Risk Disclosure Statement

This risk disclosure statement is not intended to disclose an exhaustive list of all of the risks in respect of securities trading and other trading particularized hereinafter. You should not enter into the relevant trading contract unless you understand the nature and the extent of risk thereof. Trading in derivative product may not be suitable for many members of the investing public. You should carefully consider whether trading to be entered into is appropriate for you in light of your experience, objectives, financial resources and all other circumstances.

RISK OF SECURITIES TRADING

The prices of securities fluctuate, 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.

RISK OF TRADING FUTURES AND OPTIONS

The risk of loss in trading futures contracts or options is substantial. In some circumstances, you may sustain losses in excess of your initial margin funds. Placing contingent orders, such as "stop-loss" or "stop-limit" orders, will not necessarily avoid loss. Market conditions may make it impossible to execute such orders. You may be called upon at short notice to deposit additional margin funds. If the required funds are not provided within the prescribed time, your position may be liquidated. You will remain liable for any resulting deficit in your account. You should therefore study and understand futures contracts and options before you trade and carefully consider whether such trading is suitable in the light of your own financial position and investment objectives. If you trade options you should inform yourself of exercise and expiration procedures and your rights and obligations upon exercise or expiry.

RISK OF TRADING GROWTH ENTERPRISE MARKET STOCKS

Growth Enterprise Market (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. GEM stocks may be very volatile and illiquid. You 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 internet website operated by The Stock Exchange of Hong Kong Limited. GEM Companies are usually not required to issue paid announcements in gazetted newspapers. 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.

RISK 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.

RISK OF PROVIDING AN AUTHORITY TO REPLEDGE YOUR SECURITIES COLLATERAL ETC.

There is risk if you provide the licensed or registered person with an authority that allows it 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 its settlement obligations and liabilities. If your securities or securities collateral are received or held by the licensed or registered person 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. Additionally, your authority may be deemed to be renewed (i.e. without your written consent) if the licensed or registered person issues you a reminder at least 14 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. You are not required by any law to sign these authorities. But an authority may be required by licensed or registered persons, 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. The licensed or registered person should explain to you the purposes for which one of these authorities is to be used. If you sign one of these authorities and your securities or securities collateral are lent to or deposited with third parties, those third parties will have a lien or charge on your securities or securities collateral. Although the licensed or registered person is responsible to you for securities or securities collateral lent or deposited under your authority, a default by it could result in the loss of your securities or securities collateral. A cash account not involving securities borrowing and lending is available from most licensed or registered persons. If you do not require margin facilities or do not wish your securities or securities collateral to be lent or pledged, do not sign the above authorities and ask to open this type of cash account.

RISK OF PROVIDING AN AUTHORITY TO HOLD MAIL OR TO DIRECT MAIL TO THIRD PARTIES

If you provide the licensed or registered person with an authority to hold mail or to direct mail to third parties, it is important for you to 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.

RISK OF MARGIN TRADING

The risk of loss in financing a transaction by deposit of collateral is significant. You may sustain losses in excess of your cash and any other assets deposited as collateral with licensed or registered person. Market conditions may make it impossible to execute contingent orders, such as "stop-loss" or "stop-limit" orders. You may be called upon at short notice to make additional margin deposits or interest payments. If the required margin deposits or interest payments are not made within the prescribed time, your collateral may be liquidated without your consent. Moreover, you will 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.

RISK OF TRADING NASDAQ-AMEX SECURITIES AT THE STOCK EXCHANGE OF HONG KONG LIMITED

The securities under the Nasdaq-Amex Pilot Program (“PP”) are aimed at sophisticated investors. You should consult the licensed or registered person and become familiarised with the PP before trading in the PP securities. You should be aware that the PP securities are not regulated as a primary or secondary listing on the Main Board or the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

RISK OF PRODUCT DENOMINTED IN RENMINBI (RMB)

1. Exchange Control Risk

   RMB is not fully and freely convertible and conversion of RMB is subject to a daily limit or other prescribed limits. You should allow sufficient time for exchange of RMB to or from another currency if the RMB amount exceeds the daily limit or prescribed limit. For RMB products with a significant portion of non- RMB denominated underlying investments, you should pay attention to the possibility that you may not receive the full amount in RMB upon redemption. This may be the case if the issuer is not able to obtain sufficient amount of RMB in a timely manner due to the exchange controls and restrictions applicable to the currency.

2. Liquidity Risk

   You should pay attention to the liquidity risk associated with the RMB products. In particular, if such products do not have an active secondary market and their prices have large bid/offer spreads.

3. Devaluation Risk

   There is no assurance that RMB will not be subject to devaluation. You must subscribe for RMB denominated product and will receive realisation proceeds in RMB. If you convert your investment moneys in Hong Kong Dollars or other currencies into RMB in order to invest in the product, you will suffer losses in case of RMB devaluation, if you convert realisation proceeds back into Hong Kong Dollars or other currencies.

RISK OF EXCHANGE-TRADED DERIVATIVE PRODUCTS

(A) General Risk

1. Issuer Default Risk

   In the event that an exchange-traded derivative product issuer becomes insolvent and defaults on its issued products, you will be considered as unsecured creditors and will have no preferential claims to any assets held by the issuer. You should therefore pay close attention to the financial strength and credit worthiness of exchange-traded derivative product issuers.

2. Uncollateralized Product Risk

   Since exchange-traded derivative products are not asset backed, in the event of issuer bankruptcy, you can lose your entire investment.

3. Gearing Risk

   Exchange-traded derivative products such as warrants and callable bull/bear contracts are leveraged and can change in value rapidly according to the gearing ratio relative to the underlying assets. You should be aware that the value of an exchange-traded derivative product may fall to zero resulting in a total loss of the initial investment.

4. Limited Life

   Most of the exchange-traded derivative product issuer has an expiry date after which the products may become worthless. You should be aware of the expiry time horizon and choose a product with an appropriate lifespan for your trading strategy.

5. Extraordinary Price Movements

   The price of an exchange-traded derivative product may not match its theoretical price due to outside factors such as market supply and demand. As a result, actual traded prices can be higher or lower than the theoretical price.

(B) ADDITONAL RISK OF TRADING WARRANT

1. The value of a warrant is likely to decrease over time. In the worst case, the warrants may expire with no value. Therefore, it should not be viewed as long-term investments.

2. Certain events (including, without limitation, a right issue, bonus issue or cash distribution by the issuer, a subdivision or consolidation of the underlying shares and a restructuring event of the issuer) may entitle the issuer to adjust the terms and conditions of the warrant.

3. The value of the warrants may not correlate with the movements of the underlying index level and is affected by implied volatility of underlying asset price, the time remaining to expiry, interest rates, and the expected dividend on the underlying assets.

4. The liquidity provider may be the only market participant for the warrants. There may not be a secondary market or the secondary market is limited and it may be difficult for you to realize the value in the warrants prior to expiry.

(C) ADDITONAL RISK OF CALLABLE BULL/BEAR CONTRACTS ("CBBC")

1. A CBBC has a fixed expiry date and closely tracks the performance of an underlying asset (for example, a share, index, commodity or currency). When trading CBBCs you 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. You will only be entitled to the residual value of the terminated CBBC as calculated by the product issuer in accordance with the listing documents. You should also note that the residual value can be zero.

2. When the underlying asset is trading close to the call price, the price of a CBBC may be more volatile with wider spreads and uncertain liquidity. CBBC may be called at any time and trading will terminate as a result. Once it is called, the contract cannot be revived and you will not benefit even if the underlying asset bounces back to a favorable position. Any trades executed after this mandatory call event will not be recognized and will be cancelled.

3. You should be aware that CBBC is a complex leveraged investment which may not be suitable for all people. With its gearing feature, it may magnify potential returns and potential losses as well. In the worst-scenario, you may lose all of your investments.

4. Although CBBC has liquidity providers, there is no assurance that you will be able to buy or sell CBBC at your target prices any time you wish.

5. The issue price of a CBBC includes funding costs, which are gradually reduced over time as the CBBC moves towards expiry. In the event that a CBBC is called, you will lose the funding costs for the remaining period of the CBBC.

(D) ADDITONAL RISK OF EQUITY LINKED INSTRUMENTS (ELIs)

Equity Linked Instruments (ELIs) are structured products which are marketed to retail and institutional investors who want to earn a higher interest rate than the rate on an ordinary time deposit and accept the risk of repayment in the form of the underlying shares or losing some or all of their investment.

ELIs combine notes/deposits with options and their return component is based on the performance of the underlying assets. Their maximum return is capped but the potential loss can be significant. You may lose all your investment capital if the price of the underlying asset moves substantially against your view. You shall take the credit risk of the issuer and your investment return depends primarily on the future price movement of the underlying assets. It is important for you to read all the relevant offer documents to fully understand the features and risks of ELIs before deciding to invest.

RISK OF TRADING EXCHANGE TRADED FUNDS (ETFs)

1. Tracking Error Risk

ETFs are typically designed to track the performance of certain indices, market sectors, or groups of assets such as stocks, bonds, or commodities. You are exposed to the political, economic, currency and other risks related to the ETFs' underlying index/assets they are tracking. There may be tracking errors (i.e. disparity in the performance between an ETF and its underlying index/assets), due to, for instance, failure of the tracking strategy, currency differences, fees and expenses. You must be prepared to bear the risk of loss and volatility associated with the underlying index/assets.

2. Counterparties Risk

Where an ETF invests in derivatives (i.e. synthetic ETF) to replicate the underlying index/assets performance, you are exposed to the credit risk of the counterparties who issued the derivatives, in addition to the risks associated with the underlying index/assets. Further, potential contagion and concentration risks of the derivative issuers should be taken into account (e.g. since derivative issuers are predominantly international financial institutions, the failure of one derivative counterparty of a synthetic ETF may have a "knock-on" effect on other derivative counterparties of the synthetic ETF). Some synthetic ETFs have collateral to reduce the counterparty risk, but there may be a risk that the market value of the collateral has fallen substantially when the synthetic ETF seeks to realize the collateral.

3. Discount or Premium Risk

Where the index/assets that the ETF tracks is subject to restricted access, the efficiency in unit creation or redemption to keep the price of the ETF in line with its net asset value (NAV) may be disrupted, causing the ETF to trade at a higher premium or discount to its NAV. If you would buy an ETF at a premium or sell when the market price is at a discount to NAV, you may sustain losses.

4. Liquidity Risk

Trading in ETFs is also subject to liquidity risk. Although an ETF is traded in an exchange there is no assurance that a liquid market exists for an ETF. A higher liquidity risk is involved if a synthetic ETF involves derivatives that do not have an active secondary market. Wider bid-offer spreads in the price of the derivatives may result in losses.

5. Exchange Rate Risk

Your trading ETFs with underlying assets not denominated in Hong Kong dollars is also exposed to exchange rate risk. Currency rate fluctuations can adversely affect the underlying asset value as well as affect the ETF price.

RISK OF OVER-THE-COUNTER ("OTC") PRODUCT

1. Loss of Capital Risk

You may loss capital in OTC product investment in whole or in part.

2. General Market Risk

The general economic and political climate, general movements in local and international capital and stock markets, prevailing and anticipated economic conditions, investor sentiment and other events and factors will have impact (positively or negatively) on the value of the OTC product.

3. Inflation Risk

Fixed income OTC product tends not to offer extraordinary high return and therefore it would be particularly vulnerable when inflation rises.

4. Interest Rate Risk

The value of the OTC product with fixed income may have an inverse relationship to interest rate. When interest rate rises, the value of the relevant product falls and vice versa.

5. Default Risk

Some OTC products are nothing more than a promise to repay the investor by the issuer. Once the issuer defaults or becomes insolvent, you may have no preferential claims to any assets held by the issuer. Thus, you should pay particular attention to the financial strength and credit worthiness of the issuer.

6. Reinvestment Risk

Many OTC products are callable, entitling the issuer to call the OTC products before its maturity. In the event that the issuer calls the OTC products when interest rate falls, it will prejudice you if you have considered that you have locked in an interest rate and a level of safety.

7. Tax Risk

We recommend that you seek independent tax advice prior to entering into an investment in OTC product. We are not providing tax advice by profession and therefore cannot be relied upon to advise, nor take any responsibility for the same.

8. Liquidity Risk

The OTC product is less liquid and may not have secondary market. You may only reduce your exposure to the OTC product by negotiating with the counterparty and requesting an early termination. As a result, you may be liable to the administration fees and all other charges. Further, the terms and conditions for early termination may be prejudicial to you.

9. Potential Conflicts of Interest

We will conduct transactions as principal or as agent in the relevant OTC market where the OTC product is traded, including the buying and selling of the OTC product. These trading activities may affect (positively or negatively) the value of the OTC product at any point in time.

RISK OF OVER-THE-COUNTER DERIVATIVE PRODUCT

Most risks of exchange traded derivative product will also apply to OTC derivative product. In addition, the following additional risks of OTC derivative product should be noted.

1. Market Risk

Option embedded in OTC derivative product carries high risk. Upon maturity, loss may incur as a result of market price or interest rate movement. You should understand that in case of equity-linked product, you may lose principal in the worst scenario. In the event of principal-protected product, you may lose the non-principal-protected portion. We give no guarantee as to the return on the product upon maturity. You should carefully assess the investment prior to your entering into the transaction and pay attention to the impact on option resulting from the movement of the underlying assets.

2. Credit Risk

Attention should be paid to issuers' credit rating that is formulated in accordance with the issuers' scale, gearing ratio, liquidity, and profit and loss. You should review the issuers' credit risk and their risk tolerance. Where credit risk of the issuer is materialized, you may lose your principal.

3. Early Termination Risk

In case of early termination, the terms regulating profit and loss upon maturity set out in the trading contract will no longer apply. You may be personally liable to penalty up to certain extent. Issuers and/or we will not warrant that you will receive the principal in whole upon early termination.

4. Liquidity Risk

If the product is less liquid, there exists significant difference between the actual transaction price and the unit price of the contract. Where you terminate the contract early, you may suffer loss in principal. It requires you to take the product until maturity, if the market becomes entirely illiquid.

5. Exchange Rate Risk

If you make investment in the product with currency other than that denominated, you should pay attention to the risk that upon return of the investment principal, you will receive the amount less than that you paid when making investment if the invested principal is converted into another currency. We will not forecast the trend of foreign exchange rate.

6. Interest Rate Risk

You should be aware that should the product make investment in fixed income product with the fund you invested, the price is subject to the interest rate trend. When interest rate rises, the market value of the fixed income product will go down and it may result in loss. In the event of interest rate going down, the market value of fixed income product will go up and you may earn extra return.

RISK OF ELECTRONIC SERVICE

If you execute trade via electronic service system provided by us, you will be exposed to risks associated with the system thereof including, without limitation, its failure of hardware and software. Your instructions will not be executed as a result of the failure of the system. In addition, instructions given or transactions conducted through the electronic service system may be subject to interruption, transmission blackout, delayed transmission or incorrect data transmission due to unpredictable traffic congestion or other reasons. Further, communications and personal data may be intercepted by unauthorized third parties;