Product Information Statement

Option

1) Product nature

An option is a contract giving you the right to buy or sell an underlying asset at an agreed price before or when the contract expires. Underlying asset refers to the asset to be bought or sold if the option is exercised. It can be a stock, a commodity (eg gold), a bond, a currency or an index (eg Hang Seng Index).

2) Key terms and 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 (eg 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.

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

Option buyer's risk is only limited to the premium paid, the option seller's loss can be far greater than the premium received.

6) Potential gain capture

The potential gain when buying an option is unlimited, but the option buyer's risk is only limited to the premium paid.

An option seller's profit is limited to the premium received. Given the option seller must meet the buyer's decision on exercise, the option seller's loss can be far greater than the premium received.

7) Principal protected

This product is not principal protected.

8) Early termination

N/A

9) Early exit penalty

N/A

10) Secondary market

Options contracts may be traded between parties in markets operated by an exchange (**exchange-traded**).

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.