

HONG KONG SECURITIES CLEARING COMPANY LIMITED

DIRECT CLEARING PARTICIPANT AGREEMENT

THIS AGREEMENT is dated the * _____ day of _____ .

BETWEEN:

(1) _____
(hereinafter referred to as the "Participant") whose registered office is situated at

AND

(2) HONG KONG SECURITIES CLEARING COMPANY LIMITED (hereinafter referred to as "HKSCC") whose registered office is situated at 8/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong.

WHEREAS:-

- (A) HKSCC is a company incorporated under the Companies Ordinance and is the operator of the Central Clearing and Settlement System (hereinafter referred to as "CCASS").
- (B) HKSCC requires any person wishing to become a Participant in CCASS to enter into an agreement in, or substantially in this form.
- (C) The Participant has applied to HKSCC to become a Direct Clearing Participant ("DCP") in CCASS on the terms and subject to the conditions set out in this Agreement.

NOW THEREFORE IT IS AGREED as follows:-

- 1. (a) The terms and expressions used herein shall have the same meaning as in the General Rules of CCASS (hereinafter referred to as the "Rules") unless a meaning has been specifically ascribed to them herein.
- (b) References herein to the Rules shall, where the context so permits, include the CCASS Operational Procedures.
- 2. The Participant shall, as of the date of this Agreement, become a DCP in CCASS and shall abide by and be bound by all of the provisions of the Rules applicable to the Participant, including, without limitation, the provisions prescribing the rights which HKSCC shall have on Securities-on-hold, and HKSCC shall have all the rights and remedies contemplated by the Rules. If the Participant shall cease to be a Participant, the Participant shall nonetheless continue to be bound by the Rules as to all matters, dealings and transactions effected by it in CCASS whilst a Participant.

* Date to be filled in by HKSCC upon HKSCC's signing of this Agreement.

3. The Participant shall be bound by any amendment to the Rules with respect to any matter, dealing or transaction of the Participant in CCASS occurring at or subsequent to the time such amendment takes effect as fully as though such amendment were a part of the Rules on the date hereof.
4. The Participant shall, in relation to all its matters, dealings and transactions in CCASS or with HKSCC or in relation to all Eligible Securities standing to its credit in CCASS, be liable to HKSCC as a principal notwithstanding that it may be acting as the agent or the trustee of another person or otherwise in a fiduciary capacity.
5. (a) The Participant shall pay on demand to HKSCC:-
 - (i) an admission fee (“Admission Fee”) in the amount specified by HKSCC in the Rules; and
 - (ii) its Contribution (being its contribution to the Guarantee Fund) in the amount notified to the Participant by HKSCC in writing.
- (b) The Participant’s participation in CCASS shall be conditional upon the Participant’s satisfying the payment obligations contained in sub-clause (a).
- (c) Upon the expiry of seven (7) years from the date hereof or the termination of the Participant’s participation in CCASS (whichever is the later) or at any time prior to the expiry of seven (7) years as HKSCC so elects, HKSCC may pay to the Participant an amount equal to the Admission Fee payment made by it (but without any interest that may have accrued on the Admission Fee) less such amount as HKSCC considers appropriate to satisfy any sums or other liabilities due from the Participant to HKSCC at the time.
- (d) The amount of Contribution payable by the Participant shall be subject to adjustments from time to time in accordance with the Rules. Replenishment of the Contribution may also be required to be paid by the Participant in accordance with the Rules (including, without limitation, the return of the Contribution of the Participant upon termination of this Agreement).
6. As regards Eligible Securities (due from HKSCC to the Participant on the settlement of obligations arising out of Market Contracts) credited to the Participant’s Stock Clearing Account by HKSCC on any day, notwithstanding any such credit, no title or property whatsoever in any such Eligible Securities shall pass to the Participant unless and until the amount due from the Participant in respect thereof shall have been fully paid and HKSCC permits the Participant to use or withdraw such Eligible Securities in or from CCASS.
7. The Participant shall pay to HKSCC the fees and expenses and all other payment provided for by the Rules at such time and in such manner as specified therein.
8. The books and records of the Participant’s CCASS related activities shall at all times be open to inspection by the duly authorized representatives of HKSCC, and HKSCC shall be furnished with all such information in respect of the CCASS related activities of the Participant as HKSCC may require from the Participant from time to time.
9. The Participant hereby authorizes HKSCC:-
 - (i) to maintain any or all Eligible Securities from time to time held by HKSCC for the account of the Participant with any depository including an Appointed Depository;

- (ii) to cause such Eligible Securities to be registered in the name of a nominee of HKSCC or to hold such Eligible Securities in the form deposited;
 - (iii) to enter into such agreements with the depositories referred to in sub-clause (i), relating to the custody of Eligible Securities deposited therewith by HKSCC and related matters, as HKSCC may in its sole discretion consider appropriate; and
 - (iv) to agree to comply with the procedural and other operational requirements of any Appointed Depositary.
10. The Participant hereby agrees to indemnify HKSCC, the Exchange, and a recognized exchange controller which is a controller of HKSCC, The SEHK Options Clearing House Limited and their respective agents, nominees, representatives, officers and employees and hold each of them harmless against all costs, fees, expenses, liabilities, taxes, assessments, losses, fines, penalties, and damages of any nature whatsoever (including the interest accrued to any such amount) suffered or incurred by any of them directly or indirectly as a result of or in connection with the Participant's participation in CCASS (except where HKSCC is guilty of anything not done or not omitted to be done in good faith on its part and is directly responsible for such costs, fees, expenses, liabilities, taxes, assessments, losses, fines, penalties and damages).
11. The Participant shall maintain such insurance coverage as HKSCC may from time to time require of the Participant pursuant to the Rules and the Participant's participation or continued participation in CCASS, as the case may be, may be made conditional on the maintenance of such insurance coverage.
12. The Participant shall, in relation to its participation in CCASS, comply with all applicable laws, all rules and regulations thereunder and all rules of the Exchange and The SEHK Options Clearing House Limited (to the extent, if any, applicable to the Participant).
13. The Participant hereby represents and warrants to HKSCC as follows:-
- (i) that all information provided to HKSCC in relation to its application to become a Participant in CCASS and all information subsequently to be provided will be correct and accurate; and
 - (ii) that the execution of this Agreement and the performance of the terms hereof have been duly authorized and constitute the binding and enforceable obligation on its part and do not violate the constitution, if any, of the Participant or any law, regulation or other agreement.
14. The Participant acknowledges and agrees that HKSCC may, subject to the Rules, treat the Participant as having full authority and control in respect of Eligible Securities held in its Stock Accounts and any delivery of Eligible Securities from the Stock Accounts of the Participant to HKSCC or to the Stock Accounts of another participant in CCASS will, subject to the Rules, vest full authority and control in respect of such Eligible Securities in the recipient.
15. The Participant acknowledges that at the time of its application to HKSCC to become a Participant in CCASS it has obtained, read and understood the Rules.

16. (a) The Participant may cease to be a Participant by delivering to HKSCC written notice of its election to do so, specifying the date the termination of participation is to become effective (which may not be less than thirty (30) days after the date when the notice is received by HKSCC).
- (b) HKSCC may terminate this Agreement by delivering to the Participant written notice of the date the termination is to become effective (which may not be less than ten (10) days after the date the notice is received by the Participant).
- (c) Notwithstanding sub-clause (b), HKSCC may forthwith terminate this Agreement by notice:-
- (i) in the event the Participant ceases its business or a material part thereof;
 - (ii) in the event that the Participant is the subject of an adverse finding by any competent authority to which Participant is subject;
 - (iii) in the event of the liquidation or winding up of a Participant, as the case may be, or the initiation of any proceedings in relation thereto;
 - (iv) in the event of the appointment of a receiver or manager over the assets of the Participant or if the Participant suffers a composition with its creditors or a scheme of arrangement is approved by the court (other than for the purposes of reconstruction or amalgamation);
 - (v) in the event of any distress, execution or other process being levied or enforced or served upon or against any property of the Participant;
 - (vi) in the event that an Event of Default has occurred, including a failure of the Participant to provide or replenish its Contribution; or
 - (vii) if HKSCC considers in its absolute opinion that the continued participation of the Participant in CCASS will be materially prejudicial to the interests of HKSCC or its other Participants in CCASS.
- (d) All notices, requests, demands or other communications from HKSCC to Participants shall be given orally or in writing, in person or by post, by electronic or wire transmission, by telephone or facsimile or by any means of computer data transmission. All such communications shall be effective upon the deemed time of receipt which, in the case of a notice sent by post, shall be the next Business Day following despatch and in any other case shall be the time of delivery or transmission.
17. In case any one or more of the provisions of this Agreement may be or become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions shall not be affected or prejudiced thereby.
- 17A. Except HKSCC, the Exchange, and a recognized exchange controller which is a controller of HKSCC, The SEHK Options Clearing House Limited and their respective agents, nominees, representatives, officers and employees, which/who shall be entitled to enforce clause 10 against the Participant, no person other than a party to this Agreement may enforce any of its terms under the Contracts (Rights of Third Parties) Ordinance (Cap. 623 of the Laws of Hong Kong) and notwithstanding any term of this Agreement, the rights of the parties to terminate, rescind or agree any variation, waiver or settlement under this Agreement are not subject to the consent of any other person.

18. This Agreement shall be governed by and construed and interpreted in accordance with laws of Hong Kong Special Administrative Region (“HKSAR”) and the Participant hereby submits to the jurisdiction of the courts of HKSAR in respect of all matters and disputes arising under or out of or in connection with the Agreement.
19. In the event of any inconsistency in meaning between the English version and the Chinese version of this Agreement, the English version shall prevail.

IN WITNESS whereof this Agreement is entered into on the day and year aforementioned.

SIGNED by _____)
 (name of signatory)

for and on behalf of _____)
 (name of the Participant)

_____) _____
 (Signature and Company Chop)

in the presence of _____)
 (signature of witness)

_____)
 (name of witness)

SIGNED by _____)
 (name of signatory)

For and on behalf of **HONG KONG SECURITIES**)
CLEARING COMPANY LIMITED)

_____)
 (Signature and Company Chop)

in the presence of _____)
 (signature of witness)

_____)
 (name of witness)