



豐誠資產管理有限公司
Forshine Asset Management Limited

DATED 24 DECEMBER 2024

Forshine Asset Management Limited
BR No. 2378176
(“Investment Manager”)

AND

HuaGe Group Limited
BVI Company No. 1996493
(“Client”)

DISCRETIONARY ACCOUNT AGREEMENT (“Agreement”)



DISCRETIONARY ACCOUNT AGREEMENT (CORPORATE)

BETWEEN:

FORSHINE ASSET MANAGMENT LIMITED, a company incorporated in Hong Kong under the Companies Ordinance with limited liability and is licensed to conduct Types 4 (advising on securities) and 9 (asset management) regulated activities by the Securities and Futures Commission (“SFC”) in Hong Kong with the SFC CE number BIB570, having its registered office at Room 907A, 9/F, Office Plus@Prince Edward, 794-802 Nathan Road, Mong Kok, Hong Kong. (“**Investment Manager**”)

AND

HUAGE GROUP LIMITED (BVI Company No. 1996493), at address: Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola VG 1110, British Virgin Islands. (“**Client**”).

RECITALS:

- (A) **FORSHINE ASSET MANAGMENT LIMITED** hereby agrees to provide discretionary investment services to the Client on the terms and conditions of this Agreement.
- (B) **Client** hereby agrees to retain the services of the Investment Manager to manage the Portfolio (defined below) on the terms and conditions of this Agreement.

THE PARTIES AGREE as follows:

1. INTERPRETATION

- 1.1 In this Agreement, the following words and expressions shall have the following meaning unless the context otherwise requires: -

“**Account Opening Form**” means the form containing the name, address and details of the Client and various supplements with Customer's signature for the purpose of opening account with Investment Manager.

“**Adjusted NAV**” means the NAV of the Portfolio after the adjustments of any Inflow and/or Outflow as at a Valuation Day, i.e. NAV – Inflow + Outflow.



- “Business Day”** means a day (other than Saturday and Sunday) on which banks in Hong Kong are open for normal banking business or such other day(s) the Investment Manager may determine from time to time.
- “Custodian”** means the Investment Manager or such other person(s) as the Investment Manager may on behalf of the Client appoint from time to time, as custodian of the Portfolio.
- “Hong Kong”** means the Hong Kong Special Administrative Region of the People’s Republic of China.
- “Inflow”** means the net additions to the Portfolio by the Client during the half year or any shorter period as determined by the Investment Manager.
- “Initial Investment Amount”** means the initial amount made by the Client for investment by the Investment Manager as set out in Appendix 1.
- “Investments”** means any securities (as defined in the SFO), other investments, assets (excluding real estates), rights, options, futures or interests in collective investment schemes or investment products, where the context permits, includes uninvested cash.
- “Month”** means the calendar month of a year.
- “NAV”** means the net asset value of the Portfolio (i.e. the gross value of all Investments of the Portfolio including cash and any dividends and interest receivables on investments, less any liabilities in relation to the Portfolio) on a Valuation Day.
- “Net redemption”** means withdrawal or partial withdrawal of all the Investments at any time under the management of the Investment Manager credited to the security account and/or cash accounts of the Client.



“Outflow”	means the net redemptions from the Portfolio by or to the Client during the half year or the shorter period.
“Performance Period”	means a period commencing on the date of this Agreement (or such other date as determined by the Investment Manager) and ending on the first to occur of (i) (ii) and (iii) below, and thereafter, is a period commencing as of the day following the last day of the preceding performance period and ending as of the next to occur of (i) the last day in each quarter; (ii) the date of the withdrawal at the request by the client or (iii) the date of the termination of this Agreement.
“Portfolio”	means all the Investments at any time under the management of the Investment Manager.
“Quarter”	means every quarter of a calendar year, which ends at 31 March, 30 June, 30 September and 31 December.
“SFO”	means the Securities and Futures Ordinance (Cap.571) in Hong Kong.
“Suspended Events”	means such events as set out in Clause 7.
“Valuation Day”	means the last calendar day of the month or any shorter period as determined by the Investment Manager.
“Year”	means the calendar year.

2. SERVICES AND AUTHORITY OF THE INVESTMENT MANAGER

- 2.1 The Client hereby appoints the Investment Manager, and the Investment Manager hereby agrees to act, as the discretionary investment manager of the Portfolio, which details are set out in the schedule of information in Appendix 1.
- 2.2 The Investment Manager shall have full discretion to give instructions to effect transactions on behalf of the Client in accordance with the terms of this Agreement taking into account the



investment objectives specified in Appendix 1 and subject to applicable laws.

- 2.3 The appointment of the Investment Manager shall commence on the date of this Agreement and shall continue until terminated by either party giving the other party thirty (30) days' prior written notice.
- 2.4 The Client agrees to execute, issue, produce or obtain any necessary power of attorney, board resolution, instruction, authorization or any other documentation and/or do any necessary act in order to give full effect to this Agreement and/or the appointment and authorization of the Investment Manager under this Agreement.
- 2.5 If the Investment Manager solicits the sale of or recommends any financial product to the Client, the financial product must ensure legal compliance and financial appropriateness for the Client having regard to the Client's financial situation, investment experience and investment objectives. No other provision of this Agreement or any other document the Investment Manager may ask the Client to sign and no statement the Investment Manager may ask the Client to make derogates from this Clause.
- 2.6 The Client is required to set up an independent sub-account under the Client's own name. The following conditions shall apply during the period of the power of attorney:
- (a) Authorization Restrictions: The sub-account shall not be used to directly transfer any funds without the Client's explicit written consent.
 - (b) Account Monitoring: The Client shall have the right to access the sub-account at any time to review transaction details, balances, and other account activities.
 - (c) Suspension and Termination: The Client retains the right to suspend or terminate any transaction or activity within a reasonable timeframe, subject to applicable agreements and regulatory requirements.
 - (d) Notification Requirements: The Client may not operate the sub-account independently or initiate any trading and transactions without prior written notification to the Investment Manager and the Investment Manager's consent.
 - (e) Transparency and Reporting: The Investment Manager shall provide regular updates to the Client regarding account activity and ensure that all transactions are conducted in a transparent manner.
 - (f) Compliance with Laws: All account activities and transactions must comply with applicable legal and regulatory requirements.
- 2.7 The Investment Manager provides discretionary investment services to the accounts of the following Custodian(s) under Client's name and/or control: Interactive Brokers, UBS Bank and Citibank. The Client may add new Custodians in the future.

3. INVESTMENT OBJECTIVE AND RESTRICTIONS

- 3.1 The Investment Manager will manage the Client's Portfolio in accordance with the investment



objectives and restrictions (the “**Guidelines**”) as set out in Appendix 1 of this Agreement which may be reviewed and revised by the Investment Manager from time to time as and when it deems necessary. And the Investment Manager shall send a 21 days' prior notice in writing to the Client.

4. RISK DISCLOSURE

- 4.1 The Client acknowledges and confirms that Client has been provided with the Risk Disclosure Statement in a language of Client's choice (either English or Chinese) and that Client is invited to read the Risk Disclosure Statement, to ask questions and take independent advice if the client wishes.

5. CLIENT INFORMATION

- 5.1 The Client shall notify the Investment Manager in writing of any changes to any information specified in Account Opening Form by serving the Investment Manager fourteen (14) Business Days' prior written notice.

6. CUSTODIAL SERVICES

- 6.1 The Investment Manager shall, where required, make arrangements with appropriate third parties (such as a bank or other depository) for the safe-custody of the Portfolio and will arrange for the settlement of transactions executed for the Portfolio, the safekeeping of Investments, the collection of all dividends, income and other distributions and the effecting of other administrative actions in relation to Investments, subject to the terms of this Agreement. The Investment Manager shall exercise due care and diligence in selecting, appointing, and monitoring such third parties to ensure the security and proper management of the Portfolio at all times.

7. WITHDRAWALS AND TERMINATIONS

- 7.1 The Client may from time to time request the withdrawal of any of Investments or all of the Investments from the Portfolio provided that the Investment Manager receives prior written notice of no less than 10 Business Days (or such shorter period as the Investment Manager may from time to time prescribe) specifying the amount, currency, value date and payment instructions. Subject to any instructions in the notice, the outstanding liabilities whatsoever incurred by the Client hereunder, the uncompleted transactions already initiated by the Investment Manager and any Suspension Events, the Investment Manager will arrange for, and issue appropriate instructions for the realization as soon as practicable of such part of the Portfolio as it considers appropriate to



produce the relevant cash sum for payment to the Client. Upon procuring the realization of monies and the effecting of any necessary currency conversion, the Investment Manager will arrange for payment to be made to the Client.

- 7.2 The Investment Manager may, under certain Suspension Events, in their sole discretion, postpone the realization of any or all parts of the Portfolio as it considers appropriate. For the purpose of this Clause, Suspension Events include, without prejudice to the generality of the foregoing, situations where the trading of a specific or various Investments are unavailable due to severe market conditions or issuer distress, suspension or limitation of trading by any public exchanges or any other circumstances which render it impossible to liquidate any or all the relevant Investments. All reasonable steps will be taken by the Investment Manager to bring any Suspension Event to an end as soon as possible.
- 7.3 The Investment Manager may, upon providing prior written notice to the Client, liquidate all or part of the Portfolio if the Investment Manager reasonably determines that such liquidation is necessary as a result of the Client's withdrawal. The Investment Manager shall use reasonable efforts to act in the Client's best interests and minimize any potential losses when liquidating the Portfolio. Upon receipt of the Investment Manager's notice, the Client may request a consultation to discuss the proposed liquidation before it is executed. The Client shall bear all consequences of any withdrawal, provided that the Investment Manager has acted in accordance with this Agreement and exercised due care and diligence in executing such liquidation.

8. REMUNERATION

Management Fee

- 8.1 In consideration of the services to be provided by the Investment Manager on the terms of this Agreement, the Client shall pay the Investment Manager a management fee .
- 8.2 The management fee, an amount equal to 2 % per annum of the market value of the Assets under management (before the deduction of any management fee). The annual management fee is capped at HK\$3 million. The management fee shall be paid at the end of each month, or on the date of termination of this Agreement on a pro-rata basis, based upon the market value of the Assets as valued by the custodian/broker, including cash and any dividends and interest receivables on the last trading day of the month.
- 8.3 In determining the management fee in Clauses 8.2, the NAV of the Portfolio shall not include the portion investing in any securities, investment instruments or products (including but not limited



to mutual funds and unit trusts) where the Investment Manager and/or its associated company (ies) acts as the investment manager and/or the investment advisor.

8.4 No separate fee will be levied by the Investment Manager for safekeeping of assets or by any nominee appointed by the Investment Manager but:

- (a) all fees and charges in connection with the custody of Investments of any custodian or sub-custodian or their nominees shall be borne by the Client including the charges of any external bank;
- (b) any expenses in connection with the custody of Investments or other dealing for the Portfolio of the Investment Manager, its nominee or any custodian or sub-custodian or their nominees shall be paid out of the Portfolio.

8.5 The minimum assets under management ("AUM") is USD8,000,000.00.

9. CONFIRMATIONS, STATEMENTS AND VALUATION REPORTS

9.1 The Investment Manager will prepare monthly statement for the Client with full details of the status of all account balance and holdings. These monthly statements are issued within twenty-one (21) Days of the end of each monthly accounting period. However, no monthly statement is required to be issued if no transactions have been effected in relation to the account during the month and no change has occurred in the account balance at the end of the relevant monthly accounting period.

10. SOFT DOLLARS AND CASH REBATES

10.1 The Client agrees that the Investment Manager or its connected persons may receive and retain cash rebates, goods and services, and other soft dollar benefits arising out of the sale and purchase of investments of the Client, provided that such benefits are demonstrably used to enhance the Client's investment performance or provide research and services beneficial to the Client's Portfolio. The Investment Manager shall disclose to the Client the nature and value of such benefits and ensure that their receipt and retention comply fully with the requirements of the SFO and other applicable laws. The Investment Manager shall maintain appropriate records to demonstrate compliance and transparency in this regard.

11. DISCLOSURE OF POTENTIAL CONFLICT OF INTEREST IN DISCRETIONARY ACCOUNT MANAGEMENT



In relation to discretionary account management, you acknowledge that we have notified you and you have agreed that:

- 11.1 Forshine Asset Management Limited may effect transactions in which Forshine Asset Management Limited has, directly or indirectly, a material interest or a potential conflict with Forshine Asset Management Limited's duties to the Client.

Forshine Asset Management Limited shall fully disclose to the Client the nature and extent of any material interest or conflict prior to executing such transactions and shall ensure that such transactions are effected on terms demonstrably as favourable to the Client as those available in the open market or under arm's length conditions. In the event of a material conflict of interest, Forshine Asset Management Limited shall seek prior approval from the Client or engage an independent third party to verify that the terms of the transaction are fair and reasonable. Forshine Asset Management Limited shall not be liable to account to the Client for any profit, commission, or remuneration made or received from or by reason of such transactions, provided that the terms of the transaction have been duly disclosed and are consistent with this clause.

- 11.2 Without prejudice to the generality of the foregoing, Forshine Asset Management Limited or any affiliate:
- may act on behalf of the issuer of the investment concerned;
 - may be the issuer of the investment concerned;
 - may have a holding or dealing position in the investment concerned; or (unless otherwise agreed between the parties hereto); or
 - may buy or sell the investment concerned as principal or otherwise act as principal in any dealing.

Forshine Asset Management may receive, other than the fees set out in Clause 8, non-explicit benefits including but not limited to management fees charged by funds.

Forshine Asset Management Limited may also effect transactions or exchange currencies through an affiliate.

- 11.3 Forshine Asset Management Limited may be restricted from dealing for the account of the Client in transactions in which Forshine Asset Management Limited may have non-public information.
- 11.4 Nothing in this Agreement shall prevent Forshine Asset Management Limited from accepting



similar appointments by or providing similar services to any other persons.

- 11.5 The services provided by Forshine Asset Management Limited will not result in any legal or regulatory risk or liability to the Client, particularly in light of the Client's status as a listed company.

12. LIMITATION OF LIABILITY AND INDEMNITIES

- 12.1 The Investment Manager shall not be liable to the Client for any losses, claims, damages, costs, expenses or liabilities incurred by the Client, or any of its affiliates, arising out of or in connection with the subject matter of this Agreement or for any decline in the value of the Portfolio except to the extent that any such losses, claims, damages, costs, expenses resulting from any material breach of this Agreement or the fraud, acts of willful or reckless default, negligence, material breach of duty or bad faith by the Investment Manager.

13. REPRESENTATIONS AND WARRANTIES

- 13.1 Each party undertakes, represents and warrants that as at the date of this Agreement:
- (a) it has the corporate power to carry on its business as it is now being conducted;
 - (b) it has full capacity, power and authority to enter into and perform its obligations under this Agreement;
 - (c) its directors have authorized the execution and performance of this Agreement; and
 - (d) the execution and performance of this Agreement does not violate any law, regulation or authorization, its constitutive documents or any document which is binding on it.
- 13.2 These undertakings, representations and warranties survive the execution of this Agreement.
- 13.3 Each party agrees to promptly notify the other party if any warranty ceases to be true and accurate.

14. VARIATION

- 14.1 This Agreement may be amended and/or supplemented by the Investment Manager from time to time at its own discretion without the prior consent of the Client, provided that the Investment Manager shall send a ten (10) days' prior notice in writing to the Client.



15. TERMINATION

- 15.1 This Agreement shall continue in effect until terminated by either party giving thirty (30) days' prior written notice to the other, subject to the completion of outstanding transactions. The Investment Manager may terminate this Agreement by immediate notice if required to do so by the regulatory authority.
- 15.2 Termination will not affect the rights of the parties accrued under this Agreement prior to the date of termination.

16. NOTICES

- 16.1 Any notice or other communication required or authorized by this Agreement to be given must be in writing and served on the party by hand, sent by prepaid registered post, by facsimile transmission, by electronic mail or comparable means of communication to the address or the facsimile transmission number or electronic mail address of the relevant party as set out below or such other address or facsimile number or electronic mail address or for the attention of such other person or department as the addressee has by prior written notice to the sender specified for the purpose:

THE INVESTMENT MANAGER

Address: Room 907A, 9/F, Office Plus@Prince Edward, 794-802 Nathan Road, Mong Kok,
Hong Kong
Attention:

THE CLIENT

Address:
E-mail: huagegroup@gmail.com
Facsimile:
Attention:

- 16.2 Both parties undertake to notify the other in the manner specified in Clause 15.1 any material change to the information provided in this Agreement and within seven (7) days of such change including, without limitation, any change to the directors of the parties which are corporations and



the constitution which would contravene this Agreement.

- 16.3 The Client agrees to check regularly the Client's mailbox, electronic mailbox, facsimile machine and other sources of facilities through which the Client receives communication from Investment Manager. Investment Manager will not be responsible for any losses that arise from the Client's failure, delay or negligence to check such sources or facilities and/or any failure or breakdown of such sources or facilities.

17. CONFIDENTIALITY

- 17.1 No party to this Agreement shall, unless compelled to do so by the courts or unless required by applicable law or regulation, either before or after the termination of this Agreement, disclose to any person not authorized by the relevant party hereto to receive the same, and/or use for any purpose other than the performance of its obligations under this Agreement, any information relating to such party and to the affairs of such party of which the party disclosing the same shall become possessed during the term of this Agreement and each party shall use its best endeavors to prevent any such disclosures.
- 17.2 Investment Manager will keep information relating to the Client's Account confidential. The Client has read and fully understands and accepts that Investment Manager may provide data received from the Client to the following persons and/or for the following purposes: (a) any nominees in whose name Securities or other assets may be registered; (b) any contractor, agent or service provider which provides administrative, data processing, financial, computer, telecommunication, payment or securities clearing, financial, professional or other services to Investment Manager or to any other person to whom data is passed; (c) any person with whom Investment Manager enter into or propose to enter into transaction on the Client behalf or Account, or persons representing the same; (d) any assignee, transferee, participant, sub-participant, delegate, successor or person to whom this Agreement is notated; (e) governmental, regulatory or other bodies or institutions, whether as required by law or otherwise; (f) giving effect to orders relating to transactions or otherwise, and carrying out the Client's other instructions; (g) providing services in connection with Client's account, whether the services are provided by or through any other person; (h) conducting credit inquiries or checks on the Client and ascertaining the Client financial situation and investment objectives, and enabling or assisting any other person so to do; (i) observing any legal, regulatory or other requirements to which any other persons may be subject; and (j) other purposes related or incidental to any one or more of the above.

18. GOVERNING LAW AND JURISDICTION



- 18.1 This Agreement is governed by and will be construed in accordance with the laws of Hong Kong and the parties submit to the non-exclusive jurisdiction of the courts of Hong Kong.

19. ENGLISH/CHINESE VERSION

- 19.1 The Client confirms that the Client has read the English or Chinese version of this Agreement and Personal Information Collection Statement and that the contents of this Agreement have been fully explained to the Client in a language which the Client understands, and that the Client accepts this Agreement in its entirety. In the event that there is inconsistency between the English version and the Chinese version of this Agreement, the English version shall prevail.



豐誠資產管理有限公司
Forshine Asset Management Limited

IN WITNESS whereof this Agreement has been entered into the day and year first above written.

SIGNED by
On behalf of
**FORSHINE ASSET MANAGEMENT
LIMITED**

)
)
)

Authorized Signature
and Company Chop

Name of Authorized
Signatory

CHUNG KAI CHIU

Director

SIGNED by
On behalf of
HUAGE GROUP LIMITED

)
)
)

Authorized Signature
and Company Chop

Name of Authorized
Signatory

FU ZHENGJUN

In the presence of

Signature

Name of Witness



APPENDIX 1

DISCRETIONARY ACCOUNT AGREEMENT

SCHEDULE OF INFORMATION

Full Name of Client : HuaGe Group Limited
Commencement Date : 24 December 2024
Investment Duration :
Expected Investment Currency & Amount : USD20,000,000.00
Valuation Currency : USD

INVESTMENT GUIDELINES

The Investment Manager will manage the Portfolio in accordance with the following investment guidelines which may be reviewed and revised if it is deemed necessary.

Investment Objective:

<input type="checkbox"/> Aggressive	<input checked="" type="checkbox"/> Balanced	<input type="checkbox"/> Conservative	<input type="checkbox"/> Others (please specify)
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Portfolio Mix: Guidelines and Restrictions:

	Type of Investment	Maximum % limit (if any)	Minimum % limit (if any)
<input type="checkbox"/>	Equities		
<input type="checkbox"/>	Fixed Income		
<input type="checkbox"/>	Futures/Options		
<input type="checkbox"/>	Cash		
<input type="checkbox"/>	Others (please specify): <u>mutual funds, fund of funds, structured</u> <u>notes and products</u>		

Scope of investments: investment products involving varying asset classes including investment funds and/or fund of funds, options and enhanced indexing equity. More investment focus will be on securities in the global stock market.

Diversification measures: The Investment Manager will (i) ensure diversity among the same asset class, (ii) invest in assets with lower volatility, (iii) diversification of asset classes.

Other restrictions, if any:



Applicable for Stocks and Options

- i. First Time Deposit: _____ (Please specify the currency: HKD/USD)
- ii. Stop-gain instructions: Yes/No* (Please circle your choice) (If yes, please specify the relevant terms and conditions)
- iii. Stop-loss instructions: Yes/No* (Please circle your choice) (If yes, please specify the relevant terms and conditions)
- iv. Risk tolerance level: (e.g. notification to client when net asset value drops to certain threshold, risk tolerance level of the discretionary account shall be the same as that of securities account)
- v. Investment objective: (e.g. capital preservation/capital gain/speculation, long/medium/short term, minimum holding period)
- vi. Investment target: (e.g. derivatives which include stock options, warrants, ETF, REIT, stock option short positions, stock borrowings, industries and regions of securities investments)
- vii. Scope and investment concentration: (e.g. trading amount limits, stock concentrations limits in percentage)
- viii. Trading frequency: (e.g. intra-day trading limit)
- ix. Trading markets and currencies: (e.g. markets such as Hong Kong, US, PRC etc.)
- x. Statements required: Yes/No* (Please circle your choice) (e.g. if yes, monthly statements by default or please specify the frequency [minimal unit: month])
- xi. Other investment strategy (Please specify, e.g. IPO)

The Client acknowledges that these Investment Guidelines apply at the time of purchase only, and failure to comply with any specific guideline or restriction contained herein because of market fluctuation, changes in the capital structure of any Portfolio company, ratings agency or credit ratings changes or withdrawals or other events outside of the Fund Manager's control will not be deemed a breach of the Investment Guidelines or Discretionary Account Service Agreement.

Any investment not permitted by these Guidelines may be permitted by written consent of the Client.

English Version Prevails:

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

For Corporate Account 公司帳戶賬戶專用

Authorized Signature(s) and Company Chop(s)
獲授權人士簽署及公司蓋章

FU Zhengjun

Name of Authorized Signatory
授權簽署人姓名及帳戶名稱



RISK DISCLOSURE

The Client acknowledges that the Client has been invited to read the following Risk Disclosure Statement, and to ask questions and to take professional and independent legal advice, if the Client so wished.

- 1. 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.
- 2. Risk of trading Growth Enterprise Market Stocks:** Growth Enterprises Market (the “GEM”) stocks involve a high investment risk. In particular, companies may list on the 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 the GEM mean that it is a market more suited to professional and other sophisticated investors.

Current information on the GEM stocks may only be found on the internet website operated by the HKEx. 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 has not understood any aspect of this risk disclosure statement or the nature and risks involved in trading of GEM stocks.

- 3. Risks of client assets received or held outside Hong Kong:** Client assets received or held by the Investment Management or its agents 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 asserts may not enjoy the same protection as that conferred on client assets received or held in Hong Kong.
- 4. Risk of providing an authority to hold mail or to direct mail to third parties:** If the Client provides the Investment Management or its Agents 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.
- 5. Risk of exercising and trading rights issue:** For exercising and trading of the rights issue, investors have to pay attention to the deadline and other timelines. Rights issues that are not exercised will have no value upon expiry. If investors decide not to exercise the rights and sell the rights in the market, the rights must be sold during the specified trading period within the subscription period, after which they will become worthless. If investors pass up the rights, the shareholding in the expanded capital of the company will be diluted.



6. Risk of trading exchange traded funds (ETFs):

6.1 Market risk

ETFs are typically designed to track the performance of certain indices, market sectors, or groups of assets such as stocks, bonds, or commodities. ETF managers may use different strategies to achieve this goal, but in general they do not have the discretion to take defensive positions in declining markets. Investors must be prepared to bear the risk of loss and volatility associated with the underlying index/assets.

6.2 Tracking errors

Tracking errors refer to the disparity in performance between an ETF and its underlying index/assets. Tracking errors can arise due to factors such as the impact of transaction fees and expenses incurred to the ETF, changes in composition of the underlying index/assets, and the ETF manager's replication strategy. (The common replication strategies include full replication/representative sampling and synthetic replication which are discussed in more detail below.)

6.3 Trading at discount or premium

An ETF may be traded at a discount or premium to its Net Asset Value (NAV). This price discrepancy is caused by supply and demand factors, and may be particularly likely to emerge during periods of high market volatility and uncertainty. This phenomenon may also be observed for ETFs tracking specific markets or sectors that are subject to direct investment restrictions.

6.4 Foreign exchange risk

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

6.5 Liquidity risk

Securities Market Makers (SMMs) are Exchange Participants that provide liquidity to facilitate trading in ETFs. Although most ETFs are supported by one or more SMMs, there is no assurance that active trading will be maintained. In the event that the SMMs default or cease to fulfill their role, investors may not be able to buy or sell the product.

6.6 Counterparty risk involved in ETFs with different replication strategies

i. Full replication and representative sampling strategies

An ETF using a full replication strategy generally aims to invest in all constituent stocks/assets in the same weightings as its benchmark. ETFs adopting a representative sampling strategy will invest in some, but not all of the relevant constituent stocks/assets. For ETFs that invest directly in the underlying assets rather than through synthetic instruments issued by third parties, counterparty risk tends to be less of concern.



ii. Synthetic replication strategies

ETFs utilising a synthetic replication strategy use swaps or other derivative instruments to gain exposure to a benchmark. Currently, synthetic replication ETFs can be further categorized into two forms:

1. Swap-based ETFs

Total return swaps allow ETF managers to replicate the benchmark performance of ETFs without purchasing the underlying assets. Swap-based ETFs are exposed to counterparty risk of the swap dealers and may suffer losses if such dealers default or fail to honor their contractual commitments.

2. Derivative embedded ETFs

ETF managers may also use other derivative instruments to synthetically replicate the economic benefit of the relevant benchmark. The derivative instruments may be issued by one or multiple issuers. Derivative embedded ETFs are subject to counterparty risk of the derivative instruments' issuers and may suffer losses if such issuers default or fail to honour their contractual commitments.

Even where collateral is obtained by an ETF, it is subject to the collateral provider fulfilling its obligations. There is a further risk that when the right against the collateral is exercised, the market value of the collateral could be substantially less than the amount secured resulting in significant loss to the ETF.

7. Risk of providing an authority to repledge your securities collateral:

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.

8. 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.

9. 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.

10. Risk Relating to Collective Investment Schemes:

Collective Investment Scheme may invest extensively (up to 100%) in financial derivative instruments, fixed income securities and/or structured products (including, but not limited to credit default swaps, sub-investment grade debt, mortgage-backed securities and other asset-backed securities) and be subject to various risks (including but not limited to counterparty risk, liquidity risk, credit risk and market risk). Collective Investment Scheme may use trading strategies that use financial derivative instruments which may be unsuccessful due to a number of reasons; including, but not limited to volatile market conditions, imperfect correlation between the movements in securities on which derivatives are based, lack of liquidity within markets and counterparty default risk.

11. Risk Relating to Trading in US Exchange-listed or Over-the-counter (OTC) Securities or Derivatives:



You should understand the US rules applicable to trades in security or security-like instrument in markets governed by US law before undertaking any such trading. US law could apply to trading in US markets irrespective of the law applicable in your home jurisdiction. Many (but by no means all) stocks, bonds and

options are listed and traded on US stock exchanges. NASDAQ, which used to be an OTC market among dealers, has now also become a US exchange. For exchange-listed stocks, bonds and options, each exchange promulgates rules that supplement the rules of the US Securities & Exchange Commission (“SEC”) for the protection of individuals and institutions trading in the securities listed on the exchange. OTC trading among dealers can continue in exchange-listed instruments and in instruments that are not exchange-listed at all. For securities that are not listed on any exchange, trading can continue through the OTC bulletin board or through the inter-dealer “pink sheets” that carry representative (not actual) dealer quotes. These facilities are outside of NASDAQ.

Options on securities are subject to SEC rules and the rules of any securities exchange on which the options are listed. Options on futures contracts on commodities like wheat or gold are governed by rules of the US Commodity Futures Trading Commission (“CFTC”). There are also commercial options, like options on real estate, that are governed neither by SEC nor CFTC rules. Whether you are intending to trade in US exchange-listed securities, OTC securities or derivatives, you should understand the particular rules that govern the market in which you are intending trade. An investment in any of these instruments tends to increase the risk and the nature of markets in derivatives tends to increase the risk even further.

Market makers of OTC bulletin board are unable to use electronic means to interact with other dealers to execute trades. They must manually interact with the market, i.e. use standard phone lines to communicate with other dealers to execute trades. This may cause delays in the time it takes to interact with the market place. This, if coupled with increase in trade volume, may lead to wide price fluctuation in OTC bulletin board securities as well as lengthy delays in execution time. You should exercise extreme caution when placing market orders and fully understand the risks associated with trading in OTC bulletin board. Market data such as quotes, volume and market size may or may not be as up-to-date as expected with NASDAQ or listed securities. As there may be far fewer market makers participating in OTC securities markets, the liquidity in that security may be significantly less than those in listed markets. As such, you may receive a partial execution or the order may not be executed at all. Additionally, the price received on a market order may be significantly different from the price quoted at the time of order entry. When fewer shares of a given security are being traded, larger spreads between bid and ask prices and volatile swings in price may result. In some cases, the liquidation of a position in an OTC security may not be possible within a reasonable period of time. Issuers of OTC securities have no duty to provide any information to investors, maintain registration with the SEC or provide regular reports to investors.

12. Default Risks & Counterparty Risks:

Every investment product contains default risks and/or counterparty risks. Default risk could come from the issuer’s failure to make payments as agreed. At time of market downturn, an issuer may default due to their inability to raise new debt to roll over or repay old one. Credit ratings are the most common tools used for



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assessing bond default risk. A rating represents the opinion of the rating agency at a particular point of time and may change over time, due to either changes in the financial status of the issuers or changes in market conditions. Counterparty risk refers to the failure of the trading party in fulfilling their financial contractual obligations. While ratings by credit agencies represented quality assurances, investors should not only

reference to the credit ratings of the product issuers, but also seek full understanding of the product structure and its exposure to the financial derivatives in order to avoid financial loss.

Remarks:

If there is any discrepancy between the English and Chinese version, the English version shall prevail.



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Client Acknowledgement 客戶確認

We, the Client, acknowledges that we have been invited to read the Risk Disclosure Statement in the language of our choice, and to ask questions and to take professional and independent legal advice, if we so wish.

吾等確認吾等已經收到並詳細閱讀吾等所選擇的語言提供風險披露聲及邀請吾等閱讀風險披露聲明，提出問題及如有需要可以徵求獨立的意見。

Authorized Signature(s) &
Business Chop

授權簽署及公司蓋章

Name of Authorized Signer(s)

授權人姓名

Date (DD/MM/YYYY)

日期(日/月/年)

FU ZHENGJUN

Staff Declaration 職員聲明

I, a licensed person, declare that I have provided the above client with a copy of the Risk Disclosure Statement in a language of the Client's choice and invited the client to read the Risk Disclosure Statement, ask questions and take independent advice if the client wishes.

本人，以持牌人身份，確認本人已按照上述【客戶】所選擇的語言提供風險披露聲明及邀請【客戶】閱讀風險披露聲明、提出問題及徵求獨立意見（如【客戶】有此意願）。

Staff's Signature

職員簽署

Name of Staff

職員姓名

SFC CE Number

證監會中央編號

Date (DD/MM/YYYY)

日期(日/月/年)

CHUNG KAI CHIU

AAV230



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Acknowledgement by Client

We, the Client, acknowledges that we have been invited to read the following Risk Disclosure Statement, and to ask questions and to take professional and independent legal advice, if we so wished.

Authorized Signature

Name of Authorized Signatory

Date (DD/MM/YYYY)

Declaration by Staff

I, a registered person, declare that I have provided the above client with a copy of the Risk Disclosure Statement in a language of the Client's choice and invited the client to read the Risk Disclosure Statement, ask questions and take independent advice if the customer so wishes.

Staff's Signature

Name of Staff

CE Number

Date (DD/MM/YYYY)