

GLORY SUN SECURITIES LIMITED

寶新證券有限公司

Statements (English version)

聲明 (英文版本)

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Should there be any discrepancies between the English and the Chinese versions, the English version shall prevail.

## **Personal Data Privacy Statement**

The following Personal Data & Privacy Statement is provided to you pursuant to the Personal Data (Privacy) Ordinance of Hong Kong (“Ordinance”) in connection with your provision of personal data or information (“Data”) to, Glory Sun Securities Limited (“GSSL”) from time to time.

### **Collection**

1. From time to time, it is necessary for you to supply GSSL with Data in connection with various matters such as account opening or continuations, provision of services to you or compliance with any laws or guidelines issued by regulatory or other authorities.
2. The kinds of Data that may be collected includes, but is not limited to, name and address, occupation, contact details, date of birth, marital status, nationality, identity card or passport numbers, details of financial and investment status.
3. Failure to supply such Data may result in GSSL being unable to open an account or continue to provide any services to you or unable to comply with any laws or regulations or guidelines and codes issued by regulatory or other authorities.
4. It is also the case that Data is collected from you in the ordinary course of the continuation of your relationship with GSSL, for example, when you direct GSSL to effect a transaction or generally communicate verbally or in writing with GSSL.

### **Purpose and Use**

The purposes for which Data may be used will vary depending on the nature of your relationship with GSSL. GSSL intends to use your Data for any or all of the following purposes:

1. the processing of opening your account with GSSL including confirming and verifying your identity;
2. the daily operation of the account and the services to be provided to you;
3. any purpose related to the administration of the products and services offered by GSSL;
4. researching, designing and launching new services or related products for clients;
5. meeting the disclosure and compliance requirements under any laws or regulations, codes, guidelines or internal GSSL compliance policies applicable to GSSL in Hong Kong or elsewhere; and
6. any other purpose directly related to the above.

### **Retention and Access**

1. The Data collected may be maintained for such period of time required under applicable law and as otherwise needed to fulfil the purposes set out above.
2. Data held by GSSL relating to you will be kept confidential and GSSL will take all reasonable measures to ensure that Data is kept secure against unauthorized access, loss, disclosure and destruction. GSSL may provide such information to the following parties, whether inside or outside of Hong Kong, for the purposes set out in the “Purpose and Use” section above:
  - a) the ultimate holding company of GSSL, its subsidiaries, representative offices, associated companies and/or affiliates;
  - b) the service providers of GSSL, including but not limited to the trustee, investment manager, registrar, transfer agent, the custodian, administrative service agent, lawyer, accountant and auditor of GSSL;
  - c) any agent, contractor or third party service provider who provides administrative, research, design, launch, digital or telecommunication, clearing and settlement or other services to GSSL in connection with the operation of its business;
  - d) the employees, officers, directors of GSSL; and
  - e) any party (including but not limited to, any governmental or regulatory authority or court of competent jurisdiction) entitled thereto by law or regulation or in response to a regulatory request; and

3. Under the Ordinance, you have the right to:
- a) check whether GSSL holds Data about you, and access to such Data;
  - b) require GSSL to correct any Data relating to you which is inaccurate;
  - c) ascertain GSSL's policies and practices in relation to data and to be informed of the kinds of Data held by GSSL; and
  - d) object to the use of your Data for direct marketing purposes and GSSL shall not use your Data in any way for direct marketing purposes after you communicate your objection to GSSL.

In accordance with the Ordinance, GSSL has the right to charge a reasonable fee for the process of any data access request. For access to your Data held by GSSL, correction of such Data, objection to use of your Data for direct marketing purposes or for information regarding policies and practices and kinds of Data held, please contact:

Glory Sun Securities Limited  
Unit 1908, 19/F, Tower 2,  
Lippo Centre, No. 89 Queensway,  
Hong Kong  
Attn: Officer-in-charge (Personal Data Privacy)

Email: [cs.sec@hk1282.com](mailto:cs.sec@hk1282.com)  
Fax: 2813 6618

Nothing in this Statement shall limit your rights under the Ordinance.

## **Notice of Collection and Use of Personal Data under the Personal Data (Privacy) Ordinance**

### **Marketing (including Direct Marketing)**

GSSL intends to use your personal data in direct marketing and GSSL requires your consent (which includes an indication of no objection) for that purpose. In this connection, kindly note that:-

1. GSSL intends to use your name, contact details, products and services portfolio information, transaction pattern and behaviour, and financial background and demographic data held by GSSL from time to time in direct marketing.
2. The following classes of services, products and subjects may be marketed: financial, insurance, securities, investment, and related services, products and credit facilities.
3. The above services, products and subjects may be provided or solicited by GSSL and/or: i) any member of the GSSL's group companies; ii) third party financial institutions, insurers, securities, commodities and investment services providers.
4. In addition to marketing the above services, products and subjects itself, GSSL also intends to provide the data described in paragraph (1) above to all or any of the persons described in paragraph (3) above for use by them in marketing those services, products and subjects, and GSSL requires your written consent (which includes an indication of no objection) for that purpose.

GSSL may not use your personal data unless we have received your consent. If you do not wish GSSL to use or provide to other persons your data for use in direct marketing as described above, you may exercise your opt-out right by notifying GSSL.

### **Stock Connect Northbound Trading**

You acknowledge and agree that in providing our Stock Connect Northbound Trading Service to you, GSSL will be required to:

1. tag each of your orders submitted to the China Stock Connect System ("CSC") with a Broker-to-Client Assigned Number ("BCAN") that is unique to you or the BCAN that is assigned to your joint account with GSSL, as appropriate; and
2. provide to the Stock Exchange of Hong Kong Limited ("SEHK") the assigned BCAN and such identification information ("Client Identification Data" or "CID") relating to you as the SEHK may request from time to time under the Rules of the Exchange.

Without limitation to any notification, we have given you or consent we have obtained from you in respect of the processing of your personal data in connection with your account and our services to you, you acknowledge and agree that we may collect, store, use, disclose and transfer personal data relating to you as required as part of our Stock Connect Northbound Trading Service, including as follows:

1. to disclose and transfer your BCAN and CID to the Exchange and the relevant SEHK Subsidiaries from time to time, including by indicating your BCAN when inputting a China Connect Order into the CSC, which will be further routed to the relevant China Connect Market Operator on a real-time basis;
2. to allow each of the Exchange and the relevant SEHK Subsidiaries to: (i) collect, use and store your BCAN, CID and any consolidated, validated and mapped BCANs and CID information provided by the relevant China Connect Clearing House (in the case of storage, by any of them or via Hong Kong Exchanges and Clearing Limited ("HKEx")) for market surveillance and monitoring purposes and enforcement of the Rules of the Exchange; (ii) transfer such information to the relevant China Connect Market Operator (directly or through the relevant China Connect Clearing House) from time to time for the purposes set out in (c) and (d) below; and (iii) disclose such information to the relevant regulators and

law enforcement agencies in Hong Kong so as to facilitate the performance of their statutory functions with respect to the Hong Kong financial markets;

3. to allow the relevant China Connect Clearing House to: (i) collect, use and store your BCAN and CID to facilitate the consolidation and validation of BCANs and CID and the mapping of BCANs and CID with its investor identification database, and provide such consolidated, validated and mapped BCANs and CID information to the relevant China Connect Market Operator, the Exchange and the relevant SEHK Subsidiary; (ii) use your BCAN and CID for the performance of its regulatory functions of securities account management; and (iii) disclose such information to the Mainland regulatory authorities and law enforcement agencies having jurisdiction over it so as to facilitate the performance of their regulatory, surveillance and enforcement functions with respect to the Mainland financial markets; and
4. to allow the relevant China Connect Market Operator to: (i) collect, use and store your BCAN and CID to facilitate their surveillance and monitoring of securities trading on the relevant China Connect Market through the use of the China Connect Service and enforcement of the rules of the relevant China Connect Market Operator; and (ii) disclose such information to the Mainland regulatory authorities and law enforcement agencies so as to facilitate the performance of their regulatory, surveillance and enforcement functions with respect to the Mainland financial markets.

By instructing us in respect of any transaction relating to China Connect Securities, you acknowledge and agree that we may use your personal data for the purposes of complying with the requirements of the Exchange and its rules as in force from time to time in connection with the Stock Connect Northbound Trading. You also acknowledge that despite any subsequent purported withdrawal of consent by you, your personal data may continue to be stored, used, disclosed, transferred and otherwise processed for the above purposes, whether before or after such purported withdrawal of consent.

Failure to provide us with your personal data or consent as described above may mean that GSSL will not, or no longer be able, as the case may be, to carry out your trading instructions or provide you with our Stock Connect Northbound Trading Service.

Hong Kong Investor Identification Regime (HKIDR), Over-the-counter Securities Transactions Reporting Regime (OTCR) and Fast Interface for New Issuance (FINI)

You acknowledge and agree that we, GSSL may collect, store, process, use, disclose and transfer personal data relating to you as the account holder (including your CID and BCAN(s)) as required for us to provide services to you in relation to securities listed or traded on the Stock Exchange of Hong Kong (SEHK) and for complying with the rules and requirements of SEHK and the Securities and Futures Commission (SFC) in effect from time to time. Without limiting the foregoing, this includes –

1. disclosing and transferring your personal data (including CID and BCAN(s)) to SEHK and/or the SFC in accordance with the rules and requirements of SEHK and the SFC in effect from time to time;
2. allowing SEHK to: (i) collect, store, process and use your personal data (including CID and BCAN(s)) for market surveillance and monitoring purposes and enforcement of the Rules of the Exchange of SEHK; and (ii) disclose and transfer such information to the relevant regulators and law enforcement agencies in Hong Kong (including, but not limited to, the SFC) so as to facilitate the performance of their statutory functions with respect to the Hong Kong financial markets; and (iii) use such information for conducting analysis for the purposes of market oversight; and
3. allowing the SFC to: (i) collect, store, process and use your personal data (including CID and BCAN(s)) for the performance of its statutory functions including monitoring, surveillance and enforcement functions with respect to the Hong Kong financial markets; and (ii) disclose and transfer such information to relevant regulators and law enforcement agencies in Hong Kong in accordance with applicable laws or regulatory requirements.
4. providing BCAN to Hong Kong Securities Clearing Company Limited (“HKSCC”) allowing HKSCC to: (i) retrieve from SEHK (which is allowed to disclose and transfer to HKSCC), process and store your CID and transfer your CID to the issuer’s share registrar to enable HKSCC and/ or the issuer’s share registrar to verify that you have not made any duplicate applications for the relevant share subscription and to facilitate IPO balloting and IPO settlement; and (ii) process and store your CID and transfer your

CID to the issuer, the issuer's share registrar, the SFC, SEHK and any other party involved in the IPO for the purposes of processing your application for the relevant share subscription or any other purpose set out in the IPO issuer's prospectus.

You understand and confirm that where GSSL on your instructions provide services for the subscription or purchase of securities in a public offer in respect of a new listing on the HKEX, GSSL may submit EIPO (as defined under Rules of Central Clearing and Settlement System established & operated by HKSCC) subscription on your behalf.

You also acknowledge and agree that despite any subsequent purported withdrawal of the abovesaid consent by you, your personal data may continue to be stored, processed, used, disclosed or transferred for the above purposes before or after such purported withdrawal of consent and that your personal data may be retained by us in accordance with the regulatory requirements.

Failure to provide us with your personal data or consent as described above may mean that we will not, or will no longer be able to, as the case may be, carry out your trading instructions or provide you with securities related services (other than to sell, transfer out or withdraw your existing holdings of securities, if any).

*Note: The terms "BCAN" and "CID" used in this clause shall bear the meanings as defined in paragraph 5.6 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission.*

## **Risk Disclosure Statement (Securities)**

*The following risks factors are non-exhaustive and are not intended as a substitute for professional legal, tax or financial advice. Before making any investment decisions, you should carefully consider whether the investment is suitable in light of your own financial position, investment experience, investment objectives and risk tolerance level. You should not make investment decisions based on this statement alone. You should carefully read the terms and conditions and the risk disclosure statement of the relevant investment products and services. This statement does not constitute any offer, solicitation, recommendation, comment or guarantee to the purchase, subscription or sale of any investment products or services herein. This statement has not been reviewed by the Securities and Futures Commission in Hong Kong. GSSL does not provide advisory services. You are advised to seek independent advice.*

### **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 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.

### **Risks Involved in Trading Callable Bull / Bear Contracts (“CBBC”)**

#### **Mandatory Call**

CBBC are not suitable for all types of investors and investors should consider their risk appetite prior to trading. In any case, one should not trade in CBBC unless he / she understands the nature of the product and is prepared to lose the total amount invested since a CBBC will be called by the issuer when the price of the underlying asset hits the Call Price and trading in that CBBC will expire early. Payoff for Category N CBBC will be zero when they expire early. When Category R CBBC expire early the holder may receive a small amount of Residual Value payment, but there may be no Residual Value payment in adverse situations. Brokers may charge their clients a service fee for the collection of the Residual Value payment from the respective issuers.

In general, the larger the buffer between the Call Price and the Spot Price of the underlying asset, the lower the probability of the CBBC being called since the underlying asset of that CBBC would have to experience a larger movement in the price before the CBBC will be called. However at the same time, the larger the buffer, the lower the leverage effect will be.

Once the CBBC is called, even though the underlying asset may bounce back in the right direction, the CBBC which has been called will not be revived and investors will not be able to profit from the bounce-back.

Besides, the Mandatory Call Event (MCE) of a CBBC with overseas assets as underlying may be triggered outside the Exchange's trading hours.

### **Gearing Effects**

Since a CBBC is a leveraged product, the percentage change in the price of a CBBC is greater compared with that of the underlying asset. Investors may suffer higher losses in percentage terms if they expect the price of the underlying asset to move one way but it moves in the opposite direction.

### **Limited Life**

A CBBC has a limited life, as denoted by the fixed expiry date, with a lifespan of 3 months to 5 years. The life of a CBBC may be shorter if called before the fixed expiry date. The price of a CBBC fluctuates with the changes in the price of the underlying asset from time to time and may become worthless after expiry and in certain cases, even before the normal expiry if the CBBC has been called early.

### **Movement with Underlying Asset**

Although the price of a CBBC tends to follow closely the price of its underlying asset, but in some situations it may not (i.e. delta may not always be close to one). Prices of CBBC are affected by a number of factors, including its own demand and supply, funding costs and time to expiry. Moreover, the delta for a particular CBBC may not always be close to one, in particular when the price of the underlying asset is close to the Call Price.

### **Liquidity**

Although CBBC have liquidity providers, there is no guarantee that investors will be able to buy / sell CBBC at their target prices any time they wish.

### **Funding Costs**

The issue price of a CBBC includes funding costs and issuers will specify the formula for calculating the funding costs of their CBBC at launch in the listing documents. However, if a CBBC is called, the CBBC holders (investors) will lose the funding cost for the full period since the funding cost is built into the CBBC price upfront at launch even though with the MCE, the actual period of funding for the CBBC turns out to be shorter. In any case, investors should note that the funding costs of a CBBC after launch may vary during its life and the Liquidity Provider is not obliged to provide a quote for the CBBC based on the theoretical calculation of the funding costs for that CBBC at launch.

### **Trading of CBBC Close to Call Price**

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.

However, the trade inputted by the investor may still be executed and confirmed by the investors after the MCE since there may be some time lapse between the MCE time and suspension of the CBBC trading. Any trades executed after the MCE (i.e. Post MCE Trades) will not be recognized and will be cancelled. Therefore, investors should be aware of the risk and ought to apply special caution when the CBBC is trading close to the Call Price.

Issuers will announce the exact call time within 1 hour after the trigger of MCE, and HKEx will also send the list of Post MCE Trades to the relevant Exchange Participants (brokers) who in turn will inform their clients accordingly. For avoidance of doubt on whether their trades have been cancelled (i.e. whether they are Post MCE Trades), the investors may check with their brokers.



## **CBBC with Overseas underlying Assets**

Investors trading CBBC with overseas underlying assets are exposed to an exchange rate risk as the price and cash settlement amount of the CBBC are converted from a foreign currency into Hong Kong dollars. Exchange rates between currencies are determined by forces of supply and demand in the foreign exchange markets which are affected by various factors.

Besides, CBBC issued on overseas underlying assets may be called outside the Exchange's trading hours. In such case, the CBBC will be terminated from trading on the Exchange in the next trading session or soon after the issuer has notified the Exchange about the occurrence of the MCE. There will be no automatic suspension of the CBBC by AMS/3. For Category R CBBC, valuation of the residual value will be determined on the valuation day according to the terms in the listing documents

## **Risks Involved In Trading Derivative Warrants**

Derivative warrant trading involves high risks and is not suitable for every investor. Investors should understand and consider the following risks before trading in derivative warrants.

### **Issuer Risk**

Derivative warrant holders are unsecured creditors of an issuer and have no preferential claim to any assets an issuer may hold. Therefore, investors are exposed to credit risk in respect of the issuer.

### **Gearing Risk**

Although derivative warrants may cost a fraction of the price of the underlying assets, a derivative warrant may change in value more or less rapidly than the underlying asset. In the worst case the value of the derivative warrants falls to zero and holders lose their entire purchase price.

### **Limited Life**

Unlike stocks, derivative warrants have an expiry date and therefore a limited life. Unless the derivative warrants are in-the-money, they become worthless at expiration.

### **Time Decay**

One should be aware that other factors being equal the value of derivative warrants will decrease over time. Therefore, derivative warrants should never be viewed as products that are bought and held as long term investments.

### **Volatility**

Other factors being equal an increase in the volatility of the underlying asset should lead to a higher warrant price and a decrease in volatility lead to a lower derivative warrant price.

### **Market Forces**

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. Supply and demand forces may be greatest when a derivative warrant issue is almost sold out and when issuers make further issues of an existing derivative warrant issue.

## **Specific Risks Relating to Securities Trading Through Shanghai-Hong Kong/Shenzhen-Hong Kong Stock Connect**

Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connect is available only to Hong Kong and overseas investors. Client who wishes to make investment in China Connect Securities should comply with laws and regulations of Hong Kong and Mainland China in respect of China Connect or any activities arising from

China Connect and laws and regulations of Mainland China, including those in relation to foreign exchange control and reporting, as may be amended from time to time.

#### Not protected by Investor Compensation Fund

You should note that any Northbound or Southbound trading under Shanghai-Hong Kong/Shenzhen-Hong Kong Stock Connect will not be covered by Hong Kong's Investor Compensation Fund. 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, they are not protected by China Securities Investor Protection Fund on the Mainland.

#### Difference in Trading Day and Trading Hours

You should note that, due to differences in public holidays between Hong Kong and Mainland China or other reasons such as bad weather conditions, there may be differences in trading days and trading hours in the two markets. Shanghai-Hong Kong/Shenzhen-Hong Kong Stock Connect will only operate on days when both markets are open for trading and when banks in both markets are open on the corresponding settlement days. Therefore, it is possible that there are occasions when it is a normal trading day for the Mainland market but Hong Kong investors cannot trade A-shares. You should take note of the days and the hours which Shanghai-Hong Kong/Shenzhen-Hong Kong Stock Connect is open for business and decide according to his 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/Shenzhen-Hong Kong Stock Connect is not trading.

#### The Recalling of Eligible Stocks and Trading Restrictions

A stock which is on the list of eligible stocks for trading via Shanghai-Hong Kong/Shenzhen-Hong Kong Stock Connect may be recalled from the list for various reasons and, in such event, the stock can only be sold but cannot be bought. This may affect your investment portfolio or strategies. You should therefore pay close attention to the list of eligible stocks as provided and updated from time to time by Shanghai Stock Exchange ("SSE") and Hong Kong Exchanges and Clearing Limited ("HKEx").

Under the following circumstances, purchase of A shares via Northbound trading will be suspended temporarily (but sale is permitted): (i) the A-shares cease to be constituent stocks of the relevant indices; (ii) the A-shares are put under "risk alert"; and/or (iii) the corresponding H shares of the A-shares cease to be traded on SEHK. You should also note that such A-shares may be subject to the restriction of price fluctuation limits.

#### Trading of ChiNext shares

The trading of ChiNext Shares is subject to higher risk. Only institutional professional investor (i.e. a "professional investor" within the meaning of paragraph (a) - (i) of the definition of "professional investor" in section 1 of Part 1 of Schedule 1 to Securities and Futures Ordinance (Cap 571)) is allowed to buy or sell ChiNext shares which are accepted as China Connect Securities (other than Special China Connect Securities which are eligible for sell orders only) through the China Connect Service.

#### Quotas Restrictions

Purchases of China Connect Securities through China Connect are subject to certain quota controls. There is a daily quota that limits the maximum value of all Northbound buy trades that can be executed by Exchange Participants on each Trading Day ("Daily Quota"). SEHK has absolute discretion to take all such actions, steps or measures as it considers necessary or appropriate to ensure or facilitate compliance with the relevant quota requirements or restrictions including but not limited to the following: (i) restricting or rejecting buy orders for Northbound Trading; (ii) suspending or restricting the access to or the use of all or any part of the trading services for Northbound Trading; and (iii) amending the operational hours and related arrangements of Northbound Trading. As a result, there is no assurance that a buy order can be successfully placed through China Connect. The Daily Quota may change from time to time without prior notice and investors are advised to refer to the HKEx website and other information published by the HKEx for up-to-date information. The

Stock Exchange of Hong Kong Limited (“SEHK”) and the Shanghai Stock Exchange (“SSE”) and/or the Shenzhen Stock Exchange (“SZSE”) (as the case may be) may also set pricing and other restrictions on buy orders in order to prevent the artificial use or filling of the Daily Quota. If there is a restriction, rejection or suspension of Northbound buying (which would include any order that has been accepted but not yet executed) as a result of a breach of the Daily Quota or the relevant pricing and other restrictions, GSSL will be unable to carry out any buy orders and any instruction to buy submitted but not yet executed will be restricted or rejected. Under the SEHK rules, investors may sell their China Connect Securities regardless of whether there is a breach of the Daily Quota.

#### Shareholding Limits on Foreign Investors

Under the applicable laws and regulation of Mainland China, (i) the individual shareholding of a Mainland Chinese company which is listed on a Mainland Chinese stock exchange should not exceed 10%; and (ii) the aggregate shareholding of a Mainland Chinese company which is listed on a Mainland Chinese stock exchange should not exceed 30%. Where foreign investors (including investors holding China Connect Securities through CCASS) hold 28% or more of the issued shares of a relevant issuer in aggregate, SSE will notify the SEHK Subsidiary, and the Exchange and SEHK Subsidiary will as soon as practicable thereafter suspend accepting China Connect buy orders in respect of the relevant China Connect Securities until the aggregate shareholding of foreign investors is reduced to below 26%, as advised by SSE.

#### Forced-sale Arrangements

If GSSL becomes aware that the client has breached any foreign ownership limits or reasonably believe that the client may breach any foreign ownership limits upon execution of further buy orders; or if GSSL receives any forced-sale notification from HKEx, GSSL shall have the right to sell the client’s China Connect Securities in order to ensure compliance with all applicable rules and requirements. However, GSSL is not obliged to do so and client should not rely on such action by GSSL to ensure the client’s compliance with any applicable rules and requirements. Client shall not in any event claim against GSSL for any losses or damages incurred by the client arising from or in connection with such foreign ownership limits.

#### Transaction Costs

In addition to paying trading fees and stamp duties in connection with trading of A-shares, client carrying out Northbound trading via Shanghai-Hong Kong/Shenzhen-Hong Kong Stock Connect should also take note of any new portfolio fees, dividend tax and tax concerned with income arising from stock transfers, which may be levied by the relevant authorities.

#### Mainland China’s Laws and Regulations, Foreign Shareholding Restrictions and Disclosure Obligations

Under Shanghai-Hong Kong/Shenzhen-Hong Kong Stock Connect, A-share listed companies and trading thereof are subject to the laws and regulations and disclosure obligations of the A-share market. Any changes in relevant laws or regulations may affect share prices. You should also take note of the foreign shareholding restrictions and disclosure obligations applicable to A-shares. You may be subject to restrictions on trading and retention of proceeds as a result of his interests and shareholdings in A-shares. The client himself is responsible for compliance with the requirements of all relevant notifications, reports and disclosure of interests.

Under the current Mainland rules, when an investor holds up to 5% of the shares of a company listed on SSE and SZSE, the investor is required to disclose his interest within three working days during which he cannot trade the shares of that company. The investor is also required to disclose any change in his shareholding and comply with related trading restrictions in accordance with the Mainland laws.

According to existing Mainland practices, Hong Kong and overseas investors as beneficial owners of A-shares traded via Shanghai-Hong Kong/Shenzhen-Hong Kong Stock Connect cannot appoint proxies to attend shareholders’ meetings on their behalf.

## Currency Risks

Northbound investments via Shanghai-Hong Kong/Shenzhen-Hong Kong Stock Connect will be traded and settled in Renminbi. If the client invests in A-shares with a local currency other than RMB, he/she will be exposed to a currency risk due to the need for the conversion of the local currency into RMB. During the conversion, the client will also incur currency conversion costs. Even if the price of the RMB asset remains unchanged, the client will still incur an exchange loss if RMB depreciates during the process of currency conversion.

If the client invests in A-shares without converting the local currency which he holds, into RMB and this results in a RMB debit balance of his account, our Company will charge debit interest on that outstanding balance. (Please refer to the notice on our Company's website for information of the debit interest rate)

*The above summary only covers part of the risks related to Shanghai-Hong Kong/Shenzhen-Hong Kong Stock Connect and any above-mentioned laws, rules and regulations are subject to change from time to time. You should visit the website of HKEx for updates and details for Shanghai-Hong Kong/Shenzhen-Hong Kong Stock Connect. If the aforesaid provisions are inconsistent with the rules and regulations of HKEx, SZSE and SSE, the rules and regulation provided and updated by HKEx, SZSE and SSE from time to time shall prevail.*

## **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.

## **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.

### Notes for licensed or registered persons

The licensed or registered person should confirm with the client at least on an annual basis whether that client wishes to revoke the authority. For the avoidance of doubt, it will be acceptable for the licensed or registered person to send a notification to the client before the expiry date of the authority and inform the client that it is automatically renewed unless the client specifically revokes it in writing before the expiry date.

## **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 the 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.

## **Additional risk disclosure for options trading**

### Variable degree of risk

Transactions in options carry a high degree of risk. Purchasers and sellers of options should familiarise themselves with the type of option (i.e. put or call) which they contemplate trading and the associated risks. You should calculate the extent to which the value of the options must increase for your position to become profitable, taking into account the premium and all transaction costs.

The purchaser of options may offset or exercise the options or allow the options to expire. The exercise of an option results either in a cash settlement or in the purchaser acquiring or delivering the underlying interest. If the option is on a futures contract, the purchaser will acquire a futures position with associated liabilities for margin (see the section on Futures above). If the purchased options expire worthless, you will suffer a total loss of your investment which will consist of the option premium plus transaction costs. If you are contemplating purchasing deep-out-of-the-money options, you should be aware that the chance of such options becoming profitable ordinarily is remote.

Selling ("writing" or "granting") an option generally entails considerably greater risk than purchasing options. Although the premium received by the seller is fixed, the seller may sustain a loss well in excess of that amount. The seller will be liable for additional margin to maintain the position if the market moves unfavourably. The seller will also be exposed to the risk of the purchaser exercising the option and the seller will be obligated to either settle the option in cash or to acquire or deliver the underlying interest. If the option is on a futures contract, the seller will acquire a position in a futures contract with associated liabilities for margin (see the section on Futures above). If the option is "covered" by the seller holding a corresponding position in the underlying

interest or a futures contract or another option, the risk may be reduced. If the option is not covered, the risk of loss can be unlimited.

Certain exchanges in some jurisdictions permit deferred payment of the option premium, exposing the purchaser to liability for margin payments not exceeding the amount of the premium. The purchaser is still subject to the risk of losing the premium and transaction costs. When the option is exercised or expires, the purchaser is responsible for any unpaid premium outstanding at that time.

#### Terms and conditions of contracts

You should ask the firm with which you deal about the terms and conditions of the specific futures or options which you are trading and associated obligations (e.g. the circumstances under which you may become obliged to make or take delivery of the underlying interest of a futures contract and, in respect of options, expiration dates and restrictions on the time for exercise). Under certain circumstances the specifications of outstanding contracts (including the exercise price of an option) may be modified by the exchange or clearing house to reflect changes in the underlying interest.

#### Suspension or restriction of trading and pricing relationships

Market conditions (e.g. illiquidity) and/or the operation of the rules of certain markets (e.g. the suspension of trading in any contract or contract month because of price limits or "circuit breakers") may increase the risk of loss by making it difficult or impossible to effect transactions or liquidate/offset positions. If you have sold options, this may increase the risk of loss.

Further, normal pricing relationships between the underlying interest and the futures, and the underlying interest and the option may not exist. This can occur when, for example, the futures contract underlying the option is subject to price limits while the option is not. The absence of an underlying reference price may make it difficult to judge "fair value".

#### Deposited cash and property

You should familiarise yourself with the protections given to money or other property you deposit for domestic and foreign transactions, particularly in the event of a firm insolvency or bankruptcy. The extent to which you may recover your money or property may be governed by specific legislation or local rules. In some jurisdictions, property which had been specifically identifiable as your own will be pro-rated in the same manner as cash for purposes of distribution in the event of a shortfall.

#### Commission and other charges

Before you begin to trade, you should obtain a clear explanation of all commission, fees and other charges for which you will be liable. These charges will affect your net profit (if any) or increase your loss.

#### Transactions in other jurisdictions

Transactions on markets in other jurisdictions, including markets formally linked to a domestic market, may expose you to additional risk. Such markets may be subject to regulation which may offer different or diminished investor protection. Before you trade you should enquire about any rules relevant to your particular transactions. Your local regulatory authority will be unable to compel the enforcement of the rules of regulatory authorities or markets in other jurisdictions where your transactions have been effected. You should ask the firm with which you deal for details about the types of redress available in both your home jurisdiction and other relevant jurisdictions before you start to trade.

#### Currency risks

The profit or loss in transactions in foreign currency-denominated contracts (whether they are 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.

### Trading facilities

Electronic trading facilities are supported by computer-based component systems for the order-routing, execution, matching, registration or clearing of trades. As with all facilities and systems, they are vulnerable to temporary disruption or failure. Your ability to recover certain losses may be subject to limits on liability imposed by the system provider, the market, the clearing house and/or participant firms. Such limits may vary: you should ask the firm with which you deal for details in this respect.

### Electronic trading

Trading on an electronic trading system may differ from trading on other electronic trading systems. If you undertake transactions on an electronic trading system, you will be exposed to risks associated with the 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 is not executed at all.

### Off-exchange transactions

In some jurisdictions, and only then in restricted circumstances, firms are permitted to effect off-exchange transactions. The firm with which you deal may be acting as your counterparty to the transaction. It may be difficult or impossible to liquidate an existing position, to assess the value, to determine a fair price or to assess the exposure to risk. For these reasons, these transactions may involve increased risks. Off-exchange transactions may be less regulated or subject to a separate regulatory regime. Before you undertake such transactions, you should familiarise yourself with applicable rules and attendant risks.

## **Risk Disclosure Statement (Asset Management)**

*The following risks factors are non-exhaustive and are not intended as a substitute for professional legal, tax or financial advice. Before making any investment decisions, you should carefully consider whether the investment is suitable in light of your own financial position, investment experience, investment objectives and risk tolerance level. You should not make investment decisions based on this statement alone. You should carefully read the terms and conditions and the risk disclosure statement of the relevant investment products and services. This statement does not constitute any offer, solicitation, recommendation, comment or guarantee to the purchase, subscription or sale of any investment products or services herein. This statement has not been reviewed by the Securities and Futures Commission in Hong Kong. GSSL does not provide advisory services. You are advised to seek independent advice.*

### **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.

### **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.



### **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.

#### Notes for licensed or registered persons

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### **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 the 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.

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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.

### **Additional risk disclosure for options and futures trading**

#### Variable degree of risk

Transactions in options carry a high degree of risk. Purchasers and sellers of options should familiarise themselves with the type of option (i.e. put or call) which they contemplate trading and the associated risks. You should calculate the extent to which the value of the options must increase for your position to become profitable, taking into account the premium and all transaction costs.

The purchaser of options may offset or exercise the options or allow the options to expire. The exercise of an option results either in a cash settlement or in the purchaser acquiring or delivering the underlying interest. If the option is on a futures contract, the purchaser will acquire a futures position with associated liabilities for margin (see the section on Futures above). If the purchased options expire worthless, you will suffer a total loss of your investment which will consist of the option premium plus transaction costs. If you are contemplating purchasing deep-out-of-the-money options, you should be aware that the chance of such options becoming profitable ordinarily is remote.

Selling ("writing" or "granting") an option generally entails considerably greater risk than purchasing options. Although the premium received by the seller is fixed, the seller may sustain a loss well in excess of that amount. The seller will be liable for additional margin to maintain the position if the market moves unfavourably. The seller will also be exposed to the risk of the purchaser exercising the option and the seller will be obligated to either settle the option in cash or to acquire or deliver the underlying interest. If the option is on a futures contract, the seller will acquire a position in a futures contract with associated liabilities for margin (see the section on Futures above). If the option is "covered" by the seller holding a corresponding position in the underlying interest or a futures contract or another option, the risk may be reduced. If the option is not covered, the risk of loss can be unlimited.

Certain exchanges in some jurisdictions permit deferred payment of the option premium, exposing the purchaser to liability for margin payments not exceeding the amount of the premium. The purchaser is still subject to the risk of losing the premium and transaction costs. When the option is exercised or expires, the purchaser is responsible for any unpaid premium outstanding at that time.

#### Effect of "Leverage" or "Gearing"

Transactions in futures carry a high degree of risk. The amount of initial margin is small relative to the value of the futures contract so that transactions are "leveraged" or "geared". A relatively small market movement will have a proportionately larger impact on the funds you have deposited or will have to deposit: this may work against you as well as for you. You may sustain a total loss of initial margin funds and any additional funds deposited with the firm to maintain your position. If the market moves against your position or margin levels are increased, you may be called upon to pay substantial additional funds on short notice to maintain your position. If you fail to comply with a request for additional funds within the time prescribed, your position may be liquidated at a loss and you will be liable for any resulting deficit.

#### Risk-reducing orders or strategies

The placing of certain orders (e.g. "stop-loss" orders, or "stop-limit" orders) which are intended to limit losses to certain amounts may not be effective because market conditions may make it impossible to execute such orders. Strategies using combinations of positions, such as "spread" and "straddle" positions may be as risky as

taking simple "long" or "short" positions.

#### Terms and conditions of contracts

You should ask the firm with which you deal about the terms and conditions of the specific futures or options which you are trading and associated obligations (e.g. the circumstances under which you may become obliged to make or take delivery of the underlying interest of a futures contract and, in respect of options, expiration dates and restrictions on the time for exercise). Under certain circumstances the specifications of outstanding contracts (including the exercise price of an option) may be modified by the exchange or clearing house to reflect changes in the underlying interest.

#### Suspension or restriction of trading and pricing relationships

Market conditions (e.g. illiquidity) and/or the operation of the rules of certain markets (e.g. the suspension of trading in any contract or contract month because of price limits or "circuit breakers") may increase the risk of loss by making it difficult or impossible to effect transactions or liquidate/offset positions. If you have sold options, this may increase the risk of loss.

Further, normal pricing relationships between the underlying interest and the futures, and the underlying interest and the option may not exist. This can occur when, for example, the futures contract underlying the option is subject to price limits while the option is not. The absence of an underlying reference price may make it difficult to judge "fair value".

#### Deposited cash and property

You should familiarise yourself with the protections given to money or other property you deposit for domestic and foreign transactions, particularly in the event of a firm insolvency or bankruptcy. The extent to which you may recover your money or property may be governed by specific legislation or local rules. In some jurisdictions, property which had been specifically identifiable as your own will be pro-rated in the same manner as cash for purposes of distribution in the event of a shortfall.

#### Commission and other charges

Before you begin to trade, you should obtain a clear explanation of all commission, fees and other charges for which you will be liable. These charges will affect your net profit (if any) or increase your loss.

#### Transactions in other jurisdictions

Transactions on markets in other jurisdictions, including markets formally linked to a domestic market, may expose you to additional risk. Such markets may be subject to regulation which may offer different or diminished investor protection. Before you trade you should enquire about any rules relevant to your particular transactions. Your local regulatory authority will be unable to compel the enforcement of the rules of regulatory authorities or markets in other jurisdictions where your transactions have been effected. You should ask the firm with which you deal for details about the types of redress available in both your home jurisdiction and other relevant jurisdictions before you start to trade.

#### Currency risks

The profit or loss in transactions in foreign currency-denominated contracts (whether they are 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.

#### Trading facilities

Electronic trading facilities are supported by computer-based component systems for the order-routing,

execution, matching, registration or clearing of trades. As with all facilities and systems, they are vulnerable to temporary disruption or failure. Your ability to recover certain losses may be subject to limits on liability imposed by the system provider, the market, the clearing house and/or participant firms. Such limits may vary: you should ask the firm with which you deal for details in this respect.

### Electronic trading

Trading on an electronic trading system may differ from trading on other electronic trading systems. If you undertake transactions on an electronic trading system, you will be exposed to risks associated with the 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 is not executed at all.

### Off-exchange transactions

In some jurisdictions, and only then in restricted circumstances, firms are permitted to effect off-exchange transactions. The firm with which you deal may be acting as your counterparty to the transaction. It may be difficult or impossible to liquidate an existing position, to assess the value, to determine a fair price or to assess the exposure to risk. For these reasons, these transactions may involve increased risks. Off-exchange transactions may be less regulated or subject to a separate regulatory regime. Before you undertake such transactions, you should familiarise yourself with applicable rules and attendant risks.

## **Additional Risk Disclosure Statement for Financial Instruments**

*The following risks factors are non-exhaustive and are not intended as a substitute for professional legal, tax or financial advice. Before making any investment decisions, you should carefully consider whether the investment is suitable in light of your own financial position, investment experience, investment objectives and risk tolerance level. You should not make investment decisions based on this statement alone. You should carefully read the terms and conditions and the risk disclosure statement of the relevant investment products and services. This statement does not constitute any offer, solicitation, recommendation, comment or guarantee to the purchase, subscription or sale of any investment products or services herein. This statement has not been reviewed by the Securities and Futures Commission in Hong Kong. GSSL does not provide advisory services. You are advised to seek independent advice.*

### **Specific Risk of Trading Exchange Traded Funds (“ETFs”)**

#### **Market risk**

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

#### **Tracking errors**

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

#### **Trading at discount or premium**

An ETF may be traded at a discount or premium to its Net Asset Value (NAV). This price discrepancy is caused by supply and demand factors, and may be particularly likely to emerge during periods of high market volatility and uncertainty. This phenomenon may also be observed for ETFs tracking specific markets or sectors that are subject to direct investment restrictions.

#### **Foreign exchange risk**

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

#### **Liquidity risk**

Securities Market Makers (SMMs) are Exchange Participants that provide liquidity to facilitate trading in ETFs. Although most ETFs are supported by one or more SMMs, there is no assurance that active trading will be maintained. In the event that the SMMs default or cease to fulfill their role, investors may not be able to buy or sell the product.

## **Specific risks involved in futures-based ETFs**

### **Risk of rolling futures contracts**

Futures contracts are binding agreements that are made through futures exchanges to buy or sell the underlying assets at a specified time in the future. “Rollover” occurs when an existing futures contract is about to expire and is replaced with another futures contract representing the same underlying but with a later expiration date. When rolling futures contracts forward (ie selling near-term futures contracts and then buying longer-term futures contracts) in a situation where the prices of the longer-term futures contract are higher than that of the expiring current-month futures contract, a loss from rolling (ie a negative roll yield) may occur. Under such circumstances, the proceeds from selling the near-term futures contracts will not be sufficient to purchase the same number of futures contracts with a later expiration date which has a higher price. This may adversely affect the NAV of the futures-based ETF.

### **Risk of statutory restrictions on number of futures contracts being held**

There is a statutory position limit restricting the holding of futures contracts traded on the recognised exchange company to no more than a specific number of such futures contracts. If the holding of such futures contracts of a futures-based ETF grows to the limit, this may prevent the creation of units of the ETF due to the inability to acquire further futures contracts. This may lead to differences between the trading price and the NAV of the ETF units listed on the exchange.

### **Risk of Trading Exchange Traded Notes (ETNs)**

ETN is a type of unsecured, unsubordinated debt security issued by an underwriting bank, designed to provide investors access to the returns of various market benchmarks. The returns of ETNs are usually linked to the performance of a market benchmark or strategy, minus applicable fees. Similar to other debt securities, ETNs have a maturity date and are backed only by the credit of the issuer.

You can buy and sell the ETNs on the exchange or receive a cash payment at the scheduled maturity or may early redeem the ETNs directly with the issuer based on the performance of the underlying index less applicable fees, with redemption restrictions, such as the minimum number of ETNs for early redemption, may apply.

There is no guarantee that investors will receive at maturity, or upon an earlier repurchase, investors’ initial investment back or any return on that investment. Significant adverse monthly performances for investors’ ETNs may not be offset by any beneficial monthly performances. The issuer of ETNs may have the right to redeem the ETNs at the repurchase value at any time. If at any time the repurchase value of the ETNs is zero, investors’ investment will expire worthless. ETNs may not be liquid and there is no guarantee that you will be able to liquidate your position whenever you wish.

Although both ETFs and ETNs are linked to the return of a benchmark index, ETNs as debt securities do not actually own any assets they are tracking, but just a promise from the issuer to pay investors the theoretical allocation of the return reflected in the benchmark index. It provides limited portfolio diversification with concentrated exposure to a specific index and the index components. In the event that the ETN issuer defaults, the potential maximum loss could be 100% of the investment amount and no return may be received, given ETN is considered as an unsecured debt instrument.

The value of the ETN may drop despite no change in the underlying index, instead due to a downgrade in the issuer’s credit rating. Therefore, by buying ETNs, investors get direct exposure to the credit risk of the issuer and would only have an unsecured bankruptcy claim if the issuer declares bankruptcy. The principal amount is subject to the periodic application of investor fees or any applicable fees that can adversely affect returns. Where you trade ETNs with underlying assets not denominated in local currencies investors are also exposed

to exchange rate risk. Currency rate fluctuations can adversely affect the underlying asset value, also affecting the ETN price.

Investors may have leveraged exposure to the underlying index, depending on the product feature. The value of ETNs can change rapidly according to the gearing ratio relative to the underlying assets. You should be aware that the value of an ETN may fall to zero resulting in a total loss of the initial investment.

## **Leveraged & Inverse (“L&I”) Products Key risks**

### **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.

### **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.

### **Unlike conventional ETFs**

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

### **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.

### **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.

### **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.

### **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.

### **Portfolio turnover risk**

Daily rebalancing causes a higher levels of portfolio transaction when compared to conventional ETFs, and thus increases brokerage and other transaction costs.

### **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.

### **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.

### **Leverage risk (for leveraged products only)**

The use of leverage will magnify both gains and losses of leveraged products resulting from changes in the underlying index or, where the underlying index is denominated in a currency other than the leveraged product's base currency, from fluctuations in exchange rates.

### **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, or where the exchange rate of the underlying index denominated in a currency other than the inverse product's base currency rises for an extended period, inverse products can lose most or all of their value.

### **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.

### **General Major Risks associated with Exchange-traded Derivative Products *(including but not limited to the following)***

#### **Issuer default risk**

In the event that an exchange-traded derivative product issuer becomes insolvent and defaults on their issued products, investors will be considered as unsecured creditors and will have no preferential claims to any assets held by the issuer. Investors should therefore pay close attention to the financial strength and credit worthiness of exchange-traded derivative product issuers. Since exchange-traded derivative products are not asset backed, in the event of issuer bankruptcy, investor can lose their entire investment.

#### **Gearing risk**

Exchange-traded derivative products such as derivative warrants and callable bull/bear contracts 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 an exchange-traded derivative product may fall to zero resulting in a total loss of the initial investment.



## **Limited Life**

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

## **Extraordinary price movements**

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

## **Risk relating to Collective Investment Schemes**

Collective Investment Scheme may invest extensively (up to 100%) in financial derivative instruments, fixed income securities and/or structured products (including, but not limited to credit default swaps, sub-investment grade debt, mortgage-backed securities and other asset-backed securities) and be subject to various risks (including but not limited to counterparty risk, liquidity risk, credit risk and market risk). Collective Investment Scheme may use trading strategies that use financial derivative instruments which may be unsuccessful due to a number of reasons; including, but not limited to volatile market conditions, imperfect correlation between the movements in securities on which derivatives are based, lack of liquidity within markets and counterparty default risk.

## **Nature of Rights Issue**

A rights issue is a one-time offering of shares in a company to existing shareholders, allowing them an opportunity to maintain their proportional ownership without being diluted by buying additional new shares at a discounted price on a stated future date. Until the date at which the new shares can be purchased, investors may trade the rights to the market the same way they would trade ordinary shares. If the investors do not exercise their rights within the specified period of time, the rights will expire. If the investors do not intend to exercise their rights, they can sell them on the open market. Once exercised, the rights cannot be used again.

## **Risks associated with Rights Issue**

It is easy to be enticed by shares offered at a discount, but you should not assume that you are getting a bargain. An informed decision should be made by looking at the rationale behind the fund raising exercise.

A company may use a rights issue to cover debt, especially when they are unable to borrow money from other sources. You should be concerned with whether or not the management are addressing any underlying problems.

If you decide not to take up the rights your overall shareholding in the company will be diluted as a result of the increased number of shares in issue.

If you do not participate in the rights issue within the specified time-frame your nil-paid rights will lapse. The company will sell these entitlements and distribute any net proceeds after deduction of the offer price and costs. The amount of lapsed proceeds, if any, will not be known until the offer has closed. Lapsed proceeds are not guaranteed.

Investments and income arising from them can fall in value and you may get back less than you originally invested.

## **Risk of Trading Equity-linked Instrument (“ELI”)**

Where you instruct the Company to use the Account for trading equity-linked instrument, you acknowledge that ELIs are not principal protected and you may suffer a loss if the price(s) of the reference asset(s) of an ELI go against your view. In extreme cases, you could lose your entire investment. The risk of loss may be substantial in certain circumstances and should not deal in them unless you understand the nature of the transactions entering into and the extent of your exposure to risk. You should carefully consider whether the transactions are suitable in the light of your circumstances and financial position.

You understand that while most ELIs generally higher than the interest on an ordinary time deposit or traditional bonds, the potential gain on your ELI may be capped at a predetermined level specified by the issuer. During the investment period, you have no rights in the reference asset(s). Changes in the market prices of such reference asset(s) may not lead to a corresponding change in the market value and/or potential payout of the ELI.

You are fully aware that an investment in ELI exposes you to equity risk. You are exposed to price movements in the underlying security and the stock market, the impact of dividends and corporate actions and counterparty risks. You accept the legal obligation to take the underlying instrument at the pre-agreed conversion price instead of receiving the principal of the ELI, if the price of the **underlying** instrument falls below the conversion price. You will therefore receive an instrument that has fallen in value to the extent that it is less than your original investment, and might even lose the entire principal or deposit if the underlying instrument become worthless. ELIs are not secured on any assets or collateral.

You are fully aware that when you purchase an ELI, you rely on the credit-worthiness of the issuer. In case of default or insolvency of the issuer, you will have to rely on your distributor to take action on your behalf to claim as an unsecured creditor of the issuer regardless of the performance of the reference asset(s). Issuers may provide limited market making arrangement for their ELIs. However, if you try to terminate an ELI before maturity under the market making arrangement provided by the issuer, you may receive an amount which is substantially less than your original investment amount. Equity-linked instrument may be “non transferable” and it may be impossible for you to close out or liquidate them. Issuer of an ELI may also play different roles, such as the arranger, the market agent and the calculation agent of the ELI. Conflicts of interest may arise from the different roles played by the issuer, its subsidiaries and affiliates in connection with the ELI.

Investors should note that any dividend payment on the underlying security may affect its price and the payback of the ELI at expiry due to ex-dividend pricing. Investors should also note that issuers may make adjustments to the ELI due to corporate actions on the underlying security.

Potential yield Investors should consult their brokers on fees and charges related to the purchase and sale of ELI and payment / delivery at expiry. The potential yields disseminated by HKEx have not taken fees and charges into consideration.

## **Risk Disclosure Statement for Investment Funds**

### **Investment involves risks**

The prices of units/shares of unit trusts or mutual funds fluctuate, sometimes dramatically and may become valueless. Investor(s) may not get back the amount they have invested. It is as likely that losses will be incurred rather than profit made as a result of buying and selling unit trusts or mutual funds. Past performance is no guide to its future performance.

Investor(s) should read the terms and conditions contained in the relevant offering documents and in particular the investment policies and the risk factors and latest financial results information carefully and are advised to seek independent professional advice before making any investment decision.

Investor(s) should ensure they fully understand the risks associated with unit trusts or mutual funds and should also consider their own investment objective and risk tolerance level.

## **Risk Disclosure of bonds, high yield bonds and high yield bond funds**

Holders of bonds, including plain-vanilla bonds, are subject to various risks, including but not limited to:  
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;

### **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; and

### **Interest rate risk**

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

### **Key risks of investing in high-yield bonds**

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

#### **Higher credit risk**

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

#### **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.

### **Bonds with special features**

Furthermore, some bonds may contain special features and risks that warrant special attention. These include bonds:

1. That are perpetual in nature and interest pay-out depends on the viability of the issuer in the very long term;
2. That have subordinated ranking and in case of liquidation of the issuer, investors can only get back the principal after other senior creditors are paid;
3. That are callable and investors face reinvestment risk when the issuer exercises its right to redeem the bond before it matures;
4. That have variable and/or deferral of interest payment terms and investors would face uncertainty over the amount and time of the interest payments to be received;
5. That have extendable maturity dates and investors would not have a definite schedule of principal repayment;
6. That are convertible or exchangeable in nature and investors are subject to both equity and bond investment risk; and/or
7. That have contingent write down or loss absorption feature and the bond may be written-off fully or partially or converted to common stock on the occurrence of a trigger event.

### **Funds investing in high-yield bonds**

Intermediaries should also pay particular attention to those funds that invest primarily in high-yield bonds as (i) they will be subject to the risks associated with investments in bonds as described above; and (ii) 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. The special features and risks of high-yield bond funds may also include the following:

### **Capital growth risk**

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;

### **Dividend distributions**

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. Also, a high distribution yield does not imply a positive or high return on the total investment; and

Other key risks that may relate to the relevant fund including concentration of investments in particular types of specialized debt or a specific geographical region or sovereign securities.