RISK DISCLOSURE STATEMENTS

A. SECURITIES TRADING

1. RISK DISCLOSURE STATEMENT

1.1 This risk disclosure statement is given pursuant to the Code of Conduct for Persons Licensed by or Registered with Securities and Futures Commission ("**Code**") and shall form an integral part of this Agreement.

1.2 Risk of Securities Trading

(a) The price of Securities fluctuate, sometimes dramatically, and that any individual Security may experience upward or downward movements, and may under some circumstances become valueless. It is as likely that losses will be incurred rather than profit made, as a result of buying and selling Securities.

1.3 Risk of Trading Growth Enterprise Market ("GEM") Stocks

(a) GEM stocks involve a high investment risk. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability.
(b) GEM stocks may be very volatile and illiquid.
(c) You should make the decision to invest only after due and careful consideration, and that the greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.
(d) Current information on GEM stocks may only be found on the internet website operated by SEHK. GEM companies are usually not required to issue paid announcements in gazetted newspapers.
(e) You should seek independent professional advice if you are uncertain of or have not understood any aspect of this risk disclosure statement or the nature and risks involved in trading of GEM stocks.

1.4 Risk of Trading Nasdaq-Amex Securities at SEHK

(a) The securities under the Nasdaq-Amex Pilot Program ("**PP**") are aimed at sophisticated investors and that you should consult your dealer and become familiarised with the PP before trading in the PP securities.
(b) You should be aware that the PP securities are not regulated as a primary or secondary listing on the Main Board or the GEM of SEHK.

1.5 Risk of Electronic trading services

(a) Trading on electronic trading system may differ from trading on other trading systems. If you undertake transactions on an electronic trading system, you will be exposed to risks associated with system including the failure of hardware and software. The result of any system failure may be that your order is either not executed according to your Instructions or not executed at all.

1.6 Risk of Foreign Currency

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

1.7 Risk of Providing an Authority to Hold Mail or to Direct Mail to Third Parties

(a) There is risk if you provide us with an authority to hold mail or to direct mail to third parties, you shall promptly collect in person all contract notes and statements of your account and review them in detail to ensure that any anomalies or mistakes can be detected in a timely fashion.

1.8 Risks of Client Assets Received or Held Outside Hong Kong

(a) Client assets received or held by us outside Hong Kong are subject to the applicable laws and regulations of the relevant overseas jurisdiction which may be different from the SF Ordinance (Cap.571) and the rules made thereunder. Consequently, such client assets may not enjoy the same protection as that conferred on client assets received or held in Hong Kong.

1.9 Nature and Risk of Derivatives Products

(a) Derivative Products involve a high investment risk. You should make the decision to invest only after due and careful consideration, especially for the nature and extent of the risks involved in the trading of Derivatives Products as summarized in Paragraphs (c) to (g)below. General major risks of trading different derivative products include but are not limited to the items stated below.
(b) You should seek independent professional advice if you are uncertain of or do not clearly understand any aspect of this risk disclosure statement, or the nature and extent of the risks involved in the trading of Derivatives Products.
(c) Subscription Warrants are issued by a listed company and give holders the rights to buy the underlying shares of the company. They are either attached to new shares sold in initial public offerings, or distributed together with declared dividends, bonus shares or rights issues. Upon exercise, the underlying company will issue new shares and deliver them to the warrant holders

<u>Major Risks:</u>

(i). Unlike stock, subscription warrants have an expiry date. If investors do not exercise it or sell it in the market prior to its expiry, it will become worthless at expiration.
(ii). Subscription warrants may change in value more or less rapidly than the underlying share. In the worst case, its value may fall to zero and holders lose their entire investment amount.
(iii). In addition to the basic factors that determine the theoretical price of a subscription warrant, subscription warrant prices are also affected by all other prevailing market forces including the demand for and supply of the subscription warrant.

(d) Derivative Warrants are issued by financial institutions. Unlike subscription warrants which must be call warrants, derivative warrants can be call or put warrants. Derivatives Warrants give investors the right - but not the obligation - to buy or sell the underlying asset including stocks, stock indices, currency, commodities, or a basket of Securities at a pre-set price on or before a specified date. They may be sold prior to their expiry in the market provided by SEHK. At expiry, settlement is usually made in cash rather than a purchase or sale of the underlying asset.

Major Risks:

(i). Unlike stock, derivative warrants have an expiry date. If the warrants are out-of-the-money, they become worthless at expiration.
(ii). Derivative warrant holders are unsecured creditors of an issuer and they have no preferential claim to any assets an issuer may hold. Therefore, investors are exposed to the credit risk of the issuer. Investors should therefore pay close attention to the financial strength and credit worthiness of derivative warrants issuers.
(iii). Other factors being equal the value of derivative warrants will decrease over time. Therefore, derivative warrants should not be viewed as products that are bought and held as long-term investments.
(iv). Other factors being equal an increase in volatility of the underlying asset should lead to a higher warrant price and a decrease in volatility lead to a lower derivative warrant price.
(v). Derivative warrants may change in value more or less rapidly than the underlying asset. In the worst case, its value may fall to zero and holders lose their entire investment amount.
(vi). In addition to the basic factors that determine the theoretical price of a derivative warrant, derivative warrant prices are also affected by all other prevailing market forces including the demand for and supply of the derivative warrants.
(vii). The SEHK requires all structured product 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 liquidity provider has been assigned.

(e) Callable Bull/Bear Contracts (CBBC) are structured products having a fixed expiry date and tracks the performance of an underlying asset (such as a share or an index) without requiring investors to pay the full price required to own the actual asset. It can be a Bull or Bear contract allowing investors to take a bullish or a bearish position on the underlying asset on an almost one to one basis. A significant feature of a CBBC is that the issuer must terminate the particular issue and its trading before expiry once the price of the underlying asset moves against the anticipated trend, and reaches or goes beyond the 'call price'.

Major Risks:

(i). 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. Category R CBBC 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. Category N CBBC investor will not be entitled to the residual value of the terminated CBBC as its call price is equal to its strike price.
(ii). 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. 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.
(iii). CBBCs holders are unsecured creditors of an issuer and they have no preferential claim to any assets an issuer may hold. Therefore, investors are exposed to the credit risk of the issuer. Investors should therefore pay close attention to the financial strength and credit worthiness of CBBC issuers.
(iv). Structured products such as 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 structured product may fall to zero resulting in a total loss of the initial investment.
(v). CBBCs have an expiry date and may become worthless at expiration.
(vi). The price of a CBBC may not match its theoretical price due to outside influences such as market supply and demand factors or the underlying asset price being very close to the call price. As a result, actual traded prices can be higher or lower than the theoretical price.
(vii). SEHK requires all structured product 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 liquidity provider has been assigned.

(f) Exchange traded Funds (ETFs) are passively-managed and open-ended funds. All listed ETFs on the SEHK Securities market are authorized by SFC as collective investment scheme. ETFs are designed to track the performance of their underlying benchmarks (e.g. an index, a commodity such as gold, etc) and offer investors an efficient way to obtain cost-effective exposure to a wide range of underlying market themes**.**
ETFs can be broadly grouped into two types, Traditional ETFs and Synthetic ETFs. For Traditional ETFs, it refers to an ETF which objective is to track, replicate or correspond to the performance of an underlying benchmark. For Synthetic ETFs, it refers to an ETF which manager may adopt a strategy by investing in financial derivative instruments, such as swaps and performance-linked notes, to replicate the underlying benchmark performance.

Major Risks:

(i). Tracking error risk refers to the disparity between the performance of the ETF as measured by its net asset value (NAV) and the performance of the underlying index. Tracking error may arise due to various factors. These include, failure of the ETF's tracking strategy, the impact of fees and expenses, foreign exchange differences between the base currency or trading currency of an ETF and the currencies of the underlying investments, or corporate actions such as rights and bonus issues by the issuers of the ETF's underlying Securities.
(ii). Listing or trading on the HKEx does not in, and of itself, guarantee that a liquid market exists for an ETF. Besides, a higher liquidity risk is involved if an ETF invests in financial derivative instruments that are not actively traded in the secondary market and where price transparency is not as easily accessible as physical Securities. This may result in a bigger bid and offer spread.
(iii). An ETF is exposed to the economic, political, currency, legal and other risks of a specific sector or market related to the index that it is tracking.

(iv). Synthetic ETFs typically invest in over-the-counter derivatives issued by counterparties. Such a synthetic ETF may suffer losses potentially equal to the full value of the derivatives issued by the counterparty upon its default. Synthetic ETFs are therefore exposed to both the risks of the Securities that constitute the index as well as the credit risk of the counterparty that issues the financial derivative instruments for replicating the performance of the index.

(v). ETF is not "actively managed" and therefore, when there is a decline in the underlying index, the ETF that tracks the index will also decrease in value. The ETF Manager will not take defensive positions in declining markets, investors may lose a significant part of their respective investments if the underlying Index falls.

(vi). Since the trading price of an ETF is typically determined by the supply and demand of the market, the ETF may trade at a price higher or lower than its NAV. Also, here the reference index or market that an ETF tracks has restricted access, units in the ETF may not be created or redeemed freely and efficiently.
The supply and demand imbalance can only be addressed by creating and redeeming additional units. So, disruption to the creation or redemption of units may result in the ETF trading at a higher premium or discount to its NAV than may normally be the case for a traditional ETF with no such restriction. In the event the ETF is terminated, investors may not be able to recover their investments.

(vii). Investors trading ETFs with underlying assets not denominated in Hong Kong dollars am/are also exposed to exchange rate risk. Currency rate fluctuations can adversely affect the underlying asset value, also affecting the ETF price.

(viii). An ETF, like any fund, may be terminated early under certain circumstances. Investors should also note that the market-making activities and the trading of ETF units may be adversely affected in the secondary market as the creation of units will cease once the termination of the ETF is announced. As a result, the trading price of such ETF units may become very volatile resulting in substantial losses to investors.
Furthermore, the NAV of an ETF may drop substantially once the expenses and costs of the termination is set aside upon announcement of the termination. Investors may suffer a substantial loss as a result of these expenses and costs associated with the termination. For ETF that has provided for any potential tax liabilities, an investor may not be able to get any refund or further distribution from the tax provision upon termination of the ETF.

(ix). Like all investments, an ETF may be subject to tax imposed by the local authorities in the market related to the index that it tracks, emerging market risks and risks in relation to the change of policy of the reference market.

(x). There are risks and uncertainties concerning the application of the Mainland capital gains tax ("CGT") regime on investments by foreign investors in Mainland securities, and such tax is not currently enforced.
It is a matter of professional and commercial judgement on the part of each fund manager, acting in the best interest of investors after taking professional tax advice, to consider and decide whether to make provision (and if so, the extent and provisioning policy) for the ETF’s potential CGT liability or to change the ETF’s existing CGT provisioning policy from time to time.
The Mainland tax rules and policies are subject to changes. There are risks that CGT may be enforced by the Mainland tax authorities and that such enforcement may be on a retrospective basis. If and when CGT is collected by the Mainland tax authorities, any shortfall between the provisions (if any) and actual tax liabilities will have to be paid out of the ETF's assets and could have a material adverse impact on the ETF's net asset value (NAV), whereby causing significant losses to investors.
Investors who have sold/redeemed their interests prior to such enforcement and/or change will not be impacted. Likewise, such investors will not benefit from any release of tax provisions back into the ETF.

(g) Leveraged and inverse products (L&I Products) are derivative products traded on the SEHK. L&I Products are structured as funds, but unlike conventional funds, they are not intended for holding longer than one day and are designed for short term trading or hedging.
Leveraged products aim to deliver a daily return equivalent to a multiple of the underlying index return e.g. two times of what the underlying index does. Inverse products aim to deliver the opposite of the daily return of the underlying index. The inverse product goes down when the underlying index moves upwards, and the inverse product goes up when the underlying index moves downwards. To produce the specified leveraged or inverse return, these products have to rebalance their portfolios, typically on a daily basis.
L&I Products are not intended for holding longer than one day as their return over a longer period may deviate from and may be uncorrelated to the multiple (in the case of leveraged products) or the opposite (in the case of inverse products) of the return of the underlying index over the period.
This risk disclosure statement does not purport to disclose all the risks of L&I Products. The risks of investing in different L&I Products vary due to the difference in product structure, you should read the key facts statement and the prospectus carefully in order to understand the risks involved in a specific L&I Product before making an investment decision.

Major Risks:

(i). Investment risk: Trading L&I Products involves investment risk and are not intended for all investors. There is no guarantee of repaying the principal amount.

(ii). Volatility risk: Prices of L&I Products may be more volatile than conventional exchange traded funds (ETFs) because of using leverage and the rebalancing activities.

(iii). Unlike conventional ETFs: L&I Products are different from conventional ETFs. They do not share the same characteristics and risks as conventional ETFs.

(iv). Long-term holding risk: L&I Products are not intended for holding longer than the rebalancing interval, typically one day. Daily rebalancing and the compounding effect will make the L&I Product’s performance over a period longer than one day deviate in amount and possibly direction from the leveraged/inverse performance of the underlying index over the same period. The deviation becomes more pronounced in a volatile market.
As a result of daily rebalancing, the underlying index’s volatility and the effects of compounding of each day’s return over time, it is possible that the leveraged product will lose money over time while the underlying index increases or is flat. Likewise, it is possible that the inverse product will lose money over time while the underlying index decreases or is flat.

(v). Risk of rebalancing activities: There is no assurance that L&I Products can rebalance their portfolios on a daily basis to achieve their investment objectives. Market disruption, regulatory restrictions or extreme market volatility may adversely affect the rebalancing activities.

(vi). Liquidity risk: Rebalancing typically takes place near the end of a trading day (shortly before the close of the underlying market) to minimize tracking difference. The short interval of rebalancing may expose L&I Products more to market volatility and higher liquidity risk.

(vii). Intraday investment risk: Leverage factor of L&I Products may change during a trading day when the market moves but it will not be rebalanced until day end. The L&I Product's return during a trading day may be greater or less than the leveraged/opposite return of the underlying index.

(viii). Portfolio turnover risk: Daily rebalancing causes higher levels of portfolio transaction when compared to conventional ETFs, and thus increases brokerage and other transaction costs.

(ix). Correlation risk: Fees, expenses, transactions cost as well as costs of using financial derivatives may reduce the correlation between the performance of the L&I Product and the leveraged/inverse performance of the underlying index on a daily basis.

(x). Termination risk: L&I Products must be terminated when all the market makers resign. Termination of the L&I Product should take place at about the same time when the resignation of the last market maker becomes effective.

(xi). Leverage risk (for leveraged products only): The use of leverage will magnify both gains and losses of leveraged products.

(xii). Unconventional return pattern (for inverse products only): Inverse products aim to deliver the opposite of the daily return of the underlying index. If the value of the underlying index increases for extended periods, inverse products can lose most or all of their value.

(xiii). Inverse products vs short selling (for inverse products only): Investing in inverse products is different from taking a short position. Because of rebalancing, the performance of inverse products may deviate from a short position in particular in a volatile market with frequent directional swings.

B. ADDITIONAL RISK FOR MARGIN FINANCING

1. Risk Disclosure Statement

1.1 This risk disclosure statement is given pursuant to the Code of Conduct for Persons Licensed by or Registered with Securities and Futures Commission ("**Code**") and shall form an integral part of this Agreement.

1.2 Risk of Providing an Authority to Lend or Deposit your Securities with Third Party

(a) There is a risk if you provide us with an authority that allows us to apply your Securities or Securities Collateral pursuant to a Securities borrowing and lending agreement, repledge your Securities Collateral for financial accommodation or deposit your Securities Collateral as collateral for the discharge and satisfaction of our settlement obligations and liabilities.

(b) If your Securities or Securities Collateral are received or held by us in Hong Kong, the above arrangement is allowed only if you consent in writing. Moreover, unless you are a professional investor, your authority must specify the period for which it is current and be limited to not more than 12 months. If you are a professional investor, these restrictions do not apply.

(c) Additionally, your authority may be deemed to be renewed (i.e. without your written consent) if we issue to you a reminder at least 14 calendar days prior to the expiry of the authority, and you do not object to such deemed renewal before the expiry date of your then existing authority.

(d) You are not required by law to sign these authorities, but that an authority may be required by us, for example, to facilitate margin lending to you or to allow your Securities or Securities Collateral to be lent to or deposited as collateral with third parties. We shall explain to you the purposes for which one of these authorities is to be used.

(e) If you sign one of these authorities and your Securities or Securities Collaterals are lent to or deposited with third parties, those third parties will have a lien or charge on your Securities or Securities collaterals.

(f) Although we are responsible to you for your Securities or Securities Collaterals lent or deposited under your authority, a default by us could result in the loss of your Securities or Securities Collaterals.

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

1.3 Risk of Margin Trading

(a) The risk of loss in financing a transaction by deposit of collateral is significant and you may sustain losses in excess of your cash and any other assets deposited as collateral with us.

(b) Market conditions may make it impossible to execute contingent orders, such as "stop-loss" or "stop-limit" orders.

(c) You may be called upon on short notice to make additional margin deposits or interest payments, and that if the required margin deposits or interest payments are not made within the prescribed time, your collateral may be liquidated without your consent. You shall remain liable for any resulting deficit in your Account and interest charged on your Account. You should therefore carefully consider whether such a financing arrangement is suitable in light of your own financial position and investment objectives.

C. KEY RISKS OF INVESTING THROUGH SHANGHAI-HONG KONG STOCK CONNECT AND SHENZHEN-HONG KONG STOCK CONNECT

1 Risk Disclosure Statement

1.1 This risk disclosure statement is given pursuant to the Code of Conduct for Persons Licensed by or Registered with Securities and Futures Commission ("Code") and shall form an integral part of this Agreement.

1.2 Not protected by China Securities Investor Protection Fund

According to the Measures for the Administration of Securities Investor Protection Fund 《證券投資者保護基金管理辦法》, the functions of China Securities Investor Protection Fund (CSIPF, 中國投資者保護基金) include "indemnifying creditors as required by China's relevant policies in case a securities company is subjected to compulsory regulatory measures including dissolution, closure, bankruptcy and administrative takeover by China Securities Regulatory Commission (CSRC) and custodian operation" or "other functions approved by the State Council". As far as Hong Kong investors participating in

Northbound trading are concerned, since they are carrying out Northbound trading through securities brokers in Hong Kong and these brokers are not Mainland brokers, therefore they are not protected by CSIPF on the Mainland.

1.3 Quotas used up

Once the daily quota is used up, acceptance of the corresponding buy orders will also be immediately suspended and no further buy orders will be accepted for the remainder of the day. Buy orders which have been accepted will not be affected by the using up of the daily quota, while sell orders will be continued to be accepted. Buying services will be resumed on the following trading day.

1.4 Difference in trading day

As mentioned above, Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect will only operate on days when both the Hong Kong and Mainland markets are open for trading and when banks in both markets are open on the corresponding settlement days. So it is possible that there are occasions when it is a normal trading day for the Mainland market but Hong Kong investors cannot carry out any A-share trading. Investors should take note of the days Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect are open for business and decide according to their own risk tolerance capability whether or not to take on the risk of price fluctuations in A-shares during the time when Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect are not trading.

1.5 Restrictions on selling imposed by front-end monitoring

For investors who usually keep their A-shares outside of their brokers, if they want to sell certain A-shares they hold, they must transfer those A-shares to the respective accounts of their brokers before the market opens on the day of selling (T day). If they fail to meet this deadline, they will not be able to sell those A-shares on T day.

1.6 The recalling of eligible stocks

When a stock is recalled from the scope of eligible stocks for trading via Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect for above-mentioned reasons, the stock can only be sold but restricted from being bought. This may affect the investment portfolio or strategies of investors. Investors should therefore pay close attention to the list of eligible stocks as provided and renewed from time to time by SSE, SZSE and SEHK.

1.7 Currency risks:

Hong Kong and overseas investor who holds a local currency other than RMB will be exposed to currency risk if they invest in a RMB product due to the need for the conversion of the local currency into RMB. During the conversion, investors will also incur currency conversion costs. Even if the price of the RMB asset remains the same when you purchase it and when investors redeem / sell it, they will still incur a loss when they convert the redemption / sale proceeds into local currency if RMB has depreciated.

1.8 Mainland market risk

- **Market volatility risk**

  The Mainland stock market is relatively volatile as it is mostly made up of retail investors who tend to be speculative and susceptible to the central government policies and news.

- **Macro-economic risk**

  There is a close relationship between the Chinese economy and stock market performance. For investing in the Mainland stock market, investors should pay attention to economic and financial data including GDP growth, and the country’s government and corporate debts.

- **Currency risk**

  Hong Kong investors will expose to the risk of RMB exchange rate movements if they have to convert HKD into RMB for trading in Shanghai and Shenzhen A-shares. The conversion also incurs costs.
  Movements in the RMB exchange rate will affect the profits and debts of the Mainland listed companies. Such effects will be more significant to those export-oriented companies and companies having debts denominated in currencies other than RMB.

- **Policy risk**

  Central government's economic and financial policies will affect the performance of investment market. You shall beware of the central government policies for stimulating the economy or supporting different industries, as well as their different financial policies in respect of the currency, interest rate, credit and stock markets.

1.9 Risks relating to SSE STAR market and SZSE ChiNext market

Certain eligible A-shares under Shenzhen Connect are listed on the SSE STAR market and SZSE ChiNext market, which are limited to the institutional professional investors. Generally, stocks listed on the STAR market and ChiNext market contain higher risk than those listed on main board of SSE and SZSE.

- **Operating risk**

  Companies listed on STAR market and ChiNext market are generally in the early stage of development, whose business is unstable, profitability is low, and less resilient against market and industry risks. Operating risks experienced by these companies often include technical failure, new products are not well-received by the market, failure to catch up the market development and any changes in the founder, management team and core technician team.

- **Delisting risk**

  Compared to the companies listed on the main board of SSE and SZSE, the STAR and ChiNext companies may have greater exposure to the risk of being delisted, and such delisting process may be speeded up.

- **Fluctuation in stock price**

  As companies listed on STAR market and ChiNext market are relatively small and their business performance are unstable, they are more vulnerable to speculation. Share price of the STAR and ChiNext stocks is more volatile in general. It should also be noted that A-shares listed on STAR market and ChiNext market are subject to a daily price limit of 20% (the daily price limit for A-shares listed on main board is 10%).

- **Technical risk**

  Some of the companies listed on STAR market and ChiNext market are high-tech companies, whose success is subject to technology innovation. However, these companies are exposed to the risks and challenges relating to technical innovation, such as high R&D costs, technical failure, and rapid development and replacement in technology and product market.

- **Risks relating to valuation**

  Generally, it is difficult to estimate the value of a company listed on STAR market and ChiNext market as they are in the early stage of development with short operation history and unstable profits and cash flow. Therefore, traditional valuation method, such as price-to-earnings ratio and price-to-book ratio may be difficult to be applied.

- **Regulatory risk**

  The listing requirements of STAR market and ChiNext market are less stringent than main board of SSE and SZSE, e.g. lower net profit and revenue requirements. Moreover, the disclosure rules applied to the STAR market and ChiNext market are different from the main board of SSE and SZSE.

1.10 Risks of client assets received or held outside Hong Kong

Client assets received or held by the licensed or registered person outside Hong Kong are subject to the applicable laws and regulations of the relevant overseas jurisdiction which may be different from the Securities and Futures Ordinance (Cap.571) and the rules made thereunder. Consequently, such client assets may not enjoy the same protection as that conferred on client assets received or held in Hong Kong.

1.11 Amendment of Orders and Loss of Priority

Consistent with the current practice in Mainland China, if an investor wishes to amend an order, the investor must first cancel the original order and then input a new one. Accordingly, order priority will be lost and, subject to the Daily Quota restrictions, the subsequent order may not be filled on the same Trading Day.

1.12 Risk of Default by China Securities Depository and Clearing Corporation (CSDCC)

If CSDCC defaults, HKSCC may, but shall have no obligation to, take any legal action or court proceeding to seek recovery of the outstanding China Connect Securities and monies from CSDCC through available legal channels and through CSDCC's liquidation process, if applicable. HKSCC will in turn distribute the stocks or monies recovered to clearing participants on a pro-rata basis. As CSDCC does not contribute to the HKSCC Guarantee Fund, the HKSCC Guarantee Fund will not be used to cover any residual loss as a result of closing out any of CSDCC's positions in the event of default by CSDCC.

1.13 Risk of HKSCC Default

Pursuant to China Connect Terms, services provided also depends upon the performance by HKSCC of its obligations. Any action or inaction of the HKSCC or a failure or delay
by the HKSCC in the performance of its obligations may result in a failure of settlement, or the loss, of China Connect Securities and/or monies. As a result, investors may suffer losses. The Company shall have no responsibility or liability for any such losses.

1.14 Foreign Ownership Limits

According to the rules of the Mainland China, single foreign investor’s shareholding in a listed company should not exceed 10% of the total issued shares. All foreign investors’ shareholding in the A shares of a listed company is not allowed to exceed 30% of its total issued shares. Investors should make sure the shareholding percentage complies with the related restriction. Foreign Ownership Limits may have an adverse effect on the liquidity and performance of an investment in A shares. As a result, investor may suffer losses in China Connect Securities.
If the Company becomes aware that investors have breached (or reasonably believes that investors may breach upon execution of further Northbound buy orders) any foreign ownership limits, or if the Company is so required by any China Connect Authority, including without limitation to any Forced-sale Notice issued by the relevant China Connect Market, the Company will sell any China Connect Securities in order to ensure compliance with all China Connect Laws and China Connect Rules.

1.15 Mainland Rules and Regulations

When investing in SSE Securities / SZSE Securities through Shanghai Connect / Shenzhen Connect, Customer should take note of and comply with SSE / SZSE Rules, SSE / SZSE Listing Rules and other applicable laws and regulations of Mainland China relating to Northbound trading, including but not limited to prohibition of trading SSE Securities / SZSE Securities and disclosure obligations. Customer is liable and responsible for breaching those laws and regulations. Customer is advised to obtain independent professional advice if there is any question on Mainland rules and regulations.

The above is only an overview of some of the risks related to Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect

D. Risk Disclosure Statements of Virtual Assets and Virtual Asset-related Products

1 Risk Disclosure Statement

1.1 This risk disclosure statement is given pursuant to the Code of Conduct for Persons Licensed by or Registered with Securities and Futures Commission (“Code”) and shall form an integral part of this Agreement.

1.2 Definition of virtual assets and virtual asset-related products

"VA-related products" refers to investment products which: (a) have a principal investment objective or strategy to invest in virtual assets; (b) derive their value principally from the value and characteristics of virtual asset.

1.3 Magnified Risks and Potential Losses

Investing in VA and VA-related products involves risks. VA are high risk investment. Trading in VA-related products is subject to the general risks associated with VA. These risks could result in substantial financial loss in transactions involving VA and VA-related products. In the worst case scenario, the investors may lose their entire investment. The general risks associated with VA and VA-related products could include, without limitation to, the following:

(i) Legal and Regulatory Risk

All VA transactions are potentially exposed to legal and regulatory risks. The legal and regulatory treatments of the VA vary according to the jurisdiction, they are unsettled and may change rapidly. A VA may or may not be considered as "property" under the law, and such legal uncertainty may affect the nature and enforceability of investors' interest in such VA.

The effect of regulatory and legal risks is that any VA may decrease in value or lose all of its value due to legal or regulatory change. Changes or uncertainty in the legal or regulatory framework, actions imposed by governmental or regulatory bodies relating to blockchain technology and/or VA may adversely impact the use, storage, transfer, exchange and value of the VA, returns on investors' investment or even render a previously accepted investment illegal. Investors should seek independent legal, tax and financial advice and continue to monitor the legal and regulatory position in respect of their investment in VA and VA-related products.

(ii) Risk of Price Volatility

The prices of VA and VA-related products are subject to supply and demand and may fluctuate significantly within a short period of time. The volatile and unpredictable fluctuations in price may result in significant losses.

Any VA may decrease in value or lose all of its value in response to various factors including security concerns, discovery of wrongful conduct, market manipulation, change to the nature or properties of the VA, technological developments, governmental or regulatory activity, legislative changes, suspension or cessation of support for a VA or other exchanges or service providers, public opinions, or other factors outside of our control.

Psychological market risks may have a particular effect on VA and their prices may be adversely affected by global or local economic, political, environmental or other factors.

(iii) Risk of Potential Price Manipulation

There may not be a robust regulatory framework to govern VA trading, lending and/or dealing platforms. The spot markets for VA (i.e. the underlying assets of VA-related products) are largely unregulated at present. They are more likely to present investor protection issues, ranging from a lack of pricing transparency to potential market manipulation which may contribute to false and misleading appearance of trading activities in or an artificial price for VA. Investors may suffer financial losses arising from buying or selling VA at a false price.

(iv) Risk of Lack of Secondary Market

There is the possibility for investors to experience losses due to the inability to sell or convert assets into a preferred alternative asset immediately or in instances where conversion is possible but at a loss. Such liquidity risk in an asset may be caused by the absence of buyers, limited buy/sell activity or underdeveloped secondary markets.

The value of a particular VA may decline, or be completely and permanently lost should the market for that VA disappear. This is because the value of a VA may be derived, among other things, from the continued willingness of market participants to exchange fiat currencies for a VA. There is no assurance that a person who accepts a VA as payment, will continue to do so in the future.

(v) Risk of Unregulated Trading, Lending or Other Dealing Platforms and Custodians of VA

Service providers for VA and VA-related products, including custodians, fund administrators, trading platforms and index providers, may be unregulated, or regulated only for anti-money laundering and counter-financing of terrorism purposes or subject to light-touch regulation (e.g. for payment purposes). Thus, they may not be subject to the same robust regulation as service providers or products in traditional financial markets, posing additional counterparty risks for VA-related products.

The offering documents or product information provided by the applicable issuer may not be subject to regulatory approval. Investors should exercise caution in respect of any issuance or offer of such assets.

For any VA that have been authorised by a regulator or traded on a platform authorised by a regulator, such authorisation does not imply any official recommendation or endorsement of the asset and/or platform by the regulator, nor does it guarantee the commercial merits of the asset and/or platform or its performance.

Some VA transactions may be deemed to be executed only when they are recorded and confirmed by a Securities and Futures Commission-licensed platform, which may not necessarily be the time at which the client initiates the transaction.

The protection offered by the Investor Compensation Fund established under the Securities and Futures Ordinance does not apply to transactions involving VA (irrespective of the nature of the tokens).

(vi) Counterparty Risk

Effecting transactions with issuers, private buyers and sellers or through trading, lending or other dealing platforms (collectively, the "Counterparties") is subject to counterparty risk. Investors should evaluate the comparative credit risk of the Counterparties and undertake appropriate due diligence before undertaking any transaction.
Investors should read the applicable terms, information and risk disclosures provided by the related VA or VA-related product issuer carefully before entering into a VA or VA-related product transaction. Investors should seek independent professional advice before making any investment decision.

(vii) Risk of the Loss of VA

Investing in VA is subject to the risk of the loss of VA, especially if the VA is held in "hot wallet" or "hot storage". A "hot wallet" or "hot storage" describes the practice where the private keys to VA are kept in an online environment. As "hot wallet" or "hot storage" is connected to the internet, it is more susceptible to cyber-attacks. Cyber-attacks resulting in the hacking of VA trading platforms and thefts of VA are common. Victims may have difficulty recovering losses from hackers or trading platforms. This could result in significant loss, loss of investors' entire investment, and/or other impacts that may materially affect investor's interests.

(viii) Hacking and Technology-related Risks

- Cyber-attacks and fraudulent activity

VA and VA-related products' technologic reliance exposes Customer to the risk of fraud or cyber-attack. VA or VA-related products may be targeted by hackers, individuals, malicious groups or organisations who may attempt to interfere with or steal the VA or fiat currency in various ways, including but not limited to interventions by way of distributed denial of service, sybil attacks, phishing, social engineering, hacking, smurfing, malware attacks, double spending, majority-mining, consensus-based or other mining attacks, misinformation campaigns, forks, and spoofing. Any successful attacks present a risk to the VA, and may result in theft or loss of the VA.

- Reliance on the internet and/or other technologies

VA and VA-related products are reliant on effective and reliable internet and/or other technologies. Either parts or the entire internet may be unreliable or unavailable at any given time, when such happens, interruption, transmission blackout, delayed transmission due to data volume, internet traffic, corruption or loss of data, loss of confidentiality and/or accuracy in the transmission of data, or the transmission of malware may occur when transmitting data via the internet and/or other technologies.

(ix) Risk of Trading New Type of Asset

VA are relatively new and complex financial instruments, and generally a high-risk asset class. Market participants of VA may engage complex transaction strategies. They may or may not be Securities. Investors should ensure that investors have the knowledge and expertise to understand how the product is structured (which may differ from case to case), the applicable terms and conditions, and exercise caution in relation to the trading of VA, and VA themselves. VA are not legal tender. They may not be backed by physical assets, and are not backed or guaranteed by the government. They may not have intrinsic value. Some of the VA may not circulate freely or widely, and may not be listed or trading on any secondary markets or exchanges.
Transactions involving VA are irrevocable. Lost or stolen VA may be irretrievable. Once a transaction has been verified and recorded on a blockchain, loss or stolen VA generally will not be reversible.

The price of new type assets may fluctuate, sometimes dramatically. Their price 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 VA.