

## **RISK DISCLOSURE STATEMENT**

This Risk Disclosure Statement is intended to inform you of some of the risks associated with trading Securities, Futures and Option and Leveraged Foreign Exchange. However, this is not an exhaustive list of all risks. Therefore, you should therefore consult with your own legal, tax, financial and other professional advisers as you deem appropriate and ensure that you fully understand the risks involved and satisfy yourself that you are willing to accept such risks before entering into any particular transaction. It is important for you to determine whether any transaction is suitable for you in the light of your own investment experience, investment objectives, financial situation and other relevant circumstances. Undefined terms in this Risk Disclosure Statement shall have the meanings given to them in the Terms of.

Given the leverage involved in trading, a relatively small market movement can have a proportionately larger impact on the funds deposited into your account. You could sustain a total loss of all funds in your account and may be required to deposit additional funds, should your account realize a negative balance. Since the possibility of losing your entire cash balance does exist, speculation in leveraged products should only be conducted with risk capital you can afford to lose and which will not dramatically impact your lifestyle.

### **RISK OF LOSS ACKNOWLEDGMENT**

By placing orders on the system or by entering into transactions through the System, you acknowledge that you have reviewed the content of this Risk Disclosure Statement in its entirety and understand the risks involved in trading Securities, Futures and Option and Leveraged Foreign Exchange. You further acknowledge and understand that trading Securities, Futures and Option and Leveraged Foreign Exchange is speculative, involve a high degree of risk, involve the use of leverage and are appropriate only for persons who can assume the risk of losses which can exceed their original deposit. Since the possibility exists that you could sustain a loss of more than your initial investment, you should not invest money that you cannot afford to lose. You should not trade Securities, Futures and Option and Leveraged Foreign Exchange unless you understand the nature of the contract you are entering into, your risk appetite, your risk exposure and your financial position.

You undertake to ESFL that you are willing and able, financially and otherwise, to assume the risk of trading Securities, Futures and Option and Leveraged Foreign Exchange. Further, you acknowledge that you understand the nature of the Securities, Futures and Option and Leveraged Foreign Exchange contracts you are entering into and the true extent of your exposure to the risk of loss. You have determined that trading Securities, Futures and Option and Leveraged Foreign Exchange are suitable for you in light of your circumstances and financial position and you agree not to hold ESFL responsible for any Losses arising from Transactions entered into on your behalf.

If you have any doubts, you should seek independent advice from professionals.

### Risk of securities trading

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

### Risk of Trading Futures and Options

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

### Risk of Trading of Leverage Foreign Exchange

The risk of loss in leverage foreign exchange trading can be substantial. You may sustain losses in excess of your initial margin funds. Placing contingent orders, such as “stop-loss” and “stop-limit” orders, will not necessarily limit losses to the intended amounts. Market conditions may make it impossible to execute such orders. You may be called upon at short notice to deposit additional margin funds. If the required funds are not provided within the prescribed time, your position may be liquidated. You will remain liable for any resulting deficit in your account. You should therefore carefully consider whether such trading is suitable in light of your own financial position and investment objectives.

### Risk of trading Growth Enterprise Market stocks

Growth Enterprise Market (GEM) stocks involve a high investment risk. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. GEM stocks may be very volatile and illiquid.

You should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Current information on GEM stocks may only be found on the internet website operated by The Stock Exchange of Hong Kong Limited. GEM Companies are usually not required to issue paid announcements in gazette newspapers.

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

Risks of client assets received or held outside Hong Kong

Client assets received or held by the licensed or registered person outside Hong Kong are subject to the applicable laws and regulations of the relevant overseas jurisdiction which may be different from the Securities and Futures Ordinance (Cap.571) and the rules made thereunder. Consequently, such client assets may not enjoy the same protection as that conferred on client assets received or held in Hong Kong.

Risk of providing an authority to repledge your securities collateral etc.

There is risk if you provide the licensed or registered person with an authority that allows it to apply your securities or securities collateral pursuant to a securities borrowing and lending agreement, repledge your securities collateral for financial accommodation or deposit your securities collateral as collateral for the discharge and satisfaction of its settlement obligations and liabilities.

If your securities or securities collateral are received or held by the licensed or registered person in Hong Kong, the above arrangement is allowed only if you consent in writing. Moreover, unless you are a professional investor, your authority must specify the period for which it is current and be limited to not more than 12 months. If you are a professional investor, these restrictions do not apply.

Additionally, your authority may be deemed to be renewed (i.e. without your written consent) if the licensed or registered person issues you a reminder at least 14 days prior to the expiry of the authority, and you do not object to such deemed renewal before the expiry date of your then existing authority.

You are not required by any law to sign these authorities. But an authority may be required by licensed or registered persons, for example, to facilitate margin lending to you or to allow your securities or securities collateral to be lent to or deposited as collateral with third parties. The licensed or registered person should explain to you the purposes for which one of these authorities is to be used.

If you sign one of these authorities and your securities or securities collateral are lent to or deposited with third parties, those third parties will have a lien or charge on your securities or securities collateral. Although the licensed or registered person is responsible to you for securities or securities collateral lent or deposited under your authority, a default by it could result in the loss of your securities or securities collateral.

A cash account not involving securities borrowing and lending is available from most licensed or registered persons. If you do not require margin facilities or do not wish your securities or securities collateral to be lent or pledged, do not sign the above authorities and ask to open this type of cash account.

#### Risk of providing an authority to hold mail or to direct mail to third parties

If you provide the licensed or registered person with an authority to hold mail or to direct mail to third parties, it is important for you to promptly collect in person all contract notes and statements of your account and review them in detail to ensure that any anomalies or mistakes can be detected in a timely fashion.

#### Risk of margin trading

The risk of loss in financing a transaction by deposit of collateral is significant. You may sustain losses in excess of your cash and any other assets deposited as collateral with the licensed or registered person. Market conditions may make it impossible to execute contingent orders, such as "stop-loss" or "stop-limit" orders. You may be called upon at short notice to make additional margin deposits or interest payments. If the required margin deposits or interest payments are not made within the prescribed time, your collateral may be liquidated without your consent. Moreover, you will remain liable for any resulting deficit in your account and interest charged on your account. You should therefore carefully consider whether such a financing arrangement is suitable in light of your own financial position and investment objectives.

#### Risk of trading Nasdaq-Amex securities at The Stock Exchange of Hong Kong Limited

The securities under the Nasdaq-Amex Pilot Program ("PP") are aimed at sophisticated investors. You should consult the licensed or registered person and become familiarized 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.

#### Risks of Trading Futures and Options

**Client appreciates that this brief statement does not disclose all of the risks and other significant aspects of trading in futures and options. In light of the risks, Client should undertake such transactions only if Client understands the nature of the contracts (and contractual relationships) into which Client is entering and the extent of Client's exposure to risk. Trading in futures and options is not suitable for many members of the public. Client understands that Client should carefully consider whether trading is appropriate for him in light of his experience, objectives, financial resources and other relevant circumstances.**

#### Futures

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

*Client understands that transactions in futures carry a high degree of risk. The amount of initial margin is small relative to the value of the futures contract so that transactions are "leveraged" or "geared". Client further understands that a relatively small market movement will have a proportionately larger impact on the funds Client has deposited or will have to deposit: this may work against Client as well as for Client. Client may sustain a total loss of initial margin funds and any additional funds deposited with the Broker to maintain Client's position. If the market moves against Client's position or margin levels are increased,*

*Client may be called upon to pay substantial additional funds on short notice to maintain Client's position. Client fully understands that if Client fails to comply with a request for additional funds within the time prescribed, Client's position may be liquidated at a loss and Client will be liable for any resulting deficit.*

*Risk-reducing orders or strategies*

*Client acknowledges that the placing of certain orders (e.g. "stop-loss" orders, or "stop-limit" orders) which are intended to limit losses to certain amounts may not be effective because market conditions may make it impossible to execute such orders. Client also acknowledges that strategies using combinations of positions, such as "spread" and "straddle" positions may be as risky as taking simple "long" or "short" positions.*

*Options*

*Variable degree of risk*

*Client acknowledges that transactions in options carry a high degree of risk. Client understands that purchasers and sellers of options should familiarize themselves with the type of option (i.e. put or call) which they contemplate trading and the associated risks. Client should calculate the extent to which the value of the options must increase for Client's position to become profitable, taking into account the premium and all transaction costs.*

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

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

unlimited.

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

#### Additional Risks Common to Futures and Options

##### Terms and conditions of contracts

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

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

*Client understands that market conditions (e.g. illiquidity) and/or the operation of the rules of certain markets (e.g. the suspension of trading in any contract or contract month because of price limits or “circuit breakers”) may increase the risk of loss by making it difficult or impossible to effect transactions or liquidate/offset positions. Client understands that if Client has sold options, this may increase the risk of loss.*

##### Deposited cash and property

*Client understands that Client should familiarize himself with the protections given to money or other property Client deposits for domestic and foreign transactions, particularly in the event of a firm insolvency or bankruptcy. Client recognizes that the extent to which Client may recover his money or property may be governed by specific legislation or local rules. Client also understands that in some jurisdictions, property which had been specifically identifiable as Client’s own will be pro-rated in the same manner as cash for purposes of distribution in the event of a shortfall.*

##### Commission and other charges

*Before Client begins to trade, Client should obtain a clear explanation of all commission, fees and other charges for which Client will be liable. Client acknowledges that these charges will affect Client’s net profit (if any) or increase Client’s loss.*



### Transactions in other jurisdictions

*Client understands that transactions on markets in other jurisdictions, including markets formally linked to a domestic market, may expose Client to additional risk. Such markets may be subject to regulation which may offer different or diminished investor protection. Before Client trades Client should enquire about any rules relevant to Client's particular transactions. Client entirely understands that Client's local regulatory authority will be unable to compel the enforcement of the rules of regulatory authorities or markets in other jurisdictions where Client's transactions have been effected. Client confirms that Client should ask the Broker for details about the types of redress available in both Client's home jurisdiction and other relevant jurisdictions before Client starts to trade.*

### Currency risks

*Client understands that the profit or loss in transactions in foreign currency-denominated contracts (whether they are traded in Client's own or another jurisdiction) will be affected by fluctuations in currency rates where there is a need to convert from the currency denomination of the contract to another currency.*

### Trading facilities

*Client understands that electronic trading facilities are supported by computer-based component systems for the order-routing, execution, matching, registration or clearing of trades. As with all facilities and systems, they are vulnerable to temporary disruption or failure. Client understands that Client's ability to recover certain losses may be subject to limits on liability imposed by the system provider, the market, the clearing house and/or participant firms. Client also understands that such limits may vary. Client should ask the Broker for details in this respect.*

### Risk of electronic trading

*Trading on an electronic trading system may differ from trading on other electronic trading systems. If you undertake transactions on an electronic trading system, you will be exposed to risks associated with the system including the failure of hardware and software. The result of any system failure may be that your order is either not executed according to your instructions or is not executed at all.*

### Off-exchange transactions

*Client understands that in some jurisdictions, and only then in restricted circumstances, firms are permitted to effect off-exchange transactions. The firm with which Client deals may be acting as Client's counterparty to the transaction. It may be difficult or impossible to liquidate an existing position, to assess the value, to determine a fair price or to assess the exposure to risk. For these reasons, these transactions may involve increased risks. Off-exchange transactions may be less regulated or subject to a separate regulatory regime. Before Client undertakes such transactions, Client knows that Client should familiarize himself with applicable rules and attendant risks.*

### Risks Of Algorithmic Trading

There are various order types on the trading platform that may use computerized algorithms. These order types allow you to input various conditions as part of your order placed with ESFL. ESFL's computerized routing systems will attempt to place such orders into the market in accordance with the conditions set. Algorithmic order types range from standard limit orders to more complex strategies.

There are special characteristics and risks associated with algorithmic trading. You should understand these risks and determine whether Algorithmic Trading is appropriate in light of your objectives and experience. Some risks associated with algorithmic trading are as follows:

1. **Technical Errors:** Algorithmic trading can be affected when ESFL's systems or exchanges' systems are experiencing technical difficulties. Risks include possible delays or failures in (i) availability of your connection to our services and of our services to the relevant exchange, including any authentication protocols and internet connectivity issues; (ii) the operation of databases and internal transfers of data; (iii) the provision of data feeds (accuracy of data and stability of data connections); (iv) possible hardware failures; (v) usage loads, bandwidth limitations, and other bottlenecks inherent in computerized and networked architectures; (vi) issues, disputes, or failures of third party vendors and other dependencies; and (vii) other general risks inherent in computer-based operations. Any of these could lead to delays or failures in order execution, incorrect order execution or other problems.
2. **Software or Design Flaws:** All software is subject to inadvertent programming errors and bugs embedded in the code comprising that software. Algorithmic order types may contain logical errors in the code to implement them. Errors may exist in the data used for testing the algorithm or the applicable model of the market. Despite testing and monitoring, inadvertent errors and bugs may still cause algorithmic order types to fail or behave incorrectly.
3. **Market Impact and Events:** Market conditions will impact the execution of algorithmic orders. Possible adverse market conditions include lack of liquidity, price swings, late market openings, early market closings, market chaos, and mid-day trading pauses, and other such disruptive events. The execution of an algorithm can itself have an impact on the market, including causing lack of liquidity or abrupt and unwarranted price swings.
4. **Losses:** Losses can happen more quickly with electronic and algorithmic trading compared to other forms of trading. Any or all of the above risk factors could cause more significant trading losses when using algorithmic trading compared to other forms of trading.

### Exchange Disclaimer



Stock indices and other proprietary products upon which contracts traded on Hong Kong Futures Exchange Limited (the “Exchange”) may be based and may from time to time be developed by the Exchange. The HKFE Taiwan Index is the first of such stock indices developed by the Exchange. The HKFE Taiwan Index and such other indices or proprietary products as may from time to time be developed by the Exchange (the “Exchange Indices”) are the property of the Exchange. The process of compilation and computation of each of the Exchange Indices is and will be the exclusive property of and proprietary to the Exchange. The process and basis of compilation and computation of the Exchange Indices may at any time be changed or altered by the Exchange without notice and the Exchange may at any time require that trading in and settlement of such futures or option contracts based on any of the Exchange Indices as the Exchange may designate be conducted by reference to an alternative index to be calculated.

The Exchange does not warrant or represent or guarantee to any participant of the Exchange or any third party the accuracy or completeness of any of the Exchange Indices or their compilation and computation or any information related thereto and no such warranty or representation or guarantee of any kind whatsoever relating to any of the Exchange Indices is given or may be implied. Further, no responsibility or liability whatsoever is accepted by the Exchange in respect of the use of any of the Exchange Indices or for any inaccuracies, omissions, mistakes, errors, delays, interruptions, suspension, changes or failures (including but not limited to those resulting from negligence) of the Exchange or any other person or persons appointed by the Exchange to compile and compute any of the Exchange Indices in the compilation and computation of any of the Exchange Indices or for any economic or other losses which may be directly or indirectly sustained as a result thereof by any participant of the Exchange or any third party dealing with futures or option contracts based on any of the Exchange Indices. No claims, actions or legal proceedings may be brought by any participant of the Exchange or any third party against the Exchange in connection with or arising out of matters referred to in this disclaimer. Any participant of the Exchange or any third party engages in transactions in futures or option contracts based on any of the Exchange Indices in full knowledge of this disclaimer and can place no reliance on the Exchange in respect of such transactions.

#### Disclaimer in Relation to Trading of Stock Index Futures Contracts

Hang Seng Indexes Company Limited (“HSIL”) currently publishes, compiles and computes a number of stock indices and may publish, compile and compute such additional stock indices at the request of Hang Seng Data Services Limited (“HSDS”) from time to time (collectively, the “Hang Seng Indices”). The marks, names and processes of compilation and computation of the respective Hang Seng Indices are the exclusive property of and proprietary to HSDS.

HSIL has granted to the Exchange by way of license the use of the Hang Seng Indices solely for the purposes of and in connection with the creation, marketing and trading of futures contracts based on any of the Hang Seng Indices respectively (collectively, “Futures Contracts”). The process and basis of compilation and computation of any of the Hang Seng Indices and any of the related formula or formulae, constituent stocks and factors may

at any time be changed or altered by HSIL without notice and the Exchange may at any time require that trading in and settlement of such of the Futures Contracts as the Exchange may designate be conducted by reference to an alternative index or alternative indices to be calculated.

Neither the Exchange nor HSDS nor HSIL warrants or represents or guarantees to any participant or any third party the accuracy or completeness of the Hang Seng Indices or any of them and the compilation and computation thereof or any information related thereto and no such warranty or representation or guarantee of any kind whatsoever relating to the Hang Seng Indices or any of them is given or may be implied. Further, no responsibility or liability whatsoever is accepted by the Exchange, HSDS or HSIL in respect of the use of the Hang Seng Indices or any of them for the purposes of and in connection with the Futures Contracts or any of them and/or dealings therein, or for any inaccuracies, omissions, mistakes, errors, delays, interruptions, suspension, changes or failures (including but not limited to those resulting from negligence) of HSIL in the compilation and computation of the Hang Seng Indices or any of them or for any economic or other losses which may be directly or indirectly sustained as a result thereof by any participant or any third party dealing with the Futures Contracts or any of them. No claims, actions or legal proceedings may be brought by any participant or any third party against the Exchange and/or HSDS and/or HSIL in connection with or arising out of matters referred to in this disclaimer. Any participant or any third party deals in the Futures Contracts or any of them in full knowledge of this disclaimer and can place no reliance whatsoever on the Exchange, HSDS and/or HSIL. For the avoidance of doubt, this disclaimer does not create any contractual or quasi-contractual relationship between any participant or third party and HSIL and/or HSDS and must not be construed to have created such relationship.

#### LEVERAGE

The high degree of leverage that is often obtainable in trading can work against you as well as for you depending on the prevailing market conditions. While the amount of your initial margin funds may be small relative to the value of the transaction, a relatively small movement would have a proportionately larger impact on the funds deposited with us as Margin. This could work for or against you. The use of leverage can lead to large losses as well as gains.

#### NO GUARANTEES

You acknowledge that guarantees of profits or freedom from losses in trading OTC Instruments are impossible and that you have no separate agreements with ESFL or any member of the Eddid Group regarding the trading in your Account, including any agreement that purports to guarantee profits or limit losses in your Account. You agree to immediately notify us in writing to [cshk@eddidsec.com](mailto:cshk@eddidsec.com) if anyone, including your Referral Agent and/or Account Manager, proposes such an agreement to you relating to any of your Account or if anyone makes any representations concerning your Account that differs from the Account Statement provided to you by ESFL.

### NO ADVICE

At all times, ESFL shall deal with you on an execution-only basis. ESFL shall not provide you with any tax advice or advice on the merits or suitability of you entering into any Order or Transaction. You undertake that all trading decisions are made by you and are done in reliance solely under your own judgment and at your own risk. You must rely on your own judgment and information before trading and, where necessary, seek independent advice. It is your responsibility to be aware of all Terms, conditions, rules and regulations that govern a market, the instruments offered by ESFL, or the underlying security of any instrument offered by ESFL.

All opinions, news, research, analysis, prices or other information contained on the System, Secure Access Website, Website or distributed to you by ESFL or any of the Eddid Group are provided as general market commentary and does not constitute investment advice, nor a solicitation or recommendation for you to buy or sell an instrument.

### PRICES

Although we expect our pricing will be reasonably related to that of the interbank market, prices we use may vary from those available to banks and other participants in the interbank market. Consequently, we may exercise discretion in setting margin requirements and collecting margin. Prices reflected on the charts are for information purposes only, as the prices shown may be raw pricing and are not necessarily tradable prices. Further, the charts only reflect the bid price and not the ask price.

### RISK REDUCING ORDERS OR STRATEGIES

The placing of certain orders such as “stop loss orders” and “stop limit orders” which are intended to limit losses on a position may not always be effective because market conditions may make it impossible to execute such Orders at your requested price. Further, it is possible for your Order to be executed several pips away. Strategies using combinations of positions such as “spread” and “straddle” positions, may be just as risky or even riskier than simple “long” or “short” positions.

### RISK OF PROVISION OF TRADE DOCUMENTS TO CLIENT BY ACCESS THROUGH WEBSITES

There are several risks associated with providing trade documents to client by access through websites, therefore, client should acknowledge, understand and accept the following risks:

- a) Appropriate computer equipment and software, internet access and a specific email address provided and designated by the client are required for using the Access Service;
- b) Internet and email services may be subject to certain IT risks and disruption;
- c) The client may incur additional costs for using the Access Service;
- d) Email will be the client's only notice that trade documents have been posted on ESFL's website, and the client should check his designated email address regularly for such notice.

- e) The client may be required to pay a reasonable charge for obtaining a hard copy of any trade document that is no longer available for access and downloading through ESFL's website.
- f) Inform ESFL as soon as practicable upon a change in the designated email address;
- g) Promptly review the trade documents posted on ESFL's website upon receiving the notice from ESFL to ensure that any errors are detected and reported to ESFL as soon as practicable; and
- h) Save an electronic copy in the client's own computer storage or print a hard copy of the trade documents for future reference.