

# SECURITIES LENDING TERMS

# Securities Lending Terms

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# Securities Lending Terms

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## 1. Definitions and Interpretations

- 1.1 These Securities Lending Terms (“Lending Terms”) supplement the General Terms of Business and shall apply to the products and services described herein. In the event of any conflict or inconsistency between the General Terms of Business and the Lending Terms, the provisions of the Lending Terms shall prevail. To the extent of such conflict or inconsistency, the provisions of the General Terms of Business as supplemented by the Lending Terms shall be deemed amended to the extent necessary to give effect to the Lending Terms.
- 1.2 Unless otherwise defined in these Lending Terms, all terms shall have the same meaning as set out in the General Terms of Business. In addition, the following terms and expressions shall have the following meanings:
- i. **“Distribution”** The payment or distribution of interest, dividends, or any form of allocation.
  - ii. **“General Terms of Business”** Refers to the General Terms of Business of Asia Future Trading.
  - iii. **“Loaned Securities”** Has the meaning given in Clause 3.6.
  - iv. **“Lending Terms”** Refers to these Securities Lending Terms.
  - v. **“Asia Future Trading”** Asia Future Trading.
  - vi. **“Asia Future Trading Collateral”** Any collateral provided by Asia Future Trading to the Client in connection with the borrowing of securities.
  - vii. **“Securities Lending Services”** Has the meaning given in Clause 2.1.
  - viii. **“Securities”** Any shares, bonds, debentures, notes, debt securities or other forms of securities or evidences of indebtedness issued by entities in Hong Kong or elsewhere, or any rights or entitlements to receive, purchase, or subscribe for the foregoing, or any certificate, receipt, warrant, or financial instrument representing any such rights or interests. Asia Future Trading may, at its sole discretion, designate any such item as the subject of borrowing under the Securities Lending Services.

## 2. General

- 2.1 By agreeing to the Lending Terms, the Client hereby instructs and authorizes Asia Future Trading to provide Securities Lending Services, whereby the Client agrees to lend to Asia Future Trading any securities held in their account(s), in accordance with these Lending Terms (“Securities Lending Services”).
- 2.2 All securities lending activities by the Client shall be subject to applicable laws, regulations, or any relevant market rules, as well as such other terms and conditions as may be prescribed by Asia Future Trading from time to time in writing.

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- 2.3 Unless otherwise specified by Asia Future Trading (in the relevant agreement) or expressly stated in these Lending Terms, the Client and Asia Future Trading enter into these Lending Terms and any related agreements as principals (and not as agents, trustees, or in any other capacity).
- 2.4 Where the ownership of securities and Asia Future Trading Collateral is recorded in a computerized system that registers and transfers ownership through book-entry, the delivery and transfer of ownership shall be conducted in accordance with the rules and procedures of such system as may be in effect from time to time.
- 2.4 Asia Future Trading may amend, modify, or supplement the Lending Terms in the following manner:
- a. If the amendment, modification, or supplement is favorable to the Client, Asia Future Trading may make such changes without notifying the Client;
  - b. For any other amendments, modifications, or supplements to the Lending Terms, Asia Future Trading may do so by giving the Client one month's prior notice. If the Client does not notify Asia Future Trading of its rejection of such amendment, modification, or supplement before the effective date thereof, the Client shall be deemed to have accepted such changes. If the Client notifies Asia Future Trading of its objection, the Client shall be deemed to have elected to terminate the Securities Lending Services in accordance with Clause 9.

### 3. Securities Lending Services

- 3.1 Under the Securities Lending Services, the Client agrees to lend any securities held in their account(s) to Asia Future Trading. Asia Future Trading is authorized, in its sole and absolute discretion and on commercially reasonable terms, to borrow such securities from the Client's account(s) at any time, in accordance with these Lending Terms.

#### Provision of Asia Future Trading Collateral

- 3.2 Each time the Client lends securities to Asia Future Trading, Asia Future Trading shall provide collateral. The type of collateral shall be determined solely at the discretion of Asia Future Trading and may include (but is not limited to) cash, securities issued by the Hong Kong Government, securities listed or quoted on The Stock Exchange of Hong Kong Limited, or other assets, financial instruments, or securities. The value of such collateral must exceed 100% of the market value of the securities lent by the Client to Asia Future Trading and not yet returned.
- 3.3 Where Asia Future Trading provides Asia Future Trading Collateral to the Client, the Client agrees and acknowledges the following:
- a. All rights, title, and interest in and to the Asia Future Trading Collateral (including any cash or cash equivalents) shall be transferred to and vest in the Client. Notwithstanding the foregoing, the Client agrees not to trade or otherwise dispose of the Asia Future Trading Collateral in any manner;
  - b. To safeguard the Client's interests, Asia Future Trading shall hold or appoint a custodian to hold such Asia Future Trading Collateral on behalf of Asia Future Trading;

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- c. The Client shall execute and take all such acts, actions, and steps (including, without limitation, executing and delivering further instruments or documents) as may be required to ensure that the rights, title, and interest in the Asia Future Trading Collateral vest in the Client in accordance with the above provisions;
- d. On the distribution date of any payment or distribution derived from such Asia Future Trading Collateral, or on such other date as may be agreed between Asia Future Trading and the Client from time to time, the Client shall pay and deliver to Asia Future Trading an amount or property equivalent in value to the distribution received (together with any customary and appropriate authorizations or transfer documentation to give effect to such settlement);
- e. The Client agrees not to exercise any voting rights or other rights attached to the Asia Future Trading Collateral. If the Client receives notice concerning any general or other shareholder meeting or any impending corporate action relating to the Asia Future Trading Collateral, the Client shall notify Asia Future Trading and seek and act upon its instructions with respect to the exercise of any such rights, including but not limited to conversion rights, split rights, merger rights, redemption rights, acquisition rights, subscription rights, options, or other discretionary matters. The Client shall comply with any instruction given by Asia Future Trading in relation to the exercise of such rights.
- f. Asia Future Trading shall have the right to cause the return of any portion of the Asia Future Trading Collateral exceeding the minimum collateral requirement prescribed by applicable law, or to cause the return of the Asia Future Trading Collateral and substitute it with other forms of collateral, provided that such substitution shall always comply with applicable law.

### Commingling of Asia Future Trading Collateral

- 3.4 The Client agrees that Asia Future Trading may commingle any or all of the Asia Future Trading Collateral with any other stocks and/or funds held by Asia Future Trading for other clients, whether as collateral or otherwise, subject to applicable laws. Asia Future Trading shall not be obligated to retain any specific Asia Future Trading Collateral, or any custodial securities or other property of the Client, under its possession or control (and may treat all such items as fungible). However, subject to Asia Future Trading's rights to borrow, re-lend, invest, and/or pledge such items, Asia Future Trading shall only be obligated to maintain similar securities or other property of equal type and quantity or equivalent value to the Asia Future Trading Collateral during the period in which the Client lends securities to Asia Future Trading or at any given time.
- 3.5 The Client further agrees and acknowledges that, given interest is charged on a one-off basis and the cash balance in the account is part of a larger pool of funds with fluctuating balances, it is administratively and operationally difficult, if not impossible, to calculate the interest attributable to each individual client of Asia Future Trading.

Without prejudice to any prior consent granted by the Client,

- (i) Asia Future Trading may deposit, pledge, re-pledge, re-hypothecate, invest, or lend out any securities of the Client;
- or (ii) may hold the Client's custodial securities in a consolidated custodial account pursuant to Clause 19 of the General Terms of Business. The Client further acknowledges and accepts that the costs of doing so will likely exceed any interest income generated. In this case, the Client agrees, as a material term, to waive and relinquish any claim to Asia Future Trading for interest arising from any cash portion of the Asia Future Trading Collateral.

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## Rights and Obligations Relating to Loaned Securities

- 3.6 When the Client lends securities (“Loaned Securities”) to Asia Future Trading, the Client agrees that full ownership, rights, and title in the Loaned Securities shall immediately vest in Asia Future Trading, regardless of whether the delivery of the securities occurs at a later time. The Client shall only be entitled to receive equivalent securities from Asia Future Trading. The Client shall take and perform all such acts, steps, and matters (including, without limitation, executing and delivering any further instruments or documentation) as may be necessary to ensure the rights, title, and interest in the Loaned Securities are transferred and vested in Asia Future Trading as described above.
- 3.7 In respect of the Loaned Securities, during the period in which such securities are on loan:
- a. Asia Future Trading shall, on the distribution date of any payment or distribution arising from such Loaned Securities, or on such other date as may be agreed from time to time between Asia Future Trading and the Client, pay and deliver to the Client an amount or property equivalent in value to the distribution received by Asia Future Trading, less any applicable tax deductions, withholdings, or payments, and subject to Clause 14 (Tax);
  - b. Unless otherwise agreed between the Client and Asia Future Trading, Asia Future Trading may, at its sole discretion, exercise any voting rights attached to the Loaned Securities and shall not be obliged to arrange for the exercise of any voting rights in accordance with the Client’s instructions;
  - c. Unless otherwise agreed between the Client and Asia Future Trading, Asia Future Trading shall not be obliged to follow any instructions from the Client in relation to the exercise of any rights attached to the Loaned Securities, including but not limited to conversion rights, split rights, merger rights, redemption rights, acquisition rights, subscription rights, options, or other similar rights, or matters requiring the discretionary action of the beneficial owner of such securities;
  - d. Asia Future Trading may, at its sole discretion, re-lend or arrange for the re-lending of the Loaned Securities (in the latter case, through a designated custodian acting on behalf of Asia Future Trading in accordance with the terms and conditions as may be notified to the Client from time to time), and Asia Future Trading shall not be required to notify or seek approval from the Client in this regard;
  - e. Asia Future Trading shall have no obligation to inform the Client of any impending corporate actions relating to the Loaned Securities. For the avoidance of doubt, Asia Future Trading shall not provide notices regarding any general or other shareholder meetings nor seek or follow the Client’s instructions regarding the exercise of any voting rights attached to such securities.



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## 4. Value of Loaned Securities and Provided Collateral

- 4.1 The Client acknowledges and agrees that Asia Future Trading shall, on each business day, determine the current market value of both the Loaned Securities and the Asia Future Trading Collateral based on prevailing market prices. Such calculation shall be conducted in accordance with the margin calculation procedures as may be notified to the Client by Asia Future Trading from time to time.

## 5. Representations and Warranties of the Client

- 5.1 Without prejudice to Clause 26 of the General Terms of Business, the Client hereby makes the following additional representations, warranties, and undertakings to Asia Future Trading:
- a. The Client is the sole, full, and lawful owner and beneficial owner of all securities lent by the Client under this Securities Borrowing Agreement;
  - b. The Client shall take all reasonable steps to obtain and communicate to Asia Future Trading all information relating to any securities as may be required by Asia Future Trading or any regulatory authority, and shall deliver or procure the delivery of all such documentation relating to the securities to Asia Future Trading or any such regulatory authority as may be required, to ensure Asia Future Trading's compliance with applicable laws;
  - c. The Client shall not (nor attempt to) create or permit to exist any encumbrance, charge, or third-party interest over any securities lent under this Agreement or any collateral provided or to be provided under this Agreement, unless with the consent of Asia Future Trading or for the benefit of Asia Future Trading or its nominee.
- 5.2 Where a person accepts this Agreement on behalf of a corporate entity, such person represents and warrants that they are duly authorized to (i) act on behalf of the entity, and (ii) bind the entity to this Agreement and all liabilities arising hereunder. In the event that such person is found not to be duly authorized to bind the entity, such person shall indemnify Asia Future Trading against all liabilities, losses, damages, costs, and expenses arising from any claim or legal action brought against Asia Future Trading in connection therewith.

## 6. Fees

- 6.1 If Asia Future Trading earns any fees from re-lending the securities lent to it by the Client under the Securities Borrowing Service, Asia Future Trading shall pay the Client a certain percentage of such fees as lending fees, which shall be determined from time to time by Asia Future Trading and/or the custodian referred to in Clause 3.7(d). Unless otherwise notified, such lending fees shall be calculated daily based on prevailing market conditions and demand for the borrowed securities, and shall be paid to the Client on a monthly basis. Notwithstanding the foregoing, Asia Future Trading may, in lieu of or in addition to the aforementioned lending fees, provide other benefits to the Client as consideration for the re-lending of the Client's securities, as Asia Future Trading may notify the Client in writing.

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## 7. Lending Period and Return of Securities

- 7.1 Asia Future Trading may terminate the lending of any securities at any time and for any reason, and shall return such borrowed securities by delivering equivalent securities within the standard settlement period prescribed by the relevant regulated market on which the securities are listed. If the securities are not listed on a regulated market, Asia Future Trading shall deliver equivalent securities within a commercially reasonable period as determined at its discretion. Upon termination of the lending, Asia Future Trading shall also procure the return of any Asia Future Trading Collateral.
- 7.2 Without prejudice to the foregoing, the Client may (i) at any time terminate the lending of securities by selling, requesting delivery of, or transferring them to another custodian, or (ii) terminate the Securities Borrowing Service under Clause 9. The Client agrees and acknowledges that, so long as any securities remain in the Client's account, Asia Future Trading may borrow such securities from the Client's account unless the Client terminates the Securities Borrowing Service under Clause 9.
- 7.3 Both parties agree to perform and undertake all necessary guarantees, actions, and matters to enable Asia Future Trading to deliver equivalent securities upon termination of the lending of securities, and to enable the Client to return any Asia Future Trading Collateral.
- 7.4 The Client agrees to indemnify, hold harmless, and continuously compensate Asia Future Trading for any and all losses suffered or incurred, or which may be suffered or incurred, by Asia Future Trading due to the Client's failure to comply with these terms or failure to fully and timely perform any of its obligations under these terms (including failure to provide required notice within the specified period).
- 7.5 If Asia Future Trading fails to deliver equivalent securities in accordance with such instructions or any other request, its obligation to deliver such equivalent securities shall be replaced with an obligation to pay the Client the total market value of the borrowed securities. The valuation time for such market value shall be the time the borrowed securities were to be returned to the Client, or such other relevant time agreed between Asia Future Trading and the custodian referred to in Clause 3.7(d), or any final borrower, as the case may be. If the total market value cannot be determined at such relevant time, the valuation shall be made at the most recent time the total market value can be determined. Such payment obligation shall be subject to Asia Future Trading's general right of set-off (as well as any other rights of set-off and/or account consolidation Asia Future Trading may have under law or contract).

## 8. Events of Default

- 8.1 An event of default shall be deemed to have occurred if:
- a. Asia Future Trading becomes the subject of bankruptcy or liquidation proceedings;



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- b. Asia Future Trading materially fails to comply with or fulfill any of its obligations under the Lending Terms and fails to remedy such non-compliance in a timely manner.

In such cases, Asia Future Trading shall, in accordance with applicable laws and regulations, deliver equivalent securities to the Client to return all lent securities and shall procure the return of any Asia Future Trading Collateral to Asia Future Trading. Both parties agree to execute and undertake all necessary assurances, actions, and matters required to enable the delivery of equivalent securities by Asia Future Trading and the return of any Asia Future Trading Collateral by the Client.

If Asia Future Trading fails to return the lent securities, or only returns part of the lent securities, then Asia Future Trading's obligation to return such securities or the remaining portion thereof shall be converted into an obligation to pay the Client the total market value of the lent securities or remaining portion. The time for determining such market value shall be the time the lent securities were to be returned to the Client, or such other relevant time as agreed between Asia Future Trading and the custodian referred to in Clause 3.7(d), or any final borrower, as the case may be. If the total market value cannot be determined at such relevant time, it shall be determined based on the most recent time such value can be reasonably ascertained. Such payment obligation shall be subject to Asia Future Trading's general right of set-off (as well as any other rights of set-off and/or account consolidation Asia Future Trading may have under law or contract, or any obligations Asia Future Trading may be subject to).

- 8.2 If an event of default occurs with respect to the Client, it shall accelerate the Client's obligation to perform any delivery, payment, or other obligations under the Lending Terms, such that such obligations shall become immediately due on the date of the default event or the date of notice issued by Asia Future Trading.

Following the occurrence of an event of default by the Client, Asia Future Trading shall additionally be entitled to:

- i. Immediately cease borrowing any lent securities;
- ii. Immediately terminate the Securities Borrowing Service, and shall be entitled to take any actions necessary to protect its interests and exercise the above termination rights.

## 9. Termination

- 9.1 Asia Future Trading or the Client may terminate the Securities Borrowing Service under the Lending Terms by providing at least thirty (30) days' prior written notice to the other party. Notwithstanding the foregoing, if the Client delivers a notice of intention to terminate the Securities Borrowing Service and such notice is received by Asia Future Trading, then Asia Future Trading may process and terminate the Lending Terms at any time before the expiry of the thirty (30) day notice period (without further notice). Upon such termination, any return of lent securities and Asia Future Trading Collateral shall be handled in accordance with Clause 7.

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- 9.2 Prior to the termination date, the Client shall provide instructions to Asia Future Trading regarding the proper disposal or transfer of funds and other Client assets related to the Securities Borrowing Service. If the Client fails to provide such instructions, Asia Future Trading may exercise any of its rights under the General Terms as if an event of default had occurred.
- 9.3 The Client agrees to reimburse Asia Future Trading for any fees, interest, commissions, and expenses reasonably incurred or payable by Asia Future Trading as a result of the termination of the Lending Terms, as well as any losses suffered by Asia Future Trading in discharging or settling outstanding debts. For this purpose, Clause 9.3 shall survive the termination of the Securities Borrowing Service and shall continue to apply accordingly.

### 10. Right of Set-Off

- 10.1 For the avoidance of doubt, and without prejudice to any other rights that Asia Future Trading may have under law or otherwise (including under Clause 25 of the General Terms), Asia Future Trading shall have the sole discretion to discharge any obligation to return lent securities and/or other property by instead paying the total market value of such securities and/or other property. Any and all obligations Asia Future Trading may owe to the Client under the Lending Terms shall be subject to its general right of set-off (as well as any other rights of set-off and/or account consolidation that Asia Future Trading may have by law or contract).

### 11. Non-Assignment

- 11.1 The Client may not sell, assign, or transfer any of its obligations, rights, or interests under the Lending Terms.
- 11.2 Asia Future Trading may sell, assign, or transfer any of its obligations, rights, or interests under the Lending Terms to any regulated financial institution.

### 12. Third Party Rights

- 12.1 Unless expressly stated otherwise in the Lending Terms, no person other than a party to the Lending Terms shall have any rights under the Contracts (Rights of Third Parties) Ordinance (Cap. 623) to enforce or enjoy the benefit of any provision of the Lending Terms. Notwithstanding any provision of the Lending Terms, the Lending Terms may be rescinded or amended at any time without the consent of any third party who is not a party thereto.

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## 13. Terminology

13.1 In the Lending Terms, expressions such as "borrow", "lend", and "return" reflect market terminology for transactions governed by these terms and conditions and are understood as follows: the ownership of securities "borrowed" or "lent" shall transfer from the Client to Asia Future Trading at the time the Client lends the securities to Asia Future Trading. Ownership of equivalent securities returned by Asia Future Trading to the Client shall transfer upon actual or deemed delivery. Ownership of equivalent securities returned by the Client to Asia Future Trading shall transfer to Asia Future Trading upon actual or deemed delivery.

## 14. Taxes

14.1 The Client hereby undertakes to promptly pay and account for any transfer taxes or similar duties or levies payable in connection with or anticipated to be payable in respect of any transactions under the Lending Terms. The Client shall indemnify and keep Asia Future Trading indemnified against any liability arising from any failure by the Client to pay or account for such taxes in a timely manner.

## 15. Governing Law and Jurisdiction

15.1 The Lending Terms shall be governed by and construed in accordance with the laws of Hong Kong. The Client and Asia Future Trading hereby submit to the exclusive jurisdiction of the courts of Hong Kong.