## Risk Disclosure Statement

**You should carefully consider whether the Transactions of the Securities, and the trading of leveraged foreign exchange, options, derivatives and other financial products are suitable for you in light of your financial condition, experience and investment objectives. The following is a summary of some of the risks involved in the Services, the Transactions of the Securities, and the trading of leveraged foreign exchange, options, derivatives and other financial products. This summary is <u>not</u> an exhaustive list and you understand that you may ask questions and, where necessary, seek independent professional advice regarding the risk disclosure statements and/or these Terms of Business.**

Further, where you give instructions to purchase the Securities or deal in leveraged foreign exchange, options, derivatives or other financial products, you acknowledge that before you send any instructions to us regarding the Transactions of any Securities, or the trading of leveraged foreign exchange, options, derivatives or other financial products, you will or have carefully read the latest offering document (if applicable), including the risk disclosure statements contained therein, and other relevant information related to the trading of relevant Securities, leveraged foreign exchange, options, derivatives and other financial products.

# 1 General risks associated with Securities

### 1.1 Risk of Securities trading

The prices of Securities fluctuate, sometimes dramatically. The prices of Securities 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 of Securities.

### 1.2 Risks of options trading

The risk of loss in trading 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 options before you trade and carefully consider whether such trading is suitable in 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.

### 1.3 Risk of investing in emerging markets

The Securities markets and financial infrastructure of some of the emerging countries are not yet fully developed which may, in some circumstances, lack liquidity and transparency. Accounting, auditing and financial reporting standards in some of the emerging markets may be less vigorous than international standards. Governments of emerging markets may retain a high degree of direct control over the economy, and policy changes or changes in the application or interpretation of laws may have sudden and significant adverse impact on investments. Foreign exchange controls are more common in emerging markets. All these factors contribute to the risks of losses and price volatility of investments in emerging markets.

### 1.4 Risks of trading GEM shares

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 do not understand any aspect of this risk disclosure statement or the nature and risks involved in trading of GEM stocks.

### 1.5 Risks of client assets received or held outside Hong Kong

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 SFO and 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.

### 1.6 Renminbi ("RMB") currency risk and currency risk in general

You acknowledge that Securities may be denominated in RMB and a Product may invest in a class of Securities denominated in RMB. RMB is currently not freely convertible and RMB convertibility from offshore RMB ("**CNH**") to onshore RMB ("**CNY**") is a managed currency process subject to foreign exchange control policies of and restrictions imposed by the government of the People's Republic of China ("**Chinese Mainland**"). Under exceptional circumstances, payment of redemptions and/or dividend payment in RMB may be delayed due to the exchange controls and restrictions applicable to RMB. There can be no assurance that RMB will not be subject to depreciation. Any depreciation of RMB could adversely affect the value of the Securities and the value of the Product's investments and/or classes which are denominated in RMB.

Classes denominated in RMB may be valued with reference to CNH rather than CNY. While CNH and CNY represent the same Currency, they are traded at different rates. Any divergence between CNH and CNY may adversely impact your investment.

Without limitations to the above, you also acknowledge that Securities may be denominated in other non-Hong Kong Dollar ("**HKD**") Currencies and a Product may invest in a class of Securities denominated in such other Currencies. You in such case would also be exposed to exchange rate risk. Currency rate fluctuations can similarly adversely affect the value of the Securities and the value of the Product's investments and/or classes which are denominated in other non-HKD Currencies.

### 1.7 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 licensed or registered persons 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 GEM of The Stock Exchange of Hong Kong Limited.

### 1.8 Risk of Complex Products

Complex Products may involve the use of derivatives. The risk of loss in Complex Products can be more than the original amount invested. You should therefore exercise caution in relation to Complex Products.

### 1.9 Risk of trading in derivatives and structured products

Derivative transactions ("**Derivative Transactions**") can involve a range of products (including some more generally known as structured notes and also including products known as structured deposits). Such products can either be apparently simple (such as options) or complexly (and perhaps individually) structured. These products can have substantial benefits for you but they carry with them substantial risks which must be clearly understood by you. Considering the possible risks, you should ensure that you have all necessary information you require to assess a Derivative Transaction before deciding on its appropriateness for you. You should consider what you intend to achieve from the Derivative Transactions, including your financial and operational resources, and any tax and accounting considerations. You should be aware of any general framework for Derivative Transactions established by any regulatory authorities. There may also be significant regulatory or other legal considerations to be taken into account.

### 1.10 Risk of providing Services electronically

Electronic transmission may not be a reliable medium of communication due to unforeseen traffic congestion and other reasons. Circumstances such as delays in the transmission and receipt of instructions or other information from you, delays in the execution of instructions, or execution of your instructions at a different market price than the instructions given by you will occur during a transmission interruption. Moreover, communications and personal data may be obtained by unauthorised third parties, and in communication there will be misunderstanding or error risk, and these risks will be borne entirely by you. You acknowledge and agree that it is normally not possible to cancel an instruction once it has been issued.

## 2 Specific risks associated with mutual funds

### 2.1 Past performance of mutual funds not indicative of future performance

The past performance of a mutual fund is not a guide to its future performance and yields are not guaranteed. The value of an investment can go down as well as up and you could lose some or all of the principal amount invested. Funds are not deposits or other obligations of, or guaranteed by, we or any of our affiliates. For the risks involved in investing in mutual funds, you should refer to the offering documents of the relevant mutual funds, and should carefully consider whether it is appropriate to invest in the relevant fund based on its own situation. If in doubt, you should obtain independent professional advice.

### 2.2 Derivatives involved

Certain mutual funds may use derivatives to achieve its investment objectives, which may lead to higher fluctuation rates of the net asset value of the mutual funds, or greater losses suffered by the mutual funds than the cost of derivatives. Investments in this type of funds are subject to, among other risks, counterparty and credit risks of the mutual fund issuers. The poor cash flow of and/or default in payment by counterparty in a transaction with the mutual funds would adversely affect the value of the mutual fund assets and the ability of the mutual funds to meet their repayment obligations.

### 2.3 Tax and legal consequences arising from foreign exchange controls

You shall carefully consider the possible tax consequences, legal provisions and any regulations relating to foreign exchange controls that you may face in respect of purchase, sale, subscription, holding, conversion or disposal of Units in the mutual fund under the laws of the country of your citizenship, residence or domicile before investing in any mutual funds.

### 2.4 SFC authorised funds

Only SFC authorised investment funds are distributed by us. SFC authorisation is not a recommendation or endorsement of a fund, nor does it guarantee the commercial merits of a fund or its performance. It does not mean the fund is suitable for all investors, nor is it an endorsement of its suitability for any particular investor or class of investors. The content of our website or the System has not been reviewed by the SFC or any regulatory authority in Hong Kong.

## 2.5 Lack of principal protection

The principal value of an investment in a fund may not be protected and as a result you may suffer a loss of your principal investment.

## 2.6 Off-Exchange Transactions

Transactions may be traded off-exchange or on an over-the-counter basis. Non-exchange traded or "nontransferable" Units may not be readily realisable and are not regulated by the rules of any exchange. Situations may arise where no market traders are prepared to deal in them or no proper information may be available to determine their value. Sometimes it may not be possible to obtain a price quotation for a Unit. Minimum transaction amounts may be imposed and/or changed by traders from time to time.

## 2.7 Concentration risk

You should note that investment in a single country or market would be exposed to potential concentration risk.

## 2.8 Counterparty risk

Funds are subject to counterparty risk associated with the underlying investments held by the fund. If the counterparty in respect of the underlying investment defaults or fails to honour its contractual commitment, the fund may suffer losses. Further, the credit rating and/or financial condition of the counterparties in respect of the fund's underlying investments will affect the value of the fund and ultimately your investment. For example, if a counterparty defaults, the value of the fund may be negatively affected.

## 2.9 Custodian risk

You should note that your Securities may, at our discretion, be registered in your name, in our name or in the name of the Service Providers. In the case where the Securities are registered in the name of the Service Providers, you will be exposed to the credit risks and other default risks of the Service Providers. There is no assurance of protection against a default by the Service Providers. In the worst case scenario, you could lose all of your investment.

## 2.10 Fees charged by us

We or any of our affiliates may be paid service commission (normally calculated and levied on the basis of the net asset value of the mutual fund held for you) as well as fully or partially those fees received from you including the subscription fee, redemption fee and switching fee (calculated and levied on the basis of the amounts of your Transactions) from the mutual fund managers.

### 2.11 Market risk

The markets in which the mutual funds invest can be affected by many different factors forcing the value of your investment of the mutual fund up as well as down. For instance, poor results can make the value of a company's shares fall.

### 2.12 Liquidity risk

If you cannot sell the Units of the mutual fund at the prevailing market price for cash quickly enough, you could suffer from liquidity risk. The time it takes to sell or liquidate your investment can depend on many factors such as the number of buyers and sellers at that time and the quality of the investment.

### 2.13 Political and policy risk

Unpopular governments, wars and social unrest can affect the risk level of bonds linked to these countries. Changes in government policies and regulations can also impact on the price and risk level of bonds.

### 2.14 Bond fund

If the fund is a fixed income or bond fund, it will be subject to risks associated with investing in bonds, including (without limitation):

(a) Credit risk

Bonds are subject to the risk of the issuer defaulting on its obligations. It should also be noted that credit ratings assigned by credit rating agencies do not guarantee the creditworthiness of the issuer.

(b) Liquidity risk

Some bonds may not have active secondary markets and it would be difficult or impossible for investors to sell the bond before its maturity.

(c) Interest rate risk

Bonds are more susceptible to fluctuations in interest rates and generally prices of bonds will fall when interest rates rise.

A fund will be subject to a higher degree of risks if it invests in non-investment grade debt securities, distressed debt securities, defaulted debt securities, emerging market debt securities, mortgage and asset-backed securities, debt securities in a limited number of geographical markets or sectors, contingent convertible Securities.

(d) Risk of debt securities issued by Special Purpose Vehicle ("**SPVs**")

Investments in debt securities issued by SPVs may expose the relevant fund to additional risks such as the credit / default risk of both the SPV and its parent company or affiliates.

Investments in debt securities of a subordinated nature issued by SPVs will have a lower priority of claim in the event of the relevant Issuer's liquidation or bankruptcy as they rank behind holders of unsubordinated debt securities but before holders of equity Securities and is therefore exposed to higher credit / insolvency risk of its counterparties.

### 2.15 High yield bond funds

Funds that primarily invest in high yield bonds are associated with the following risks:

(a) Higher credit risk

Since high yield bond funds are typically rated below investment grade or are unrated, they are often subject to a higher risk of issuer default.

(b) Vulnerability to economic cycles

During economic downturns, such bonds typically fall more in value than investment grade bonds as:

(i) investors become more risk averse; and

(ii) default risk rises.

(c) Default or rise of interest rate

The net asset value of a fund that invests in high-yield bonds may decline or be negatively affected if there is a default of any of the high yield bonds that it invests in or if interest rates change.

(d) Distribution out of capital

Some high yield bond funds may have fees and/or dividends paid out of capital. As a result, the capital that the fund has available for investment in the future and capital growth may be reduced.

(e) Reinvestment

Some high yield bond funds may not distribute dividends, but instead reinvest the dividends into the fund or alternatively, the investment manager may have discretion on whether or not to make any distribution out of income and/or capital of the fund.

(f) High distribution yield is not equivalent to high return

A high distribution yield does not imply a positive or high return on the total investment.

(g) Other relevant risks

Other key risks that may relate to high yield bond funds include concentration of investments in particular types of specialised debt or a specific geographical region or sovereign Securities.

## 2.16 **Equity / Balanced funds**

(a) Risks associated with investment in emerging markets or single market

If the fund is an equity fund and it invests in emerging markets, a single market or a limited number of geographical markets, sectors or smaller cap companies, the fund will be subject to higher degree of risk.

(b) Risks of balanced funds

Balanced funds which invest in both fixed income products and equities will be exposed to risks of both fixed income fund and equity fund as described in the foregoing.

(c) Risks associated with investment in derivatives

If the fund invests in derivatives, it may be subject to higher volatility and counterparty risk and other additional risks may also be involved.

(d) Risks associated with investment in Chinese Mainland

If the fund's investments are concentrated in Chinese Mainland, it involves greater risk of loss than investing in more developed markets due to, among other factors, greater concentration, political, tax, economic, foreign exchange, liquidity, market volatility (such as interest rate and price volatility), legal and regulatory risks.

(e) Risks associated with investment in Chinese Mainland A-shares and B-shares

If the fund invests in China A-shares and B-shares and make the relevant investment through Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect and China A-shares Access Products, additional risks may be involved.

(f) Risks associated with investment in the SME Board, ChiNext Board and/or STAR Board

Investments in the SME Board, ChiNext Board and/or STAR Board are subject to the following risks and may result in significant losses for the fund:

(i) Higher fluctuation on stock prices and over-valuation risk

Listed companies on the SME Board, ChiNext Board and/or STAR Board are usually of emerging nature with smaller operating scale which are subject to higher fluctuation in stock prices and liquidity and have higher risks and turnover ratios than companies listed on the main board. The listed stocks may be overvalued and such exceptionally high valuation may not be sustainable.

(ii) Differences in regulation applicable to ChiNext Board and STAR Board

The rules and regulations regarding companies listed on ChiNext Board and STAR Board are less stringent in terms of profitability and share capital than those in the main board and SME Board.

(iii) Delisting risk

It may be more common and faster for companies listed on the SME Board, ChiNext Board and/or STAR Board to delist.

(iv) Concentration risk applicable to STAR Board

STAR Board is a newly established board and may have a limited number of listed companies during the initial stage. Investments in STAR Board may be concentrated in a small number of stocks and subject the fund to higher concentration risk.

### 2.17 Money market Funds

Money market funds are not obliged to redeem units at their offering price. Further, such funds are not subject to the supervision and regulation of the Hong Kong Monetary Authority. Such funds do not provide a guarantee of return and are not principal protected.

## 3 Risks associated with Leveraged FX Trading

3.1 The risk of loss in Leveraged FX Trading can be substantial. 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 limit losses to the intended amounts. 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 carefully consider whether such trading is suitable in light of your own financial position and investment objectives.

3.2 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 us. If the market moves against your positions, you may have limited time to deposit an amount (which may be substantial) of additional funds in order to maintain your positions. If the required collateral or interest payments are not deposited or 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.

3.3 Leveraged FX Trading can involve a high degree of risk. Price changes in the underlying Currency can result in substantial losses to you that may in some instances exceed the amount of Margin you have placed with us. You should not participate in Leveraged FX Trading unless you understand and are willing to assume the risks associated with such trading and are financially able to absorb losses in excess of the Margin you deposit with us from time to time.

3.4 Under certain market conditions, you may find it difficult or impossible to liquidate a position. Placing Stop Loss will not necessarily limit your losses to the intended amounts, since market conditions may make it impossible to execute such orders at the designated price.

3.5 The high degree of leverage which is often obtained in connection with Leveraged FX Trading can work against you as well as for you. The use of leverage can lead to large losses instead of or as well as gains.

3.6 Trading on the System or through telephone is subject to risks associated with trading on electronic trading systems or manned service, such as hardware or software or human failures, connectivity problems, computer viruses and system or power failures. As a result of any such failure or interruption, you may not be able to transfer funds into or out of your Account, give Orders, view or cancel pending Transactions, or take other actions in relation your Accounts, which may cause you to incur a loss or may result in an Automatic Closeout.

3.7 We may trade as a principal in Currencies and related instruments in various markets and may take an opposing position to a Leveraged FX Trade effected or to be effected by you. Subject to the Applicable Regulations and our monitoring, our employees may trade contracts on their own accounts. We and our employees who trade Currencies may have interests different from or adverse to your interests. In such circumstances, we and our employees should take all reasonable steps to ensure fair treatment to you. In providing you with the Services and entering into

Transactions with you, we and our employees may not provide you with information we or they may possess or to alter or refrain from our or their own trading.

3.8 You may be affected by any curtailment of or restriction on our capacity to trade in respect of Open Positions as a result of action taken by the Authority or other governmental or regulatory bodies under Applicable Regulations or for any other reason. In such circumstances, you may be required to reduce or close your Open Positions with us.

3.9 Any transaction involving foreign Currencies, including Leveraged FX Trades, involves additional risks not common to transactions denominated entirely in your domestic Currency. Exchange rates of foreign Currencies can be highly volatile and can be affected by factors such as changes in political and economic policy (both domestic and overseas), political instability, wars, natural disasters and global market movements.

3.10 You understand that you use the System as a channel for executing Leveraged FX Trades with us, each party acting as principal. Before entering into a Leveraged FX Trade, you should assess it having regard to your investment objectives, financial conditions and other relevant circumstances and the risks associated with that Leveraged FX Trade. You may suffer substantial losses under the Services.

3.11 You understand that any information, proposal or other communication from us, including market research and commentary, is merely for your reference. They may be provided by us or other persons or compiled by us from information and materials provided by other persons. We do not represent or guarantee the accuracy, truth, reliability, adequacy, timeliness or completeness of any information, proposal or communication or whether it is fit for any purpose.

3.12 You understand and agree that you are solely responsible for making your own independent investment decisions, even if you may have informed us of your investment objectives. You should seek independent legal and tax advice in relation to your obligations for conducting Leveraged FX Trading. We are not liable for any taxes or duties payable by you in relation to the Services or any Leveraged FX Trade.

3.13 You appreciate that in extreme market conditions, your positions might be closed out mandatorily without a Margin Call being made to you. You therefore undertake that you will constantly monitor market condition and reassess your ability to maintain your Open Positions.

# 4 Risks associated with bonds

### 4.1 Credit risk

You shall assume credit risks of the issuer and the guarantor (if applicable). Any changes to their credit ratings will affect the price and value of the bonds. Bonds are subject to default risks of the issuer , i.e. an issuer fails to make principal and interest payments when due. In the worst case scenario, such as bankruptcy of the issuer and the guarantor (if applicable), investors could lose the entire investments. Credit ratings assigned by credit rating agencies do not guarantee the creditworthiness of the issuer.

### 4.2 Liquidity risk

The bond may have limited liquidity and may not be actively traded and/or quoted by brokers in the market. As such:

(a) the market value of the bond and/or its indicative bid/offer price will depend on market liquidity and conditions and may not be available at all times;

(b) it may take a longer time or it may be impossible to sell the bond to the market; and

(c) the executable sale price may be significantly different from our indicative bid price quoted, which may be unfavourable to you.

### 4.3 Interest rate risk

Bonds are more susceptible to fluctuations in interest rates and generally prices of bonds will fall when interest rates rise.

### 4.4 Market risk

The value of investments may fluctuate due to changing political, legal and economic conditions and changes in interest rates. This is common to all markets and asset classes. You may get back an amount substantially less than the original amount you have invested.

### 4.5 Currency risk

For bonds denominated in a foreign Currency, there may be an exchange loss when converting the redemption amount back to the local or Base Currency.

### 4.6 High-yield bonds risk

In addition to the generic risks listed above, high-yield bonds are subject to other risks such as:

(a) Higher credit risks

Since they are typically rated below investment grade or are unrated and as such are often subject to a higher risk of issuer default.

(b) Vulnerability to economic cycles

During economic downturns such bonds typically fall more in value than investment grade bonds as (i) investors become more risk averse and (ii) default risk rises.

### 4.7 Risks associated with perpetual debentures

Perpetual debenture does not have a maturity date, and the coupon pay-out depends on the viability of the issuer in the very long term, which may be deferred or even suspended in accordance with its terms and conditions. Furthermore, perpetual debentures are often callable and/or subordinated, and you shall bear reinvestment risks and/or subordinated bonds risks.

### 4.8 Reinvestment risk of callable bonds

If the bond is callable early and the issuer redeems the bond before maturity, you will face reinvestment risks. The yield received when reinvesting the proceeds may be less favourable.

### 4.9 Risk associated with subordinated debentures

Holders of subordinated debentures will bear higher risks than holders of senior debentures of the issuer due to a lower priority of claim in event of the issuer's liquidation. Subordinated debentures are unsecured and have lesser priority than that of an additional debt claim of the same asset. They usually have a lower credit rating than senior bonds. Your specific attention is drawn to the credit information of this Product, including the respective credit rating of the issuer, the debenture or the guarantor, as the case may be.

### 4.10 Risk associated with variable coupon/coupon deferral features

If the bonds contain variable and/or deferral of interest payment terms, you would face uncertainty over the amount and time of the interest payments to be received.

### 4.11 Risk associated with extendable maturity date

If the bonds contain extendable maturity date terms, you would not have a definite schedule of principal repayment.

### 4.12 Risk associated with convertible stocks or exchangeable debentures

They are convertible or exchangeable in nature and you are subject to both equity and bond investment risks; and/or that have contingent write-down or loss absorption features and the bonds may be written-off fully or partially or converted to common stock on the occurrence of a trigger event.

## 5 Risks associated with structured investment products

### 5.1 Structured investment products are generally Complex Products

No public offering in Hong Kong has been authorized by the SFC, even if the issue is authorized by the SFC under section 105(1) of the SFO. The SFC takes no responsibility for the contents of the relevant documents, makes no representation as to their accuracy or completeness and accepts no liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of their contents. The

SFC's authorization does not imply that the SFC endorses or recommends the structured investment products referred to in the documents. Structured investment products are generally uncollateralized, unlisted and may not have an active or liquid secondary market, or may only be traded by professional investors. An investment in a structured investment product is not equivalent to an investment in its reference assets.

5.2 **The investment in structured investment products is subject to the credit and insolvency risks of the issuer, the guarantor and/or other identified counterparties (as the case may be)**

Structured investment products may involve derivatives. The prices of the Products may go up as well as down and may change significantly within a short period of time. They are not principal-protected and in the worst-case scenario, investors may lose the entire amount invested, or may suffer a loss greater than the amount invested. Before deciding to invest in such structured investment products, you should ensure that you understand the nature of such structured investment products, carefully study the risk factors set out in the documents of such structured investment products and seek professional advice if necessary. Structured investment products are not protected by the Investor Compensation Fund. You should exercise caution when dealing in structured investment products. Past performance is not indicative of future performance. If there are any similar forward-looking statements, such contents or statements should not be regarded as a guarantee of any future performance and attention should be drawn to the fact that actual circumstances or developments may differ materially from those described in such statements.

5.3 **Where the name of the structured investment product contains the word "deposit", that the deposit is a structured investment product which is not a protected deposit, that it is not protected by the Deposit Protection Scheme and that it is not the same as and should not be treated as a substitute for a term deposit.**

5.4 **In the case of a collateralised structured investment product, you should refer to the relevant product offering documents to understand the priority of claims of investors to the proceeds of realisation of the collateral.**

5.5 **In the case of non-collateralized structured investment products, such structured investment products constitute general unsecured contractual obligations of the issuer and of no other person. If you purchase such structured investment products, you are relying upon the creditworthiness of**

**the issuer and the guarantor and have no rights under the terms of the structured investment products against the issuer(s) of the reference assets.**

## 6 Risks associated with trading Callable Bull/Bear Contracts ("CBBCs")

### 6.1 Mandatory call risk

When trading CBBCs, you should be aware of their intraday "knockout" or mandatory call features. 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.

### 6.2 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. In the event that a CBBC is called, you will lose the funding costs for the entire lifespan of the CBBC. The formula for calculating the funding costs is stated in the listing documents of the CBBCs.

## 7 Risks of exchange traded products

### 7.1 Market risk

The value of an exchange traded product ("**ETP**") represents the value of its underlying assets including but not limited to stocks, bonds, or commodities. ETP issuers may use different strategies to construct the portfolios, but in general they do not have the discretion to take defensive positions in declining markets. You must be prepared to bear the risk of loss and volatility associated with the underlying index/assets.

### 7.2 Tracking error

Tracking error refers to the disparity in performance between an ETP and its underlying index/assets. For ETPs adopting a passive strategy, tracking error can arise due to factors such as the impact of transaction fees and expenses incurred to the ETP, changes in composition of the underlying index/assets, and the ETP issuer's replication strategy. For ETPs adopting an active strategy, tracking error will normally higher due to the ETP issuer's objective to outperform its underlying index/assets. You should be aware of this active risk when considering to invest in actively managed ETPs.

7.3 **Trading at premium or discount**

An ETP may be traded at a premium or discount 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 ETPs tracking specific markets or sectors that are subject to direct investment restrictions.

**This brief summary does not disclose all the risks and other significant aspects of the Services, the Transactions of the Securities, and the trading of leveraged foreign exchange, options, derivatives and other financial products. You should carefully study these Terms of Business, Additional Terms and the information available on the System or our website before you trade.**