

## **ADDITIONAL RISK OF TRADING IN RENMINBI (RMB) SECURITIES**

### **Investment risk**

Like any securities investment, the prices of RMB securities may fluctuate, sometimes dramatically. The price of a RMB security 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 RMB securities. Investors may also suffer a loss even if RMB appreciates against Hong Kong dollars or other currencies.

### **Currency risk**

Investing in RMB securities involves currency risk. RMB is not yet freely convertible in Hong Kong, and is subject to foreign exchange controls and restrictions. Particularly, conversion of RMB through banks in Hong Kong is subject to certain restrictions. It may be difficult for investors to convert RMB into Hong Kong dollars or other currencies or vice versa at any specific time, and conversion will be subject to conversion costs.

In addition, the value of RMB against Hong Kong dollars or other foreign currencies may be affected by a wide range of factors. There is no guarantee that RMB will not depreciate. A depreciation of RMB may result in a decrease in the market value of the RMB securities and the realisation price of the RMB securities. For non-RMB based investors who are trading in RMB securities, they may also sustain loss in the event that they subsequently convert any RMB proceeds back to Hong Kong dollars or other base currencies.

There are also significant restrictions on the remittance of RMB into and out of the PRC. If the issuer of the RMB securities is not able to remit RMB to Hong Kong or make distributions in RMB due to exchange controls or other restrictions, the issuer may make distributions (including dividends and other payments) in other currencies. Investors may therefore be exposed to additional foreign exchange risk.

### **Liquidity risk**

The liquidity and trading price of RMB securities may be adversely affected by the limited availability of RMB outside the PRC and the restrictions on the conversion of RMB. These factors may affect the amount of liquidity in RMB for investors and accordingly adversely affect the market demand for RMB securities.

In addition, RMB securities are a new type of investment product in Hong Kong and there is no assurance that there will be a liquid secondary market in RMB securities. Investors may therefore not be able to dispose of the RMB securities at such prices, in such amounts and/or at such times at which they would wish to, or which they may otherwise be able to in respect of Hong Kong dollar denominated securities listed on The Stock Exchange of Hong Kong Limited. As a result of such liquidity risk, the trading price may not fully reflect the intrinsic value of the RMB securities.

### **Other risks**

The above represents only some of the risks generally associated with trading in RMB securities. RMB securities are also exposed to risk that are inherent in all investments such as default risk, counterparty risk, credit risk, market risk, interest rate risk etc. (where applicable). An investor should read the relevant prospectus or offering document for detailed information about the proposed offer and risk associated with the relevant RMB security and consider if the investment is suitable in light of his/her financial position, risk profile and other circumstances before deciding whether to invest in the relevant RMB security. Where in doubt, investors should consult their legal, financial or other professional adviser before making any investment decision.