Important Notes and Risk Disclosures

Risk Disclosures

Our Wealth Management Services involve investment in Funds and Exchange-Traded Securities. Investment involves risks. These risk disclosures will inform you of the risks that may arise as a result of using our Wealth Management Services. You may also read in conjunction with the **Wealth Management Services Terms** for details of the risks.

1.1 Risks involved in the Wealth Management Services in general

(A) Risk of Investment

(1) Investment involves risks. Value of investments may go up as well as down. Past performance of investment products may not be indicative of future performance. There is always the potential of losing money when you invest. You may not get back the amount invest and the worst case will result in loss of your entire investments.

(B) No Guarantee

Investment in Securities, whether as a one-time Securities Transactions or as a part of GoWealth Digital Wealth Advisory Services is different from placing moneys on deposit with a bank. Securities provide no guarantee of return or yield on investment.

(C) Risk of Securities Trading

(1) The Wealth Management Services involve investment in Funds and Exchange-Traded Securities. You should understand the risks associated with securities trading.

(2) 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.

(3) For risks involved in investment in Funds, please refer to Section 1.2 below or the Wealth Management Services Terms for details.

(4) For risks involved in investment in Exchange-Traded Securities, please refer to Section 1.5 below or the Wealth Management Services Terms for details.

(D) Transaction Costs

Before making any investments, you should obtain a clear explanation of all commissions, fees and other charges for which you will be liable. Transaction costs (including but not limited to commission, fees and other charges) charged by us or third parties and any relevant tax liabilities should be considered before making an investment decision because they will affect your net returns from the investment.

(E) Conflict of Interest

(1) We will normally be paid by the fund manager a commission or rebate for arranging transactions of Funds. This applies both for one-time Funds Transactions and GoWealth Digital Wealth Advisory Services

(2) For example, we may receive monetary and/or non-monetary benefits (such as mark-up, commission, retrocession fees) from any Fund which we solicit or recommend you to acquire.

(F) Counterparty Risk

If issuers and counterparties fail to make payments on the underlying investments held by a Fund, the Fund will suffer from losses which will affect the value of the Fund and your investment return. In addition, the value of the underlying investments held by a Fund is dependent on the financial condition or credit rating of the relevant issuers. The value of the Fund may be negatively affected if the financial condition or credit rating of a relevant issuer deteriorates.

(G) Risk of Custody and Risk of Assets Received or Held outside Hong Kong

(1) Your assets may be held or registered in our name (or our nominee) with custodians or in the central securities depositories in Hong Kong or elsewhere. There may be risks in leaving your assets in our safekeeping. For example, if we are holding your investment and we become insolvent, you may experience significant delay in recovering the investment.

(2) On the other hand, your assets received or held by us or our nominee outside Hong Kong are subject to the applicable laws and regulations of the relevant jurisdiction outside Hong Kong which may be different from the Securities and Futures Ordinance (Cap 571, Laws of Hong Kong) and the rules made thereunder. Consequently, such assets may not enjoy the same protection as that conferred on customer assets received or held in Hong Kong.

(H) Currency Risk

(1) You may be investing in a Securities which is denominated in foreign currency. The profit or loss in transactions in the foreign currency-denominated Securities (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 Fund to another currency.

(2) FX Transactions may take place when using our Wealth Management Services. Please refer to Section 1.4 below or the Wealth Management Services Terms for details of the risks involved in FX Transactions.

(I) Electronic and Online Trading Risks

(1) Wealth Management Services are being offered through the App and are subject to electronic trading risks and online trading risks.

(2) Trading on an electronic trading system may differ from other forms of trading. 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, execution of your order is delayed or is not executed at all.

(3) Online trading may be subject to interruption, transmission blackout, delayed transmission due to Internet traffic or incorrect data transmission due to the public nature of the Internet. There may also be a time lag in transmission of information, instruction and communication via the Internet. This may subject instructions to non-execution, delays or error in execution or execution at prices different from those indicated on the Internet.

(J) Cybersecurity Risks

(1) We are susceptible to cybersecurity and related risks. In general, cyber incidents may arise from internal or external sources and can result from deliberate cyberattacks or unintentional events.

(2) Cyberattacks include (i) unauthorized access through "hacking", malicious software coding or other means to digital systems for purposes of misappropriating assets or sensitive information; corrupting data, equipment, or systems; or causing operational disruption, and (i) attacks which do not involve unauthorized access, for example, causing denial-of-service attacks on websites (making network services unavailable to intended users).

(3) Cyber incidents may cause disruptions and affect our business operations, potentially resulting in financial losses, impediments to trading, the inability to transact business, destruction to equipment and systems, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs.

(4) While we have established business continuity plans in the event of, and risk management strategies, systems, policies and procedures to seek to prevent, cyber incidents, there are inherent limitations in such plans, strategies, systems, policies and procedures including the possibility that certain risks may have not been identified.

(5) Also, similar adverse consequences could result from cyber incidents affecting a Fund which you are investing, the issuers of the underlying equities, bonds or other interests in which such Fund may invest, counterparties with which such Fund engages in transactions, governmental and other regulatory authorities, exchange and other financial market operators, banks, brokers, dealers, insurance companies and other financial institutions (including financial intermediaries and service providers), and other parties.

1.2 Risks involved in Investment Funds

(A) General Investments Risks

All Fund investments carry the risks identified in Section 1.1 above. Set out in this Section are additional risks associated with Fund investments.

(B) Investment Risk

Investment in Funds involve risks. The prices of Funds fluctuate, sometimes dramatically. The price of Funds may move up or down, and may become valueless. It is likely that losses will be incurred rather than profit made as a result of buying and selling Funds.

(C) Risks of Underlying Assets

Each Fund is generally subject to the same risk factors as those relating to its underlying assets. For example, the value of a Fund that invests in high yield bonds may be negatively affected if there is a default of any underlying high yield bonds that the Fund invests in or if the interest rate changes.

(D) Concentration Risk

Investing in Funds concentrated on only one or a few market sectors, asset classes or markets may involve greater concentration risk than investing in Funds that have greater diversification.

(E) Leverage Risk

Some Funds may utilize financial instruments and techniques with embedded leverage. As a result, small movement in the market or in the level or price of an underlying investment in the Fund will have a magnified effect on value of the Fund and, consequently, on the returns on your investment, which may be beneficial or detrimental.

(F) Derivatives Products Risk

(1) Some Funds may utilise derivatives such as warrants, futures, options and forward contracts for hedging, efficient portfolio management and investment purposes. However, it can also be detrimental to the Fund's performance if the fund manager's prediction regarding the direction of movement of the relevant investment is incorrect. In adverse situation, the use of derivatives may become ineffective and the Funds may suffer significant losses.

(2) The Fund may use derivatives extensively for investment purposes and may therefore suffer significant loss.

(3) The investment decision is yours but you should not invest unless the intermediary who sells it to you has explained to you that the product is suitable for you having regard to your financial situation, investment experience and investment objectives.

(G) Complex Products Risk

(1) Some investments are difficult to value accurately because there are no publicly available prices. The only time it is possible to obtain an accurate price is when the investment is sold and that price may differ from previously reported values.

(2) Such investments include derivatives or funds which invest in derivatives. They also include illiquid investments for which there is no secondary market and there may be a limited number of other investors interested in such products. It may therefore be difficult to sell such investments.

(3) Some investment funds will only permit subscriptions and redemptions on specified dealing days. Dealing days may be restricted to weekly or monthly trading or for even longer periods. In some cases funds will not permit any redemptions and you must hold the investment for a fixed period. Without daily subscriptions and redemptions it may take long periods before you are able to convert your investment into cash.

(4) For complex products described as having been authorized by the SFC, SFC authorization does not imply official recommendation and such authorization is not a recommendation or endorsement of a product nor does it guarantee the commercial merits of a product or its performance.

(5) Where past performance information is provided, past performance is not indicative of future performance.

(6) Some complex products are only available to professional investors.

(7) Investors should read the offering documents and other relevant materials to understand the key nature, features and risks of a complex product and are advised to seek independent professional advice before making any investment decision and should have sufficient net worth to be able to assume the risks and bear the potential losses of trading the product.

(8) Some investment are difficult to value accurately because there are no publicly available prices. The only time it is possible to obtain an accurate price is when the investment is sold and that price may differ from previously reported values.

(9) Such investments include derivatives or funds which invest in derivatives. They also include illiquid investments for which there is no secondary market and there may be a limited number of other investors interested in such products. It may therefore be difficult to sell such investments.

(10) Some investment funds will only permit subscriptions and redemptions on specified dealing days. Dealing days may be restricted to weekly or monthly trading or for even longer periods. In some cases funds will not permit any redemptions and you must hold the investment for a fixed period. Without daily subscriptions and redemptions it may take long periods before you are able to convert your investment into cash.

(H) Risk with Payment of Dividends out of Capital

Some Funds may distribute dividends to be paid out of capital of the Funds. A high distribution yield for a fund may not necessarily lead to positive or high returns on the total investment since it will decrease the available capital of the Fund for investment in the future and may therefore reduce the capital growth. Any distributions of dividends out of the capital may result in an immediate reduction of the Fund's net asset value per unit.

(I) Emerging Market Risk

Some Funds may invest in markets which (i) may be subject to a higher than usual risk of political or economic instability, (ii) may not be subject to accounting, auditing and financial reporting standards and practices comparable to those applicable in more advanced countries, and/or (iii) may be less government supervision, legal regulation and less well-defined tax laws and procedures than in countries with more advanced securities markets. The capital of and income from such Funds may be affected detrimentally by fluctuations in currency rates, exchange control and fiscal regulations. As a result, the shares of such Funds may be subject to substantial price volatility.

(J) Risk specific to Equity Fund

(1) An equity Fund invests in equity securities is subject to general market risks, whose value may fluctuate due to various factors, such as changes in investment sentiment, political and economic conditions and issuer-specific factors.

(2) The stock of small-capitalisation/ mid-capitalisation companies may have lower liquidity and their prices are more volatile to adverse economic developments than those of larger capitalisation companies in general.

(3) High market volatility and potential settlement difficulties in certain markets may also result in significant fluctuations in the prices of the securities traded on such markets and thereby may adversely affect the value of a Fund.

(K) Risks specific to Bond Fund

(1) Credit and default risks: If the issuer of any underlying bonds becomes bankrupt, the Fund may suffer losses.

(2) Interest Rate Risk: The value of the bond may fall if the market interest rate rises. As a result, the value of a Bond Fund may fall.

(3) Risks for High Yield Bond Fund:

Such Funds will invest in higher yielding bonds rated lower than investment grade, which may be considered speculative and can include bonds that are unrated or in default. As a result, investment in such Funds is accompanied by a higher degree of credit risk than Funds which invest in higher rated, lower yielding securities.

(L) Risks specific to Money Market Fund

As mentioned above, investing in Funds are not the same as placing funds on deposit with a bank. The Funds have no obligation to redeem units at their offering value and such Funds are not subject to the supervision of the Hong Kong Monetary Authority. You may not get back the original amount invested in the Funds.

(M) Risks specific to Funds Denominated in Renminbi (RMB)

You should note that funds denominated in RMB are subject to RMB exchange rate risk and currency risk.

Investing in RMB funds exposes your non-RMB holdings to fluctuations in the RMB exchange rate. If you wish or intend to convert your redemption proceedings (denominated in RMB) into another currency (e.g. Hong Kong dollars), you will be subject to exchange rate risk and may suffer significant capital losses as a result of such conversion. There is no guarantee that RMB will not depreciate.

In addition to general exchange rate risk, RMB is subject to exchange controls imposed by the People's Republic of China government.

Furthermore, if the underlying investments of a fund are not denominated in RMB, the purchase or sale of the underlying investments may involve multiple currency conversion fees and be subject to fluctuations in the RMB exchange rate and the spread between the purchase and sale prices that may arise when the underlying investments are sold to meet the fund's redemption requests and other capital needs (e.g. to cover operating expenses).

In addition to RMB exchange rate risk and currency risk, you should also note other risk disclosures in the relevant fund offering documents, including but not limited to the potential limited selection of RMB-denominated investments, counterparty credit risk, interest rate risk, liquidity risk, and the uncertainty of receiving RMB upon redemption (if applicable).

If a fund invests in offshore RMB debt securities, you should note that the number of debt securities issued outside mainland China available for investment by the fund is currently limited. Such risks may negatively impact the fund's returns and performance.

If you convert RMB through us to subscribe for RMB-denominated funds, we will process the conversion transaction using the offshore RMB (CNH) exchange rate.

1.3 Risks involved in the GoWealth Digital Wealth Advisory Services

(A) General Investments Risks and Fund Risks

All GoWealth Digital Wealth Advisory Services carry the risks identified in Section 1.1 and 1.2 above. Set out in this Section are additional risks associated with GoWealth Digital Wealth Advisory Services.

(B) Risks of Investment in Portfolio

(1) All investments involve risks. The value of the Portfolio may increase or decrease. We do not guarantee that the Portfolio will achieve the Target Wealth or Expected Portfolio Amount;

(2) Regarding Model Portfolio we recommend to you pursuant to Clause 5.2 or Clause 7.4 -7.10 of the Wealth Management Services Terms, we construct a Model Portfolio using algorithms and methodologies which we consider to be appropriate. Such process is algorithm and rule-based instead of attempting to recommend position taking with respect to the direction of markets. Our algorithms and methodologies may use historic market data when making recommendation. However, there is no guarantee that a recommendation based on historic market data will produce the desired results in the future, and if market dynamics change, the effectiveness of algorithms and methodologies may be limited;

(2A) Regarding the Model Portfolios displayed to you from the Full List pursuant to Clause 5.4 of the Wealth Management Services Terms, the Model Portfolios displayed to you are constructed using methodologies which are rule-based without making any reference of direction of markets. Historic market data may be used when constructing such Model Portfolios. However, there is no guarantee that any of such Model Portfolio constructed based on historic market data will produce the desired results in the future, and if market dynamics change, the effectiveness of methodologies may be limited;

(3) The performance of the Portfolio is highly dependent on the performance of individual Funds which comprise the Portfolio. There is no assurance that the Portfolio will achieve your Target Wealth or Expected Portfolio Amount;

(4) Whilst we regularly test and monitor the algorithm, inadvertent errors or bugs may occur and in such case, we will suspend the GoWealth Digital Wealth Advisory Services. Accordingly, there is no assurance that the algorithm will always behave correctly; and

(5) All performance data and statistics provided in relation to our Wealth Management Services, including but not limited to the Probability of Success applicable to Model Portfolio recommended by us pursuant to Clause 5.2 or Clauses 7.4 - 7.10 of the Wealth Management Services Terms, and Probability of Reaching the Expected Amount applicable to Model Portfolio selected by you from the Full List pursuant to Clause 5.4 of the Wealth Management Services Terms, are derived based on historic market data and methodologies which are formulated based on various assumptions. They do not reflect or project actual investment performance of the Portfolio or performance of any Funds in the Portfolio and are not guarantees of future results.

(C) Regarding your Wealth Management Goal, we shall not be liable to you for any expenses, losses or damages which you may suffer or incur as a result of the failure of the algorithms to construct the composition and weightings of the Funds in the Model Portfolio to achieve your Wealth Management Goal or if we suspend the GoWealth Digital Wealth Advisory Services in accordance with this Clause, provided we have exercised reasonable skills and care in testing and maintaining the algorithms.

(D) You acknowledge and agree that after you purchase the Model Portfolio recommended by us pursuant to Clause 5.2 or Clauses 7.4-7.10 of the Wealth Management Services Terms:

(1) if you change your Wealth Management Goal, we may advise you to redeem the Portfolio which you are holding. If you decide to retain all or part of the original Portfolio, such Portfolio may no longer be suitable for you. We shall not be liable for any expenses, loss or damages which you suffer or incur as a result of your decision to retain the original Portfolio; and

(2) if you redeem part of your Portfolio, the Portfolio may no longer be suitable for you or may not be able to achieve your Wealth Management Goal.

(E) Market Risks

The purchase of Funds will take place as soon as possible after your Instructions have been received. It is possible that market conditions have changed when the actual purchase of Funds takes place.

The value of the Funds in a Portfolio may go up or down. Also, the Funds in a Portfolio may become valueless due to adverse market conditions, termination of Funds, etc. The Funds in a Portfolio can perform differently from each other at any given time or over the long term. Fluctuations in the value of one or more Funds in a Portfolio could affect the value of the Portfolio. This will also affect the ability of the Portfolio to produce the desired result to achieve the Target Wealth or Expected Portfolio Amount, and the Model Portfolio recommended to you under Clause 5.2 or Clauses 7.4-7.10 of the Wealth Management Services Terms may not be suitable for you.

(F) Suitability

(1) Under the Code of Conduct, and in accordance with Section 3 of the Wealth Management Services Terms, for Model Portfolios we recommend to you pursuant to Clause 5.2 or Clauses 7.4-7.10 of the Wealth Management Services Terms, we will take reasonable steps to ensure the recommendation or solicitation is suitable in all the circumstances. This is not a guarantee that your investment will increase in value. While for the Model Portfolio that is selected by you from the Full List pursuant to Clause 5.4 of the Wealth Management Services Terms, we are not obligated to, and will not ensure that the Portfolio is suitable for you.

(2) The suitability assessment we undertake takes into account information which is available to us at the time the assessment is made at the time we execute your Instruction relating to your Wealth Management Goal. It cannot account for any subsequent changes to that relevant information we have taken into account. Relevant information includes but is not limited to changes to market conditions, foreign exchange rates, interest rates, geopolitical developments (e.g. foreign relations between countries) and your personal information and circumstances.

(3) Changes to any of those factors and others, taken individually or in combination may affect the suitability of an investment after it has been made, making it no longer suitable.

(4) Without derogating from Clause 3.3 of the Wealth Management Services Terms, we shall not be liable to you for any expenses, losses or damages which you may suffer or incur if the Portfolio fails to achieve your Wealth Management Goal under any circumstances.

(G) Risks associated with recommendation and switching of Portfolio(s) of your Wealth Management Goal

(1) We are not obligated to review and shall not keep under review the performance of your Portfolio(s). Our obligation in relation to suitability applies up to the time when the relevant assessment is made. It is not a continuing obligation and it does and cannot take into account market conditions and the performance of your investments. It is your responsibility to monitor the performance of your investments.

(2) If you notify us of any change in your relevant information, we may, but are not obligated to, recommend a revised Model Portfolio in accordance with Clauses 7.4 to 7.10 of the Wealth Management Services Terms.

(3) We will not perform any action as recommended in the alert unless you instructed us to do so. If you do not provide relevant Instruction to us or if there is any delay in providing such Instructions, your holding of Funds may become no longer suitable for you and you should bear such consequences. When you receive such alerts from us, you should consider such implications and make your own risk assessment, seek professional advice where necessary and make your own decision. When making your decision, you should also consider the transaction costs (including but not limited to commission, fees and other charges) to be incurred as they will affect your value of investment.

(4) When we process your Instruction, while the intention is to keep the market value of your relevant investment unchanged by having estimated proceeds from selling and buying Funds largely the same, the actual execution may deviate from the intention. This may result in an increase or decrease of market value of your relevant investment.

(5) The purchase of Funds will take place as soon as possible after the sale of Funds has been processed. It may be possible that market conditions have changed when the purchase of Funds takes place and we may need to charge additional subscription fees for purchase of the Funds. Additional funding will be required from you where the actual sales proceeds of the Funds are insufficient to fund the purchase of Funds (which for the avoidance of doubt, includes the payment of subscription fees). If you fail to provide additional funding, some or all of the Funds may not be purchased and you will only have a partially executed Model Portfolio which may not be able to achieve the Target Wealth and may not be suitable for you. You should take into consideration such implications and make your own risk assessment and seek professional advice, where necessary.

(H) Partial Execution Risks

Due to various reasons such as market conditions, suspension of trades, drastic movements of prices, temporary suspension of Wealth Management Services, we may not be able to execute Instruction to purchase or sell all the Funds comprising a Model Portfolio in full. As a result, you will only have a partially executed Portfolio which may not be able to achieve the Target Wealth or Expected Portfolio Amount and the Portfolio recommend to you pursuant to Clause 5.2 or Clauses 7.4-7.10 of the Wealth Management Services Terms may not be suitable for you. You should take into consideration such implications and make your own risk assessment and seek professional advice, where necessary.

(I) Termination/Suspension of the GoWealth Digital Wealth Advisory Services

(1) We may terminate or suspend the GoWealth Digital Wealth Advisory Services in our sole and absolute discretion. Upon termination or during the period of suspension of the GoWealth Digital Wealth Advisory Services, all the services under the GoWealth Digital Wealth Advisory Services (including but not limited to recommendation of a Model Portfolio to achieve your Wealth Management Goal, provision of any alerts to switch your investment from one Portfolio to another or rebalance your holding of Funds in the Portfolio regarding your Wealth Management Goal, tracking on the progress of your Wealth Management Goal or Investment Plan, and receiving, processing or executing any Instructions in relation to any Portfolio) will become unavailable.

(2) You understand and agree that if such services become unavailable, your holding of Portfolio, if recommended by us under Clause 5.2 or Clauses 7.4-7.10 of the Wealth Management Services Terms, may no longer be suitable for you and may not be able to achieve your Wealth Management Goal and/or Target Wealth or Expected Portfolio Amount.

(J) Disposal of the Portfolio

You may dispose all or part of your holding of Funds in your Portfolio. If you dispose part of your interest of Funds in the Portfolio, your remaining holding of Funds may not be able to achieve the Target Wealth or Expected Portfolio Amount. Also, if you dispose part of your interest of Funds in the Portfolio recommended

by us under Clause 5.2 or Clauses 7.4-7.10 of the Wealth Management Services Terms, your remaining holding of Funds may not be suitable for you.

(K) Regulatory Risks

If any of your holding of Funds in the Portfolio results in any actual or potential non-compliance with any applicable laws, rules and regulations, subject to the applicable laws, rules and regulations, we may have to force sell such holding. Your remaining holding of Funds may not be able to achieve the Target Wealth or Expected Portfolio Amount. Also, if the Portfolio is recommended by us under Clause 5.2 or Clauses 7.4-7.10 of the Wealth Management Services Terms, your remaining holding of Funds may not be suitable for you.

(L) Investment Strategy Risks

You understand that the investment strategy risk of the Portfolio covered by our Wealth Management Services may vary according to your Customer Risk Rating ("CRR") and Customer Investment Profile ("CIP"). The more aggressive your CRR and CIP is, the more likely it is that a recommended Model Portfolio, presented to you in the App may contain larger weights in riskier Funds or classes of Funds.

(M) Concentration Risks

The Portfolios may achieve a limited degree of diversification only. A Portfolio may be concentrated on only one or a few market sectors, asset classes or markets. This could have negative impact on their performance. A less diversified Portfolio may be more sensitive to economic, business, political or other changes and this may lead to sizeable fluctuation in the value of your holding in a Portfolio.

1.4 Risks involved in FX Transactions

(A) Foreign Exchange Risk

Foreign exchange markets are subject to unpredictable fluctuations and may be affected by complex political and economic risks. Therefore, if you (i) convert Hong Kong dollars to any other Specified Currencies and (ii) convert any other Specified Currencies to Hong Kong dollars in any FX Transactions, such FX Transactions will be subject to risk arising from exchange rates fluctuation. As a result, you may suffer losses.

(B) Counterparty Risk

We enter into FX Transactions under the FX Terms on a principal-to-principal basis and you are therefore subject to the risk that we fail to perform our obligations under the FX Terms.

Please refer to Clause 9 of "Section 2D -Foreign Exchange Services" of the Account Terms for details of the risks involved in FX Transactions

1.5 Risks involved in Exchange-Traded Securities ("ETS")

(A) General Investments Risks

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.

(B) Risks of Growing Enterprise Market (GEM) stocks

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.

(C) 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.

(D) Risks of Exchange-Traded Funds ("ETFs")

(i) Market risk: Investors are exposed to the risks related to the underlying benchmark that the ETF tracks. Due to the inherent nature of the ETF, managers of ETF do not have the discretion to adapt to market changes. You have to bear the risk of loss associated with the underlying benchmark of the ETF.

(ii) Tracking error risk: Tracking error is the difference between the performance of an ETF and that of its underlying benchmark, which can be arise due to factors such as the Total Expense Ratio ("TER"), changes in the composition of the underlying benchmark and the type of ETF (i.e. physical or synthetic). The TER of an ETF may include management fees and other fees and costs (including but not limited to, transaction costs, stamp duties, legal and auditing fees, custody fees). The estimated TER of an ETF does not necessarily represent the tracking error as its net asset value ("NAV") may be affected by other factors, which may include but not limited to, dividends and other income from the portfolio, and the indirect costs borne by the ETF may only be reflected in the market value of the derivatives it holds (in the case of a synthetic ETF).

(iii) Risk in trading at a discount or premium: An ETF may be traded at a premium or discount to its NAV as its market price is determined by market factors such as demand and supply. This is more likely to emerge during periods of high market volatility and uncertainty and in ETFs tracking specific markets or sectors that are subject to direct investment restrictions. For those who buy an ETF at a premium, they may suffer losses even if the NAV is higher when they sell and in the event of termination of the ETF.

(iv) Liquidity risk: There is no guarantee that any market making activity provided by market maker(s) will be effective and that active trading of an ETF will be maintained at all times. Investors may not be able to trade an ETF if a market maker defaults or ceases to fulfil its role.

(v) Counterparty risk: Regarding synthetic ETFs, notwithstanding that synthetic ETFs are fully collateralised from their counterparties, synthetic ETFs are subject to counterparty risk associated with the issuers of relevant derivatives. If these issuers default or fail to honour their contractual commitments, the ETFs may suffer losses. Besides, there may be potential concentration risks of issuers of derivative. Furthermore, potential contagion and concentration risks of the derivative issuers should be taken into account.

(E) Risks of Exchange-Traded Derivatives ("ETDs")

(i) Issuer default risk: Investors will be unsecured creditors and have no preferential claims to any assets held by the issuer of an ETD if the issuer of that ETD becomes insolvent and defaults. Please pay attention to the financial strength and creditworthiness of the issuer of an ETD.

(ii) Uncollateralised product risk: As uncollateralised ETDs are not asset backed, if the issuer of such ETDs becomes bankrupt, investors may lose the entire investment. Please read the listing documents to determine if an ETD is uncollateralised.

(iii) Gearing risk: Some sub-types of ETDs such as derivative warrants and callable bull/bear contracts (CBBC) are leveraged, and their value can change rapidly according to the gearing ratio relative to the underlying assets.

(iv) Expiration risk: Most ETPs have an expiry date that they may become worthless after the expiry. You should invest an ETD with an appropriate lifespan and expiry time horizon for their trading strategy.

(v) Extraordinary price movement risk: The actual trading price of an ETD may be higher or lower than its theoretical price due to factors such as market supply and demand.

(vi) Exchange rate risk: If you trade an ETD with underlying assets not denominated in HKD, you may expose to currency rate fluctuations which can adversely affect the value of underlying asset and the value of the ETD.

(vi) Liquidity risk: Exchanges such as SEHK require issuers of ETDs to appoint a liquidity provider for each issue for the purpose of provision of two-way quotes to facilitate trading of these products. In the event that a liquidity provider defaults or ceases to fulfil its role, you may not be able to trade the ETD until the appointment of a new liquidity provider.

(F) Risks of Leveraged and Inverse Products ("L&I Products")

L&I Products are derivative products structured as funds. Unlike traditional ETF, L&I Products are often referred to as "daily" products since they aim to deliver a multiple or the opposite of the return of the underlying index on a daily basis. Major risks of trading L&I Products include:

(i) Investment risk: Trading L&I Products involves investment risk and there is no guarantee of repaying the principal amount.

(ii) Leverage risk: 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.

(iii) 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.

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

(v) Inverse products vs short selling: 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.

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

(vii) 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.

(viii) 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.

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

(x) 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.

(xi) Termination risk: L&I Products must be terminated when all the market makers resign.

(G) Risks of Derivative Warrants ("DWs")

(i) DWs give you the right to buy or sell the underlying asset at a pre-determined price (or the exercise price) before the specified expiry date. Settlement is usually made in cash at expiry rather than buying or selling the underlying asset.

(ii) The underlying asset of DWs can be a range of assets, including stocks, stock indices, currencies, commodities, or a basket of securities. There are two types of DWs in general, namely calls and puts. Holders of call warrants have the right, but not obligation, to buy from the issuer a given amount of the underlying asset at a pre-determined price within a certain period of time. While holders of put warrants have the right, but not the obligation, to sell to the issuer a given amount of the underlying asset at a pre-determined price within a certain period of time.

(iii) The value of a DW will decay over time as approaching the expiry date. As such, DWs should not be treated as long term investments. Besides, prices of DWs can fluctuate with the implied volatility of the underlying asset.

(H) Risks of Inline Warrants ("IWs")

(i) Pre-determined fixed payment at expiry: The holder of an IW is entitled to receive a pre-determined fixed amount which depends on whether the spot price or level of an underlying asset is at or falls within ("in-the-range") or outside ("out-of-the-range") the upper and lower strike prices or levels at expiry. Settlement is made in cash only at expiry. There are two possible scenarios at expiry:

- If the IW is in-the-range at expiry, you will receive HKD1 per IW held. Due to the pre-determined fixed maximum payment at expiry of HKD1, an IW should not be traded above HKD1. You will suffer a loss if an IW is bought at above HKD1;
- If the IW is out-of-the-range at expiry, you will receive HKD0.25 per IW held.

(ii) Price movement: Comparing with DWs, the prices of IWs will react differently to movements in underlying price or level, time to maturity, and implied volatility due to the product nature. The movement of prices of IWs may move in the same or different direction of the underlying price or level movement during their product life, depending on the comparison of the underlying price or level with the upper and lower strike prices or levels.

(iii) Gearing risk: The level of effective gearing embedded in an IW depends on a number of factors, including but not limited to, time-to-expiry, and spot price or level of the underlying asset compared to the lower and upper strike prices or levels. An IW is expected to have a high effective gearing when is trading close to its lower strike price or level or its upper strike price or level, and a relatively low effective gearing in other cases. These differences in effective gearing are amplified when IWs are close to expiry.

(iv) Time value: In general:

- When the underlying asset is within or at the upper and lower strike prices or levels, their likelihood of falling in-the range at expiry increases over time. As such, as investors receive the time value of IWs, the value of IWs increases over time;
- When the underlying asset is outside the upper and lower strike prices or levels and their likelihood of falling in-the-range at expiry decreases over time. As such, as investors pay time value of IWs, the value of IWs decreases over time.

(I) Risks of Callable Bull/Bear Contracts ("CBBCs")

(i) CBBCs track the performance of an underlying asset without requiring investors to pay the full price to own the asset directly. CBBCs can be either Bull or Bear contracts with a fixed expiry date to allow investors to take bullish or bearish views on the underlying asset. CBBCs are usually issued by a third party which is independent of relevant exchanges and the underlying asset.

(ii) During the lifespan of a CBBC, it will be called by the issuer when the price of the underlying asset reaches a level (or the "Call price"). If the Call Price is reached before the expiry date, the CBBC will be early expired and terminated immediately.

(iii) A CBBC will carry intraday "knockout" or mandatory call feature. A CBBC will cease trading when the price of the underlying asset equals the mandatory call price/level. In such case, you will only be entitled to the residual value (which may be zero) of the terminated CBBC as calculated by the product issuer in accordance with the listing documents.

(iv) The issue price of a CBBC will take into account funding costs which are calculated according to the formula as set out in the listing documents. Funding costs are gradually reduced over the time as the CBBC moves towards its expiry date. The longer the duration of the CBBC, the higher the total funding costs. If a CBBC is called, investors will lose the funding costs for the entire lifespan of the CBBC.

(J) Risks of Odd Lot Trading in HK Market: The trading unit of HK stocks is generally one lot. "Odd lot" refers to the number of securities in less than one trading unit (one board lot). Due to the lower liquidity of odd lot shares when compared to that of board lot, order lot order may take a longer processing time and odd lot shares will usually be traded at a price which is not better than that of the same stock trading in board lot. In addition, the sale proceeds from odd lot transaction may be less than the transaction costs (including commission and charges).

(K) Risks of US Securities Trading

(i) Differences in regulatory regimes and legal systems: US markets may be subject to different regulations from that of SEHK, which may affect the level of safeguards in place to ensure proper segregation and safekeeping of your US securities held overseas. US markets may also have different cycles for clearing and settling transactions which may affect the information available to you regarding transaction prices and the time required to settle your trade. The disclosure of US securities may not be subject to the same standards as that applicable to investment products listed on SEHK. The differences in accounting, auditing and financial reporting standards may also affect the quality and comparability of information provided in the disclosure.

Besides, as the laws of US may prohibit or restrict the repatriation of funds (including capital, divestment proceeds, profits, dividends and interest) from US arising from investments in US securities, there is no guarantee that you will be capable of remitting these funds. US may also restrict the amount or type of investment products that foreign investors may purchase which can affect the liquidity and prices of relevant US securities.

(ii) Different costs involved: You may have to pay additional costs (such as fees and any commissions to brokers) and a premium (if applicable) for trading US securities, which will affect your net profit (if any) or increase your loss.

(iii) Tax implications: Sale proceeds or the receipt of any dividends and other income may be subject to tax levies, duties or charges in US All investors holding US Securities of any form are required to pay a withholding tax on

dividends gained. Any US source income received by you, including interests or dividends, is subject to the US withholding tax. The Broker is required to withhold a tax of up to 30% of any payment of the said income to a foreign person.

(iv) Counterparty risks: Transactions in US markets are generally effected by a broker who has trading and/or clearing rights on those markets. All transactions that are executed upon your instructions with such counterparties are dependent on their respective due performance of their obligations. The insolvency or default of such counterparties may lead to positions being liquidated or closed out without your consent and/or may result in difficulties in recovering your US securities held overseas.

(v) Political, economic and social developments: US markets are influenced by the political, economic and social developments in US, which may be uncertain.

(vi) Not protected by Investor Compensation Fund, SFO and related subsidiary legislation: Transactions of US securities will NOT be subject to a right to claim under the Investor Compensation Fund established under the SFO. There is a risk of your US securities not being protected if the custodian has credit problems or fails.

(L) Risks of trading fractions of US stocks and ETFs ("US Fractional Shares")

(i) You may be exposed to the credit risk of the Broker when trading US Fractional Shares as the Broker or its affiliate will act as a counterparty and execute any US Fractional Share component of any purchase or sale transaction as a principal. For orders that contain both whole and US Fractional Shares, the Broker will act as agent for the whole share component and as a principal for the US Fractional Share component of the order. Orders for whole shares will continue to be handled in an agency capacity.

(ii) As US Fractional Shares are not transferable to another broker, before the transfer, US Fractional Shares will be needed to be liquidated, which may have tax implications and will result in commission charges. To effect a request for transfer, the Broker will purchase the US Fractional Shares from you using their pricing mechanism and charge commissions.

(iii) You will not have voting rights and will not be able to make voluntary elections on any corporate actions with respect to US Fractional Shares, and no any shareholder documentation will be provided by us to you for any holdings of less than one share. You will, however, receive payments of dividends, or in some cases in connection with stock dividends, either dividend shares or value commensurate to the dividend shares, and will otherwise participate normally in any stock splits, mergers or other mandatory corporate actions.

(iv) The Broker may only accept certain types of orders for US Fractional Shares (e.g. market orders, limit orders only). In the event you choose to place an unmarketable limit order with a US Fractional Share component, the fractional component may not be executed until the order becomes marketable (and therefore may not execute at all), even if the order might have executed earlier if submitted for a whole share quantity.

(v) The market price displayed for US Fractional Shares may not be the executed price for market orders. The final executed price may be different from the inputted cash amount.

(M) Risk of after-hours trading and order sent near opening of trading

(i) The offering of after-hours trading does not constitute recommendation or guarantee that orders placed therein will be successful or suitable for you. It is your own responsibility for determining when to place, how you direct, and the type of, those orders.

(ii) You should also understand the trading hours of relevant markets and the risks associated with after-hours trading. During after-hours trading, your orders may only be partially executed at an inferior price due to lower liquidity, higher volatility, unlinked markets, news announcements and wider spreads.

(iii) Near the opening of a trading session, relevant markets can be volatile in terms of prices and available volume. Besides, data feeds from relevant markets may be slow or even temporarily not available. As such, there is no guarantee that orders sent at or near the opening of trading will receive the best posted price.

1.6 Risk disclosures involved in Initial Public Offering ("IPO")

(A) Over-subscription

IPO may be oversubscribed in some cases. The company may go through an allocation process to determine whether an investor will receive any shares and, if so, in what quantity. Investor may think he/she will not receive the full amount in case of an over-subscription, and may be tempted to subscribe for more shares than he/she intends to. However, if the IPO is not oversubscribed, the investor will receive all the quantities applied for and will incur the full cost.

(B) Market risk

Once the share commences trading on the stock market, the share price may drop below its initial IPO price. Share price will fluctuate over time.

(C) Company risk

You should understand the company and the business you are investing in, and study thoroughly the prospectus, financial report and even seek professional advice before making the investment decision.

1.7 Risk disclosures involved in Virtual Assets ("VAs") and Virtual Asset-Related Products ("VARP")

(A) New asset class and new innovation risk: VAs and VARPs, which are relatively new innovation in nature, makes them potentially riskier than traditional assets. As such, the market for VAs and VARPs may be subject to rapid price changes and uncertainty. As the use and acceptance of VAs and VARPs are subject to a variety of factors, it is difficult to evaluate the further development of VAs and VARPs. As there is insufficient regulation on the issuer of VA and VARPs in many jurisdictions, the ability of investors to enforce the rights attached to VAs or VARPs remain uncertain. The slowing, stopping or reversing of the development of VA may adversely affect the price of VAs and VARPs.

(B) Valuation, price volatility and loss of value: VAs generally do not have any intrinsic value and are not backed by any government, bank or physical assets. Currently, there are no generally accepted valuation principles for VAs or VARPs. The prices of VAs and VARPs mainly rely on investor confidence as well as market demand and supply. The prices and trading volume of VAs and VARPs may be largely fluctuated with high volatility due to numerous factors such as the discovery of misconduct, market manipulation, changes in the nature of VAs, governmental or regulatory actions, legislative changes, suspension or withdrawal of support from exchanges or service providers, public sentiment and other factors beyond our control. In worst case, investors may lose all of their investments in VAs and VARPs.

(C) Market and liquidity risk: As the platforms for trading VA and VARPs are typically not subject to the robust regulation and investor protections applicable to traditional financial markets, they may be more exposed to market failure due to increased risks of theft, fraud, security breaches or technological failure. It is not guaranteed that a trading market or platform for VAs or VARPs will develop or continue to exist, or merchants accepting certain VAs as a form of payment today will continue to do so in the future. Besides, investors may not be able to unwind or liquidate their position of VAs or VARPs promptly or at expected prices, as there may be a lack of active market participants for the VAs or VARPs and prices in the secondary market are short-term and volatile in nature which the volatility may be further magnified where liquidity pools for VAs are small and fragmented.

(D) Market manipulation risk: Investors may expose to risk of market manipulation, insider trading and a lack of price transparency on the basis of insufficient or the lack of investor protection measures due to the operation of VA trading platforms with limited or no regulation. VA trading platforms may lack the same level of safeguards as that of established and regulated exchanges for securities, derivatives and traditional assets. The holding of certain VAs may be concentrated in a small number of holders which the price of such VAs may be manipulated. Besides, participants in the VA trading market may also engage in complex transaction strategies. If the aforesaid issues arise, investors who trade in VAs or VARPs may suffer significant losses.

(E) Risk of fraud: Adequate due diligence may not be performed by VA trading platforms before allowing a VA or VARP to be traded on them. As such, certain VAs or VARPs may be used as a scheme to defraud investors and victims of fraudulent schemes may lose substantial part or even all of their investments.

(F) Regulatory and legal uncertainty risk: In many jurisdictions, VAs are generally treated as a virtual commodity and do not constitute legal tender. As such, VAs may not be granted with the same kind of legal and ownership rights associated with traditional assets. Besides, there is legal uncertainty over whether or to what extent VAs may constitute "property" under the laws of different jurisdictions, which may have an impact on claims over the ownership of VAs.

(G) Regulatory uncertainty risk: The laws and regulations governing VAs and VARPs are unsettled and evolving, which can have a negative impact on the value of VAs and VARPs. For example, the nature of an investment in a VA may be altered, the use and exchange of the VA and operations of the blockchain network or venues on which the VA is traded may be restricted, due to regulatory changes. A certain VA may suddenly become illegal due to the unpredictable governmental interventions resulting from market disruptions.

(H) Counterparty risk: The service providers involved in VAs and VARPs, such as custodians and operators of VA trading platform may be private companies which are not highly regulated or even unregulated. As a result, they may not be subject to the same robust regulations and transparent rules as that for service providers in traditional financial markets. Legal and regulatory changes beyond the control of these service providers can have adverse impact or restriction on the trading of VAs and VARPs. Besides, investors may face the risk of investing in fraudulent projects and the risk of default by a counterparty.

(I) Risk relating to lack of statutory protection: VAs and VARPs may not be covered by any statutory investor compensation and protection schemes. As a result, trading of VAs and VARPs may have a lower level of protection when comparing with other traditional investment products governed by Hong Kong laws.

(J) Conflict of interest risk: Operators of VA trading platform may act as an agent for customers and also a principal. They can facilitate the initial offering of VAs and VARPs such as initial coin offerings, and secondary market trading similar to traditional exchanges. It may be difficult to detect, monitor and manage conflicts of interest if these operators are unregulated.

(K) Loss of private keys risk: Private keys are required to be stored in wallets for VAs for the purpose of accessing and transacting VAs. If private keys are compromised or stolen, there may be unauthorised access and loss of VAs. Besides, if private keys are lost or forgotten, the access to the VAs stored will be lost irreversibly and permanently such that investors will not be able to retrieve or transfer their VAs to realize any value.

(L) Scalability and performance risk: Certain VAs may be struggled to handle a high volume of transactions effectively due to scalability issues, which may result in delays, higher transaction fees, limitations on the network's performance or even network outages.

(M) Money-laundering and terrorist financing risk: VAs are typically transacted or held on an anonymous basis. The anonymity increases the inherent risk of money laundering and terrorist financing associated with the exchanges between VAs and fiat currencies. Investors may face difficulties in recovering their investments in VAs if relevant VAs becomes the target of law enforcement actions as a result of criminal activities.

(N) Accounting and auditing risk: Currently, common standards and practices are absent for auditors to perform assurance procedures and gather adequate audit evidence regarding the existence, ownership and valuation of VAs and VARPs.

(O) Air drop risk: For the purpose of marketing, developers of VA in sometimes may give free VAs to holders of certain VA, which is commonly known as an "air drop". You should be cautious that there may be significant and unexpected decline in the value of such VA as a result of a substantial or frequent air drops.

1.8 Risk disclosures involved in VA ETF

Investing in VA ETFs presents indirect or direct exposure to the risks associated with the underlying VA. Consequently, any negative factors affecting the price of the underlying VAs could also impact the price of the corresponding investment products. Therefore, apart from the major risks of ETFs, you should also be aware of the risks in relation to VA and VARP mentioned above.

1.9 Risk disclosures involved in VA derivatives (e.g. VA futures) ETFs

(A) Product nature: Investing in VA derivatives ETFs presents indirect or direct exposure to the risks associated with VA derivatives, which carry inherent risks due to the speculative nature of the underlying VAs and the use of leverage in derivatives trading. Historical data shows significant price volatility and incidents of extraordinary price movements in VAs, which means VA derivatives ETFs may sustain losses exceeding their investment amount. All the risks relating to the underlying VAs may be magnified in trading in VA derivatives.

(B) New product and investment risk: VA derivatives are relatively new investment products with limited history. Further, VA derivatives are not principal guaranteed and there is no assurance that the investment objectives of the VA derivatives ETFs could be achieved.

(C) Pricing disparity: Contracts of VA futures reflect the value of the VAs in future, whilst the spot price of the VAs reflects the price of such VAs for immediate delivery. The difference between VA futures contract prices and the spot price of VAs will make it significantly challenging to determine the value of VA futures contracts. Therefore, VA futures ETFs may underperform a similar investment that is linked to the spot price of the underlying VA or direct investment in the underlying VA.

(D) Liquidity risk: The VA futures market is still developing and may exhibit higher volatility and periods of illiquidity compared to more established futures markets. The VA derivatives ETF's large positions of VA futures increase the risk of illiquidity, making it more difficult to sell holdings and potentially resulting in higher losses. It may be difficult or impossible to find a counterparty willing to transact or to buy or sell at the desired price and size. Additionally, the VA derivatives ETF's rolling strategy and ability to diversify its futures position may be adversely affected.

(E) Leveraged trading risk: VA derivatives ETFs which invest in assets involving leveraged trading of VAs (e.g. VA futures) increases the exposure to the volatility of the underlying VAs. This is because relatively small market movements may have a proportionately larger impact on the margin deposited and VA derivatives ETFs may sustain losses exceeding their investment amount.

(F) Volatility of single asset or single futures contract: Unlike conventional ETFs that track equity indices which are typically diversified, VA derivatives ETFs are linked to a single VA, exposing you to the high price volatility of such VA. This volatility can be significantly higher than that experienced in diversified equity or commodity indices. For VA derivatives ETFs which hold a single futures contract, you will be exposed to high concentration risk.

(G) Risk of rolling futures contracts: A futures-based ETF needs to "rollover" futures contracts to maintain VAs exposure (i.e. selling existing futures contracts that are about to expire and replacing them with a futures contract that will expire at a later date). If the prices of contracts that will expire at a later date are higher than

expiring contracts, selling the expiring contracts may not generate sufficient proceeds to purchase the same number of contracts that will expire at a later date. This can lead to losses from roll costs or negative roll yields that negatively impact the ETF's net asset value. Certain VA derivatives ETFs adopt active investment strategies which allow ETF managers to more flexibly manage the roll cost, for example, by adjusting the portfolio composition and timing of the rollover. You should carefully study the investment strategy of an ETF. Subsequently, if the futures market is generally experiencing losses from greater roll costs and negative roll yields, this may be reflected in the net asset value of the VA derivatives ETF.

(H) Operational risk: Brokers, participating dealers or futures exchanges may impose mandatory measures during extreme market conditions. These measures could limit the VA derivatives ETF's futures positions or necessitate mandatory liquidation. The actions taken by the relevant ETF manager under such circumstances may adversely affect the relevant VA derivatives ETF's operations, secondary market trading and net asset value of such ETF.

(I) Margin risk: If the market moves against the futures position, the VA derivatives futures ETF may be required to provide additional margins to maintain the trading positions on short notice. A VA derivatives ETF may need to liquidate its assets at unfavourable prices to meet margin calls, resulting in substantial losses.

(J) Position limit risk: Statutory position limits may exist on certain VA futures from time to time. For example, currently statutory position limits exist for holding Bitcoin or Ethereum futures contracts on the Chicago Mercantile Exchange. If a VA derivatives ETF's holdings reach the position limit of the relevant VA futures, it may be unable to acquire further futures contracts, affecting the creation of new ETF units. This discrepancy could lead to differences between the trading price and net asset value of the VA derivatives ETF units.

(K) Price limit risk: Certain trading platforms may impose dynamic price fluctuations limits on VA futures. Once the price fluctuation limits have been reached, trading may be temporarily halted or no trades may be made at a price beyond such imposed limit. This may limit the ability of a VA derivatives ETF to invest in VA futures at certain price points during a certain time.

Client Order Best Execution Disclosure Statement (the "Statement")

This document summarises the information on order execution when you (as a client) trade with WeLab Bank Limited ("WeLab", the "Bank", "we", or "us") in relation to the dealing in securities for wealth management investment products.

This Statement aims to disclose to you the circumstances where best execution will be provided by us; our best execution principles and guidelines; and how we take into account best execution factors when we execute orders for different types of financial instruments and in certain circumstances.

1 Agency Trades

The obligation to provide best execution will always arise in circumstances where we enter into a trade for you and on your behalf (i.e. acting on an agency basis).

2 Best Execution Factors

Where best execution applies to your transaction, we will consider a range of factors when determining how each of your order will be executed. Please note that we may prioritize certain factors over others on a case-by-case basis, in accordance with your specific instructions and/or the then prevailing market conditions, aiming at fulfilling our best execution obligations to you. The key best execution factors include the following:

- Price;
- Cost;
- Speed of execution;
- Likelihood of execution;
- Size and nature of the order; and
- Any other relevant factors.

Where we receive an order from you that includes a specific instruction in relation to the handling and execution of the order, we will follow that instruction so far as is reasonably possible when executing the trade, subject to our legal, compliance and regulatory obligations. It should be noted that by giving us specific instructions to execute your order in a particular way means that it may not be possible to follow the Guidelines and that your trade may not be executed on the best available terms in the circumstances. By following your specific instructions, we will nevertheless have satisfied best execution obligations notwithstanding that we may not have followed the Guidelines.

3 Application of Execution Factors

Below we list the transaction types within the wealth management service provided by the Bank that are subject to the Guideline and the details of how we can obtain the best possible result on execution of the orders.

- Investment Funds / Mutual Funds
  Each fund has its own dealing procedures. These are set out in its prospectus or offering document. We will comply with those procedures, including the cut-off time submitting orders. If it is not possible to comply with the cut-off time on the day you give us instructions, because of the timing of your instruction, your order will be submitted on the next available dealing day.

- Exchange-Traded Securities
  We will execute your order through third party brokers. Orders of exchange-traded securities are processed on a timely basis for submission to brokers and then to relevant exchange according to the sequence of order receiving time.

- Other products
  Based on the current business of the Bank's wealth management services, the relevant products covered by the Guideline are investment / mutual funds and exchange-traded securities. The Bank will further update this Statement accordingly upon the commencement of new services offering.

4 Governance and Review Process

The Bank will assess the best execution outcome for transactions that falls in-scope for us to provide best execution. This Statement may be updated from time to time in order to address changing regulatory, industry, business and other developments.

Should you have any queries in relation to this Statement, please contact us at <+852 3898 6988> or <wecare@welab.bank>

In case of any discrepancy between the English and the Chinese versions, the English version shall prevail.

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