

Additional Risk Disclosure Statement for Renminbi Services

This Additional Risk Disclosure Statement for Renminbi Services (“Additional Risk Statement”) is supplemental to the Bank’s Risk Disclosure Statement. It is an important document which the Client should read carefully.

The following is not an exhaustive list of all the risks and other significant aspects of investing in Renminbi or its related products. Moreover, not all of the following risk disclosures may be relevant to the Client’s particular circumstances or the services currently provided by the Bank. The Client should carefully study such investment transactions and products (including all marketing materials in relation thereto) before the Client deals and considers whether such transactions and products are suitable in the light of the Client’s own experience, financial position and investment objectives.

RMB currency risk

Renminbi is currently not freely convertible and its conversion through banks in Hong Kong is subject to exchange controls and restrictions. There is no guarantee that Renminbi will not depreciate or that it will remain restrictively convertible to any extent or sufficiently available (whether or not on satisfactory terms) outside the People’s Republic of China, and hence the Client is subject to both exchange rate fluctuations and liquidity risks which may result in gains as well as losses.

The Client will be subject to multiple currency conversion costs involved in making and liquidating investments which are not denominated in Renminbi or with underlying investments which are not Renminbi-denominated, as well as Renminbi exchange rate fluctuations and bid/offer spreads when assets are sold to meet redemption requests and other capital requirements (e.g. settling operating expenses), which may adversely affect the return and performance of Renminbi-related products.

Limited availability of underlying investments denominated in Renminbi

For any Renminbi products which do not have access to invest directly in Mainland China, their available choice of underlying investments denominated in Renminbi outside Mainland China may be limited. Such limitation may adversely affect the return and performance of such products.

Projected returns which are not guaranteed

With regard to any Renminbi products in respect of which a statement of illustrative return which is not guaranteed (whether fully or partly) has been provided, the Client should take note of the return (or the part of the return, as the case may be) which is not guaranteed and the assumptions on which the illustrations are based, including, e.g., any future bonus or dividend declaration.

Long term commitment to investment products

For any Renminbi products which involve a long period of investment (e.g. Renminbi investment-linked assurance scheme), if the Client redeems the investment in such products before the maturity date or during the lock-up period (if applicable), the Client may incur a significant loss of principal and the proceeds may be substantially lower than the invested amount. The Client may have to pay early surrender/withdrawal fees and charges and may incur loss of bonuses (where applicable) if the Client redeems the investment before the maturity date or during the lock-up period.

Credit risk of counterparties

Any products which may invest in Renminbi debt instruments not supported by any collateral are fully exposed to the credit risk of the relevant counterparties. Where Renminbi products may invest in derivative instruments, counterparty risk may also arise as the default by the derivative issuers may adversely affect the performance of such Renminbi products and result in substantial loss. The Client may be exposed to the credit risk of counterparties if the Client invests in such products.

Interest rate risk

For any products which are, or may invest in, Renminbi debt instruments, such instruments are susceptible to interest rate fluctuations, which may adversely affect the return and performance of such products.

Liquidity risk

The Client should take note of the liquidity risk associated with Renminbi products, and where applicable, the possibility that such products may suffer significant losses in liquidating the underlying investments, especially if such investments do not have an active secondary market and their prices have large bid/offer spreads.

Possibility of not receiving Renminbi upon redemption

For any Renminbi products with a significant portion of non-Renminbi denominated underlying investments, there is a possibility of not receiving the full amount in Renminbi upon redemption. This may be the case if the issuer is not able to obtain sufficient amount of Renminbi in a timely manner due to the exchange controls and restrictions applicable to the currency.

Additional risks associated with leveraged trading

Leveraging heightens the investment risk by magnifying prospective losses. The Client may be required to place additional margin deposits at short notice and the Client's collateral may be liquidated without the Client's consent as more particularly provided in the Bank's General Business Conditions and applicable documents. Market conditions may make it impossible to execute contingent orders, such as "stop-loss" orders. The Client may have exposure to interest rate risk, and in particular, the Client's cost of borrowing may increase due to interest rate movements.

Acknowledgement

I/We acknowledge and confirm that: (i) I/we have received the above risk disclosure statements in a language of my/our choice, namely English; and (ii) I was/we were invited to read the above risk disclosure statements, to ask questions and take independent advice if I/we wish.

I/We further acknowledge and confirm that: (i) I/we have carefully read and considered the above risk disclosure statements; and (ii) the staff of the Bank has explained to me/us and I/we understand the risks associated with investments in Renminbi products.