

INLINE WARRANTS

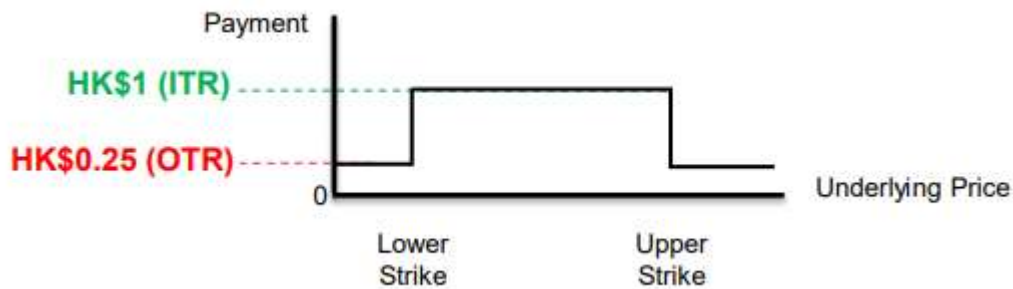
Inline Warrants are a type of structured product that entitles the investors to receive a pre-determined fixed payment at expiry. At expiry, investors will receive HK\$1 per inline warrant held when the underlying asset falls at or within the Upper and Lower Strikes (In-The-Range) or HK\$0.25 per inline warrant held when the underlying asset falls outside the Upper and Lower Strikes (Out-of-The-Range).

Due to the pre-determined fixed maximum payment at expiry of HK\$1, an inline warrant should not be traded above HK\$1. Investors will suffer a loss by buying an inline warrant above HK\$1.

Features of Inline Warrants

| Features | Terms |
|--|---|
| Eligible Underlying | Index underlying: HSI Stock underlying: Top 5 most liquid stocks by turnover (subject to HKEx review from time to time) |
| Strike Prices | Must have 2 strike prices – Lower and Upper Strikes |
| Minimum Fixed Payment at Expiry | HK\$0.25 |
| Maximum Fixed Payment at Expiry | HK\$1.00 |
| Investors' Maximum P&L | Maximum Profit = HK\$1 - Cost of Inline Warrant Maximum Loss = Cost of Inline Warrant – HK\$0.25 |
| Valuation at Expiry | Index underlying: Final settlement price of the underlying index futures contracts with same expiry month of inline warrants Stock underlying: Average of the closing prices of the underlying stock for five trading day |
| Settlement Amount at Expiry | In-The-Money: Pre-determined cash amount of HK\$1 if the Valuation at Expiry is at or falls within Upper and Lower Strikes Out-of-The-Money: Pre-determined cash amount of HK\$0.25 if the Valuation at Expiry falls outside Upper or Lower Strike |
| Duration | Minimum 6 months |

Payment at Expiry



Opportunities

7. Range trading vs directional trading (DWs or CBCs)
8. Possibility to make profits in a sideways or flat market
9. Investors may choose from different strike prices to express their views on the underlying stock price or index level

Key Risks Involved in Trading Inline Warrants

10. Pricing structure

The pricing structure of the inline warrants requires investors to assess accurately the value of the inline warrants in relation to the expected probability of the valuation of underlying asset falling within the range between the upper strike price and the lower strike price (both inclusive). It may be difficult for investors to properly value and/or to use as a hedging tool.

11. Maximum potential payoff is capped

If the valuation of underlying asset falls within or at the price range between the lower strike price and the upper strike price (both inclusive), investors will only receive a maximum payoff of HK\$1 per inline warrant at expiry. Therefore, the potential payoff is capped.

Cancellation of trade above HK\$1

Due to the pre-determined fixed maximum payment at expiry of HK\$1, an inline warrant should not be traded above HK\$1. Any trades executed at the price above HK\$1 shall not be recognized and will be cancelled by the Exchange.