Augustine

Risk Disclosure in Relation to transactions in structured products

1. **Unlisted structured product**
   Unlisted structured investment products embedded with derivatives and are NOT equivalent to time deposit.

2. **Volatility Risk**
   The value of structured products fluctuates, sometimes dramatically. The price of structured products may move up or down and may become valueless. It is as likely that losses will be incurred rather than profit made as a result of buying and selling structured products. Investors should study and understand structured products and their individual structure before they trade and carefully consider whether investment in the relevant structured products is suitable in the light of their financial position and investment objective.

3. **Not principal protected**
   Structured products are not principal protected. Investor's could lose all of investment if the prices of the reference asset(s) go against the view. The settlement at expiry may be the Cash amount or Stock amount comprising a number of the linked stock. In case the Stock amount is deliverable, the sum of the market value of the Stock amount together with the cash payment of fractional stock (if any) and any potential distribution amount paid for the entire scheduled tenor may be less or substantially less than the purchase price. In the worst case scenario, you may loss all of your investment.

4. **No collateral**
   Structure products are not collateralized and not secured on any of issuer's asset.

5. **Issuer Default risk**
   In the event that a structured product issuer becomes insolvent and defaults on their issued 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. In the worst case scenario, investors could lose all of their investment.

6. **Liquidity Risk**
   Structured products are designed to be held till maturity. Issuers may only provide limited or not provide market making arrangement for their structured products. Moreover, if investors try to terminate such contract before maturity under the market making arrangement provided by the issuer, investors may receive an amount which is substantially less than original investment amount.

7. **Post-sale cooling-off period may only applies to instrument with investment period of more than one year.**
   The amount to be returned is subject to the Terms and Condition of Issuer and such returned amount for cancellation or unwinding may be substantially less than your original investment.

8. **Re-investment risk**
   If instruments has Autocall feature or early terminated by Issuer, you will not receive any further potential distribution amount following such early termination. You may bear re-investment risk since the prevailing market conditions may have changed and may hinder you from making any further investment under similar investment terms. You may not be able to get the same rate of return if you re-invest in investments with similar risk parameters.

9. **Settlement and Physical Delivery Risk**
   If pre-determined condition is triggered and the closing price of the Linked stock drops below the put strike price on the valuation date, client will receive the stock amount. However, actual delivery of the stock amount will only be made on the settlement date. Therefore, investor will be exposed to any movement in the market price of the linked stock starting from the valuation date. If

settlement at expiry is determined to be physical delivery of the stock amount, investor may receive odd lots of the linked stock where the sales price may be lower than that for the linked stock trading in board lots.

10. **No direct enforcement rights and contractual right against the Issuers.**
    Each structured product will be represented by a global certificate and no individual certificate will be issued to investor with respect to the interest. Investors will have to rely on distributor or its custodian(s) to take action to assert your rights as an investor on your behalf and will not have direct contractual rights of enforcement against the Issuers and distributor is not liable for your loss.

11. **Not covered by Investor Compensation Fund**
    Structured products are not listed on any stock exchange and are not covered by the Investor Compensation Fund.

12. **Not the same as investing in linked stock**
    Investing in structured products is not the same as investing in the linked stock. During the investment period, investors have no rights in the linked stock (except where the linked stock is deliverable to you upon maturity, you will be entitled to the rights in the linked stock as from the final fixing date as described in the terms and conditions). Changes in the market price of such linked stock may not lead to a corresponding change in the market value of, or your potential gain/loss under structured products.

13. **Price adjustment risk and early termination risk**
    Investors should note that any dividend payment on the underlying security may affect its price and the payback of the structured products at expiry due to ex-dividend pricing. Investors should also note that issuers may adjust or even early terminate the terms and conditions to the structured products due to corporate actions, a potential adjustment event, a merger event and so on occurred during the period between the trade date and valuation date (both day inclusive) to preserve the economic equivalence of structured products. Any adjustment or early termination of the structured products will be made by the issuers in their sole and absolute discretion acting in good faith and in a commercially reasonable manner.

14. **Capped maximum potential gain**
    While most structured products offer a yield that is potentially higher than the interest on fixed deposits and traditional bonds, the return on investment is limited to the potential yield of such structured products.

15. **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.

16. **Structured products linked to the underlying asset will be exposed to the risk factors that such underlying asset inherent.**
    If the underlying asset is ETF and adopts a synthetic replication investment strategy to achieve its investment objectives by investing in financial derivative instruments linked to the performance of an underlying asset pool or index that the ETF is designed to track, which will expose ETF to the credit potential contagion and concentration risks of the counterparties who issued such financial derivative instruments and also to higher liquidity risk if the ETF invests in financial derivative instruments which do not have an active secondary market. Same case applies to the underlying asset of REIT, RQFII ETF, unit of a fund and so on. Client should go over the terms sheet of the structure product and make sure you understand the risk.

17. **English version of Terms and Condition prevails over Chinese version**