MARKET EXPRESS

Quarter **02** 2023

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中信银行(国际)
CHINA CITIC BANK INTERNATIONAL

China CITIC Bank International brings you market updates and commentaries from renowned financial gurus across the globe, keeping you abreast of the latest market developments while helping you to make smart, informed investment decisions.

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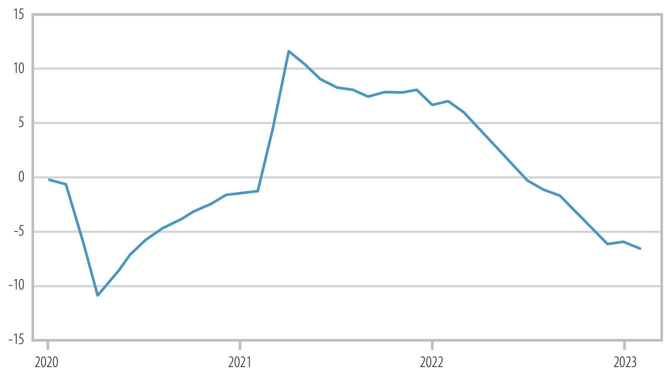
Macroeconomic outlook

The Global economy – Recession risks remain elevated.

While the rates of price increases are still far higher than central banks' targets, the worst episodes of inflation shocks are likely in the rear-view mirror, except for the Euro-zone and the UK. Following a pause of rate hikes by the Bank of Canada in the first quarter, the Fed and the Reserve Bank of Australia may follow suit in the second quarter. However, global recession risks remain elevated. While the banking tumult in Europe and the U.S. did not turn into a systemic crisis, market confidence and bank lending will inevitably weaken, hurting economic activities and raising the likelihood of a recession in the second half of the year.

US — In order to soothe market nerves and safeguard financial stability, the Fed maintained a 25 basis-point increment of the Fed funds rate in March. As for the size of its balance sheet, in spite of the Fed's efforts to trim its assets, the Fed's total assets once surged as a result of liquidity unleashed by the central bank to alleviate the banking turmoil, reversing months of progress in balance sheet reduction. The almost imminent end of the rate hike cycle and the reversal of balance sheet reduction suggests that the end of monetary policy normalization is also fast approaching. Leading economic indicators compiled by the Conference Board has contracted on a year-over-year basis for 10 consecutive months, portending an economic downturn. The probability of a recession in the second half of the year is becoming increasingly significant. The job growth numbers frequented cited as a strength of the economy also run counter to almost constant announcements of corporate job cuts, exaggerating the health of the labor market.

Chart 1: U.S. leading economic indicators (YOY; %)



Source: St. Louis Fed

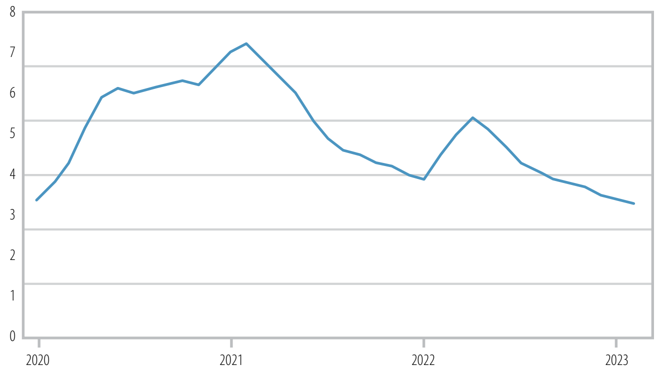
Europe — Both the Euro-zone and the U.K. are suffering from runaway inflation and faced with economic headwinds. In February 2023, UK CPI surged 10.4% from a year ago, only 0.7 percentage points lower than the 41-year high of 11.1% recorded in October. In the Euro-zone, inflation has slid for 5 months but was still extremely high at 8.5%, and core inflation has shown few signs of being contained. Inflation continues to place unbearable financial burden on the average household, outpacing nominal wage gains and exacerbating a cost-of-living crisis. Even though banking problems are threatening financial stability, central banks had no choice but to prioritize taming inflation. Compared with their Western counterparts, the European Central Bank was almost the last to raise rates, while the Bank of England has been relatively reluctant to opt for outsized increments. Thus, the end of the rate-hike cycles of these two central banks may come later than others', while inflation there will also be most difficult to rein in.

Japan — Underlying inflationary pressure remains elevated in Japan. While government subsidies managed to lower inflation excluding fresh food from 4.2% in January to 3.1% in February, so-called "core-core" inflation excluding fresh food and energy rose from 3.2% to 3.5%. Rapid price increases and a dysfunctional bond market pose an unavoidable challenge for the new central bank governor. Yield curve control may not be adjusted or abolished in the short term, but its side effects are becoming increasingly difficult to ignore. Monetary policy normalization may only be a matter of time.

Mainland China — While China's economy has almost fully reopened, global economic momentum continues to weaken and international trade could contract outright in 2023. Weakening export demand will inevitably impact China's manufacturing sector. Therefore, the short-term outlook for manufacturing is rather gloomy, and the services sector will be a decisive factor of GDP growth. If the primary and secondary sectors repeated their respective performance in 2022, the tertiary sector will need to grow at 6% to meet the official growth target of about 5%. In comparison, during the decade before the pandemic (2010 to 2019), services grew at an average rate of 8.4%. In 2021, service rebounded 8.5% from the first year of the pandemic. 6% growth for services is thus apparently not a tall order and does not require large-scale monetary stimulus. Monetary policy will be largely neutral, with stable LPR rates.

Hong Kong — Hong Kong's re-exports sector have taken a heavy hit due to the weakening global economy and shrinking international trade. However, thanks to full normalization of economic activities, retail sales should continue to recover, and a strong rebound in private consumption will keep lowering unemployment. In February, Hong Kong's unemployment rate declined to 3.3%, a three-year low. As for the interest rates environment, as the Fed's rate-hike cycle is coming to an end, Hong Kong dollar interbank and prime rates have rather limited room for further increases, boosting sentiments in the real estate market. After a plunge in 2022, private residential prices should be able to record a single-digit rise in 2023.

Chart 2: Hong Kong unemployment rate (%)



Source: Census and Statistics Department of HKSAR

Currencies

US Dollar

The US banking industry was in turmoil. The Fed and US fiscal department acted swiftly to implement emergency measures, attempting to stabilize market sentiment. On the other hand, the Fed's pace of rate hike has remained consistent with previous quarter, 1/4 percentage point. The latest dot plot showed that the official prediction on median federal funds rate will remain at 5.1% by the end of this year. However, they expected inflation would go further in this year with 0.2% higher than previous forecast. Such moves imply that the rate-hike cycle may be coming to an end. So far, the economic recession expectation is intensified under the banking crisis circumstance, with the unemployment rate rebounded slightly and high volatility in bond market. The US dollar trend is unclear.

The Euro

In addition to the turmoil in the US banking industry, a large investment bank in Europe is also undergoing financial issue. Six central banks, including the Fed and ECB, announced enhancing liquidity supply accordingly, concerning that the issue would weaken investor confidence in the banking systems of developed economies and disturb financial market. In March, the ECB raised interest rates by 50 basis points despite the market turmoil, saying that preventing banking risks and controlling inflation could be carried out at the same time. Inflation in the Euro zone shows signs of downward while core inflation remains high. In the second quarter, the ECB plans to reduce the APP portfolio by 15 billion Euro per month. However, due to the late start of interest rate hikes, there is room for monetary tightening. Getting through the winter, the pressure brought by the energy crisis has been eased, which is also good for the Euro. However, the long-term appreciation of the Euro depends on geopolitical stability and recovery of the real economy. The time is not yet come.

British Pound

Suffered from energy crisis and political turmoil, the latest budget of UK government focuses on household living and reducing public debt. It aims to a more sustainable economic development, which is expected to boost the economy. Moreover, UK's agreement with the EU on Northern Ireland's trading would also help on repairing the relationship between UK and the EU, which could ease trade conflict. However, UK inflation rebounded to 10.4% in February with surprise after a slight drop in January. The BOE continued its rate hike with 0.25% and is expected to hike further. The Pound is relatively supported.

Canadian Dollar

The Bank of Canada paused the rate hike first among major central banks. With other major economies continuing hiking rates, interest rates spread would account for the depreciation of Canadian dollar. What's worse, global economic recession risks suppress international trades and oil price. The Canadian dollar will inevitably suffer.

Japanese Yen

Inflation in Japan fell to 3.3% from its 41-year high of 4.3% as market expected, while the core inflation jumped slightly. Bond market is twisted by the YCC monetary policy. The inflation and depreciating Yen would not be tamed unless the BOJ could adjust the monetary policy regime substantially. Likely, the gloomy situation could push BOJ a little bit. The new BOJ governor Kazuo Ueda will take office in April, however, whether and how the policy shifted is unknown. Therefore, due to the pending BOJ policy, the long-short sentiment is stimulated.

Renminbi

Due to the financial market turmoil, the hike-rate cycle in major economies is likely to come to an end. In terms of domestic monetary policy, the PBOC cut reserve requirement ratio by 25 basis points in March, aiming at economic recovery. As such, the preliminary rebounded properties market is supported as well. So far, the economy is gradually revival, with the Purchasing Manager Index and most of its sub-indicators standing firm above the threshold. Reminbi is stabilized.

Australian Dollar

The intensified global economic recession risk suppressed commodities prices. Domestically, Australian retail sales was sluggish. The RBA may pause its rate hiking due to the record high inflation drops. External condition and internal economic data are both unfavourable for Australian dollar. However, China-Australia relation is warming up, with China's economy recovery, trading activities between the two are beneficial to Australian dollar.

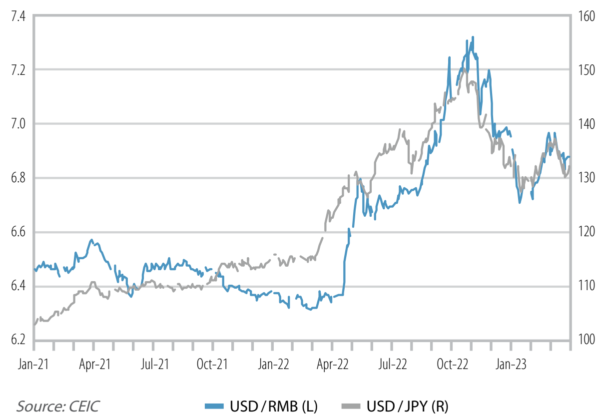
New Zealand Dollar

The Reserve Bank of New Zealand raised interest rates by 50 basis points in the first quarter, which makes the official cash rate reach the highest level in more than 14 years. While major central banks begins pacing down on rate hike, the Reserve Bank of New Zealand was relatively hawkish. Domestic natural disasters in the first quarter are worsening the slack economy. New Zealand dollar trembles.

Chart 3: US Dollar Index

Source: CEIC

Chart 4: Renminbi and Japanese Yen



Source: CEIC

Fixed Income

Macro interest rates environment

On Mar 22, Fed hiked Fed fund rates by another 25-bp to 4.75-5%, a level not seen since global financial crisis. And Chair Powell's comments confirmed that the Fed is very likely close to the peak in such round of rate cycle and believes that further future tightening will come less from interest rates, and more from tighter credit conditions. Given such market background, we slightly overweight on UST as valuation have improved after several rounds of rate-hike while we don't rule out the market volatility since the Fed continues to be data dependent.

Credit

Recent turmoil in Swiss and US banking system are likely to lead to tighter credit condition that may weigh on growth, employment and inflation; and the extent of such effects remains uncertain. Generally speaking, we prefer 1) high quality borrowers, i.e. Investment Grade over High Yield; and 2) short to medium tenor bonds given flat or even inverted yield curve.

Investment Grade — We remain constructive view on investment grade credit and think investors can still lock in relatively high yields that haven't been in years. We don't rule out credit spreads have room to widen amid volatile market but we expect that more stability in interest rates and clarity on monetary policy could bring flows back into fixed income space. And the renewed investor appetite for higher-quality bonds may put a ceiling on how wide spreads could drift. It is worth mentioning that the current repricing in financial sector may offer opportunities in names with robust capital positions and governance standards.

High Yield — We remain defensive view on high yield credits as risk-reward is not justified since the full scope of economic slowdown and the potential deterioration in financial conditions are yet to reflect in current high yield credit price, especially developed market high yield credits. For Asia high yield credits, we are neutral to cautiously optimistic as many potentially negative outcomes have been priced into securities, making valuations attractive; and Asia high yield is not only about China property, Macau gaming and other select industrial credits are also trading at historically compelling valuation.

Summary of fixed income returns as at March 29, 2023

	MTD	YTD	2022	2021	2020	2019	2018	2017
US Treasuries	2.10%	2.60%	-11.00%	-2.30%	7.30%	6.10%	1.20%	1.90%
US								
US IG	1.70%	2.40%	-15.10%	-1.20%	9.80%	13.40%	-1.90%	5.90%
US HY	0.10%	1.60%	-11.80%	4.10%	11.80%	16.30%	-2.10%	7.00%
Europe								
European Credit	1.10%	2.20%	-13.10%	-0.30%	4.40%	9.60%	1.60%	4.60%
Asia								
Asia Ex-Japan Credit	-0.10%	2.20%	-13.70%	-6.60%	7.20%	11.60%	-1.60%	5.00%
China	0.00%	1.90%	-12.20%	-6.60%	6.70%	10.80%	-0.70%	4.90%
China IG	0.90%	2.20%	-10.10%	-0.10%	6.60%	10.20%	0.50%	4.40%
China HY	-5.30%	0.20%	-22.50%	-26.30%	7.50%	12.70%	-4.20%	6.50%
Hong Kong	1.00%	3.30%	-10.20%	1.70%	7.20%	9.20%	1.10%	2.80%
South Korea	1.80%	2.40%	-8.80%	-0.30%	7.30%	8.20%	1.60%	2.70%
Singapore	1.30%	2.60%	-11.50%	0.70%	6.80%	10.40%	-1.00%	4.80%

Source: Bloomberg

Index

U.S. Treasuries
Global Aggregate - Credit
US Aggregate Bond Index - Investment Grade
U.S. Corporate Investment Grade
U.S. Corporate High Yield
Bloomberg Global Credit - European Euro Total Return Index Hedged USD
Bloomberg Asia Ex-Japan USD Credit Corporate
Bloomberg Asia Ex-Japan USD Credit Corporate IG
Bloomberg Asia Ex-Japan USD Credit Corporate HY
Bloomberg Asia Ex-Japan USD Credit China
Bloomberg Asia Ex-Japan USD Credit China IG
Bloomberg Asia Ex-Japan USD Credit China HY
Bloomberg Asia Ex-Japan USD Credit Hong Kong
Non-Japan Asia USD Credit Index South Korea
Non-Japan Asia USD Credit Index Singapore

Equities

US equities

US equities continued to edge higher in early 2023, but were under increasing downward pressures and led global stock markets to a sell down late in the first quarter. The Dow Jones Industrial Average Index (DJIA) recorded a notable fall in March that more than wiped out the gain early in the year and ended with a decline in Q1. Concerns of the Fed reverting to the more aggressive 50bps interest rate hike due to the stubbornly high inflation rate in the US, followed by the banking sector troubles in the US weighed heavily on the US stock market.

Following the collapses of some US regional banks, the Fed opted for an interest rate hike of 25bps and indicated one more hike in the current monetary policy tightening cycle in its latest meeting. The imminent end of US monetary policy tightening would be positive for the equity market, but it could be offset by the deteriorating credit conditions in the US as banks become more cautious on lending. Besides, the upcoming negotiations over the US debt ceiling by the US congress should warrant an attention, any negative outcomes could cause upheaval the financial markets. All things considered, we anticipate the US equities to underperform equities in other major markets in the coming months.

European equities

European equities managed to outperformed equities in other major markets in the first quarter of 2023, despite a noticeable selloff in late March. The Euro Stoxx 50 Index extended the uptrend heading into 2023 and posted a double-digit increase, but a visible drop near the quarter end partly offset the rise. The European stock markets were lifted by the surprisingly resilient economic performance in the region, before taking a hit by worries over the region's banking system stability.

In spite of intensifying banking stress in the region, the ECB continued to tighten its monetary policy with the third straight 50bps interest rate hike in its March meeting. There is also greater uncertainty on the ECB's monetary policy stance, given that the central bank offered no clear direction on future interest rate path. Other than the uncertainties of ECB's monetary policy and the persistent geopolitical tensions due to Russia-Ukraine military conflicts, the banking sector troubles and the resulting credit tightening emerge as the major threat to European economies. In view of such, we hold a neutral stance on European equities and with an expectation of heightening volatilities.

Japan equities

Japanese equities fared better in the first quarter of 2023, after a subdued performance in the quarter earlier. The Nikkei 225 Index promptly bounced back and moved higher going into the new year, followed by a pullback near end of Q1 but still register a gain. Japanese shares bounced back as concerns on the BOJ's withdrawal of its ultra-loose monetary policies waned, along with the approval of a new BOJ governor, but then joined the global stock markets with a sell down.

After a surprise tweak to the yield curve control (YCC) in last December meeting, the BOJ kept its ultra-loose monetary policies unchanged in the following two meetings. With Kazuo Ueda confirmed to take over as the new BOJ governor starting April 9, the BOJ's monetary policy stance becomes less uncertain. While the BOJ's overall monetary policy stance is likely to remain accommodative, there could be further modifications to the YCC in the months ahead. In the meantime, the still ample liquidity conditions should mitigate any negative shocks to the Japan stock market. On the whole, we maintain a neutral stance on Japanese equities with risks tilted to the downside.

Mainland China equities

Mainland China A-shares were off to an encouraging start with solid gains in Q1 2023. The Shanghai Composite Index trended higher while with moderate fluctuations throughout the first quarter. The A-shares markets managed to fend off the global stock markets sell down late in the first quarter stemming from the banking sector turmoil in Europe and the US, thanks to the much improved investor confidence amid the ongoing normalization of economic activities in Mainland China.

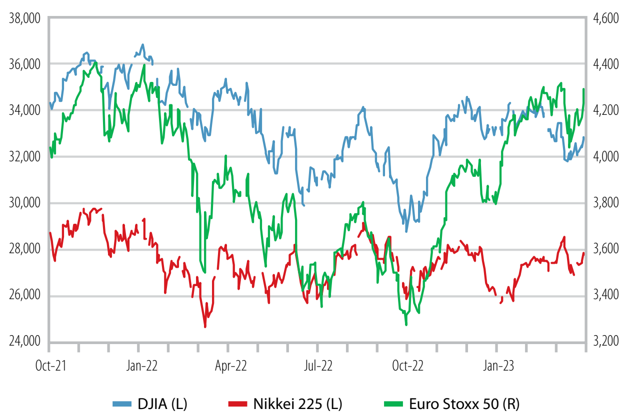
Moving forward, the performance of A-shares markets will largely hinge on the recovery strength of Mainland China economy. A weaker-than-expect economic recovery could undermine investor confidence and weigh on the stock market. However, the Chinese authorities are expected to rollout more supportive measures if necessary. This is evident in the latest RRR cut by the PBOC in late-March, in a bid to ensure sufficient liquidity in the banking system and support economic recovery. Against the above background, the A-shares markets are foreseen to stay resilient with moderate upside, before more signs of sustained economic recovery appear.

Hong Kong equities

Hong Kong equities continued to endure volatile swings in the first three months of 2023. The Hang Seng Index experienced a roller-coaster ride in Q1, soaring by nearly 15% early in the year before wiping out the gain with a plunge, while finishing the quarter with a modest rise. The upbeat market sentiment waned gradually as the promising outlook of Mainland China and Hong Kong economy was downplayed by growing concerns of the Fed reverting to a 50bps interest rate hike and the financial stability in Europe and the US.

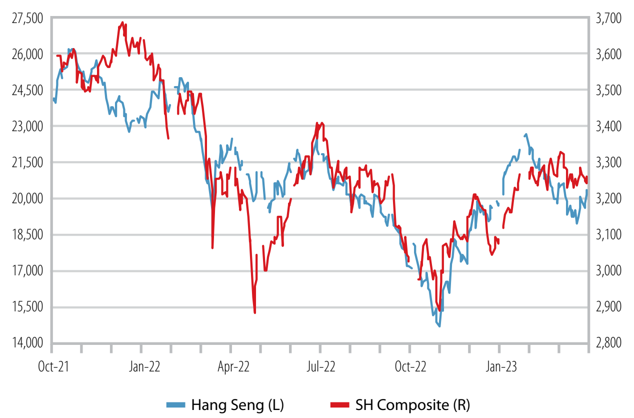
The external headwinds are poised to continue clouding the near-term outlook of Hong Kong stock market. Yet, the ongoing recovery of Hong Kong and Mainland China economy should somewhat offset the pressures on Hong Kong equities. Meanwhile, Mainland investors have shown increasing interests in Hong Kong shares, as reflected in the rising net capital inflows through the southbound stock-connect channels for two consecutive months. More net capital inflows coming from Mainland investors are anticipated if there is a further correction in Hong Kong stock market, and thereby limiting its downside. All in all, we are cautiously optimistic on Hong Kong equities while with large fluctuations.

Chart 5: Major equity market index



Source: Bloomberg

Chart 6: Stock market index in China & HK



Source: Bloomberg

Commodities

Gold

Gold price advanced further accompanied by wider swings in Q1 2023, following the strong rebound in the final quarter of 2022. Gold price moved in the range of US$1,800-2,000/troy oz throughout the quarter, while topping US$2,000/troy oz at one point near the quarter end. Gold price was bolstered by a further decline of both the US government bond yields and the US dollar amid expectations of an imminent end to the current US interest rate hike cycle, together with the sharply increased safe heaven demand as investors were wary of the financial stability in Europe and the US.

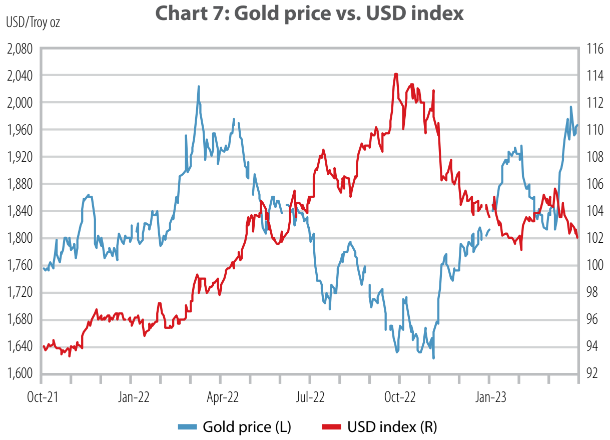
In addition to the lingering Russia-Ukraine military conflicts, the potential negative spillovers of banking sector troubles to the broader economy in Europe and the US should keep investors seeking out the safety asset in gold moving forward. Meanwhile, the downturn for both the US dollar and the US government bond yields are set to continue and lack significant upsides, given that the Fed signaled for one more interest rate hike in current monetary policy tightening cycle. Therefore, gold price is anticipated to stay buoyant with the likelihood of topping US$2,000/troy oz again in the months ahead.

Crude Oil

Crude oil prices remained under pressures and traded below US$90/barrel since the start of 2023. The Brent crude oil price continued to hover in the range of US$75-88/barrel for a majority of Q1, before slipping to a 15-month low at US$71/barrel near the quarter end. In spite of the anticipated increase in oil demand from the recovering Mainland China economy and a new round of sanctions on Russian crude oil by the Western countries in February, worries over weakening oil demand from Western economies as a result of the banking turmoil in Europe and the US dominated and pushed international oil prices lower.

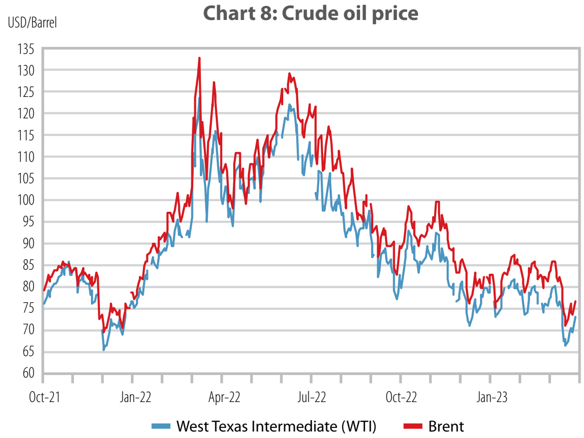
The near-term outlook for global oil market remains highly uncertain. On the oil demand side, it remains to be seen if the likely decline in Western economies could be offset by the expected uptick in Mainland China. As for the oil supply side, the negative impacts have yet to show after the latest round of sanctions imposed on Russian crude oil. Besides, the OPEC+ could step in and make a further cut to its oil output if crude oil prices drop below a certain level. On the whole, Brent crude oil prices are foreseen to continue to be range bound and lack clear direction in the short term.

Chart 7: Gold price vs. USD index



Source: CEIC

Chart 8: Crude oil price



Source: CEIC

Asset class outlook

Foreign exchanges	Outlook
US Dollar	O
The Euro	O
Bristish Pound	O
Canadian Dollar	-
Japanese Yen	+
Renminbi	O
Australia Dollar	O
New Zealand Dollar	O
Fixed income	**Outlook**
US Treasuries	O
European Sovereign	O
Chinese Sovereign	O
Investment Grade Credit	
US IG	+
European IG	O
Asia IG	+
High Yield Credit	
US HY	O
European HY	-
Asia HY	O
Equities	**Outlook**
United States	-
Europe	-
Japan	-
Asia (ex-Japan)	O
China A-share	O
Hong Kong	O
Commodities	**Outlook**
Gold	+
Crude Oil	O

Note: "+" Positive, "-" Negative; "O" Neutral

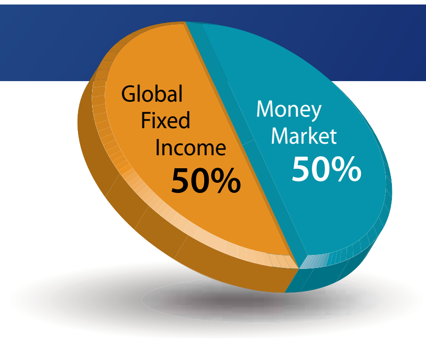
360 PORTFOLIO

2023 | Quarter 2

China CITIC Bank International's 360 Portfolio uses a quantitative approach and construct a model-driven reference portfolio for each client's risk profile.

The portfolio shows how you may allocate and diversify your wealth across the different asset classes in order to cater your risk and return characteristics.

Risk Profile : Moderate

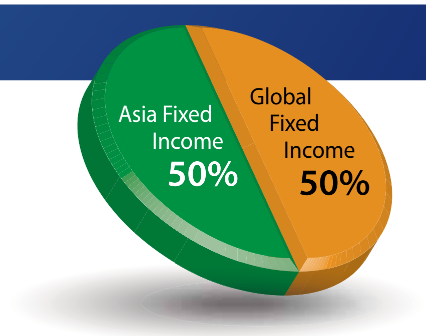


The investment portfolio is mainly composed of Money Market and Global Fixed Income assets.

10-year Annualized Return*: 2.58%

10-year Annualized Volatility*: 3.93%

Risk Profile : Balanced

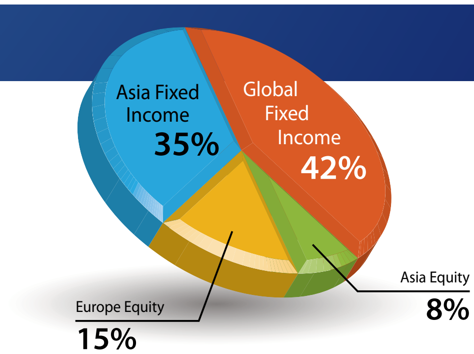


The investment portfolio is mainly composed of Global and Asia Fixed Income assets.

10-year Annualized Return*: 3.76%

10-year Annualized Volatility*: 5.52%

Risk Profile : Growth

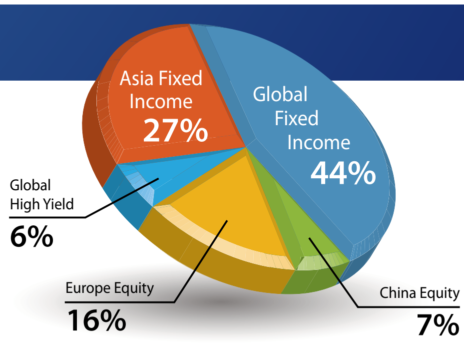


The investment portfolio is mainly composed of equity assets and fixed income assets.

10-year Annualized Return*: 4.11%

10-year Annualized Volatility*: 6.45%

Risk Profile : Aggressive



The investment portfolio is mainly composed of equity assets and fixed income assets.

10-year Annualized Return*: 4.14%

10-year Annualized Volatility*: 6.50%

* The annualized return and volatility are calculated based on performance and volatility of each asset class benchmark during the data period (1 Feb 2013 – 31 Jan 2023), which are for reference only. The benchmarks are: Money Market: Barclays US 3-month LIBOR Cash Index, Global Fixed Income: Bloomberg Barclays Global-Aggregate Total Return Index Value Unhedged USD, Asia Fixed Income: J.P. Morgan Asia Credit Index Core, Global Equity: MSCI World Net Total Return USD Index, Europe Equity: MSCI Europe Index Hedged to USD Net Total Return, Emerging Markets Fixed Income: J.P. Morgan EMBI Global Total Return Index , Asia ex Japan Equity: MSCI AC Asia ex Japan Net Total Return Index, China Equity: MSCI China Net Total Return Index, Global High Yield: Bloomberg Barclays Global High Yield Total Return Index Value Unhedged. Data is sourced from Bloomberg.

Methodology

- The Bank applies the Black-Litterman asset allocation model, a quantitative mean-variance optimization technique that is an industry-standard approach to portfolio construction.
- The Black-Litterman asset allocation model uses efficient frontiers and glide path in determining the asset classes and their respective weights that can achieve the highest expected return for a defined level of risk.
- Efficient frontiers representing a combination of risk-return pairs, which allows for the determination of asset weights leading to the highest expected return for a given level of risk.
- After efficient frontiers are constructed across risk profiles, the Bank utilizes another quantitative function called glide path to select a portfolio on the efficient frontier. The glide path is a function that returns the desired volatility (risk) of a portfolio given investment timeframe (i.e. time-to-target). The glide paths are calibrated using a statistical simulation to recommend the optimal volatility to the portfolio for each investment timeframe.
- A 120-month investment timeframe and normal market environment are assumed in this Model Portfolio.

The algorithms in the asset allocation model are subject to limitations. The algorithms may include performance data and statistics that are derived on the basis of historical data and methodologies formulated on various assumptions. Below are the key limitations of the modelling methodologies:

- Extreme events such as drastic market declines are not explicitly modelled.
- Model inputs are based on historical data.
- Model allocation is based on representative benchmark data and not investment product data. Investment product performance can deviate significantly from benchmarks.
- Short, medium and long-term projections are based on the same assumptions and parameters.
- Asset returns are assumed to have the same distribution and yet in reality asset return distribution can vary in different market conditions.

Important Notes

- The 360 Portfolios are for reference only and are subject to change from time to time without prior notice.
- The 360 Portfolios are only applicable for customers who have a valid Investor Risk Analysis record with the Bank. The Model Portfolios refer to the respective investor risk profile, namely Moderate, Balanced, Growth and Aggressive.
- This material does not itself constitute any offer, invitation, or advice to any person to purchase or sell or acquire or invest in any investment products.
- Notwithstanding any discussion with your Relationship Manager, before deciding to proceed with any investment transaction, you should make an independent assessment about the risks, merits and appropriateness of each investment transaction, and seek independent professional advice.
- The Bank is not providing portfolio monitoring services and is not obliged to review, manage or monitor the performance of your investment holdings.
- The products involved might not be principal protected and you may lose all or part of your original investment amount. There are possible disadvantages from subscribing, selling or switching and the Bank makes no warranty on your decision to buy, sell or switch at any material time.
- We will need to complete the suitability assessment with you before you invest with us.
- The Bank is not responsible for any loss, damage or other consequences of any kind that any person may incur or suffer as a result of, arising from or relating to his/her use of reliance of the information herein. The Bank gives no guarantee, representation or warranty as to the accuracy, timeliness or completeness of the contents of this material.

Risk Disclosure Statement

- Investment involves risks. The prices of investment products fluctuate, sometimes dramatically and the worst case may result in loss of your entire investment amount. Past performance is no guide to its future performance.
- Investors should consider their own investment objectives, investment experience, financial situation and risk tolerance level before making any investment decision.
- Investors should carefully read the relevant offering documents, in particular the investment policies and the risk factors and latest financial results information and are advised to seek independent professional advice before making any investment decision.
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- The contents of this material have not been reviewed by the Securities and Futures Commission in Hong Kong.
- In the event of discrepancy between the English and Chinese versions, the English version shall prevail.

Fund Showcase

Important Note:

- Funds are investment products and some may involve derivatives. The investment decision is yours, but you should not invest in Funds unless the intermediary who sells it to you has explained to you that the product is suitable for you having regard to your financial situation, investment experience and investment objectives.
- Investment involves risks. The price of a fund may go down as well as up, you could lose some or the entire principal amount invested. Past performance of fund is not indicative or guarantee of its future performance. The "Fund Showcase" is for information and reference only. You should not invest in this product based on this section alone. Before making any investment decision, you should read and understand the relevant offering documents (including the product details and the risk factors provided therein) and carefully consider your financial situation and investment experience and objective. You should seek independent professional advice if needed.
- Fund(s) marked with "*" below may invest extensively in financial derivative instruments. Risks associated with financial derivative instruments include counterparty risk, credit risk, liquidity risk and high possibility of loss of the capital invested. Thus, investing in funds involved financial derivative instruments may lead to higher risk of capital loss.

China CITIC Bank International partners with international fund houses in order to provide various fund choices for your different investment strategies and for your reference.

The funds listed in "Fund Showcase" are based on the existing fund screening procedures of our Bank. Funds will be first classified into different categories by regions and asset classes invested and ranked by their 1 Year Sharpe Ratio[3] in the category. Subsequently, 2 to 4 funds will be shortlisted from each category based on ranking and other criteria, including but not limited to fund's net asset value[1], fund's past performance[2], fund house, number of share classes available, invested market, product risk level[4] and Morningstar Overall Rating[5], etc. Please note that "Fund Showcase" covers only the Securities and Futures Commission of Hong Kong ("SFC") authorized funds distributed by our Bank but does not include funds that have been established for less than six months.

Fund Category	Fund Name	Launch Date (MM/DD/YYYY)	Fund's Net Asset Value (in Million)[1]	Fund's Past Performance %[2] (as of 28 February 2023)							1 Year Sharpe Ratio[3]	Product Risk Level[4]	Morningstar Overall Rating[5]
				YTD	2022	2021	2020	2019	2018	Since Launch Date			
Equity Fund - Global Equities	BLACKROCK SYSTEMATIC GLOBAL SMALLCAP FUND A2 - ACC USD $	11/4/1994	USD 258	7.97	-16.02	17.94	12.46	27.61	-17.40	9.60	-0.11	4	★★★★
	ALLIANZ THEMATICA CLASS AT (USD) ACC	1/25/2019	USD 3,880	6.41	-21.12	10.16	41.21	24.18	-3.75	11.90	-0.21	4	★★★★★
	NINETY ONE GSF GLOBAL EQUITY A - INCOME SHARES	1/25/1985	USD 775	4.90	-17.24	17.58	16.68	24.65	-14.10	9.04	-0.30	4	★★★
Equity Fund - US Equities	Blackrock US Mid-Cap Value Fund A2 - ACC USD $	5/13/1987	USD 290	4.99	-5.68	25.77	4.51	27.35	-11.02	10.21	-0.13	4	★★★★
	FIDELITY FUNDS - AMERICA FUND A ACC USD	7/3/2006	USD 3,759	1.46	-5.58	24.30	3.89	10.93	-6.88	6.79	-0.39	4	★★★
Equity Fund - Europe Equities	JPM EUROPE DYNAMIC A (ACC) - USD (HEDGED)	11/22/2013	USD 588	9.11	-7.69	23.96	2.01	24.91	-13.42	6.86	0.53	4	Not Rated
	INVESCO CONTINENTAL EUROPEAN SMALL CAP EQUITY A ACC USD H	9/7/2018	USD 365	11.02	-14.14	25.50	16.44	25.40	-20.07	11.03	0.25	5	Not Rated
	JPM EUROLAND EQUITY A (DIST) - USD	6/1/2001	USD 1,052	10.41	-16.59	15.51	6.01	21.16	-18.37	4.51	0.15	4	★★★★
Equity Fund - Japan Equities	SCHRODER ISF JAPANESE OPPORTUNITIES A DIS	12/1/2006	JPY 285	6.10	1.40	12.04	-0.25	16.03	-23.64	2.83	-0.52	4	★★★
	FIDELITY FUNDS - JAPAN VALUE FUND $	1/30/2003	JPY 716	6.50	0.43	20.57	4.12	23.24	-19.76	8.42	-0.59	4	★★★★★
Equity Fund - Emerging Market Equities	JPM LATIN AMERICA EQUITY A (DIST) - USD	5/13/1992	USD 433	2.30	6.40	-15.09	-6.41	25.22	-9.54	5.75	0.10	5	★★★★
	FIDELITY EMERGING ASIA FUND ACC USD	4/21/2008	USD 517	1.62	-11.79	-5.03	17.10	17.09	-11.93	4.59	-0.26	4	★★★★
	TEMPLETON BRIC FUND A ACC USD	10/25/2005	USD 374	1.54	-22.84	-5.02	10.42	28.03	-14.81	3.17	-0.41	5	★★★★
Equity Fund - Asia Pacific ex Japan Equities	FIDELITY FUNDS - AUSTRALIAN DIVERSIFIED EQUITY FUND A ACC AUD*	9/25/2006	AUD 470	3.60	-6.94	22.59	4.75	25.64	-4.25	6.32	-0.17	5	★★★★
	INVESCO ASIAN EQUITY FUND A	9/7/2018	USD 1,962	2.40	-9.62	0.10	25.02	15.38	-14.00	8.65	-0.24	4	★★★★★
	JPMORGAN THAILAND (ACC) - USD	8/8/1989	USD 225	-5.89	6.55	0.64	-8.38	9.76	-7.84	9.47	-0.28	4	★★★★★
Equity Fund - Greater China Equities	FIDELITY FUNDS - CHINA FOCUS FUND	8/18/2003	USD 3,404	3.13	-2.82	-4.16	-1.85	14.50	-12.24	10.63	-0.01	5	★★★★★
	SCHRODER ISF HONG KONG EQUITY A ACC USD	3/30/2011	USD 1,844	0.86	-12.46	-11.59	21.19	16.11	-14.32	3.75	-0.16	4	★★★★
	BOCIP CHINA VALUE FUND A HKD	1/21/2011	HKD 112	3.76	-5.68	0.72	-8.63	9.40	-11.91	0.30	-0.23	5	★★★
Equity Fund - Specific Sectors	BlackRock World Energy Fund A2 - ACC USD	4/6/2001	USD 3,436	-0.22	39.58	41.21	-28.54	11.41	-21.16	3.89	0.56	5	★★★
	NINETY ONE GSF GLOBAL NATURAL RESOURCES FUND A ACC	1/31/2008	USD 726	1.61	20.97	28.38	4.00	19.66	-17.85	2.81	0.36	4	★★★★★
	FIDELITY FUNDS - GLOBAL INDUSTRIALS FUND	9/1/2000	EUR 332	7.70	5.81	27.84	0.88	21.99	-7.64	6.52	0.21	4	★★★★
Balanced / Mixed Asset Fund	FRANKLIN INCOME FUND A (MDIS)	7/1/1999	USD 3,353	2.23	-7.33	13.88	1.26	13.90	-7.31	5.03	-0.40	3	★★★★
	FIRST SENTIER ASIAN BRIDGE FUND CLASS I USD - M DIS	9/25/2003	USD 280	2.15	-14.96	-2.90	14.21	15.58	-4.03	6.23	-0.44	3	★★★★★
	GOLDMAN SACHS GLOBAL MULTI-ASSET INCOME PORTFOLIO BASE (ACC)*	3/18/2014	USD 440	2.79	-12.86	9.90	5.93	18.42	-5.89	3.36	-0.55	3	★★★★
Fixed Income Fund - High Yield Bonds	GOLDMAN SACHS ASIA HIGH YIELD BOND PORTFOLIO BASE (ACC)	8/13/2020	USD 533	5.53	-13.77	-7.30	16.19^	–	–	-4.33	-0.01	5	Not Rated
	Fidelity Funds - China High Yield Fund A-ACC-USD	11/30/2015	USD 1,129	6.46	-24.67	-19.03	8.41	12.91	-5.13	-1.38	-0.12	4	★★★
	FIDELITY FUNDS - ASIAN HIGH YIELD A ACC USD	4/2/2007	USD 2,307	6.43	-23.97	-14.22	6.99	11.95	-4.67	2.10	-0.23	5	★★★
Fixed Income Fund - Global Bonds	ALLIANZ GLOBAL OPPORTUNISTIC BOND AMg (USD) DIS*	12/1/2016	USD 686	0.18	-4.97	-2.45	6.19	7.07	-1.76	1.35	-0.98	2	★★★★
	Manulife Global Fund - Preferred Securities Income Fund AA USD	9/11/2018	USD 290	5.52	-14.99	4.79	3.54	21.07	-20.04^	2.18	-0.66	2	Not Rated
	TEMPLETON GLOBAL BOND A (ACC) USD	4/28/2006	USD 4,058	-2.55	-4.40	-4.91	-3.73	1.01	1.54	3.19	-0.81	3	★★★

Fund Category	Fund Name	Launch Date (MM/DD/YYYY)	Fund's Net Asset Value (in Million)[1]	Fund's Past Performance %[2] (as of 28 February 2023)							1 Year Sharpe Ratio[3]	Product Risk Level[4]	Morningstar Overall Rating[5]
				YTD	2022	2021	2020	2019	2018	Since Launch Date			
Fixed Income Fund - Emerging Market Bonds	Ninety One Emerging Markets Investment Grade Corporate Debt A ACC USD	12/2/2019	USD 489	0.91	-14.51	-2.49	11.29	13.35^	–	-1.71	-0.50	2	★★★
	JPM EMERGING MARKETS DEBT A (MTH) - USD	2/22/2010	USD 1,635	0.84	-19.35	-3.83	5.02	13.33	-5.99	2.94	-0.77	4	★★★
Fixed Income Fund - Asian Bonds	Manulife Global Fund - Asia Total Return Fund AA (YDIS) USD	10/17/2014	USD 104	1.69	-10.00	-2.53	8.41	8.11	-1.53	1.51	-0.38	3	★★★
	GAOTENG WEFUND - GAOTENG ASIAN INCOME FUND A USD ACC	11/16/2018	USD 164	4.40	-16.63	-3.46	6.81	17.82	8.41^	1.55	-0.73	3	★★★
	AB SICAV I - RMB Income Plus Portfolio A2 USD	5/23/2011	USD 477	1.05	-12.03	3.08	9.90	4.14	-3.06	2.36	-0.82	2	★★★

Sources: Fund information in the "Fund Showcase" is provided by Morningstar Asia Limited, as of 28 February 2023. For details of Fund and the performance, please refer to the relevant Fund Factsheet and Offering Documents.

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Remarks:

1. This figure is presented in millions of base currency and represents the fund's total asset base.
2. Past performances of the funds were calculated in the relevant fund currency, based on the principle of NAV-to-NAV, with reinvestment of all dividends (if any) received from the relevant funds.
3. Sharpe ratio uses standard deviation to measure a fund's risk-adjusted returns. The higher a fund's Sharpe ratio, the better a fund's returns have been relative to the risk it has taken on. Developed by its namesake, Nobel Laureate William Sharpe, this measure quantifies a fund's return in excess of a risk-free investment (Morningstar Asia currently uses a risk-free rate of zero) relative to its risk (or standard deviation). Sharpe ratio is calculated using standard deviation and excess return to determine reward per unit of risk. First, the risk-free rate is subtracted from the fund's average monthly return. The difference in total return represents the fund's excess return beyond that of the risk-free rate. An arithmetic annualized excess return is then calculated by multiplying this monthly return by 12. To show a relationship between excess return and risk, this number is then divided by the standard deviation of the fund's annualized excess returns. The higher the Sharpe ratio, the better the fund's historical risk-adjusted performance is.
4. Product risk levels of the funds are determined by the Bank, data as of 31 December 2022. The above product risk level is the risk level of the respective funds as determined by the Bank for reference only, where 1 being the lowest risk level and 5 being the highest risk level. Such product risk levels as determined by the Bank may be different from those provided by respective fund houses. The information is valid as at the date specified above and subject to change from time to time without prior notice. Please contact us for the latest product risk level of the funds.
5. Morningstar Overall Rating: Morningstar rates mutual funds from one to five stars based on how well they've performed (after adjusting for risk and accounting for all sales charges) in comparison to similar funds. In other words, stars are assigned to funds in the Hong Kong / Taiwan / Singapore universe based on relative performance. Within each Morningstar Category, the top 10% of funds receive five stars, the next 22.5% four stars, the middle 35% three stars, the next 22.5% two stars, and the bottom 10% receive one star. Funds with at least 36 months of history are also rated for up to three time periods--three-, five-, and ten-year --and these ratings are combined to produce an overall rating. In short, no rating will be assigned for funds with less than three years of history. Ratings are objective, based entirely on a mathematical evaluation of past performance. They are a useful tool for identifying funds worthy of further research, but should not be considered buy or sell recommendations.

^ Since inception to the year end of the calendar year

Effective from 12/15/2022, the Fund was renamed from BlackRock Systematic Global SmallCap Fund to BlackRock Systematic Sustainable Global SmallCap Fund. On 12/31/2019, the Fund was renamed from BlackRock Global SmallCap Fund to BlackRock Systematic Global SmallCap Fund. On 08/30/2022, the Fund renamed from BlackRock US Small & Mid Cap Opportunities Fund to BlackRock US Mid-Cap Value Fund. The Fund changed its investment policy and objective. Effective from 07/14/2022, "Fidelity Funds - Japan Advantage Fund" is renamed to "Fidelity Funds - Japan Value Fund". Effective from10/26/2021, "Fidelity Funds - Australia Fund" is renamed to "Fidelity Funds - Australian Diversified Equity Fund". Performance prior to 10/26/2021 was achieved under circumstances that may no longer apply as the investment objective was changed. Effective 12/28/2018, the portfolio name changed from Goldman Sachs Global Income Builder Portfolio to Goldman Sachs Global Multi-Asset Income Portfolio. On 12/17/2018, Allianz Global Bond has been renamed to Allianz Global Opportunistic Bond and its investment objective and investment principles have also been changed.

The funds listed in the "Fund Showcase" section have been authorized by SFC. SFC authorization is not a recommendation or endorsement of a fund, nor does it guarantee the commercial merits of a fund or its performance. It does not mean that the fund is suitable for all investors, nor it is an endorsement of its suitability for any particular investor or class of investors.

Market Express - Risk Disclosure Statement and Disclaimers:

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Investment involves risks. Investment value and return may go down as well as up. Past performance of each investment product is not indicative of its future performance. Losses may be incurred as well as profits made as a result of investing in investment product. Investment in emerging markets involves above-average investment risks, such as possible fluctuations in foreign exchange rates, political and economic uncertainties. Some funds are entitled to use financial derivative instruments to meet its investment objective and may therefore lead to higher volatility to its net asset value. Investors investing in these funds may result in loss of some or the whole amount of the capital invested. Investors should read the offering documents of the relevant investment product (including the risk factors stated therein (in particular those associated with investments in emerging markets for funds investing in emerging markets)) in details before making any investment decision.

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(This document is issued on 31 March 2023)

Fabulous Wealth Management Offers#

1. Investment Rewards Offer – up to HK$20,000 Cash Rewards

- CITIC*diamond* customers can enjoy HK$1,000 (Maximum: HK$20,000) Cash Rewards for every accumulated Eligible Transaction Amount of HK$500,000 (or equivalent) during the Promotion Period
- CITIC*first* customers can enjoy HK$200 (Maximum: HK$5,000) Cash Rewards for every accumulated Eligible Transaction Amount of HK$200,000 (or equivalent) during the Promotion Period

2. Securities Trading Offer – 6 months $0 brokerage commission to buy HK, U.S. Stocks and China A-Shares

Open a new One Account during the Promotion Period to enjoy 12 months $0 brokerage commission for unlimited BUY trades of Hong Kong and U.S. stocks as well as China A-shares via **inVest and inMotion**.

In addition, all One Account customers can enjoy fabulous offers on a series of securities services:

- $0 brokerage commission to buy/sell newly listed HK stocks on its first trade day
- $0 IPO Application Handling Fee via Automated channels
- Unlimited free real time quotes for Hong Kong stocks, U.S. stocks and China A-shares

3. Investment Funds Offers

- Enjoy 0% subscription fee offer for subscription via online channels (including inMotion and Internet Banking)
- Enjoy HK$300 (Maximum: HK$12,000) Cash Rewards for every cumulative fund transfer-in of HK$100,000

4. Equity Linked Product(s) Offer – Enjoy Extra Coupon up to HK$8,888

Eligible Customers[1] successfully complete the subscription of Eligible Equity-Linked Investments ("ELI") with the Bank within the Promotion Period can enjoy extra coupon as follow:

For every accumulated Eligible Transaction Amount of	Extra Coupon	Maximum Extra Coupon
HK$500,000 or equivalent	HK$1,888	HK$8,888

1) Eligible Customers are customers of China CITIC Bank International Limited who have not subscribed any eligible Equity Linked Products with the Bank from 18 March 2022 to 17 March 2023.

5. Foreign Exchange Offer – Enjoy up to HK$2,500 Cash Reward for inMotion FX Transaction

From now to 31 May 2023, Eligible Customers[2] who have successfully completed FX transactions via inMotion and reached the designated accumulated transaction amount during the 1 Apr 2023 to Jun 2023 will be entitled to the cash rewards:

Accumulated FX Amount (HKD equivalent)	Cash Rewards
HK$100,000 to below HK$300,000	HK$100
HK$300,000 to below HK$500,000	HK$200
HK$500,000 to below HK$1,000,000	HK$300
HK$1,000,000 to below HK$3,000,000	HK$800
HK$3,000,000 to below HK$5,000,000	HK$1,500
HK$5,000,000 or above	HK$2,500

2) Eligible Customers refers to customers who did not trade any FX transactions with the Bank from 1 Apr 2022 to 31 Mar 2023.

6. Currency Linked Deposit Offer – up to HK$15,800 Bonus Interest Rewards

Eligible Customers[3] who have successfully subscribed Currency Linked Deposit via any channels and reached the designated accumulated transaction amount will be entitled to the extra 2% p.a. Bonus Interest Rewards:

Accumulated CLD Transaction Amount (HKD equivalent)	Maximum Rewards
HK$1,000,000 to below HK$2,500,000	HK$300
HK$2,500,000 to below HK$5,000,000	HK$800
HK$5,000,000 to below HK$10,000,000	HK$1,800
HK$10,000,000 to below HK$20,000,000	HK$3,800
HK$20,000,000 to below HK$35,000,000	HK$8,800
HK$35,000,000 or above	HK$15,800

3) Eligible Customers refers to CITICfirst and CITICdiamond customers who have not subscribed any Currency Linked Deposit with the Bank during 1 April 2022 to 31 March 2023.

Unless otherwise indicated, promotion period: 1 April 2023 to 30 June 2023. Terms and conditions apply. Please visit branches for details or browse the following website for the promotional materials and terms and conditions:
Details for "Investment Rewards Offer – up to HK$20,000 cash rewards " https://www.cncbinternational.com/personal/promotions/integrated-investment/en/index.html#aum
Details for "Securities Trading Offer" https://www.cncbinternational.com/personal/promotions/securities_trading/en/index.html
Details for "Investment Funds Offers" https://www.cncbinternational.com/personal/promotions/integrated-investment/en/index.html#investmentfunds
Details for "Equity Linked Product(s) Offer" https://www.cncbinternational.com/personal/promotions/integrated-investment/en/index.html#elp
Details for "Foreign Exchange Offer" and "Currency Linked Deposit Offer" https://www.cncbinternational.com/personal/promotions/integrated-investment/en/index.html#fx

Important Notes

Some of the investment products are structured products involving derivatives. The investment decision is yours but you should not invest in the product unless the intermediary who sells it to you has explained to you that the product is suitable for you having regard to your financial situation, investment experience and investment objectives. You should not invest in this product based on this promotional material alone.

Risk Disclosure Statements for Securities Trading

(1) Investment involves risks. (2) The price of securities fluctuates, sometimes dramatically. The price of securities may move down or up and may become valueless. It is as likely that losses will be incurred rather than profits made as a result of buying or selling securities. (3) Investors should seek advice from own professional advisors as to particular tax position, including but not limited to estate duty and withholding tax that might arise from investing in overseas products. (4) If investors investing in investment products denominated in non-local currency, one should be aware of the risk of exchange rate fluctuations that may cause a loss of principal. (5) Before making any investment decision, investors should refer to the terms and conditions of relevant Securities Trading Services and risk disclosure statements and seek professional advice where needed. (6) Renminbi (RMB) is subject to exchange rate risk. The Hong Kong dollar value of investment will decrease if the RMB depreciates against Hong Kong dollar. Conversion between RMB and other currencies (including Hong Kong dollar) is subject to policy restrictions relating to Renminbi and consequently the relevant regulatory requirements in Hong Kong. Such requirements may be amended subject to changes in the policy restrictions relating to RMB. RMB is not freely convertible at present. The actual conversion arrangement will depend on the restrictions prevailing at the relevant time.

Risk Disclosure Statements for Investment Funds

(1) Investment Funds are not equivalent to time deposits or its substitute and provide no guarantee of return or yield on investment. (2) Investors should note that investment involves risk and past performance is not indicative of future performance. The price of the Investment Funds may go down as well as up and may become valueless. It is as likely that losses will be incurred rather than profits made as a result of investing in Investment Funds. In the worst case scenario, the value of the Investment Funds may be substantially less than your investment amount. (3) Investors should consider their own investment objectives, financial resources and relevant circumstances, and read the relevant offering document, terms and conditions and risk disclosure statement before making any investment decision. (4) Investors should carefully read the relevant fund's offering documents (including the investment policy and risk factors stated therein) in details before making any investment decision. If needed, investors should seek independent professional advice.

Risk Disclosure Statements for Bonds

(1) Investment involves risk. The prices of bonds can fluctuate, sometimes dramatically. The price of bonds may move up or down, and may become valueless. It is as likely that losses will be incurred rather than profit made as a result of buying and selling bonds. (2) Investing in this product is not equivalent to time deposit. This product is not a protected deposit and is not protected by the Deposit Protection Scheme in Hong Kong. (3) Default/ Credit risk - There is a risk that the issuer may fail to pay you the interest or principal as scheduled. In the worst case scenario, you may not be able to receive back the interest and principal if the issuer defaults on the bond. (4) Interest rate risk - When the interest rate rises, the price of a fixed rate bond will normally drop. (5) Exchange rate risk - If your bond is denominated in a foreign currency, you may face an exchange rate risk if you choose to convert payments made on bond to your home currency. (6) Liquidity risk - If you need to sell the bonds before maturity for an urgent cash-flow need or use the capital for other investments, you may not be able to do this since the liquidity of the secondary bond market could be low. If you choose to sell your bond before it matures, you may lose part or all of your investment. (7) Reinvestment risk - If you hold a callable bond, when the interest rate goes down, the issuer may redeem the bond before maturity. If this happens and you have to re-invest the proceeds, you may not be able to enjoy the same rates of return. (8) Equity risk - If your bond is "convertible" or "exchangeable", you also face equity risk associated with the stock. A fall in the stock price will usually follow by a fall in the bond price.

Risk Disclosure Statements for Equity-Linked Investments ("ELI")

(1) Equity-linked Investment (ELI) is a structured product and complex investment products involving derivatives. You should exercise caution in relation to this product. (2) ELI is not equivalent to time deposits or its substitute and provide no guarantee of return or yield on investment. It is NOT protected by the Deposit Protection Scheme in Hong Kong. (3) ELI is NOT principal protected and is NOT secured by any asset or collateral. In the worst case scenario, you could lose all of your investment. (4) The maximum potential gain may be limited. It is possible that you may not receive any potential distribution amount for the entire scheduled tenor of this product. You may, at settlement, receive physical delivery of reference asset(s). (5) Investing in ELI is not the same as investing in the reference assets. During the investment period, you have no rights in the reference asset(s). Changes in the market price of the reference asset may not lead to a corresponding change in the market value of, or your potential payout of the product. (6) If you invest in ELI, they are relying upon the creditworthiness of the issuer and, as the case may be, the guarantor and no other person. You may get nothing back if the issuer and/or the guarantor becomes insolvent or defaults in performing its obligations in relation to the product. (7) ELI involves risks, including but not limited to re-investment risk, risks of early termination, limited market making arrangements, conflict of interest, market risk, liquidity risk, currency/ exchange rate risk and risks relating to Renminbi. (8) The price or value of the ELIs may move up or down, and may even become valueless. It is as likely that losses will be incurred rather than profit made as a result of subscribing for, buying and selling the ELIs. Past performance is not indicative of future performance. (9) If the ELI is linked to US underlyings, you should also take note on the relevant risks, such as risks relating to difference in trading days and hours and their implications, taxation risks and certain information about the linked stocks may be available in English only. (10) Before making any investment decision, you should read and understand the relevant offering documents for details and the risks involved and carefully consider your financial situation, investment experience and investment objectives. You should seek independent professional advice if needed. (11) ELI is unlisted and not covered by the Hong Kong Investor Compensation Fund. (12) SFC authorization is not a recommendation or endorsement of a product nor does it guarantee the commercial merits of a product or its performance. (13) Limited market making arrangements are available and you may suffer a loss if you sell your ELIs before expiry - ELIs are designed to be held until expiry. If you try to sell your ELIs before expiry, the amount you receive for each ELI may be substantially less than your original investment amount. (14) Potential and actual conflicts of interest may arise from the different roles played by the issuer and its subsidiaries and affiliates in connection with the Product, which may be adverse to your interest in the Product.

Risk Disclosure Statement for Structured Notes ("SN", also known as Private Placement Note, "PPN")

(1) Structured Notes (SN) are a structured products and complex investment products involving derivatives. You should exercise caution in relation to this product and seek independent professional advice when necessary before making investment decisions. (2) SN is unauthorized by any regulatory authority in Hong Kong. Relevant offering documents have not been reviewed by the SFC and you are advised to exercise caution on this product. (3) SN is only available to professional investors. (4) SN is not equivalent to time deposits or its substitute and provide no guarantee of return or yield on investment. It is NOT protected by the Deposit Protection Scheme in Hong Kong. (5) SN is NOT principal protected and is NOT secured by any asset or collateral. In the worst case scenario, you could lose all of your investment. (6) If you invest in SN, they are relying upon the creditworthiness of the issuer and, as the case may be, the guarantor and no other person. Investors may get nothing back if the issuer and/or the guarantor becomes insolvent or defaults in performing its obligations in relation to the product. (7) Limited market making arrangements are available and you may suffer a loss if you sell your SNs before expiry - SNs are designed to be held until expiry. If you try to sell your SNs before expiry, the amount you receive for each SN may be substantially less than your original investment amount. (8) Before making any investment decision, you should read and understand the relevant offering documents for details and the risks involved and carefully consider your financial situation, investment experience and investment objectives. You should seek independent professional advice if needed. (9) SN is unlisted and not covered by the Investor Compensation Fund. (10) The maximum potential gain may be limited. It is possible that you may not receive any potential distribution amount for the entire scheduled tenor of this product. You may, at settlement, receive physical delivery of reference asset(s). (11) Investing in SN is not the same as investing in the reference assets. During the investment period, you have no rights in the reference asset(s). Changes in the market price of the reference asset may not lead to a corresponding change in the market value of, or your potential payout of the product. (12) Potential and actual conflicts of interest may arise from the different roles played by the issuer and its subsidiaries and affiliates in connection with the Product, which may be adverse to your interest in the Product. (13) SN involves risks, including but not limited to, liquidity risk, market risk, exposure to market price movements in case of physical delivery of underlying stock, currency/exchange rate risk, risks relating to RMB, discretion of the calculation agent, potential conflict of interest, settlement disruption, early termination/redemption, hedging risk, no claim against any reference item and extraordinary events. (14) The price or value of the SN may move up or down, and may even become valueless. It is as likely that losses will be incurred rather than profit made as a result of subscribing for, buying and selling the SN. Past performance is not indicative of future performance.

Risk Disclosure Statements for Foreign Exchange

Foreign currency investments are subject to exchange rate risk which may result in gain or loss. The fluctuation in the exchange rate of foreign currency may result in losses in the event that customer converts the foreign currency into HKD or other foreign currencies. Renminbi is not freely convertible at present. The actual conversion arrangement will depend on the restrictions prevailing at the relevant time.

Risk Disclosure Statements for Currency Linked Deposit ("CLD")

(1) CLD is NOT equivalent to time deposit. It is NOT protected by the Deposit Protection Scheme in Hong Kong. (2) Investing in CLD is not the same as buying the Linked Currency directly. During the Deposit Period, you have no rights in the Linked Currency, and movements in the exchange rate of the Linked Currency may not lead to any corresponding change in your return on CLD. (3) CLD involves risks, including but not limited to derivatives risk, market risk, liquidity risk, credit risk of the Bank, currency risk, risks relating to Renminbi and risks of early termination by the Bank. (4) The maximum potential gain is limited. (5) CLD is NOT principal protected and you could lose all of your deposit amount. (6) Currency-Linked Deposit is not covered by the Hong Kong Investor Compensation Fund.

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