

Premium Financing – Secured by Insurance Risk Disclosure Statement

Chinese translation of this risk disclosure statement is for reference only.

In case of any discrepancy between the English and Chinese versions, the English version shall always prevail.

Capitalised terms used but not otherwise defined herein shall bear the same meanings given to them in the Letter of Offer.

1. Citigold Private Client Banker / Citigold Relationship Manager have explained the features and terms relating to the credit facility granted to customers by Citibank for the purposes of partially funding the life insurance single premium payable under the Insurance Policy (the “Facility”);
2. Customers acknowledge that they may prepay the Facility (or any part thereof) at any time prior to the Termination Date. However, any such prepayment is subject to the terms and conditions of the Letter of Offer.
3. Customers should sign the Letter of Offer only if they can understand and accept the terms (including any demand to make an immediate bullet repayment of all outstanding amounts owed by customers under the Facility). If customers are unable to make this immediate bullet repayment, they accept that Citibank has the right to fully or partially surrender the Insurance Policy and apply all or part of the proceeds toward their obligation to make this immediate bullet repayment;
4. For “Interest-Only” Repayment Option:
 - (i) The Facility granted will be for an initial 5-year interest only payment period (“Initial I-Only Period”) subject to annual review. The Facility can be renewed up to a maximum of 3 times and for a maximum of a 5-year I-Only Period on each renewal (each subject to an annual review and full credit re-underwriting), and thereafter the Facility will be converted to a principal-and-interest payment loan of a maximum of 10 years or such other period as Citibank may determine in its sole discretion. In any event, the Facility Period shall not exceed 25 years from Drawdown Date or customers are at age of 80, whichever is earlier
 - (ii) Unless otherwise notified by Citibank, customers will only be required to pay interest on the Facility at HKD Prime Rate or USD Prime Rate, plus or minus such rate as finally determined in the Letter of Offer (or such other rate as Citibank may notify customers from time to time). After the lapse of the “Initial I-only Period” and/or the other maximum

of 3 times “I-only Period”, customers will be required to pay interest in addition to the principal repayment on the Facility either by quarterly instalments or annual single payment. The interest payable shall be calculated on the number of days elapsed and on the basis of a 365 days’ year for HKD loan and on the basis of 360 days’ year for USD loan (even in the case of a leap year).

- (iii) Even if Citibank has granted customers an Interest-only Repayment Option on the Facility, customers will be required to repay the Facility in accordance with the relevant clauses in the Letter of Offer.

5. For “Principal and Interest” Repayment Option:

- (i) Customers will be required to pay principal and interest on the Facility at HKD Prime Rate or USD Prime Rate, plus or minus such rate as finally determined in the Letter of Offer (or such other rate as Citibank may notify customers from time to time). The interest payable shall be calculated on the number of days elapsed and on the basis of a 365 days’ year for HKD loan and on the basis of 360 days’ year for USD loan (even in the case of a leap year).
6. Customers will also be required to repay the interest only or interest and principal arising from the Facility in instalments (each a "Repayment") in such amount and at such times as determined by Citibank. The first such Repayment shall fall due 1 month (or as the case may be, 3 months) after the date of the first disbursement of the Facility, with all subsequent Repayments falling due every month (or as the case may be, every quarter) from the previous repayment day (each a “Repayment Date”), and the last Repayment falling due on the last date of the Facility Period provided that where any Repayment Date falls on a non-business day, the Repayment Date shall be extended to the following business day.
7. Unless otherwise notified by Citibank, customers shall be required to repay the Facility in full upon reaching the age of 80 years old.
8. The maximum limit of the Facility is based on the day 1 cash surrender value of the Insurance Policy stipulated by the insurer as at the date on which such Policy is first issued. The maximum limit is determined by Citibank in its sole discretion. Should the Insurance Policy’s surrender value at any point falls below the day 1 cash surrender value, without prejudicing any other rights that Citibank may have on terminating the Facility, customers will be required to (a) provide additional collateral for the Facility or (b) reduce the outstanding amount through prepayment within 3 Business Days from Citibank’s request, failing which Citibank may exercise its right under the Deed of Assignment of Insurance Policy for settling all the amounts then outstanding under the Facility.
9. Notwithstanding anything in this Premium Financing – Secured by Insurance Risk Disclosure Statement, the Facility is an uncommitted facility and Citibank has the right to terminate the Facility or vary the amount or any term of the Facility at any time, including

but not limited to where there is an actual or expected deterioration in insurer's financial situation or if the surrender value of the Insurance Policy is insufficient to support the outstanding Facility. In the event that the Facility is terminated by Citibank, customers will be required to repay on demand the outstanding amount of the Facility and any interest accrued thereon.

10. Repayment of interest only or interest and principal arising from the Facility shall be made in such amount and at such times as determined by Citibank when fall due by depositing funds into such of customers' accounts maintained with Citibank as Citibank may notify customers from time to time to ensure that the Insurance Policy remains in effect. In the event of failure to repay any amount under the Facility, customers understand that Citibank shall have the right to (a) accelerate the Facility by declaring all or part the Facility be immediately due and payable (b) exercise its rights under the Deed of Assignment of Insurance Policy and/or (c) effect any currency conversion and without prior notice, set-off any credit balance or liquidate such Net AUM (whether or not then due) to which customers are at any time beneficially entitled in any account (or their joint accounts with other person(s)), whether with Citibank or with any member of Citigroup Organization (that is, Citigroup Inc. or any of its subsidiary, affiliated or associated companies or related entities or its branches from time to time inside or outside Hong Kong) to apply in or towards satisfaction of any sum due from customers to Citibank under the Facility. Customers understand that Citibank shall also have the right to debit any of their accounts for the time being or from time to time maintained with Citibank for outstanding payments or amounts incurred under the Facility.
11. The interest rate spread is subject to review by Citibank based on various factors, including but not limited to adjustments which reflect any change in prevailing market conditions.
12. If at any time and for any reason, whether within or beyond the control of any party hereto, any of the following events occur, such an occurrence shall constitute an event of default ("Event of Default") hereunder:
 - (i) if customers fail to pay the outstanding indebtedness ("Outstanding Indebtedness") which shall comprise of all outstanding principal, interest (including default interest), fees, commission, charges, costs and expenses and all other sums at such time outstanding and payable and/or covenanted to be paid by customers to Citibank under or in connection with the Facility, the Deed of Assignment of Insurance or otherwise or any part thereof on its due date or on demand by Citibank;
 - (ii) any litigation, arbitration, administrative or other proceedings, claims or action of any kind whatsoever (whether criminal or civil) shall be instituted against customers;
 - (iii) if customers shall suffer any distress or execution proceedings to be levied on any property of customers;
 - (iv) if customers shall commit or threaten to commit a breach of any of the terms, stipulations and undertakings herein, the Facility, the Deed of Assignment of Insurance, Terms and Conditions for Accounts and Services or the Letter of Offer;
 - (v) if customers shall propose or make any assignments for the benefit of their creditors or enter into any agreement or arrangement with their creditors by way of composition or otherwise;

- (vi) if customers shall become insolvent, insane, incapacitated or die;
- (vii) if (i) customers are unable to pay all or any part of their respective debts as they fall due, stops, suspends or threatens to stop or suspend payment of all or any of their respective debts; (ii) grounds exist for the presentation of a bankruptcy petition against them; (iii) any winding-up petition is presented against them; or (iv) any proceedings are commenced against them pursuant to any laws or regulations whatsoever relating to the relief of debtors for the relief or readjustment of any indebtedness of customers either through reorganization, composition, extension or otherwise;
- (viii) if in the opinion of Citibank there has been a material change in the circumstances or financial position of customers, which may affect their ability to perform any of their respective obligations under the Facility, the Deed of Assignment of Insurance, Terms and Conditions for Accounts and Services or the Letter of Offer;
- (ix) if any other indebtedness of customers whether due to Citibank or any third parties shall not be paid on the respective due dates;
- (x) if any present or future security on or over customers' assets become enforceable;
- (xi) if any warranty, representation, covenant, undertaking, statement or declaration made by customers to Citibank shall be untrue or incorrect in any respect or ceases to be true or correct in any respect or if customers shall be in breach of any representations or warranties under the Facility, the Deed of Assignment of Insurance, Terms and Conditions for Accounts and Services and/or the Letter of Offer;
- (xii) if it shall become unlawful for customers to observe and perform their obligations under the Facility, the Deed of Assignment of Insurance, Terms and Conditions for Accounts and Services or the Letter of Offer;
- (xiii) any of the security documents for any reason ceases to apply to customers and/or the Surety's obligations under the Facility, the Deed of Assignment of Insurance, Terms and Conditions for Accounts and Services or the Letter of Offer;
- (xiv) if customers repudiate the Letter of Offer, the Deed of Assignment of Insurance, and the Terms and Conditions for Accounts and Services to which customers evince an intention to repudiate any such agreement; or
- (xv) if any event occurs which, under the laws of any applicable jurisdiction, has an analogous or equivalent effect to any of the events referred to this "Event of Default" section.

13. Without prejudice to Citibank rights under the Letter of Offer, upon the occurrence of any Event of Default, the Outstanding Indebtedness shall, immediately upon notice by Citibank to customers, become due and payable to Citibank without any demand which is hereby expressly waived by customers and Citibank shall be entitled, by notice to customers, to forthwith cancel the Facilities and to enforce its rights under the Facility, the Deed of Assignment of Insurance, Terms and Conditions for Accounts and Services and/or the Letter of Offer and without further notice to customers to apply any credit balance standing to the credit of any account of customers in whatever currency towards the whole or partial satisfaction of the Outstanding Indebtedness.

14. At all times with Citibank, the Net AUM (as defined in the Letter of Offer) of no less than US\$ 200,000. If the Aggregate Outstanding Loan Facilities (as defined in the Letter of Offer) exceeds US\$ 500,000, customers are required to maintain, at all times, the Net AUM of no less than 50% of the Aggregate Outstanding Loan Facilities or such other amount as may be determined by Citibank and notified to customers. If customers are unable to maintain the Net AUM, Citibank shall be entitled at its discretion to renew the Facility on the same or different terms or to terminate the Facility.

15. Applicable to Interest Only Option
- (i) The Facility is subject to Citibank's annual review and full credit underwriting renewal upon the expiry of the Initial I-only Period or the other maximum of 3 times I-only Period (as the case may be) whereupon Citibank will re-assess based on its Credit Review Criteria (as determined by Citibank from time to time) which may include, but are not limited to: (a) credit history, (b) bankruptcy check, (c) net worth and (d) adverse change to risk profile, and customers may be required to provide supporting documents upon request.

16. For the purposes of paragraph above and subject to Citibank's prevailing policies from time to time, "Net AUM" shall mean, at such relevant time, the aggregate amount of:

Total Financial Assets less Total Loan Outstanding

"Total Financial Assets" shall mean, at such relevant time, the aggregate amount of the following based on the value conclusively determined by us:

- the cash deposits (if any) maintained by customer with the Bank; and
- the market value of your investments (whether solely or jointly held with any other person or persons) maintained with us, including but not limited to any investment in stocks, structured products, bonds, mutual funds, other foreign currencies investments; and
- the cash surrender value of the existing life insurance policies (if any) which have already been pledged, assigned and/or charged to us as security.

For the avoidance of doubt, "Total Financial Assets" excludes (a) equity and down payment in mortgages and (b) the cash surrender value of the life insurance policies (if any) in relation to which an application for credit facility from the Bank is being made (or proposed to be made) by customers.

"Total Loan Outstanding" shall mean, at such relevant time:

- any outstanding liabilities payable by customers to the Bank, but excluding (a) any liabilities payable by customers to the Bank under any mortgage loans/facilities and (b) any liabilities incurred by customers on an unsecured basis

17. The Facility will be set out in Citibank's Letter of Offer and customers should ensure they understand and accept the terms before signing Citibank's Letter of Offer.

18. Customers should have sufficient liquidity to finance their payment obligations under the Facility. Customers should execute the Deed of Assignment of Insurance Policy to provide continuing security for the payment and discharge of their Secured Obligations (as defined in the Deed of Assignment of Insurance Policy) under the Facility. Pursuant to the Deed of Assignment of Insurance Policy, customers will, amongst others, assign absolutely to Citibank:

- (i) the right to receive payment from the insurer the net proceeds of the Insurance Policy when it becomes a claim by the death of the insured, maturity of the Insurance Policy or any other reason (including but not limited to, any advance payment to be made under the Insurance Policy);
- (ii) the right to instruct the insurer to pay, or withdraw, the entire amount of the value, or part thereof, standing to the credit of the Insurance Policy subject to and in accordance with the terms thereof;
- (iii) the right to receive all dividends, bonuses, distributions or share of surplus, dividend deposits or additions to the Insurance Policy or returns of premiums now or hereafter made, declared, distributed or apportioned thereto (as the case may be) together with interest (if any) thereon and to exercise any and all options contained in the Insurance Policy with respect thereto provided that unless and until Citibank shall notify the insurer in writing to the contrary, the relevant dividends, bonuses, distributions or share of surplus, dividend deposits or additions to the Insurance Policy or returns of premiums and interest (if any) thereon shall continue to be distributed in the manner according to the Insurance Policy;
- (iv) the right to obtain loans or advances on the Insurance Policy either from the insurer or at any time the insurer may allow from any other persons and to pledge or assign the Insurance Policy as security for such loans or advances;
- (v) the right to cancel the Insurance Policy and receive any refund or premium within the cooling-off period of the Insurance Policy or surrender the Insurance Policy and receive the surrender value thereof at any time under the terms of the Insurance Policy;
- (vi) the right to give valid receipt of any moneys received from the insurer under the Deed of Assignment of Insurance Policy; and
- (vii) the right to keep possession, custody and control of the Insurance Policy at all times prior to the full repayment of the Secured Obligations,

Provided always that when all of the outstanding amount under the Facility shall have been paid or discharged in full, Citibank will at customers' request and expense, discharge and reassign to customers the security constituted pursuant to the Deed of Assignment of Insurance Policy.

19. Customers accept the terms of the Insurance Policy and the Deed of Assignment of Insurance Policy before signing the relevant documents Customers should seek the advice of independent professional advisers e.g. legal and tax counsel as customers consider appropriate. Customers are aware that they should consult with a legal or an independent professional advisor if they do not understand the obligations and risks associated with this transaction.

20. Citibank shall have the sole right to (i) collect the net proceeds of the Insurance Policy from the insurer when it becomes a claim by death or maturity, and (ii) fully or partially surrender the Insurance Policy and receive the surrender value thereof, and apply all or part of the proceeds against the outstanding amounts owed by customers to Citibank under the Facility.
21. In the event of the surrender of the policy before the end of the policy term or death of the life insured during the policy term, the amount receivable by customers or the beneficiary may be less than the sum of total premium paid and the interest expenses incurred under the facility.
22. Applicable only to the Insurance Policy where advance payment can be made due to terminal illness
 - (i) With respect to the Insurance Policy where advance payment for terminal illness benefit is eligible to be claimed, customers understand that the endorsement of the Insurance Policy may provide for a maximum limit of advance payout ("Applicable Limit"). In the event that such Applicable Limit is less than the amount of the loan outstanding at such relevant time that customers make a claim, Citibank shall have the right to (i) first, apply the Applicable Limit towards the repayment of the loan outstanding and (ii) to surrender the Insurance Policy in order to satisfy any shortfall if the Applicable Limit is insufficient to discharge in full the repayment of the outstanding loan amount. If the Insurance Policy is surrendered, the surrender value may be significantly less than the death benefit as customers would have been entitled to had the Insurance Policy not been surrendered.
23. The currency of the Facility and the currency of the amount paid under the Insurance Policy is not the same, customers may be exposed to foreign currency risk as the amount paid under the Insurance Policy when converted to the Facility currency may be less than customers expected and may not be sufficient to repay the Facility. Exchange controls imposed by certain authorities may also adversely affect the applicable exchange rate.
24. This risk disclosure statement does not disclose all the terms, issues and risks associated with the Facility and Insurance Policy. Customers will ensure that they fully understand and accept the terms, legal obligations and risks associated with the Facility and Insurance Policy including those set out in Citibank's Letter of Offer in respect of the Facility, the Insurance Policy documents from the insurer and the Deed of Assignment of Insurance Policy (a copy of which received from Citigroup Private Client Banker / Citigroup Relationship Manager). The decision to apply for the Facility is solely customers' own and was not in any way upon solicitation by Citibank or any other Citigroup entity.
25. Customers understand that they are not recommended to invest 50% or more of their total net worth in a single product to avoid high asset concentration. In the event of

complete loss in the value of their Insurance Policy, their livelihood will not be affected.

26. If the Insurance Policy is surrendered for whatever reason, customers may lose the insurance coverage in respect of the Insurance Policy and may not be able to obtain the same insurance coverage due to reasons including without limitation increases in insurance premium and changes in health conditions.
27. In the event that the insurance company defaults in its obligations under the Insurance Policy, customers will still be liable to repay the outstanding amount of the Facility.
28. Customers understand that if they wish to exercise their cooling-off right in relation to the Insurance Policy, they will inform Citibank for further arrangement.
29. The interest on the Facility accrues during cooling-off period. In the event that they wish to exercise their cooling-off right in relation to the Insurance Policy, customers may be required to pay the full amount of the accrued interest on the Facility to Citibank, unless Citibank waives the accrued interest, whether in whole or in part, in its sole discretion.
30. Financing for the purchase of insurance products are not offered to U.S. Persons or persons domiciled in any other jurisdiction where applicable laws and regulations impose restrictions on such financing (each a "Restricted Country").
 - (i) In the event that customers' tax status changes and/or they become a U.S. Person, a citizen or resident of any Restricted Country or change their mailing address to any Restricted Country, customer shall inform Citibank of such change as soon as possible and no later than within 30 days of such change. Citibank shall be entitled to do all acts and things Citibank deems necessary, including but not limited to non-acceptance of their application to finance their purchase of the Insurance Policy and/or cancel the Facility and liquidate the Insurance Policy if customers are unable to repay all outstanding amount due. Customers agree to bear all costs and expenses incurred by Citibank as a result thereof.
 - (ii) For the purposes of this risk disclosure, "U.S. Persons" means:
 - Persons with United States nationality, and/or
 - Persons with United States domicile, and/or
 - Persons with United States Permanent Residence (Green Card), and/or
 - Persons with United States mailing address or telephone number, and/or
 - Persons resident in the United States for tax purposes.

RISKS ASSOCIATED WITH SINGLE PREMIUM FINANCING SCHEME

Insurance Company Risk

As with any insurance, the beneficiaries rely on the ability of the insurance company to fulfill its obligations under an insurance policy. Customers should consider the strength of the insurance company when comparing the offers of different insurance companies.

The maximum loan to value (LTV) ratio will depend on the credit rating of the relevant insurance company. Citibank may at its discretion terminate the Facility in the event of any adverse change of the long-term credit rating or default of the insurer of the Insurance Policy or its affiliates (including the insurer's holding company).

Investment & Additional Premium Risk

Investment and Additional Premium Risk (Universal Life policies only): The single premium that is paid to the insurance company is an estimate of the amount that will be needed to fund the fees and charges of insurance over the tenure of the plan for the insured. The insurance proposals contain a number of assumptions based on reasonable average and current market conditions. One of these assumptions is that the insurance company will be able to obtain a constant investment return over the tenure of the insurance policy. If the Insurance Policy crediting interest rate is lower than expected, the benefit values will be lower than those projected and the initial premium may be insufficient to pay the annual cost of insurance. In such situations it is possible that additional premiums may have to be paid, in the absence of which the Insurance Policy may have to be re-structured or redeemed.

Interest Rate Risk

Interest Rate Risk: If customers decided to obtain financing for the Insurance Policy, an inherent risk is that the interest rates may change over time, which may then require additional funding of interest payments.

Over-leveraging risk

Over-leveraging risk: If customers decided to obtain financing for the Insurance Policy, customers understand that if they are unable to fully satisfy their payment obligations in relation to the Facility to Citibank before the maturity of the Insurance Policy with their own funds and/or financial resources, customers may have to surrender the Insurance Policy and use the surrender value of the Insurance Policy to meet such payment obligations.