RISK DISCLOSURE

Mega Fusion Group (Pty) Ltd
Company Number 2024 / 073707 / 07, Financial Services Provider (‘FSP’) Number 54221
Authorized and regulated by The Financial Sector Conduct Authority, South Africa (the 'FSCA')

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1. Introduction

Mega Fusion Group (Pty) Ltd (hereinafter referred to as the "Company") is authorized and regulated by The Financial Sector Conduct Authority, South Africa ("FSCA") under Financial Services Provider ("FSP") Number 54221 and Company Number 2024 / 073707 / 07. In compliance with applicable regulations, the Company provides risk disclosures related to margin trading to its clients. This statement outlines the primary risks associated with margin trading; however, it does not encompass all potential risks. Its purpose is to assist clients in assessing whether these risks align with their investment strategies and risk tolerance.

Furthermore, this risk disclosure statement is provided in accordance with the requirements of The Financial Sector Conduct Authority, South Africa ("FSCA") and applies to clients considering contracts for difference ("CFD") trading with the Company. CFDs are high-risk financial products and may not be suitable for all investors. Clients must fully understand and evaluate all associated risks before engaging in any transactions.

2. Risk Disclosure

We may provide various analytical tools, links to external websites, newsletters, or third-party information through our trading execution software solely for your convenience. The provision of such tools does not constitute our endorsement, representation, warranty, guarantee, or sponsorship of the accuracy, correctness, timeliness, completeness, or suitability of such information, nor do we assume any responsibility for its impact or consequences on you. Such information and tools are offered solely to assist you in making investment decisions and do not constitute investment advice or unsolicited financial promotion. Clients are responsible for regularly reviewing and updating their understanding of market risks and seeking independent professional advice when necessary.

3. Disclaimer of Liability

This risk disclosure statement provides a general overview of the primary risks associated with CFD trading but does not comprehensively cover all potential risks. Each client's circumstances and risk tolerance may vary, and trading decisions should be made based on individual circumstances and a full understanding of the associated risks. If you have any doubts or require further clarification, you are strongly advised to seek professional advice to ensure that all relevant risks have been duly considered.

4. Suitability Assessment

Investment trading is not suitable for all investors. You should carefully assess whether trading aligns with your financial situation, investment objectives, and risk tolerance. Before opening an account, we will evaluate your suitability based on the information you provide, including your income, liquid assets, and investment experience. If we determine that such trading may not be appropriate for you, we will issue a warning. However, the final decision remains solely yours. You must ensure that the funds you provide are consistent with the disclosed information and independently assess whether your financial resources are sufficient to bear the risks of trading.

By choosing to proceed with trading, you acknowledge and agree that any losses incurred due to insufficient financial knowledge or experience are solely your responsibility, and we shall not be held liable. You should not engage in trading unless you fully understand the risks involved, the nature of the transactions, and the potential extent of losses. We reserve the right to refuse account opening. All account opening and trading activities must comply with applicable laws and regulations and adhere to our risk assessment policies.

5. Over-the-Counter (OTC) Derivative Products

OTC derivative products are financial contracts traded directly between two parties and are not listed on formal exchanges. Contracts for difference (CFDs) are an example of such derivatives. These transactions are executed based on specific terms agreed upon by the parties involved and are typically cleared by private clearing institutions or liquidity providers rather than centralized clearinghouses. Compared to exchange-traded derivatives, OTC derivatives offer greater flexibility in contract design but also involve higher risks due to the lack of standardized regulation and market transparency.

Trades conducted on our platform may take place through non-regulated or non-designated investment exchanges. The pricing and terms of transactions are determined by multiple factors, including our liquidity providers, prevailing market conditions of the underlying assets, our best execution obligations, and client agreements. Each CFD transaction constitutes a direct contract between you and us and cannot be transferred or sold to other brokers. As a result, your positions cannot be transferred or cleared by other institutions.

6. Risks of Leverage Trading

6.1 Risk Warning

CFDs are complex financial instruments that carry a high risk of rapid capital loss due to leverage. Leverage amplifies the impact of market fluctuations, meaning even minor price movements can result in significant losses. It is essential that you fully understand how CFDs operate and assess whether you can bear the risk of potential losses.

6.2 Risk Exposure

Margin products carry significant risks and may result in losses exceeding your initial investment. You should not engage in trading unless you fully understand the nature of these products and their risk exposure. Ensure that these products are suitable for your financial situation and only trade with funds you can afford to lose.

6.3 Leverage Effect and Risk of Loss Exceeding Deposits

Due to the leverage effect, even minor price fluctuations can have a significant impact on your trading outcomes. Leveraged trading allows you to control larger positions with a relatively small margin, potentially leading to substantial profits or severe losses. These risks may result in rapid financial losses, including the complete depletion of your deposit, and in some cases, losses exceeding your initial deposit.

Therefore, before engaging in leveraged trading, you must fully understand the associated risks and ensure that you trade only with funds you can afford to lose.

6.4 Margin Call

You must continuously monitor your open positions, as even minor market fluctuations may require you to promptly provide additional margin. Failure to meet margin call requirements may result in the partial or full liquidation of your positions, and you will be fully responsible for any resulting losses or insufficient funds.

6.5 Margin Requirements

Each trade is subject to specific margin requirements, which may be adjusted based on market conditions and trade size. Generally, the required margin represents only a small percentage of the total contract value, meaning you are trading with leverage. Under such circumstances, any market fluctuations can have a significant impact on your trading outcomes, whether in terms of profit or loss. Therefore, before engaging in any trades, you should thoroughly understand the margin requirements and ensure you have sufficient funds to manage potential losses.

6.6 Margin Increases

We reserve the right to increase margin rates at short notice, and failure to meet increased margin requirements may result in the closure of your trades.

7. Risk Statement

7.1 Our Contracts for Difference (CFDs) do not grant you any rights to the underlying assets. Specifically, when trading CFDs based on shares, you will not receive any voting rights or shareholder entitlements associated with those shares. CFDs are purely financial instruments based on the price movements of the underlying assets without conferring ownership or participation in the underlying company.

7.2 We do not provide investment advice regarding investments or potential transactions. However, we may offer factual market information, transaction procedures, and details regarding the risks involved, including how such risks might be minimized. Any investment decisions you make are solely your responsibility, and we strongly recommend that you make informed choices based on your own judgment and analysis.

7.3 CFD prices are determined by our liquidity providers and market factors, reflecting the market conditions of the underlying assets. As a result, market price fluctuations may significantly impact your trading profits or losses.

Before engaging in CFD trading, you should fully understand the associated risks, including price volatility, market changes, and the potential impact of external factors on your trades. Ensure that you are capable of bearing these risks.

<u>Key Risks Include:</u>

(a) Currency Risk

If you trade products based on a market denominated in a foreign currency, exchange rate fluctuations may impact your profits and losses. Specifically, currency fluctuations can alter the actual value of your assets, regardless of the market's overall performance.

(b) Market Volatility Risk

The price of the underlying market may experience significant and unpredictable fluctuations, directly affecting your trading profits and losses. Understanding market volatility can help you set appropriate stop-loss levels and implement risk management strategies, such as risk-reward ratios, to effectively manage risk and mitigate potential losses caused by major price movements.

(c) Gap Risk

A price gap occurs when the market price moves suddenly from one level to another, typically due to economic events, data releases, or market announcements. Gaps can occur at market opening or during non-trading hours, leading to substantial gains or losses. While stop-loss orders may help limit losses in some situations, in the case of price gaps, the market price may quickly surpass the stop-loss level, rendering the order ineffective. As a result, you must bear all risks associated with price gaps.

For CFD trading, gap risk is particularly significant because financial markets can move rapidly, and CFD prices immediately reflect such changes. When CFD prices suddenly jump over a price range without any intermediate trade executions, clients may be unable to place orders between the two price points, further exacerbating the risk.

(d) Hedging Risk

While hedging strategies can help mitigate risk, they are not entirely effective. Hedging may incur additional costs or reduce potential profits, and under extreme market conditions, the effectiveness of hedging strategies may be limited.

(e) Stop-Loss Order Risk

Stop-loss orders are designed to limit potential losses on open positions by automatically closing a trade when the price reaches a predetermined level. However, stop-loss orders do not guarantee complete protection from losses. In fast-moving markets or during price gaps, stop-loss orders may not be executed at the set price, and the actual execution price will depend on prevailing market conditions. Additionally, stop-loss orders may fail to function when the market is closed or under extreme circumstances, potentially resulting in greater-than-expected losses.

(f) Costs and Fees

Before trading with an account provided by our company, you should fully understand and confirm all applicable costs and fees, as they may directly impact your trading profits and losses. These costs should be considered as part of your trading decisions, and you should comprehensively assess their potential impact on your risk and return before engaging in trading.

(g) Spread Risk

Spread refers to the difference between the bid and ask prices. During periods of high market volatility or low liquidity, spreads may widen. Traders should evaluate the potential impact of spread variations on trading costs based on their account type and prevailing market conditions.

(h) Overnight Interest (Swap Fees)

When trading CFDs based on stocks, indices, cryptocurrencies, or commodities, you are essentially engaging in margin trading and borrowing funds from the CFD provider. While closing positions within the same trading day typically does not incur interest charges, holding a position overnight will result in an overnight swap fee, which will be deducted from your account. For traders holding long positions, interest is paid to the company based on market interest rates. For those holding short positions, funds are effectively loaned to the company, and you may either pay or receive interest depending on the interest rate differential, resulting in an overnight swap fee, which may be positive or negative. The exact impact depends on the difference between the borrowing and lending interest rates.

It is important to note that, in addition to CFD trading, other margin-based transactions (such as foreign exchange and precious metals) may also involve similar overnight interest (swap fee) calculations. These fees vary depending on the characteristics of the traded asset and prevailing market conditions. As a result, holding positions overnight—whether in CFDs or other asset classes—can impact your account balance, and these fees may fluctuate with market conditions.

(i) Position Closure and Margin Call Risk

Under certain market conditions, closing positions may become difficult or even impossible. For instance, sharp price fluctuations in a short period may lead to market restrictions or trading suspensions, preventing timely liquidation of positions. Additionally, to maintain an open CFD position, you must ensure that your account maintains sufficient funds to meet margin obligations. If your account balance becomes insufficient, you may be required to deposit additional funds to avoid forced liquidation. If the account balance falls below the required maintenance level, your trades may be forcibly closed, potentially resulting in unexpected losses or an inability to execute trades as planned.

(j) Political and Economic Risk

Changes in political conditions or economic circumstances can impact currency values. Events such as election results, government policy shifts, or major economic incidents (e.g., financial crises or trade wars) may lead to significant exchange rate fluctuations.

(k) Interest Rate Risk

Interest rate risk arises from fluctuations in interest rate levels, changes in the spread between two interest rates, shifts in the yield curve, or variations in other interest rate relationships. These changes can lead to currency value fluctuations, ultimately impacting forex trading profits and losses. Central bank interest rate adjustments may cause currency appreciation or depreciation, and traders should carefully assess the potential risks and effects of interest rate movements on their trades.

(l) No Profit Guarantee

Trading CFDs or other financial instruments does not guarantee profits. While there are opportunities for gains, market volatility, economic events, political changes, and other uncontrollable factors may result in losses. It is essential to understand that all trading involves risks, and past performance does not guarantee future results. You should carefully evaluate risks and ensure you have sufficient risk tolerance before trading.

(m) No Ownership of Underlying Assets

When trading CFDs, you do not acquire any actual rights or obligations related to the underlying asset. Specifically, you are trading based on the price movements of the asset without holding any ownership stake. For example, in stock CFD trading, you do not receive voting rights or shareholder benefits. As a result, CFD trading does not grant you direct ownership of the underlying asset, and any associated rights or obligations will not transfer to you.

(n) Electronic Communication Risks

Our company allows clients to communicate with us through electronic means. While electronic communication is generally reliable, it is not completely secure, error-free, or always available. If you choose to use electronic communication, you acknowledge and accept the risks of financial losses caused by system failures, transmission issues, or other factors beyond our control.

(o) Operational Risk

Operational risk refers to the risk arising from internal systems, processes, human errors, or external events that may lead to trading errors, financial losses, or delays in fund processing. This includes, but is not limited to, system failures, trading platform disruptions, human mistakes, equipment malfunctions, improper execution of procedures, data processing errors, or external events such as natural disasters. Operational risk can affect trading efficiency, accuracy, and outcomes, and these risks are not necessarily offset by market fluctuations. Traders should understand and assume these risks.

(p) Technical Risk

When executing margin trading and investment operations, clients may face risks related to electronic equipment failures, which can result in unexpected and unpredictable outcomes, affecting Forex market operations. Technical risks include hardware failures, software issues, network disruptions, equipment malfunctions, improper client settings, or delays in software updates. These issues may impact trade execution or order processing, leading to financial losses. Additionally, during periods of high market volatility or trading activity, interruptions or failures in telephone communication systems and delays in customer support response times may occur. The company assumes no responsibility for such disruptions or failures.

(q) Legal and Regulatory Risk

Changes in laws or regulations implemented by governments or regulatory agencies may increase the operational costs of the Forex market, restrict market access, alter competitive conditions, or introduce new compliance requirements. These changes can significantly affect the overall return potential of investments and negatively impact trading profitability and market liquidity. Such risks are often unpredictable and may vary depending on the region and the currency pairs being traded. Traders should closely monitor regulatory policies, as changes in regulations may lead to significant adjustments in the market environment.

8. Quotation Errors

If pricing errors occur—including but not limited to misquoted prices, prices that do not reflect fair market value, incorrect quotes due to human error, abnormally large price discrepancies, or errors caused by hardware, software, communication line failures, system malfunctions, or inaccurate data provided by third-party vendors—the company is not responsible for any resulting account balance discrepancies. The above examples are not exhaustive. In the event of a pricing error, the company reserves the right to make necessary corrections or adjustments to affected accounts without prior notice.

Additionally, if interest charges or payments are not processed as intended due to system errors, the company reserves the right to adjust the missing interest to the account at any time.

9. Third-Party Authorization

If a client grants trading authority or control over their account to a third-party trading advisor (such as a fund manager), whether fully or partially authorized, the company is not responsible for reviewing the client's selection of the trading advisor and will not provide any recommendations regarding the advisor. The company makes no representations or warranties regarding any trading advisor, assumes no liability for any losses incurred due to the advisor's actions, and does not implicitly or explicitly endorse any trading strategy employed by the advisor. If the client authorizes a fund manager to exercise any rights over the client's account, the client assumes full responsibility for the associated risks. Clients should regularly review their account activity to ensure that all transactions conducted by the fund manager are in accordance with their approval.

10. Agreement Amendments

The client agrees that, if necessary, the company may revise the agreement through various means, including but not limited to email notifications, written notices, or official website announcements. Continued use of the company's services after such revisions will be deemed as acknowledgment and acceptance of the updated terms. Any revised agreement will replace previous agreements on the same subject and apply to transactions conducted after the new agreement takes effect, as well as any ongoing transactions at the time of its implementation. It is the client's responsibility to regularly review the agreement and online trading services for updates to stay informed about any changes.