WARNING STATEMENTS AND ADDITIONAL INFORMATION ON INVESTMENT PRODUCTS

General Warning Statements

a) **If the offering documents provided by the investment products issuer have not been reviewed by the Securities and Futures Commission (SFC), Investors are advised to exercise caution in relation to the offer.**

b) **SFC authorisation or registration of an investment product does not imply as an official recommendation or endorsement of the investment product nor does it guarantee the commercial merits of a product or its performance.**

c) **Past performance of investment products may not be indicative of future performance of the investment products.**

d) **The information herein is provided for reference only. The information may not contain all material terms, in and of itself should not form the basis for any investment decision.**

e) **Potential investors must seek their own independent advice in relation to any legal, tax, accounting or regulatory issues relating to the matters discussed herein.**

f) **The value, price or income from investments may fall as well as rise.**

g) **Investing in certain Complex Investment Products could incur losses that exceed the invested amount.**

Additional Information on Stock Options

Product Nature	A stock option is a financial contract based on a single underlying stock which is traded on SEHK and cleared through the SEHK Options Clearing House Limited (SEOCH). A call option buyer has the right to buy the underlying stock at the strike price (ie pre-determined price) on or before the expiry date, while a call option seller has the obligation to sell the underlying stock at the strike price upon exercise on or before the expiry day. A put option buyer has the right to sell the underlying stock at the strike price (ie pre-determined price) on or before the expiry day, while a put option seller has the obligation to buy the underlying stock at the strike price upon exercise on or before the expiry day.
Key Terms & Features	**Exercise Price / Strike Price** The pre-determined price at which the underlying asset can be bought or sold. **Expiry Date** The last day on which a buyer of an option contract can exercise the right to buy or sell the underlying asset. **Exercise Style** It refers to when an option can be exercised. There are two exercise styles: American and European. The American-style option can be exercised during any trading day on or before the expiry date. The European-style option can only be exercised on the expiry date. **Contract Size** The amount of the underlying asset that an option contract represents. For example if the underlying asset of an option contract is a certain stock, the contract size will be the number of shares (e.g. 1,000 shares). **Settlement Method** It refers to how the buy/sell of the underlying asset will be settled when the option is exercised. There are two ways of settlement - either by physical delivery of the underlying asset or in cash.
Product Suitability	Aggressive/High Risk Investor & Professional Investor
Key Risks	**Risks faced by option holders** 1. **Option holders run the risk of losing the full value of the premium they paid for the option.** The only way an option holder can avoid losing the entire premium is to close out the long position before expiry or to exercise the option before or at expiry. Unlike stocks, there is a limited time period in which to operate. It is therefore important to note the time frame in which the option might become profitable. If the option was acquired to hedge an underlying stock position, a loss of premium may be acceptable from the outset and seen effectively as the cost of insurance. 2. **The closer an out-of-the-money option is to expiry, the greater the likelihood that it will be impossible to close out or exercise the option profitably.** Time is not on the side of the option holder, particularly in the case of out-of-the-money options, which might sometimes be tempting to buy because they look "cheap". In such cases, investors should remember there's a strong possibility that they will lose the entire premium paid. Many options might appear to be cheap for the good reason that they are very unlikely to ever be profitable. It is particularly important to think carefully before purchasing a large number of such options in the hope of a leveraged profit. 3. **Stock options in Hong Kong are not always automatically exercised on expiry.** In order to realise any profits from a long option position prior to or on the expiry day in

	Hong Kong, is necessary for the investor to instruct his or her broker to exercise or close out the option before or on the expiry day. SEOCH does automatically exercise certain deep in-the-money options upon expiry, but brokers are able to override this automatic exercise function. If investors forget to exercise and brokers do not alert them, they may forgo all the profit that would otherwise have been realised. 4. **If investors exercise an option which is not hedged in the stock market they must be prepared to pay for the full value of the stock under the terms of the option contract (in the case of a call option) or to deliver the stock (in the case of a put option).** Unless investors already have made arrangements to sell the stock immediately on their receipt (in the case of a call option) or already hold the stock (in the case of a put option), they must ensure that they have the funds to meet their delivery obligations. 5. **An investor's broker may have the right to reject his or her exercise instruction.** Brokers may demand that investors deliver sufficient financial resources to make settlement in respect of an option position and may therefore refuse the investor's exercise instruction until the necessary payment has been made. **Risks faced by option writers** 1. **The writers of call options are required to deliver stock on being assigned.** If a writer's call option is uncovered (ie the writer does not already hold the stock), the writer, on being assigned, will need to obtain the stock quickly either by buying it in the open market or borrowing it. In either case, the difference between the price at which the stock is acquired and the strike price of the assigned option may be substantial and could represent an outright loss. 2. **The writers of put options are required to take delivery of and pay for stock on being assigned.** The writer of a put option, on being assigned, will be required to buy the stock at the strike price of that option. The writer may therefore be required to pay substantially more than the market price for the stock, thus incurring significant losses, which may be disproportionate to the income received when the put option was written. 3. **Stock options traded on SEHK are American style and both call writers and put writers may be assigned at any time.** Although it is generally more profitable to sell an option than to exercise it early, there are exceptions where option holders will exercise early. Writers must be constantly aware of the possibility of early exercise, and the funding that may be required to meet the delivery and settlement obligations, which will generally be significantly greater than the option's premium value. 4. **All short option positions are subject to sudden increases in margin requirements.** The leveraged nature of options means that option values and hence margin requirements can increase dramatically over a very short period. A broker is entitled to close out a position and seize any collateral to which the broker is legally entitled in the event that an investor is unable to meet a margin call. 5. **Covered call writers lose the right to any upside in the stock price but remain exposed to losses in the event the stock price falls.** A covered call writer will not be exposed to losses due to the exercise of the stock option because the writer holds the underlying stock and thus is protected against the risk of being assigned. However, the writer cannot benefit from any upside as long as the short call option position is open. Moreover, if the stock price falls, the writer will suffer losses offset only by the value of the premium received when the option was written. **Other general risks** 1. **It may not always be possible to liquidate an existing position.** An option series can become illiquid for many reasons. If it becomes illiquid, it may be impossible to liquidate an open position and thus unexpected losses could result.

	Examples include: a) Trading in a particular underlying stock may be suspended or trading in the whole market may be suspended. In this case, trading in all options on that stock will almost certainly be suspended. b) Illiquidity may occur when trading in the option is not suspended. c) Although the stock option market has a Market Maker system, it is possible that an extremely exceptional situation could arise where a Market Maker is not available or fails to meet its obligations. **2. Stop loss orders may be ineffective as they may be harder to execute with stock options than with other exchange-traded products.** For the reasons noted above and because of the inherent volatility of option prices, it is important not to place too much reliance on the successful execution of stop-loss orders in situations where failure to execute the stop-loss order would lead to options exposure increasing to unmanageable levels.
Worst Case Scenario	Unlimited loss
Gain Limitation	Unlimited gain
Principal Protected	No
Early Termination	N/A
Penalty of Early Exit	N/A
Secondary Market Availability	Yes
Warning	The product is a complex product and investors should exercise caution in relation to the product.

Additional Information on Exchange Traded Derivative Products
Callable Bull / Bear Contract (CBBC)

Product Nature	CBBC are a type of structured product that tracks the performance of an underlying asset without requiring investors to pay the full price required to own the actual asset. They are issued either as Bull or Bear contracts with a fixed expiry date, allowing investors to take bullish or bearish positions on the underlying asset. CBBC are issued by a third party, usually an investment bank, independent of Hong Kong Exchanges and Clearing Limited (HKEX) and of the underlying asset. CBBC are issued with the condition that during their lifespan they will be called by the issuers when the price of the underlying asset reaches a level (known as the " Call Price ") specified in the listing document. If the Call Price is reached before expiry, the CBBC will expire early and the trading of that CBBC will be terminated immediately. The specified expiry date from the listing document will no longer be valid. CBBC may be issued with a lifespan of three months to five years and are settled in cash only. They are traded on the cash market of HKEX.
Key Terms & Features	**Underlying Asset** CBBCs can be issued over a range of eligible underlying assets, such as Stocks, Stock Indices. **The Price of a CBBC** The price of a CBBC = intrinsic value + funding cost Intrinsic value is the difference between the spot price of underlying asset and the exercise price of CBBC. Intrinsic value of bull CBBC = spot price of underlying – exercise price of bull CBBC / conversion ratio Intrinsic value of bear CBBC = exercise price of bear CBBC – spot price of underlying / conversion ratio **Funding Cost** Funding costs vary by issuer depending on their respective borrowing rates used which include the Hong Kong Interbank Offered Rate (HIBOR), the London Interbank Offered Rate (LIBOR) and overnight interest rate. Funding costs tend to reduce over time as does the price of a CBBC. When a CBBC is called back or when it matures, its funding cost will be zero. **Premium** The premium of a CBBC is regarded as the financial cost of an issuer. Generally, CBBC with higher premium is considered as more expensive. **Call Price** When the underlying price approaches the call price, the actual fluctuation of the CBBC price may be more than in theory due to market demand and supply factors and the increased difficulties for an issuer to hedge its position. If the underlying price touches the call price of a CBBC, the CBBC will be called back by the issuer. Trading of the CBBC will stop immediately and will not resume regardless further fluctuation in the underlying price. Settlement will take place at a later date. **Exercise Price** The exercise price is used to calculate the settlement price of a CBBC. When a category R CBBC

	is called back by the issuer, the holder of the CBBC can theoretically get back the residual value — the difference between the exercise price and the settlement price of the CBBC. Assuming other factors remain unchanged, in theory, when the exercise price is closer to the call price, the higher the effective gearing of a CBBC and vice versa. However, if a CBBC is called back mandatorily before maturity, the settlement value may be lower. **Market Interest Rate** Theoretically, when market interest rates go up, the bull price goes up and the bear price goes down. **The Difference between Actual Dividend and Issuer's Expectation** If the underlying asset pays dividend more or earlier than the issuer expected, the bull CBBC price may decrease and the bear CBBC price may increase.* On the other hand, if the underlying asset distributes dividend less or later than the issuer expected, the bull CBBC price may increase and the bear CBBC price may decrease. * Assuming other factors remain unchanged, please refer to the relevant listing documents for more information. **Contract Multiplier** CBBC price x board lot unit **Last Trading Day** Each CBBC is assigned a unique expiry date at launch. If a CBBC is called before expiry, the day on which the CBBC is called (the date on which an MCE occurs) is the last trading day of that CBBC. When an MCE occurs, the CBBC will be called by the issuer and trading of that CBBC will terminate at once, hence investors cannot sell the CBBC. The last trading day will be one trading day before the expiry day of the CBBC if it has not been called. **Expiry Day** The date on which a CBBC will expire and become worthless, subject to the occurrence of a mandatory call event. **Final Settlement Price** For CBBCs issued on a local stock traded on the Exchange, the settlement price at expiry is calculated based on the closing price of the underlying stock on the trading day before expiry of the CBBCs. For CBBCs issued on a local index (such as HSI or HSCEI), the settlement price at expiry is based on the final settlement price of the corresponding index futures contract of the same expiry month as the CBBCs traded on the Hong Kong Futures Exchange on the second last business day of the contract month. For more information about the settlement price at expiry for CBBCs on other underlying assets, please refer to the relevant listing documents. **Settlement Method** A CBBC can be settled by cash delivery upon exercise.
Product Suitability	Aggressive/High Risk Investor & Professional Investor
Key Risks	**Mandatory Call Event (MCE)** CBBC are a type of leveraged investment. They may involve a higher degree of risk and are not suitable for all types of investors. Investors should consider their risk appetite prior to buying CBBC. In any case, one should not trade in CBBC unless he/she understands the nature of the product and is prepared to lose the total amount invested, since a CBBC will be called by the issuer when the price of the underlying assets hits the Call Price, and that CBBC will expire early. The payoff for Category N CBBC is zero when they expire early. When Category R CBBC

	expire early the holder may receive a small residual value payment, but there may be no residual value payment in some situations. Dealers may charge their clients a service fee for the collection of the residual value payment from the respective issuers. In general, the larger the buffer between the Call Price and the spot price of the underlying assets, the lower the probability of the CBBC being called, since the underlying assets of that CBBC would have to experience a larger movement in their price before it is called. However, the larger the buffer, the lower the leverage effect. Once the CBBC is called, even though the underlying assets may bounce back in the right direction from the investors' point of view, the CBBC which has been called will not be revived and investors will not be able to profit from the bounce-back. Besides, the MCE of a CBBC with underlying assets overseas may be triggered outside Stock Exchange trading hours. **Gearing effect** Since a CBBC is a leveraged product, the percentage change in its price is greater compared with that of its underlying assets. Investors may suffer higher losses in percentage terms if they expect the price of the underlying assets to move one way but it moves in the opposite direction. **Limited life** A CBBC has a limited lifespan, as denoted by the fixed expiry date, of three months to five years. The life of a CBBC may be shorter if called before the fixed expiry date. The price of a CBBC fluctuates with the changes in the price of the underlying assets. A CBBC may become worthless after expiry or if the CBBC has been called early. **Movement of underlying assets' price** Although the price of a CBBC tends to follow closely the price of its underlying assets, in some situations it may not (ie delta may not always be close to one). The price of a CBBC is affected by a number of factors, including demand for the CBBC and the supply, funding costs and time to expiry. Moreover, the delta for a particular CBBC may not always be close to one, in particular when the price of the underlying assets is close to the Call Price. **Liquidity** Although CBBC have liquidity providers, there is no guarantee that investors will be able to buy/sell CBBC at their target prices any time they wish. **Funding costs** When a CBBC is called, the CBBC holders will lose the funding cost for the full period, since the funding cost is built into the CBBC price upfront at launch, even though the actual period of funding for the CBBC turns out to be shorter when there is an MCE. In any case, investors should note that the funding costs of a CBBC after launch may vary during its life and the liquidity provider is not obliged to provide a quote for the CBBC based on the theoretical calculation of the funding costs for that CBBC at launch. **Trading of CBBC close to Call Price** When the underlying assets are trading close to the Call Price, the price of a CBBC may become more volatile with wider spreads and uncertain liquidity. CBBC may be called at any time and trading will terminate as a result. All trades executed after an MCE (ie Post MCE Trades) will not be recognised and will be cancelled. Since there may be a time lapse between the MCE and termination of trading of the

	CBBC, some Post MCE Trades may be cancelled even though they may have been confirmed by brokers. Investors should therefore apply special caution when a CBBC is trading close to the Call Price. Issuers will announce the exact call time within one hour after the trigger of the MCE, and the Exchange will send the list of Post MCE Trades to the relevant brokers who in turn will inform their clients accordingly. If investors are not clear whether their trades are Post MCE Trades or if they have been cancelled, they should check with their brokers. **<u>CBBC with overseas underlying assets</u>** Investors trading CBBC with overseas underlying assets are exposed to an exchange rate risk as the price and cash settlement amount of the CBBC are converted from a foreign currency into Hong Kong dollars. Exchange rates between currencies are determined by supply and demand, which are affected by various factors. Besides, CBBC issued on overseas underlying assets may be called outside the Stock Exchange's trading hours. In such cases, the CBBC will be suspended from trading on the Exchange in the next trading session or soon after the issuer has notified the Exchange about the occurrence of the MCE. There will be no automatic suspension of CBBC by the trading systems of HKEX's securities market upon occurrence of an MCE. For Category R CBBC, valuation of the residual value will be determined on the valuation day according to the terms in the listing documents. In general, stamp duty is not applicable to cash-settled CBBC, but investors are advised to refer to the listing documents for information regarding stamp duty.
Worst Case Scenario	Loss of entire investment amount
Gain Limitation	Higher leverage will have greater potential reward but also higher risk (subject to factors that could affect the CBBC price)
Principal Protected	No
Early Termination	CBBCs have a mandatory call feature measured by reference to a call price or level. If the spot price or level of the underlying asset is at or below (in respect of a series of bull CBBCs) or at or above (in respect of a series of bear CBBCs) the call price or level at any time during an observation period (including pre-opening session, continuous trading session and closing auction session), a mandatory call event is triggered, following which the CBBC is terminated early and the trading of that CBBC ceases immediately.
Penalty of Early Exit	N/A
Secondary Market Availability	Yes
Warning	The product is a complex product and investors should exercise caution in relation to the product.

Additional Information on Exchange Traded Derivative Products

Exchange Traded Fund (ETF)

Product Nature	An authorised index tracking exchange traded fund (ETF) is a fund authorised by the Securities and Futures Commission (SFC) that is traded on an exchange. Its principal objective is to track, replicate or correspond to the performance of an underlying index. The index can be on a stock market, a specific segment of a stock market or a group of stock markets in a region or elsewhere in the world. It can also be on bonds or commodities. An ETF gives investors an indirect access to a certain market. By investing in an ETF, investors can receive a return that replicates (although not 100% in most cases) the performance of the index without actually owning the constituents that comprise the index. In some cases, an ETF tracks an index of a market that has restricted access (such as, the China A-share market and the Indian market), thus giving investors indirect access to a market that is not accessible by foreign investors not domiciled in that jurisdiction.
Key Terms & Features	**Benchmark Tracking** ETFs are passively managed funds which aim to track closely the performance of the underlying benchmarks. **Transparency** Each ETF has its own website operated by its ETF manager (a list of ETFs' websites can be found on the HKEx website). ETFs' websites provide key information such as the underlying benchmarks and the benchmarks' constituents, the ETF's Net Asset Value (NAV), the counterparty exposure and details of collateral from counterparties. The NAV of an ETF is the sum of marked-to-market values of the individual portfolio holdings plus the portion of the assets held in cash and cash equivalents, less all the accrued ETF expenses. The NAVs of ETFs are calculated intra-day during the trading hours and at the end of the trading day. The intra-day estimated NAVs, or iNAVs, are also known as RUPVs (Reference Underlying Portfolio Value) or IOPVs (Indicative Optimised Portfolio Value). The end-of-day NAV information may also be obtained on the HKEx news website, in addition to the ETF's website. Real-time or delayed price quotes for ETFs are disseminated by information vendors and are available on the HKEx website. **Low Transaction Costs** Unlike unlisted funds, ETFs do not charge any subscription fees. The transaction costs for trading ETFs at HKEx are the same as those for trading other securities, which include brokerage commission, transaction levy, investor compensation levy (currently suspended), trading fee, trading tariff and stamp duty (Some ETFs are exempted from stamp duty). **Low Minimum Investment** ETFs are traded in board lots and the minimum initial investment is usually set at an affordable level. **Liquidity** ETFs can be traded any time during the trading hours of the securities market. Listed ETFs usually have market makers, which are known as Securities Market Makers, to provide some liquidity. However, market making for the ETFs is available only during the Continuous Trading Session. The list of market makers for each ETF as well as their contact details are published on the HKEx website. **Convenience** ETFs are traded through brokers in the same way as other securities and the settlement arrangements are the same.

	Diversification Most ETFs track a portfolio of assets to provide diversified exposure to selected market themes. However, ETFs may also track a single underlying asset such as gold. **Market Exposure** While some ETFs provide Hong Kong investors access to a basket of Hong Kong securities, others provide the investors access to overseas markets or other asset classes.
Product Suitability	Aggressive/High Risk Investor & Professional Investor
Key Risks	**Market Risk** An ETF is exposed to the economic, political, currency, legal and other risks of a specific sector or market related to the index and the market that it is tracking. **Passive Investments Risk** ETF is not "actively managed" and therefore, when there is a decline in the underlying index, the ETF that tracks the index will also decrease in value. The ETF Manager will not take defensive positions in declining markets, investors may lose a significant part of their respective investments if the underlying Index falls. **Credit/Counterparty Risk** Synthetic ETFs typically invest in over-the-counter derivatives issued by counterparties to track an index's performance. Such a synthetic ETF may suffer losses potentially equal to the full value of the derivatives issued by the counterparty upon its default. Synthetic ETFs are therefore exposed to both the risks of the securities that constitute the index as well as the credit risk of the counterparty that issues the financial derivative instruments for replicating the performance of the index. Some synthetic ETFs invest in financial derivatives issued by a number of different counterparties in order to diversify the counterparty credit risk concentration. However, the more counterparties an ETF has, the higher the mathematical probability of the ETF being affected by a counterparty default. If any one of the counterparties fails, the ETF may suffer losses. You should also be aware that the issuers of these derivatives are predominantly international financial institutions and this, in itself, may pose a concentration risk. For example, if a crisis strikes, affecting the financial sector, it is possible that the failure of one derivative counterparty of an ETF has a "knock-on" effect on other derivative counterparties of the ETF. As a result, an ETF could suffer a loss substantially more than its expected exposure in the event of a single counterparty default. Some synthetic ETF managers, however, only acquire financial derivatives from one or a few counterparties. These managers may seek to reduce an ETF's net exposure to each single counterparty by requiring the counterparty(ies) to provide at least 100% collateralization to ensure there is no uncollateralized counterparty risk exposure arising from the use of financial derivatives to replicate index performance. Investors should note in case where collateral is provided by counterparties to a synthetic ETF, the collateral may concentrate on particular market(s), sector(s) and/ or securities issued by specific sovereign or public issuer(s) which may not be related to the underlying index. Furthermore, even if a synthetic ETF is fully collaterised, when the ETF seeks to exercise its right against the collateral, the market value of the collateral could be substantially less than the amount secured if the market dropped sharply before the collateral is realised, thereby resulting in significant loss to the ETF. Therefore, the relevant synthetic ETF managers have also been required to put in place a prudent haircut policy, in particular, where the collateral taken is

in the form of equity securities, the market value of such equity collateral must be equivalent to at least 120% of the related gross counterparty risk exposure.

Tracking Error

This refers to the disparity between the performance of the ETF (as measured by its NAV) and the performance of the underlying index. Tracking error may arise due to various factors. These include, failure of the ETF's tracking strategy, the impact of fees and expenses, foreign exchange differences between the base currency or trading currency of an ETF and the currencies of the underlying investments, or corporate actions such as rights and bonus issues by the issuers of the ETF's underlying securities.

Depending on its particular strategy, an ETF may not hold all the constituent securities of an underlying index in the same weightings as the constituent securities of the index. Therefore, the performance of the securities underlying the ETF as measured by its NAV may outperform or under-perform the index.

Trading at a Discount or Premium to NAV

Since the trading price of an ETF is typically determined by the supply and demand of the market, the ETF may trade at a price higher or lower than its NAV. Also, here the reference index or market that an ETF tracks has restricted access, units in the ETF may not be created or redeemed freely and efficiently.

The supply and demand imbalance can only be addressed by creating and redeeming additional units. So, disruption to the creation or redemption of units may result in the ETF trading at a higher premium or discount to its NAV than may normally be the case for a traditional ETF with no such restriction.

In the event the ETF is terminated, investors may not be able to recover their investments.

Risks Relating to ETF Termination

An ETF, like any fund, may be terminated early under certain circumstances, for example, where the index is no longer available for benchmarking or if the size of the ETF falls below a pre-determined NAV threshold as set out in the constitutive documents and offering documents. Investors should refer to the section in the offering document relating to termination for further details.

Investors should also note that the market-making activities and the trading of ETF units may be adversely affected in the secondary market as the creation of units will cease once the termination of the ETF is announced. As a result, the trading price of such ETF units may become very volatile resulting in substantial losses to investors.

Furthermore, the NAV of an ETF may drop substantially once the expenses and costs of the termination is set aside upon announcement of the termination. Investors may suffer a substantial loss as a result of these expenses and costs associated with the termination.

For ETF that has provided for any potential tax liabilities, an investor may not be able to get any refund or further distribution from the tax provision upon termination of the ETF.

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.

	<u>Early Unwinding of Derivatives Risk</u> Synthetic ETFs typically invest in derivatives to track an index's performance. The costs associated with the unwinding of these derivatives before maturity may vary depending on prevailing market conditions. Such costs may be significant, particularly during times of high market volatility. Hence, in the event of redemption or if the synthetic ETF is terminated (for example, due to the reason that the fund size becomes too small), the proceeds payable to investors may be significantly less than the net asset value of the fund units as a result of the cost associated with unwinding of the derivatives before maturity. This may lead to substantial loss to investors. **<u>Tax and Other Risks</u>** Like all investments, an ETF may be subject to tax imposed by the local authorities in the market related to the index that it tracks, emerging market risks and risks in relation to the change of policy of the reference market.
Worst Case Scenario	Loss of entire investment amount
Gain Limitation	No Gain Limitation
Principal Protected	No
Early Termination	An ETF, like any fund, may be terminated early under certain circumstances, for example, where the index is no longer available for benchmarking or if the size of the ETF falls below a pre-determined NAV threshold as set out in the constitutive documents and offering documents. Investors should refer to the section in the offering document relating to termination for further details. Investors should also note that the market-making activities and the trading of ETF units may be adversely affected in the secondary market as the creation of units will cease once the termination of the ETF is announced. As a result, the trading price of such ETF units may become very volatile resulting in substantial losses to investors. Furthermore, the NAV of an ETF may drop substantially once the expenses and costs of the termination are set aside upon announcement of the termination. Investors may suffer a substantial loss as a result of these expenses and costs associated with the termination. For ETF that has provided for any potential tax liabilities, an investor may not be able to get any refund or further distribution from the tax provision upon termination of the ETF.
Penalty of Early Exit	**<u>Early Unwinding of Derivatives Risk</u>** Synthetic ETFs typically invest in derivatives to track an index's performance. The costs associated with the unwinding of these derivatives before maturity may vary depending on prevailing market conditions. Such costs may be significant, particularly during times of high market volatility. Hence, in the event of redemption or if the synthetic ETF is terminated (for example, due to the reason that the fund size becomes too small), the proceeds payable to investors may be significantly less than the net asset value of the fund units as a result of the cost associated with unwinding of the derivatives before maturity. This may lead to substantial loss to investors.
Secondary Market Availability	Yes
Warning	The product is a complex product and investors should exercise caution in relation to the product.

Additional Information on Exchange Traded Derivative Products

Derivative Warrant

<table>
<tr>
<td>Product Nature</td>
<td>Derivative warrants are an instrument that gives an investor the right to "buy" or "sell" an underlying asset at a pre-set price prior to a specified expiry date. They may be bought and sold prior to their expiry in the market provided by HKEX. At expiry settlement is made in cash rather than a purchase or sale of the underlying asset. Derivative warrants can be issued over a range of assets, including stocks, stock indices, currencies, commodities, or a basket of securities. They are issued by a third party, usually an investment bank, independent of the issuer of the underlying assets. Derivative warrants traded in Hong Kong normally have an initial life of six months to two years and when trading in the market each derivative warrant is likely to have a unique expiry date.</td>
</tr>
<tr>
<td>Key Terms & Features</td>
<td>
<u>Underlying Asset</u>
Warrants can be issued over a range of assets, including stocks, stock indices, currencies and commodities or a basket of assets.
<u>Warrant Price</u>
It consists of two components = intrinsic value + time value.
<u>Intrinsic Value</u>
For a call warrant: Intrinsic value exists if the spot price of the underlying asset is higher than the exercise price of the warrant.
For a put warrant: Intrinsic value exists if the exercise price of the warrant is higher than the spot price of the underlying asset.
<table>
<tr><th></th><th>Call Warrant</th><th>Intrinsic Value</th></tr>
<tr><td>Underlying Asset Price > Exercise Price</td><td>In-the-money</td><td>> 0</td></tr>
<tr><td>Underlying Asset Price < Exercise Price</td><td>Out-of-the-money</td><td>0</td></tr>
<tr><td>Underlying Asset Price = Exercise Price</td><td>At-the-money</td><td>0</td></tr>
</table>
<table>
<tr><th></th><th>Put Warrant</th><th>Intrinsic Value</th></tr>
<tr><td>Underlying Asset Price > Exercise Price</td><td>Out-the-money</td><td>0</td></tr>
<tr><td>Underlying Asset Price < Exercise Price</td><td>In-of-the-money</td><td>> 0</td></tr>
<tr><td>Underlying Asset Price = Exercise Price</td><td>At-the-money</td><td>0</td></tr>
</table>
<u>Time Value</u>
It is the difference between the warrant price and its intrinsic value. Time value exists as long as the warrant is not expired and is impacted by implied volatility, interest rates and the maturity date .Assuming the price of the underlying asset and all other factors remain constant, the time value of warrant will decline with passage of time. The closer it is to maturity, the faster the time value of the warrant drops. The daily time value decay of a warrant with longer tenor will tend to decrease slower than that of a warrant with short tenor.
<u>Exercise Price</u>
A warrant holder can trade warrant in the market before maturity. If the warrant is in-the-money at maturity, it will be exercised automatically, and investors will receive cash at settlement.
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	Implied Volatility The implied volatility is the expected volatility of the warrant over a specific period of time. The change in implied volatility will be affected by market demand and supply, over-the-counter options, underlying's historical volatility and change in listed options. Issuers have varied operation models and risk management frameworks, hence warrants issued by different issuers may have a different implied volatility despite having similar terms and conditions. **Contract Multiplier** Warrant price x board lot unit **Last Trading Day** The last day when a warrant can be traded on an exchange **Expiry Day** The date on which a warrant will expire **Final Settlement Price** For warrants issued on a single local (HK) stock traded on the Exchange, the settlement price at expiry is calculated based on the 5-day average closing price of the underlying stock prior to and excluding the expiry day. For local index (HK) warrants, the settlement price at expiry is based on the final settlement price of the corresponding index futures contract of the same expiry month as the warrants traded on the Hong Kong Futures Exchange. Call warrant cash settlement amount = settlement price of underlying asset - exercise price of the warrant / conversion ratio Put warrant cash settlement amount = exercise price of the warrant - settlement price of underlying asset / conversion ratio **Settlement method** A warrant can be settled by cash or physical delivery upon exercise.
Product Suitability	Aggressive/High Risk Investor & Professional Investor
Key Risks	**Non-Collateralisation** Warrants are not secured by any asset of the issuer or the guarantor (if any) or supported by any other collateral. **Credit Risk** Holders of warrants are unsecured creditors of the issuer and the guarantor (if any) and they have no preferential claim to any assets that an issuer or a guarantor (if any) may hold. You can access information about issuers' credit ratings on the HKEX's website. **Gearing Risk** Although warrants often cost less than the underlying assets, a warrant may change in value to a much greater extent than the underlying assets. Although the potential return on warrants may be higher than that on the underlying assets, in the worst case the value of warrants may fall to zero and holders may lose their entire investment amount. **Limited Life** Unlike stocks, warrants have an expiry date and therefore a limited life. Unless the warrants are in-the-money, they become worthless when they expire. **Time Decay** So long as other factors remain unchanged, the time value of warrants or funding costs of CBBCs

will decrease over time and will become zero upon maturity. Therefore, without a strong view of the underlying assets, warrants should be viewed as a relatively short term investment product in comparison with an investment in the underlying assets.

Market Forces

In addition to the basic factors that determine the theoretical price of a warrant, prices of warrants are also affected by the demand for and supply of the warrants. This is particularly the case when warrants of a series are almost sold out and when there are further issues of a series of warrant.

Turnover

High turnover should not be regarded as an indication that the price of a warrant will 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 their volatility, the time remaining to expiry, interest rates and the expected dividend on the underlying assets.

Possibly Limited Secondary Market

The liquidity provider may be the only market participant for a particular warrant. The more limited the secondary market, the more difficult it may be for you to realise the value in the warrant before expiry.

Operational and Technical Problems Affecting Liquidity Services

The liquidity provider may not be able to provide liquidity when there are operational and technical problems hindering its ability to do so. Even if the liquidity provider is able to provide liquidity in such circumstances, its performance on liquidity provision may be adversely affected.

Corporate Action of the Underlying Stocks

Corporate actions affect the value of the underlying stocks which in turn affect the value of the warrants. Adjustments may or may not be made to the terms of the warrants (such as entitlement ratio, exercise price, etc.) depending on the terms and conditions set out in the listing documents. Where adjustments are to be made, the adjustments will only become effective (the "Effective Date") when all necessary parameters can be determined.

Additional Risks in Trading Warrants with Overseas Underlying Assets

Exchange Rate Risk

Investors trading in warrants with overseas underlying assets may be exposed to an exchange rate risk during the term of the warrants when the price and cash settlement amount of such warrants are converted from a foreign currency in which the overseas underlying asset is priced into Hong Kong dollars.

Different Trading Hours

Trading in the overseas underlying assets on the underlying exchange may be suspended during non-trading hours of the Exchange.

If trading in the overseas underlying assets on the underlying exchange is suspended, trading in the warrants on the Exchange will not be automatically suspended – in such case, the market price of the warrants may fluctuate significantly until trading in the warrants on the Exchange is suspended. If trading in the overseas underlying assets on the underlying exchange resumes following a suspension, trading in the warrants on the Exchange will not be resumed automatically and you will not be able to trade the warrants until trading in the warrants on the Exchange is resumed.

In addition, the trading price of the overseas underlying assets is calculated and published during the trading hours of the underlying exchange.

	Less Public Information about the Overseas Underlying Assets and Such Information May Not Be Available in English or Chinese There may be less publicly available information about the overseas underlying assets than those about Hong Kong underlying assets and some of that information may not be available in English or Chinese. If you do not understand any such information, you should obtain independent advice. **Political and Economic Risk** The trading prices of the overseas underlying assets may be subject to political, economic, financial and social factors that apply in those geographical regions, which may differ favourably or unfavourably from those factors that apply to Hong Kong. Moreover, foreign economies may also differ favourably or unfavourably from the Hong Kong economy in important respects such as growth of gross national product, rate of inflation, capital reinvestment, resources and self-sufficiency.
Worst Case Scenario	Loss of entire investment amount
Gain Limitation	Higher leverage will have greater potential reward but also higher risk (subject to factors that could affect the price)
Principal Protected	No
Early Termination	Standard warrants do not have a mandatory call feature.
Penalty of Early Exit	N/A
Secondary Market Availability	Yes
Warning	The product is a complex product and investors should exercise caution in relation to the product.

Additional Information on HK Derivatives (Futures)

Product Nature	Futures are financial contracts for underlying assets, such as stock, market index, currency or commodity. The underlying assets are bought or sold at an agreed price today, for a set date in the future. Futures can be traded on the HKEx. You can buy or sell them with a margin deposit, which only partly covers the value of the contract. Going into leverage can increase the size of your gain or loss. Trading futures can be risky as a broker can make a margin call. This means you must put in more cash or securities to cover the shortfall of your margin deposit in case the price of the underlying asset moves against your view. The loss could be much more than your margin deposit.
Key Terms & Features	**Underlying Asset** Assets underlying futures contracts can be quite varied. They include stocks, indices, currencies, interest rates, commodities, such as oil, beans and gold. HKEx futures contracts are financial futures mainly based on interest rates, gold, stocks and stock indices such as the HSI, H-shares Index. **Contracted Price** The price at which a futures contract is registered by the clearing house, i.e. the traded price. **Contract Multiplier** The weight that is multiplied by the contracted price when calculating the contracted value. With HSI and H-Shares Index futures, the contract multiplier is $50 per index point, whereas in a mini-HSI futures contract, it is $10 per index point. For HKEx stock futures contracts, this is one board lot of the underlying stock. **Last Trading Day** The last day when a futures contract can be traded on an exchange. **Final Settlement Day** The day when the buyer and the seller must settle the futures contract. **Final Settlement Price** The fixed price determined by the clearing house and used to calculate the futures contract's final settlement value. Multiplying the final settlement price by the contract multiplier gives the final settlement value. **Settlement Method** A futures contract can be settled by cash or physical delivery of the underlying asset. All futures contracts traded on the HKEx (except for THREE-YEAR EXCHANGE FUND NOTE futures) are settled in cash.
Product Suitability	Aggressive/High Risk Investor & Professional Investor
Key Risks	**Basis Risk** The prices of futures contracts/options may not always go in line with/be perfectly correlated to the value of the underlying assets in the spot markets. For example, an increase in the spot price of the underlying asset may not cause the NAV of the futures and options fund to rise by the same magnitude. In fact, the NAV of the futures and options fund may not change at all or may even fall. **Volatility Risk**

	With substantial investment in futures contracts and options, the funds' prices may be subject to the risk of very volatile price movements of futures contracts and options. Futures contracts/options price movements may be caused by other factors such as changes in government policies, supply and demand, changes in interest rates and economic conditions. Futures contracts'/options' prices are highly volatile, and so are prices of the futures and options funds. Furthermore, many futures and options funds may invest in futures contracts/options with underlying asset classes such as commodities and foreign currencies which are generally more volatile. Besides, some futures exchanges may impose limits on daily futures price movement. In this case, even if a futures and options fund tries to close out its futures position to limit loss, the orders may not be executed due to such limits. **Margin Risk & Liquidity Risk** If the market moves against the futures position, the futures and options funds may be required to pay additional margins, to maintain the trading positions on short notice. The fund may need to liquidate its assets at unfavorable prices in order to meet these margin calls and suffer substantial losses. Some futures and options funds can only be redeemed at limited intervals (e.g. monthly). If you invest in such a fund, you may not be able to cash in on your investment at your desired price or when you are in need of cash. **Leverage Risk** Trading of futures contracts and options may carry a high degree of risk. The amount of initial margin/premium for entering into futures contracts/options is small relative to the value of futures contracts/options so that transactions are leveraged. In this way, a small change in contracts prices may result in magnified profit or loss, depending on the extent of leverage employed by the funds. A futures and options fund may or may not be leveraged. Although a futures and options fund may not invest all of its assets in futures contracts/options, where a futures and options fund is leveraged, the fund may lose all of its assets in its entirety due to the leverage effect of futures contracts/options. You should pay attention to the leverage level of a futures and options fund in which you invest, as well as the attendant risks. **Model Risk** The performance of futures and options fund depends mainly on success of its investment strategy, which is generally model-based. However, the use of model does not guarantee positive performance and any unexpected changes in market could hurt the model's performance. Moreover, it is not guaranteed that the model can be fully executed in an accurate and timely fashion. **Performance Fee Risk** The manager of a futures and options fund may charge a performance fee, which is payable to the manager annually if a pre-determined net appreciation of the fund's NAV is achieved. As the performance fee usually accrues on a daily basis and if payable, is deducted from the fund's net assets value on a daily basis, this gives rise to the risk that an investor redeeming his/her units may still need to bear a performance fee in respect of those units, even though a loss in the investment capital has been suffered by such redeeming investor. **Counterparty Risk** When a futures and options fund invests in options or other derivative instruments that are traded over-the-counter, the fund will be subject to the risk of default of its counterparties in performing any of their obligations. It may result in losses to the fund.
Worst Case Scenario	The loss is unlimited.
Gain Limitation	Whether you buy or sell a futures contract, your potential gain or loss is unlimited.
Principal Protected	This product is not principal protected.
Early Termination	N/A

Penalty of Early Exit	N/A
Secondary Market Availability	Participants may sign up as market makers in some stock futures contracts, in which they would be responsible for providing firm bid/offer prices within a maximum spread limit. Some stock futures contracts may not have market makers to provide bid/offer quotes and their trading would be on an order-driven basis. Investors should be aware of the liquidity risk in these stock futures contracts and should exercise due caution before trading.
Warning	The product is a complex product and investors should exercise caution in relation to the product.

Additional Information on Foreign Derivatives

Product Nature	Futures are financial contracts for underlying assets, such as stock, market index, currency or commodity. The underlying assets are bought or sold at an agreed price today, for a set date in the future. Futures can be traded on the Foreign Exchange. You can buy or sell them with a margin deposit, which only partly covers the value of the contract. Going into leverage can increase the size of your gain or loss. Trading futures can be risky as a broker can make a margin call. This means you must put in more cash or securities to cover the shortfall of your margin deposit in case the price of the underlying asset moves against your view. The loss could be much more than your margin deposit.
Key Terms & Features	**Underlying Asset** Assets underlying futures contracts can be quite varied. They include stocks, indices, currencies, interest rates, commodities, such as oil, beans and gold. Foreign futures contracts are financial futures mainly based on interest rates, gold, stocks and stock indices such as the Dow Jones Index. **Contracted Price** The price at which a futures contract is registered by the clearing house, i.e. the traded price. **Contract Multiplier** The weight that is multiplied by the contracted price when calculating the contracted value. With Dow Jones Index Futures ($10), the contract multiplier is $10 per index point. **Last Trading Day** The last day when a futures contract can be traded on an exchange. **Final Settlement Day** The day when the buyer and the seller must settle the futures contract. **Final Settlement Price** The fixed price determined by the clearing house and used to calculate the futures contract's final settlement value. Multiplying the final settlement price by the contract multiplier gives the final settlement value. **Settlement Method** A futures contract can be settled by cash or by physical delivery of the underlying asset.
Product Suitability	Aggressive/High Risk Investor & Professional Investor
Key Risks	**Basis Risk** The prices of futures contracts/options may not always go in line with/be perfectly correlated to the value of the underlying assets in the spot markets. For example, an increase in the spot price of the underlying asset may not cause the NAV of the futures and options fund to rise by the same magnitude. In fact, the NAV of the futures and options fund may not change at all or may even fall. **Volatility Risk** With substantial investment in futures contracts and options, the funds' prices may be subject to the risk of very volatile price movements of futures contracts and options. Futures contracts/options price movements may be caused by other factors such as changes in government policies, supply and demand, changes in interest rates and economic conditions. Futures contracts'/options' prices are highly volatile, and so are prices of the futures and

	options funds. Furthermore, many futures and options funds may invest in futures contracts/options with underlying asset classes such as commodities and foreign currencies which are generally more volatile. Besides, some futures exchanges may impose limits on daily futures price movement. In this case, even if a futures and options fund tries to close out its futures position to limit loss, the orders may not be executed due to such limits. **Margin Risk & Liquidity Risk** If the market moves against the futures position, the futures and options funds may be required to pay additional margins, to maintain the trading positions on short notice. The fund may need to liquidate its assets at unfavorable prices in order to meet these margin calls and suffer substantial losses. Some futures and options funds can only be redeemed at limited intervals (e.g. monthly). If you invest in such a fund, you may not be able to cash in on your investment at your desired price or when you are in need of cash. **Leverage Risk** Trading of futures contracts and options may carry a high degree of risk. The amount of initial margin/premium for entering into futures contracts/options is small relative to the value of futures contracts/options so that transactions are leveraged. In this way, a small change in contracts prices may result in magnified profit or loss, depending on the extent of leverage employed by the funds. A futures and options fund may or may not be leveraged. Although a futures and options fund may not invest all of its assets in futures contracts/options, where a futures and options fund is leveraged, the fund may lose all of its assets in its entirety due to the leverage effect of futures contracts/options. You should pay attention to the leverage level of a futures and options fund in which you invest, as well as the attendant risks. **Model Risk** The performance of futures and options fund depends mainly on success of its investment strategy, which is generally model-based. However, the use of model does not guarantee positive performance and any unexpected changes in market could hurt the model's performance. Moreover, it is not guaranteed that the model can be fully executed in an accurate and timely fashion. **Performance Fee Risk** The manager of a futures and options fund may charge a performance fee, which is payable to the manager annually if a pre-determined net appreciation of the fund's NAV is achieved. As the performance fee usually accrues on a daily basis and if payable, is deducted from the fund's net assets value on a daily basis, this gives rise to the risk that an investor redeeming his/her units may still need to bear a performance fee in respect of those units, even though a loss in the investment capital has been suffered by such redeeming investor. **Counterparty Risk** When a futures and options fund invests in options or other derivative instruments that are traded over-the-counter, the fund will be subject to the risk of default of its counterparties in performing any of their obligations. It may result in losses to the fund.
Worst Case Scenario	The loss is unlimited.
Gain Limitation	Whether you buy or sell a futures contract, your potential gain or loss is unlimited.
Principal Protected	This product is not principal protected.
Early Termination	N/A
Penalty of Early Exit	N/A
Secondary Market Availability	Yes.
Warning	The product is a complex product and investors should exercise caution in relation to the product.

Additional Warning on Foreign Securities

When you invest in foreign stock market, it is important to understand the risks and know your limits. You should also be aware that while you might make gains, you could also lose. Among the major risks you should watch out for include:

Market risk: Stock prices can be very volatile and unpredictable subject to different market and economic factors. Market risk, also known as systematic risk, usually refers to that type of risk associated to a specific market. It stems from the economic, geographical, political, social or other factors of that market. You may click here to know more about systematic risk.

Interest rate risk: Shifts in interest rates may affect different stock prices to different extents. Also, since the HKD is pegged to the USD, interest rate movements in Hong Kong can be directly influenced by interest rate movements in the United States.

Global risk: Economic issues and events around the world could influence the volatility of major markets.

Business risk: A listed company you invest in may suffer a severe decline in profits or even go bankrupt. This could be a result of many factors such as poor management, slowdown of the industry and competition.

Corporate mis-governance: A company you invest in may have improper management or conduct a transaction that you deem is detrimental to your interests as a shareholder e.g. a company buys an over-valued asset. The regulators do not normally intervene in commercial decisions of listed companies provided there is no breach of regulations.

Trading suspension: A stock can be suspended from trading to avoid any uneven information dissemination and opportunities for insider dealing and to ensure trading is undertaken on a fully informed basis. You will not be able to buy or sell a stock during suspension during which time the price may move due to both market and business risk changes.

Liquidity risk: Beware of the additional risk of being tied up in stocks which are difficult or costly to liquidate. Stocks with low capitalisation are generally less liquid than those with high capitalisation.

Currency risk: Investment in foreign markets is exposed to the fluctuation of exchange rates which could translate into losses.

Policy risk: Changes in foreign government policies and regulations could have profound impact on stocks in the relevant sectors or industries.

There are available secondary markets for investing in foreign securities in major countries and similar to investing in HK securities, the principal is not protected. While the gain can be unlimited, there is a possibility of losing all of your investment.

With the above, we define foreign securities as a Complex Investment Product and only suitable for Aggressive/High Risk Investor or Professional Investor.