APPENDIX - RISK DISCLOSURE STATEMENT AND DISCLAIMERS

PART A – RISK DISCLOSURE STATEMENT RELATING TO SECURITIES CASH TRADING ACCOUNT

Risk of Trading Stocks

1. The prices of securities fluctuate, sometimes dramatically. The price of a security may move up or down, and may become value less. It is as likely that losses will be incurred rather than profit made as a result of buying and selling securities.

Risk of Trading GEM Stocks

2. 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.
3. 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.
4. 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 gazette newspapers.
5. You should seek independent professional advice if you are uncertain of or have not understood any aspect of this risk disclosure statement or the nature and risks involved in trading of GEM stocks.

Risk of Trading Nasdaq-Amex Securities at the Stock Exchange of Hong Kong Limited

6. You understand that the securities under the Nasdaq-Amex Pilot Program (PP) are aimed at sophisticated investors. You should seek independent advice and become familiarszed with the PP before trading in the PP securities. You are 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.

Additional Risk relating to Investment Products including Equity Linked Notes (ELN)

7. You understand that Investor may suffer capital loss should the price of the underlying shares go against the Investor’s bet. In extreme case, you may lose the ENTIRE capital
8. The return on investment is predetermined by the terms specified in the ELN. So

even if Investor's view of the direction of the underlying stock price is correct, Investor will not gain more than the specified amount.

9. The return payable for the ELN is determined at a specified time on the valuation date, irrespective of the fluctuations in the underlying stock price before or after that specific time.

10. Unlike traditional time deposits there is no guarantee that Investor will get a return on Investor's investment or any yield.

11. The ELN is one of the many types of equity-linked instruments (ELI). Other types of ELI include the equity-linked deposit, which works on a similar basis to the ELN.

PART B – RISK DISCLOSURE STATEMENTS FOR EXCHANGE-TRADED DERIVATIVE PRODUCTS

Trading of exchange-traded derivative products ("Derivative products") such as Callable Bull/Bear Contracts ("CBBC"), Derivative Warrants, Synthetic Exchange – Traded Fund ("Synthetic ETF"), Right Issues, involve significant risks. It is crucial for you as investors to fully understand the risks and consequences involved in trading these exchanged-traded derivative products before trading them.

General Risk of Trading in Derivative Products

1. Issuer Default Risk

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

Note: "Issuers Credit Rating" showing the credit ratings of individual issuers is now available under the Issuer and Liquidity Provider Information sub-section under Derivative Warrants and under Callable Bull/Bear Contracts ("CBBCs") section on the HKEx corporate website.

2. Uncollateralised Product Risk

Uncollateralised Derivative Products are not asset backed. In the event of issuer bankruptcy, Investors can lose their entire investment. Investors should read the listing documents to determine if a product is uncollaterallised.

3. Gearing Risk

Derivative Products such as derivative warrants and CBBCs are leveraged and can change in value rapidly according to the gearing ratio relative to the underlying assets. Investors should be aware that the value of a Derivative product may fall to zero resulting in a total loss of the initial investment.

4. Expiry Considerations

Derivative Products have an expiry date after which the issue may become worthless. Investors should be aware of the expiry time horizon and choose a product with an appropriate lifespan for their trading strategy.

5. Extraordinary Price Movements

The price of a 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.

6. Foreign Exchange Risk

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

7. Liquidity Risk

The Exchange requires all Derivative Product issuers to appoint a liquidity provider for each individual issue. The role of liquidity providers is to provide two way quotes to facilitate trading of their products. In the event that a liquidity provider defaults or ceases to fulfill its role, Investors may not be able to buy or sell the product until a new liquidity provider has been assigned.

Additional Risks of Trading Derivative Warrants

8. Time Decay Risk

All things being equal, the value of a Derivative Warrant will decay over time as it approaches its expiry date. Derivative Warrants should therefore not be viewed as long term investments.

9. Volatility Risk

Prices of Derivative Warrants can increase or decrease in line with the implied volatility of underlying asset price. Investors should be aware of the underlying asset volatility.

Additional Risks of Trading Callable Bull/Bear Contracts ("CBBCs")

10. Mandatory Call Risk

Investors trading CBBCs should be aware of their intraday "knock out" or mandatory call feature. A CBBC will cease trading when the underlying asset value equals the mandatory call price/level as stated in the listing documents. Investors will only be entitled to the residual value of the terminated CBBC as calculated by the product issuer in accordance with the listing documents. Investors should also note that the residual value can be zero.

11. 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 will cost. In the event that a CBBC is called, Investors will lose the funding costs for the entire lifespan of the CBBC. The formula for calculating the funding costs are stated in the listing documents.

Additional Risk of Trading Synthetic Exchange Traded Funds (ETFs)

12. 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.

13. Tracking Error Risk

There may be disparity in performance between an ETF and its underlying index/assets. Tracking errors can arise due to factor s 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.

14. Counterparty Risks

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

15. Trading at Discount or Premium

Where the index/market that the Synthetic ETF tracks is subject to restricted access, the efficiency in unit creation or redemption to keep the price of the Synthetic ETF in line with its net asset value (NAV) may be disrupted, causing the Synthetic ETF to trade at a higher premium or discount to its NAV. Investors who buy a Synthetic ETF at a premium may not be able to recover the premium in the event of termination.

Risk Relating to Rights Issue

16. For exercising and trading of the right issue, Investors have to pay attention to the deadline and other timelines. Rights issues that are not exercised will have no value upon expiry. But if Investors decide to let the rights lapse, then Investors will not need to take any action unless Investors want to sell the rights in the market. In that case, the rights must be sold during the specified trading period within the subscription period, after which they will become worthless. If Investors pass up the rights, the shareholding in the expanded capital of the company will be diluted.

PART C - RISK DISCLOSURE STATEMENTS FOR OTHER PRODUCTS

17. Renminbi Products

Below risk disclosure statement cannot disclose all the risks involved. Clients should undertake their own research and study before trading or investing in the relevant product. Clients should carefully consider whether trading or investment is suitable in light of their own financial position and investment objectives.

18. Renminbi Currency Risk

Renminbi is not freely convertible at present and conversion of Renminbi through banks in Hong Kong SAR is subject to certain restrictions. For Renminbi products which are not denominated in Renminbi or with underlying investments which are not Renminbi denominated, such products will be subject to multiple currency conversion costs involved in making investments and liquidating investments, as well as the Renminbi exchange rate fluctuations and bid/offer spreads when assets are sold to meet redemption requests and other capital requirements (e.g. settling operating expenses).

The Mainland China government regulates the conversion between Renminbi and other currencies. If the restrictions on Renminbi convertibility and the limitations on the flow of Renminbi funds between Mainland China and Hong Kong SAR become more stringent, the depth of the Renminbi market in Hong Kong SAR may become further limited.

19. Exchange Rate Risks
The value of the Renminbi against the Hong Kong dollar and other foreign currencies fluctuates and is affected by changes in the Mainland China and international political and economic conditions and by many other factors. For Renminbi products, the value of the investment in Hong Kong dollar terms may decline if the value of Renminbi depreciates against the Hong Kong dollar.

20. Interest Rate Risks
The Mainland China government has gradually liberaliszed the regulation of interest rates in recent years. Further liberaliszation may increase interest rate volatility. For Renminbi products which are, or may invest in, Renminbi debt instruments, such instruments are susceptible to interest rate fluctuations, which may affect the return and performance of the Renminbi products.

21. Liquidity Risk
Renminbi products may suffer significant losses in liquidating the underlying investment, especially if such investments do not have an active secondary market and their prices have large bid / offer spread.

22. Limitation on the Provision of Renminbi Funding
If the Clients do not have sufficient Renminbi funding to subscribe Renminbi products, subject to compliance with all Applicable Laws, rules and regulations, we may assist the Clients to convert other currencies to Renminbi. However, we do not guarantee that it can provide sufficient Renminbi funding for the Clients due to the limitation on the flow of Renminbi funds in Hong Kong SAR. We may unwind the Clients’ trade transaction due to insufficient Renminbi funding and the Clients’ investment may be adversely affected if the Clients suffer losses due to settlement failure.

23. Limited Availability of Underlying Investments Denominated in Renminbi
For Renminbi products that do not have access to invest directly in Mainland China, their available choice of underlying investments denominated in Renminbi outside Mainland China may be limited. Such limitation may adversely affect the return and performance of the Renminbi products.

24. No Guarantee for Projected Returns
For some Renminbi investment products, their return may not be guaranteed or may only be partly guaranteed. Clients should read carefully the statement of illustrative return attached to such products and in particular, the assumptions on which the

illustrations are based, including, for example, any future bonus or dividend declaration.

25. Long Term Commitment to Investment Products

For Renminbi products which involve a long period of investment, if the Clients redeem the Clients' investment before the maturity date or during the lock-up period (if applicable), the Clients may incur a significant loss of principal where the proceeds may be substantially lower than the Clients' invested amount. The Clients may also suffer from early surrender / withdrawal fees and charges as well as the loss of returns (where applicable) as a result of redemption before the maturity date or during lock-up period.

26. Credit Risk of Counterparties

For Renminbi products invested in Renminbi debt instruments which are not supported by any collateral, such products are fully exposed to the credit risk of the relevant counterparties. Where a Renminbi product may invest in derivative instruments, counterparty risk may also arise as the default by the derivative issuers may adversely affect the performance of the Renminbi product and result in substantial loss.

27. Possibility of Not Receiving Renminbi upon Redemption

For Renminbi products with a significant portion of non-Renminbi denominated underlying investments, there is a possibility of not receiving the full amount in Renminbi upon redemption. This may be the case if the issuer is not able to obtain sufficient amount of Renminbi in a timely manner due to the exchange controls and restrictions applicable to the currency.

Bond (Fixed Income)

Below risk statement cannot disclose all of the risks and other significant aspects of trading in Bonds. Clients should carefully consider whether trading is suitable in light of their experience, objectives, financial resources and other relevant circumstances.

1. Key risks of investing in bonds

(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; and

(c) Interest rate risk – bonds are more susceptible to fluctuations in interest rates and generally prices of bonds will fall when interest rates rise.

2. Key risks of investing in high-yield bonds

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

(b) 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;

(c) 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 rise

3. Bonds with special features

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

(a) That are perpetual in nature and interest pay-out depends on the viability of the issuer in the very long term;

(b) 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;

(c) That are callable and Investors face reinvestment risk when the issuer exercises its right to redeem the bond before it matures;

(d) 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;

(e) That have extendable maturity dates and Investors would not have a definite schedule of principal repayment;

(f) That are convertible or exchangeable in nature and Investors are subject to both equity and bond investment risk; and/or

(g) 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.

4. Funds investing in high-yield bonds

(a) 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;

(b) 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

(c) Other key risks that may relate to the relevant fund including concentration of investments in particular types of specialize specialise d debt or a specific geographical region or sovereign securities.

"ST Shares" and "Shares under Delisting Arrangement"

1. ST Shares

(a) "ST Shares" means shares listed in Shanghai Stock Exchange and classified as "ST Shares" in accordance with the "Shanghai Stock Exchange Listing Rules".

(b) Before engaging in trading "ST Shares", Investor should fully understand that he/she has adopted limit orders arrangement.

(c) Before engaging in trading "ST Shares", Investor should fully understand that price fluctuation limit of "ST Shares" differs from that of other kinds of shares.

(d) If turnover rate of "ST Shares" reaches or exceeds a prescribed ratio, it shall be regarded as abnormal fluctuation. Shanghai Stock Exchange may impose temporary trading suspension on the shares in accordance with the market needs.

(e) The number of a single kind of "ST Shares" accumulatively bought by a single account on a single trading day should not exceed a maximum of 0.5 million.

(f) Before engaging in trading "ST Shares", Investor shall fully understand the trading arrangement of "ST Shares" and the corporate status of the relevant issuer. Before making any investment in "ST Shares", Investor should consider his/her own financial status, investment objective and risk tolerance level etc.

(g) Investor should pay particular attention to the risk indication announcement regarding "ST Shares" and obtain in due course relevant information as may be publiciszed through channels like designated media, the issuer’s website and the brokerage house’s website etc.

Shares under Delisting Arrangement

(a) "Shares under Delisting Arrangement" means any shares the listing of which has been resolved to terminate by Shanghai Stock Exchange or Shenzhen Stock Exchange and is still under the delisting arrangement process.

(b) For "Shares under Delisting Arrangement", the listing of such shares has already been resolved to terminate by the Exchange. The risk of investing in "Shares under Delisting Arrangement" is relatively large as its listing shall be terminated upon expiration of the prescribed time period.

(c) "Shares under Delisting Arrangement" shall only be traded for a continuous period of 30 trade days from the commencement of the delisting arrangement period. Upon expiration of the prescribed time period, the shares shall be delisted and the Exchange shall terminate its listing. Investor should closely take note of the remaining trade days for shares in the delisting arrangement period as well as their last trading day otherwise Investor may lose the opportunity to close out the position and result in unnecessary losses. During the delisting arrangement period, the 30-trade-day period shall not include any day on which the trade of main board, SME board and/or GEM board’s shares is suspended for a whole day.

(d) Investor trading "Shares under Delisting Arrangement" of Shanghai Stock Exchange should adopt limit orders.

(e) The price fluctuation limit of "Shares in Delisting Arrangement Period" may differ from that of other shares. Investor trading "Shares in Delisting Arrangement Period" shall be bound by the price fluctuation limit stipulated by the Exchange.

(f) Trading "Shares in Delisting Arrangement Period" may involve liquidity risk. Investor purchasing "Shares in Delisting Arrangement Period" may not be able to timely close out the position before the shares are delisted.

(g) Before trading "Shares in Delisting Arrangement Period", Investor should fully understand the share delisting arrangement, trading arrangement of shares in the delisting arrangement period and corporate status of the issuer under the delisting arrangement. Before making investment in shares in delisting arrangement period, Investor should firstly consider his financial status, investment objective and risk tolerance level etc.

(h) In accordance with the prevailing relevant rules, the issuer delisted from Main board, SME Board and/or GEM Board may apply to the Exchange for re-listing. However, subject to the fulfillment of specified application requirements and therefore, the relisting application involves significant uncertainty.

(i) Investor should pay particular attention to any risk indication announcement relating to "Shares in Delisting Arrangement Period" and obtain relevant information publiciszed through the designated media, the issuer’s website and brokerage house’s website etc.

Important Notes and Specific Risks of trading via Shanghai-Hong Kong Stock Connect and/or Shenzhen-Hong Hong Stock Connect

The following describes some of the risks and other significant aspects of trading the Shanghai Stock Exchange ("SSE") and/or Shenzhen Stock Exchange ("SZSE") securities via Shanghai-Hong Kong Stock Connect and/or Shenzhen-Hong Kong Stock Connect (collectively referred to as "China Connect") through ZUNDIAO. In light of the risks, the Client should undertake such transactions only if the Client understand the nature of China Connect trading and the extent of the Client’s exposure to risk.

The Client should carefully consider (and consult the Client’s own advisers where necessary) whether trading is appropriate for the Client in light of the Client ‘s experience, objectives, financial resources and other relevant circumstances.

The Client must observe relevant laws and regulations of Mainland China and Hong Kong as well as the rules of the exchanges. The Client must accept and agree the aforesaid and the risks related to China Connect, including but not limited to being liable or responsible for breaching the SSE Listing Rules, SSE Rules, SZSE Listing Rules, SZSE Rules and other Applicable Laws and regulations before giving instructions. Detailed information on trading via China Connect can be referred to on HKEX or ZUNDIAO’s website.

1. Day trading is not permitted

The Client is not allowed to carry out day trading through China Connect. A shares bought on trade transaction day (T-day) can only be sold on or after T+1 day.

2. OTC trading is not permitted

All trading must be conducted on SSE and or SZSE, i.e. no over-the-counter (OTC) or manual trades are allowed.

3. Must have shares in ZUNDIAO’s CCASS account before the market opens

The Client must have the Client’s shares transferred to ZUNDIAO’s corresponding CCASS account before the commencement of trading on a trading day if the Client intend to sell the shares during a trading day.

4. Stock and money settlement arrangement

For SSE and SZSE shares trading, stock settlement will be conducted on T-day, while money (including the transaction amount as well as the related fees and levies) will settle on T+1 day. The Client should ensure the Client have sufficient RMB in the Client’s account for settlement.

5. ZUNDIAO’s right to cancel the Client’s orders in case of contingency

ZUNDIAO shall have the right to cancel the Client’s orders without prior notice in case of contingency such as hoisting of Typhoon Signal No. 8 or any other incident beyond the control of ZUNDIAO which may affect order placing or settlement of the transaction. The Client acknowledge’s that ZUNDIAO may be requested by the SEHK, SSE, SZSE or any other China Connect Authority to reject orders from the Client.

6. Quota restrictions

Purchases of SSE and or SZSE securities through China Connect are subject to certain daily quota controls. As a result, there is no assurance that a buy order can be successfully placed through China Connect.

7. Difference in trading day and trading hours

China Connect allows trading only on the days when both Hong Kong and the respective Mainland Chinese markets are open for trading, and banking service are available in both markets on the corresponding settlement days. The Client should also note that A shares trading will follow the trading hours of the Exchange where it is listed.

8. Foreign shareholding restriction

Under Mainland China laws, there is a limit to how many shares a single foreign investor is permitted to hold in a single Mainland China listed company. ZUNDIAO has the right to force-sell the Client's shares upon receiving a forced-sale notification from SEHK. Accordingly, the Client should ensure the Client fully understand the Mainland rules and regulations in relation to shareholding restrictions and disclosure obligations and follow such rules and regulations.

9. Short Swing Profit Rule

Under Mainland China laws, the "short swing profit rule" requires investors to return any profits made from purchases and sales in respect of China Connect securities of a Mainland China listed company if (a) the Client's shareholding in the Mainland China listed company exceeds the threshold prescribed by the relevant China Connect authority from time to time and (b) the corresponding sale transaction occurs within the six months after a purchase transaction, or vice versa.

10. Not protected by Investor Compensation Fund

The Client should note that both SSE and SZSE trading under China Connect will not be covered by Hong Kong's Investor Compensation Fund. As Hong Kong investors are not carrying out SSE and/or SZSE trading through Mainland brokers, they are not protected by China Securities Investor Protection Fund on the Mainland

11. Warnings

SSE and/or SZSE may request SEHK to require ZUNDIAO to issue warning statements (verbally or in writing) to Clients, and not to extend SSE and/or SZSE trading service to certain Clients.

12. Liability

SEHK, SEHK parent companies and subsidiaries, SSE, SSE subsidiary, SZSE and SZSE subsidiary and their respective directors, employees and agents shall not be responsible or held liable for any loss or damage directly or indirectly suffered by ZUNDIAO, its Clients or any third parties arising from or in connection with SSE and/or SZSE trading or the CSC.

Leveraged and Inverse Products (L&I Products)

Leveraged Products typically aim to deliver a daily return equivalent to a multiple of the underlying index return that they track. For example, if the underlying index rises by 10 per cent on a given day, a two-time (2x) Leveraged Product aims to deliver a 20 per cent return on that day.

To produce the specified leveraged or inverse return, these products have to rebalance their portfolios, typically on a daily basis. L&I Products are derivative products. L&I Products structured as Exchange Traded Funds (ETFs) are authorized authorised by the Securities and Futures Commission (SFC) as Collective Investment Schemes (CIS) and are listed and traded on the securities market of HKEX. It is different from conventional exchange traded funds as it typically seeks inverse investment results relative to the index and on a daily basis. In overseas markets, L&I Products are commonly known as Leveraged and/or Inverse ETFs.

1. Product Structure

Both swap-based synthetic replication subject to SFC authoriszation. The caps on the leverage factor are provided on the website of the HKEX.

2. Attributes

(a) Trading counters for L&I Products

L&I Products can be traded, cleared and settled in HKD, RMB and/or USD. Multiple counters of L&I Products are permissible, subject to the approval of the SFC and HKEX.

(b) Short selling and tick rule exemption for L&I Products

Subject to approval by the SFC, an individual L&I Product may be designated for short selling with tick rule exemption from its listing day.

(c) Settlement arrangements

T+2 through CCASS on a Continuous Net Settlement (CNS) basis, similar to ETFs and other securities.

(d) Fees and charges

A L&I Product incurs certain fees and expenses such as management fees charged by the product manager and other administrative costs. Like stocks, trading L&I Products on the SEHK incurs transaction costs such as trading fee, transaction levy and brokerage commission. For details, please refer to ZUNDIAO’s website.

(e) Performance simulator

Performance simulators will be provided by L&I Product providers to facilitate the understanding of L&I Products to interested retail investors. The performance simulators should allow investors to select a historical time period and simulate the performance of the L&I Product during that time period based on historical data. The historical period available in the performance simulator should cover the peri od since the launch of the L&I Product. For detail, please refer to the hyperlinks to the performance simulator for each L&I Product posted on HKEX’s L&I Product webpage.

(f) Market making arrangements

At least one market maker for the L&I Products at the commencement of trading and on an ongoing basis.

3. Key risks disclosures

Investment involves risks. The risks of investing in different L&I products vary due to the difference in product structure, investors are highly recommended to read the prospectus and key facts sheet carefully in order to understand the risks involved in a specific L&I product.

(a) Investment risk

The L&I product is a derivative product and is not suitable for all investors. There is no guarantee of the repayment of principal. Therefore, the Client’s investment in the L&I product may suffer substantial/total losses.

(b) Long term holding risk

The L&I product is not intended for holding longer than one day as the performance of the L&I product over a peri od longer than one day will very likely differ in amount and possibly direction from the leveraged performance of the index over that same period (e.g. the loss may be more than twice the fall in the index). The effect of compounding becomes more pronounced on the L&I product's performance as the index experiences volatility. With higher index volatility, the deviation of the L&I product's performance from the leveraged performance of the index will increase, and the performance of the L&I product will generally be adversely affected.

As a result of daily rebalancing, the index's volatility and the effects of compounding of each day's return over time, it is even possible that the L&I product will lose money over time while the index's performance increases or is flat.

(c) Leverage risk
Leveraged Products typically aim to deliver a daily return equivalent to a multiple of the underlying index return that they track. Inverse Products typically aim to deliver the opposite of the daily return of the underlying index that they track. Both gains and losses will be magnified. The risk of loss resulting from an investment in the L&I product in certain circumstances will be substantially more than a fund that does not employ leverage.

(d) Inverse Product vs. short selling risk
Investing in the Inverse Product is different from taking a short position. Because of rebalancing, the return profile of the Inverse Product is not the same as that of a short position. In a volatile market with frequent directional swings, the performance of the Inverse Product may deviate from a short position.

(e) Risk of rebalancing activities
There is no assurance that the L&I product can rebalance their portfolio on a daily basis to achieve their investment objectives. Market disruption, regulatory restrictions or extreme market volatility may adversely affect the L&I product's ability to rebalance its portfolio.

(f) Liquidity risk
The rebalancing activities of the L&I product typically take place near the end of a trading day, shortly before the close of the underlying market, to minimisze tracking difference. As a result, the L&I product may be more exposed to the market conditions during a shorter interval and maybe more subject to liquidity risk.

(g) Intraday investment risk

The L&I product is normally rebalanced at day end. As such, return for investors that invest for period less than a full trading day will generally be differs from the leveraged investment exposure to the index, depending upon the movement of the index from the end of one trading day until the time of purchase.

(h) Portfolio turnover risk

Daily rebalancing of L&I product's holdings causes a higher level of portfolio transactions than compared to the conventional ETFs. High levels of transactions increase brokerage and other transaction costs.

(i) Foreign exchange risk

If the base currency of the L&I product is different from that of the underlying index, fluctuations in the exchange rates between currencies may have an adverse impact on the performance of the L&I product.

(j) Distributions risk

Where distributions are distributed out of capital or effectively out of capital, this amounts to a return or withdrawal of an investor's original investment or any capital gains attributable to that original investment and may result in an immediate reduction in the Net Asset Value per unit.

(k) Passive investments risk

The L&I product is not "actively managed" and therefore the manager of the L&I product may not adopt any temporary defensive position when the index moves in an unfavourable direction. In such circumstances the L&I product will also decrease in value.

(l) Trading risk

The trading price of the units on SEHK is driven by market factors such as the demand and supply of the units. Therefore, the units may trade at a substantial premium or discount to the Net Asset Value. As investors will pay certain charges (e.g. trading fees and brokerage fees) to buy or sell units on SEHK, investors may pay more than the Net Asset Value per unit when buying units on SEHK, and may receive less than the Net Asset Value per unit when selling units on SEHK.

(m) Reliance on market maker risk

Although the L&I product manager is required to ensure that at least one market maker will maintain a market for the units and gives not less than 3 months' notice prior to termination of the market making arrangement, liquidity in the market for the units may be adversely affected if there is only one market maker for the units. There is no guarantee that any market making activity will be effective.

(n) Tracking error risk
Due to fees and expenses of the L&I Product, high portfolio turnover, liquidity of the market and the investment strategy adopted by the manager of the L&I product, the L&I product's return may deviate from the daily leveraged performance of the index which the L&I product seeks to track. There can be no assurance of exact or identical replication at any time of the daily leveraged performance of the Index.

(o) Termination risk
The L&I product may be terminated early under certain circumstances, for example, where there is no market maker, the index is no longer available for benchmarking or if the size of the L&I product falls below a specific value decided by the manager of L&I product. Any distribution received by a unitholder on termination of the L&I product may be less than the capital initially invested by the unitholder, resulting in a loss to the unitholder.

PART D – OTHER RISKS

Risk of Client Assets Received or Held Outside Hong Kong
1. Client assets received or held by ZUNDIAO 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 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 Hold Mail or to Direct Mail to Third Parties
2. You understand that if you provide ZUNDIAO 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.

Currency Risk
3. There is inherent currency risk involved in any securities transaction

denominated in foreign currency. The profit or loss in foreign currency denominated securities (whether they are traded in Hong Kong or other jurisdiction) will be affected by fluctuations in currency rates where there is a need to convert from the currency denomination of the securities to another currency.

Risk of Using Electronic Trading Facilities

4. You understand that ZUNDIAO's Electronic Trading Services, due to unpredictable traffic congestion and other reasons, may not be a reliable medium of communication and that such unreliability is beyond the control of ZUNDIAO. This may give rise to situations including delays in transmission and receipt of your instructions or other information, delays in execution or execution of your instructions at prices different from those prevailing at the time your instructions were given, misunderstanding and errors in any communication between ZUNDIAO and you and so on. Whilst ZUNDIAO shall endeavor to take every possible step to safeguard its systems, Client information, accounts and assets held for the benefit of its Clients, you shall fully accept the risk of conducting financial transactions via ZUNDIAO's Electronic Trading Services.

Risk of Research Analysis

5. ZUNDIAO's research report and/or any commentary shall be for reference only and Client should not rely on such analysis for investment decision. Client is advised to perform his/her/their own assessment.

6. ZUNDIAO's research report may influence Client's portfolio value. In order to ensure fairness and objectivity of the report to all Clients and the market, the Client therefore agrees to hold ZUNDIAO not responsible to maintain/improve Client's portfolio value through ZUNDIAO's research report.

7. Client further holds ZUNDIAO not responsible for the effects of ZUNDIAO's research report on Client's portfolio value before, or upon, or after the release of such research report.

8. Client shall further affirm that the Client shall not, directly or indirectly, place any pressure upon ZUNDIAO or its member to affect the truthfulness or fairness of the research report.