永豐銀行 Bank SinoPac

Incorporated in Taiwan with Limited Liability

Risk Disclosure Statement and Customer Statement for Securities Account Services

A. Risk Disclosure Statement

This Risk Disclosure Statement does not purport to disclose all the risks involved in securities and other transactions listed below. You should not engage in such transactions unless you understand the nature and risks involved. Trading of derivative products is not suitable for a significant portion of the investing public. You should carefully consider whether the transaction contemplated is suitable for you in light of your own experience, objectives, financial resources and other circumstances. In the event of there being any difference between the English and Chinese versions of this Risk Disclosure Statement, the English version shall prevail for all purposes.

Risks of Securities Trading

The prices of securities fluctuate, sometimes drastically. Securities prices may move up or down, or even become worthless. It is as likely that losses will be incurred rather than profits made as a result of trading in securities.

Risks of Trading GEM Stocks

GEM stocks involve very high degree of investment risk. In particular, companies listed on GEM are not required to have a track record or forecast of profitability. GEM stocks can be extremely volatile with very low liquidity. You should only make an investment decision after prudent and careful consideration. The higher risks and other characteristics of the GEM market mean that it is more suitable for professional and other sophisticated investors. Currently, information about GEM stocks can only be found on the website operated by The Stock Exchange of Hong Kong Limited. Companies listed on GEM are generally not required to publish paid announcements in a newspaper specified in the Gazette. If you have any questions about the contents of this Risk Disclosure Statement, the nature of the GEM market, or the risks associated with trading stocks on GEM, you should seek independent professional advice.

Risks of client assets received or held outside Hong Kong

Client assets received or held by licensed or registered persons outside Hong Kong are subject to the applicable laws and regulations of the relevant overseas jurisdictions. These laws and regulations may differ from the Securities and Futures Ordinance (Cap. 571) and the rules made thereunder. Therefore, such client assets might not enjoy the same protection as client assets received or held in Hong Kong.

Risks of providing authorization to re-pledge client's securities collaterals, etc.

There are risks in providing written authorization to a licensed or registered person to use your securities or securities collaterals pursuant to a securities lending agreement, or to re-pledge your securities collaterals to obtain financial accommodation, or to deposit your securities collaterals as collaterals to meet and satisfy its settlement obligations and liabilities. If your securities or securities collaterals are received or held by a licensed or registered person in Hong Kong, such arrangements will only be effective if you have given your written consent. In addition, unless you are a professional investor, your authorization must specify a validity period not exceeding 12 months. If you are a professional investor, this restriction does not apply. Furthermore, if your licensed or registered person notifies you at least 14 days before the expiration of the authorization that the authorization will be deemed renewed, and you do not object to the renewal of the authorization in this manner before the expiration of the authorization, your authorization will be deemed renewed without your written consent. Currently, you are not required by law to sign these authorizations. However, the licensed or registered person may require an authorization to, for example, provide you with margin lending or obtain permission to lend your securities or securities collaterals to a third party or deposit them as collaterals with a third party. The licensed or registered person should explain to you the purpose for which the authorization will be used. If you sign an authorization and your securities or securities collaterals are lent to or deposited with a third party, such third party will have a lien or charge over your securities or securities collaterals. While the licensed or registered person shall be responsible to you for the lending or deposit of your securities or securities collaterals pursuant to your authorization, any default by such licensed or registered person could result in the loss of your securities or securities collaterals. Most licensed or registered persons offer cash accounts that do not involve securities lending. If you do not require margin lending or do not wish your securities or securities collaterals to be lent or pledged, you should not sign the aforesaid authorization and should request to open a cash account.

Risks of Providing Authorization to Hold Mail or Forward Mail to a Third Party

If you provide the licensed or registered person with a written authorisation to hold mail or forward mail to a third party, you must promptly collect in person all contract notes and statements relating to your securities trading account ("Account") and review them carefully to ensure that any discrepancies or errors are promptly detected.

Risks of Margin Trading

The risk of loss in financing transactions by depositing collaterals is substantial. You may sustain losses in excess of the cash and any other assets you deposited as collaterals with the licensed or registered person. Market conditions may render it impossible to execute contingent trading instructions such as "stop-loss" or "stop-limit" orders. You may be called upon at short notice to deposit additional margin or pay interest. If you fail to pay the required margin or interest within the specified timeframe, your collaterals may be sold without your consent. Furthermore, you will be liable for any resulting deficit in your account and interest. Therefore, you should carefully consider whether this financing arrangement is suitable for you in light of your own financial condition and investment objectives.

Risks of Trading Nasdaq-Amex Securities on The Stock Exchange of Hong Kong Limited

Securities listed under the Nasdaq-Amex Pilot Program (the "Pilot Program") are intended for sophisticated investors. Before trading in securities listed under the Pilot Program, you should consult with the relevant licensed or registered person and familiarize yourself with the Pilot Program. You should be aware that securities listed under the Pilot Program are not regulated as securities for primary or secondary listing on the Main Board or Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

Risks of Exchange-Traded Derivatives

A. General Risks

1. Issuer Default Risk

If the issuer of an exchange-traded derivatives product becomes insolvent and defaults on its obligations under the products, you will be deemed an unsecured creditor and will have no priority claim on any of the issuer's assets. Therefore, you should pay particular attention to the financial strength and creditworthiness of the issuer of exchange-traded derivatives.

2. Risk of Non-collateralized Products

Since exchange-traded derivatives are not asset-backed, you could lose your entire investment if the issuer becomes bankrupt.

3. Leverage Risk

Exchange-traded derivatives, such as warrants and callable bull/bear contracts, are leveraged products. Their value can change rapidly based on the leverage ratio relative to the underlying asset. You should be aware that the value of exchange-traded derivatives can fall to zero, resulting in a complete loss of your initial investment.

4. Expiration Date

Most exchange-traded derivative products have an expiration date, after which they become worthless. You should pay attention to the expiration date of the products and ensure that the remaining life of the selected products is compatible with your trading strategy.

5. Unusual Price Fluctuations

The price of exchange-traded derivative products may differ from its theoretical price due to external factors (such as market supply and demand). Therefore, the actual transaction price may be higher or lower than the theoretical price.

B. Additional Risks of Warrant Trading

1. The value of warrants is likely to decrease over time. In the worst case, warrants may become worthless upon expiration. Therefore, warrants should not be considered a long-term investment product.
2. The issuer may be entitled to adjust the terms and conditions of warrants following the occurrence of certain events (including but not limited to rights issues, bonus shares or cash distributions, share splits or mergers, and reorganizations of the relevant companies).
3. The value of warrants may not be fully linked to movements of the underlying index and is affected by factors such as the implied volatility of the underlying asset, remaining time to maturity, interest rates, and expected dividends, etc.
4. Liquidity providers may be the only market participants in warrants. There may not be a secondary market for warrants, or the secondary market may be limited, making it difficult for you to realize the value of the warrants before expiration.

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

1. Callable Bull/Bear Contracts (CBBCs) have a fixed maturity date and closely track the performance of underlying assets (such as stocks, indices, commodities, and currencies). When trading CBBCs, you must be aware of their feature of intraday "cancellation" or mandatory call. If the value of the underlying assets of a CBBC reaches the mandatory call price/level stated in the listing documents, trading in the CBBC will cease immediately. In such cases, you will only receive the residual value of the CBBC calculated by the product issuer as stated in the listing documents (note: the residual value can be zero).
2. When the price of the underlying assets approaches the call price, the price of a CBBC may become more volatile, the bid-ask spread may widen, and liquidity may decrease. CBBCs may be called and trading may cease at any time. Once called, trading in the CBBC cannot resume. Even if the price of the underlying assets subsequently rebounds to a favourable level, you will not profit from the trade. Any trades executed after this forced early call will not be recognized and will be cancelled.
3. You should note that Callable Bull/Bear Contracts (CBBCs) are complex and leveraged investments and may not be suitable for everyone. The leverage effect of CBBCs can magnify both potential returns and potential losses. In the worst case, you could lose the entire principal of your investment.
4. Even if there is a liquidity provider for CBBCs, there is no guarantee that you can buy or sell CBBCs at their target price at any time as you wish.

5. The issue price of CBBCs already includes financing costs, which gradually decrease as the CBBC approaches expiry. Once the CBBC is called, you will lose the entire financing costs paid.

D. Additional Risks of Equity-Linked Notes

Equity-linked notes (ELNs) are a combination of notes/deposits and options. Their returns are determined by the price performance of the underlying assets. While the maximum return is capped, the potential loss can be significant. If the price movement of the underlying assets significantly deviates from your expectations, you could lose the entire principal of your investment. You are exposed to the credit risk of the issuer, and your returns depend primarily on the future price movement of the underlying assets. It is important that you read all relevant offering documents before investing to understand the characteristics and risks of ENLs.

Risks of Exchange Traded Funds ("ETFs")

A. Tracking Error Risk

ETFs primarily track the performance of certain indices, market sectors, or asset classes (such as stocks, bonds, or commodities). You are exposed to the political, economic, currency, and other risks associated with the ETF's underlying indices / assets. ETFs may involve tracking error (i.e., the ETF's performance deviates from that of the underlying indices / assets) due to factors such as failure of tracking strategy, exchange rates, fees, and expenses. You must be prepared to incur losses due to fluctuations in the underlying indices / assets.

B. Counterparty Risk

If an ETF replicates the performance of the underlying indices / assets by purchasing derivatives (i.e., a synthetic ETF), you bear not only the risk of the underlying indices / assets but also the credit risk of the counterparty issuing the derivatives. In addition, you should also consider the potential knock-on effects and concentration risk of the derivative issuer (for example, since derivative issuers are primarily international financial institutions, the failure of one derivative counterparty of a synthetic ETF could have a "knock-on" impact on other derivative counterparties in the synthetic ETF). Some synthetic ETFs have collateral to mitigate counterparty risk, but there is still the risk that the market value of the collaterals may have declined significantly when the synthetic ETF's collateral is liquidated.

C. Discount or Premium Risk

If the indices / assets tracked by an ETF has restrictions on your participation, the effectiveness of the mechanism for creating or redeeming units to align the ETF's price with its asset value may be affected, causing the ETF's price to trade at a premium or discount to its net asset value. The ETF may trade above or below its net asset value. If you buy the ETF at a premium or sell the ETF when the market price is at a discount to its net asset value, you may suffer losses.

D. Liquidity Risk

Trading in ETFs involves liquidity risk. Although ETFs are listed on the relevant exchange, this does not guarantee a liquid market for the fund. If there is no active secondary market for the derivatives involved in synthetic ETFs, liquidity risk will be higher; and wide bid-ask spreads of derivatives may also lead to losses.

E. Exchange Rate Risk

You should be aware of the exchange rate risk associated with ETFs whose underlying assets are not denominated in Hong Kong dollar. Exchange rate fluctuations may adversely affect the price of the underlying assets or the ETF.

Major risks of Investing in the Mainland A-Share Market through the Shanghai-Hong Kong /Shenzhen-Hong Kong stock exchanges

1. Not Protected by the Investor Compensation Fund

Investors should note that the Investor Compensation Fund in Hong Kong does not cover any northbound or southbound trading under the Shanghai-Hong Kong / Shenzhen-Hong Kong Stock Connect. Hong Kong's Investor Compensation Fund primarily protects investors of any nationality against financial losses incurred by products listed or traded on the Hong Kong Stock Exchange due to defaults by licensed intermediaries or authorized financial institutions, such as insolvency, bankruptcy or liquidation, breach of trust, defalcation, fraud, or misconduct. In respect of southbound trading under the Hong Kong Stock Connect, since mainland Chinese securities firms are not licensed or registered with, and therefore not regulated by, the Hong Kong Securities and Futures Commission (SFC), southbound trading under the Hong Kong Stock Connect is not covered by the Investor Compensation Fund.

In respect of northbound trading under the Shanghai-Hong Kong / Shenzhen-Hong Kong Stock Connect, in accordance with the Securities and Futures Ordinance (SFO), the Investor Compensation Fund only covers products traded on a recognized stock market (SEHK) and a recognized futures market (HKFE). As defaults related to northbound trading under the Shanghai-Hong Kong / Shenzhen-Hong Kong Stock Connect do not involve products listed or traded on SEHK and HKFE, therefore, similar to investors trading overseas securities, northbound trading under the Shanghai-Hong Kong / Shenzhen-Hong Kong Stock Connect is not covered by the Investor Compensation Fund.

Further information on the Investor Compensation Fund in Hong Kong can be found on the website of Investor Compensation Company Limited. Information on SFC licensed persons or registered institutions in Hong Kong can be found on the public register of licensed persons and registered institutions on the SFC website.

On the other hand, according to the "Measures for the Administration of the Securities Investor Protection Fund", the Investor Protection Fund in China is intended to be used to "repay creditors in accordance with the relevant policies of the state when any securities firm is abolished, closed or bankrupt, or is subjected to any compulsory regulatory measure taken by the CSRC such as administrative takeover and operation in trusteeship" or for "other purposes approved by the State Council". For Hong Kong investors participating in northbound trading, since they conduct northbound trading through local Hong Kong securities firms which are not mainland securities firms, northbound trading under the Shanghai-Hong Kong / Shenzhen-Hong Kong Stock Connect is not covered by the Investor Protection Fund in China.

2. Exhaustion of Quota

   If the aggregate balance of northbound and southbound trading quotas falls below the daily quota, corresponding buy orders will be suspended on the following trading day (but sell orders will still be accepted) until the aggregate quota balance returns to the daily quota. If the daily quota is exhausted, corresponding buy orders will also be suspended immediately (buy orders already accepted will not be affected by the daily quota exhaustion, and sell orders will continue to be accepted). No further buy orders will be accepted that day, but buy order trading will resume on the next trading day depending on the aggregate quota balance.

3. Differences in Trading Days

   The Shanghai-Hong Kong / Shenzhen-Hong Kong Stock Connect operate only when both markets are trading and banks in both markets are open on the corresponding settlement days. Therefore, it is possible that Hong Kong investors are unable to buy or sell A-shares during normal trading days in the mainland market. Investors should note the opening days of the Shanghai-Hong Kong / Shenzhen-Hong Kong Stock Connect and decide whether to assume the risk of A-share price fluctuations during periods when the Shanghai-Hong Kong / Shenzhen-Hong Kong Stock Connect is not trading in light of their own risk tolerance.

4. Restrictions on Selling Due to Front-End Monitoring

   For investors who typically hold their A-shares other than in a securities dealer, if they need to sell certain A-shares, they must complete the transfer of shares to their brokerage account no later than the market open on the day of the sale (T-day). If investors miss this deadline, they will not be able to sell the A-shares on T-day.

5. Removal of Eligible Stocks

   When stocks previously eligible for the Shanghai-Hong Kong / Shenzhen-Hong Kong Stock Connect are removed due to the aforesaid reasons, such stocks can only be sold but not bought. This may affect investors' portfolios or strategies. Investors should closely monitor the list of eligible stocks provided and updated from time to time by the two exchanges.

6. Currency Risk

   Hong Kong and overseas investors who invest in RMB assets using a local currency other than RMB are exposed to exchange rate risk due to the need to convert their local currency into RMB. This conversion involves currency conversion costs. Even if the price of the RMB asset remains unchanged, losses may result if RMB depreciates during the currency conversion process. The above only outlines some of the risks associated with the Shanghai-Hong Kong / Shenzhen-Hong Kong Stock Connects.

B. Client's Declaration

I/We hereby undertake and confirm that:

1. I/We acknowledge receipt of the full set of these Terms currently in force in the language of my/our choice.
2. I/We have read these Terms in detail and I/we confirm that I/we accept and agree to be bound by these Terms in all respects.
3. The Bank has provided me/us with the Risk Disclosure Statement contained in these Terms in the language of my/our choice and has explained the contents of such Risk Disclosure Statement to me/us in the language of my/our choice. I/we have also been urged by Bank SinoPac Hong Kong Branch (the "Bank") to read such Risk Disclosure Statement carefully, ask questions and seek independent advice as I/we wish.
4. I/We hereby declare that all information stated by me/us in this Application and the certified true copy of the Board Resolution in Appendix 1 (if applicable) is true, complete and correct. You are entitled to rely on such information in all respects unless you have received any written notice of change from me/us. You are authorised to contact any person, including my/our banker, broker or any credit agent, at any time to verify the information provided in this Application and the appendices and/or other information stated in this Application.
5. Before signing this Application, I/we have given due consideration to the Bank's advice that I/we should seek independent legal or other professional advice on the contents and effect of this Application. I/we have carefully read and agree to be bound by this Application in all respects.

6. I/We hereby declare that I/we consent to enter into securities transactions with SinoPac Securities (Asia), a stakeholder of the Bank.

7. The Bank is hereby authorized to:

   A. combine or consolidate all or any of my/our accounts for the time being in existence (of whatsoever nature and whether or not notice is required and, in the case of joint accounts, whether opened in my/our individual names or in our joint names) at any time (without any prior notice to me/any of us and notwithstanding any settlement of accounts or otherwise) and set off or transfer any sums standing to the credit of any one or more of such accounts (wherever opened) in satisfaction of any of my/our liability to the Bank on any other account or in any other respect, whether present or future, actual or contingent, primary or incidental and several or joint, and if such combination, set-off or transfer requires conversion of one currency into another, such conversion shall be calculated at the exchange rate determined by the Bank as prevailing in the relevant foreign exchange market on the date of such combination, set-off or transfer (such determination by the Bank shall be conclusive);

   B. exercise a lien over any property of one or more persons held or controlled by the Bank for any reason and to sell such property if necessary (whether or not in the ordinary course of the Bank's business) to satisfy any debts of any nature whatsoever owed by me / any one or more of us to the Bank;

   C. subject to the provisions of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong), where applicable, if the account is a joint account, upon the death of any of us, retain for the surviving party any investments / deposits held in our joint names (but without prejudice to any rights you may have in respect of such investments / deposits by reason of any lien, charge, pledge, set-off, counterclaim or otherwise) and to defend against any claim raised by any person, and to take any steps or proceedings on behalf of the surviving party (at the costs of the surviving party) in our absolute discretion as we think fit.