

## Conditions for Investment Services

This condition applies to transactions in stocks, bonds, notes, funds, currencies, structured products, related rights, options and interests, and other investments (investments).

The contents of "Conditions for Investment Services" shall be incorporated as an integral part of these conditions, as if the "Conditions for Investment Services" are written in full herein. In case of conflict between the "Conditions for Investment Services" and the terms and conditions set out in these conditions, the latter shall prevail.

### 1. Our services

- 1.1 You confirm that before giving any instruction with respect to any investment, you will have read, understood and agreed to be bound by any offering documents, terms, application forms, procedures and other documents relating to the investment. You will ensure that you are qualified to acquire the investment and that your instructions conform to the requirements of the investment. We are not responsible to check if this is the case, and may execute any instruction without changes, or make any changes to conform to the requirements of the investment, without reference to you.
- 1.2 Unless otherwise agreed in writing or we are already holding sufficient cash or investments on your behalf, you will pay us cleared funds or deliver to us investments in deliverable form, by the time we notify you, in order to settle each transaction. If you fail to do so, we may terminate the transaction, or sell the purchased investments, or borrow or purchase investments to settle the transaction. You will indemnify us against all liabilities, losses and expenses.
- 1.3 We may execute your instructions in our or our nominee's name and as part of a larger order. We will allocate acquired investments among you and other customers in a fair manner.
- 1.4 In accordance with your instructions, we may:
  - (a) Debit the relevant sum from your accounts and apply to the manager of the investment or other person to subscribe or apply for units or interests in the investment;
  - (b) Apply to the manager of the investment or other relevant person to redeem, transfer or (where applicable) convert units or interests held by us for you.
- 1.5 We do not act for the manager of any investment or other relevant person. They may reject your application, although we have received it. We have no further obligations following transmission of your application to the manager or other relevant person, apart from receiving your acquired investment.
- 1.6 We will credit your account with investments, sale or redemption proceeds, refunds, and income only after actual receipt by us and after deducting relevant expenses. We may credit any one or more of your accounts. We may hold the investments and money to cover possible third party claims. Unless otherwise agreed with you in writing, we need not take any action to collect any investment or money, or inform you if any payment may become due or is overdue or if any action may be required in respect of your investments. Delivery of investments to you will be at your risks.
- 1.7 You will designate one or more of your accounts as settlement account(s) as required by our bank.
- 1.8 You agree to :
  - (a) provide full details (including the identity, address and contact details) of the ultimate beneficiary and of the person ultimately responsible for originating the instructions directly to our Bank, Macau Courts, AMCM, the Hong Kong stock exchange and the SFC of a request by us or any of them. Your agreement above will survive after the termination of our services; and
  - (b) if you are outside Macau, you confirm that these provisions are binding under the relevant foreign law.
- 1.9 You confirm that all your sell orders in respect of securities at or through the Hong Kong stock exchange will be "long" sales, unless you notify us at the time of placing a sell order that it relates to securities which you do not own but have a right to obtain, i.e. involves short selling, and at the same time provide us with the requisite assurance that the sale is "covered".
- 1.10 If any transaction relates to derivative products, at the time you apply we will provide to you on request (a) product specifications and any prospectus or other offering document covering such products and (b) a full explanation of margin procedures and the circumstances under which positions may be closed without your consent.
- 1.11 You will promptly sign an order form when required by us to confirm any oral order.
- 1.12 Our employees and representatives will not accept appointment as your agent to operate your account, unless a written discretionary agreement has been made with us.
- 1.13 We may set limits on the size of the contracts you may establish.
- 1.14 We may take the opposite position to your order.

### 2. Custody

- 2.1 You appoint us your nominee to hold all investments acquired by us on your behalf. We will arrange for your investments to be registered or held in safe custody in accordance with applicable laws and regulations including registration of registered investments in the name of our nominee. We will record your investments held by us in your investment account maintained by us.
- 2.2 We may reject any investments for safe custody and may at any time require any investments to be withdrawn from our custody.
- 2.3 Your investments will be treated as fungible and held as part of a larger holding of identical investments held for our customers. You will be entitled to the same share of the payments arising on the holding as your share of the total holding. Any loss will be apportioned among all owners.
- 2.4 We may deposit any eligible investments into a clearing system where transfers are made electronically or by book entries. Your investments may be held overseas by a third party.
- 2.5 We are not required to attend meetings of holders of any investments or exercise any rights unless otherwise agreed with you in writing.
- 2.6 Instructions to withdraw or transfer investments are subject to such notice, quantity restrictions, payment and procedures, as we require. Before you can make a withdrawal, we may need to take delivery from the seller or custodian or complete a transfer to you according to applicable rules.
- 2.7 Investments may not be withdrawn in a physical form, if they were issued in the form of a global certificate or in book-entry form.
- 2.8 If minimum holding requirements apply, a holding of less than the minimum may be required to be redeemed.

### 3 Our role

- 3.1 We act as your agent/ trustee in relation to our services. Our role is not affected by any dealing with commissions, fees or charges with you on the one hand and with any broker or other person on the other. Our responsibilities are limited to those expressly set out in these Conditions. We may act as principal in a transaction. These Conditions apply, to the extent possible, to transactions on your behalf as well as with us.
- 3.2 You agree that we may accept from brokers and other persons involved in your transactions any cash, goods, services, rebates or soft commission.
- 3.3 We are not obliged to purchase any investment from you, whether or not we have sold it to you or bought it for you.
- 3.4 We need not enquire whether the manager of any investment or other relevant person is performing its duties.

### 4. Information

- 4.1 The information relating your investments which we provide to you is based on information received from the person involved in the issue or management of the investments, an information vendor or a public source. We believe the information to be correct, but have not verified it. The information provider may not accept any responsibility for the accuracy of the information. We are not responsible for third party documents and information.
- 4.2 Prices of securities listed on the Hong Kong Stock Exchange are provided by The Stock Exchange of Hong Kong Limited. While they endeavor to ensure the accuracy of the information, no guarantee is given and no liability is accepted for any error.
- 4.3 You will not disseminate any price, rate or other quotations provided by us or use them for any purposes other than for your own reference.
- 4.4 Reports, accounts, notices and any other documents received from the third parties in respect of your investments will be held by our bank, and these documents will be held in accordance to the applicable laws and regulations in Macau. Unless otherwise agreed in writing, you do not require our bank to forward such documents to you or notify you of their receipt or related contents. We will respond promptly to the information on corporate actions in relation to your securities held by us.
- 4.5 Any offering documents of the products and services addressed to you may only be accepted by you.

### 5. Material interest

When effecting transactions for you, our affiliates or we may have a material interest in relation to the transaction. For example, our affiliates or we may:

- (a) Have a position in relation to the investments or are involved as issuer, manager, bankruptcy trustee, trustee, or otherwise; or
- (b) Match your order with those of other customers.

If we have an actual or potential conflict of interest in relation to a transaction, we will not act unless we have disclosed that conflict to you and have taken all reasonable steps to treat you fairly.

We may have existing or future commercial or banking relationships with any person involved in the issue or management of any investment or their affiliates, and will pursue actions which we deem appropriate to protect our interests, without obligation to disclose or account to you, and regardless of whether such action might adversely affect you.

### 6. Transacting as principal

- 6.1 Our bank accepts your product subscription for investment purposes only and therefore forbids you to conduct any product redistribution or resale or any related resale purposes.
- 6.2 Our bank may act as a main recipient to enter into any transactions with you (applicable to condition 6, and each transaction is named as "transaction"), of which any transaction is evidenced by a confirmation ("Confirmation") issued by us.
- 6.3 In the event of inconsistency, the terms of one document will prevail over the other(s) in the following order for the purpose of the relevant transaction: (1) the Confirmation, (2) our applicable rules, terms or applications and (3) these conditions.
- 6.4 A contract between you and us for the sale or purchase of an investment is made as soon as its terms have been confirmed orally by our authorized officer or in writing signed by our authorized officer.
- 6.5 All transactions constitute a single agreement between the parties ("Agreement") and will be entered into in reliance on such fact. The parties would not otherwise enter into any transaction.
- 6.6 The parties will make payments and deliveries in accordance with each Confirmation, subject to the condition precedent that no Event of Default or Potential Event of Default has occurred and is continuing. "Potential Event of Default" means any event which, with the giving of notice or the lapse of time or both, would constitute an Event of Default.
- 6.7 On agreeing a transaction with you, we may put a "hold" in your accounts on funds and investments in the amounts estimated by us to be required to settle the transaction. Our rights are not affected if we do not do so.
- 6.8 On receipt of your standing offer to conduct one or more transactions, we may put a "hold" in your accounts on funds and investments in the amounts estimated by us to be required to settle the transactions. Your standing offers are irrevocable, unless we agree.
- 6.9 You will fully perform your obligations before requiring us to perform.
- 6.10 Any payment, delivery or determination, which would otherwise fall to be made on a non-business day, will instead be made on the next business day, unless otherwise agreed.
- 6.11 Events of Default

The occurrence at any time of any of the following events with respect to you or any of your Affiliates or any person who has provided any guarantee or security in support of your obligations under the Agreement (each a "relevant party") constitutes an event of default ("Event of Default"):

("Affiliate" means, in relation to any entity (it), any other entity controlled directly or indirectly by it, any other entity that controls directly or indirectly it or any other entity directly or indirectly under common control with it. For this purpose, "control" means ownership of a majority of the voting power of the entity.)

- (a) Fail to pay or deliver

Failure to make, when due, any payment or delivery required under the Agreement.

- (b) Breach

Failure to comply with any other obligation in accordance with the Agreement.

- (c) The decrease and loss of efficacy for guarantee and security expire

(i) Failure to perform any agreement to provide any guarantee or security in support of your obligations under the Agreement;

- (ii) Such guarantee or security expires or ceases to be in full force and effect without our written consent; or
- (iii) If the guarantor possessions are abolished, declared invalid or cancelled according to the conditions for investment services, all or any part of your assets are seized, partly seized, sealed, forced execution or any other similar or related legal procedures.
- (d) Misrepresentation  
Any representation proves to be incorrect or misleading in any material respect.
- (e) Cross default  
The occurrence or existence of:
  - (i) A default (however described) under one or more financial, investment, derivative or borrowing transactions which has resulted in such transactions becoming, or becoming capable of being declared, due and payable or deliverable, or otherwise terminated prematurely;
  - (ii) A default in making one or more payments or deliveries on the due date under any financial, investment, derivative or borrowing transaction (after giving effect to applicable notice requirement or grace period); or
  - (iii) A disclaimer, repudiation or rejection, in whole or in part, of any financial, investment, derivative or borrowing transaction (or such action is taken by any person appointed or empowered to manage any relevant party or act on its behalf).
- (f) Insolvency
  - (i) You are insolvent or admit in writing its inability to pay its debts as they become due.
  - (ii) In your own or another jurisdiction
    - I. You commence any judicial, administrative or legal proceeding, or seek a judgment of or arrangement for insolvency, interdicted, quasi-interdicted, bankruptcy, liquidation, reorganization or rehabilitation with respect to the relevant party or its debts or assets,
    - II. Seeking the appointment of a trustee, receiver, liquidator, supervisor or custodian for the relevant party or any part of its assets,
    - III. Has a secured party take possession of all or any part of its assets or has a distress, execution, attachment or other legal process enforced against all or any part of its assets or
    - IV. Causes or is subject to any event which, under any applicable law, has a similar effect to any of the above.
- (g) Merger  
Any relevant party amalgamates or merges with or transfers all or any substantial part of its assets to another entity.
- (h) Death / Mentally incapacitated  
If you are an individual and you die or become mentally incapacitated.
- (i) Force majeure
- (j) It is or would be unlawful under any applicable law for any relevant party to comply with any material provision of the Agreement. For this purpose, material provisions include the obligation to make or receive a payment or delivery on a timely basis under a transaction.
- (k) Adequate assurances  
You fail to provide adequate assurances of your ability to perform your outstanding obligations under the Agreement or any other agreement between the parties on or before the second business day after our written request when we have reasonable grounds for insecurity.

#### 6.12 Early termination

- (a) If at any time an Event of Default has occurred and is continuing, we may notice to you specifying the Event of Default, designate a day as an Early Termination Date in respect of the affected or all outstanding transactions (which will terminate on the designated date).
- (b) We will determine in good faith our losses or gains, and costs, that are or would be incurred or realized under then prevailing circumstances in replacing or providing for us the economic equivalent of the material terms of each terminated transaction including the remaining payments, deliveries and rights. We will determine such amounts as of a commercially reasonable date and to produce a commercially reasonable result. We may apply different valuation methods to different transactions depending on type, complexity or other relevant factors. We may take into account any relevant information including market data and information from internal sources, and without duplication:
  - (i) Any cost of funding;
  - (ii) Any loss, cost or gain incurred in connection with our terminating or obtaining any hedge related to a terminated transaction. All amounts will be expressed in Hong Kong dollars or another currency chosen by us. We will convert amounts in another currency at our spot exchange rate. We will net off (i) amounts that became payable to either party in respect of all terminated transactions on or prior to the Early Termination Date and which remain unpaid as at such date and (ii) an amount equal to the fair market value as of the original scheduled date for delivery (as reasonably determined by us) of anything which was required to be delivered to either party in respect of each terminated transaction on or prior to the Early Termination Date and which has not been so delivered as at such date, together with interest from (and including) the original due date to (but excluding) the Early Termination Date, at the rate for overdue interest.
- (c) As soon as reasonably practicable after an Early Termination Date, we will provide to you a statement showing, in reasonable detail, the calculations and any amount payable following our calculation under paragraph (b) above. Such amount will be payable on the day specified in the notice, together with interest thereon (before and after judgment) from (and including) the Early Termination Date to (but excluding) the date such amount is paid, at the rate for overdue interest.
- (d) The parties agree that an amount recoverable under paragraph (b) above is a reasonable pre-estimate of loss and not a penalty. Such amount is payable for loss of bargain and loss of protection against future risks. Except as otherwise provided in the Agreement neither party will be entitled to recover any additional damages for such losses.

#### Risk disclosure

You acknowledge and understand that:

## 1. General

You confirm that you,

(a) have received from an employee of the Bank a copy of this risk disclosure statement applicable to your expected or actual activity and in a language of your own choice (English or Chinese); (b) have been fully explained by an employee of the Bank the contents of this risk disclosure statement and the purposes for which the authority is to be used, in a language which you understand; (c) have been invited by a staff member of the Bank to read the risk disclosure statement, ask questions and take independent advice if you so wish; and (d) fully understand the risks involved and are prepared to accept such risks. (e) Before making any investment decision, unless you fully understand the nature and risks of the product, and have studied, analyzed and carefully considered your investment experiences, objectives, risk tolerance, financial position and other related factors, otherwise you should not trade or invest in such products. If you are uncertain of or have not understood anything involved in trading and investment, you should seek independent financial and professional advice.

## 2. Risk of Investment

Investment involves risk, and the offering document should be read for further details.

(Where past performance is quoted) the past performance figures shown are not indicative of future performance.

## 3. Risk of Securities Trading

The prices of securities fluctuate, sometimes dramatically. The price of a security may move up or down, and may become valueless. It is as likely that losses will be incurred rather than profit made as a result of buying and selling securities. We provide various securities trading on market. Prior to entering into securities trading, you should ensure that you understand the market trading rules and risks relevant to your particular transactions.

## 4. Risk of Funds and Unit Trusts

4.1 Risks are involved in investing in funds and unit trusts. The prices of funds and unit trusts fluctuate, sometimes dramatically. The price of funds and unit trusts 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 funds and unit trusts.

4.2 Past performance figures are not indicative of future performance. You should carefully read the offering documents for details before making any investment decision.

4.3 Investment in funds or unit trusts is different to placing moneys on deposit with a bank. The funds or unit trusts are not deposits or other obligations of, or guaranteed by, our affiliates or us. The fund company or unit trust manager is under no obligation to redeem shares in any fund or unit trust at the price at which they were issued. Although we may not charge a fee for providing services relating to funds or unit trusts, we will normally be paid a commission or rebate by the fund or unit trust manager for arranging transactions involving funds or unit trusts.

4.4 Since some markets in which some of the funds or unit trusts invest may be subject to a higher than usual risk of political or economic instability, the assets of and income from such funds or unit trusts may be affected unfavorably by fluctuations in currency rates, exchange control and fiscal regulations and as a result, the shares of these funds and unit trusts may be subject to substantial price volatility. Some markets may not be subject to accounting, auditing and financial reporting standards and practices comparable to those applicable in more advanced countries, and there may be less government supervision, legal regulation and less well defined tax laws and procedures than in countries with more advanced securities markets.

4.5 Certain funds or unit trusts may invest in higher yielding securities rated lower than investment grade. Below investment grade securities such as, for example, high yield debt securities, may be considered speculative and can include securities that are unrated or in default. As a result, investment in these funds or unit trusts are accompanied by a higher degree of credit risk than is present in investment in higher rated, lower yielding securities.

4.6 You should carefully consider prior to investing in funds or unit trusts, (a) the possible tax consequences, (b) the legal requirements and (c) any foreign exchange control requirements which you might encounter under the laws of the countries of your incorporation, citizenship, residence or domicile and which might be relevant to the purchase, sale, subscription, holding, conversion or disposal of the shares in funds or unit trusts.

4.7 The market for technology or technology-related funds or unit trusts can be highly volatile and in many cases their prices may reflect market speculation rather than the underlying economic value of such funds or unit trusts.

4.8 Certain capital guaranteed/capital preserved funds or unit trusts generally carry some terms and conditions, and redemption of shares in the funds or unit trusts prior to fulfilling all the terms and conditions specified in the offering documents or prospectus will be subject to market fluctuations or a redemption fee. Capital guaranteed/capital preserved funds or unit trusts are not guaranteed by us or our affiliates.

## 5. Risk of Trading Growth Enterprise Market Stocks

5.1 The price of securities traded on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited ("SEHK") can and does fluctuate, and any individual security may experience upwards or downwards movements, and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities traded on GEM. There may be risks in leaving securities in the Bank's safekeeping. For example, if the Bank is holding your securities and become insolvent, you may experience significant delay in recovering the securities. These are risks that I you are prepared to accept.

5.2 GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. There may also be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate.

5.3 There are potential risks of investing in such companies and you should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

5.4 Given the emerging nature of companies listed on GEM, 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.

- 5.5 The principal means of information dissemination on GEM is publications on the internet website operated by SEHK. Companies listed on GEM are not generally required to issue paid announcements in gazette newspapers. Accordingly, you need to have access to up-to-date information on GEM-listed companies as published on the GEM website.
- 5.6 You should undertake your own research and study on the trading of securities on GEM before commencing any trading activities.

## 6. Risk of Trading Nasdaq-Amex Securities at the Stock Exchange of Hong Kong Limited

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

## 7. Futures

- 7.1 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 the firm to maintain your position. If the market moves against your position or margin levels are increased, you may be called upon to pay substantial additional funds on short notice to maintain your position. If you fail to comply with a request for additional funds within the time prescribed, your position may be liquidated at a loss and you will be liable for any resulting deficit.
- 7.2 Risk-reducing Orders or Strategies.
- 7.3 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' position may be as risky as taking simple 'long' or 'short' positions.
- 7.4 Risks Underlying the One Day Rolling Currency Futures Contract ("ODRCF" Contract)
  - (a) The ODRCF Contract, similar to other exchange-traded futures contracts, provides a versatile and well-leveraged investment vehicle to you. However, increases in both the volatility of the relative currency value and the volume of world trade have resulted in an exposure to dramatically higher foreign exchange risk in recent years. It has not been uncommon for major currencies to fluctuate in value by twenty or thirty percent vis-à-vis the U.S. dollar in a period of less than one year.
  - (b) In addition, a variety of other factors including interest rate movements, macro and micro economic condition and political stability may also affect the value of currencies. You should only participate in the ODRCF Market if they fully appreciate the risks inherent in the foreign exchange market and employ strategies consistent with their currency value expectations, investment objectives and tolerance for risk.
  - (c) You should also be aware of the potential risks associated with possible exchange rate fluctuations where foreign exchange investments are priced and/or settled in a currency other than their home currency.

## 8. Options

The risk of loss in trading 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 losses or limit losses to the intended amounts. Market conditions may make it impossible to execute such orders. You may be called upon at short notice to deposit additional margin funds. If the required funds are not provided within the prescribed time, your position may be liquidated. You will remain liable for any resulting deficit in your account. If you give us standing instructions to exercise and settle a currency option by way of physical delivery of the currencies concerned regardless of the exchange rate, the currency option will be exercised and settled notwithstanding the exchange rates of the currencies concerned do not favour the exercise of the currency option and you will thereby suffer loss. You may not be able to change such standing instructions within the prescribed period. You should therefore study and understand options before you trade and carefully consider whether such trading is suitable in the light of your 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.

- 8.1 Transactions in options carry a high degree of risk. Purchasers and sellers of options should familiarize themselves with the type of options (i.e. put or call) which they contemplate trading and the associated risks. You should calculate the extent to which the value of the options must increase for your position to become profitable, taking into account the premium and all transaction costs.
- 8.2 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 future 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.
- 8.3 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 unfavorably. The seller will also be exposed to the risk of the purchaser exercising the option and the seller will be obligated to either settle the option in cash or to acquire or deliver the underlying interest. If the option is 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 or another option, the risk may be reduced. If the option is not covered, the risk of loss can be unlimited.
- 8.4 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 cost. When the option is exercised or expired, the purchaser is responsible for any unpaid

premium outstanding at that time.

9. Additional risks common to Futures and Options

9.1 Terms and Conditions of Contracts

You should ask the Bank about the terms and conditions of the specific 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 an option contract, 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.

9.2 Suspension or restriction of trading and pricing relationships

(a) 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.

(b) 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.

9.3 Deposited Cash and Property

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

9.4 Commission and Other Charges

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

9.5 Currency Risks

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

9.6 Off-exchange Transactions

In some jurisdictions, and only then in restricted circumstances, firms are permitted to effect off-exchange transactions. The Bank may be acting, as your counter-party 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 familiarize yourself with applicable rules and attendant risks.

10. Derivative Products (including but not limited to equity linked notes)

10.1 Credit risk on the issuers, including, without limitation, the possibility that issuers may default on their obligation in returning to you the purchase principal and/or delivering to you any other applicable amounts and/or selling to you the underlying equity, bond, other security or such other asset as may be specified under the terms for each particular captioned product ("Underlying Assets") and/or in any other way;

10.2 An inherent risk that you may suffer capital loss should the price of the Underlying Assets go against your position and you could sustain a total loss of your investment;

10.3 An inherent risk that the value of any Underlying Assets taken up by you (if any) may go down as well as up;

10.4 The fact that the return on investment (if any) is or may be pre-determined by the terms specified for each particular captioned product; and

10.5 The captioned products will be subject to other risks factors including, without limitation, specific matters set out in their own terms and conditions in each case, and specific matters relating to each individual type of product.

11. General Major Risks of Trading Exchange-traded Derivative Products (including but are not limited to the following)

11.1 Issuer Default Risk: In the event that a derivative product issuer becomes insolvent and defaults on its issued products, you will be considered as unsecured creditors and will have no preferential claims to any assets held by the issuer. You should therefore pay close attention to the financial strength and credit worthiness of related product issuers.

11.2 Uncollateralized Product Risk: Since derivative products are not asset backed, in the event of issuer bankruptcy, you can lose your entire investment. You should carefully read through the listed documents to find out whether the product has been pledged.

11.3 Gearing Risk: Derivative products such as warrants and callable bull/bear contracts are leveraged and can change in value rapidly according to the gearing ratio relative to the underlying assets. The value of a derivative product may fall to zero resulting in a total loss of the initial investment.

11.4 Limited Life: Most of the derivative products issuer has an expiry date after which the products may become worthless. You should carefully consider whether the remaining investment period of derivative products selected is suitable for you in light of your trading strategy.

11.5 Extraordinary Price Movements: The price of a derivative product may not match its theoretical price due to outside factors such as market supply and demand. As a result, actual traded price can be higher or lower than the theoretical price.

11.6 Exchange Rate Risk: Derivative products with underlying assets not denominated in Hong Kong dollars is also exposed to exchange rate risk. Currency rate fluctuations can adversely affect the underlying asset value as well as the price of the products.

11.7 Liquidity Risk: Derivative product issuers appoint a liquidity provider for derivative products, who will provide two way

quotes to facilitate trading of the derivative product. If the liquidity provider defaults or ceases to perform its role, you may not be able to buy or sell the product until a new liquidity provider is appointed and performs.

- 11.8 Volatility Risk: Prices of derivative products may or may not increase or decrease in line with the implied volatility of underlying asset price. You should be aware of the volatility of the underlying asset.

## 12. Types of and the Risk Associated with Exchange-traded Derivative Products

### 12.1 Derivative Warrants:

All things being equal, the value of a Derivative Warrant will decay over time as it approaches its expiry date. Derivative Warrants should therefore not be viewed as long term investments.

### 12.2 Callable Bull/Bear Contracts (CBBC)

#### (a) Mandatory Call Risk

You should be aware of the intraday "knockout" or mandatory call feature of CBBC. A CBBC will cease trading when the underlying asset value equals the mandatory call price/level as stated in the listing documents. You will only be entitled to the residual value of the terminated CBBC as calculated by the product issuer in accordance with the listing documents. The residual value can be zero. After a CBBC is called, it will not resume listing in the market even though the underlying asset value may rise again; Therefore, You will not profit from such a rise in price.

#### (b)

When the price of a CBBC drops closed to the call price, trading of such CBBC will be characterized by: the price will fluctuate more violently, the difference between the buying and selling price will be widened, circulation will slow down and trading of the CBBC will be terminated anytime it is called. Since there will be a time gap between the mandatory call effective time and the time it actually stops trading, trading of the CBBC which is confirmed after the mandatory call is made will be denied and void. Therefore, you shall pay attention to trade when the price of CBBC is getting closed to the callable price.

#### (c) Funding Cost

The issue price of a CBBC includes funding costs. Funding costs are gradually reduced over time as the CBBC moves towards expiry. The longer the duration of the CBBC, the higher the total costs. In the event that a CBBC is called, you will lose the funding costs for the entire lifespan of the CBBC.

### 12.3 Exchange-Traded Fund (ETF)

Synthetic ETF uses a synthetic strategy and trades mainly through hedging or investing in derivatives to replicate the index performance. You are exposed to the political, economic, currency and other risks related to the ETF's underlying index. There may be disparity between the performance of ETF and of the underlying index due to the failure of the tracking strategy, currency differences, fees and expenses. Where the index/market that the Synthetic ETF tracks is subject to restricted access, the efficiency in unit creation or redemption to keep the price of the Synthetic ETF in line with its net value (NAV) may be disrupted, causing the Synthetic ETF to trade at a higher premium or discount to its NAV. You who buy a Synthetic ETF at a premium may not be able to recover the premium in the event of termination. Where a Synthetic ETF invests in derivatives to replicate the index performance, investors are exposed to the credit risk of the counterparties who issued the derivatives, in addition to the risks relating to the index. Further, potential contagion and concentration risks of the derivative issuers should be taken into account. Some Synthetic ETFs invest in financial derivatives issued by a number of different counterparties in order to diversify the counterparty credit risk concentration. But the more counterparties an ETF has, the higher the mathematical probability of the ETF being affected by a counterparty default. Furthermore, you should be aware that the potential "knock-on" effect and the concentration risks of ETF issuers (e.g. since issuers of these derivatives are predominantly international financial institutes, it is possible that the failure of one of the derivative counterparty of an ETF has a "knock-on" effect on other derivative counterparties of the ETF. Some Synthetic ETFs have collateral to reduce the counterparty risk, but there may be a risk that the market value of the collateral has fallen substantially when the Synthetic ETF seeks to realize the collateral. A higher liquidity risk is involved if a Synthetic ETF involves derivatives that do not have an active secondary market. Wider bid-offer spreads in the price of the derivatives may result in losses.

### 12.4 Risk relating to Rights Issue

For exercising and trading of the right issue, you have to pay attention to the deadline and other timelines. Rights issues that are not exercised will have no value upon expiry. But if you decide to let the rights lapse, then you will not need to take any action unless you want to sell the rights in the market. In that case, the rights must be sold during the specified trading period within the subscription period, after which they will become worthless. If you pass up the rights, the shareholding in the expanded capital of the company will be diluted.

## 13. Risk of Notional Precious Metals Passbook Account

The market in precious metals is volatile and a loss may be incurred from transacting in precious metals. Precious metals do not bear interest.

Your purchase of precious metals for the account does not represent a purchase of physical metals or a deposit of money. You will not have any interest in any precious metals owned or held by us or be entitled to physical delivery of precious metals.

Although investment may bring about profit opportunities, each kind of investment tool comes with its own risks. Due to the fluctuating nature of the precious metals markets, the prices of precious metals may rise or fall beyond your expectations and your investment funds may increase or decrease in value as a result of selling and purchasing of precious metals. Before making any investment decision, you should assess your own willingness and ability to bear risks and are advised to seek advice from an independent financial advisor.

## 14. Risk of Margin Trading

The risk of loss in financing a transaction by deposit of collateral is significant. You may sustain losses in excess of your cash and any other assets deposited as collateral with us. Market conditions may make it impossible to execute contingent orders, such as "stop-loss" or "stop-limit" orders. You may be called upon at short notice to make additional margin deposits or interest payments. If the required margin deposits or interest payments are not made within the prescribed time, 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. Additional required margin deposits are not solely based on the related settlement trading contract, and it will not cause any limitation or restrictions to our rights in the Bank. You

should therefore carefully consider whether such a financing arrangement is suitable in light of your own financial position and investment objectives.

#### 15. Risk of Electronic Trading

Trading on an electronic trading system may differ not only from trading in an open-outcry market but also from trading on other electronic trading systems. If you undertake transactions on an electronic trading system, you will be exposed to risks associated with the system including the failure of hardware and software, interruption, transmission blackout, delayed transmission due to electronic traffic or incorrect data transmission due to the public nature of the internet or other electronic media. 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. If you decide whether to claim back the resulting loss, this will depend on the electronic trading system provider, market, settlement exchange and/or membership corporations' responsibility. We will treat this as case by case and please contact our sub-branches for further information.

#### 16. Risk of Transactions in Other Jurisdictions

Transactions on markets in other jurisdictions (including markets formally linked to a domestic market) may expose to additional risks. Such markets may be subject to regulations which may offer different or diminished investor protection. Before you trade, you should enquire about any rules and risks 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. In light of the above, you should seek independent advice if you are uncertain or do not understand the nature, regulations and risks etc. of your particular transactions or investments.

#### 17. Risk of providing an authority to lend or deposit your securities with third parties

There is a certain risk if you provide your dealer or securities margin financier with an authority that allows them to lend your securities or deposit them with certain third parties under the Hong Kong Securities and Futures Ordinance and related Rules. This is allowed only if you consent in writing. The consent must specify the period for which it is current, and cannot exceed 12 months.

You are not required by any law to sign these authorities. But an authority may be required by dealers or securities margin financiers, for example, to facilitate margin lending to the client or to allow the client's securities to be loaned to or deposited as collateral with third parties. Your dealer or securities margin financier should explain to you the purposes for which one of these authorities is used.

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

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

#### 18. Risk of Providing an Authority to Repledge Your Securities Collateral etc.

There is a certain risk if you provide us with an agreement and confirmation 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, the above arrangement is allowed only if you consent in writing.

You are not required by any law to sign these authorities. But an authority may be required by us, for example, to facilitate margin lending to you or to allow your securities or securities collateral to be lent to or deposited as collateral with third parties. We should explain to you the purposes for which one of these authorities is to be used. If you sign one of these authorities and your securities or securities collateral are lent to or deposited with third parties, those third parties will have a lien or charge on your securities or securities collateral. Although we are responsible to you for securities or securities collateral lent or deposited under your authority, a default by us could result in the loss of your securities or securities collateral.

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

#### 19. Risk of Assets Received or Held Outside Macau

Your assets received or held by us or our nominee outside Macau is subject to the applicable laws and regulations of the relevant overseas jurisdiction. Consequently, such assets may not enjoy the same protection as that conferred on customer assets received or held in Macau.

#### 20. Risk of Custody

There may be risks in leaving units in our safekeeping. For example, if we are holding your units and we become insolvent, you may experience significant delay in recovering the units.

(If there is any conflict between the English and the Chinese versions, the Chinese version shall prevail.)