

## **Risk Disclosure Regarding the Use of SmartGlobal Robo-Advisory Service**

Before using AQUMON robo-advisory service, client should read carefully and understand fully the risks associated with such service, including, but not limited to those described in this document.

- 1.** Client should fully understand that AQUMON provides an innovative service model that assists clients in developing their investment strategies, and the investment advice provided by AQUMON through the Internet involves Exchange Traded Funds (“ETFs”). Regardless of whether the client eventually adopts the investment advice provided by this service or not, the client should generally make independent decisions on his investment strategies and be solely held accountable to the risks involved with his decisions. The risks associated with the trading of ETFs include, but are not limited to the following:

- 1.1** 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. Investors must be prepared to bear the risk of loss and volatility associated with the underlying index/assets;
- 1.2** Tracking error: Tracking errors refer to the disparity in the 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 on the ETF, changes in composition of the underlying index/assets, and the ETF manager’s replication strategy;
- 1.3** 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. If an ETF was bought at a premium, investors may still incur a loss even if the NAV of that ETF has increased at the time of sale. If the ETF stopped trading, investors may not be able to recover the investment amount;
- 1.4** Foreign exchange risk: Investors trading ETFs with underlying assets not denominated in Hong Kong dollars are exposed to exchange rate risk. Currency rate fluctuations can adversely affect the underlying asset value and the ETF price;
- 1.5** 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. There may be events whereby investors will not be able to buy or sell securities, or find that a security is trading at a discount or premium to its NAV; and
- 1.6** Counterparty risk: The Client should be aware of the credit risk of the counterparties who issued the securities, who might become insolvent and default on their listed securities. The Client should pay close attention to the financial strength and credit worthiness of the issuers.

- 2. Risk of Securities Trading**

It is important that clients have reasonable understanding and familiarity with the risks involved in the securities transactions. Before using AQUMON, clients should make prudent decisions on investment goals and amounts based on his/her actual financial status, investment experiences and needs, sector and geographical preferences, as well as risk tolerance level. AQUMON shall assess client’s risk profile based on the information provided by the client, and proceed with suitable investment advisory service. Clients are

responsible for the authenticity of the information provided. Risks related to securities trading includes but not limited to:

- 2.1 The prices of securities fluctuate, sometimes dramatically, and that 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.
- 2.2 The price of securities, including without limitation, bonds, interests in ETFs, mutual funds or other collective investment schemes fluctuates, sometimes dramatically, and may move up or down or even become valueless.
- 2.3 Any representation of past performance is not necessarily a guide to future performance.
- 2.4 Where investments involve exposure to foreign currencies, changes in rates of exchange may cause the value of the investments to fluctuate up or down.
- 2.5 Investments in emerging markets need careful and independent assessment by you of each investment and the risks (including without limitation sovereign risk, issuer risk, price risk, liquidity risk, legal and tax risks). Further, you should be aware that, while such investments can yield high gains, they can also be highly risky as the markets are unpredictable and there may be inadequate regulations and safeguards available to investors.
- 2.6 Magnum is entitled to act upon your instructions and you cannot assume that Magnum will warn you if your instructions are ill-timed or inadvisable for any reason or if the instructions are likely to cause you loss.
- 2.7 Before you make any investment, you should obtain a clear explanation of all commission, fees and other charges for which you will be liable. These charges will affect your net profit (if any) or increase your loss.

### **3. Risks of Trading Nasdaq-Amex Securities at the SEHK**

The securities under the Nasdaq-Amex Pilot Program (“PP”) are aimed at sophisticated investors. The Client should consult the licensed or registered person and become familiarised 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 Growth Enterprise Market of the Stock Exchange of Hong Kong Limited. You should only consider participating in the PP if you have sufficient means and resources to acquire and understand the relevant product and market information regarding the PP which is published on or distributed via the internet in English.

### **4. Risk of Trading Growth Enterprise Market Stocks**

The 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 profiles and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

### **5. Risk of Investing in Emerging Market**

- 5.1 Investments in emerging market securities need careful and independent assessment by the Client of each investment and the risks. Such risks include:

- 5.1.1** currency exchange matters, including fluctuations in the rate of exchange between the Client's reference currency and the various foreign currencies in which the securities are denominated, and costs associated with conversion of investment principal and income from one currency into another; and
    - 5.1.2** the possible imposition of withholding taxes on income received from or gains with respect to such securities.
  - 5.2** In addition, certain of these capital markets involve factors not typically associated with investing in established securities markets, including risks relating to:
    - 5.2.1** differences between markets, including potential price volatility in and relative illiquidity of some foreign securities markets;
    - 5.2.2** the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements, and less government supervision and regulation; and
    - 5.2.3** certain economic and political risks, including potential exchange control regulations and potential restrictions on foreign investment and repatriation of capital.
- 6. Risk of Transactions in Other Jurisdictions**

Transactions in markets in other jurisdictions, including those with a formal link to the local market, may involve additional risks. According to the regulations of these markets, the degree of protection enjoyed by investors may be different or even lower. Prior to the transaction, the Client shall first confirm all the rules regarding the transaction to be carried out. The regulatory body at the location of the client will not be able to compel to the relevant regulatory body or market in the jurisdiction of the place where the Client has executed to enforce the relevant rules. In view of this, prior to the transaction, the Client should first check with the firm concerned which remedies and details of the jurisdiction and other jurisdictions in which the respective jurisdiction is available.
- 7. Risk of trading overseas ETFs / stocks**

Overseas markets may be subject to regulation which may offer different or diminished investor protection and a local regulatory authority will be unable to compel the enforcement of the rules of regulatory authorities or markets in other jurisdictions where clients' transactions have been effected.
- 8. 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.
- 9. Risk on Deposited Cash and Property**

The Client should familiarize himself with the protections given to money or other property the Client deposits for domestic and foreign transactions, particularly in the event of a firm insolvency or bankruptcy. The extent to which the Client may recover his money or property may be governed by specific legislation or local rules. In some jurisdictions, property which had been specifically identifiable as the Client's own will be pro-rated in the same manner as cash for purposes of distribution in the event of a shortfall.
- 10.** The investment advice provided by AQUMON is exclusive and time-sensitive and cannot

represent or imply long-term effectiveness in any market environment.

11. AQUMON uses public information, which may not always be reliable or accurate. Client should take this into account when making investment decisions. AQUMON is not responsible for ensuring the reliability and accuracy of public information.
12. Our service may be affected by unforeseeable events such as system downtime, interruption, or breakdown, and policy changes.
13. Based on our service advice or to cater to market changes, the actual trading price and volume of securities may differ from the recommended theoretical trading price and volume. AQUMON cannot guarantee that all trades are executed at the best possible market prices.
14. AQUMON can help clients choose investment instruments and prompt clients to rebalance their portfolios. The effectiveness of our algorithm-based model may be adversely affected by multiple market elements, or lead to investment losses. Clients must exercise independent judgement when placing trading orders.
15. When rebalance alert is triggered due to factors such as changes in market environment, clients will be notified through announcement on AQUMON system or e-mail. Investment losses may result if the client failed to check the notification in time, or there is transmission error when sending such notification. AQUMON will not be held liable for such risks.
16. Client is responsible for ensuring the integrity and security of his passwords and accounts. Sensitive information such as passwords should not be disclosed to any third-party. AQUMON is not liable for the risks associated with such disclosure of sensitive information.
17. Given that mobile devices may be used to access AQUMON services via the Internet, AQUMON has taken all reasonable measures to ensure information is secure and service process is smooth. Despite this, clients should take note of the risks below, including but not limited to:
  - 17.1 Any Internet data transmission breakdown, interruption or delay may result in the service being interrupted, information transmission delay and/or data error, etc.;
  - 17.2 Accounts and passwords may be disclosed or identity may be fabricated due to client's negligence;
  - 17.3 Incidents such as cyberattacks, network server breakdown or viral infection may cause the information transmitted to be wrong, delayed or the service to be disrupted;
  - 17.4 Service may be disrupted due to the incompatibility of mobile devices or software system;
  - 17.5 Service may be disrupted due to client's inappropriate use of the system;
  - 17.6 Service may be disrupted due to communication network error that is not caused by AQUMON; and
  - 17.7 Service may be temporarily unavailable during system maintenance, upgrade, or when the stock exchange is closed.
18. For reporting of any misbehavior or misconduct of any employee of Magnum Research Limited (the "Company"), such as illegal disclosure of client's information or engaging in related-party transactions, please contact the compliance team at

[compliance@aquumon.com](mailto:compliance@aquumon.com)

19. Please feel free to contact AQUMON customer service team for any comments or suggestions regarding the service. Contact details are as follows:  
Customer service hotline: +852 2155 2816  
Email: [cs@aquumon.com](mailto:cs@aquumon.com)
20. The Company reserves all the final rights to amend or explain the Risk Disclosure clauses. Any amendments related to this document will be published on AQUMON's official website.

**Before using AQUMON robo-advisory service, clients should read carefully and understand fully the Risk Disclosure clauses. By proceeding to use AQUMON robo-advisory service, investors agree to be held responsible for any investment risks involved. By no means will AQUMON guarantee investors that no losses will be incurred or profits will be made.**