

CLIENT AGREEMENT FOR SECURITIES TRADING

Account Number: _____

THIS AGREEMENT, effective immediately upon execution, is entered into

BETWEEN

- (A) **INNOVATION SECURITIES CO., LIMITED** whose registered office is at Unit 2601, 26/F, FWD Financial Centre, 308 Des Voeux Road Central, Hong Kong (hereinafter referred to as “**INNS**”); and
(B) the undersigned client(s) whose name(s) and address are as appeared on the signatory page of the Account Opening Form for securities trading (hereinafter referred to as the “**Client**”).

INNS is licensed and registered with:

- (a) Securities and Futures Commission (“**SFC**”) as a Licensed Corporation, CE number **BGN336**, for carrying on the regulated activities of (1) dealing in securities (including provision of financial accommodation to facilitate acquisitions or holdings of securities by Client); and
(b) The Stock Exchange of Hong Kong Limited (“**Exchange**”) as an Exchange Participant.

In consideration of INNS accepting to open a securities trading account(s) and operating such account in the Client’s name and on the Client’s behalf, for the purpose of and in connection with the sale and purchase of Securities, the Client hereby agrees to abide by the following terms and conditions.

NOW IT IS HEREBY AGREED as follows:

1. DEFINITION AND INTERPRETATION

1.1 In this Agreement, the following terms shall bear the following meanings:

“**Access Codes**” means the combination of a Password and an Account Number to gain an access to INNS’s Electronic Trading Services (ETS).

“**Account**” means one or more securities trading accounts opened and maintained by INNS for the Client from time to time pursuant to this Agreement.

“**Account Number**” means a serial number assigned by INNS to be used as the Client’s personal identification when opening the Account.

“**Agreement**” means this Client Agreement between INNS and the Client (including the Account Opening Form) as may be varied, amended or supplemented from time to time. It manifests the contractual relationship between INNS and the Client wherein INNS act as the Client’s agent, or in such other capacity as disclosed to the Client, in the buying, selling and otherwise dealing of Securities and attend to other related administrative matters.

“**Connected Person**” means as it is defined in the Listing Rules.

“**Business Day**” means a day (other than a Saturday) on which licensed banks and the Exchange are open for business. “**Connected Person**” means as it is defined in the Listing Rules.

“**Debit Balance**” means an account balance representing money owed to INNS.

“**Electronic Trading Service**” (ETS) means the software, systems and other facilities, including, but not limited to, INNS Webster, telephone, facsimile, electronic mail and other devices provided by INNS under this Agreement, which enables the Client to give electronic Instructions and to obtain information services provided by INNS.

“**Exchange**” means The Stock Exchange of Hong Kong Limited

“**FATCA**” or “**Foreign Account Tax Compliance Act**” means (i) sections 1471 to 1474 of the US Internal Revenue Code of 1986 or any associated regulations or other official guidance; (ii) any treaty, law, regulation or other official guidance enacted in any other jurisdiction, or relating to an intergovernmental agreement between the US and any other jurisdiction, which (in either case) facilitates the implementation of the legislation or guidance referred to in (i) above; and (iii) any agreement pursuant to the implementation of the legislation or guidance referred to in (i) or (ii) above with the US Internal Revenue Service, the US government or any governmental or taxation authority in any other jurisdiction.

“**INNS**” means INNOVATION SECURITIES CO., LIMITED.

“**GEM**” means the Growth Enterprise Market operated by the Exchange.

“**INNS Mail**” means the secure messaging facility operated by INNS for the delivery and receipt of confirmations, statements and other notices.

“**HKSCC**” means the Hong Kong Securities Clearing Company Limited.

“**Hong Kong**” means the Hong Kong Special Administrative Region of the People's Republic of China.

“**Instruction**” means any instruction (including any subsequent amendment or cancellation thereof accepted by INNS) the Client may give to buy or sell Securities, whether verbally, through the electronic trading service or in such other manner as INNS may permit.

“**Listing Rules**” means the Rules Governing the Listing of Securities on the Exchange.

“**Main Board**” means the stock market operated by the Stock Exchange of Hong Kong Limited, excluding GEM and Option market.

“**Password**” means the Client unique personal password used in conjunction with the Account Number to gain access to the INNS Electronic Trading Services.

“**Securities**” means (a) shares, stocks, debentures, loan stocks, funds, bonds or notes; (b) rights, options, interests, certificates of participation in, receipts for or warrants to subscribe for or purchase of such respects as specified in (a); and (c) interests in any collective investment scheme.

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

“**SFC**” means the Securities and Futures Commission of Hong Kong.

“**Transaction**” means an executed Instruction and the allocation and acquisition of a new listing and issue of Securities.

- 1.2 Words denoting the singular shall include the plural and vice versa, reference to one gender shall include all genders and words denoting person, The Client and INNS shall include a natural person, firm or a sole proprietorship, partnership, syndicate and corporation and vice versa.

2. THE ACCOUNT

- 2.1 **Accurate Information:** The Client confirms that the information provided in the Account Opening Form is complete and accurate. The Client undertakes to inform INNS of any changes to that information. It is the Client’s responsibility to ensure Account accuracy and to notify INNS immediately with regard to any discrepancies. INNS also undertakes to inform the Client of any material change of INNS’s name, address, registration status, services, remuneration and margin / short selling facilities.

- 2.2 **Credit Inquiries:** INNS is authorized to conduct credit inquiries on the Client and to verify the information the

Client has provided.

- 2.3 **Legal Capacity:** The Client represents that he is of required legal age and mentally fit to enter into this Agreement.
- 2.4 **Beneficial owner(s) of the Account.** The Client represents that the Client is the only party who has the ultimate interest(s) in the Client's Account. Should the direct ownership or direct beneficiary interests have changed, the Client agrees to inform and notify INNS in writing promptly.
- 2.5 **Personal Data Protection:** INNS will keep information relating to the Client Account confidential. The Client has read and fully understands and accepts that INNS may provide data received from the Client to the following persons and/or for the following purposes: (a) any nominees in whose name Securities or other assets may be registered; (b) any contractor, agent or service provider which provides administrative, data processing, financial, computer, telecommunication, payment or securities clearing, financial, professional or other services to INNS or to any other person to whom data is passed; (c) any person with whom INNS enter into or propose to enter into Transaction on the Client behalf or Account, or persons representing the same; (d) any assignee, transferee, participant, sub-participant, delegate, successor or person to whom this Agreement is novated; (e) governmental, regulatory or other bodies or institutions, whether as required by law or otherwise; (f) giving effect to the Client's orders relating to Transactions or otherwise, and carrying out the Client's other Instructions; (g) providing services in connection with the Account, whether the services are provided by or through any other person; (h) conducting credit inquiries or checks on the Client and ascertaining the Client financial situation and investment objectives, and enabling or assisting any other person so to do; (i) observing any legal, regulatory or other requirements to which any other persons may be subject; and (j) other purposes related or incidental to any one or more of the above.
- 2.6 **Power of Attorney:** The Client agrees to and hereby irrevocably appoints INNS with full power as the Client's true and lawful attorney in fact, to the fullest extent permitted by law, for the purpose of carrying out the provisions of this Agreement and taking any action and executing any instrument, which INNS deems necessary or advisable to accomplish the purposes of this Agreement.

3. AGENTS AND ASSOCIATION

- 3.1 **Associated with INNS's Employees or Agents:** The Client represents and warrants to INNS that the Client is not associated with any of INNS's employees or agents or any employees or agents of any member of the INNS including without limitation as a child under 18 years of such employees or agents and agrees that if the Client is or becomes associated with any of such employees or agents, the Client shall promptly notify INNS of the existence and nature of such association and acknowledge that INNS may, upon receipt of such notice, at INNS's absolute discretion, choose to terminate the Account.
- 3.2 **Connected Person:** The Client further represents and warrants to INNS that the Client is not a Connected Person of the company(ies) and/or the Securities, of which the Client shall place orders or Instructions with INNS for the purchase or disposal of or otherwise deal in such company(ies) Securities unless the Client specifically notifies INNS to the contrary prior to the placing of such orders or Instructions.

4 APPLICABLE RULES AND REGULATIONS

- 4.1 **Laws and rules:** All Transactions in securities traded on the Main Board and GEM of the Exchange and/or other exchanges or markets in other jurisdictions, which INNS effects on the Client's behalf, shall be effected in accordance with all applicable laws, rules and regulations (as amended from time to time) of Hong Kong and other applicable jurisdictions and the bylaws, codes, rules, regulations; customs and usage of the SFC, the Exchange, the HKSCC and/or the relevant exchanges or markets in other jurisdictions.
- 4.2 **Legally Binding:** The Client hereby agrees that this Agreement (including the terms of the Electronic Trading Service) and all the terms herein shall be binding upon the Client and the Client's heirs, estate, executors, representatives, successors and assignees. All actions taken by INNS in accordance with such laws, rules and regulations shall be binding on the Client.
- 4.3 **Disclosure to Regulators:** If INNS receives any legitimate request for information on any Transaction relating to any of the Client's Account by any regulators in Hong Kong or elsewhere including but not limited to the SFC and the Exchange, even if the Client's account has been terminated prior to such request: (a) The Client will provide the required information within two (2) Business Days of INNS's request; (b) The Client will, within two (2) Business Days, inform INNS or Hong Kong regulators of the identity, address and contact details of any third party(ies), whereas the Client acts as an intermediary of and effect trades for the benefit of such third party(is); (c)

The Client will, upon INNS's request, immediately provide or authorize INNS to provide the relevant information to any government or regulatory authority in any other jurisdiction.

- 4.4 **Hong Kong Jurisdiction:** This Agreement shall be governed by, interpreted and construed in accordance with the laws of Hong Kong. The Client irrevocably submits to the nonexclusive jurisdiction of the Hong Kong courts.

5 INSTRUCTIONS AND TRANSACTIONS

- 5.1 **Agents:** INNS will act as the Client's agent in effecting Transactions unless INNS indicates (in the contract note for the relevant Transaction or otherwise) that INNS is acting as principal.
- 5.2 **Reliance on Instructions:** The Client expressly agrees to use Internet or in such other manner as INNS may permit to transmit the Client's trading and other related Instructions, including the subscriptions to acquire new listings or issues of Securities. INNS is under no duty to verify the identity or authority that emanates such Instructions. The Client hereby waives any and all defenses that any such Instructions was not in writing as may be required by the relevant laws, rules and regulations.
- 5.3 **Third Party Instructions:** The Client understands that INNS will not accept any third party Instruction, unless the Client has formally executed and delivered a valid power of attorney which expressly authorizes a named specific party to emit trade Instruction on the Client's behalf. The Client further agrees to indemnify INNS from any disputes, losses and other claims arising from the execution by INNS of any unauthorized third party Instruction transmitted on the Client's behalf. Should the Client decides to employ a third party to give Instructions, the Client agrees to supply INNS with an accurate and truthful identification and personal information about the designated third party. The Client also understands those personal information will be made available to Hong Kong regulators and other government agencies, including but not limited to the SFC, Exchange, Independent Commission Against Corruption (ICAC) and so forth.
- 5.4 **Order Cancellations:** The Client may amend or cancel the Client's Instructions that have been previously transmitted. The Client agrees that INNS is not obligated to accept such amendment or cancellation. Instructions may only be amended or cancelled prior to the execution. The Client shall accept full responsibilities for the Transactions, partial or full, executed prior to the processing of the Client's amendment and/or cancellation request.
- 5.5 **Independent Judgment:** The Client agrees that the Client, independently and without reliance on INNS, makes his own judgments and decisions with respect to each Instruction and/or Transaction. INNS shall be under no liability whatsoever with respect to any information or suggestion rendered by any of INNS's directors, officers, employees or agents irrespective of whether or not such suggestion was given at the Client's request.
- 5.6 **No Guarantee of Executions:** The Client acknowledges the fact that extraordinary events/technical difficulties may prevent or otherwise hinder the execution of the Client's Instructions. The Client agrees that INNS will not be liable for any loss, actual or projected, resulted, directly or indirectly, from government actions, price variations, exchange/market restrictions, equipment, communication and systems failure and breakdowns, unauthorized access or trade Instructions, and other physical and technical restraints and conditions beyond INNS's control.
- 5.7 **Short Sale:** The Client acknowledges the fact that INNS requires that stock certificate of Securities or the equivalent be deposited into the Client's Account prior to the acceptance of a sell order. Upon placing of sale orders of Securities which are not owned by the Client at the time of the sale (i.e. short selling), the Client hereby undertakes to: (a) make full and frank disclosure of such order(s) to INNS; (b) provide (without demand by INNS) all documentary evidence in substantiation of the legality of the short selling under the SFO or other laws, rules and regulations of Hong Kong and of the Exchange; (c) authorize INNS to arrange a buy in of the relevant Securities at the prevailing market price for the Client's Account that the Client accidentally sold short; (d) indemnify INNS against all damage, loss, lawsuits, cost and expenses which may be sustained or incurred by INNS as a result of the execution of the shorting selling order(s).
- 5.8 **No Stop-Limit Orders:** Stop-Limit orders are types of conditional Instructions. They are usually not immediately executable. The execution of such orders is pending on the satisfaction of certain previously defined conditions. The Client understands that INNS generally does not accept such Instructions. If such orders are accepted, INNS does not guarantee the execution of such orders.
- 5.9 **Inside Dealing is prohibited:** It is unlawful to distribute, disseminate and act upon any unpublished price sensitive information to make a profit or to avoid a loss in Securities trading. The Client confirms that he is aware of such practice are unlawful. The Client agrees not to engage in the said and other unlawful practices and to take

full responsibility for the consequences.

- 5.10 **Restrictions on Trading:** The Client agrees that INNS may, in INNS's sole discretion and without giving the Client prior notice, prohibit or restrict his ability to trade Securities through the Client's Account for cause. The Client agrees that INNS is not liable for any losses and/or damages, actual or hypothetical, as a result of such restrictions.
- 5.11 **Transaction in foreign currency:** In the event that Client instructs INNS to enter into any Securities trading transactions, which are effected in a foreign currency, (i) any profit or loss arising as a result of a fluctuation in the exchange rate affecting such currency will be entirely for Client's account and at Client's risk; and (ii) INNS is authorized to convert funds in the Account into and from such foreign currency at prevailing market rate of exchange. If, for any purpose, the Client is required to convert any amount due to INNS into a currency other than that in which it would otherwise have been due, the Client shall pay INNS such additional amounts as are necessary to ensure that, when received and reconverted, INNS will receive the full amount in the original currency as it would have received had no such conversion taken place.
- 5.12 **Over-The-Counter Transaction:** In relation to any Over-The-Counter ("OTC") transactions, including without limitation trading of any new Securities before their listing on the relevant exchange, entered or to be entered into by the Client, the Client acknowledges and agrees that:
- (a) subject to clause 5.1 above, INNS is acting as agent for the Client and does not guarantee the settlement of such OTC transactions;
 - (b) the Client's orders may be partially executed or not executed at all. Trades executed will be cancelled and void if the relevant security subsequently fails to list on the relevant exchange;
 - (c) in the event that the Client in selling any Securities fails to deliver such Securities, INNS is entitled to purchase in the market (at the prevailing market price) the relevant Securities required for delivery in respect of such sale effected for the Client in order to complete the settlement of the relevant transaction. The Client shall bear all losses arising out of or in connection with such transaction;
 - (d) in the event that (1) the Client buys Securities from a seller and such seller fails to deliver the relevant Securities and (2) the purchase of the relevant Securities cannot be effected or the INNS in its absolute discretion determines not to purchase the relevant Securities pursuant to clause 5.12(c) the Client will not be entitled to obtain the relevant Securities at the matched price and shall only be entitled to receive the money paid for the purchase of the relevant Securities;
 - (e) in the event that the Client in buying any Securities fails to deposit the necessary settlement amount, INNS is entitled to sell any and all Securities or collateral held in the Client's Account and use the sale proceeds after deducting all costs in settlement of the transaction. However, if the Client is the seller under such transaction and such transaction cannot be settled, the Client shall only be entitled to the relevant Securities but not the sale proceeds of the relevant Securities; and
 - (f) without prejudice to the above, the Client shall bear its own losses or expenses and shall be responsible to INNS for any losses and expenses resulting from its and/or its counterparty's settlement failures.
- 5.13 **Solicit or Recommend any Financial product:** If INNS solicit the sale of or recommend any financial product to the Client, the financial product must be reasonably suitable for the Client having regard to the Client's financial situation, investment experience and investment objectives. No other provision of this agreement or any other document we may ask you to sign and no statement we may ask the Client to make derogates from this clause.

Note: "Financial product" refers to any securities, futures contracts or leveraged foreign exchange contracts as defined under the SFO. Regarding "leveraged foreign exchange contracts", it is only applicable to those traded by persons licensed for Type 3 regulated activity.

6. SETTLEMENT

- 6.1 **Commissions and Charges:** All Transactions executed in pursuance of the Instructions of the Client on the Exchange shall be subject to a Transaction levy and other levies that the Exchange from time to time may impose. INNS is authorized to deduct and collect any such levies in accordance with the rules prescribed by the Exchange from the Client's Account. The Client shall pay INNS on demand and/or authorize INNS to deduct from the funds available in the Client's Account commissions on purchases, sales and other Transactions or services for the Account at such rate as INNS may from time to time have notified the Client, together with all stamp duties,

bank charges, transfer fees, interest and other charges in respect of or connected with the Account or any Transaction or Services thereof or any Securities therein. The Client acknowledges and agrees that the commission rates and fees are determined and set solely by INNS, Exchange and other government agencies, and are subject to change at any time.

- 6.2 **Sufficient Funds/Securities:** Before INNS executes the Client's Instructions, the Client is required to have available funds or Securities in the Client's Account at least equal to the amount to cover such purchase or sale (including all commissions, Transaction costs and charges). Unless otherwise agreed, in respect of each Transaction, or INNS is already holding cash or Securities on the Client's behalf to settle the Transaction, the Client will, in a timely manner: (a) pay INNS cleared funds or deliver to INNS Securities in deliverable form; or (b) otherwise ensure that INNS has received such funds or Securities.
- 6.3 **Duty to Settle on Time:** The Client agrees that when INNS has executed an Instruction and settled the Transaction on the Client's behalf, the Client shall, by the due settlement date, make payment to INNS against delivery of or credit to the Account for purchased Securities, or make good delivery of sold Securities to INNS against payment, as the case may be. Whenever the Client fails to make such payment or delivery of Securities by the due date as mentioned above or upon closure of the Account or termination of INNS's relationship with the Client, the Client hereby irrevocably grants INNS the authorization and rights under clause 6.4 of this Agreement.
- 6.4 **Authorization to Cover:** In the event that the Client does not have such sufficient funds or Securities available in the Client's Account, the Client authorizes INNS that INNS may at its sole discretion and without prior notification to the Client:
- (a) execute, cancel or liquidate the Client's Transactions;
 - (b) set-off any amount receivable from and amount payable to the Client where such amounts arise from the purchase and sale of Securities;
 - (c) dispose any of the Client's Securities in the Account to settle any liability owed by the Client to INNS arising from the purchase of Securities; or
 - (d) borrow on the Client's behalf and/or purchase Securities with the funds available in the Client's Account arising from the sale of Securities.
- The Client hereby acknowledges that the Client shall indemnify INNS against any loss, costs, fees and expenses that INNS may incur in connection with the Client's failure to meet any of the Client's settlement failures.
- 6.5 **Undelivered Purchase:** The Client realizes that delivery of any Securities the Client may purchase from the other party is not guaranteed.
- 6.6 **Lien and Right of Sale over Securities and Other Property:** INNS shall have a lien over any and all Securities, acquired on the Client's behalf, or in which the Client has an interest (either individually or jointly with other) which are held for the Client's Account and all cash and other property at any time held by INNS on the Client's behalf, all of which shall be held by INNS as a continuing security for the payment and/or discharge of the Client's obligations to INNS arising from the business of dealing in Securities and such security shall include all dividends or interest paid or payable after the date hereof on such Securities and all stocks, shares (and the dividends or interest thereon) rights, monies or property accruing or offered at any time by way of redemption, bonus, preference, option or otherwise to or in respect of such Securities. Upon default by the Client in payment on demand or on the due date therefor of any of the Client's indebtedness to INNS or any other default by the Client hereunder, INNS shall have the right, acting in good faith, to sell or otherwise dispose the whole or any part of such security as when and how and at such price and on such terms as INNS shall think fit and to apply the net proceeds of such sale or disposition and any moneys for the time being in INNS's hands in or towards discharge of the Client's indebtedness to INNS; and such security shall be in addition to and shall not prejudice or be prejudiced by any right of setoff or other security which INNS may hold at any time for the Client's indebtedness to INNS or by any release modification or abstention from enforcement thereof or other dealing therewith.
- 6.7 **Payment on Demand:** Notwithstanding any of the other provisions of this Agreement, the Client shall pay all the Client's indebtedness to INNS on demand or earlier when due and at INNS's request, shall deposit such cash, Securities or otherwise and maintain such security with INNS as INNS deems satisfactory or which may be required by the rules of any stock exchange or market of which INNS is a member or to which INNS may have any obligation, and such margin/security call shall be met immediately. The Client further acknowledges that

INNS may at any time require the Client to deposit sufficient cleared funds in the Account before carrying out any Transactions in respect of any Securities on the Client's behalf. The Client acknowledges that INNS shall not be responsible for any loss occasioned thereby. The Client will be responsible to INNS for any losses and expenses in connection with enforcing payment or discharge of any such indebtedness, liability or obligation.

6.8 **Interest Charge:** The Client agrees to pay interest on all overdue Debit Balances (including interest arising after a judgment debt is obtained against the Client) charged at an annual rate of eight (8) per cent above the best lending rate (Prime Rate) on Hong Kong dollars quoted by bank from time to time or at such rate as be stipulated by INNS's sole discretion from time to time.

6.9 **Costs of Collection:** The Client agrees to pay for the reasonable costs and expenses of collection of the Debit Balance and any unpaid deficiency in the Client's Account, including, but not limited to, attorney's fees, court costs and any other costs incurred or paid by INNS.

7. CUSTODY OF CLIENT FUNDS AND SECURITIES

7.1 **Fund Deposit:** The Client agrees to deposit the Client's own funds for the purpose solely of making securities investment. The Client further agrees not to deposit or transfer, and INNS is under no obligation to accept for deposit, into the Client's Account any Securities, cheques, bank drafts or other property which are not in the Client's name. Should INNS decide to accept such deposit, the Client shall indemnify INNS for all loss and liability incurred by INNS in connection therewith.

7.2 **Fund Withdrawal:** Subject to payment of any indebtedness, liability or other obligation then due by the Client to INNS, the Client may withdraw funds up to his credit balance from the Client's Account upon written notice to INNS with applicable fees INNS may charge

7.3 **Fund Balance:** Any cash held for the Client, other than cash received by INNS in respect of settling a Transactions and of fulfilling other debt obligations by the Client, shall be credited to a client trust account maintained with a licensed bank as required by applicable laws from time to time. The Client's Account will be credited at a rate as stipulated by INNS's sole discretion from time to time.

7.4 **Safekeeping of Securities:** Any Securities which are held by INNS for safekeeping may, at INNS's discretion, be registered (if registrable) in the Client's name or in the name of INNS's nominee; or be deposited, at the Client's cost, in safe custody in a designated account with INNS's bankers or with any other institution approved by the SFC, which provides facilities for the safe custody of documents. Where securities are not registered in the Client's name, any dividends or other benefits arising in respect of such securities shall, when received by INNS, be credited to the Client's Account or paid or transferred to the Client, as agreed with INNS. Where the Securities form part of a larger holding of identical securities held for INNS's clients, the Client shall be entitled to the same share of the benefits arising on the holding as the Client's share of the total holding.

8. NOTICE AND COMMUNICATIONS

8.1 **Mode of Delivery:** All notice and communications from INNS to the Client under this Agreement may be sent and delivered by personal delivery, postal mail, facsimile, electronic mail or other electronic transmission to the address, facsimile number, electronic mail address in the Account Opening Form or as notified to INNS in writing from time to time by at least seven (7) days' advance notice. All notices and other communications shall be deemed to be given (i) at the time of dispatch or transmission if delivered personally, by facsimile transmission or telephone; or (ii) twenty four (24) hours after dispatch if sent by post, whichever shall be the first to occur; provided that any notice or other communication to be given to INNS shall be effective only when received by INNS.

8.2 **Presumption of Receipt:** All communications so sent whether by messenger, mail, facsimile, electronic mail or otherwise, shall be deemed delivered and received, unless otherwise notify to INNS by the Client. It is the Client's responsibility to ensure the Account correctness and accuracy and to contact INNS immediately with any discrepancies.

8.3 **Verbal Communications:** INNS may also communicate with the Client verbally. The Client is deemed to have received any message left for the Client on the Client's answer machine, voicemail or other similar electronic or mechanical devices at the time it is left for the Client.

8.4 **Responsibility to Retrieve and Review Communications:** The Client agrees to check regularly the Client's mailbox, electronic mailbox, facsimile machine and other sources of facilities through which the Client receives communication from INNS. INNS will not be responsible for any losses that arise from the Client's failure, delay or negligence to check such sources or facilities.

- 8.5 **Monitoring and Recording of Telephone Conversations and Electronic Mails:** For the protection of the Client and INNS, and as a tool to detect and rectify misunderstandings, the Client agrees and authorizes INNS, at INNS's discretion and without further prior notice, to monitor and record any or all telephone conversations and any electronic communications between INNS and the Client.
- 8.6 **Confirmation and Account Statements:** The Client is responsible for reviewing all acknowledgements, confirmations, contract notes and Account statements in relation to the Client's Transactions and other Account activities information upon first receiving them. All Transaction and other information therein contained will be binding on the Client unless INNS receives the Client's notice of objection in writing within seven (7) days after the Client receives or deemed to have received them. In all cases, INNS has the right to determine the validity of the Client's objection to the relevant Transaction or information.
- 8.7 **Undelivered or Returned Mails:** The Client agrees to keep the Client's Account information up to date, and to notify INNS of any changes within forty-eight (48) hours. The Client understands, for the security and integrity of the Client's Account, that INNS may temporarily or permanently disable or restrict the Client's Account, if and when the mails become undeliverable or are returned as a result of the Client's failure to provide, update and/or notify INNS with most current and accurate Account information.

9. CONFLICTS OF INTERESTS

9.1 Subject to applicable laws, rules and regulations, INNS shall be entitled to:

- (a) act in any capacity for any other person or buy, sell, hold or deal in any Securities for INNS's own Account even if similar Securities may be in the Client's Account or covered by the Instruction in respect of the Client's Account;
- (b) purchase for the Client's Securities, fully or partially, held by INNS from INNS's own Account;
- (c) purchase for INNS's own Account Securities, fully or partially, from the Client's Account;
- (d) match the Client's order with that of INNS's client(s) by acting on his or their behalf as well as on the Client's behalf;
- (e) take the opposite position to the Client's order whether it is on INNS's own Account or is on behalf of other clients of INNS; and
- (f) deal in Securities where INNS is involved in a new issue, rights issue, takeover or similar Transaction concerning such Securities,

provided that in cases under (b), (c), and (d) above, the terms of any Transaction in which the Client is involved are not less favorable to the Client than they would have been, had the Transaction been entered into at arm's length on the day in question. INNS shall not be liable to the Client for or obligated to disclose to the Client, any commission, profits or other benefits whatsoever resulting from INNS's carrying out any of the above actions or entering into any of the above Transactions.

9.2 INNS has the right to solicit, accept and retain for its own benefit any rebate, brokerage, commission, fee, benefit, discount and/or other advantage from any Transaction effected by INNS. INNS may also offer at its discretion any benefit or advantage to any person in connection with such Transaction.

10. NEW LISTING OF SECURITIES

- 10.1 **Authority to Make Application.** In the event that the Client requests and authorizes INNS to apply for Securities in respect of a new listing and/or issue of Securities on the Exchange as the Client's agent for the Client's benefit or for the benefit of any other person, the Client hereby warrants for INNS's benefit that at the time of such application, INNS has authority to make such application on the Client's behalf.
- 10.2 **Familiarization With the Terms and Conditions of the New Listing and/or Issue:** The Client shall familiarize himself and comply with all the terms and conditions governing the Securities of the new listing and/or issue and the application for such new Securities set out in any prospectus, offering documents and the application form or any other relevant documents in respect of such new listing and/or issue and the Client agrees to be bound by such terms and conditions in any such Transaction the Client may have with INNS.
- 10.3 **Representation, Warranties and Undertakings:** The Client gives to INNS all the representations, warranties and undertakings which an applicant for Securities in a new listing and/or issue is required to give (whether to the issuer, sponsors, underwriters or placing agents of the relevant Securities, the Exchange or any other relevant regulator or person).

- 10.4 **Sole and Only Application:** The Client further declares and warrants, and authorizes INNS to disclose and warrant to the Exchange on any application form (or otherwise) and to any other person as appropriate, that any such application made by INNS as the Client's agent is the only application made, and there is no other application intended to be made, by the Client or on the Client's behalf, to benefit the Client or the person for whose benefit the Client is applying. The Client acknowledges and accepts that the aforesaid declaration and warranty will be relied upon by INNS and by the issuer, sponsors, underwriters or placing agents of the relevant Securities, the Exchange or any other relevant regulator or person in respect of any application made by INNS as the Client's agent.
- 10.5 **Compliance with Relevant Rules and Industry Practice:** The Client recognizes and understands that the legal, regulatory requirements and market practice in respect of applications for Securities may vary from time to time as may the requirements of any particular new listing or issue of Securities. The Client undertakes to provide to INNS such information and take such additional steps and make such additional representations, warranties and undertakings as may be required in accordance with such legal, regulatory requirements and market practice as INNS may in its absolute discretion determine from time to time.
- 10.6 **Bulk Application:** If INNS or INNS's agents make a bulk application for INNS's own account, on INNS's behalf and/or on behalf of INNS's other clients, the Client acknowledges and agrees: (a) that such bulk application may be rejected for reasons which are unrelated to the Client and the Client application and neither INNS nor INNS's agent shall, in absence of fraud, negligence or willful default, be liable to the Client or any other person in consequence of such rejection; and (b) to indemnify INNS if such bulk application is rejected either in circumstances where the representations and warranties have been breached or otherwise because of factors relating to the Client. The Client acknowledges that the Client may also be liable in damages to other persons affected by such breach or other factors.
- 10.7 **Offer of IPO Loan:** INNS, on receipt of a request from the Client to apply for and purchase shares in companies that are being brought to the market by way of a new issue ("IPO Shares"), may provide assistance in financing subscriptions for such shares ("IPO Loan"). As continuing security for the due and punctual payment by the Client of all principal, interest and other sums owed by the Client to INNS in respect of the IPO Loan, the Client as beneficial owner hereby charges by way of first legal charge the IPO Shares to INNS until full payment made to INNS of the IPO Loan by the Client; and hereby expressly authorizes INNS to receive and apply all sums of whatever nature received by INNS (or INNS's nominees) in respect of any part of the charged shares towards payment of the IPO Loan in such manner and at such time as INNS may determine.

11. ELECTRONIC TRADING SERVICE

- 11.1 **Electronic Trading Service:** The Client understands that the Electronic Trading Service (ETS) is a semi-automated facility, which enables the Client to send electronic Instructions and receive information and services. The Client agrees to use the ETS only in accordance with the terms of this Agreement. Any additional services offered through the ETS in the future shall only be used by the Client in accordance with the terms of this Agreement.
- 11.2 **Authorized Access:** The Client shall be the only authorized user of the ETS for the Client's Account. The Client shall be responsible for the confidentiality and use of the Access Codes. The Client acknowledges and agrees that the Client shall be solely responsible for all Instructions entered through the ETS using the Access Codes and neither INNS nor INNS's directors, officers or employees shall have any liability to the Client, or to any other person whose claim may arise through the Client, for any claims with respect to the handling, mishandling or loss of any Instruction.
- 11.3 **Proprietary System:** The Client acknowledges that the ETS is proprietary to INNS. The Client warrants and undertakes that the Client shall not, and shall not attempt to, tamper with, modify, decompile, reverse engineer or otherwise alter in any way, and shall not attempt to gain unauthorized access to, any part of the ETS. The Client acknowledges that INNS may take legal action against the Client, if the Client at any time breaches this warranty and undertaking or if INNS at any time reasonably suspects that the Client has breached the same. The Client undertakes to notify INNS immediately if the Client becomes aware that any of the actions described above in this clause is being perpetrated by any other person.
- 11.4 **Responsibility to Notify Errors:** The Client further acknowledges and agrees that, as a condition of using the ETS to give Instructions, the Client shall immediately notify INNS if: (a) an Instruction in respect of the Account has been placed through the ETS and the Client has not received an order number; (b) an Instruction in respect of the Account has been placed through the ETS and the Client has not received an accurate acknowledgement of the Instruction or of its execution, whether by hard copy or via electronic or verbal means; (c)

the Client has received acknowledgement, whether by hard copy, electronic or verbal means, of a Transaction which the Client did not originate or instruct; and/or (d) the Client become aware of any unauthorized use of the Account Number and/or Password.

- 11.5 **Alternative Trading Facilities:** The Client agrees that should the Client experience any problems in reaching INNS through the ETS or vice versa, the Client shall attempt to use an alternative method or device, as INNS may make available, to communicate with INNS to place the Client orders and to inform INNS of the difficulty the Client may experience. The Client acknowledges that INNS gives no express or implied warranties (including but not limited to warranties of merchantability, functionality or fitness for a particular use) with respect to trade or trade related services. The Client agrees that INNS shall not be responsible to the Client for any losses, costs, expenses, damages or claims which the Client may suffer as a result of any disruption, malfunction or other suspension of INNS's service beyond INNS's control.
- 11.6 **Third Party Market Data:** The Client understands that the ETS may provide, for informational purpose only data about securities published by third parties. Owing to market volatility and possible delay in the data-transmission process, the data may not be real-time market quotes for the relevant securities or investment. The Client understands that whilst INNS believes such data to be reliable, it has no independent basis to verify or contradict the accuracy or completeness of the information provided. The Client understands that no recommendation or endorsement from INNS shall be inferred from the data provided with respect to any securities or investment.
- 11.7 **No Guarantee of Accuracy or Timeliness of Information:** The Client acknowledges that the price quote service available at the ETS is provided by a third party provider appointed by INNS from time to time. The Client understands that information provided in the ETS is on an "as is", "as available" basis and INNS does not guarantee the timeliness, sequence, accuracy, adequacy or completeness of such information.

12. FAX AND ELECTRONIC INSTRUCTIONS INDEMNITY

- 12.1 **Electronic Instructions:** The Client acknowledges that from time to time, INNS needs to act on fax or electronic instructions (including but not limited to email or short message service (SMS)) from the Client. The Client understands that facsimile and electronic instructions are not secure means of communication and there are risks involved. The Client hereby requests INNS to accept such facsimile or electronic instructions for the Client's convenience. INNS is hereby authorized to act on any facsimile or electronic instructions that INNS in its sole discretion believe emanate from the Client. Provided that INNS exercises reasonable care in verifying the signature of the purported authorized person in the facsimile instructions or the identity of the person giving the electronic instructions, INNS shall not be liable for acting in good faith on facsimile or electronic instructions that emanate from unauthorized persons.
- 12.2 **Binding Transaction and Indemnity:** Any transaction put through by INNS for the Client pursuant to a facsimile or electronic instruction acted upon in good faith and in the absence of negligence default or fraud shall be binding upon the Client whether made with or without the Client's authority, knowledge or consent. The Client undertakes to indemnify INNS and keep INNS indemnified at all times against all actions, proceedings, claims, losses, damages, costs and expenses which may be brought against INNS or suffered or incurred by INNS and which shall have arisen either directly or indirectly out of or in connection with INNS's accepting facsimile or electronic instructions and acting thereon, whether or not the same are confirmed in writing by the Client.

13. GENERAL PROVISIONS

- 13.1 **Entire Understanding:** This Agreement, together with all other written agreements, existing or subsequent, between INNS and the Client related to the Client's Account and terms contained on statements and confirmations sent to INNS, contains the entire understanding between and binding upon INNS and the Client concerning the subject matter of this Agreement.
- 13.2 **Severability:** If any provision of this Agreement shall be held to be invalid or unenforceable by any court or regulatory agency or body, such invalidity or unenforceability shall attach only to such provision. The validity of the remaining provisions shall not be affected thereby and this Agreement shall be carried out as if any such invalid or unenforceable provision were not contained here. Time shall be of the essence in relation to all matters arising under this Agreement. Where the Client consists of more than one person, the liability of each of the persons shall be joint and several and references to the Client shall be construed, as the context requires, to any or each of the persons. INNS shall be entitled to deal separately with any of the persons including the discharge of any liabilities to any extent without affecting the liability of the others.
- 13.3 **Presumption of Delivery:** All notices and communications to the Client may be effectively given by mailing the

same by post addressed to the Client at any of the Client business, residential or mailing addresses as they appear from time to time on INNS's records, or by delivering the same to the Client or to any such address, or by facsimile or telephone or email to any number or address notified to INNS from time to time for the purpose and shall be deemed to be received

(a) on the third business day after such notice is mailed (in the case of post), and (b) when delivered (in the case of personal delivery), or communicated (in the case of telephone, facsimile transmission or email) and that no such notice or communication need be signed on INNS's behalf.

13.4 Presumption of Authorization: Every Transaction indicated or referred to in any notice, statement, confirmation or other communication and every statement of Account shall be deemed and treated as authorized and correct and as ratified and confirmed by the Client unless INNS shall receive from the Client written notice to the contrary within five (5) days after the date after such notice, statement, confirmation or other communication is deemed to have been received by the Client.

13.5 Duty to Notify: The Client shall inform INNS within two (2) Business Days of the possession or knowledge of information, if the Client acts as intermediary for or effected a Transaction on behalf of someone other than the Client as an ultimate beneficiary owner(s): and if the Client notices any discrepancies and/or error with regard to and in connection with any the Client's Account information, Transactions, settlements and fund transfers. The Client agrees that the Client failure to notify of such discrepancy and/or error in a prompt manner (no later than seven (7) calendar days) would exonerate INNS and INNS's agents from any claims, liabilities or damages resulted from those discrepancies and/or errors.

13.6 Amendment: To the extent permitted by law, INNS may from time to time amend any of the terms and conditions of this Agreement by notifying the Client and such amendments shall come into effect immediately upon the Client deemed receipt of INNS's notice. The Client acknowledges and agrees that if the Client does not accept any amendments (including amendments to INNS's commission rates and fees) as notified by INNS from time to time, the Client shall have the right to terminate this Agreement in accordance with termination clause under this Agreement. The Client further agrees that any amendments shall be deemed to be accepted by the Client, should the Client continue to effectuate Transaction(s) in the Client's Account without expressly communicate the Client objections to such amendments prior to the Transaction(s).

13.7 Material Change: INNS will notify the Client of material changes to any information provided to the Client, which may affect the service(s) provided to the Client under this Agreement.

13.8 Waiver: Waiver of any right under this Agreement must be in writing signed by the party waiving such right. INNS will not be regarded as having waived any right under this Agreement if INNS fails or delays in exercising such right. Any single or partial exercise of any rights under this Agreement will not preclude any further exercise of such right or exercise of any other right. INNS's failure to insist at any time on strict compliance with any of the terms or conditions of this Agreement or any continued course of such conduct on INNS's part shall, in no event, constitute or be considered as a waiver by INNS of any of INNS's powers, rights, remedies or privileges.

13.9 Assignment: INNS may assign INNS's rights or obligations under this Agreement to any of INNS's subsidiaries or affiliates without giving any prior notice, or to any other entity upon prior written notice to the Client. The Client shall not assign any of the Client rights and/or obligations under this Agreement to any other party except with INNS's prior written consent.

13.10 Default:

13.10.1 Any of the following nonexclusive and non-exhaustive events shall constitute an event of default: (a) the Client has breached any material term(s) of this Agreement or defaulted in respect of any Transaction with INNS; (b) the Client fails to pay for or otherwise settle any purchase (including the subscriptions to acquire a new listing and issue) or other Transaction under this Agreement when due; (c) in the event when a petition in bankruptcy or winding-up or the commencement of other analogous proceedings is filed against the Client; or (d) any warranty order of attachment or distress or equivalent is filed against the Client.

13.10.2 If an event of default occurs, without prejudice to any other rights or remedies that INNS may have against the Client and without further notice to the Client, INNS shall be entitled to: (a) cancel any or all outstanding orders or any other commitments made on the Client behalf; (b) cover any short position in the Account through the purchase of Securities or liquidate any long position in the Account through the sale of Securities; (c) sell, dispose of or otherwise deal with in whatever manner any Securities in the Account and any Securities deposited by the Client with INNS; (d) sell or

realize all or any part of the Client's property held by INNS or other member of INNS in such manner and upon such terms as INNS may conclusively decide and satisfy the Client's obligations and indebtedness towards INNS or INNS's affiliates out of the net proceeds (with fees, expenses and costs deducted).

13.10.3 Notwithstanding of clause 13.10.2 above, INNS may, at any time, combine or consolidate all or any of such accounts as are for the time being opened and maintained by the Client with INNS or other member of INNS, including the Account, and the Client hereby irrevocably authorize INNS (without prejudice to the other authorities granted to INNS hereunder): (a) to instruct other member of INNS to transfer on the Client's behalf any funds standing from time to time in any account maintained at any time by the Client with other member of INNS to any of the Client's account maintained at any time with INNS; (b) to transfer any funds standing from time to time in any account maintained by the Client with INNS to any account maintained at any time by the Client with other member of INNS; (c) to setoff or transfer any sum standing to the credit of any one or more such accounts by the Client in or towards satisfaction of the Client's indebtedness, obligation or liability to INNS, other member of INNS or INNS's affiliates on any of the accounts or in any other respect whatsoever, whether such indebtedness, obligations or liabilities be present or future, actual or contingent, primary or collateral, several or joint, secured or unsecured; and (d) to give other member of INNS notice of such authority, and when such combination, consolidation, setoff or transfer requires the conversion of the currency into another, such conversion shall be calculated at such rate of exchange as conclusively determined by INNS's prevailing in such foreign exchange market as INNS may at its absolute discretion (but shall notify the Client of INNS's decision) select on or about the date of the combination, consolidation, setoff or transfer. In respect of any payments by INNS to offset and discharge any of the Client's obligations to other member of INNS or INNS's affiliates, INNS shall not be concerned whether or not such obligation exist, provided demand has been made on INNS by other member of INNS or INNS's affiliates.

13.11 **Termination:** Either party may terminate this Agreement at any time provided a written notice is given to the other party fifteen days in advance. The Client understands, upon the presentation of such notice, that the Client's Account shall be restricted to the closing transactions only (i.e. the liquidation of existing Securities). However, INNS may terminate this Agreement forthwith at any time without notice to the Client if the Client breaches or fails to comply with any terms of this Agreement (termination for cause). Any termination is conditioned on the satisfaction of any outstanding indebtedness and/or obligations in the Client's Account, including but not limited to any debit balance, executed and yet unpaid purchases, and the settlement of the subscription, allocation and acquisition of the shares of a new listing and issue and shall not affect any Transaction already entered into, or prejudice or affect any right, power, duty and obligation of either party accrued, prior to such termination.

13.12 **English/Chinese Version:** The Client confirms that the Client has read the English or Chinese version of this Agreement and that the contents of this Agreement have been fully explained to the Client in a language which the Client understands, and that the Client accepts this Agreement in its entirety. In the event that there is inconsistency between the English version and the Chinese version of this Agreement, the English version shall prevail.

13.13 **Descriptive Headings:** The heading of each provision hereof is for descriptive purposes only. They shall not be deemed to modify, qualify or otherwise substitute for any of the rights or obligations set forth in each of the provisions thereof contained in this Agreement.

13.14 **Indemnification:** The Client agrees that INNS and INNS's directors, officers, employees and agents shall not be liable for any delay or failure to perform any of INNS's obligations hereunder or for any losses caused directly or indirectly by any condition or circumstances over which INNS, INNS's directors, officers, employees or agents do not have control, including but not limited to government restriction, exchange or market rulings, suspension of trading, failure of electronic or mechanical equipment or communication lines, telephone or other interconnect problems, unauthorized access, theft, war (whether declared or not), severe weather, earthquakes and strikes. The Client further agrees to indemnify INNS and INNS's officers, employees and agents on demand for any loss, cost, claim, liability or expense arising out of or in connection with any breach by the Client of the Client's obligations hereunder including any reasonable costs incurred by INNS in collecting any debts due to INNS or in connection with the closure of the Account.

14. RISK DISCLOSURE STATEMENTS

14.1 **Risk of Securities Trading:** The price of Securities fluctuates, 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.

- 14.2 Fluctuation in Prices:** The Client acknowledges and agrees that the price of Securities can and does fluctuate, and that any individual Security may experience upward or downward movements and may even become valueless. There is an inherent risk associated with the dealings of Securities and the Client is prepared and able to accept and tolerate such risk.
- 14.3 Securities in Custody:** The Client acknowledges and agrees that there are risks in leaving Securities in the safe custody of INNS, INNS's nominee or agent or in authorizing INNS to deposit Securities as collateral for loans or advances made to the Client or authorizing INNS to borrow or loan Securities; and that INNS will not be responsible for any damage or loss arising in connection with such safe custody nor any act, default or negligence of any independent nominee, or other third party(ies) and the Client accepts that any Securities placed and pledged with any of them are at the Client's own risk.
- 14.4 Risk of Electronic Trading:** Access to the Internet or other electronic devices may be limited or unavailable during periods of peak demand, market volatility, systems upgrades or maintenance or for other reasons. Transactions conducted through the Internet or other electronic devices may be subject to interruption, transmission blackout, and delayed transmission due to unpredictable traffic congestion and other reasons beyond INNS's control. Internet is, due to technical limitation, an inherently unreliable medium of communication. As a result of such unreliability, there may be delays in the transmission and receipt of Instructions and other information and that this may result in delays in the execution of Instructions and/or the execution of Instructions at prices different from those prevailing prices at the time the Instructions were given. Moreover, communications and personal data may be accessed by unauthorized third party; and there are risks of misunderstanding or errors in any communication and that such risks shall be absolutely borne by the Client. The Client acknowledges and agrees that it shall not usually be possible to cancel an Instruction after it has been given.
- 14.5 Risk of Trading GEM Stocks:** GEM stocks involve a high investment risk. In particular, companies may list on GEM with neither a track record of profitability nor any creditability to forecast future profitability. GEM stocks may be very volatile and illiquid. The Client acknowledges that the Client 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. Current information on GEM stocks may only be found on the website operated by the Exchange. GEM companies are usually not required to issue paid announcements in gazetted newspapers. The Client acknowledges that the Client should seek independent professional advice if the Client should be uncertain of or have not understood any aspect of this risk disclosure statement or the nature and risks involved in trading of GEM stocks.
- 14.6 Risk of Trading Nasdaq Amex Securities at the Exchange:** The securities under the Nasdaq Amex Pilot Program ("PP") are aimed at sophisticated investors. The Client should consult his professional advisors and become familiarized with the PP before trading in the PP Securities. The Client should be aware that the PP securities are not regulated as a primary or secondary listing on the Main Board or GEM of the Exchange.
- 14.7 Risks of Assets received or held outside Hong Kong:** The Client acknowledges and agrees that the Client Assets received or held by the licensed or registered persons outside Hong Kong are subject to the applicable laws and regulations of the relevant overseas jurisdiction which may be different from the SFO and the rules made thereunder. Consequently, the Client's Assets may not enjoy the same protection as that conferred on the Client's Assets received or held in Hong Kong.
- 14.8 Risk of trading Hong Kong Listed Derivative Warrants ("DW"):**
- 14.8.1 Issuer default risk:** In the event that a DW issuer becomes insolvent and defaults on their listed securities, investors will be considered as unsecured creditors and will have no preferential claim to any assets held by the issuer. Investors should therefore pay close attention to the financial strength and credit worthiness of DW issuers.
- 14.8.2 Uncollateralised product risk:** Uncollateralised DWs are not asset backed. In the event of issuer bankruptcy, investors can lose their entire investment. Investors should read the listing documents to determine if a product is uncollateralised.
- 14.8.3 Gearing risk:** DWs are leveraged and can change in value rapidly according to the gearing ratio relative to the underlying assets. Investors should be aware that the value of a DW may fall to zero resulting in a total loss of the initial investment.

- 14.8.4 **Expiry considerations:** DWs have an expiry date after which the issue may become worthless. Investors should be aware of the expiry time horizon and choose a product with an appropriate lifespan for their trading strategy.
- 14.8.5 **Extraordinary price movements:** The price of a DW may not match its theoretical price due to outside influences such as market supply and demand factors. As a result, actual traded prices can be higher or lower than the theoretical price.
- 14.8.6 **Foreign exchange risk:** Investors trading DWs with underlying assets not denominated in Hong Kong dollars are also exposed to exchange rate risk. Currency rate fluctuations can adversely affect the underlying asset value and thereby also affect the DW price.
- 14.8.7 **Liquidity risk:** The Exchange requires all DW issuers to appoint a liquidity provider for each individual issue. The role of liquidity providers is to provide two way quotes to facilitate trading of their products. In the event that a liquidity provider defaults or ceases to fulfill its role, investors may not be able to buy or sell the product until a new liquidator provider has been assigned.
- 14.8.8 **Time decay risk:** All things being equal, the value of a DW will decay over time as it approaches its expiry date. DWs should therefore not be viewed as long term investments.
- 14.8.9 **Volatility risk:** Prices of DWs can increase or decrease in line with the implied volatility of underlying asset price. Investors should be aware of the underlying asset volatility.
- 14.9 Risk of trading Callable Bull/Bear Contracts (“CBBC”):**
- 14.9.1 **Issuer default risk:** In the event that a CBBC issuer becomes insolvent and defaults on their listed securities, investors will be considered as unsecured creditors and will have no preferential claim to any assets held by the issuer. Investors should therefore pay close attention to the financial strength and credit worthiness of CBBC issuers.
- 14.9.2 **Uncollateralised product risk:** Uncollateralised CBBCs are not asset backed. In the event of issuer bankruptcy, investors can lose their entire investment. Investors should read the listing documents to determine if a product is uncollateralised.
- 14.9.3 **Gearing risk:** CBBCs are leveraged and can change in value rapidly according to the gearing ratio relative to the underlying assets. Investors should be aware that the value of a CBBC may fall to zero resulting in a total loss of the initial investment.
- 14.9.4 **Expiry considerations:** CBBCs have an expiry date after which the issue may become worthless. Investors should be aware of the expiry time horizon and choose a product with an appropriate lifespan for their trading strategy.
- 14.9.5 **Extraordinary price movements:** The price of a CBBC may not match its theoretical price due to outside influences such as market supply and demand factors. As a result, actual traded prices can be higher or lower than the theoretical price.
- 14.9.6 **Foreign exchange risk:** Investors trading CBBCs with underlying assets not denominated in Hong Kong dollars are also exposed to exchange rate risk. Currency rate fluctuations can adversely affect the underlying asset value and thereby also affect the CBBC price.
- 14.9.7 **Liquidity risk:** The Exchange requires all CBBC issuers to appoint a liquidity provider for each individual issue. The role of liquidity providers is to provide two way quotes to facilitate trading of their products. In the event that a liquidity provider defaults or ceases to fulfill its role, investors may not be able to buy or sell the product until a new liquidator provider has been assigned.
- 14.9.8 **Mandatory call risk:** Investors trading CBBCs should be aware of their intraday “knockout” or mandatory call feature. A CBBC will cease trading when the underlying asset value equals the mandatory call price/level as stated in the listing documents. Investors will only be entitled to the residual value of the terminated CBBC as calculated by the product issuer in accordance with the listing documents. Investors should also note that the residual value can be zero.
- 14.9.9 **Funding costs:** 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 funding costs will be. In the event that a CBBC is called, investors will lose the funding costs for the entire lifespan of the CBBC. The formula for calculating the funding costs are stated in the listing

documents.

14.10 Risk of trading Exchange Traded Funds (“ETF”):

14.10.1 **Market risk:** ETFs are typically designed to track the performance of certain indices, market sectors, or groups of assets such as stocks, bonds, or commodities. ETF managers may use different strategies to achieve this goal, but in general they do not have the discretion to take defensive positions in declining markets. Investors must be prepared to bear the risk of loss and volatility associated with the underlying index/assets.

14.10.2 **Tracking errors:** Tracking errors refer to the disparity in performance between an ETF and its underlying index/assets. Tracking errors can arise due to factors such as the impact of transaction fees and expenses incurred to the ETF, changes in composition of the underlying index/assets, and the ETF manager’s replication strategy. (The common replication strategies include full replication/representative sampling and synthetic replication which are discussed in more detail below).

14.10.3 **Trading at discount or premium:** An ETF may be traded at a discount or premium to its net asset value. This price discrepancy is caused by supply and demand factors, and may be particularly likely to emerge during periods of high market volatility and uncertainty. This phenomenon may also be observed for ETFs tracking specific markets or sectors that are subject to direct investment restrictions.

14.10.4 **Foreign exchange risk:** Investors trading ETFs with underlying assets not denominated in Hong Kong dollars are also exposed to exchange rate risk. Currency rate fluctuations can adversely affect the underlying asset value and thereby also affect the ETF price.

14.10.5 **Liquidity risk:** Securities market makers are Exchange Participants that provide liquidity to facilitate trading in ETFs. Although most ETFs are supported by one or more securities market makers, there is no assurance that active trading will be maintained. In the event that the securities market makers default or cease to fulfill their role, investors may not be able to buy or sell the product.

14.10.6 Counterparty risk involved in ETFs with different replication strategies

- (a) **Full replication and representative sampling strategies:** An ETF using a full replication strategy generally aims to invest in all constituent stocks/assets in the same weightings as its benchmark. ETFs adopting a representative sampling strategy will invest in some, but not all of the relevant constituent stocks/assets. For ETFs that invest directly in the underlying assets rather than through synthetic instruments issued by third parties, counterparty risk tends to be less of concern.
- (b) **Synthetic replication strategies:** ETFs utilizing a synthetic replication strategy use swaps or other derivative instruments to gain exposure to a benchmark. Currently, synthetic replication ETFs can be further categorized into two forms:

(i) Swap-based ETFs

- Total return swaps allow ETF managers to replicate the benchmark performance of ETFs without purchasing the underlying assets.
- Swap-based ETFs are exposed to counterparty risk of the swap dealers and may suffer losses if such dealers default or fail to honor their contractual commitments.

(ii) Derivative embedded ETFs

- ETF managers may also use other derivative instruments to synthetically replicate the economic benefit of the relevant benchmark. The derivative instruments may be issued by one or multiple issuers.
- Derivative embedded ETFs are subject to counterparty risk of the derivative instruments’ issuers and may suffer losses if such issuers default or fail to honor their contractual commitments.

Even where collateral is obtained by an ETF, it is subject to the collateral provider fulfilling its obligations. There is a further risk that when the right against the collateral is exercised, the market value of the collateral could be substantially less than the amount secured resulting in significant loss to the ETF.

14.11 Risk of trading Renminbi products:

- 14.11.1 **Renminbi currency risk:** Renminbi is not freely convertible at present and conversion of Renminbi through banks in Hong Kong is subject to certain restrictions. For Renminbi products which are not denominated in Renminbi or with underlying investments which are not Renminbi denominated, such products will be subject to multiple currency costs involved in making investments and liquidating investments, as well as the Renminbi exchange rate fluctuations and bid/offer spreads when assets are sold to meet redemption requests and other capital requirements (e.g. settling operating expenses). The PRC government regulates the conversion of Renminbi and other currencies. If the restrictions on Renminbi convertibility and the limitations on the flow of the Renminbi funds between PRC and Hong Kong become more stringent, the depth of the Renminbi market in Hong Kong may become further limited.
- 14.11.2 **Exchange rate risk:** The value of the Renminbi against the Hong Kong dollar and other foreign currencies fluctuates and is affected by changes in the PRC and international political and economical conditions and by many other factors. For Renminbi products, the value of investor's investment in Hong Kong dollar terms may decline if the value of Renminbi depreciates against Hong Kong dollar.
- 14.11.3 **Interest rate risk:** The PRC government has gradually liberalized the regulation of interest rates in recent years. Further liberalization may increase interest rate volatility. For Renminbi products which are, or may invest in, Renminbi debt instruments, such instruments are susceptible to interest rate fluctuations, which may adversely affect the return and performance of the Renminbi products.
- 14.11.4 **Limitation on the provision of Renminbi funding:** In case the Client does not have sufficient Renminbi funding in the account to subscribe Renminbi products, subject to compliance with all applicable laws, rules and regulations, INNS may assist the Client to convert other currencies to Renminbi. However, INNS do not guarantee that it can assist the Client to obtain sufficient Renminbi funding due to the limitation on the flow of Renminbi funds in Hong Kong. INNS may unwind the Client's trade due to insufficient Renminbi funding and the Client's investment may be adversely affected if he suffers losses due to settlement failure.
- 14.11.5 **Limited availability of underlying investments denominated in Renminbi:** For Renminbi products that do not have access to invest directly in Mainland China, their available choice of underlying investments denominated in Renminbi outside Mainland China may be limited. Such limitation may adversely affect the return and performance of the Renminbi products.
- 14.11.6 **Projected returns which are not guaranteed:** For some Renminbi investment products, their return may not be guaranteed or may only be partly guaranteed and in particular, the assumption on which the illustration are based, including, for example, any future bonus or dividend declaration.
- 14.11.7 **Long Term commitment to investment products:** For Renminbi products which involve a long period of investment, if investor redeems his investment before the maturity date or during the lockup period (if applicable), investor may incur significant loss of principal where the proceeds may be substantially lower than the invested amount. Investor may also suffer from early surrender / withdrawal fees and charges as well as the loss of returns (where applicable) as a result of redemption before the maturity date or during lockup period.
- 14.11.8 **Credit risk of counterparties:** For Renminbi products investing in Renminbi debt instruments which are not supported by any collateral, such products are fully exposed to the credit risk of the relevant counterparties. Where a Renminbi product may invest in derivative instruments, counterparty risk may also arise as the default by the derivative issuers which may adversely affect the performance of the Renminbi product and result in substantial loss.
- 14.11.9 **Liquidity risk:** Renminbi products may suffer significant losses in liquidating the underlying investment, especially if such investments do not have an active secondary market and their prices have large bid / offer spread.
- 14.11.10 **Possibility of not receiving Renminbi upon redemption:** For Renminbi products with a significant portion of non-Renminbi denominated underlying investments, there is a possibility of not receiving the full amount in Renminbi upon redemption. This may be the case if the issuer is not able to obtain sufficient amount of Renminbi in a timely manner due to the exchange controls and restrictions

applicable to the currency.

14.12 Risk of trading bonds

- 14.12.1 **Issuer default risk:** There is a risk that the issuer may fail to pay investors the interest or principal as scheduled.
- 14.12.2 **Interest rate risk:** When the interest rate rises, the price of a fixed rate bond will normally drop. If investors want to sell their bond before it matures, they may get less than their purchase price.
- 14.12.3 **Foreign exchange risk:** Investors trading bond denominated in a foreign currency face an exchange rate risk. Any fall in the foreign currency will reduce the amount investors receive when they convert a payment of interest or principal back into the local currency.
- 14.12.4 **Liquidity risk:** Investors may need to sell the bonds before maturity when they have an urgent cash-flow need or use the capital for other investments. However, investors may not achieve this if the liquidity of the secondary bond market is low.
- 14.12.5 **Reinvestment risk:** If investors hold a callable bond, when the interest rate goes down, the issuer may redeem the bond before maturity. If this happens investors have to re-invest the proceeds, the yields on other bonds in the market will generally be less favorable.
- 14.12.6 **Equity risk:** If the bond is “convertible” or “exchangeable”, investors also face equity risk associated with stocks. A fall in the stock price will usually make the bond price fall.

14.13 Instructions Outside Hong Kong:

If the Client gives any Instruction to INNS outside Hong Kong, the Client agrees to ensure and represent that such Instruction will have been given in compliance with any applicable law of the relevant jurisdiction from which the Client's Instruction is given, and the Client further agrees that the Client shall, when in doubt, consult legal advisers and other professionals of the relevant jurisdiction. The Client accepts that there may be taxes or charges payable to relevant authorities in respect to any Instruction given outside Hong Kong, and the Client agrees to pay such taxes or charges as applicable.

14.14 Acknowledgment of the Risks:

The Client has been explained by INNS's licensed person and understand the above stated risk disclosures.

15. CLIENT IDENTITY

15.1 Assistance to Hong Kong Regulators:

INNS is required to provide to SFC and the Exchange identity details of the ultimate person(s) for whom it is processing a Transaction as well as the person(s) who give(s) Instructions in relation to that Transaction within two (2) business days of their request. In exceptional market circumstances, the details may have to be made available very shortly after the request. Alternatively, INNS may provide the required details directly to the regulators in the manner described below.

15.2 Disclosure of Beneficiaries:

If the Client effects Transactions for the Account of clients or other beneficial owners, whether on a discretionary or nondiscretionary basis, and whether as agent or by matching Transactions as principal with the beneficiaries, the Client agrees that, in relation to a Transaction where INNS has received an inquiry from regulators, the Client shall immediately upon INNS's request provide to the regulators such identity details of the beneficiaries for whose Account the Transaction was effected, of the person with the ultimate beneficial interest in the Transaction and/or of the person who originated the Transaction.

15.3 Arrangement where Beneficiaries are intermediaries:

If the Client is aware that any of the beneficiaries is acting as intermediary for its underlying client(s), and the Client does not know the identity, address, occupation and contact details of the underlying client(s) for whom the Transaction was effected, the Client confirms that the Client has arrangements in place with such beneficiaries, which entitle the Client to obtain the details contemplated above from the beneficiaries immediately upon request

or procure that they be so obtained. INNS will, upon INNS's request in relation to a Transaction, promptly request the requisite identity details from the beneficiaries on whose Instructions the Transaction was effected, and provide them to the regulators as soon as received from the beneficiaries or procure that they be so provided.

15.4 Survivability:

The Client further confirms that the Client's obligations under this clause 15 will continue after the termination of this Agreement.

16. FATCA COMPLIANCE

16.1 Disclosure, Consent and Waiver:

The Client hereby agrees and consents that INNS, INNS and their agents and service providers may collect, store and process information obtained from the Client or otherwise in connection with this Agreement and/or the Client's transactions for the purposes of complying with FATCA and/or other applicable law, including disclosures between INNS and any of them and to the governmental authorities of the United States of America, Hong Kong and/or other jurisdictions. To the extent permitted by law, Client hereby waives any provision of any data protection, privacy, banking secrecy or other law or regulation of any jurisdiction and/or the terms of any confidentiality agreement, arrangement or understanding that would otherwise prevent compliance by INNS, INNS and their agents and service providers with FATCA and/or other applicable law. The Client acknowledges that this may include transfers of information to jurisdictions which do not have strict data protection, data privacy laws or banking secrecy laws. The Client shall ensure that, before the Client or anyone on its behalf discloses information relating to any third party to INNS, INNS or their agents or service providers in connection with this Agreement or the Client's transactions that third party has been provided with such information and has given such consents or waivers as are necessary to allow INNS, INNS and their agents and service providers to collect, store, process and disclose his, her or its information as described in this Clause.

16.2 Provision of Information:

- a. The Client shall upon request by INNS confirm to INNS (i) whether the Client is a person who is entitled to receive payments free from any deduction or withholding as required by FATCA (the "FATCA Exempt Person"); and (ii) supply to INNS such forms, documentation and other information relating to the Client's status under FATCA (including its applicable pass through rate or other information required under the US Treasury Regulations or other official guidance including intergovernmental agreements) as INNS reasonably requests for the purposes of that INNS's compliance with FATCA (and the compliance of any of INNS).
- b. If the Client confirm to INNS pursuant to the above that the Client is a FATCA Exempt Party and the Client subsequently becomes aware that the Client is not, or has ceased to be a FATCA Exempt Party, the Client shall notify INNS as soon as reasonably practicable.
- c. If the Client fails to confirm its status or to supply forms, documentation or other information requested in accordance with paragraph (a) above (including, for avoidance of doubt, where paragraph (b) above applies), then:
 - i. If the Client failed to confirm whether the Client is (and/or remains) a FATCA Exempt Party then the Client will be treated as if the Client is not a FATCA Exempt Party; and
 - ii. If the Client failed to confirm its applicable pass through rate then the Client will be treated as if its applicable pass through rate is 100%, until such time as the Client provide INNS the requested confirmation, forms, documentation or other information.

16.3 Withholding or Deduction:

If INNS is required pursuant to FATCA or otherwise by law to withhold or deduct any FATCA withholding taxes (including any penalties or interest payable in connection with any failure to pay or any delay in paying any such taxes) on any payments to the Client, INNS may deduct such taxes and INNS will not be required to increase any payment in respect of which INNS makes such withholding. The Client shall be treated for all purposes of this Agreement as if the Client had received the full amount of the payment, without any deduction or withholding. The Client shall provide INNS such additional documentation reasonably requested by INNS to determine the amount to deduct and withhold from such payment.

17. SHANGHAI-HONG KONG STOCK CONNECT

- 17.1 Without prejudice to any other provisions in this Agreement, the Client acknowledges and accepts the following additional terms and conditions applicable to trading in securities (“SSE Securities”) listed in the Shanghai Stock Exchange (“SSE”) through the Shanghai-Hong Kong Stock Connect (“Northbound trading”):
- a. The Client must understand and comply with all the applicable bylaws, codes, rules and regulations of SSE (“SSE Rules”) and other applicable laws and regulations of Mainland China relating to Northbound trading (together “Northbound Trading Regulations”). INNS will not and does not intend to advise the Client on any of such Northbound Trading Regulations. The Client should consult the Northbound Trading Regulations (including but not limited to the information about Northbound Trading Regulations published by Hong Kong Exchanges and Clearing Limited which can be accessed at its website) and obtain professional advice as necessary;
 - b. The Client hereby agrees and authorizes INNS to do or not to do whatever act without Client’s prior approval in connection with any Northbound trading of the Client as INNS in its absolute discretion deems appropriate to comply with any Northbound Trading Regulations or any orders, directions, notices or requests from any authorities. INNS shall not be liable for any loss or damage directly or indirectly suffered by the Client arising from or in connection with such action or inaction of INNS;
 - c. The Client must understand fully the rules and regulations of Mainland China in relation to securities investment, such as short-swing profits, disclosure obligations and follow such rules and regulations accordingly;
 - d. INNS may in its absolute discretion refuse to execute or complete any instructions from the Client on any grounds such as, for example, in INNS’ reasonable belief, execution of such instructions may not be compliant with any Northbound Trading Regulations, or the Client does not have sufficient securities to settle delivery obligation or sufficient cash (in Renminbi) to settle payment obligation;
 - e. Pre-trade checking is in place so that the Client must have his/her shares transferred to INNS’ corresponding Central Clearing And Settlement System (“CCASS”) account before the commencement of trading on a trading day if the Client intends to sell the shares during a trading day;
 - f. All trading must be conducted on SSE, i.e. no over the counter (OTC) or manual trades are allowed;
 - g. No day trading is allowed;
 - h. Naked short selling is not allowed;
 - i. Foreign shareholding restriction (including the forced sale arrangement) is in place and INNS has the right to “force sell” the Client’s shares upon receiving the forced sale notification from the Exchange;
 - j. INNS has the right to cancel the Client’s orders in case of contingency such as hoisting of Typhoon Signal No 8 in Hong Kong;
 - k. INNS may not be able to send in the Client’s order cancellation requests in case of contingency such as when the Exchange loses all its communication lines with SSE, etc and the Client shall still bear the settlement obligations if the orders are matched and executed;
 - l. INNS may forward the Client’s identity and other information to the Exchange which may on-forward to SSE for surveillance and investigation purposes;
 - m. If the SSE Rules are breached, or the disclosure and other obligations referred to in the SSE Listing Rules or SSE Rules is breached, SSE has the power to carry out an investigation, and may, through the Exchange, require INNS to provide relevant information and materials and to assist in its investigation. The Client shall upon request by INNS, SSE or the Exchange provide such information and provide such assistance as requested. The Client hereby waives the benefit of any applicable secrecy laws and personal data protection laws;
 - n. The Exchange may upon SSE’s request, require INNS to reject orders from the Client;
 - o. The Client needs to understand and accept the risks concerned in Northbound trading, including but not limited to prohibition of trading securities listed in SSE, being liable or responsible for breaching the SSE Listing Rules, SSE Rules and other applicable laws and regulations;
 - p. SSE may request the Exchange to require INNS to issue warning statements (verbally or in writing) to the Client, and not to extend Northbound trading to the Client;

- q. INNS shall have no obligation to collect or receive or take any other action in relation to any payment or distribution in respect of SSE Securities for the Client's account, or to notify the Client about any notice, circular, announcement or similar corporate action in respect of SSE Securities;
- r. The Client shall be solely responsible for all fees, charges, levies and taxes and all filing, tax returns, and other registration or reporting obligations as may be required by any relevant authority, relating to any of the Client's investment through Northbound trading and any incomes, dividends, profits and entitlements in respect of such investment; and
- s. INNS, Hong Kong Exchanges and Clearing Limited, the Exchange, the Exchange's subsidiaries, SSE and SSE's subsidiaries and their respective directors, employees and agents shall not be responsible or held liable for any loss or damage directly or indirectly suffered by the Client or any third parties arising from or in connection with Northbound trading or the China Stock Connect System.