relevant information and assurances in relation to the short selling order which confirms to us that you have the proper arrangements in place.
- 3.4 Without limiting your obligations to at all times comply with the Market Requirements, you shall at all times comply with the provisions of the SFO in relation to short selling.

4. Compensation Fund

- 4.1 We have explained to you, and you understand and agree, that in the event of a default committed by us causing you to suffer a pecuniary loss, your right to compensation under the Investor Compensation Fund established under the SFO will be restricted to the extent provided for



therein. There can be no guarantee that your loss may be recouped from the Investor Compensation Fund in full, or in part.

5. Securities Positions and Reporting Limits

- 5.1 The Securities and Futures Commission of Hong Kong has prescribed certain trading limits and disclosure requirements on securities that may be held or controlled by a person and require a person holding or controlling a reportable position to notify the relevant Exchanges. You may need to take legal advice regarding your obligations thereunder. You acknowledge that it is your responsibility to observe such position limits, to monitor your holdings and to make reports where applicable.

6. Guaranteed Transactions

- 6.1 In the case we agree to provide guaranteed price arrangement, you acknowledge that the prices at which transactions are executed for you will be the guaranteed price figures for the reference period for the relevant Securities displayed by Bloomberg or such other pricing source as we in our discretion may decide.
- 6.2 You acknowledge that the guaranteed price reported to you on the relevant confirmation may not be reflective of the actual trading level of the Securities at any point during the trading day but rather it reflects an average price based upon the transactions effected during the reference period.
- 6.3 CLSA reserves the right not to execute a guaranteed transaction at the close of trading.
- 6.4 You acknowledge and agree that where CLSA executed a guaranteed transaction (whether it is a guaranteed price trade or guaranteed benchmark trade) on your behalf, any profits or losses that may arise on the execution of such transaction may be retained by us without disclosure to you, notwithstanding we are acting in the capacity as your agent.

7. SFC Prescribed Terms for Options Business Traded on the Stock Exchange of Hong Kong Limited

- 7.1 We do not provide services on options account unless otherwise agreed with you in writing.

8. Risk Disclosure Statement

- 8.1 You have confirmed (whether in the Application Form or otherwise) that:
- (a) you acknowledge and confirm that the terms and conditions applicable to the Services and the risk disclosure statements in the "Risk Disclosure Statement Schedule" to this Annex (or otherwise provided) have been provided to you in a language that you prefer and understand; and
 - (b) you were invited to read the risk disclosure statements, to ask questions and take independent advice if you wish.

9. Professional Investors

9.1 For the purpose of Clause 9 and Clause 10, the following capitalised terms shall have the meanings specified below:

"Institutional Professional Investor" means a person falling under paragraphs (a) to (i) of the definition of "professional investor" in section 1 of Part 1 of the SFO.

"Corporate Professional Investor" means a trust corporation, corporation or partnership falling under sections 3(a), (c) and (d) of the Professional Investor Rules.

"Experienced Corporate Professional Investor" has the meaning as given in Clause 9.3.

"Individual Professional Investor" means an individual falling under section 3(b) of the Professional Investor Rules.

"Professional Investor" means an Institutional Professional Investor, a Corporate Professional Investor or an Individual Professional Investor.

9.2 In the event that we notify you that we will treat you as an Institutional Professional Investor in respect of any relevant markets and products, Clause 9.5 and Clause 9.6 herein below shall apply to you in respect of such markets and products.

9.3 In the event that we notify you that we will treat you as a Corporate Professional Investor and we are reasonably satisfied that you meet the criteria set out in paragraph 15.3A(b) of the Code of Conduct in respect of any relevant markets and products (an **"Experienced Corporate Professional Investor"**), Clause 9.5 and Clause 9.6 herein below shall apply to you in respect of such markets and products.

9.4 In the event that we notify you that we will treat you as an Individual Professional Investor or a Corporate Professional Investor (but not an Experienced Corporate Professional Investor) in respect of any relevant markets and products, Clause 9.5 herein below shall apply to you in respect of such markets and products.

9.5 You agree and accept that, in providing the Services to you as a Professional Investor, we are **NOT** obliged to take the following steps, which we would otherwise be required to take if you were not a Professional Investor:

- (a) inform you about our business and the identity and status of our employees and others acting on our behalf;
- (b) confirm with you the essential features of each transaction that we effect for you;
- (c) provide to you documentation on the Nasdaq-Amex Pilot Program before opening a securities trading account for you for dealing in securities admitted to the Nasdaq-Amex Pilot Program; or

- (d) provide contract notes, regular statement of accounts and receipts that are required under the Securities and Futures (Contract Notes, Statements of Account and Receipts) Rules.
- 9.6 You agree and accept that, in providing the Services to you as an Institutional Professional Investor or an Experienced Corporate Professional Investor, we are **NOT** obliged to take the following steps, which we would otherwise be required to take if you were not an Institutional Professional Investor or an Experienced Corporate Professional Investor:
- (a) establish your financial situation, investment experience and investment objectives (except where we are providing to you advice on corporate finance work);
 - (b) ensure the suitability of any recommendation or solicitation we make to you;
 - (c) assess your knowledge of derivatives and characterize you based on your knowledge of derivatives;
 - (d) enter into any written agreements with you or provide to you risk disclosure statements in relation to any relevant products and markets or our provision to you of any of our Services;
 - (e) disclose transaction related information as specified in paragraph 8.3A of the Code of Conduct; or
 - (f) obtain from you an authority in a written form prior to effecting transactions for you in the operation of discretionary accounts or to explain such authority or confirm such authority on an annual basis.

10. Investors other than Institutional Professional Investors and Experienced Corporate Professional Investors

- 10.1 This Clause 10 shall apply if you fall under Clause 2.1(c) and are NOT an Institutional Professional Investor or an Experienced Corporate Professional Investor.
- 10.2 We undertake to notify you in the event of any material change to the information as contained in Clause 2.1(c), this Clause 10, the Application Form or the Confirmation.
- 10.3 Notwithstanding any other provisions in the Terms of Business, and unless otherwise agreed by us in writing, the services we shall provide to you shall be limited to securities cash account and research.
- 10.4 We shall charge you commissions, charges, fees, taxes, levies and so on as set out in the Terms of Business, contract notes, trade confirmations, statement of accounts and/ or receipts of transactions.
- 10.5 If we solicit the sale of or recommend any financial product to you, the financial product must be reasonably suitable for you having regard to your financial situation, investment experience and investment objectives. No other provision of the Terms of Business or any other document we may



ask you to sign and no statement we may ask you to make derogates from this clause.

- 10.6 In the event of any conflict with any other provision in the Terms of Business, this Clause 10 shall prevail.

11. Third Party Rights under Hong Kong Law

- 11.1 No provision of these terms and conditions is enforceable under the Contracts (Rights of Third Parties) Ordinance (Cap. 623 of the Laws of Hong Kong) by a person who is not a party to these terms and conditions, other than by the Affiliates of CLSA and their respective directors, shareholders, officers, employees, representatives or agents. Any rights conferred on third parties by these terms and conditions exclude the right to assign, and their consent is not required to rescind or vary these terms and conditions.

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Securities Dealing Services: Hong Kong Market Annex Risk Disclosure Statement Schedule

This Risk Disclosure Statement Schedule does not disclose all of the risks and other significant aspects of trading in securities, 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. You should carefully consider whether trading is appropriate for you in light of your experience, objectives, financial resources and other relevant circumstances. Please read this Schedule carefully, and ask questions and take independent advice as you consider appropriate.

Securities Risk Disclosure Statement

- You acknowledge that the price of Securities can and does fluctuate, sometimes dramatically, and that the price of any individual security may experience downward movements, and may become valueless. You appreciate therefore that it is as likely that losses will be incurred rather than profit made as a result of buying and selling securities. This is a risk that you are prepared to accept.
- You acknowledge that there are risks in leaving Securities in our custody or in authorising us to deposit securities as collateral for loans or advances made by us or authorising us to borrow or loan Securities and you confirm that you are prepared to accept such risk notwithstanding that in these circumstances you face the risk of loss of such Securities.
- You confirm that you understand the short selling requirements in Hong Kong and, in particular, that uncovered short selling on Exchanges in Hong Kong is unlawful.

Electronic Communication and Trading System Risk Disclosure Statement

- You understand that the electronic communication systems (including the internet) may not be a reliable medium of communication due to unpredictable traffic congestion or other reasons and that such unreliability is beyond our control. This may give rise to situations, including delays, in transmission and receipt of your instructions or other information, delays in execution or execution of your instructions at prices different from those prevailing at the time your instructions were given, misunderstanding and errors in any communication between you and us and so on. Whilst we will take every possible step to safeguard our systems, client information, accounts and assets held for the benefit of our clients, you accept the risk of conducting transactions via electronic communication systems.
- Electronic trading facilities (including, without limitation, the Direct Market Access Services) 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 understand 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 member or participant firms. Such limits may vary: you understand that you should ask us for details in this respect.

- Trading on an electronic trading system (including, without limitation, through the Direct Market Access Services) may differ from trading on other electronic trading systems. If you undertake transactions on an electronic trading system, you understand that you will be exposed to risks associated with the system including the failure of hardware and software. You understand that 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.

GEM Risk Disclosure Statement

- You understand that GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, you understand that companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. You appreciate that there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate.
- You are aware of the potential risks of investing in such companies and understand that you should make the decision to invest only after due and careful consideration. You understand the greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.
- Given the emerging nature of companies listed on GEM, you understand there is a risk that securities traded on GEM may be susceptible to higher market volatility compared to securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.
- You further understand that current information on GEM stocks may only be found on the internet website operated by the Stock Exchange of Hong Kong ("SEHK"). Companies listed on GEM are not generally required to issue paid announcements in gazetted newspapers. Accordingly, you acknowledge that you need to have access to up-to-date information on GEM-listed companies as published on the GEM website.
- You acknowledge that this risk disclosure statement does not purport to disclose all the risks and other significant aspects of GEM. You understand that you should undertake your own research and study on the trading of securities on GEM before commencing any trading activities.
- You understand that 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 securities on GEM.
- You understand that the signing of this risk disclosure statement is mandatory under the rules of the SEHK. You understand that we will not be able to effect your instructions to deal in securities on GEM if this statement is not signed and acknowledged by you.
- You understand that we are required under the rules of the SEHK to ensure that you are provided with a signed copy of this risk disclosure statement.



NASDAQ-AMEX Pilot Program Risk Disclosure Statement

- The securities under the Nasdaq-Amex Pilot Program (“PP”) are aimed at sophisticated investors. You should consult us 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 or GEM.

Client Assets Received or Held Outside Hong Kong Risk Disclosure Statement

- Client assets received or held by the licensed person or registered 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 (Cap.571 of the Laws of Hong Kong) 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.

Margin Trading Risk Disclosure Statement

- The risk of loss in financing a transaction by deposit of collateral is significant. You understand that you may sustain losses in excess of your cash and any other assets deposited as collateral with us. Market conditions may make it impossible to execute contingent orders, such as “stop-loss” or “stop-limit” orders. You understand that 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, you understand that your collateral may be liquidated without your consent. Moreover, you will remain liable for any resulting deficit in your account and interest charged on your account. You understand therefore that you should carefully consider whether such a financing arrangement is suitable in light of your own financial position and investment objectives.

Providing an Authority to Hold Mail or to Direct Mail to Third Parties Risk Disclosure Statement

- If you provide us with an authority to hold mail or to direct mail to third parties, you understand that 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.

Providing an Authority to Repledge Your Securities Collateral etc. Risk Disclosure Statement

- There is risk if you provide us with an authority that allows us to apply your securities or securities collateral pursuant to a securities borrowing and lending agreement, repledge your securities collateral for financial accommodation or deposit your securities collateral as collateral for the discharge and satisfaction of our settlement obligations and liabilities.
- If your securities or securities collateral are received or held by us in Hong Kong, the above arrangement is allowed only if you consent in writing. Moreover, unless you are a professional investor, your authority must specify the period for which it is current and be limited to not more than 12 months.



If you are a professional investor, these restrictions do not apply. You may revoke your authority at any time on giving 30 days prior written notice to us.

- Additionally, your authority may be deemed to be renewed (i.e. without your written consent) if we issue to you a reminder at least 14 days prior to the expiry of the authority, and you do not object to such deemed renewal before the expiry date of your then existing authority.
- You are not required by any law to sign these authorities. But an authority may be required by us, for example to facilitate margin lending to you or to allow your securities or securities collateral to be lent to or deposited as collateral with third parties. We should explain to you the purpose for which one of these authorities is to be used.
- If you sign one of these authorities and your securities or securities collateral are lent to or deposited with third parties, those third parties will have a lien or charge on your securities or securities collateral. Although we are responsible to you for securities or securities collateral lent or deposited under your authority, a default by us could result in the loss of your securities or securities collateral.
- A cash account not involving securities borrowing and lending is available from most licensed or registered persons. If you do not require margin facilities or do not wish your securities or securities collateral to be lent or pledged, you understand that you should not sign the above authorities and ask to open this type of cash account.

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