

**PRODUCT BOOKLET :
OTC ACCUMULATOR & DECUMULATOR ON EQUITY**

Accumulators / Decumulators are complex derivatives. This document serves to explain the key product features and product risks of an OTC Accumulator & Decumulator on Equity. It is important that you read and understand the information contained herein before you consider any investments in an OTC Accumulator / Decumulator. This document does not constitute an offer, an invitation, or a recommendation to enter into any transaction. This document is solely intended for a professional investor, as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "SFO") and the rules made under the SFO.

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Definitions

Capitalised terms used in this Product Booklet but not defined herein shall have the meanings set out in the Indicative Term-sheet unless the context requires otherwise.

Product Summary

- OTC Accumulators on Equity ("Accumulator") and Decumulators on Equity ("Decumulator") (each, a "Product") are derivative investment product.

- The Product is assigned the **highest product risk rating of 5**, and is only suitable for investors who have a **high-risk** investment profile.
- The Product is a **Principal-at-Risk** investment. Besides the amount placed as initial margin, the investor may be **subject to a total loss** up to the Maximum Notional Amount of the Product.
- In addition to taking the price risk and credit risk of the underlying Share, the investor is also taking on the credit risk of the Product's counterparty, namely, the Bank.
- Accumulator is a **leveraged product** that allows investors to transact a larger notional amount by placing a fraction of the notional amount as initial margin requirement with the Bank. This amplifies the potential gains as well as losses of the Accumulator relative to the initial margin requirement.
- An **initial margin, at such percentage as the Bank may stipulate from time to time**, of the Accumulator's **Maximum Notional Amount** is required. In addition, the investor may be required, during the life of the Accumulator, to provide **additional margin** to cover any **mark-to-market losses** as determined by the Bank from time to time.

Product Features

The Product is highly customisable. Before transacting, an investor should carefully consider whether the features and the risks of the Product are consistent with his / her risk profile and views of the underlying Share. The investor should ensure that he / she agrees to all the terms applicable to the Product before transacting.

- **Initial Margin**

If the Accumulator is transacted on a margin basis, the investor will deposit the margin requirement with the Bank instead of investing the Maximum Notional Amount upfront. On each Settlement Date, the investor will need to arrange for funding in order to take delivery of the underlying Share purchased.

- **Covered Decumulator**

Decumulator must only be transacted on a covered basis via the Bank. Covered basis means the investor must own and hold the required quantity of the underlying Share with the Bank before transacting the Decumulator. The quantity of underlying Share earmarked as cover ("Earmarked Shares") shall not be sold or withdrawn from the account, except for satisfying delivery obligation of the Decumulator.

- **OTC Accumulator on Equity ("Accumulator")**

- ✓ An Accumulator is an investment option for investors who hold a positive view of the selected underlying Share.
- ✓ Investor of Accumulator is able to accumulate the selected underlying Share at a discounted Forward Price relative to the Initial Price.
- ✓ Investor has the potential to profit even if the price of the underlying Share remains unchanged, or declines slightly, provided it maintains above the Forward Price.
- ✓ Investor captures profit by selling the accumulated underlying Share which are delivered to the investor's account on a regular basis as per Schedule of Settlement Dates, usually monthly.

- **Covered Decumulator on Equity ("Decumulator")**

- ✓ A Decumulator is an investment option for investors who expect the price of the selected underlying Share not to appreciate or depreciate significantly.
- ✓ Investor of Decumulator is able to sell the selected underlying Share at a Forward Price that is higher than the Initial Price.
- ✓ Decumulator DOES NOT offer protection against a price decline of the underlying Share held by the investor.

- **Settlement**

- ✓ Accumulator

The accumulated underlying Share during the Accumulation Period ("Number of Shares"), computed as (Daily Share Accumulation x number of Accumulation Day within the Accumulation Period), is delivered to the investor's account on a regular basis on the Scheduled Settlement Dates, usually once a month. Investor will need to arrange funding to pay the required Settlement Amount, computed as (Number of Shares x Forward Price). Investor can only sell the accumulated underlying Share **AFTER** the shares are delivered to him/her.

- ✓ Decumulator

The investor is required to deliver the decumulated underlying Share during the Decumulation Period ("Number of Shares"), computed as (Daily Share Decumulation x number of Decumulation Day within the Decumulation Period) on

a regular basis on the Scheduled Settlement Dates, usually once a month. In return, the Bank will pay the applicable Settlement Amount, computed as (Number of Shares x Forward Price), to the investor on the Scheduled Settlement Dates.

- **Observation**

If the Product is structured with a gearing feature, the Forward Price will be compared with the prevailing market price of the underlying Share, usually on a daily basis, to determine the Daily Share Accumulation / Decumulation for that day.

- **Gearing**

This feature allows the Daily Share Accumulation / Decumulation to be varied subject to the applicable gearing ratio, depending on the market price of the underlying Share relative to the Forward Price.

For example, a gearing ratio of “2x” means

- ✓ Accumulator

- ☞ If the Settlement Price is **greater than or equal to** the Forward Price, the Daily Share Accumulation shall be the Shares Per Day.
- ☞ If the Settlement Price is **lower than** the Forward Price, the Daily Share Accumulation shall be 2-times the Shares Per Day.

- ✓ Decumulator

- ☞ If the Settlement Price is **lower than or equal to** the Forward Price, the Daily Share Decumulation shall be the Shares Per Day.
- ☞ If the Settlement Price is **higher than** the Forward Price, the Daily Share Decumulation shall be 2-times the Shares Per Day.

- **Knock-out**

The Product may be structured with a knock-out feature. Upon the occurrence of the Knock-out Event, the Product will terminate immediately.

- ✓ Knock-out Event of an Accumulator

If the Settlement Price of the underlying Share is equal to or above the Knock-out Price, the Accumulator will terminate immediately. Any underlying Share accumulated before the knock-out trigger will be credited to the investor's account, including partial accumulation between two Settlement Dates. The total quantity of underlying Share to be delivered to the investor under the Accumulator will be limited to those accumulated **BEFORE** the knock-out is triggered.

- ✓ Knock-out Event of a Decumulator

If the Settlement Price of the underlying Share is equal to or below the Knock-out Price, the Decumulator will terminate immediately. The investor will be required to deliver any underlying Share decumulated before the knock-out trigger, including partial decumulation between two Settlement Dates. The total quantity of underlying Share to be delivered by the investor under the Decumulator will be limited to those decumulated **BEFORE** the knock-out is triggered.

If the Knock-out Event is **NOT** triggered, the investor will accumulate / decumulate the underlying Share throughout the tenor of the Product until its Final Expiry Date.

- **Minimum Accumulation / Decumulation**

This feature is to ensure that a minimum quantity of underlying Share will be accumulated / decumulated even if the Knock-out Event is triggered immediately after contracting.

- ✓ Additional Knock-out Shares for Accumulators

If a Knock-out Event occurs during the Minimum Accumulation Period, in addition to the number of Shares accrued before the Knock-out Event, the Bank will sell to investor the Additional Knock-out Shares determined as Shares Per Day multiplied by the number of remaining Accumulation Days from the Knock-out Date to the Accumulation Period End Date of the Minimum Accumulation Period.

- ✓ Additional Knock-out Shares for Decumulators

If a Knock-out Event occurs during the Minimum Decumulation Period, in addition to the number of Shares accrued before the Knock-out Event, investor will sell to the Bank the Additional Knock-out Shares determined as Shares Per Day multiplied by the number of remaining Decumulation Days from the Knock-out Date to the Decumulation Period End Date of the Minimum Decumulation Period.

Margin Requirement



Accumulators are transacted on margin. The margin requirement is computed as [Initial Margin Requirement + Mark-to-market loss].

- **Initial Margin Requirement (“IMR”) :**

The Initial Margin Requirement is computed by applying the Initial Margin to the Accumulator’s remaining Maximum Notional Amount, which is reduced after each Accumulation Period End Date. The Initial Margin is a percentage determined by the Bank at its sole discretion, and subject to review from time to time.

- **Mark-to-market (“MTM”) loss :**

During the life of the Accumulator, the investor will be required to provide additional collateral for the MTM loss.

Example:

Shares Per Day	:	1,000 shares
Number of Accumulation Days	:	240 <i>(assume 20 Accumulation Days per Accumulation Period over 12 Accumulation Periods)</i>
Forward Price	:	\$10
Gearing Ratio	:	2x
Maximum Notional Amount	:	\$4.8 million [1,000 x 2 x 240 x \$10.00]
Initial Margin	:	30%

- On Day 1: IMR on Day 1 : \$1.44 million (30% x \$4.8 million).
- On Day 10: Assume the Accumulator has a MTM loss of \$100,000. The Margin Requirement would be \$1.54 million [IMR of \$1.44 million + MTM loss of \$100,000]
- On Day 20: At the end of the 1st Accumulation Period, settlement of the Shares accumulated during the Accumulation Period will be delivered to the investor.
The Accumulator’s Maximum Notional Amount will be reduced by \$400,000 (1,000 x 2 x 20 x \$10) to \$4.4 million.
The IMR would be \$1.32 million (30% x \$4.4 million).
Assume the Accumulator has a MTM loss of \$200,000. The Margin Requirement would be \$1.52 million [IMR of \$1.32 million + MTM loss of \$200,000].
- On Day 30: Say, the Bank revised the Initial Margin from 30% to 50%.
The IMR would be \$2.2 million (50% x \$4.4 million).
Assume the Accumulator has a MTM loss of \$300,000. The Margin Requirement would be \$2.5 million [IMR of \$2.2 million + MTM loss of \$300,000].

Key Product Risks

This section provides a (non-exhaustive) summary of the key risks of investing in the Product. Please refer to the Risk Factors in the Indicative Term-sheet for a detailed description of the key risks.

- **Market Risk**
 - ✓ Investor of an Accumulator will be required to continue accumulating the underlying Share when the prevailing market price of the underlying Share on each Accumulation Day is lower than the Forward Price. This will continue even if the market price is significantly lower than the Forward Price.
 - ✓ Investor of a Decumulator will be required to continue decumulating the underlying Share when the prevailing market price of the underlying Share on each Decumulation Day is higher than the Forward Price. This will continue even if the market price is significantly higher than the Forward Price.
- **Mark-to-Market Risk**

Investor bears the downside risk of the Product’s price fluctuation.

 - ✓ If the price of the underlying Share falls (for Accumulators) or rises (for Decumulators), the investor will bear a mark-to-market (MTM) loss in valuation.

- ✓ The MTM value of this Product is calculated by an option pricing model based on various factors including but not limited to current spot price, time-to-maturity, volatilities, forward price, risk-free interest rate. Hence, the MTM value may be significantly different from the intrinsic value calculated by simple arithmetical method by reference to the difference between the forward price and the spot price.
- ✓ Investor needs to be aware that the Product's price may deteriorate as a result of an increase in implied volatility. This could arise even if the price of the underlying Share remains unchanged, or even appreciates (in the case of Accumulators) or depreciates (in the case of Decumulators).

The Bank has the right to determine the daily MTM valuation at its sole discretion and investor bears the risk of daily MTM fluctuation in valuation.

- **Tenor**

The investor should take note of the tenor of the Product. The investor should further note that any product or transaction with a long tenor tends to be associated with higher risks and early termination, if permitted at the sole and absolute discretion of the Bank, will usually involve higher costs.

- **Liquidity Risk**

The Product has limited or non-existent secondary market liquidity. It may be difficult, or impossible, for the investor to sell or dispose of an Accumulator / Decumulator prior to its Final Expiry Date.

- **Leveraging Risk**

The degree of leverage can work for as well as against the investor. Due to the leverage, a small movement in the market can lead to a major gain but any losses will also be magnified sharply. Leveraging may be by way of a loan, trading on a margin, or embedded within an instrument. DBS' terms relating to top-up and close-out will apply and the investor may be required at short notice to provide additional margin failing which outstanding transactions may be closed out at a significant loss.

- **Credit Risk**

Investor has to bear the credit risk of both the Product's counterparty and the issuer of the underlying Share. The potential maximum loss will be the maximum notional amount of the Product, and not just the amount the investor places with the Bank as initial margin. In cases where the Product has a gearing feature, the maximum notional amount of the Product refers to the geared amount.

- **Interaction Risk**

Different types of risks may interact unpredictably, particularly in times of market stress.

- **Gearing Risk**

If the Product is structured with Gearing, the investor should note that the investor may be required to deliver or take delivery of number of underlying Share more than one time multiplied by the Shares Per Day at the Forward Price. This means any loss to the investor will be magnified.

- **Concentration Risk**

The investor should be satisfied that he has the risk appetite for, and is not over exposed to, the relevant Share specified in the term-sheet or any other structured equity-linked transactions of a similar nature.

- **Corporate Actions Risk**

Corporate actions in relation to the Share may occur which have a dilutive effect on the value of the share. In certain circumstances, DBS may have discretion as to the adjustments that it makes, if any, following corporation actions.

- **Delivery Risk**

An investor who transacts Accumulator on margin will need to provide funding for the delivery of the underlying Share on each Settlement Date, up to the maximum notional amount of the Accumulator, which is substantially more than the amount placed as initial margin requirement.

- **Hedging Risk**

The investor should be aware that accumulators with knock-out feature or other features to cap the upside (where applicable) may not serve his intended hedging purpose.

- **Margin Requirement Risk**

The Bank reserves the right to review and revise the initial margin from time to time during the tenor of the Accumulator, including demanding a 100% initial margin. Upon such review, the Investor may be subjected to a significantly higher margin requirement than that required at the point of transacting.

- **Margin Calls**

An investor who transacts the Accumulator on margin may be subjected to margin calls if the Bank deems that the collateral is insufficient to cover the total amount of the initial margin requirement and the MTM loss. This may arise as a result of various factors, including a deterioration of the market price of the Accumulator or the collateral, losses arising



from closed out transactions, a higher initial margin, or a combination of them. The investor will be required to rectify or settle the margin call within such period as may be specified by the Bank. Failure to meet any margin calls may result in outstanding transactions being closed out without consent from the investor at significant losses and costs. The Bank may also realise such part or all of the collateral as the Bank deems necessary in accordance with the terms of the relevant security documents to satisfy the liabilities of the investor.

- **Specific Product Risks**

The investor should note the knock-out feature of the Product. The Accumulator / Decumulator will be knocked-out and terminated early if the underlying Share out-performs / under-performs the stipulated benchmark. In such event, the investor will not be able to accumulate / decumulate any additional underlying Share at the Forward Price. The return to the investor under each Equity Transaction may therefore be capped in such circumstances.

- **RMB Currency risk**

The renminbi is the official currency of the People's Republic of China. The literally means "people's currency". The currency code for renminbi which may also be used for the yuan is CNY (an abbreviation for "Chinese yuan") when traded onshore in Mainland China, or also CNH when traded in offshore markets such as Hong Kong, Singapore, London, New York.

Fluctuations in the exchange rate may adversely affect the investment return when the investors convert the proceeds to the original currency.

RMB may not be freely convertible and is subject to Mainland China's exchange controls and restrictions.

Products will be subject to multiple currency conversion costs involved in making investments and liquidating investments or meeting other settling or operating expenses if the products are not denominated, or if the underlying investments are not denominated, in RMB.

When calculating the payoff/ value of the RMB products, the offshore RMB (the "CNH") will be used. The CNH rate may be at a premium or discount to the exchange rate for onshore RMB (the "CNY") and there may be significant bid and offer spreads. While CNH and CNY represent the same currency, they are traded in different and separate markets which operate independently. As such, CNH does not necessarily have the same exchange rate and may not move in the same direction as CNY.

- **Synthetic ETF Products related risk**

Derivative Instrument

Synthetic ETFs typically do not invest directly in the underlying assets of the respective benchmark. Instead, they invest in financial derivative instruments to replicate the performance of the benchmark. Investors should read the ETF prospectus carefully to ensure they understand how the fund operates.

Market Risk

An ETF is exposed to the political, economic, currency, legal and other risks of a specific sector or market related to the index and the market that it is tracking.

ETF Managers may use different strategies to perform the tracking but in general they do not have the discretion to take defensive positions in declining markets. Investors must be prepared to bear the risk of loss and volatility associated with the underlying index/assets.

Credit & Counterparty Risk

Where a Synthetic ETF invests in derivatives to replicate the index performance, investors are exposed to the credit risk of the counterparties who issued the derivatives, in addition to the risks relating to the index.

Potential contagion and concentration risks of the derivative issuers should be taken into account (e.g. since derivative issuers are predominantly international financial institutions, the failure of one derivative counterparty of a Synthetic ETF may have a "knock-on" effect on other derivative counterparties of the Synthetic ETF).

Some Synthetic ETFs have collateral to reduce the counterparty risk, but there may be a risk that the market value of the collateral has fallen substantially when the Synthetic ETF seeks to realise the collateral.

Liquidity Risk

A higher liquidity risk is involved if a Synthetic ETF involves derivatives which do not have an active secondary market. Wider bid-offer spreads in the price of the derivatives may result in losses.

Tracking Error



Tracking error may arise due to various factors, for instance, failure of the ETF's tracking strategy, the impact of fees and expenses, foreign exchange differences between the base currency or trading currency of an ETF and the currencies of the underlying investments, or corporate actions such as rights and bonus issues by the issuers of the ETF's underlying securities.

Since a Synthetic ETF does not necessarily invest/hold all or some of the constituent securities of an underlying index but instead uses financial derivative instruments in its tracking strategy, tracking error may be magnified rendering a possible adverse effect to the performance of the ETF.

Trading at a Discount or Premium

Where the index/market that the Synthetic ETF tracks is subject to restricted access, the efficiency in unit creation or redemption to keep the price of the Synthetic ETF in line with its net asset value (NAV) may be disrupted, causing the Synthetic ETF to trade at a higher premium or discount to its NAV.

Investors who buy a Synthetic ETF at a premium may not be able to recover the premium in the event of termination.

Tax and other risks

Like all investments, a Synthetic ETF may be subject to tax imposed by the local authorities in the market related to the index that it tracks, emerging market risks and risks in relation to the change of policy of the reference market.

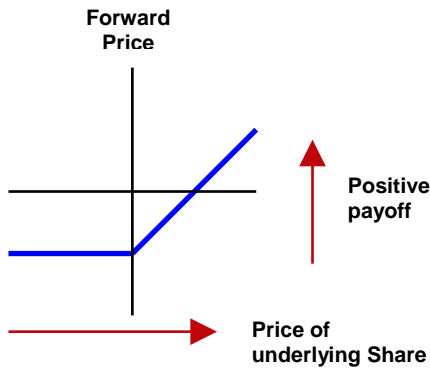


Product Construction of Accumulators on Equity

An Accumulator on Equity is embedded with a series of options on the underlying Share.

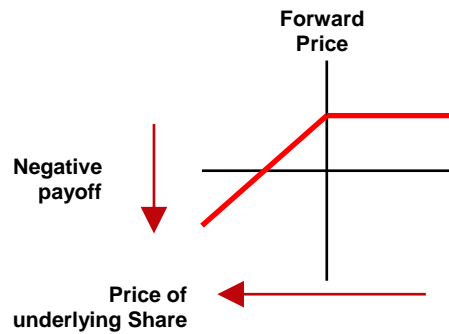
BUY CALL OPTIONS

The investor is long a series of Call Options on the underlying Share that allows the investor to buy the underlying Share if the price of the underlying Share is at or higher than the Forward Price.



SELL PUT OPTIONS

The purchase of Call Options is financed by the simultaneous shorting of a series of Put Options on the underlying Share that obliges the investor to buy the underlying Share if the price of the underlying Share is lower than the Forward Price.

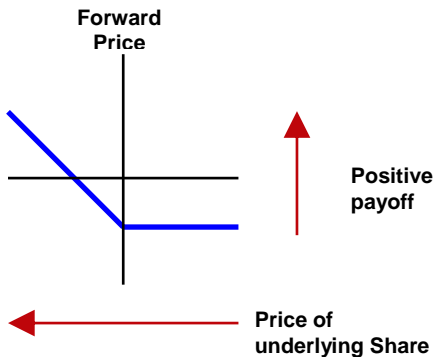


Product Construction of Decumulators on Equity

A Decumulator on Equity is embedded with a series of options on the underlying Share.

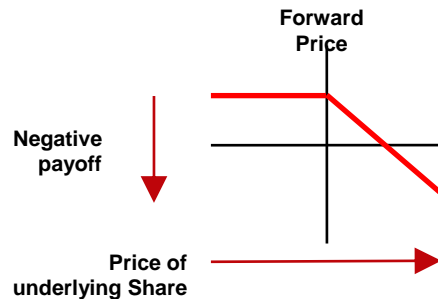
BUY PUT OPTIONS

The investor is long a series of Put Options on the underlying Share that allows the investor to sell the underlying Share if the price of the underlying Share is at or lower than the Forward Price.



SELL CALL OPTIONS

The purchase of Put Options is financed by the simultaneous shorting of a series of Call Options on the underlying Share that obliges the investor to sell the underlying Share if the price of the underlying Share is higher than the Forward Price.



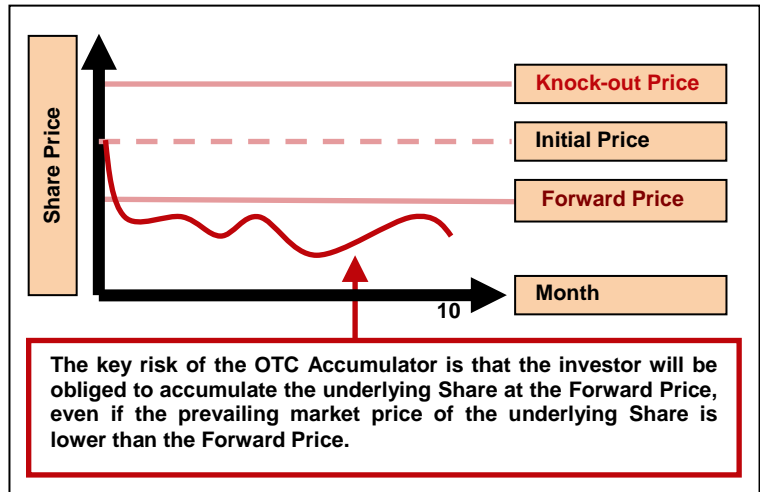


Scenario Analysis 1 : OTC Accumulator on Equity with Minimum Accumulation ("Accumulator")

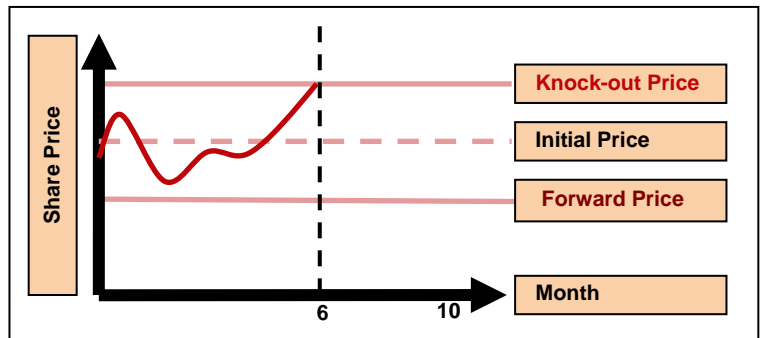
Assume investment in an Accumulator with the following product features:

- Underlying Share : Share A traded on Hong Kong Stock Exchange
- Tenor : 10 months
- Shares Per Day : 5,000 shares per day
- Accumulation Days : Assume 20 trading days in each month, ie, Maximum Number of Accumulation Days = 200
- Maximum Total Number of Shares : 1,000,000 (5,000 shares per day x Maximum Number of 200 Accumulation Days)
- Settlement Date : Monthly
- Initial Price of Share A : HKD10.50
- Forward Price : HKD10 (95.24% of Initial Price)
- Knock-out Price : HKD11 (104.76% of Initial Price)
- Maximum Notional amount: HKD10 million
(1,000,000 shares x Forward Price of HKD10 per share, or HKD1 million per month)
- Minimum Accumulation : 100,000 shares if the Knock-out event is triggered before the 1st Settlement Date
- Margin Requirement : HKD3 million
(Assuming 30% initial margin. Additional margin will be required if the product has a MTM loss.)

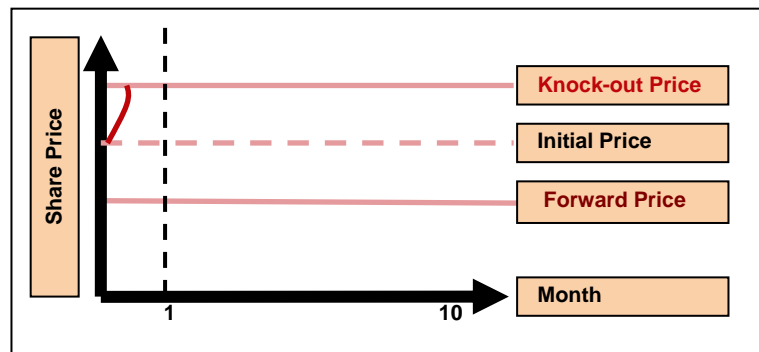
- **Scenario 1:** Each month, provided the Knock-out Event is not triggered, the investor will accumulate a maximum of **100,000 shares per month** of Share A at the Forward Price of HKD10 per share worth HKD1 million. This will continue until the Knock-out Event is triggered, or the Final Expiry Date of the Accumulator, whichever is earlier. **Maximum accumulation** will be **1,000,000 shares** worth HKD10 million, which is the Maximum Notional Amount of the Accumulator.



- **Scenario 2:** If the Knock-out Event is triggered on the **first day after the 6th month**, the investor would have accumulated **600,000 shares** of Share A at HKD10 per share worth HKD6 million.



- Scenario 3: If the Knock-out Event is triggered after 10 trading days within the first month, the investor will receive the Minimum Accumulation of 100,000 shares at HKD10 per share worth HKD1 million.



	Scenario 1 : Knock-out Event not triggered	Scenario 2 : Knock-out Event triggered on the 1st day after the 6th month	Scenario 3 : Knock-out Event triggered after 10 trading days within the 1st month
Knock-out event triggered ?	No	Yes	Yes
No. of shares accumulated	1,000,000 shares (10 months x 100,000 shares per month @ HKD10 per share)	600,000 shares (6 months x 100,000 shares per month @ HKD10 per share)	100,000 shares Minimum Accumulation of 100,000 shares @ HKD10 per share)
Settlement Amount	HKD10 million	HKD6 million	HKD1 million
The following returns are computed based on the amount required to settle the share delivery and the investor holding on to all the accumulated shares until the Final Expiry Date. *			
HKD12.00	+ HKD2,000,000 (+ 20%)	+ HKD1,200,000 (+ 20%)	+ HKD200,000 (+ 20%)
HKD10.50 (Initial Price)	+ HKD500,000 (+ 5%)	+ HKD300,000 (+ 5%)	+ HKD50,000 (+ 5%)
HKD10.00 (same as the Forward Price)	0 (0%)	0 (0%)	0 (0%)
HKD9.00	- HKD1,000,000 (- 10%)	- HKD600,000 (- 10%)	- HKD100,000 (- 10%)
HKD8.00	- HKD2,000,000 (- 20%)	- HKD1,200,000 (- 20%)	- HKD200,000 (- 20%)
HKD0.00 (WORST CASE)	- HKD10,000,000 (- 100%)	- HKD6,000,000 (- 100%)	- HKD1,000,000 (- 100%)

* The above analysis is computed based on the share price of the underlying Share on the Final Expiry Date. The actual returns may vary significantly during the tenor of the Accumulator taking into consideration the option valuations.

The potential loss or gain will be amplified, and will be substantially greater than the initial margin requirement of HKD3 million (30% of the Notional Amount) due to the leveraging factor.

Worst Case Scenario

In the worst case, the price of Share A falls to HKD0. The accumulation of 5,000 shares per day at Forward Price of HKD10.00 will continue even though the market price of Share A has fallen substantially, resulting in full accumulation of the 1,000,000 shares against payment of HKD10 million based on the Forward Price of HKD10.

Assuming full accumulation, and the investor holds on to the shares till the final maturity date, the loss to the investor will be the full notional amount of HKD10 million.

The above scenarios and the figures in this scenario analysis are for illustration purposes only. They do not reflect a complete analysis of all possible scenarios that may arise under any actual transaction nor are they indicative of the likely or future performance of the Product and/or the price of the underlying Share.

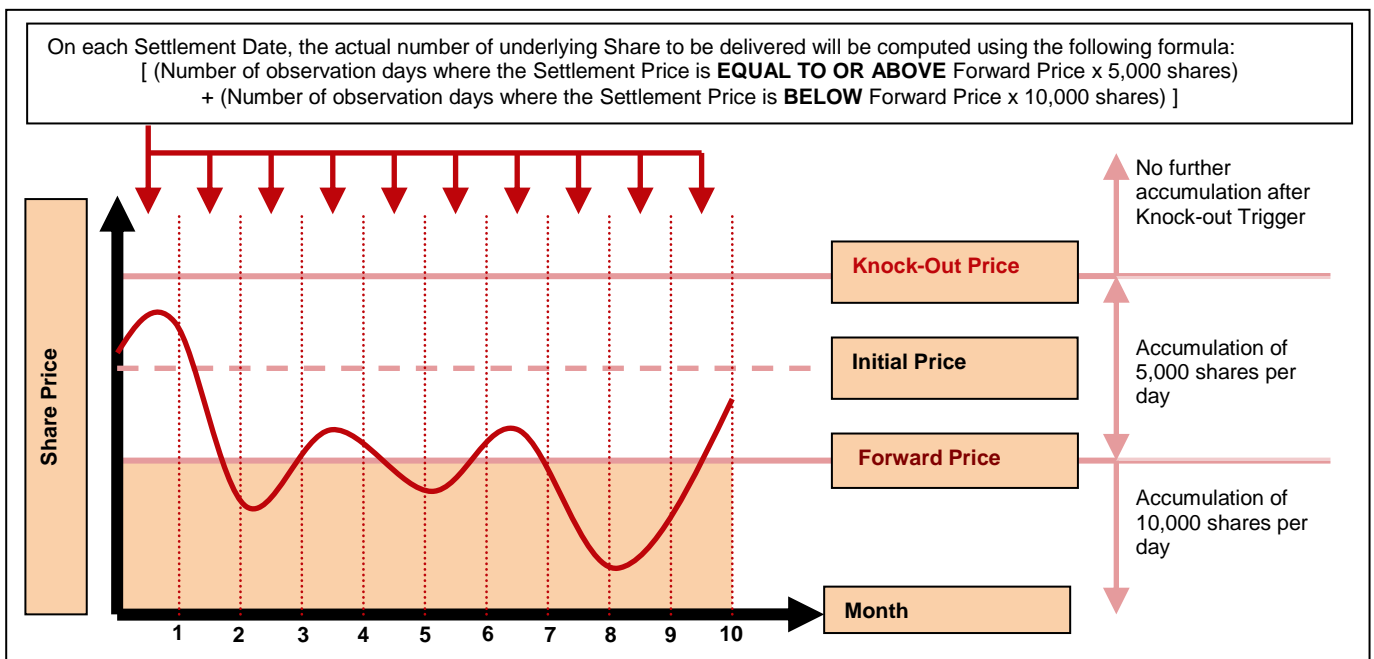


Scenario Analysis 2 : OTC Accumulator on Equity with Gearing (“Accumulator”)

Assume investment in an Accumulator with the following product features:

- Underlying Share : Share B traded on Hong Kong Stock Exchange
- Tenor : 10 months
- Shares per Day : 5,000 shares per day
- Accumulation Day : Assume 20 trading days in each month, ie, Maximum Number of Accumulation Days = 200
- Gearing Ratio : 2 times
- Number of Shares Accumulated : (a) If the share price is **EQUAL TO OR ABOVE** the Forward Price: 5,000 shares per day;
(b) If the share price is **BELOW** the Forward Price: 10,000 shares (2 x 5,000 shares) per day
- Maximum Total Number of Shares : 2,000,000 (5,000 shares per day x Gearing Ratio of 2 x Maximum Number of 200 Accumulation Days)
- Settlement Date : Monthly
- Initial Price of Share B : HKD10.50
- Forward Price : HKD10 (95.24% of Initial Price)
- Knock-out Price : HKD11 (104.76% of Initial Price)
- Maximum Notional amount: HKD20 million
(2 million shares x Forward Price of HKD10 per share, or HKD2 million per month)
- Margin Requirement : HKD6 million
(Assuming 30% initial margin. Additional margin will be required if the product has a MTM loss.)

- **Scenario 1:** if the Knock-out Event is not triggered throughout the tenor of the Product, the investor will receive the number of shares accumulated, between 1,000,000 to 2,000,000 shares depending on the accumulation criteria.
For example, if the Settlement Price is **EQUAL TO OR ABOVE** the Forward Price during 30% of the Accumulation period, and is **BELOW** the Forward Price during 70% of the Accumulation period, the investor will receive a total of 1,700,000 shares of Share B at the Forward Price of HKD10 per share calculated as follows : [(60 days **EQUAL TO OR ABOVE** Forward Price at 5,000 shares per day) + (140 days **BELOW** Forward Price at 10,000 shares per day)] = 1,700,000 shares.





- **Scenario 2:** If the Knock-out Event is triggered after the first month, the investor will receive the number of shares accumulated before the Knock-out Event is triggered. The number of shares accumulated will be calculated based on the accumulation criteria.

The key risk of an OTC Accumulator with gearing feature is that the investor will be obliged to accumulate the geared quantity of the underlying Share at the Forward Price throughout the tenor of the Product, even if the prevailing share price is lower than the Forward Price.

	Scenario 1 : Knock-out Event not triggered		Scenario 2 : Knock-out Event triggered after 20 trading days within the 1st month	
No. of shares accumulated	1,700,000 shares (60 days @ 5,000 shares per day + 140 days @ 10,000 shares per day)	2,000,000 shares (Maximum, 200 days @ 10,000 shares per day)	150,000 shares (10 days @ 5,000 shares per day + 10 days @ 10,000 shares per day)	100,000 shares (20 days @ 5,000 shares per day)
Settlement Amount	HKD17 million	HKD20 million	HKD1.5 million	HKD1 million
The following returns are computed based on the amount required to settle the share delivery and the investor holding on to all the accumulated shares until the Final Expiry Date. *				
HKD12.00	+ HKD3,400,000 (+ 20%)	+ HKD4,000,000 (+ 20%)	+ HKD300,000 (+ 20%)	+ HKD200,000 (+ 20%)
HKD10.50 (Initial price)	+ HKD850,000 (+ 5%)	+ HKD1,000,000 (+ 5%)	+ HKD75,000 (+ 5%)	+ HKD50,000 (+ 5%)
HKD10.00 (same as the Forward Price)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
HKD9.00	- HKD1,700,000 (- 10%)	- HKD2,000,000 (- 10%)	- HKD150,000 (- 10%)	- HKD100,000 (- 10%)
HKD8.00	- HKD3,400,000 (- 20%)	- HKD4,000,000 (- 20%)	- HKD300,000 (- 20%)	- HKD200,000 (- 20%)
HKD0.00 (WORST CASE)	- HKD17,000,000 (- 100%)	- HKD20,000,000 (- 100%)	- HKD1,500,000 (- 100%)	- HKD1,000,000 (- 100%)

* The above analysis is computed based on the share price of the underlying Share on the Final Expiry Date. The actual returns may vary significantly during the tenor of the Accumulator taking into consideration the option valuations.

The potential loss or gain will be amplified, and will be substantially greater than the initial margin requirement of HKD6 million (30% of the notional amount) due to the leveraging factor.

Worst Case Scenario

In the worst case, the price of Share B falls to HKD0.00. The accumulation of 10,000 shares per day at Forward Price of HKD10.00 will continue even though the market price of Share B has fallen substantially, resulting in full accumulation of the 2 million shares against payment of HKD20 million based on the Forward Price of HKD10.00.

Assuming full accumulation, and the investor holds on to the shares till the final maturity date, the loss to the investor will be the full notional amount of HKD20 million.

The above scenarios and the figures in this scenario analysis are for illustration purposes only. They do not reflect a complete analysis of all possible scenarios that may arise under any actual transaction nor are they indicative of the likely or future performance of the Product and/or the price of the underlying Share.



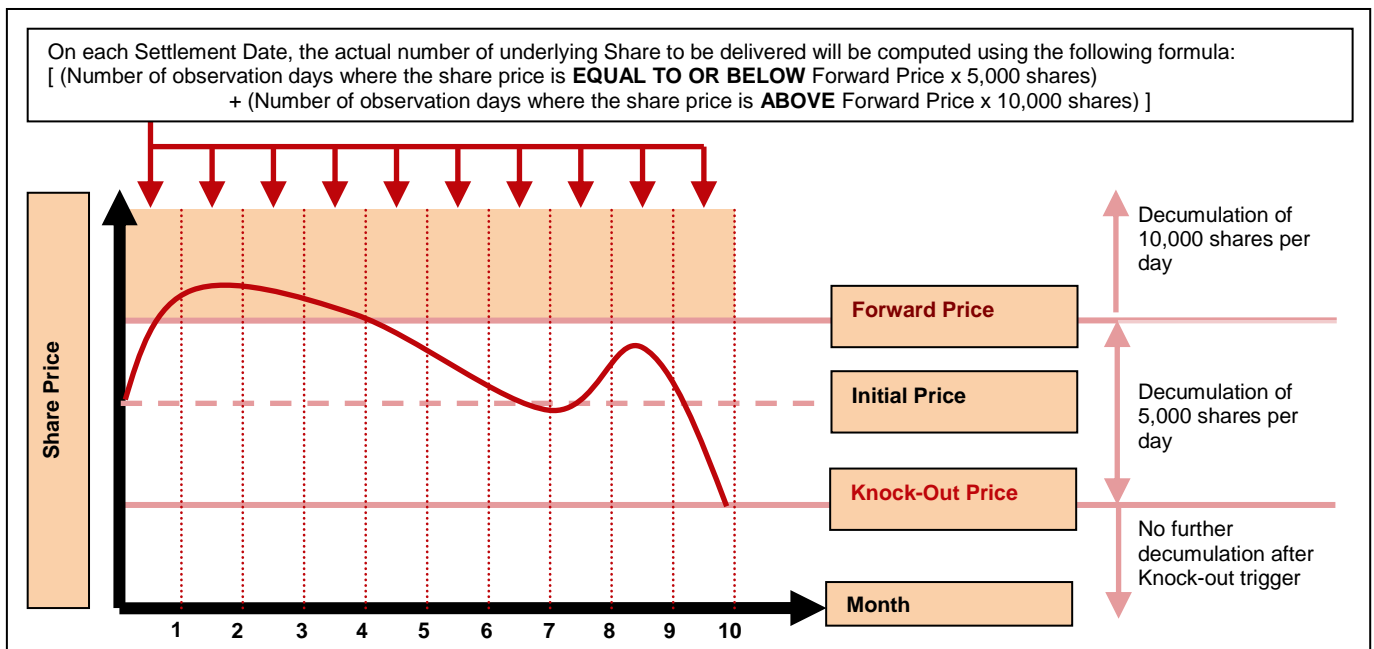
Scenario Analysis 3 : Covered OTC Decumulator on Equity with Gearing (“Decumulator”)

Assume investment in a Decumulator with the following product features:

- Underlying Share : Share C traded on Hong Kong Stock Exchange which the investor acquired at average price of HKD8 per share
- Tenor : 10 months
- Shares per Day : 5,000 shares per day
- Decumulation Day : Assume 20 trading days in each month, ie, Maximum Number of Decumulation Days = 200
- Gearing Ratio : 2 times
- Number of Shares Decumulated : (a) If the share price is **EQUAL TO OR BELOW** the Forward Price: 5,000 shares per day;
(b) If the share price is **ABOVE** the Forward Price: 10,000 shares (2 x 5,000 shares) per day
- Maximum Total Number of Shares : 2,000,000 (5,000 shares per day x Gearing Ratio of 2 x Maximum Number of 200 Decumulation Days)
- Settlement Date : Monthly
- Initial Price of Share C : HKD9.50
- Forward Price : HKD10 (105.26% of Initial Price)
- Knock-out Price : HKD9 (94.74% of Initial Price)
- Notional amount : HKD20 million (2,000,000 shares x Forward Price of HKD10 per share, or HKD2 million per month)
- Earmarked Shares : Before transacting in the Covered Decumulator, the investor must own and hold 2,000,000 shares of Share C in the account with the Bank.
- Margin Requirement : If Share C is used as collateral for credit facility from the Bank, initial margin of 10% or HKD2 million.

- **Scenario 1:** if the Knock-out Event is not triggered throughout the tenor of the Product, the investor will deliver the number of shares decumulated, between 1,000,000 to 2,000,000 shares depending on the decumulation criteria.

For example, if the share price is **EQUAL TO OR BELOW** the Forward Price during 30% of the Decumulation period, and is **ABOVE** the Forward Price during 70% of the Decumulation period, the investor will deliver a total of 1,700,000 shares of Share C at the Forward Price of HKD10.00 per share calculated as follows : [(60 days **EQUAL TO OR BELOW** Forward Price at 5,000 shares per day) + (140 days **ABOVE** Forward Price at 10,000 shares per day)] = 1,700,000 shares.



- **Scenario 2:** If the Knock-out Event is triggered after the first month, the investor will deliver the number of shares decumulated before the Knock-out Event is triggered. The number of shares decumulated will be calculated based on the decumulation criteria.

The key risk of a Decumulator with gearing feature is that the investor will be obliged to decumulate the geared quantity of the underlying Share at the Forward Price throughout the tenor of the Product, even if the prevailing share price is higher than the Forward Price.

Scenario 1(a) : Knock-out Event not triggered, total decumulation of 1,700,000 shares at HKD10.00					
No. of shares held at start of transaction	2,000,000 shares purchased at average cost of HKD8.00				
No. of shares decumulated	Investor does not enter into Decumulator	1,700,000 shares (60 days @ 5,000 shares per day + 140 days @ 10,000 shares per day)			
No. of shares remaining	2,000,000 shares	300,000 shares			
The following returns are computed based on the investor's purchase cost of HKD16 million (2 million shares of Share C at average purchase price of HKD8.00) and based on the share price as of the Final Expiry Date. *					
	Returns of Shares (A)	Returns of remaining Shares (B)	Returns of shares sold through Decumulator (C)	Combined Return (B) + (C)	Difference in total returns with and without Decumulator (B) + (C) – (A)
HKD20.00	+ \$24,000,000 (+ 150%)	+ \$3,600,000 (+ 150%)	+ \$3,400,000 (+ 25%)	+ \$7,000,000 (+ 44%)	- \$17,000,000
HKD14.00	+ \$12,000,000 (+ 75%)	+ \$1,800,000 (+ 75%)	+ \$3,400,000 (+ 25%)	+ \$5,200,000 (+ 33%)	- \$6,800,000
HKD10.00 (same as the Forward Price)	+ \$4,000,000 (+ 25%)	+ \$600,000 (+ 25%)	+ \$3,400,000 (+ 25%)	+ \$4,000,000 (+ 25%)	\$0
HKD9.50 (Initial price)	+ \$3,000,000 (+ 19%)	+ \$450,000 (+ 19%)	+ \$3,400,000 (+ 25%)	+ \$3,850,000 (+ 24%)	+ \$850,000
HKD8.00 (cost of underlying Share)	\$0 (0%)	\$0 (0%)	+ \$3,400,000 (+ 25%)	+ \$3,400,000 (+ 21%)	+ \$3,400,000
HKD6.00	- \$4,000,000 (- 25%)	- \$600,000 (- 25%)	+ \$3,400,000 (+ 25%)	+ \$2,800,000 (+ 18%)	+ \$6,800,000
HKD0.00	- \$16,000,000 (- 100%)	- \$2,400,000 (- 100%)	+ \$3,400,000 (+ 25%)	+ \$1,000,000 (+ 6%)	+ \$17,000,000
Scenario 1(b) : Knock-out Event not triggered, total decumulation of 2,000,000 shares at HKD10.00					
No. of shares held at start of transaction	2,000,000 shares purchased at average cost of HKD8.00				
No. of shares decumulated	Investor does not enter into Decumulator	2,000,000 shares (200 days @ 10,000 shares per day)			
No. of shares remaining	2,000,000 shares	0 shares			
The following returns are computed based on the investor's purchase cost of HKD16 million (2 million shares of Share C at average purchase price of HKD8.00) and based on the share price as of the Final Expiry Date. *					
	Returns of Shares (A)	Returns of remaining Shares (B)	Returns of shares sold through Decumulator (C)	Combined Return (B) + (C)	Difference in total returns with and without Decumulator (B) + (C) – (A)
HKD20.00	+ \$24,000,000 (+ 150%)	\$0 (0%)	+ \$4,000,000 (+ 25%)	+ \$4,000,000 (+ 25%)	- \$20,000,000
HKD14.00	+ \$12,000,000 (+ 75%)	\$0 (0%)	+ \$4,000,000 (+ 25%)	+ \$4,000,000 (+ 25%)	- \$8,000,000
HKD10.00 (same as the Forward Price)	+ \$4,000,000 (+ 25%)	\$0 (0%)	+ \$4,000,000 (+ 25%)	+ \$4,000,000 (+ 25%)	\$0
HKD9.50 (Initial price)	+ \$3,000,000 (+ 19%)	\$0 (0%)	+ \$4,000,000 (+ 25%)	+ \$4,000,000 (+ 25%)	+ \$1,000,000

HKD8.00 (cost of underlying Share)	\$0 (0%)	\$0 (0%)	+\$4,000,000 (+ 25%)	+\$4,000,000 (+ 25%)	+\$4,000,000
HKD6.00	-\$4,000,000 (- 25%)	\$0 (0%)	+\$4,000,000 (+ 25%)	+\$4,000,000 (+ 25%)	+\$8,000,000
HKD0.00	-\$16,000,000 (- 100%)	\$0 (0%)	+\$4,000,000 (+ 25%)	+\$4,000,000 (+ 25%)	+\$20,000,000

Scenario 2(a) : Knock-out Event triggered after 1st month, total decumulation of 100,000 shares at HKD10.00

No. of shares held at start of transaction	2,000,000 shares purchased at average cost of HKD8.00				
No. of shares decumulated	Investor does not enter into Decumulator	100,000 shares (20 days @ 5,000 shares per day)			
No. of shares remaining	2,000,000 shares	1,900,000 shares			

The following returns are computed based on the investor's purchase cost of HKD16 million (2 million shares of Share C at average purchase price of HKD8.00) and based on the share price as of the Final Expiry Date. *

	Returns of Shares (A)	Returns of remaining Shares (B)	Returns of shares sold through Decumulator (C)	Combined Return (B) + (C)	Difference in total returns with and without Decumulator (B) + (C) – (A)
HKD20.00	+\$24,000,000 (+ 150%)	+\$22,800,000 (+ 150%)	+\$200,000 (+ 25%)	+\$23,000,000 (+ 144%)	-\$1,000,000
HKD14.00	+\$12,000,000 (+ 75%)	+\$11,400,000 (+ 75%)	+\$200,000 (+ 25%)	+\$11,600,000 (+ 73%)	-\$400,000
HKD10.00 (same as the Forward Price)	+\$4,000,000 (+ 25%)	+\$3,800,000 (+ 25%)	+\$200,000 (+ 25%)	+\$4,000,000 (+ 25%)	\$0
HKD9.50 (Initial price)	+\$3,000,000 (+ 19%)	+\$2,850,000 (+ 19%)	+\$200,000 (+ 25%)	+\$3,050,000 (+ 19%)	+\$50,000
HKD8.00 (cost of underlying Share)	\$0 (0%)	\$0 (0%)	+\$200,000 (+ 25%)	+\$200,000 (+ 1%)	+\$200,000
HKD6.00	-\$4,000,000 (- 25%)	-\$3,800,000 (- 25%)	+\$200,000 (+ 25%)	-\$3,600,000 (- 23%)	+\$400,000
HKD0.00	-\$16,000,000 (- 100%)	-\$15,200,000 (- 100%)	+\$200,000 (+ 25%)	-\$15,000,000 (- 94%)	+\$1,000,000

Scenario 2(b) : Knock-out Event triggered after 1st month, total decumulation of 200,000 shares at HKD10.00

No. of shares held at start of transaction	2,000,000 shares purchased at average cost of HKD8.00				
No. of shares decumulated	Investor does not enter into Decumulator	200,000 shares (20 days @ 10,000 shares per day)			
No. of shares remaining	2,000,000 shares	1,800,000 shares			

The following returns are computed based on the investor's purchase cost of HKD16 million (2 million shares of Share C at average purchase price of HKD8.00) and based on the share price as of the Final Expiry Date. *

	Returns of Shares (A)	Returns of remaining Shares (B)	Returns of shares sold through Decumulator (C)	Combined Return (B) + (C)	Difference in total returns with and without Decumulator (B) + (C) – (A)
HKD20.00	+\$24,000,000 (+ 150%)	+\$21,600,000 (+ 150%)	+\$400,000 (+ 25%)	+\$22,000,000 (+ 138%)	-\$2,000,000
HKD14.00	+\$12,000,000 (+ 75%)	+\$10,800,000 (+ 75%)	+\$400,000 (+ 25%)	+\$11,200,000 (+ 70%)	-\$800,000
HKD10.00 (same as the Forward Price)	+\$4,000,000 (+ 25%)	+\$3,600,000 (+ 25%)	+\$400,000 (+ 25%)	+\$4,000,000 (+ 25%)	\$0
HKD9.50 (Initial price)	+\$3,000,000 (+ 19%)	+\$2,700,000 (+ 19%)	+\$400,000 (+ 25%)	+\$3,100,000 (+ 19%)	+\$100,000



HKD8.00 (cost of underlying Share)	\$0 (0%)	\$0 (0%)	+\$400,000 (+ 25%)	+\$400,000 (+ 3%)	+\$400,000
HKD6.00	-\$4,000,000 (- 25%)	-\$3,600,000 (- 25%)	+\$400,000 (+ 25%)	-\$3,200,000 (- 20%)	+\$800,000
HKD0.00	-\$16,000,000 (- 100%)	-\$14,400,000 (- 100%)	+\$400,000 (+ 25%)	-\$14,000,000 (- 88%)	+\$2,000,000

* The above analysis is computed based on the share price of the underlying Share on the Final Expiry Date. The actual returns may vary significantly during the tenor of the Decumulator taking into consideration the option valuations.

Worst Case Scenario

In Scenario 1(b) where the Decumulator resulted in full decumulation of 2 million shares, the worst case is if the price of Share C risers substantially. For example, if the price of Share C rises to HKD20.00, the investor would have limited the profit potential from his/her holdings of Share C from HKD24 million to HKD4 million, thus foregoing the potential profit of HKD20 million. On the other hand, investor should note that the payoff illustration where the price of Share C falls to HKD0.00 will materialise only if the Decumulator's Knock-out Price has not been triggered resulting in full decumulation, and the price of Share C falls to HKD0.00 one day after the Final Expiry Date of the Decumulator.

In Scenario 2(a) where the Knock-out of the Decumulator is triggered after one month resulting in decumulation of 100,000 shares, the worst case is if the price of Share C falls substantially. For example, if the price of Share C falls to HKD0.00, the investor will suffer losses from his/her remaining holding of Share C. Investor should note that Decumulator is **NOT** a hedging instrument that provides protection against a fall in share price.

In addition, investor should also note that once committed to the Decumulator, he/she is obliged to deliver the shares on the Decumulation Day and he/she will not be able to freely sell the shares providing cover for the Decumulator even if the share price is expected to fall substantially.

The above scenarios and the figures in this scenario analysis are for illustration purposes only. They do not reflect a complete analysis of all possible scenarios that may arise under any actual transaction nor are they indicative of the likely or future performance of the Product and/or the price of the underlying Share.



Scenario Analysis 4 : Covered OTC Decumulator on Equity with Gearing and with Minimum Decumulation (“Decumulator”)

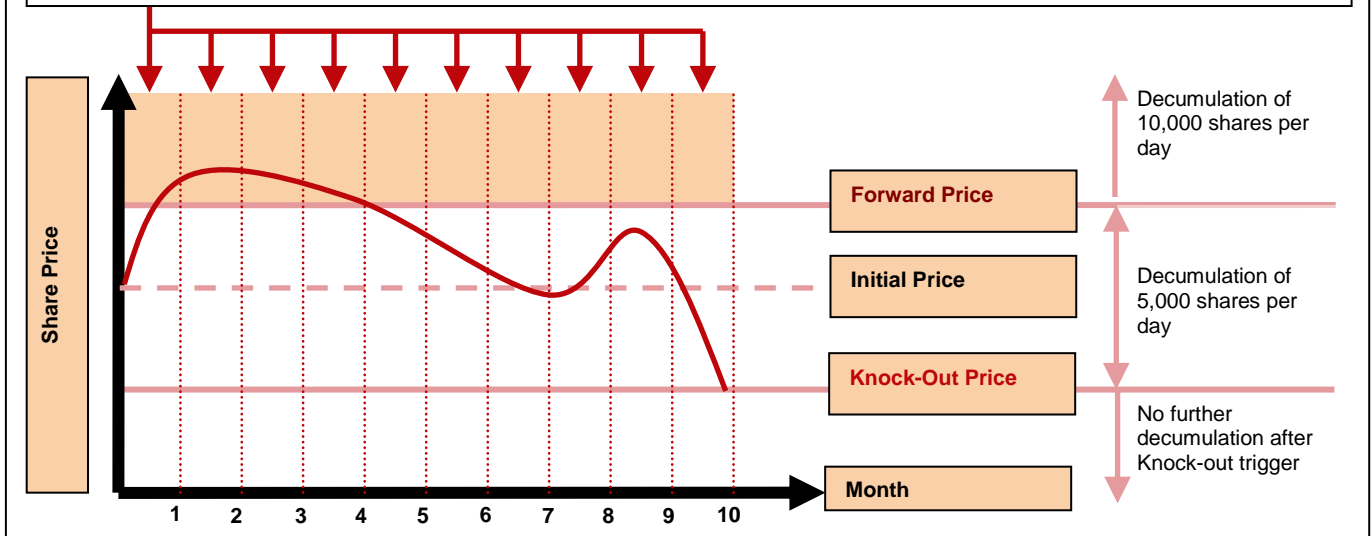
Assume investment in a Decumulator with the following product features:

Underlying Share	:	Share D traded on Hong Kong Stock Exchange which the investor acquired at average price of HKD8 per share
Tenor	:	10 months
Shares per Day	:	5,000 shares per day
Decumulation Day	:	Assume 20 trading days in each month, ie, Maximum Number of Decumulation Days = 200
Gearing Ratio	:	2 times
Number of Shares Decumulated	:	(a) If the share price is EQUAL TO OR BELOW the Forward Price: 5,000 shares per day; (b) If the share price is ABOVE the Forward Price: 10,000 shares (2 x 5,000 shares) per day
Maximum Total Number of Shares	:	2,000,000 (5,000 shares per day x Gearing Ratio of 2 x Maximum Number of 200 Decumulation Days)
Settlement Date	:	Monthly
Initial Price of Share D	:	HKD9.50
Forward Price	:	HKD10 (105.26% of Initial Price)
Knock-out Price	:	HKD9 (94.74% of Initial Price)
Notional amount	:	HKD20 million (2,000,000 shares x Forward Price of HKD10 per share, or HKD2 million per month)
Minimum Decumulation Period	:	1 (Minimum Decumulation of 100,000 shares (5,000 shares per day x 20 Decumulation Days) even if the Knock-out occurs during the first Decumulation Period. Gearing Ratio is applicable to Decumulation Days before occurrence of the Knock-out that the share price is ABOVE the Forward Price.)
Earmarked Shares	:	Before transacting in the Covered Decumulator, the investor must own and hold 2,000,000 shares of Share D in the account with the Bank.
Margin Requirement	:	If Share D is used as collateral for credit facility from the Bank, initial margin of 10% or HKD2 million.

- **Scenario 1:** if the Knock-out Event is not triggered throughout the tenor of the Product, the investor will deliver the number of shares decumulated, between 1,000,000 to 2,000,000 shares depending on the decumulation criteria.

For example, if the share price is **EQUAL TO OR BELOW** the Forward Price during 30% of the Decumulation period, and is **ABOVE** the Forward Price during 70% of the Decumulation period, the investor will deliver a total of 1,700,000 shares of Share D at the Forward Price of HKD10.00 per share calculated as follows : [(60 days **EQUAL TO OR BELOW** Forward Price at 5,000 shares per day) + (140 days **ABOVE** Forward Price at 10,000 shares per day)] = 1,700,000 shares.

On each Settlement Date, the actual number of underlying Share to be delivered will be computed using the following formula:
 [(Number of observation days where the share price is **EQUAL TO OR BELOW** Forward Price x 5,000 shares)
 + (Number of observation days where the share price is **ABOVE** Forward Price x 10,000 shares)]



- **Scenario 2:** If the Knock-out Event is triggered after the first month, the investor will deliver the number of shares decumulated before the Knock-out Event is triggered. The number of shares decumulated will be calculated based on the decumulation criteria.
- **Scenario 3:** If the Knock-out Event is triggered within the Minimum Decumulation Period, say, on the 11th Decumulation Day, the investor will (a) deliver the number of shares decumulated before the Knock-out Event is triggered, taking into consideration the observation of the gearing condition; and (b) deliver the Additional Knock-out Shares determined by the remaining Decumulation Days within the Minimum Decumulation Period starting from Knock-out Date.

The key risk of a Decumulator with gearing feature is that the investor will be obliged to decumulate the geared quantity of the underlying Share at the Forward Price throughout the tenor of the Product, even if the prevailing share price is higher than the Forward Price.

Scenario 1(a) : Knock-out Event not triggered, total decumulation of 1,700,000 shares at HKD10.00					
No. of shares held at start of transaction	2,000,000 shares purchased at average cost of HKD8.00				
No. of shares decumulated	Investor does not enter into Decumulator	1,700,000 shares (60 days @ 5,000 shares per day + 140 days @ 10,000 shares per day)			
No. of shares remaining	2,000,000 shares	300,000 shares			
The following returns are computed based on the investor's purchase cost of HKD16 million (2 million shares of Share D at average purchase price of HKD8.00) and based on the share price as of the Final Expiry Date. *					
	Returns of Shares (A)	Returns of remaining Shares (B)	Returns of shares sold through Decumulator (C)	Combined Return (B) + (C)	Difference in total returns with and without Decumulator (B) + (C) – (A)
HKD20.00	+ \$24,000,000 (+ 150%)	+ \$3,600,000 (+ 150%)	+ \$3,400,000 (+ 25%)	+ \$7,000,000 (+ 44%)	- \$17,000,000
HKD14.00	+ \$12,000,000 (+ 75%)	+ \$1,800,000 (+ 75%)	+ \$3,400,000 (+ 25%)	+ \$5,200,000 (+ 33%)	- \$6,800,000
HKD10.00 (same as the Forward Price)	+ \$4,000,000 (+ 25%)	+ \$600,000 (+ 25%)	+ \$3,400,000 (+ 25%)	+ \$4,000,000 (+ 25%)	\$0
HKD9.50 (Initial price)	+ \$3,000,000 (+ 19%)	+ \$450,000 (+ 19%)	+ \$3,400,000 (+ 25%)	+ \$3,850,000 (+ 24%)	+ \$850,000
HKD8.00 (cost of)	\$0 (0%)	\$0 (0%)	+ \$3,400,000 (+ 25%)	+ \$3,400,000 (+ 21%)	+ \$3,400,000

<i>underlying Share)</i>					
HKD6.00	- \$4,000,000 (- 25%)	- \$600,000 (- 25%)	+ \$3,400,000 (+ 25%)	+ \$2,800,000 (+ 18%)	+ \$6,800,000
HKD0.00	- \$16,000,000 (- 100%)	- \$2,400,000 (- 100%)	+ \$3,400,000 (+ 25%)	+ \$1,000,000 (+ 6%)	+ \$17,000,000

Scenario 1(b) : Knock-out Event not triggered, total decumulation of 2,000,000 shares at HKD10.00

No. of shares held at start of transaction	2,000,000 shares purchased at average cost of HKD8.00				
No. of shares decumulated	Investor does not enter into Decumulator	2,000,000 shares (200 days @ 10,000 shares per day)			
No. of shares remaining	2,000,000 shares	0 shares			

The following returns are computed based on the investor's purchase cost of HKD16 million (2 million shares of Share D at average purchase price of HKD8.00) and based on the share price as of the Final Expiry Date. *

	Returns of Shares (A)	Returns of remaining Shares (B)	Returns of shares sold through Decumulator (C)	Combined Return (B) + (C)	Difference in total returns with and without Decumulator (B) + (C) – (A)
HKD20.00	+ \$24,000,000 (+ 150%)	\$0 (0%)	+ \$4,000,000 (+ 25%)	+ \$4,000,000 (+ 25%)	- \$20,000,000
HKD14.00	+ \$12,000,000 (+ 75%)	\$0 (0%)	+ \$4,000,000 (+ 25%)	+ \$4,000,000 (+ 25%)	- \$8,000,000
HKD10.00 (same as the Forward Price)	+ \$4,000,000 (+ 25%)	\$0 (0%)	+ \$4,000,000 (+ 25%)	+ \$4,000,000 (+ 25%)	\$0
HKD9.50 (Initial price)	+ \$3,000,000 (+ 19%)	\$0 (0%)	+ \$4,000,000 (+ 25%)	+ \$4,000,000 (+ 25%)	+ \$1,000,000
HKD8.00 (cost of underlying Share)	\$0 (0%)	\$0 (0%)	+ \$4,000,000 (+ 25%)	+ \$4,000,000 (+ 25%)	+ \$4,000,000
HKD6.00	- \$4,000,000 (- 25%)	\$0 (0%)	+ \$4,000,000 (+ 25%)	+ \$4,000,000 (+ 25%)	+ \$8,000,000
HKD0.00	- \$16,000,000 (- 100%)	\$0 (0%)	+ \$4,000,000 (+ 25%)	+ \$4,000,000 (+ 25%)	+ \$20,000,000

Scenario 2(a) : Knock-out Event triggered after 1st month, total decumulation of 150,000 shares at HKD10.00

No. of shares held at start of transaction	2,000,000 shares purchased at average cost of HKD8.00				
No. of shares decumulated	Investor does not enter into Decumulator	150,000 shares (10 days @ 5,000 shares per day + 10 days @ 10,000 shares per day)			
No. of shares remaining	2,000,000 shares	1,850,000 shares			

The following returns are computed based on the investor's purchase cost of HKD16 million (2 million shares of Share D at average purchase price of HKD8.00) and based on the share price as of the Final Expiry Date. *

	Returns of Shares (A)	Returns of remaining Shares (B)	Returns of shares sold through Decumulator (C)	Combined Return (B) + (C)	Difference in total returns with and without Decumulator (B) + (C) – (A)
HKD20.00	+ \$24,000,000 (+ 150%)	+ \$22,200,000 (+ 150%)	+ \$300,000 (+ 25%)	+ \$22,500,000 (+ 141%)	- \$1,500,000
HKD14.00	+ \$12,000,000 (+ 75%)	+ \$11,100,000 (+ 75%)	+ \$300,000 (+ 25%)	+ \$11,400,000 (+ 71%)	- \$600,000
HKD10.00 (same as the Forward Price)	+ \$4,000,000 (+ 25%)	+ \$3,700,000 (+ 25%)	+ \$300,000 (+ 25%)	+ \$4,000,000 (+ 25%)	\$0
HKD9.50 (Initial price)	+ \$3,000,000 (+ 19%)	+ \$2,775,000 (+ 19%)	+ \$300,000 (+ 25%)	+ \$3,075,000 (+ 19%)	+ \$75,000
HKD8.00 (cost of underlying Share)	\$0 (0%)	\$0 (0%)	+ \$300,000 (+ 25%)	+ \$300,000 (+ 2%)	+ \$300,000

HKD6.00	- \$4,000,000 (- 25%)	- \$3,700,000 (- 25%)	+ \$300,000 (+ 25%)	- \$3,400,000 (- 21%)	+ \$600,000
HKD0.00	- \$16,000,000 (- 100%)	- \$14,800,000 (- 100%)	+ \$300,000 (+ 25%)	- \$14,500,000 (- 91%)	+ \$1,500,000

Scenario 2(b) : Knock-out Event triggered after 1st month, total decumulation of 200,000 shares at HKD10.00

No. of shares held at start of transaction	2,000,000 shares purchased at average cost of HKD8.00				
No. of shares decumulated	Investor does not enter into Decumulator	200,000 shares (20 days @ 10,000 shares per day)			
No. of shares remaining	2,000,000 shares	1,800,000 shares			

The following returns are computed based on the investor's purchase cost of HKD16 million (2 million shares of Share D at average purchase price of HKD8.00) and based on the share price as of the Final Expiry Date. *

	Returns of Shares (A)	Returns of remaining Shares (B)	Returns of shares sold through Decumulator (C)	Combined Return (B) + (C)	Difference in total returns with and without Decumulator (B) + (C) - (A)
HKD20.00	+ \$24,000,000 (+ 150%)	+ \$21,600,000 (+ 150%)	+ \$400,000 (+ 25%)	+ \$22,000,000 (+ 138%)	- \$2,000,000
HKD14.00	+ \$12,000,000 (+ 75%)	+ \$10,800,000 (+ 75%)	+ \$400,000 (+ 25%)	+ \$11,200,000 (+ 70%)	- \$800,000
HKD10.00 (same as the Forward Price)	+ \$4,000,000 (+ 25%)	+ \$3,600,000 (+ 25%)	+ \$400,000 (+ 25%)	+ \$4,000,000 (+ 25%)	\$0
HKD9.50 (Initial price)	+ \$3,000,000 (+ 19%)	+ \$2,700,000 (+ 19%)	+ \$400,000 (+ 25%)	+ \$3,100,000 (+ 19%)	+ \$100,000
HKD8.00 (cost of underlying Share)	\$0 (0%)	\$0 (0%)	+ \$400,000 (+ 25%)	+ \$400,000 (+ 3%)	+ \$400,000
HKD6.00	- \$4,000,000 (- 25%)	- \$3,600,000 (- 25%)	+ \$400,000 (+ 25%)	- \$3,200,000 (- 20%)	+ \$800,000
HKD0.00	- \$16,000,000 (- 100%)	- \$14,400,000 (- 100%)	+ \$400,000 (+ 25%)	- \$14,000,000 (- 88%)	+ \$2,000,000

Scenario 3(a) : Knock-out Event triggered on the 11th Day in the 1st month (the Minimum Decumulation Period), total decumulation of 100,000 shares at HKD10.00

No. of shares held at start of transaction	2,000,000 shares purchased at average cost of HKD8.00				
No. of shares decumulated	Investor does not enter into Decumulator	100,000 shares (10 days @ 5,000 shares per day prior to Knock out + Additional Knock-out Shares based on 10 remaining days starting from the Knock out date @ 5,000 shares per day)			
No. of shares remaining	2,000,000 shares	1,900,000 shares			

The following returns are computed based on the investor's purchase cost of HKD16 million (2 million shares of Share D at average purchase price of HKD8.00) and based on the share price as of the Final Expiry Date. *

	Returns of Shares (A)	Returns of remaining Shares (B)	Returns of shares sold through Decumulator (C)	Combined Return (B) + (C)	Difference in total returns with and without Decumulator (B) + (C) - (A)
HKD20.00	+ \$24,000,000 (+ 150%)	+ \$22,800,000 (+ 150%)	+ \$200,000 (+ 25%)	+ \$23,000,000 (+ 144%)	- \$1,000,000
HKD14.00	+ \$12,000,000 (+ 75%)	+ \$11,400,000 (+ 75%)	+ \$200,000 (+ 25%)	+ \$11,600,000 (+ 73%)	- \$400,000
HKD10.00 (same as the Forward Price)	+ \$4,000,000 (+ 25%)	+ \$3,800,000 (+ 25%)	+ \$200,000 (+ 25%)	+ \$4,000,000 (+ 25%)	\$0
HKD9.50 (Initial price)	+ \$3,000,000 (+ 19%)	+ \$2,850,000 (+ 19%)	+ \$200,000 (+ 25%)	+ \$3,050,000 (+ 19%)	+ \$50,000
HKD8.00 (cost of underlying Share)	\$0 (0%)	\$0 (0%)	+ \$200,000 (+ 25%)	+ \$200,000 (+ 1%)	+ \$200,000

HKD6.00	- \$4,000,000 (- 25%)	- \$3,800,000 (- 25%)	+ \$200,000 (+ 25%)	- \$3,600,000 (- 23%)	+ \$400,000
HKD0.00	- \$16,000,000 (- 100%)	- \$15,200,000 (- 100%)	+ \$200,000 (+ 25%)	- \$15,000,000 (- 94%)	+ \$1,000,000

Scenario 3(b) : Knock-out Event triggered on the 11th Day in the 1st month (the Minimum Decumulation Period), total decumulation of 130,000 shares at HKD10.00

No. of shares held at start of transaction	2,000,000 shares purchased at average cost of HKD8.00				
No. of shares decumulated	Investor does not enter into Decumulator	130,000 shares [(4 days @ 5,000 shares per day + 6 days @ 10,000 shares per day) prior to Knock-out + (Additional Knock-out Shares based on 10 remaining days starting from the Knock out date @ 5,000 shares per day			
No. of shares remaining	2,000,000 shares	1,870,000 shares			

The following returns are computed based on the investor's purchase cost of HKD16 million (2 million shares of Share D at average purchase price of HKD8.00) and based on the share price as of the Final Expiry Date. *

	Returns of Shares (A)	Returns of remaining Shares (B)	Returns of shares sold through Decumulator (C)	Combined Return (B) + (C)	Difference in total returns with and without Decumulator (B) + (C) – (A)
HKD20.00	+ \$24,000,000 (+ 150%)	+ \$22,440,000 (+ 150%)	+ \$260,000 (+ 25%)	+ \$22,700,000 (+ 142%)	- \$1,300,000
HKD14.00	+ \$12,000,000 (+ 75%)	+ \$11,220,000 (+ 75%)	+ \$260,000 (+ 25%)	+ \$11,480,000 (+ 72%)	- \$520,000
HKD10.00 (same as the Forward Price)	+ \$4,000,000 (+ 25%)	+ \$3,740,000 (+ 25%)	+ \$260,000 (+ 25%)	+ \$4,000,000 (+ 25%)	\$0
HKD9.50 (Initial price)	+ \$3,000,000 (+ 19%)	+ \$2,805,000 (+ 19%)	+ \$260,000 (+ 25%)	+ \$3,065,000 (+ 19%)	+ \$65,000
HKD8.00 (cost of underlying Share)	\$0 (0%)	\$0 (0%)	+ \$260,000 (+ 25%)	+ \$260,000 (+ 2%)	+ \$260,000
HKD6.00	- \$4,000,000 (- 25%)	- \$3,740,000 (- 25%)	+ \$260,000 (+ 25%)	- \$3,480,000 (- 22%)	+ \$520,000
HKD0.00	- \$16,000,000 (- 100%)	- \$14,960,000 (- 100%)	+ \$260,000 (+ 25%)	- \$14,700,000 (- 92%)	+ \$1,300,000

* The above analysis is computed based on the share price of the underlying Share on the Final Expiry Date. The actual returns may vary significantly during the tenor of the Decumulator taking into consideration the option valuations.

Worst Case Scenario

In Scenario 1(b) where the Decumulator resulted in full decumulation of 2 million shares, the worst case is if the price of Share D risers substantially. For example, if the price of Share D rises to HKD20.00, the investor would have limited the profit potential from his/her holdings of Share D from HKD24 million to HKD4 million, thus foregoing the potential profit of HKD20 million. On the other hand, investor should note that the payoff illustration where the price of Share D falls to HKD0.00 will materialise only if the Decumulator's Knock-out Price has not been triggered resulting in full decumulation, and the price of Share D falls to HKD0.00 one day after the Final Expiry Date of the Decumulator.

In Scenario 2 where the Knock-out of the Decumulator is triggered after one month resulting in decumulation of 150,000 shares in scenario 2(a) or 200,000 shares in scenario 2(b), the worst case is if the price of Share D falls substantially. For example, if the price of Share D falls to HKD0.00, the investor will suffer losses from his/her remaining holding of Share D.

In Scenario 3 where the Knock-out of the Decumulator is triggered within the Minimum Decumulation Period (e.g. **Knock Out triggered on the 11th day**) resulting in decumulation of **100,000 shares in scenario 3(a) or 130,000 shares in scenario 3(b)**, like scenario 2, the worst case is if the price of Share D falls substantially. For example, if the price of Share D falls to HKD0.00, the investor will suffer losses from his/her remaining holding of Share D.

Investors should be aware that Decumulator is NOT a hedging instrument that provides protection against a fall in share price.

In addition, investor should also note that once committed to the Decumulator, he/she is obliged to deliver the shares on the Decumulation Day and he/she will not be able to freely sell the shares providing cover for the Decumulator even if the share price is expected to fall substantially.

The above scenarios and the figures in this scenario analysis are for illustration purposes only. They do not reflect a complete analysis of all possible scenarios that may arise under any actual transaction nor are they indicative of the likely or future performance of the Product and/or the price of the underlying Share.