Product Information Statement

Futures

1) 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.

2) Key terms and 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 by 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.

3) Availability to PI

It is available for Professional Investor or Non- Professional Investor

4) 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.

5) Worst case scenario

The lost is unlimited.

6) Potential gain capture

Whether you buy or sell a futures contract, your potential gain or loss is unlimited

7) Principal protected

This product is not principal protected.

8) Early termination

N/A

9) Early exit penalty

N/A

10) Secondary market

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 Statement

The product is a complex product and investors should exercise caution in relation to the product.

In the worst case scenario (e.g. insolvency of issuer), the investor may get nothing back and the potential maximum loss could be 100% of investment amount.

If the offering documents provided by the issuer have not been reviewed by the SFC; investors are advised to exercise caution in relation to the offer.

SFC authorization does not imply official recommendation or endorsement of a product nor does it guarantee the commercial merits of a product or its performance.

The product is available for professional investors / non- professional investors.