

Earn Channel Product Dealing Services – Risk Disclosure and Disclaimer

IMPORTANT

Trading in tokenized investment products on HBL's Earn Channel and using the Product Dealing Services involve risks, some of which are set out below. These risks, and additional risks arising either now or in the future, could result in the loss, failure or destruction of your assets, inability to receive any benefits available to you, other losses and termination of our Product Dealing Services.

You must consider carefully whether the risks set out below, as well as all other applicable risks (including those described in the offering documents of each product), are acceptable to you prior to any transaction in tokenized investment products on our Earn Channel.

You must seek professional advice regarding your particular situation before transacting in tokenized investment products or using our Product Dealing Services.

THE RISK OF LOSS IN TRANSACTIONS INVOLVING TOKENIZED INVESTMENT PRODUCTS CAN BE SUBSTANTIAL. YOU SHOULD THEREFORE CAREFULLY CONSIDER WHETHER SUCH TRANSACTIONS ARE SUITABLE FOR YOU IN LIGHT OF YOUR INVESTMENT OBJECTIVES, FINANCIAL CIRCUMSTANCES, YOUR TOLERANCE TO RISKS AND YOUR INVESTMENT EXPERIENCE. YOU SHOULD BE CAPABLE OF BEARING A FULL LOSS OF THE AMOUNTS INVESTED AS A RESULT OF OR IN CONNECTION WITH ANY TRANSACTION IN TOKENIZED INVESTMENT PRODUCTS AND ANY ADDITIONAL LOSS OVER AND ABOVE THE INITIAL AMOUNTS TRADED OR INVESTED THAT MAY BECOME DUE AND OWING BY YOU. IN CONSIDERING WHETHER TO TRADE OR INVEST, YOU SHOULD INFORM YOURSELF AND BE AWARE OF THE RISKS GENERALLY, AND IN PARTICULAR SHOULD NOTE THE FOLLOWING SPECIFIC RISK FACTORS WHICH MAY APPLY TO ANY GIVEN TRANSACTION IN TOKENIZED INVESTMENT PRODUCTS.

Unless otherwise defined in this document, capitalized terms shall have the same meaning in the Investor Business Terms as supplemented by the Appendix – Earn Channel Product Dealing Services.

If you wish to trade tokenized investment products on HBL's Earn Channel, you should read carefully and understand fully the relevant risks associated with the products as mentioned herein and in the offering documents of each product. These risks include, but are not limited to:

1. HBL's Role and Product Issuers/Managers Risks

On our Earn Channel, HBL serves as the distributor for all tokenized investment products. We act as your agent when providing Product Dealing Services and carrying out your instructions regarding the units. The tokenized investment products available on our channel are issued by their respective product issuers and managed by the corresponding product managers.

Some of the products on our channel may have received authorization from the SFC for public sale in Hong Kong. But it's important to note that this SFC authorization is not the same as a recommendation or endorsement of the product. It does not guarantee the product's commercial advantages or how well it will perform. Just because a product is authorized doesn't mean it's suitable for every investor, nor is it an indication that it's right for any specific investor or group of investors.

The product information and relevant documents available on our channel, unless clearly stated as coming from another source, are provided by the relevant product issuers/managers and third-party information providers. They are the ones solely responsible for the accuracy and completeness of the information. You must ensure to read such prospectus/offering documents provided by product issuers/managers on your own, especially the disclosure of risk factors related to specific products.

The performance and quality of the products are also mainly determined by the actions and decisions of the product issuers/managers. They control aspects like investment strategies, asset management, and financial reporting for the tokenized investment products. There is no assurance that the investment objective of the respective product will be achieved, nor will there be assurance that the product issuer/manager's strategies will be successful. As a result, you should carefully consider whether you can afford to bear the risks of investing in the relevant product.

2. Investment Risks

Investments involve risks. There is no guarantee of the repayment of the principal. Investment in a tokenized investment product is not in the nature of a deposit in a bank account and is not protected by any government, government agency or other guarantee scheme which may be available to protect the holder of a bank deposit account. There is no guarantee that in any time period, particularly in the short term, a tokenized investment product's portfolio will achieve appreciation in terms of capital growth. Each tokenized investment product is subject to market fluctuations and to the risks inherent in all investments. A tokenized investment product's portfolio may fall in value due to any of the key risk factors set out in this document or the offering document of the product. The price per unit of any tokenized investment product and the income from them may go down as well as up and therefore you may suffer losses on your investment in the relevant products. In the worst-case scenario, the value of the product may be worth substantially less than the amount you have invested.

3. *Volatility Risks*

Prices of units may be volatile. Price movements are difficult to predict and are influenced by, among other things, changing supply and demand relationships, governmental trade, fiscal, monetary and exchange control policies, national and international political and economic events, and the inherent volatility and potential settlement difficulties of the marketplace. A tokenized investment product's value will be affected by such price movements and could be volatile, especially in the short-term.

4. *Performance Uncertainty*

Past performance of a tokenized investment product is not a reliable indicator of future performance. Such historical performance data are calculated based on retrospective market conditions, technological infrastructure, and regulatory frameworks that may no longer apply. Such data does not constitute a guarantee, projection, or promise of future results. You should not base your investment decisions solely on historical performance data.

5. *Suitability Assessment*

Whilst the information regarding the tokenized investment product on our channel may be helpful to you when making an investment decision, it may or may not constitute (i) an offer, solicitation, invitation or recommendation for buying or selling the product or (ii) investment advice. You should therefore consider whether the information is appropriate to your needs. However, if we have solicited you to purchase any product, or recommended the product to you, we will assess whether the product is reasonably suitable for you having regard to your financial situation, investment experience and investment objectives. However, HBL does not have an ongoing obligation to ensure the continued suitability of these products. If you engage in a transaction without or contrary to HBL's solicitation or recommendation, you do so at your own risk, and HBL is not required to assess the suitability of the transaction for you.

6. *Complex Product Risks*

Certain tokenized investment products available through this channel may qualify as Complex Products under Hong Kong regulatory standards. These products frequently feature intricate structures, often incorporating derivatives within their design, which bring additional and more complex risks compared to traditional investment products.

7. *Market Risks*

Market risks for tokenized investment products on our channel stem from a multitude of factors. Fluctuations in the economic environment, shifts in consumption patterns, limited public information about investment products and their issuers, and changing investor expectations can all significantly impact investment values. Emerging markets, in particular, are more volatile than developed ones, leading to substantial price swings. Market movements may therefore result in substantial fluctuations in the prices of units of the relevant products. The prices of units and any potential distributions may either increase or decrease. There are no guarantees of profit or loss avoidance. The value of investments and their derived income can decline, and investors may not recover their initial investment. Uncertainties like international, political, and economic developments, or shifts in government policies, can also affect investment values. In declining markets, volatility surges, and market prices may deviate from rational expectations for extended periods, influenced by large-scale fund movements due to short-term factors or counter-speculative measures, ultimately harming both the products and the investors.

8. *Liquidity Risks*

Tokenized investment products such as tokenized money market funds and any other such offerings may suffer from insufficient market liquidity. This scarcity of willing buyers and sellers can cause extended difficulties in executing trades. When looking to sell, you may face a dearth of takers and be forced to accept a price well below fair value, resulting in significant losses. Conversely, when purchasing, you may struggle to acquire the desired quantity at your expected price due to scarce supply. Moreover, market conditions, such as economic uncertainty or negative sentiment towards tokenized assets, can further exacerbate this illiquidity. This not only restricts your access to funds when needed but also heightens the overall risk of your investment portfolio, potentially preventing you from seizing other profitable opportunities or meeting unexpected financial obligations, thus leading to financial stress and potential losses.

9. *Trading Suspension Risks*

Trading suspensions may occur due to factors beyond our control. Furthermore, HBL reserves the right to suspend trading whenever deemed necessary, in order to uphold a fair and orderly market that protects investors' interests. During the suspension of trading for tokenized investment products on our channel, investors and prospective investors cannot buy, subscribe for, sell, redeem, transfer or otherwise dispose of units of products on our channel. It may also be difficult or impossible to liquidate a position in your investment under certain circumstances. This can be particularly problematic if you are in need of accessing your funds urgently or if you had planned to adjust your investment portfolio in response to changing market conditions.

10. Transaction Execution Risks

HBL cannot accept subscription or redemption instructions on behalf of product issuers/managers. Product issuers/managers may reject all or part of an instruction received from HBL. HBL is not responsible for ensuring that the product issuer or manager allocates units to you, nor is it liable for any losses you may suffer due to the rejection or delay in processing of your instruction, including missed investment opportunities. The unit price of a tokenized investment product is determined at the time of transaction execution and settlement. Any price quotes provided by HBL or its representatives at the time of instruction are for reference only and are not binding. The actual transaction prices may differ from the quoted prices.

11. Redemption Restrictions

When redeeming tokenized investment products on our channel, multiple restrictions could apply. The redemption price is generally calculated using the net asset value (NAV) of the underlying assets at the time of redemption. However, the figures are used for illustrative purposes only and do not represent the actual return achieved. Because each product issuer/product manager has different operational arrangements, the calculation methods may need to be adjusted in accordance with such operational arrangements. Redemption may also be contingent on conditions set by product issuers/managers, including lock-up periods and minimum investment holding periods, with early-redemption fees applicable if not met. Moreover, in cases of underlying asset liquidity issues, like during large-scale sell-offs in thin markets, product issuers/managers may suspend redemptions to avoid forced liquidation at bad prices, leaving you unable to redeem when needed.

12. Jurisdiction Risks

Jurisdiction risks pose a notable concern when trading in tokenized investment products on our channel. Residents, tax residents, or individuals with a relevant connection to certain jurisdictions are prohibited from conducting tokenized asset transactions. Any changes in an investor's place of domicile or in the Applicable Laws can lead to the investor unknowingly violating legal or regulatory requirements in the relevant jurisdiction. It is solely the investor's responsibility to ensure that all tokenized asset transactions, from the moment they commence, remain lawful, regardless of any alterations in the Applicable Laws, the investor's place of domicile, or their personal circumstances. Failure to do so may expose you to potential legal consequences, including fines, asset freezes, or restrictions on future financial activities.

13. Legal and Regulatory Risk

Legal and regulatory risks are significant when trading in tokenized investment products on our channel. There is a risk that transactions and related arrangements may not be legally enforceable, or parties' conduct could violate Applicable Laws. Uncertainty exists regarding whether tokenized assets qualify as "property" under the law, which can impact the nature and enforceability of your interest in them. Legislative and regulatory changes can harm the use, transfer, exchange, and value of tokenized assets. New laws or regulations can severely impact the planning, development, and trading of tokenized assets. Regulatory policies can change suddenly, and existing permissions for tokenized assets may be revoked. Cryptographic-tokens and cryptocurrencies can be classified differently across jurisdictions, leading to trading prohibitions in some regions. Thus, there's no guarantee that tokenized assets will maintain a specific legal or regulatory status at any given time. You are responsible for understanding how applicable laws affect your tokenized asset trading or taxation.

14. Blockchain Technology Risks

The Product Dealing Services provided by HBL in connection with tokenized investment products will involve the use of blockchain technology. Blockchain technology is relatively new and is subject to various threats or risks that can adversely impact the tokenized investment products. Notwithstanding the fact that blockchains are secured by means of cryptography, consensus mechanism and decentralized architecture, there is a possibility that such security measures can be compromised (for example, blockchain systems can be susceptible to generic network and phishing attacks or vulnerabilities in smart contract) and thereby resulting in the unauthorized alteration of the blockchain or the tokens that may disrupt the operation of the products.

Furthermore, a blockchain network may experience a "fork" (i.e., "split") of the network, which would result in the existence of two or more versions of the blockchain network running in parallel with duplication of the same token, but with each version's native asset lacking interchangeability, potentially competing with each other for users and other participants.

There is also a risk of undiscovered technical flaws associated with systems utilizing blockchain technology. In addition, there is a possibility that new technologies or services that inhibit access to, or utility of, a blockchain may emerge. Blockchain technology may also never be implemented to a scale that provides identifiable economic benefit.

15. Technical Security Risks

Tokenized investment products rely on blockchain technology and digital platforms. There is a risk of

cyber-attacks on these systems. Hackers could attempt to steal your tokens, disrupt trading operations, or manipulate smart contract data. A successful attack on the platform where your tokens are held could lead to unauthorized transfers, loss of access to your assets, or inaccurate record-keeping of your holdings. Additionally, software bugs in the blockchain protocols or trading platforms can also cause unexpected glitches, potentially resulting in financial losses. While HBL will endeavor to adopt industry best practices to keep your tokens safe, successful cyber thefts and other fraudulent activities set out above may still occur.

16. Dependence on Third-Party Service Provider

Our Earn Channel and the tokenized investment products it distributes rely on various third-party service providers. These providers, including those involved in blockchain and blockchain-related technology, are crucial for the distribution of the products, as well as for maintaining the operating infrastructure like software, systems, and smart contract technology. If any of these parties halt service provision, it can severely disrupt operations.

HBL shall not be held liable for any failures, errors, or omissions of tokenization service providers. This encompasses risks associated with smart contracts related to tokens. There may be defects or irregularities in processes such as minting and burning tokens, or in the on-chain management mechanisms. These problems can potentially result in financial losses for you, and HBL will not assume responsibility for such consequences.

Disclaimer

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