APPENDIX 3 ADDITIONAL RISK DISCLOSURES

This Appendix briefly outlines some general investment risks and some of the risks associated with certain products. In particular, the Client must be aware that the associated risk of loss in trading transactions or contracts can be substantial.

Clients who trade or transact with or through Orient Futures should be aware of the risks which may be involved in such trading and transactions. The Client should not enter into such a trade or transaction unless the Client fully understands:

(a) the nature and fundamentals of the transaction and the market underlying such transaction;

(b) the legal terms and conditions of the documentation for such transaction;

(c) the extent of the economic risk to which the Client is exposed as a result of such transaction (and determine that such risk is suitable for the Client in light of the Client's specific experience in relation to the specific transaction and the Client's financial objectives, circumstances and resources);

(d) the income tax treatment and the accounting treatment of such transaction (which can be complex);

(e) the regulatory treatment of such transaction; and

(f) the nature and scope of the relationship between the Client and Orient Futures with respect of such transaction undertaken by the Client.

IT IS IMPORTANT FOR THE CLIENT TO DETERMINE WHETHER ANY TRANSACTION IS SUITABLE FOR THE CLIENT'S OPERATIONS, BUSINESS AND ORGANISATION, AND THE CLIENT SHOULD BE AWARE THAT THIS IS THE CLIENT'S SOLE RESPONSIBILITY. THE CLIENT SHOULD REFRAIN FROM ENTERING INTO ANY TRANSACTION WITH OR THROUGH ORIENT FUTURES UNLESS THE CLIENT HAS FULLY UNDERSTOOD THE TERMS AND RISKS OF THE TRANSACTION, INCLUDING THE EXTENT OF ITS POTENTIAL RISK OF LOSS AND IS WILLING AND ABLE TO SUSTAIN SUCH LOSS.

General investment risks

The risks set out herein are generally common to all trades and transactions.

Price and market risks

The prices of capital market products fluctuate, sometimes dramatically. The price of a capital market product 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 capital market products. The Client's position on various transactions may be liquidated at a loss and the Client will then be liable for any resulting deficit. Under certain circumstances, it may be difficult to liquidate an existing position, assess the value, determine a fair price or assess its exposure to risk. The specifications of outstanding contracts (including the exercise price of an option or warrant) may also be modified by an exchange or Clearing House to reflect changes in the underlying asset.

Off-exchange/over-the-counter transactions

If the Client enters into an off-exchange transaction, Orient Futures may be acting as the Client's counterparty. Off-exchange transactions may be less regulated or subject to a separate regulatory regime, compared to on-exchange transactions.

Because prices and characteristics of over-the-counter financial instruments are often individually negotiated, there may be no central source for obtaining prices and there can be inefficiencies in the pricing of such instruments.

Off-exchange transactions may also involve greater risk than dealing in exchange traded products because there is no exchange market through which to liquidate the Client's position, to assess the value of the product or the exposure to risk. Bid and offer prices need not be quoted and it may be difficult to establish what is a fair price.

Country risks

Transactions on markets in other jurisdictions, including markets formally linked to a domestic market, may expose the Client to additional risk. Such markets may be subject to rules which may offer different or diminished investor protection. Before the Client trades, the Client should make enquiries with Orient Futures about any rules relevant to the Client's particular transactions.

The Client's local regulatory authority will be unable to compel the enforcement of the rules of the regulatory authorities or markets in other jurisdictions where the Client's transactions have been effected. The Client should ask its advisers for details about the types of redress available in both the Client's home jurisdiction and other relevant jurisdictions before the Client starts to trade. Any imposition by a country of exchange controls or other limitations or restrictions may cause payments to be made in the local currency instead of the original invested currency, or may result in the inability to effect outward remittances of funds from such country, which can affect the value of the Client's investment or the Client's ability to enjoy its benefit.

Investment in capital market products in “emerging markets”, including those located in Asia, Latin America and Eastern Europe, may yield high returns but may also carry high investment risks. Such risks include political risks, risks of economic instability, heightened levels of the general risks described above, greater prevalence of unsavoury market practices and laws and regulations which afford inadequate protection and safeguards to investors. Generally less information is publicly available with respect to emerging markets issuers and obligors and many emerging markets companies are subject to less rigorous accounting and reporting requirements than those applicable in developed markets.

Liquidity and market disruption risks

Adverse market conditions may result in the Client not being able to effect transactions, liquidate all or part of its investments, assess a value or its exposure or determine a fair price, as and when it requires. This may also arise from the rules in certain markets (for example, the rules of a particular exchange may provide for “circuit breakers” where trading is suspended or restricted at times of rapid price movements).

Risk-reducing orders or strategies

Placing contingent orders, such as “stop-loss” or “stop-limit” orders, will not necessarily limit the Client's losses to the intended amounts, as it may be impossible to execute such orders under adverse market conditions. Strategies using combinations of positions, such as spread and straddle positions, may be as risky as taking simple long or short positions.

The normal pricing relationships between a derivative and the underlying assets may not exist in certain circumstances. For example, this can occur when an asset underlying an option is subject to price limits while the option is not.

Trading facilities and electronic trading

Most open-outcry and electronic trading facilities are supported by computer-based systems for the order-routing, execution, matching, registration or clearing of trades. As with all facilities and systems, they are vulnerable to temporary disruption or failure. The Client’s ability to recover certain losses may be subject to limits on liability imposed by the system provider, the market, the Clearing House and/or member firms. Such limits may vary. Before conducting any transactions through such facilities or systems, the Client should understand the details in this respect. Further, trading on an electronic trading system may differ not only from trading in an open-outcry market but also from trading on other electronic trading systems. If the Client undertakes transactions on an electronic trading system, it will be exposed to risks associated with the system including the failure of hardware and software. The result of any system failure may be that the Client’s order is either not executed according to its instructions or not executed at all.

Foreign exchange risks

Fluctuations in foreign currency rates will have an impact on the Client's profit and loss where a transaction involves a foreign currency element.

Credit risks

Over-the-counter transactions are subject to the credit risks of the counterparty, including but not limited to failure by such counterparty to make delivery or payment to the Client. The Client should also familiarise itself with the protection accorded to any money or other property which it deposits for domestic and foreign transactions, particularly in a firm’s insolvency or bankruptcy. The extent to which the Client may recover its money or property may be governed by specific legislation or local rules. In some jurisdictions, property which had been specifically identifiable as its own will be pro- rated in the same manner as cash for purposes of distribution in the event of a shortfall.

Monies and assets

The Client acknowledges that there may be risks in holding monies and assets with Orient Futures. Such risks could involve the loss of all monies and assets, leading to diminished investor protection. The Client should be prepared to assume these risks if it decides to leave its monies and assets with Orient Futures. The Client should also understand that in relation to monies and assets held in other jurisdictions, Orient Futures may appoint foreign custodians to safe-keep its foreign securities and assets. In this respect, there may be additional risks in relation to such foreign custodians arising from the operation of foreign law, rules and regulations.

The Client should familiarise itself with the protections given to money or other property it deposits for domestic and foreign transactions, particularly in the event of a firm's insolvency or bankruptcy. The extent to which the Client may recover its 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 will be pro-rated in the same manner as cash for purposes of distribution in the event of a shortfall.

Counterparty and intermediary default risks

There may be a number of counterparties and/or intermediaries (including other brokers, dealers, market-makers, exchanges, Clearing Houses or other third parties) that may be involved with transactions entered into by Orient Futures on the Client's behalf. The Client acknowledges and agrees that transactions entered into on the Client's behalf with or through such counterparties and/or intermediaries are subject to the prevailing terms and conditions as may be specified by such counterparties and/or intermediaries and are dependent on the performance, settlement or delivery by such counterparties and/or intermediaries.

Any wrongdoing, act, omission, insolvency, negligence, breach of duty, misconduct, fraud, wilful default or any other failure or default by or in respect of any such counterparty and/or intermediary may result in losses to the Client (including the loss of any collateral, currencies, margin, investments, property or other documents of title belonging to the Client and/or held in respect of the Client's transactions) or lead to the Client's positions being liquidated or closed out without prior notice to or consent from the Client and, by trading through or with

Orient Futures, the Client acknowledges and understands that any and all such losses will be for the Client's own account. In certain circumstances, the Client may not even get back (in whole or in part) the actual cash and/or assets which the Client may have deposited with Orient Futures (whether as margin, collateral or otherwise) or the Client may have to accept cash in lieu of the delivery of any available assets.

Upon an insolvency or other default of any such counterparty or intermediary (the "**Defaulting Intermediary**"), it may sometimes be possible to transfer the Client's open positions to another appropriate counterparty or intermediary (the "**Replacement Intermediary**"). However, there may be occasions where the Client's margins, cash and/or assets deposited with the Defaulting Intermediary may not be transferred to the Replacement Intermediary together with the transferred open positions. In such a scenario, the Client's margins, cash and/or assets deposited with the Defaulting Intermediary ("**Original Margin**") may continue to be retained by the Defaulting Intermediary and the Client may be required to provide fresh or additional margin, cash and/or other assets to the Replacement Intermediary ("**Replacement Margin**") in order for the Client's open positions to be transferred to the Replacement Intermediary. In such a situation, Orient Futures may, if permitted by Applicable Law, and whether with or without notice to the Client, provide to the Client an advance or a loan for the purpose of meeting the Replacement Margin requirements so as to facilitate and support the transfer of the Client's open positions from the Defaulting Intermediary to the Replacement Intermediary. The Client will have to repay Orient Futures in full for any such advance or loan granted by Orient Futures. Any and all Original Margin subsequently received by Orient Futures from the Defaulting Intermediary may be used by Orient Futures to repay all such advances and loans granted by Orient Futures.

While Orient Futures will generally endeavour to notify the Client of the insolvency or default of a Defaulting Intermediary, the possibility of transferring the Client's open positions to a Replacement Intermediary and the Replacement Margin requirements, the Client accepts that it may not always be possible or feasible for Orient Futures do so given prevailing market conditions and that it may not be in the Client's interest for there to be any delay in the transfer of its open positions to a Replacement Intermediary. So long as Orient Futures acts in good faith and in a commercially reasonable manner, Orient Futures will accept no liability or responsibility for any Loss suffered by the Client and the Client will be required to indemnify Orient Futures against all Losses (including legal costs on a full indemnity basis) suffered or incurred by Orient Futures in connection with any act, omission or step taken by Orient Futures in good faith in connection with the insolvency or other default of the Defaulting Intermediary and the transfer of open positions to a Replacement Intermediary and the grant of any advances or loans for Replacement Margin. The Client acknowledges and accepts that the foregoing risks are inherent in trading with or through Orient Futures which requires transactions to be placed with or executed through counterparties or intermediaries.

<u>Margin and leveraged transactions</u>

Financial transactions may sometimes involve a high degree of leverage. This can work against the Client as well as for the Client. A small market movement can produce large losses as well as gains.

The risk of loss in financing a transaction by deposit of collateral is significant. The Client may sustain losses in excess of its 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. The Client 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, the Client's collateral may be liquidated without its consent.

Moreover, the Client will remain liable for any resulting deficit in its account and interest charged on its account. The Client should therefore carefully consider whether such a financing arrangement is suitable in light of its own financial position and investment objectives.

<u>Impact of fees, commissions and other charges</u>

Before the Client begins to trade, the Client should obtain a clear explanation of all commissions, fees and other charges for which it will be liable. These charges will affect the Client's net profit (if any) or increase its loss and must be considered in any risk assessment made by the Client.

Derivatives products generally

Derivatives are financial contracts for which the price is derived from an underlying asset or benchmark, such as a currency or currency index. Derivatives may be comprised of a number of different elements and this often makes them difficult to understand. The Client should not deal in derivatives unless the Client understands the nature of the contract the Client is entering into, the terms and conditions of the contract and the extent of the Client's exposure to risk.

The normal pricing relationships between a derivative and the underlying asset may not exist in certain circumstances (such as in adverse market conditions). The absence of an underlying reference price may make it difficult to judge "fair" value.

Options

An option is a right granted by a person (the seller or writer) to another (the buyer or holder) to buy (call option) or to sell (put option) a specified amount of an underlying share or other asset at a predefined price (strike price) at or until a certain time (expiration date), in exchange for the payment of a premium. American-style options are exercisable on any trading day up until the expiration date. European-style options may only be exercised on their expiration date. Transactions in options carry a high degree of risk. The Client should familiarise itself with the type of options (i.e. put or call) which it contemplates trading and the associated risks. The Client should calculate the extent to which the value of an option would have to increase for the Client's position to become profitable, taking into account the premium paid and all transaction costs.

Exercising an option results in either a cash settlement or in the buyer acquiring delivery of the underlying asset. The buyer of options may offset its position by trading in the market or exercise the options or allow the options to expire. If the option is on a futures contract, for example, the buyer will acquire the futures position together with associated liabilities for margin; this will expose the buyer to the risks of the futures contract, described below under "Forwards and futures". If the purchased options expire worthless, the Client will suffer a total loss of its investment, which will consist of the option premium paid plus transaction costs. If the Client is contemplating purchasing deep-out-of-the- money options, the Client should be aware that, ordinarily, the chance of such options becoming profitable is remote.

The risks associated with writing an option are generally considerably greater than buying an option. If the option is covered by a corresponding position in the underlying asset, the risk may be reduced. Conversely, if the option is uncovered, then the possible loss may be unlimited. Only experienced persons should contemplate writing uncovered options, and then only after securing full details of the applicable conditions and potential risk exposure.

During the life of an option, the buyer will often have to provide margin. The margin is determined by the counterparty or, in the case of exchange traded options, the exchange. If the deposited margin proves insufficient, the buyer may have to provide additional collateral or be faced with its position being closed-out. Certain exchanges in some jurisdictions permit deferred payment of the option premium, limiting the liability of the buyer to margin payments not exceeding the amount of the premium. The buyer is still subject to the risk of losing the premium and transaction costs. When the option is exercised or expires, the buyer is responsible for any unpaid premium outstanding at that time.

Commodity options

Before entering into any transaction involving a commodity option, the Client should thoroughly understand the nature and type of option involved and the underlying physical commodity. In addition to the risks set out above, the Client should note that specific market movements of the underlying physical commodity cannot be predicted accurately. The prices of commodities can and do fluctuate, and may experience up and down movements which would affect the value of the option.

Exotic options

Unlike “plain vanilla” put and call options, exotic options are subject to additional conditions and agreements. Exotic options come in the form of tailor-made over-the-counter options or as warrants (see section on “Warrants” below). Given the special composition of exotic options, their price movements can vary markedly from those of their “plain vanilla” cousins. The Client must also be aware that larger transactions can trigger price movements even shortly before expiration and that these can render an option worthless. There is no limit to the structures exotic options may take and the Client should seek comprehensive advice about the particular risks involved before entering into any transaction involving an exotic option.

Forwards and futures

Forwards and futures entail the obligation to deliver or take delivery on a specified expiration date of a defined quantity of an underlying asset at a price agreed on the contract date. Futures are standardised contracts traded on-exchange. Forwards are traded over-the-counter. Futures and forwards involve a high degree of risk: the “gearing” or “leverage” often obtainable in forwards or futures trading means that a small deposit or down payment can lead to large losses as well as gains.

On buying or (short) selling an underlying asset on the futures market, the Client must supply a specified initial margin on agreement of the contract. This is usually a percentage of the total value of the contracted instruments. In addition, a variation margin is calculated periodically during the life of the contract. This corresponds to the book profit or loss arising from any change in value in the contract or underlying instrument. In the event of a book loss, the variation margin can be several times as large as the initial margin.

For forward sales, the underlying must be delivered at the price originally agreed even if its market value has since risen above the agreed price. In such a case, the Client risks losing the difference between these two amounts. Theoretically, there is no limit to how far the market value of the underlying can rise. Hence, potential losses are similarly unlimited and can substantially exceed the margin requirements. For forward purchases, the Client must take delivery of the underlying at the price originally agreed even if its market value has since fallen below the agreed price. The Client’s potential loss corresponds to the difference between these two values. The maximum loss corresponds to the originally agreed price. Potential losses can substantially exceed the margin requirements. If the Client sells forward an underlying which it does not hold at the outset of the contract, this is referred to as a short sale. In this case, the Client risks having to acquire the underlying at an unfavourable market price in order to fulfill its obligation to effect delivery on the contract’s expiration date.

There is no actual market for OTC forwards agreed individually, and hence such positions may only be closed out with the agreement of the counterparty.

The risks relating to transacting in futures contracts and options are further described in Form 13 of the SFR (*Risk Disclosure Statement Pursuant To Regulation 47E(1) Of The Securities And Futures (Licensing And Conduct Of Business) Regulations*).

Contracts for differences (CFDs)

CFDs are derivative instruments and may not be suitable for everyone. IN PARTICULAR, IF THE CLIENT CONSIDERS ITSELF TO BE A CONSERVATIVE, RISK-AVERSE INVESTOR, THEN CFDS ARE NOT SUITABLE.

Effect of ‘Leverage’ or ‘Gearing’

Transactions in CFDs carry a high degree of risk. The amount of initial margin is small relative to the value of

the CFDs transaction so that the transaction is highly 'leveraged' or 'geared'. A relatively small market movement will have a proportionately larger impact on the funds the Client has deposited or will have to deposit; this may work against the Client as well as for the Client. The Client may sustain a total loss of the initial margin funds and any additional funds deposited with Orient Futures to maintain the Client's position.
If the market moves against the Client's position or margin levels are increased, the Client may be called upon to pay substantial additional funds on short notice in order to maintain the Client's position. If the Client fails to comply with a request for additional funds within the specified time, the Client's position may be liquidated at a loss and the Client will be liable for any resulting deficit in the Client's account.

Liquidity

CFDs are over-the-counter (OTC) instruments and may be illiquid at times due to the absence of a secondary market, meaning such instruments may be difficult to be transacted within a reasonable time (if at all) or a price which reflects its objectively perceived "fair" value. For some of such instruments it may even be difficult to get any reliable independent information about the value and risks associated with such instruments.

Risk of inadequate margin

Positions are marked-to-market on a daily basis with payments being settled daily to account for market movements. This risk of loss in securing a transaction by deposit of collateral can be significant. The Client may sustain losses in excess of the cash and any other assets deposited as collateral/margin with Orient Futures. The Client may be called upon at short notice to make additional margin deposits or shortfall fee payments. If the required margin deposit or shortfall fee payment is not made within the prescribed time, the Client will be deemed in default and Orient Futures may liquidate the Client's CFDs positions and supporting collateral without notice to the Client. This may result in a loss for the Client. Such loss may be substantial. The Client must therefore carefully consider whether such a collateral/margin provision arrangement for trading in CFDs is suitable for the Client in light of the Client's own financial position and investment objectives.

The Client should familiarise itself with and understand what the requirements are for trading on margin. In addition, the Client acknowledges that the Client is fully responsible for monitoring all of the Client's positions and knowing when the Client will be required to place additional margin. If the required margin deposit or interest payment is not made within the prescribed time, Orient Futures may close the Client's positions without prior notification to the Client.

Securities lending

By engaging in Orient Futures' securities lending services, the Client acknowledges that Orient Futures is allowed to borrow securities from the Client on a title transfer basis, which Orient Futures may then on-lend to third parties. However, the Client will still bear the market risk for any securities borrowed by Orient Futures (i.e., if the value of the securities drops while on loan, the value of the securities the Client receives back at the end of the loan will decrease, and vice versa).

Even if Orient Futures borrows the Client's securities, the Client retains the right to sell these securities at any time. It is possible that Orient Futures may not borrow any securities from the Client, meaning the Client may not earn any additional revenue from participating in securities lending. If Orient Futures does borrow securities from the Client, the extra revenue the Client may earn may vary based on current market conditions.

While the Client's securities are on loan, the Client will not have voting rights or the right to attend general shareholder meetings (if applicable). When participating in securities lending, the Client cannot select specific securities from its account for lending - all securities in the account are available for lending to Orient Futures.

Important Notice

1. This Appendix is not intended to provide, and should not be relied on for, legal, tax, accounting, regulatory or financial advice. It does not provide all the information which the recipient of this Appendix may need, and the recipient may wish to appoint its own professional advisers to assist it. No representation or warranty, whether express or implied, is made as to the accuracy, completeness or reliability of the disclosure provided.

2. Without prejudice to the generality of the foregoing: (i) the risks set out above in this Appendix are a brief outline of general investment risks and some of the risks associated with certain products. This Appendix does not address any other risks that may arise as a result of a Client's particular circumstances or as a result of the terms of particular Transactions; (ii) this Appendix is not intended to provide a comprehensive description of the risks of trading or of the risks associated with any product or service offered by Orient Futures.

3. Nothing contained in this Appendix should be considered as an offer or a solicitation to engage in any transaction or to purchase or sell or enter into any financial instrument or transaction, or that Orient Futures will provide any services referred to in this Appendix to the recipient.

4. Orient Futures shall not in any circumstances be liable, whether in contract, tort, breach of statutory duty or otherwise, for any losses or damages that may be suffered as a result of using or relying on this Appendix. Such excluded losses or damages include (i) any loss of profit or revenue; (ii) damage to reputation or loss of any contract or other business opportunity or goodwill; or (iii) any indirect loss or consequential loss. This paragraph does not extend to an exclusion of liability for, or remedy in respect of, fraudulent misrepresentation, death or personal injury caused by negligence or any other liability which may not be excluded or restricted by law.

5. Nothing contained in this Appendix is intended to create or shall be construed as creating a fiduciary relationship between the recipient and Orient Futures.