GENERAL RISK DISCLOSURE

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 firm 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.

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.

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.

Market risk

All transactions carry inherent market risk associated with the underlying instrument. For example, foreign exchange transactions are exposed to the risk that the exchange rate of the foreign currency may go up or down. Other risks are associated with the underlying instrument besides the movement of the underlying instrument. You may be exposed to one or more risks arising from other market factors, including but not limited to interest rate risk and volatility risk.

Please note that historic or past performance is not an indication of future performance.

Risk of entering into derivative transactions

There are a number of risks that are associated with derivative transactions, such as fluctuations in interest rates, exchange rates, and/or prices or levels of underlying securities, currencies, commodities, funds, indices, instruments and/or creditworthiness of reference entities. The specific risks presented by a particular derivative transaction will depend on the negotiated terms of the transaction. In deciding whether to enter into a derivative transaction, you should be aware of factors such as market risk, credit risk, liquidity/funding risk and operational risk, as well as risk of significant losses.

You should not deal in derivatives unless you understand the nature of the contract you are entering into and the extent of your risk exposure, and are satisfied that the contract is suitable for you in light of your circumstances and financial position.

Over-the-counter (OTC) derivative transactions are not conducted on exchange and are traded on a bilateral basis. An OTC derivative transaction may only be modified or terminated with mutual consent by contracting parties and the transaction is subject to agreement which is individually negotiated. Further, you may not be able to modify, terminate or offset your obligation or your exposure to the risks associated with a transaction prior to its scheduled maturity date. Trading in complex, illiquid or structured derivative transactions may lead to increased risks as you may not be able to close out or hedge your position by entering into or taking an exact opposite position. You may find it difficult to establish an independent value for an outstanding OTC derivative transaction as market makers and dealers generally are not obliged to quote prices for entering or terminating OTC derivative transactions or to provide indicative or mid-market quotations for outstanding OTC derivative transactions.

Basis risk

A transaction may not be a perfect hedge against a particular type of risk. Even small differences between the terms of the transaction and the assets, liability or position may create a basis or correlation risk. For example, a slightly different maturity or duration between a transaction and the risk being hedged can result in a mismatch of this kind.

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Non-transferability and non-marketability

A transaction generally cannot be assigned or transferred without the consent of the other party. The Bank is not obliged to repurchase a transaction from you. Accordingly, once you have entered into a transaction, you may not be able to unwind the transaction to stop any further losses you may be incurring on that transaction. Because transactions are customised and not fungible, engaging in a transaction with another dealer to offset a transaction you have entered into with the Bank will not automatically close out those positions (as would be true in the case of equivalent exchange-traded futures and options) and will not necessarily function as a perfect hedge.

Cancellation or termination

Depending on the terms of the transaction, you may not be able to cancel or terminate a transaction before its stated maturity date without the Bank's consent. The Bank may cancel or terminate a transaction upon occurrence of an event of default or termination event. If the transaction is terminated early, it will be terminated at prevailing market rates and you may incur unwinding costs determined by the Bank having regard to any losses associated with it terminating, liquidating, obtaining or re-establishing any hedge or related trading position, including any loss of bargain and cost of funding. Given that some markets are highly volatile and can fluctuate rapidly, you may suffer financial loss as a result of early termination. In the case of structured investments, the unwinding costs could reduce your expected return or the investment amount, potentially resulting in a loss of the original investment amount even for capital protected products.

Bank's proprietary trading

The Bank may engage in transactions deemed appropriate in its sole discretion to hedge its market risk with respect to derivative transactions with you or other third parties, and such transactions may result in trading in securities, baskets, indices, commodities or other instruments underlying a derivative transaction or options related to such securities, baskets, indices, commodities or other instruments. In addition, the Bank and its affiliates engage in proprietary trading for their own accounts in the same or similar securities, baskets, indices, commodities or other instruments underlying the derivative transactions, and such trading may affect the value of the securities, baskets, indices, commodities, or other instruments underlying derivative transactions.

Counterparty credit risk

Please note that you are exposed to the credit risk of your counterparty. If you enter into a transaction with the Bank, it is important that you are comfortable with the Bank's creditworthiness as, if the Bank defaults or becomes insolvent, you can only claim as an unsecured creditor.

General Renminbi risk

Renminbi ("**RMB**") is not a freely convertible currency at present. The government of the People's Republic of China ("**PRC**") continues to regulate conversion between RMB and foreign currencies, including the Hong Kong dollar, despite the significant reduction over the years by the PRC government of its control over routine foreign exchange transactions under current accounts.

Remittance of RMB by foreign investors into the PRC for the purposes of capital account items, such as capital contributions, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities and is subject to a strict monitoring system. Regulations in the PRC on the remittance of RMB into the PRC for settlement of capital account items are developing gradually. There is, however, no assurance that the PRC government will continue to gradually liberalise control over cross-border remittance of RMB in the future.

The People's Bank of China ("**PBOC**") has established a clearing and settlement system pursuant to the Settlement Agreement on the Clearing of RMB Business between PBOC and Bank of China (Hong Kong) Limited, and there is no longer any limit on the ability of corporations to convert RMB offshore, nor is there any restriction on the transfer of RMB funds between different accounts in Hong Kong. However, the current size of RMB and RMB denominated financial assets in Hong Kong is limited and its growth is subject to many constraints which are corollaries of PRC laws and regulations and foreign exchange.

Renminbi exchange rate risk

As the exchange rates are based primarily on market forces, the exchange rates for RMB against other currencies, including US dollars and Hong Kong dollars, are susceptible to movements based on changes in the PRC, by international political and economic conditions and many other factors.

There can be no assurance that the RMB will appreciate, or be subject to devaluation. Any devaluation of the RMB could adversely affect the value of your investments which may be denominated or settled in RMB. Investors whose base currency is not denominated in RMB may be susceptible to and adversely affected by fluctuations in the prevailing exchange rates of the RMB and therefore adversely affected by such impact on the return and performance of the product. In addition, there may be tax consequences for you as a result of any foreign currency gains resulting from any investment if the product is denominated in RMB.

RMB conversion risk

RMB is currently not a freely convertible currency as it is subject to foreign exchange control policies of the PRC government and any other laws, regulations, directives or guidelines imposed by any central banking authority or other governmental or regulatory body. If the product is denominated in RMB or your settlement of this product is in RMB, you may not be able to freely convert, or may experience difficulty or delay to convert, RMB into your home/base currency, or any other foreign currencies and vice versa.

The limited convertibility of RMB also gives rise to the risk that you may not be able to receive the investment amount, the interest derived from the investment and/or return (as the case may be) fully in RMB. This may be the case if the Bank is not able to obtain sufficient amount of RMB in a timely manner due to the applicable exchange controls and restrictions relevant to RMB or other laws, regulations, directives or guidelines imposed by any central banking authority or other governmental or regulatory body which: (i) requires the Bank to obtain permission from such authority or body to purchase RMB; (ii) otherwise restricts the Bank's ability to obtain RMB; or (iii) otherwise adversely regulates the purchase or holding of RMB such that additional costs are imposed in obtaining RMB. In the event the Bank is not able to obtain RMB in a timely manner for the settlement of this product on any scheduled payment date, you agree that you will receive the investment amount (and/or interest) in US dollars or in any other freely convertible and transferable currencies as the Bank may decide in its sole discretion. In this scenario, you may be exposed to unforeseen adverse impact on your potential gain or loss under this product.

Hedging risk If you are entering into this transaction for hedging purposes and the proposed maximum exposure to a currency under the transaction (or the resulting total maximum exposure after taking into account other similar outstanding contracts) is materially higher than your underlying positions or anticipated cash flows in that currency, you will be over exposed to the currency.

Tenor. The total tenor of the transaction including all future potential obligations. Transactions with a longer tenor will be associated with higher risk, which may result in higher unwinding costs. You may suffer substantial loss as you are bound by the transaction to take up the agreed amount of the underlying at the agreed price for the remaining period of the transaction.

Expected Return. The expected return and compare it to the worst case scenario and the maximum loss you might incur, in view of both cash flow loss and potential mark-to-market loss. Consider whether the expected return justifies any potential loss. This is particularly important if you are speculating on the movement of a particular rate or price.

Potential Loss. What loss you might incur as a result of adverse movements in the value of the transaction following changes in the market price or value of the underlying. For some types of transactions, the maximum amount you can lose will be limited. In the case of options you have bought, for example, your loss would normally be limited to the premium you have paid for the option. With other types of transactions, however, the potential loss is unlimited and may not be able to be measured at the time that the transaction is entered into. This may be the case with options that you sell to another party or transactions such as capped profit structured forward transactions.

Off-exchange Transactions. While some off-exchange markets are highly liquid, off-exchange transactions may generally involve greater risk than investing in on-exchange transactions because there is no exchange or secondary trading market on which to liquidate an open position, to assess the value of the off-exchange transaction or to assess the exposure to risk. Bid prices and offer prices need not be quoted, and, even where they are, they will be established by dealers in these instruments and consequently, it may be difficult to establish what a fair price is. Off-exchange transactions are individually negotiated. If a particular transaction is large or if the relevant market is illiquid (as may be the case with many individually negotiated off-exchange derivatives), it may be impossible or difficult to execute a transaction or liquidate an open position.

Collateral. For collateralised transactions, you may be liable to provide collateral (cash/securities) to maintain your position. Depending on the mark-to-market valuation of the transaction, the amount of required collateral may increase during the term of the transaction. You should consider your ability to fund any required collateral should the market move against you. Should you fail to provide the required collateral as and when they are due, your trade may be unilaterally terminated prior to maturity. In particular, you should be aware of the following:

- **Liquidity Pressure:** In poor market conditions, you may be required to provide collateral at short notice, while your ability to make payment may be worse than in normal market conditions due to the fall in the market value of other financial assets.
- **Interest Costs (if applicable):** You may be required to pay interest costs associated with providing the required collateral covering the full mark-to-market losses for the remaining term of the transaction. Such amount may be substantial in poor market conditions.