



Generic risk warning and disclaimer

The investment involves risk. As a general rule, you should only trade in financial products that you are familiar with and understand the risk associated with them. The risk warning described in each financial product below is not exhaustive, you should carefully consider your investment experience, financial situation, investment objective, risk tolerance level and consult your independent financial adviser as to the suitability of your situation prior making any investment.

[Note: "Financial Product" means any securities, futures contracts or leveraged foreign exchange contracts as defined under the SFO.]

Risk of securities trading

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

Risk of trading Growth Enterprise Market stocks

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

The Client 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 Exchange. GEM Companies are usually not required to issue paid announcements in gazetted newspapers.

The Client should seek independent professional advice if the Client is 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 Differ Financial and Securities Limited 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 hold mail or to direct mail to third parties

If the Client provides Differ Financial and Securities Limited with an authority to hold mail or to direct mail to third parties, it is important for the Client to promptly collect in person all contract notes and statements of the Client's account and review them in detail to ensure that any anomalies or mistakes can be detected in a timely fashion.

Risk of trading NASDAQ-AMEX securities at the Exchange

The securities under the Nasdaq-Amex Pilot Program ("PP") are aimed at sophisticated investors. The Client should consult Differ Financial and Securities Limited and become familiarized with the PP before trading in the PP securities. The Client should be aware that the PP securities are not regulated as a primary or secondary listing on the Main Board or the GEM of the Exchange.



Risk of Bonds

- (a) The price of bonds can and does fluctuate, sometimes dramatically. The price of a bond may move up or down, and may become valueless. It is as likely that losses will be incurred rather than profit made as a result of buying and selling of bonds. Also, there may be risks in leaving bonds in Differ Financial and Securities Limited's safekeeping. The holder of bonds bears the credit risk of the issuer and / or guarantor (if applicable) and has no recourse to Differ Financial and Securities Limited.
- (b) Not all bonds provide for repayment of 100% of the face value of the bond. The return of a bond depends on the terms of issue and reference should be made to the corresponding prospectus or term sheet for detail and there may be circumstances that the money and / or value of shares that the Client receives at maturity may be substantially less than the value of the Client's original investment. If there is any fractional share(s) or other Securities or underlying assets deliverables on maturity, it / they may not be physically delivered.
- (c) In situations where any bond is a product combining note with financial or other derivatives, such as options, its return may be linked to the performance of other financial instruments, such as underlying stocks, commodities, currencies, companies, and indices. Unless such bond is listed on Exchange or other regulated stock exchanges, the Client will only be able to sell such bond on the over-the-counter market if at all. The prices of bonds in secondary markets are affected by a wide range of factors, including without limitation, the performance of the underlying stocks, commodities, currencies, companies, indices, the market view of the credit quality of the reference company, and interest rates. The Client must be aware that secondary markets do not always exist and even where a secondary market exists, it may not be liquid. The Client must accept any associated liquidity risk.
- (d) Transactions in options carry a high degree of risk (including products that have options embedded in them such as bonds). 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.
- (e) The profit or loss in transactions in foreign currency denominated contracts (whether they are traded in the Client's own or another jurisdiction) will be affected by fluctuations in currency exchange rates where there is a need to convert from the currency denomination of the contract to another currency.

Key Risks Associated with Renminbi Products

The following risk disclosure statements may not disclose all the risks and information in relation to investing in Renminbi products. For example, selling restrictions may be applicable to certain investors in accordance with the restrictions as stipulated in the relevant prospectus of the Renminbi products. The Client must therefore read the relevant prospectus, circular or any other documents in respect of each Renminbi products and carefully consider all other risk factors set out therein before deciding whether to invest.

Renminbi Currency Risk

- (a) Renminbi is not freely convertible at present and conversion of Renminbi through banks in Hong Kong is subject to certain restrictions.
- (b) For Renminbi products which are not denominated in Renminbi or with underlying investments which are not Renminbi denominated, such products will be subject to multiple currency conversion costs involved in making investments and liquidating investments, as well as the Renminbi exchange rate fluctuations and bid/offer spreads when assets are sold to meet redemption requests and other capital requirements (e.g. settling operating expenses).
- (c) The PRC government regulates the conversion between Renminbi and other currencies. If the restrictions on Renminbi convertibility and the limitations on the flow of Renminbi funds between PRC and Hong Kong become more stringent, the depth of the Renminbi market in Hong Kong may become further limited.



Exchange Rate Risks

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

Interest Rate Risks

The PRC government has gradually liberalized the regulation of interest rates in recent years. Further liberalization may increase interest rate volatility. For Renminbi products which are, or the Client may invest in, Renminbi debt instruments, such instruments are susceptible to interest rate fluctuations, which may adversely affect the return and performance of the Renminbi products.

Limitation on the Provision of Renminbi Funding

In case the Client does not have sufficient Renminbi funding in the Account to subscribe for Renminbi products, subject to compliance with all Applicable Laws and Regulations, Differ Financial and Securities Limited may lend the Client Renminbi or assist the Client to convert other currencies to Renminbi. However, Differ Financial and Securities Limited does not guarantee that Differ Financial and Securities Limited can provide sufficient Renminbi funding for the Client due to the limitation on the flow of Renminbi funds in Hong Kong. The Client may unwind the trade due to insufficient Renminbi funding and the Client's Investment may be adversely affected if the Client suffers losses due to settlement failure.

Limited Availability of Underlying Investments Denominated in Renminbi

For Renminbi products that do not have access to invest directly in PRC, their available choice of underlying investments denominated in Renminbi outside PRC may be limited. Such limitation may adversely affect the return and performance of the Renminbi products.

Projected Returns Which Are Not Guaranteed

For some Renminbi investment products, their return may not be guaranteed or may only be partly guaranteed. The Client should read carefully the statement of illustrative return attached to such products and in particular, the assumptions on which the illustrations are based, including, for example, any future bonus or dividend declaration.

Long Term Commitment to Investment Products

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

Credit Risk of Counterparties

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

Liquidity Risk

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

Possibility of Not Receiving Renminbi Upon Redemption

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



Specific Risks Relating To Securities Trading Through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect

(a) Not protected by Investor Compensation Fund

The Client should note that any trading under Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect will not be covered by Hong Kong's Investor Compensation Fund. As far as Hong Kong investors participating in Shanghai-Hong Kong and Shenzhen stock trading are concerned, since they are carrying out trading through securities brokers in Hong Kong and these brokers are not Mainland brokers, they are not protected by China Securities Investor Protection Fund on the Mainland.

(b) Quotas used up

When the respective aggregate quota balance for Shanghai and Shenzhen stock trading are less than the daily quota, the corresponding buy orders will be suspended on the next trading day (sell orders will still be accepted) until the aggregate quota balance returns to the daily quota level. Once the daily quota is used up, acceptance of the corresponding buy orders will also be immediately suspended and no further buy orders will be accepted for the remainder of the day. Buy orders which have been accepted will not be affected by the using up of the daily quota, while sell orders will be continued to be accepted. Depending on the situation of aggregate quota balance, buying transactions will be resumed on the following trading day.

(c) Difference in trading day and trading hours

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

(d) Restrictions on selling imposed by front-end monitoring

For Client who deposits his A-shares with securities companies other than Differ Financial and Securities Limited, if the Client wishes to sell certain A-shares he holds, the Client must transfer such A-shares to his account with Differ Financial and Securities Limited before the day of selling (T day). If the Client fails to meet this deadline, the Client will not be able to sell such A-shares on T day.

(e) The recalling of eligible stocks and trading restrictions

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

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



(f) Transaction costs

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

- (g) Mainland China's laws and regulations, foreign shareholding restrictions and disclosure obligations under Shanghai- Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect, A-share listed companies and trading thereof are subject to the laws and regulations and disclosure obligations of the A-share market. Any changes in relevant laws or regulations may affect share prices. The Client should also take note of the foreign shareholding restrictions and disclosure obligations applicable to A-shares. The Client may be subject to restrictions on trading and retention of proceeds as a result of his interests and shareholdings in A-shares. The Client himself is responsible for compliance with the requirements of all relevant notifications, reports and disclosure of interests. Under the current Mainland rules, when an investor holds up to 5% of the shares of a company listed on SSE or SZSE, the investor is required to disclose his interest within three working days during which he cannot trade the shares of that company. The investor is also required to disclose any change in his shareholding and comply with related trading restrictions in accordance with the Mainland laws.

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

(h) Currency Risk

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

If the Client invests in A-shares without converting the local currency which he holds, into RMB and this results in a RMB debit balance of his account, Differ Financial and Securities Limited will charge debit interest on that outstanding balance.

The above summary only covers part of the risks related to Shanghai-Hong Kong Stock Connect and Shenzhen- Hong Kong Stock Connect and any above mentioned laws, rules and regulations are subject to change from time to time. The Client should visit the website of HKEX for updates and details for Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect.

If the aforesaid provisions are inconsistent with the rules and regulations of HKEX, SSE and SZSE, the rules and regulation of HKEX, SSE and SZSE shall prevail.