

### Regulated Short Selling Terms and Conditions

This Regulated Short Selling **Terms and Conditions** (the “**Terms and Conditions**”) is dated as of **【            】**. It sets out the terms and conditions on which China Securities (International) Brokerage Company Limited (CENo.BAU373), being a Licensed Corporation under the Securities and Futures Ordinance (Chapter 571 of the Law of Hong Kong) (the “**Company**”) agrees to enter into regulated short selling of securities to **【            】** (the “**Client/Counterparty**”).

#### **NOW IT IS HEREBY AGREED AS FOLLOWS:**

#### **1. DEFINITIONS**

In this **Terms and Conditions**, unless the context otherwise requires: -

<b>“Closing Auction Session” or “CAS”</b>	means, unless otherwise prescribed by the Directors of the Exchange from time to time, the trading hours from the close of the Afternoon Session at 4:00 p.m. (as specified in Rule 501(1)) to the end of the random closing period of the Closing Auction Session at a time no later than 4:10 p.m. or, when there is no Afternoon Session on the eves of Christmas, New Year and Lunar New Year, the trading hours from the close of the Morning Session at 12:00 noon (as specified in Rule 501(1)) to the end of the random closing period of the Closing Auction Session at a time no later than 12:10 p.m.;
<b>“CAS Reference Price”</b>	of an issue of securities on a trading day means, unless otherwise determined by the Exchange, the price which is the median of several nominal prices taken by the System prior to and at the close of the Continuous Trading Session on that trading day. Such nominal prices shall be taken during such period, at such interval and in such manner as the Exchange may from time to time determine;
<b>“Continuous Trading Session”</b>	means the trading hours specified in Rule 501(1) and (in respect of the Extended Trading Securities) Rule 501A, comprising the Morning Session, the Afternoon Session and in respect of the Extended Trading Securities, the Extended Morning Session;
<b>“Designated Security”</b>	means an automatch stock which is from time to time designated by the Exchange as being eligible for short selling in accordance with the Short Selling Regulations set forth in the Eleventh Schedule to these Rules;
<b>“Exchange”</b>	means The Stock Exchange of Hong Kong Limited;
<b>“HKSCC”</b>	means the Hong Kong Securities Clearing Company Limited including, where the context so requires, its agents, nominees, representatives, officers and employees;
<b>“Instruction”</b>	any direction given by the Client/Counterparty relating to a transaction or a service or otherwise arising out of and / or in relation to the short selling, without limitation, a direction to withdraw assets or terminate an account;
<b>“Loss”</b>	means any losses, damages, proceedings, claims, demands, actions, liabilities, costs, penalties, fines, taxes, fees and expenses whatsoever, including but not limited to any direct, indirect, special or consequential losses (whether or not

the possibility of such were known about or reasonably in the contemplation of the relevant parties), any loss of profits, loss of revenue, damage to goodwill or reputation, loss of contracts or business opportunities, loss of use of money, money not recovered, money paid out in error, interest, and any liability to any third party of any nature whatsoever;

<b>“Ordinance”</b>	means the Securities and Futures Ordinance and, unless the context otherwise requires, any subsidiary legislation made thereunder;
<b>“Pre-opening Session” or “POS”</b>	means from 9:00 a.m. to the commencement of the Morning Session as specified in Rule 501(1) on a trading day;
<b>“Relevant Persons”</b>	the Company’s affiliates and their respective shareholders, directors, officers, employees, representatives or agents;
<b>“Rules”</b>	means the Rules and Regulations of the Exchange and the Options Trading Rules prescribed by the Board as from time to time in effect;
<b>“securities borrowing and lending agreement”</b>	<p>(a) means an agreement whereby a person borrows or lends securities pursuant to an arrangement where the borrower undertakes to return securities of the same description, or pay the equivalent value of the securities, to the lender; and</p> <p>(b) includes a stock borrowing within the meaning of section 19(16) of the Stamp Duty Ordinance;</p>
<b>“short selling” or “short sale”</b>	<p>(a) subject to paragraph (b), means the sale of a security in respect of which the seller, or the person for whose benefit or on whose behalf the sale is made, has a presently exercisable and unconditional right to vest the security in the purchaser by virtue of having:-</p> <ul style="list-style-type: none"><li>(i) under a securities borrowing and lending agreement:-<ul style="list-style-type: none"><li>(A) borrowed the securities; or</li><li>(B) obtained a confirmation from the counterparty to the agreement that the counterparty has the security available to lend to him;</li></ul></li><li>(ii) a title to other security which is convertible into or exchangeable for the security to which the sale relates;</li><li>(iii) an option to acquire the security to which the sale relates;</li><li>(iv) rights or warrants to subscribe to and to receive the security to which the sale relates; or</li><li>(v) entered into with any other person an agreement or arrangement of a description prescribed by rules made under Section 397 of the Ordinance, for the purposes of this sub-paragraph;</li></ul> <p>(b) in relation to a(ii), (iii), (iv) or (v) above, does not include a sale where the seller, or the person for whose benefit or on whose behalf the sale is made, has, at the time of the sale, issued unconditional instructions to obtain the security to which the sale relates.</p>
<b>“System”</b>	means the Orion Trading Platform – Securities Market, formerly the Automatic Order Matching and Execution System, as installed and operated by the Exchange for securities trading.

## **2. SHORT SELLING TRANSACTION**

- 2.1 The Client/Counterparty is required to maintain a Securities Trading Account with the Company. The Securities Trading Account is used for booking short sales of Designated Securities.
- 2.2 A short selling transaction shall only be concluded in a Designated Security automatically struck through the System. The Client/Counterparty should check the updated list of Designated Securities eligible for short selling published on the website of the Exchange.
- 2.3 Short selling order may only be input into the System during the **Pre-opening Session, Continuous Trading Session** and **Closing Auction Session**. The Client/Counterparty which knows that an order to sell is a short sale shall:-
- (a) when passing the order to the Company or any other person having access to the System (including but not limited to an employee of the Company) with a view that he or it shall input the order into the System, inform him or it that the order is a short selling order; or
  - (b) when inputting the order into the System, indicate such matters and in such manner as the Exchange shall from time to time determine, that the order is a short selling order.
- 2.4 The Client/Counterparty should provide an assurance that the counterparty to the securities borrowing and lending agreement in question has the securities to which the order relates available to lend to it, the form of assurance should as follow:-
- (a) Prior to conveying the short selling order, the Client/Counterparty has:-
    - (i) the oral assurance in the form of a tape recording; or
    - (ii) the written assurance in the form of email or Bloomberg Chat-room or FIX message.
- And -
- (b) agreed to provide a confirmation of 2.4 (ai) or 2.4 (a ii) assurance in the form of a document (i.e. hold notice, blanket assurance) by the end of the day on which the assurance was given.
- 2.5 The document of assurance should have information for identifying:-
- (a) the name of Client/Counterparty (as a borrower);
  - (b) the type and quantity of securities borrowed or available for borrowing; and
  - (c) whether the document was given or entered into, and the time it was given or entered into.
- 2.6 The Client/Counterparty shall provide the written instruction in advance (including but not limited to a signed letter or email) to seek for the waiver to provide the written assurance required under Clause 2.4(b) by the end of the day on which the assurance was given. The Client/Counterparty shall bear all risk of not disclosing the identity of the lender, giving further details of the borrowing or supplying a copy of the documentary assurance in related to the borrowing. The Company shall be entitled in its sole and absolute discretion to refuse to transact or execute any short selling order on the Client/Counterparty's behalf at any time if the Client/Counterparty fails to provide the Company with the necessary confirmation, documentary evidence or assurance.
- 2.7 The Client/Counterparty observes "tick rule", i.e., **a short sale order** of a Designated Security **shall not be made** on the Exchange:-
- (a) with a price lower than the previous closing price during Pre-opening Session. In the absence of the previous closing price, input of short sell orders in the POS will be rejected;

(b) below the best current ask price during Continuous Trading Session, or the Closing Auction Session Reference Price during CAS.

- 2.8 The Client/Counterparty shall comply at all time with the Securities and Futures Ordinance, and the regulations regarding short selling in Schedule 11 of the Rules of the Exchange. If the requirements in the Terms and Conditions are higher than Schedule 11 of the Rules of the Exchange, the Client/ Counterparty shall apply the higher sets of requirements as imposed under the Terms and Conditions.
- 2.9 The Client/Counterparty should comply at all time with the Securities and Futures (Short Position Reporting) Rules and the requirements of Short Position Reporting published on the website of the Securities and Futures Commission. The Client/Counterparty acknowledges that the Company shall not (except to the extent required by applicable laws and regulations) be responsible for any of the Client/Counterparty's transaction notification, filing or reporting obligations (including, where applicable, any filings required under the Securities and Futures Ordinance or equivalent legislation) and undertakes that it shall not rely on the Company to discharge his transaction notification, filing or reporting obligations pursuant to applicable laws and regulations.
- 2.10 China Securities (International) Brokerage Company Limited, hereby declares that the Company may provide limited trading services of the Regulated Short Selling to the Client/Counterparty in its sole and absolute discretion.

### **3. SETTLEMENT ARRANGEMENT**

- 3.1 Settlement Method: "Delivery versus Payment" (DVP) only.
- 3.2 Where the Company has executed a short sale transaction on behalf of the Client/Counterparty, the Client/Counterparty will by the due settlement date as required by the Company or the relevant exchange or clearing house delivery of securities in deliverable form to the Company. **The Client/Counterparty shall immediately notify the Company if in the event that as a result of the failure of the securities delivery by its lender. The notification shall be provided to the Company on or before T+1 day and no later than 16:00 (Hong Kong Time).** The Company is hereby authorized, in its sole and absolute discretion to borrow or request the HKSCC to perform early Buy-in of such sold securities as are necessary to satisfy the settlement obligations for the Client/Counterparty.
- 3.3 The Client/Counterparty shall reimburse any premiums which the Company may be required to pay and for any Loss (including legal expenses on a full indemnity basis) in connection with any settlement failure of the Client/Counterparty.
- 3.4 The Client/Counterparty undertakes that it shall not give any Instruction which involves the sale of securities which it does not own, unless the Client/Counterparty proves to the satisfaction of the Company that such Instruction for sale is a short selling order. The Client/Counterparty further undertakes to inform the Company expressly that a sale is a short sale at the time of giving the Instructions to effect that sale, and to provide to the Company with documentary assurance that such order is covered within such time, in such form and with such information as the Company may require.
- 3.5 The Client/Counterparty shall indemnify and hold harmless each of the Company and the Relevant Persons against all Loss (including legal expenses on a full indemnity basis) which may be sustained or incurred by the Company as a result of the execution of the shorting selling order(s).

#### **4. INDEMNITY**

The Client/Counterparty agrees to fully indemnify and hold harmless each of the Company and the Relevant Persons against all claims, actions, liabilities, proceedings against the Company and any of the Relevant persons; and the Client/Counterparty agrees to bear all Loss (including legal fees) which the Company and any of the Relevant persons may suffer in connection with their carrying out of obligations or services, or exercise of rights, powers or discretion under or in connection with the Terms and Conditions, including any action taken by the Company to protect or enforce its rights, or its security interest hereunder whether or not as a result of any default or breach by the Client/Counterparty but other than due to fraud, willful default or gross negligence on the part of the Company.

#### **5. MISCELLANEOUS**

This Terms and Conditions shall not be assignable by either party without the prior written consent of the other party and shall be binding upon and shall ensure to the benefit of the parties hereto and their respective successors and assigns.

This Terms and Conditions shall not be remedied, amended or cancelled (subject only to fulfillment of any obligations then outstanding) except by notice in writing signed by each of the parties hereto.

#### **6. NOTICE**

Any notice or other communication to be given or made pursuant to the Terms and Conditions by the Company to the Client/Counterparty may be made by personal delivery, prepaid post (airmail if overseas), electronic means or facsimile and shall be deemed to have been duly served:

- (a) if delivered personally or by electronic means, at the time of delivery;
- (b) if sent by prepaid post, 48 hours or (if by airmail) 96 hours after posting; and
- (c) if sent by facsimile, at the time of issuing of a transaction report indicating that the fax was sent in its entirety.

Any such notice or communication shall be sent to the Client/Counterparty at the address, facsimile number or e-mail address set out in the Client/Counterparty Information Statement or such other address, facsimile number, e-mail address or through other means as the Company may agree from time to time upon receiving the Client/Counterparty's notification for the purpose of this clause.

Any notice or communication made or given by the Client/Counterparty will be sent at its own risk and will be effective only upon actual receipt by the Company.

Where the Client/Counterparty has agreed that the Company may send any notice, contract notes, confirmations, periodic statements and communication (if any) to the Client/Counterparty in electronic form ("**Electronic Communication**"), and the Client/Counterparty agrees to accept and bear all the risks associated with the sending and receiving of the Electronic Communication, including but not limited to the risks as follows:

- (a) communication, sending and receiving of the Electronic Communication conducted through the internet or other electronic media is, inherently an unreliable medium and may be subject to interruption, transmission black out, delayed transmission or incorrect data transmission due to, where applicable, unpredictable traffic congestion, the public nature of the media used or other reasons;
- (b) communication, sending and receiving of the Electronic Communication conducted through the internet or other electronic media may not be executed or may be delayed; and

(c) communication and sending and receiving of personal data through the internet or other electronic media may be accessed by unauthorized third parties, and the Client/Counterparty acknowledges and agrees that none of the Company and the Relevant Persons assume any liability or responsibility to the Client/Counterparty or to any other person for any consequences arising therefrom or in connection therewith and hereby waives all the rights of making any claims against the Company and the Relevant Persons in connection therewith.

## **7. GOVERNING LAW**

The Terms and Conditions and any obligations arising out of or in relation to the Terms and Conditions shall be governed by and construed in accordance with the laws of the Hong Kong Special Administrative Region. The Company and the Client/Counterparty irrevocably submit to the non-exclusive jurisdiction of the Hong Kong courts. The Company shall be entitled to, but not obliged to, take legal action against the Client/Counterparty in any jurisdiction in which the Client/Counterparty has assets or operations or is domiciled, subject to the choice of law in this clause.

## **8. THIRD-PARTY RIGHTS**

Each party and the Relevant Persons may enforce the terms of Clause 3.5, Clause 4 and Clause 6 to the fullest extent permitted by law as if they were a party to this Terms and Conditions. Except as provided in the Terms and Conditions, a person who is not a party to this Terms and Conditions shall not have any rights under the Contracts (Rights of Third Parties) Ordinance (Chapter 623 of the laws of Hong Kong) to enforce any term of this Terms and Conditions.

The Client/Counterparty should read the Terms and Conditions with caution and acknowledge their consent to be bound by the terms therein.

China Securities (International) Brokerage Company Limited