Complex Product Risk Disclosure and Warning Statement

This risk disclosure statement does not purport to disclose or discuss all of the risks, or other significant aspects, of trading in derivatives products. In light of the risks involved, you (i.e. Client) should undertake a transaction only if you understand its nature, the contractual relationship into which you are entering, and the nature and extent of your exposure to risk. You should also consider whether a transaction is appropriate for you in light of your experience, objectives, financial resources and other relevant circumstances. While Emperor Securities Limited and its subsidiaries and affiliates (collectively referred to as "ESL") proposes to give this general risk warning, it is not acting as your financial advisor and you must not regard ESL as so acting. You should consult your own independent legal, tax or financial advisors prior to entering into any transaction.

It is crucial to understand the specific forms and risks mentioned in the relevant offering documents (if applicable) before investing. Key risks include but are not limited to as stated on the next page:

Product Risk Level

<table>
<tr><td rowspan="3">Stock</td><td>Margin Ratio above or equal to 70%</td><td>Low</td><td></td><td></td></tr>
<tr><td>Margin Ratio above 0% and below 70%</td><td></td><td>Medium</td><td></td></tr>
<tr><td>Margin Ratio is 0% or Futures contracts traded on the HKFE or Equity derivatives traded on the SEHK (eg, DWs, CBBCs and listed share options) or Synthetic ETFs and futures-based ETFs authorized by the SFC and traded on the SEHK</td><td></td><td></td><td>High</td></tr>
<tr><td rowspan="4">Bonds*</td><td>Bonds of Grade A- (by S&P) or A3 (by Moody's) or above</td><td colspan="2">Low to Medium</td><td></td></tr>
<tr><td>Bonds of Grade BBB+ to BBB- (by S&P) or Baa1 to Baa3 (by Moody's),</td><td></td><td>Medium</td><td></td></tr>
<tr><td>Perpetual Bonds, Callable Bonds, Puttable Bonds, Convertible Bonds, Structured Bonds, or bonds with complex structure</td><td></td><td colspan="2">Medium to High</td></tr>
<tr><td>Un-rated Bonds, or Bonds of Grade BB+ (by S&P) or Ba1 (by Moody's) or below</td><td></td><td colspan="2">Medium to High</td></tr>
<tr><td rowspan="3">Mutual Fund**</td><td>Authorised or Unauthorised Structured Funds</td><td></td><td></td><td>High</td></tr>
<tr><td>SFC Authorised Mutual Funds (excluding Structured Funds)/ Unit Trusts (by Morningstar, Lipper, others FI, etc.)</td><td>Low
(RR1 or RR2)</td><td>Medium
(RR3 or RR4)</td><td>High
(RR5)</td></tr>
<tr><td>Unauthorised Mutual Funds (excluding Structured Funds)/ Unit Trusts</td><td></td><td colspan="2">Medium to High</td></tr>
<tr><td>Structured Product</td><td>Currency/Interest Rate-linked Principal Protected Structured Notes, Equity-Linked Investment, Non-Principal Protected Structured Notes, etc.</td><td></td><td colspan="2">Medium to High</td></tr>
</table>

* Investment grade bond (product risk rating are Low and Medium) with the following characteristics / possibilities:
- The highest credit quality, extremely high credit quality, high credit quality or good credit quality.

Non-investment grade bonds (product risk rating is high) with the following characteristics/ possibilities:
- Low credit quality, speculative, high probability of failing to meet debt repayment obligations, no interest paid, bankruptcy filing or failure to perform debt repayment obligations.

** RR means Risk Rating

<u>RISKS OF TRADING IN EXCHANGE-TRADED STRUCTURED PRODUCTS ("STRUCTURED PRODUCTS") E.G. DERIVATIVE WARRANTS ("WARRANTS"), CALLABLE BULL/BEAR CONTRACTS ("CBBC")</u>

1. **Issuer default risk**
   In the event that a Structured Product issuer becomes insolvent and defaults on their listed securities, investors will be considered as unsecured creditors and will have no preferential claims to any assets held by the issuer. Investors should therefore pay close attention to the financial strength and credit worthiness of structured product issuers.

   Note: "Issuers Credit Rating" showing the credit ratings of individual issuers is now available under the Issuer and Liquidity Provider Information sub- section under Derivative Warrants and under CBBCs section on the HKEx corporate website.

2. **Uncollateralised product risk**
   Uncollateralised Structured Products are not asset backed. In the event of issuer bankruptcy, investors can lose their entire investment. Investors should read the listing documents to determine if a product is uncollateralised.

3. **Gearing risk**
   Structured Products such as Warrants and CBBCs are leveraged and can change in value rapidly according to the gearing ratio relative to the underlying assets. Investors should be aware that the value of a Structured Product may fall to zero resulting in a total loss of the initial investment.

4. **Expiry considerations**
   Structured Products have an expiry date after which the issue may become worthless. Investors should be aware of the expiry time horizon and choose a product with an appropriate lifespan for their trading strategy.

5. **Extraordinary price movements**
The price of a Structured Product may not match its theoretical price due to outside influences such as market supply and demand factors. As a result, actual traded prices can be higher or lower than the theoretical price.

6. **Foreign exchange risk**
Investors trading Structured Products 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 Structured Product price.

7. **Liquidity risk**
The Exchange requires all Structured Product issuers to appoint a liquidity provider for each individual issue. The role of liquidity providers is to provide two way quotes to facilitate trading of their products. In the event that a liquidity provider defaults or ceases to fulfill its role, investors may not be able to buy or sell the product until a new liquidity provider has been assigned. There is no guarantee that investors will be able to buy or sell their Structured Products at their target price any time they wish.

SOME ADDITIONAL RISKS INVOLVED IN TRADING WARRANTS

1. **Time decay risk**
All things being equal, the value of a Warrant will decay over time as it approaches its expiry date. Warrants should therefore not be viewed as long term investments.

2. **Volatility risk**
Prices of Warrants can increase or decrease in line with the implied volatility of underlying asset price. Investors should be aware of the underlying asset volatility.

3. **Market Risk and Turnover**
Other than basic factors that determine the theoretical price of a Warrant, Warrant price are also affected by all prevailing market forces including the demand for and supply of the Warrants. The market forces will be greatest when a Warrant issue is almost sold out and when issuers make further issues of an existing Warrant issue. High turnover should not be regarded as an indication the price of a Warrant wil l go up. The price of a Warrant is affected by a number of factors in addition to market forces, such as the price of the underlying assets and its volatility, the time remaining to expiry, interest rates and the expected dividend on the underlying assets.

SOME ADDITIONAL RISKS INVOLVED IN TRADING CBBCS

1. **Mandatory call risk**
Investors trading CBBCs should be aware of their intraday "knockout" or mandatory call feature. A CBBC will cease trading when the underlying asset value equals the mandatory call price/level as stated in the listing documents. Investors will only be entitled to the residual value of the terminated CBBC as calculated by the product issuer in accordance with the listing documents. Investors should also note that the residual value can be zero.

2. **Funding costs**
The issue price of a CBBC includes funding costs. Funding costs are gradually reduced over time as the CBBC moves towards expiry. The longer the duration of the CBBC, the higher the total funding costs. In the event that a CBBC is called, investors will lose the funding costs for the entire lifespan of the CBBC. The formula for calculating the funding costs are stated in the listing documents.

3. **Trading of CBBC Close to Call Price**
When the underlying asset is trading close to the call price, the price of a CBBC may be more volatile with wider spreads and uncertain liquidity. CBBC may be called at any time and trading will terminate as a result. However, the trade inputted by the investor may still be executed and confirmed by the Exchange participants after the Mandatory Call Event ("MCE") since there may be some time lapse between the MCE time and suspension of the CBBC trading. Any trades executed after the MCE will not be recognised and cancelled. Therefore, investors should be aware of the risk and ought to apply special caution when the CBBC is trading close to the call price.

   For more information on Warrants and CBBCs, please visit the HKEx corporate website:
   Derivative Warrants, Products & Services Section: (http://www.hkex.com.hk/eng/prod/secprod/dwrc/dw.htm)
   Callable Bull/Bear Contracts, Products & Services Section: (http://www.hkex.com.hk/eng/prod/secprod/cbbc/Intro.htm)

RISK OF TRADING IN STOCK OPTION(S) ("OPTION(S)")

The risk of loss in trading in options is substantial. In some circumstances, you may sustain losses in excess of your initial margin funds. Placing contingent orders, such as "stop-loss" or "stop-limit" orders, will not necessarily avoid loss. Market conditions may make it impossible to execute such orders. You may be called upon at short notice to deposit additional margin funds. If the required funds are not provided within the prescribed time, your position may be liquidated. You will remain liable for any resulting deficit in your account. You should therefore study and understand options before you trade and carefully consider whether such trading is suitable in the light of your own financial position and investment objectives. If you trade options you should inform yourself of exercise and expiration procedures and your rights and obligations upon exercise or expiry.

This brief statement does not disclose all of the risks and other significant aspects of trading in options. In light of the risks, you should undertake such transactions only if you understand the nature of the contracts (and contractual relationships) into which you are entering and the extent of your exposure to risk. Trading in options is not suitable for many members of the public. You should carefully consider whether trading is appropriate for you in light of your experience, objectives, financial resources and other relevant circumstances.

1. **Variable degree of risk**
Transactions in options carry a high degree of risk. Purchasers and sellers of options should familiarise themselves with the type of option (i.e. put or call) which they contemplate trading and the associated risks.

Warning to option holders

- Some options may only be exercised on an expiry day (European-Style Exercise) and other options may be exercised at any time before expiration (American-Style Exercise). I/We understand that upon exercise, some options require delivery and receipt of the underlying securities, and that other options require a cash payment.
- An option is a wasting asset and there is a possibility that as an option holder I/we may suffer the loss of the total premium paid for the option.

I/We acknowledge that, as an option holder, in order to realise a profit it will be necessary to either exercise the option or close the long option position in the market. Under some circumstances it may be difficult to trade the option due to lack of liquidity in t he market. I/We acknowledge that you have no obligation either to exercise a valuable option in the absence of my/our instruction, or to give to me/us prior notice of the expiration date of the option.

Warning to option writers

- As a writer of an option I/we may be required to pay additional margin at any time. I/We acknowledge that as an option writer, unlike an option holder, I/we be liable for unlimited losses based on the rise or fall of the price of the underlying securities and my/our gains are limited to the option premium.
- Additionally, writers of American-Style Call (Put) Options may be required at any time before expiry to deliver (or pay for) the underlying securities to the full value of the strike price multiplied by the number of underlying securities. I/we recognise that this obligation may be wholly disproportionate to the value of premium received at the time the options were written and may be required at short notice.

You should calculate the extent to which the value of the options must increase for your position to become profitable, taking into account the premium and all transaction costs.

The purchaser of options may offset or exercise the options or allow the options to expire. The exercise of an option results either in a cash settlement or in the purchaser acquiring or delivering the underlying interest. If the purchased options expire worthless, you understand that you will suffer a total loss of your investment which will consist of the option premium plus transaction costs. If you are contemplating purchasing deep-out-of-the-money options, you should be aware that the chance of such options becoming profitable ordinarily is remote.

Under some circumstances it may be difficult to trade the option due to lack of liquidity in the market. You acknowledge that ESL has no obligation either to exercise a valuable option in the absence of your instruction, or to give to you prior notice of the expiration date of the option.

Selling ("writing" or "granting") an option generally entails considerably greater risk than purchasing options. Although the premium received by the seller is fixed; the seller may sustain a loss well in excess of that amount. The seller will be liable for additional margin to maintain the position if the market moves unfavorably. The seller will also be exposed to the risk of the purchaser exercising the option, and the seller will be obligated to either settle the option in cash or to acquire or deliver the underlying interest. If the option is "covered" by the seller holding a corresponding position in the underlying interest or a futures contract or another option, the risk may be reduced. If the option is not covered, the risk of loss can be unlimited.

Certain exchanges in some jurisdictions permit deferred payment of the option premium, exposing the purchaser to liability for margin payments not exceeding the amount of the premium. The purchaser is still subject to the risk of losing the premium and transaction costs. When the option is exercised or expires, the purchaser is responsible for any unpaid premium outstanding at that time.

2. Terms and conditions of contracts

You should ask ESL about the terms and conditions of the specific options which you are trading and associated obligations (e.g. expiration dates and restrictions on the time for exercise). Under certain circumstances the specifications of outstanding contracts (including the exercise price of an option) may be modified by the exchange or clearing house to reflect1 changes in the underlying interest.

3. Suspension or restriction of trading and pricing relationships

Market conditions (e.g. illiquidity) and/or the operation of the rules of certain markets (e.g. the suspension of trading in any contract or contract month because of price limits or "circuit breakers") may increase the risk of loss by making it difficult or impossible to effect transactions or liquidate/offset positions. You acknowledge that if you have sold options, this may increase the risk of loss.

Further, normal pricing relationships between the underlying interest and the option may not exist. The absence of an underlying reference price may make it difficult to judge "fair" value.

4. Deposited cash and property

You should familiarise yourself with the protections given to money or other property you deposit for domestic and foreign transactions, particularly in the event of a firm's insolvency or bankruptcy. The extent to which you may recover your money or property may be governed by specific legislation or local rules. In some jurisdictions, property which had been specifically identifiable as your own will be pro-rated in the same manner as cash for purposes of distribution in the event of a shortfall.

5. Commission and other charges

Before you begin to trade, 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. By commencing any trading activities with ESL, you acknowledge that you have been so informed by ESL.

6. Trading facilities

Electronic trading facilities are supported by computer-based component 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. Your ability to recover certain losses

may be subject to limits on liability imposed by the system provider, the market, the clearing house and/or participant firms. Such limits may vary: you understand that you should ask the firm with which you deal for details in this respect.

7. Electronic trading
Trading on an electronic trading system may differ from trading on other electronic trading systems. If you undertake transactions on an electronic trading system, you 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 your order is either not executed according to your instructions or is not executed at all.

8. Transactions in other jurisdictions
Transactions on markets in other jurisdictions, including markets formally linked to a domestic market, may expose you to additional risk. Such markets may be subject to regulation which may offer different or diminished investor protection. Before you trade you should enquire about any rules relevant to your particular transactions. Your local regulatory authority will be unable to compel the enforcement of the rules of regulatory authorities or markets in other jurisdictions where your transactions have been effected. You should ask the firm with which you deal for details about the types of redress available in both your home jurisdiction and other relevant jurisdictions before you start to trade.

9. Currency risks
The profit or loss in transactions in foreign currency-denominated contracts (whether they are traded in your own or another jurisdiction) will be affected by fluctuations in currency rates where there is a need to convert from the currency denomination of the contract to another currency.

10. Off-exchange transactions
In some jurisdictions, and only then in restricted circumstances, firms are permitted to effect off-exchange transactions. The firm with which you deal may be acting as your counterparty to the transaction. It may be difficult or impossible to liquidate an existing position, to assess the value, to determine a fair price or to assess the exposure to risk. For these reasons, these transactions may involve increased risks. Off-exchange transactions may be less regulated or subject to a separate regulatory regime. Before you undertake such transactions, you should familiarise yourself with applicable rules and attendant risks.

RISK OF TRADING IN SOME EXCHANGE TRADED FUND (ETF)

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.

2. Counterparty risk
Synthetic passive ETFs typically invest in over-the-counter derivatives issued by counterparties to track an index's performance. Such a synthetic passive ETF may suffer losses potentially equal to the full value of the derivatives issued by the counterparty upon its default.

3. Liquidity risk
Listing or trading on the SEHK does not in and of itself guarantee that a liquid market exists for an ETF. Besides, a higher liquidity risk is involved if an ETF uses financial derivative instruments, including structured notes and swaps, which are not actively traded in the secondary market and whose price transparency is not as easily accessible as physical securities. This may result in a bigger bid and offer spread. These financial derivative instruments also are susceptible to more price fluctuations and higher volatility. Hence, they can be more difficult and costly to unwind early, especially when the instruments provide access to a restricted market where liquidity is limited in the first place.

4. Tracking errors
Tracking errors refer to the disparity in performance between an ERF 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.

5. 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. 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.

RISK OF TRADING IN LEVERAGED AND INVERSE PRODUCTS ("L&I PRODUCTS")

L&I Products are issued in the form of Exchange traded Funds ("ETFs") as a type of collective investment schemes but they are in fact derivative products. Leveraged Products typically aim to deliver a daily return equivalent to a multiple of the underlying index return that they track. Inverse Products typically aim to deliver the opposite of the daily return of the underlying index that they track. In overseas markets, they are commonly known as Leveraged and/ or Inverse ETFs. To produce the specified leveraged or inverse return, L&I Products have to rebalance their portfolios, typically on a daily basis. As such, they do not share the buy-to-hold characteristics of conventional ETFs. Investors should understand how the performance of L&I Products is likely to be affected when they are held for more than one trading day and its compounding effect. They should be aware that any small variation in the underlying index return may have a large effect on the value of the product you hold.

Investors should note the following salient features about L&I Products:
- It is not advisable to hold L&I Products for longer than the rebalancing interval, typically one day;
- L&I Products are designed as a trading tool for short-term market timing or hedging purposes, and are not intended for long term investment;

- L&I Products are only suitable for sophisticated trading-oriented investors who constantly monitor the performance of their holdings on a daily basis; and
- The performance of L&I Products, when held overnight, may deviate from the underlying indices.

The risk of loss in trading in L&I Products is substantial. In particular, they are not suitable for investors who are unfamiliar with the features and risks of L&I Products, as they are designed for daily investment results, and/or investors who are looking for a long-term investment and cannot actively monitor their holdings. Therefore, L&I Products are normally not suitable for many members of the public who wish to invest in collective investment schemes or ETFs as a low risk exchange-listed product in order to diversify their investment risks. The regulatory authorities have, taking into account their special risk profile, prohibited and/or discouraged the use of margin finance for investment in L&I Products. Investors must carefully consider whether trading is appropriate for you in light of your experience, objectives, financial resources and other relevant circumstances. Whilst they are listed, there is no assurance that a liquid market always exists for the L&I Products concerned. A higher liquidity risk is involved if the product involves derivatives which do not have an active secondary market. Wider bid-offer spreads in the price of the products may result in losses. Therefore, they can be more difficult and costly to unwind early, when the instruments provide access to a restricted market where liquidity is limited. There may be disparity between the performance of the L&I Product concerned and the performance of the underlying indices due to, for instance, failure of the tracking strategy, currency differences, fees and expenses. L&I Products may currently be traded, cleared and settled in Hong Kong dollars, Renminbi and/or US dollars. Investors trading 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 product price. Like ETFs, the risk of L&I Products can include counterparty risk, market risk, tracking errors, trading at discount or premium, and liquidity risk.

The specific risks presented by L&I Products necessarily depend upon the terms of the issued product and your circumstances. In general, however, they all involve some combination of market risk, credit risk, funding risk and operational risk.

1. Market risk is the risk that the value of a transaction will be adversely affected by fluctuations in the level or volatility of or correlation or relationship between one or more market prices, rates or indices or other market factors or by illiquidity in the market for the relevant transaction or in a related market.
2. Credit risk is the risk that a counterparty will fail to perform its payment or other obligations when due.
3. Funding risk is the risk that, as a result of mismatches or delays in the timing of cash flows due from or to the counterparties in the relevant transaction in question or related hedging, trading, collateral or other transactions, the parties or a party to the relevant transactions will not have adequate cash available to fund current obligations.
4. Operational risk is the risk of loss arising from inadequacies in or failures of the issuer's and/or your internal systems and controls for monitoring and quantifying the risks and contractual obligations associated with the transaction in question, for recording and valuing the portfolio and related transactions, or for detecting human error, systems failure or management failure.

Although L&I Products are listed as ETFs, the Hong Kong Stock Exchange does not endorse any product or bear any responsibility and/or liability for any of their existence or performance.

You should therefore study and understand L&I Products before you trade and carefully consider whether such trading is suitable in the light of your own financial position and investment objectives.

This brief statement does not disclose all of the risks and other significant aspects of trading in L&I Products. In light of the risks, you should undertake such transactions only if you understand the nature of the contracts (and contractual relationships) into which you are entering and the extent of your exposure to risk. You should not construe this generic disclosure statement as business, legal, tax or accounting advice or as modifying applicable law. You should consult your own business, legal, tax and accounting advisers with respect to proposed L&I Product transactions and you should refrain from entering into any transaction unless you have fully understood the terms and risks of the transaction, including the extent of your potential risk of loss.

RISK OF TRADING IN SOME BOND PRODUCS

1. **Credit Risk**
   Investors assume credit risk of the Issuer and the Guarantor (if applicable). Any changes to the credit rating of them will affect the price and value of the bonds. Bonds are subject to the risk of the issuer defaulting on its obligations, i.e. An issuer falls to make principal and interest payments when due. The worst case such as bankruptcy of the Issuer/Guarantor will result in the loss of your entire investment. In addition, high-yield bonds are typically rated below investment grade or are unrated and such, are often subject to a higher risk of issuer de fault. Credit ratings assigned by credit rating agencies do not guarantee the creditworthiness of the issuer.

2. **Liquidity Risk**
   The bond may have limited liquidity and may not be actively traded and/or quoted by brokers in the market. As such,
   - The value of bond and/or indicative bid/offer price will depend on market liquidity and conditions and may not be available at all times;
   - It may take a longer time or impossible to sell the bond to the market; and;
   - The executable sale price may be unfavourably different by large amounts from the indicative bid price quoted.

3. **Interest Rate Risk**
   Bonds are more susceptible to fluctuations in interest rates and generally prices of bonds will fall when interest rates rise.

4. **Market Risk**
   The value of investments may fluctuate due to changing political, legal, economic conditions and change in interest rate. This is common to all markets and asset classes. Investor may get back an amount substantially less than initially invested. In addition, high yield fixed income instruments will typically fall more in value than investment grade bonds during economic downturns; it is because (i) investors become more risk averse and (ii) default risk rises.

5. **Currency Risk**
   For bonds denominated in a foreign currency, there may be an exchange loss when converting the redemption amount back to the local or base currency.

(For Product denominated in Renminbi (RMB) or with underlying assets that are denominated in RMB only):
Conversion between RMB and foreign currencies, including Hong Kong dollar, subject to PRC regulatory restrictions – RMB is currently not freely convertible and conversion of RMB through banks in Hong Kong is subject to certain restrictions such as daily conversion limit (not applicable to the Company). The PRC government regulates conversation between RMB and foreign currency both in Hong Kong SAR and mainland China, which as a result may affect the liquidity

6. **Risk associated with perpetual debentures**
Perpetual debenture does not have a maturity date, and the coupon payments pay-out depends on the viability of the issuer in the very long term, it may be deferred or even suspended subject to the terms and conditions of the issue. Furthermore perpetual debentures are often callable and/or subordinated, and bear reinvestment risk and/or subordinated bond risk.

7. **Re-investment Risk of Callable Bond**
If the bond is callable in which the issuer may redeem the bond before maturity, it is subject to reinvestment risk. The yield received when re-investing the proceeds may be less favorable.

8. **Risk associated with subordinated debentures**
Holders of subordinated debentures will bear higher risks than holders of senior debentures of the issuer due to a lower priority of claim in event of the Issuer's liquidation. Subordinated debentures are unsecured and have lesser priority than that of an additional debt claim of the same asset. They usually have a lower credit rating than senior bonds. Investor's specific attention is drawn to the credit information of this product, including the respective credit rating of the Issuer, the debenture and/or the guarantor, as the case may be.

9. **Risk associated with variable coupon/ coupon deferral features**
If the bonds contain variable and/or deferral of interest payment terms and investors would face uncertainty over the amount and time of the interest payments to be received.

10. **Risk associated with extendable maturity date**
If the bonds contain extendable maturity dates terms and investors would not have a definite schedule of principal repayment.

11. **Risk associated with convertible or exchangeable debentures**
They are convertible or exchangeable in nature and investors are subject to both equity and bond investment risk; and/or that have contingent write-down or loss absorption feature and the bond may be written-off fully or partially or converted to common stock on the occurrence of a trigger event.

12. **Risk associated with contingent write sown or loss absorption feature**
The bonds have contingent write down or loss absorption feature and the bonds may be written-off fully or partially or converted to common stock on the occurrence of a trigger event.

RISK OF TRADING IN SOME COMPLEX BOND PRODUCS (Subordinated, Perpetual bond, etc.)

1. **Suffer whole principal losses**
Investors who invest Subordinated, Perpetual bond or called COMPLEX BOND/ HIGH RISK BOND may not receive the coupon interest or even suffer whole principal losses

2. **Priority of claims**
Subordinated bondholders have lower priority of claims than other bondholders in case of liquidation of the issuer. You could only get back the principal after other senior creditors are paid.

3. **Maturity**
Perpetual bonds do not have a fixed maturity date. The interest pay-out of these bonds depends on the viability of the issuer in the very long term. Some bonds may have extendable maturity dates. Hence, you do not have a definite schedule of principal repayment, which may adversely affect your liquidity.

4. **Contingent write down or loss absorption feature**
Bonds with these features may be written-off fully or partially, or converted to common stock on the occurrence of a trigger event. You should understand these additional features and the implications of the trigger event specified under the bonds' terms and conditions.

5. **Interest payment terms**
Some bonds have variable interest payment terms such as from fixed rate to floating rate. Some bonds also allow the issuer to defer payment of interests in whole or in part for a period of time under certain conditions. You would face uncertainty over the amount and time of the interest payments to be received.

6. **Callable, convertible or exchange in nature**
Some bonds are callable in nature and contain an option which grants the issuer the right to redeem the bond before it matures. A) If you hold a callable bond, when the interest rate goes down, the issuer may redeem the bond before maturity. If this happens and you have to re-invest the proceeds, the yields on other bonds in the market will generally be less favourable. B) If your bond is "convertible" or "exchangeable", you also face equity risk associated with the stock. A fall in the stock price will usually cause the bond price to fall.

A perpetual bond comes with an embedded call option. Investors should note that:

1. The bondholder may face reinvestment risk when the issuer exercises its right to redeem the bond before it matures. This usually occurs when interest rates have fallen substantially since the issuance date;
2. Reinvestment risk refers to the risk that the rate at which coupon and principal cash flows from a bond are reinvested will be lower than the expected rate in effect when the bond was purchased;
3. The predictability of cash flow pattern of a callable bond may be uncertain due to the embedded option;
4. The price appreciation potential of a callable bond would be limited relative to a comparable option-free bond since the upside of the bond price is capped at the call price;
5. As time passes, uncertainties over the creditworthiness of the issuer increase;
6. Interest rate may rise substantially since the issuance date. Under such situation, the coupon rate paid by the perpetual bond may be significantly lower than the prevailing interest rate.

RISKS OF INVESTING IN HIGH-YIELD BONDS

1. **Credit risk**
   Bonds are subject to the risk of the issuer defaulting on its obligations. It should also be noted that credit ratings assigned by credit rating agencies do not guarantee the creditworthiness of the issuer;

2. **Liquidity risk**
   Some bonds may not have active secondary markets and it would be difficult or impossible for investors to sell the bond before its maturity;

3. **Interest rate risk**
   Bonds are more susceptible to fluctuations in interest rates and generally prices of bonds will fall when interest rates rise.

4. **Higher credit risk**
   Since they are typically rated below investment grade or are unrated and as such are often subject to a higher risk of issuer default;

5. **Vulnerability to economic cycles**
   During economic downturns such bonds typically fall more in value than investment grade bonds as (i) investors become more risk averse and (ii) default risk rises.

RISKS OF INVESTING IN HIGH-YIELD BONDS FUND

The net asset value of a fund that invests in high-yield bonds may decline or be negatively affected if there is a default of any of the high yield bonds that it invests in or if interest rates change. The special features and risks of high-yield bond funds may also include the following:

1. Capital growth risk - some high-yield bond funds may have fees and/ or dividends paid out of capital. As a result, the capital that the fund has available for investment in the future and capital growth may be reduced;
2. Dividend distributions - some high-yield bond funds may not distribute dividends, but instead reinvest the dividends into the fund or alternatively, the investment manager may have discretion on whether or not to make any distribution out of income and/ or capital of the fund. Also, a high distribution yield does not imply a positive or high return on the total investment; and
3. Other key risks that may relate to the relevant fund including concentration of investments in particular types of specialized debt or a specific geographical region or sovereign securities.

RISKS OF INVESTING IN STRUCTURED PRODUCT (EG: EQUITY LINKED INVESTMENT (ELI), NON-PRINCIPAL PROTECTED STRUCTURED NOTES, ETC.)

1. **Issuer not a licensed person.** It is important for you to note that the Issuer is not licensed by the Securities and Futures Commission (the "**SFC**") and hence is not subject to the conduct and prudential supervision of the SFC. You should also note that the Issuer is not regulated by any other financial regulator and as such, you may not receive any regulatory protection at all.

2. **Not a time deposit.** The Structured product are not time deposits and are therefore not protected by the Deposit Protection Scheme in Hong Kong.

3. **Not principal protected.** The Structured product are not principal protected. An investor should be aware that the potential payout under the structured product will be determined by reference to the Worst Performing Share on the Valuation Date and/or (where applicable) the Share Price of each of the Shares in the Share Basket from time to time. If any one of the Shares performs poorly against your expectation, you will not benefit from the performance of any other Shares in the Share Basket. As such, the structured product can be volatile instruments and may be subject to considerable fluctuations in value and other risks inherent in investing in the structured product and/or derivatives. The value of a Note may fall as rapidly as it may rise.

4. **Maximum potential payoff is fixed and capped.** Irrespective of the positive performance of the Share Basket (in the scenario where the Structured product are redeemed on the Maturity Date by payment of the Specified Denomination), the amount of potential gain on each Note is capped and limited to a predetermined amount, being (i) the difference between the Specified Denomination and the Issue Price plus (ii) any Periodic Coupon.

5. **Underperformance risk:** Potential return on the structured product may be less than returns on a bank deposit, a non-structured fixed coupon bond or a direct investment in the underlying Shares, or other investments.

6. **Credit and insolvency risk.** The Structured product constitute the Issuer's direct, unsubordinated and unsecured obligations and rank and will rank (subject to certain statutory exceptions) equally with all its other unsecured obligations (other than subordinated obligations, if any) from time to time outstanding. The Structured product are not supported with any collateral. By investing in the Structured product, you are taking the credit and insolvency risks of the Issuer (which has minimal assets and share capital). The obligations of the Issuer under the structured product are NOT supported by the Note Guarantee. If the Issuer becomes insolvent or defaults in its obligations under the structured product, you can only claim as an unsecured creditor, and in the worst case scenario, **you may lose your entire investment in the structured product**.

7. **Limited or no secondary market.** The Structured product are designed to be held until maturity. The Structured product are not listed on any exchange. There can be no assurance that a secondary market for the structured product will be developed, or if a secondary market does develop, that it will provide the holders with liquidity or that it will continue for the life of the structured product. The Dealer may provide a secondary market for the structured product, but is under no obligation to do so. Upon request, the Dealer may (but is not obliged to) provide bid/offer prices for the Structured product at its sole discretion taking into account prevailing market conditions at the time of the request. There will be a price difference between bid and offer prices (i.e. the spread). It is not possible to predict the price at which the structured product will trade in the market or whether such market will be liquid or illiquid and the market for the structured product may be limited. Consequently, you must be prepared to hold the structured product for an indefinite period of time or until the Maturity Date. The only way in which a holder can realise value from the structured product prior to the Maturity Date is to sell it at its then market price in the market, which may be less, or substantially less, than the amount initially invested. You should not make an investment in a Note if they do not intend to invest for its full term.

8. **No rights of ownership in the Shares.** Unless and until the Share Amount (if applicable) is delivered to you, you will have no rights of ownership, including, without limitation, any voting rights, any rights to receive dividends or other distributions or any other rights with respect to any of the Shares. The Structured product do not represent a claim against any Share (or any issuer, sponsor, manager or other connected person in respect of any Share) and Noteholders will not have any right of recourse under the Structured product to any Share (or any issuer, sponsor, manager or other connected person in respect of any Share).

9. **Exposure to market price movements of the Worst Performing Share from the Valuation Date.** There is a time lag between the Valuation Date and the Maturity Date. Accordingly, if the Share Amount is determined on the Valuation Date to be deliverable to you, you will be exposed to market risks (including but not limited to any movement in the market price of the Worst Performing Share) during the period between the Valuation Date and the Maturity Date. Also, if you choose not to realise the Share Amount on the Maturity Date, you will be further exposed to the market risks of holding such Shares from the Maturity Date until you sell such Shares.

10. **Settlement Disruption Event.** Upon the occurrence of a Settlement Disruption Event in respect of the Worst Performing Share, delivery of the Stock Amount will be delayed and you will be exposed to any movement in the market price of the Worst Performing Share during such delay. There is no assurance of the duration of such delay in delivery of the Stock Amount. We will not pay any extra amount (such as interest) for any delay in delivery of the Stock Amount.

11. **Issuer's adjustment risk.** The Issuer may make such adjustment to the Structured product as it may determine to be appropriate in certain circumstances as set out in "Potential Adjustments and Early Redemption by Issuer" above. Any such adjustment made by the Issuer shall be binding on the investors. The Issuer will not take into account individual circumstances in making determination.

12. **Issuer's early redemption risk.** The Structured product may be redeemed prior to their maturity for various reasons pursuant to the terms and conditions of the Structured product as described in "Potential Adjustments and Early Redemption by Issuer" above. If the Issuer early redeems the Structured product in such case, the Issuer will, if and to the extent permitted by applicable law, pay a holder of the Structured product the Early Payment Amount which may be substantially less than your original investment or as low as zero. In extreme circumstances, you may lose all of your initial investment.

13. **Re-investment risk.** The Structured product will be early redeemed following the occurrence of a Mandatory Early Redemption Event. No further Periodic Coupon will be payable following such early redemption. You will bear re-investment risk that the prevailing market conditions may have changed and may hinder you from making any further investment under similar terms.

14. **Discretion of the Issuer:** The Issuer has the discretion to determine whether any Extraordinary Event or Additional Disruption Event has occurred, and if so, to make any resulting adjustments to the Structured product (including adjusting the terms and conditions of the Structured product) or early redeem the Structured product. Investors should be aware that any decision made by the Issuer may have an unforeseen adverse impact on the financial return of the structured product. Any such discretion exercised by, or any calculation made by, the Issuer shall be binding on all investors.

15. **Disrupted Days.** If the Issuer determines that a Disrupted Day has occurred, this may change the scheduled date(s) of valuation and redemption of the structured product.

16. **No investor compensation fund.** As the Structured product are not listed on the Hong Kong or any other stock exchange, you are not covered by any investor compensation fund.

17. **Reliance on distributors and charges.** If you hold the structured product through a distributor, you will have to rely on your distributor to distribute notices, make payment or deliveries, enforce any rights under the structured product. You will also be exposed to the credit risks of the distributor. Your potential return on the structured product may be reduced by the amount of any handling fee or other charges you have to pay your distributor when you make your application.

18. **Tax risk:** Potential investors in the structured product should conduct such independent investigation and analysis regarding the tax treatment of the structured product as they deem appropriate to evaluate the merits and risks of an investment in the structured product. Tax risks include, without limitation, a change in any applicable law, treaty, rule or regulation or the interpretation thereof by any relevant authority which may adversely affect payments in respect of the structured product. The level and basis of taxation on the structured product and on the noteholders and any reliefs from such taxation depend on the noteholder's individual circumstances and could change at any time. The tax and regulatory characterisation of the structured product may change over the life of the structured product. This could have adverse consequences for noteholders. Potential noteholders will therefore need to consult their own tax advisers to determine the specific tax consequences of the purchase, ownership, transfer and redemption, exercise or expiry or enforcement of the structured product.

19. **Risks may be compounded.** Various risks relating to the structured product may be correlated or compounded and such correlation and/or compounding may result in increased volatility in the value of the structured product and/or in increased losses for holders of the structured product.

20. **No creditor rights.** A holder of the structured product will have no direct beneficial interest in the Shares and will not have the right to directly receive interest or other distributions, if any, with respect to the Shares.

21. **The unwinding of hedging arrangements could itself affect the price the Shares:** The Issuer and/or its affiliates may enter into hedging transactions with counterparties in the market in order to enable it to receive the relevant payoff equal to those due under the structured product. The unwinding or adjustment of such hedging transactions shortly before a relevant date may itself affect the price of the Shares on the relevant date, particularly if there is otherwise low trading volume in the Shares at that time. This may in turn affect the value of the structured product.

22. **Foreign exchange rate risk:** If any amount received under the Structured product is converted from the denominated currency of the Structured product to another currency, or if the Structured product are redeemed by delivery of securities denominated in a currency other than the Structured product' denominated currency, the amount of such securities that you may receive and/or the financial return under the Structured product may be subject to fluctuations of the relevant exchange rate. The relevant exchange rate may fluctuate as a result of market and political conditions and economic factors and may go up as well as down. There is no assurance that the level of the relevant exchange rate at any given time will be at a level which will result in a favorable financial return.

RISKS OF INVESTING IN EQUITY LINKED INVESTMENT (ELI)

1. Equity Linked Investment is not principal protected. You may suffer a loss if the prices of the underlying asset(s) of an Equity Linked Investment go against your view. In extreme cases, you could lose your entire investment.

2. The potential return on your Equity Linked Investment may be capped at a predetermined level specified by the issuer.

3. When you purchase an Equity Linked Investment, you rely on the credit-worthiness of the issuer. In case of default or insolvency of the issuer, you will have to rely on your distributor to take action on your behalf to claim as an unsecured creditor of the issuer regardless of the performance of the reference asset(s).

4. Equity Linked Investment is not secured on any assets or collateral.

5. Issuers may provide limited market making arrangement for their Equity Linked Investment. However, if you try to terminate an Equity Linked Investment before maturity under the market making arrangement provided by the issuer, you may receive an amount which is substantially less than your original investment amount.

6. During the investment period, you have no rights in the reference asset(s). Changes in the market price of such reference asset(s) may not lead to a corresponding change in the market value and/or potential payout of the Equity Linked Investment.

7. Issuer of an Equity Linked Investment may also play different roles, such as the arranger, the market agent and the calculation agent of the Equity Linked Investment. Conflicts of interest may arise from the different roles played by the issuer, its subsidiaries and affiliates in connection with the Equity Linked Investment.

8. Risk relating to forex: Currency exchange rates are affected by a wide range of factors, including national and international financial and economic conditions, political and natural events. The effect of normal market forces may at times be countered by intervention by central banks and other bodies. At times, exchange rates, and prices linked to such rates, may rise or fall rapidly.

9. Risk relating to RMB: RMB is subject to foreign exchange control by the central government of the People's Republic of China. There is currently a limited pool of RMB outside the PRC and any tightening of foreign exchange control by the PRC central government may adversely affect the liquidity of offshore RMB, and the market value of our RMB-denominated ELIs.

10. Unlisted Investment Product
    Equity-linked investment is an unlisted structured investment product containing derivative instruments and is not the same as a time deposit.

11. Not protected by the Investor Compensation Fund
    Equity-linked investments are not listed on any stock exchange, so they are not protected by the Hong Kong Investor Compensation Fund.

12. Issuers may only provide limited market making arrangement for their ELIs. However, if you try to terminate an ELI before maturity under the market making arrangement provided by the issuer, you may receive an amount which is substantially less than your original investment amount.

You understand that while most ELIs generally higher than the interest on an ordinary time deposit or traditional bonds, the potential gain on your ELI may be capped at a predetermined level specified by the issuer. During the investment period, you have no rights in the reference asset(s). Changes in the market prices of such reference asset(s) may not lead to a corresponding change in the market value and/or potential payout of the ELI.

You are fully aware that an investment in ELI exposes you to equity risk. You are exposed to price movements in the underlying security and the stock market, the impact of dividends and corporate actions and counterparty risks. You accept the legal obligation to take the underlying instrument at the pre-agreed conversion price instead of receiving the principal of the ELI, if the price of the underlying instrument falls below the conversion price. You will therefore receive an instrument that has fallen in value to the extent that it is less than your original investment, and might even lose the entire principal or deposit if the underlying instrument become worthless. ELIs are not secured on any assets or collateral.

You are fully aware that when you purchase an ELI, you rely on the credit-worthiness of the issuer. In case of default or insolvency of the issuer, you will have to rely on your distributor to take action on your behalf to claim as an unsecured creditor of the issuer regardless of the performance of the reference asset(s). Issuers may provide limited market making arrangement for their ELIs. However, if you try to terminate an ELI before maturity under the market making arrangement provided by the issuer, you may receive an amount which is substantially less than your original investment amount. Equity-linked instrument may be "nontransferable" and it may be impossible for you to close out or liquidate them. Issuer of an ELI may also play

different roles, such as the arranger, the market agent and the calculation agent of the ELI. Conflicts of interest may arise from the different roles played by the issuer, its subsidiaries and affiliates in connection with the ELI.

Investors should note that any dividend payment on the underlying security may affect its price and the payback of the ELI at expiry due to ex-dividend pricing. Investors should also note that issuers may make adjustments to the ELI due to corporate actions on the underlying security.

SPECIFIC RISK OF INVESTING IN DERIVATIVE PRODUCTS

1. Derivative Products often involve a high degree of gearing, so that a relatively small movement in the price of the underlying securities results in a disproportionately large movement in the price. The values of Derivative Products are not fixed, but fluctuate with the market, which may be influenced by many factors, including changes in the economic and/or political environment. The prices of Derivative Products can therefore be volatile.

2. a) Investors should not buy a Derivative Product unless it is prepared to sustain a total loss of the investment plus any commission or other transaction charges

b) While Derivative Products are unexercised and if their underlying securities are suspended from trading on the relevant stock exchanges, they may be suspended from trading for a similar period of time as their underlying securities

c) Depending on the structure of a particular Derivative Product, an investor may be obligated to accept delivery or make delivery (as the case may be) of the underlying securities if the conversion price is triggered or pursuant to the terms and conditions of the relevant agreement, contract or confirmation of the subject Transaction. Depending on the market conditions, an investor may be obligated to accept delivery of the underlying securities at a price which is above the market price such securities or to make delivery of the underlying securities at a price which is below the market price of such securities and losses may occur resulting from such actions which can be substantial. The loss resulting from investing in such Derivative Products can be over and above the initial amounts invested to a substantial extent.

d) If there is an extraordinary event or an adjustment event such a stock split, issue of bonus shares or other unexpected event that changes the number, value or weighting of issued shares of the underlying stock, the counter-party/calculation agent may adjust the contract terms, at its sole discretion, to reflect the new market conditions. This may include unwinding the contract. The investor should seek independent advice from professional parties in the event of such extraordinary events or adjustments.

e) Early termination prior to maturity is possible subject to the terms and conditions governing the Derivative Product and prevailing market terms and conditions.

f) The value of the Derivative Products may be reduced due to any downgrades by rating agencies such as Moody's Investors Inc. or Standard & Poor's Rating Services.

g) Structured products are formed by combining two or more financial instruments and may include one or more Derivative Products. Structured products may carry a high degree of risk and may not be suitable for many members of the public, as the risks associated with the financial instruments or Derivative Products may be interconnected. As such, the extent of loss due to market movements can be substantial. Prior to engaging in structured product Transactions, the Investor should understand the inherent risks involved. In particular, the various risks associated with each financial instrument or Derivative Product should be evaluated separately as well as taking the structured product as a whole. Each structured product has its own risk profile and given the unlimited number of possible combinations, it is not possible to detail in this RDS al ◦ l the risks which may arise in any particular case. The Investor should note that with structured products, buyers can only assert their rights against the issuer. Hence, particular attention needs to be paid to issuer risk. The Investor should therefore be aware that a total loss of his investment is possible if the issuer should default.

h) Equity-linked instruments ("ELI") carries a high degree of risk. ELIs are products combining Structured product/deposits with stock options which may allow a bull, bear or strangle (i.e. trading range) bet. The return component of ELI is based on the performance of a single equity security, a basket of equity securities, or an equity index. ELI may come in different forms: equity-linked Structured product, equity-linked deposits and equity-linked contracts. The maximum return on investment is usually limited to a predetermined amount of cash, an investor stands to potentially lose up to the entire investment amount if the underlying share price moves substantially against the investor's view. The Investor should be able to understand the risks he is bearing before investing in ELIs.

i) The prices of the underlying securities of Derivative Products fluctuate, sometimes dramatically. The price of a security may move up or down, and may become valueless. Accordingly, it is as likely that loss will be incurred rather than profit made as a result of buying or selling Derivative Products. In particular, for some Derivative Products such as accumulators, depending on market conditions, an investor may be obligated to accept delivery of the underlying securities at a price which is above the market price of such securities and loss may occur resulting from such action which can be substantial. Similarly, for some Derivative Products such as decumulators, an investor may be obligated to make delivery of the underlying securities at a price which is below the market price of such securities and loss may occur resulting from such action which can be substantial. The loss resulting from investing in such Derivative Products can be over and above the initial amounts invested to a substantial extent.

If there is any inconsistency or ambiguity between the English version and the Chinese version, the English version shall prevail.