



KPMG
8th Floor, Prince's Building
Central, Hong Kong
G P O Box 50, Hong Kong
Telephone +852 2522 6022
Fax +852 2845 2588
Internet kpmg.com/cn

畢馬威會計師事務所
香港中環太子大廈8樓
香港郵政總局信箱50號
電話 +852 2522 6022
傳真 +852 2845 2588
網址 kpmg.com/cn

The Board of Directors
CITIC Securities Brokerage (HK) Limited
26/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

Our ref: BM/FS

2 May 2024

Dear Sirs

We refer to the Base Listing Document dated 2 May 2024 in connection with the Structured Products to be issued by CITIC Securities Brokerage (HK) Limited (the "Issuer") (the "BLD"), a copy of which is attached and stamped by us on its front cover for the purpose of identification.

We hereby consent to the reproduction of our auditor's report dated 29 April 2024 on the financial statements of the Issuer for the year ended 31 December 2023 in the BLD, and the references to our name in the form and context in which they are included.

It should be noted that we have not performed an assurance engagement in accordance with any assurance standard on the financial statements of the Issuer for any period subsequent to 31 December 2023. This consent should not be construed as in any way updating or refreshing the aforementioned auditor's report nor do we accept responsibility for such report beyond that owed to those to whom the report was addressed by us at the date of its issue.

Yours faithfully

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

Hong Kong Exchanges and Clearing Limited (“HKEX”), The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and Hong Kong Securities Clearing Company Limited (“HKSCC”) take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

Non-collateralised Structured Products

Base Listing Document relating to
Structured Products to be issued by



CITIC Securities Brokerage (HK) Limited

(incorporated with limited liability in Hong Kong)

This document, for which we accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) for the purpose of giving information with regard to us and our standard warrants (“Warrants”), callable bull/bear contracts (“CBBs”) and other structured products (together, the “Structured Products”) to be listed on the Stock Exchange from time to time. This document may be updated and/or amended from time to time by way of addenda.

We, having made all reasonable enquiries, confirm that to the best of our knowledge and belief the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

The Structured Products are complex products. You should exercise caution in relation to them. The Structured Products involve derivatives. Investors should not invest in the Structured Products unless they fully understand and are willing to assume the risks associated with them. Investors are warned that the price of the Structured Products may fall in value as rapidly as it may rise and holders may sustain a total loss of their investment. Prospective purchasers should therefore ensure that they understand the nature of the Structured Products and carefully study the risk factors set out in this document and the relevant launch announcement and supplemental listing document and, where necessary, seek professional advice, before they invest in the Structured Products.

The Structured Products constitute our general unsecured contractual obligations and of no other person and will rank equally among themselves with all our other unsecured obligations (save for those obligations preferred by law) upon liquidation. If you purchase the Structured Products, you are relying upon our creditworthiness and have no rights under the Structured Products against: (a) the company which has issued the underlying assets; (b) the fund which has issued the underlying assets, or its trustee (if applicable) or manager; or (c) the index compiler of any underlying index or any company constituting the underlying index. If we become insolvent or default on our obligations under the Structured Products, you may not be able to recover all or even part of the amount due under the Structured Products (if any).



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IMPORTANT INFORMATION

What is this document about?

This document is for information purposes only and does not constitute an offer, an advertisement or an invitation to the public to subscribe for or to acquire any Structured Products.

What documents should you read before investing in the Structured Products?

You must read this document (including any addendum to this document to be issued from time to time) together with the relevant launch announcement and supplemental listing document (each a “**Launch Announcement and Supplemental Listing Document**”) (including any addendum to such Launch Announcement and Supplemental Listing Document to be issued from time to time) (together, “**Listing Documents**”) before investing in the Structured Products. A Launch Announcement and Supplemental Listing Document will be issued prior to the listing date of each series of Structured Products, which will include detailed commercial terms of the relevant series. You should carefully study the risk factors set out in the Listing Documents.

Is there any guarantee or collateral for the Structured Products?

No. Our obligations under the Structured Products are neither guaranteed by any third party, nor collateralised with any of our assets or other collaterals. When you purchase our Structured Products, you are relying on our creditworthiness only, and of no other person. If we become insolvent or default on our obligations under the Structured Products, you can only claim as an unsecured creditor of the Issuer. In such event, you may not be able to recover all or even part of the amount due under the Structured Products (if any).

Are we regulated by the Hong Kong Monetary Authority referred to in Rule 15A.13(2) or the Securities and Futures Commission (“SFC”) referred to in Rule 15A.13(3)?

We are licensed for type 1 (dealing in securities) and type 4 (advising on securities) regulated activities by the SFC. The Issuer is not regulated by any of the bodies referred to in Rule 15A.13(2) of the Listing Rules.

Are we rated by any credit rating agencies?

We have not been assigned any ratings by any credit rating agencies as at the date of this document.

The Structured Products are not rated.

Are we subject to any litigation?

Save as disclosed in this document, we and our subsidiaries have no litigation or claims of material importance pending or threatened against us or them.

Authorisation for the issue of the Structured Products

The issue of the Structured Products was authorised by our board of directors on 27 January 2022.

Has our financial position changed since 31 December 2023?

Save as disclosed in Appendix 4 to this document, there has been no material adverse change in our financial or trading position since 31 December 2023.

Do you need to pay any transaction cost?

The Stock Exchange charges a trading fee of 0.00565 per cent., the Securities and Futures Commission charges a transaction levy of 0.0027 per cent. and the Accounting and Financial Reporting Council of Hong Kong charges a transaction levy of 0.00015 per cent. for each transaction effected on the Stock Exchange payable by each of the seller and the buyer and calculated on the value of the consideration for the Structured Products. The levy for the investor compensation fund is currently suspended.

Do you need to pay any tax?

You may be required to pay stamp duties, taxes and other charges in accordance with the laws and practices of the country of your purchase in addition to the purchase price of each Structured Product. See the section headed “Taxation” for further information.

Placing, sale and grey market dealings

No action has been or will be taken by us that would permit a public offering of any series of Structured Products or possession or distribution of any offering material in relation to any Structured Products in any jurisdiction (other than Hong Kong) where action for the purpose is required. No offers, sales, re-sales, transfers or deliveries of any Structured Products or distribution of any offering material relating to the Structured Products may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws or regulations and which will not impose any obligation on us.

The Structured Products may be sold to investors in the grey market in the period between the launch date and the listing date. We will report any dealings in Structured Products by us and/or any of our associated companies in the grey market to the Stock Exchange by the listing date and such report will be released on the website of HKEX.

Where can you read the relevant documents?

Copies of the following documents are available on the website of the HKEX at www.hkexnews.hk and our website at www.citicswarrants.com:

- (a) this document and any addenda or successor document to this document, which include our latest audited financial statements and any interim financial statements;
- (b) our base listing document dated 22 February 2024, which contains our audited financial statements for the year ended 31 December 2022 and the auditor's report of PricewaterhouseCoopers LLP on such financial statements;
- (c) the Launch Announcement and Supplemental Listing Document as long as the relevant series of Structured Products is listed on the Stock Exchange; and
- (d) the consent letter issued by KPMG (the "**Auditor**") in relation to the inclusion of its report in this document.

以上各文件可於香港交易所披露易網站www.hkexnews.hk以及本公司網站www.citicswarrants.com瀏覽。

Has the Auditor consented to the inclusion of its auditor's report to the Listing Documents?

Our Auditor has given and has not withdrawn its written consent to the inclusion of its auditor's report dated 29 April 2024 in this document and/or the references to its name in the Listing Documents, in the form and context in which they are included. The auditor's report was not prepared exclusively for incorporation into this document and should not be construed as in any way updating or refreshing the aforementioned report since the date of its issue.

The Auditor does not hold our shares or shares in our subsidiaries, nor does it have the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our securities or securities of any of our subsidiaries.

Authorised representatives

James, Jianqiang XU and Henry, Kwai Shun FONG both of 26/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong are our authorised representatives.

How can you get further information about us?

You may visit www.citicswarrants.com to obtain further information about us and/or the Structured Products.

You must note that the information on our website will be of a general nature and cannot be relied upon as accurate and/or correct and will not have been prepared exclusively for the purposes of any particular financial instrument issued by us, including the Structured Products.

Governing law of the Structured Products

All contractual documentation for the Structured Products will be governed by, and construed in accordance with, the laws of Hong Kong.

The Listing Documents are not the sole basis for making an investment decision

The Listing Documents do not take into account your investment objectives, financial situation or particular needs. Nothing in the Listing Documents should be construed as a recommendation by us or our affiliates to invest in the Structured Products or the underlying asset of the Structured Products.

No person has been authorised to give any information or to make any representations other than those contained in this document in connection with the Structured Products, and, if given or made, such information or representations must not be relied upon as having been authorised by us.

The Stock Exchange and HKSCC have made no assessment of, nor taken any responsibility for, our financial soundness or the merits of investing in any Structured Products, nor have they verified the accuracy or the truthfulness of statements made or opinions expressed in this document.

This document has not been reviewed by the SFC. You are advised to exercise caution in relation to the offer of the Structured Products.

Capitalised terms

Unless otherwise specified, capitalised terms used in this document have the meanings set out in the General Conditions set out in Appendix 1 and the Product Conditions applicable to the relevant series of Structured Products set out in Appendix 2 and Appendix 3 (together, the “**Conditions**”).

OVERVIEW OF WARRANTS

What is a Warrant?

A Warrant is a type of derivative warrants.

A derivative warrant linked to a share of a company, a unit or share of a fund, an index or such other asset as prescribed by the Stock Exchange from time to time (each an “**Underlying Asset**”) is an instrument which gives the holder an investment exposure to the Underlying Asset by reference to a pre-set price or level called the Exercise Price or Strike Level on the Expiry Date. It usually costs a fraction of the value of the Underlying Asset.

A derivative warrant may provide leveraged return to you (but conversely, it could also magnify your losses).

How and when can you get back your investment?

Our Warrants are European style warrants. This means they will be automatically exercised on the Expiry Date, entitling the holder to a potential cash amount called the “**Cash Settlement Amount**” (if positive) according to the Conditions in the Listing Documents.

You will receive the Cash Settlement Amount (if any) less any Exercise Expenses upon expiry. If the Cash Settlement Amount is equal to or less than the Exercise Expenses, no amount is payable to you upon expiry and you will lose all of your investment in the Structured Products.

How do our Warrants work?

The potential payoff upon expiry of the Warrants is calculated by us by reference to the difference between:

- (a) for Warrants linked to a share or unit, the Exercise Price and the Average Price; and
- (b) for Warrants over an index, the Strike Level and the Closing Level.

Call Warrant

A call Warrant is suitable for an investor holding a bullish view of the price or level of the Underlying Asset during the term of the Warrant.

A call Warrant will be exercised if the Average Price/Closing Level is greater than the Exercise Price/Strike Level (as the case may be). The more the

Average Price/Closing Level exceeds the Exercise Price/Strike Level (as the case may be), the higher the payoff upon expiry. If the Average Price/Closing Level is at or below the Exercise Price/Strike Level (as the case may be), an investor in the call Warrant will lose all of his investment.

Put Warrant

A put Warrant is suitable for an investor holding a bearish view of the price or level of the Underlying Asset during the term of the Warrant.

A put Warrant will be exercised if the Average Price/Closing Level is below the Exercise Price/Strike Level (as the case may be). The more the Average Price/Closing Level is below the Exercise Price/Strike Level (as the case may be), the higher the payoff upon expiry. If the Exercise Price/Strike Level is at or below the Average Price/Closing Level (as the case may be), an investor in the put Warrant will lose all of his investment.

Where can you find the Product Conditions applicable to our Warrants?

You should review the Product Conditions applicable to each type of the Warrants before your investment.

The Product Conditions applicable to each type of our Warrants are set out in Appendix 2 (as may be supplemented by any addendum or the relevant Launch Announcement and Supplemental Listing Document).

What are the factors determining the price of a derivative warrant?

The price of a warrant generally depends on the prevailing price/level of the Underlying Asset. However, throughout the term of a warrant, its price will be influenced by a number of factors, including:

- (a) the Exercise Price/Strike Level of the warrants;
- (b) the value and volatility of the price/level of the Underlying Asset (being a measure of the fluctuation in the price/level of the Underlying Asset);
- (c) the time remaining to expiry: generally, the longer the remaining life of the warrant, the greater its value;
- (d) interest rate;

- (e) expected dividend payments or other distributions on the Underlying Asset or on any components comprising the underlying index;
- (f) the liquidity of the Underlying Asset or the futures contracts relating to the underlying index;
- (g) the supply and demand for the warrant;
- (h) our related transaction cost; and
- (i) our creditworthiness.

What is your maximum loss?

Your maximum loss in Warrants will be your entire investment amount plus any transaction costs.

How can you get information about the warrants after issue?

You may visit our website *www.citicswarrants.com* to obtain further information on derivative warrants or any notice given by us in relation to our Warrants.

OVERVIEW OF CBBCS

What are CBBCs?

CBBCs are a type of Structured Products that track the performance of an Underlying Asset. CBBCs can be issued on different types of Underlying Assets as prescribed by the Stock Exchange from time to time, including:

- (a) shares of a company listed on the Stock Exchange;
- (b) units or shares of a fund listed on the Stock Exchange; and/or
- (c) Hang Seng Index, Hang Seng China Enterprises Index, Hang Seng TECH Index and/or Hang Seng China H-Financials Index.

A list of eligible Underlying Assets for CBBCs is available on the website of the Stock Exchange at https://www.hkex.com.hk/Products/Securities/Structured-Products/Eligible-Underlying-Assets?sc_lang=en.

CBBCs are issued either as bull CBBCs or bear CBBCs, allowing you to take either bullish or bearish positions on the Underlying Asset.

Bull CBBCs are designed for investors who have an optimistic view on the Underlying Asset. Bear CBBCs are designed for investors who have a pessimistic view on the Underlying Asset.

CBBCs have a mandatory call feature (the “**Mandatory Call Event**”) and, subject to the limited circumstances set out in the relevant Conditions in which a Mandatory Call Event may be reversed, we must terminate our CBBCs upon the occurrence of a Mandatory Call Event. See “What are the mandatory call features of CBBCs?” below for further information.

There are 2 categories of CBBCs, namely:

- (a) Category R CBBCs; and
- (b) Category N CBBCs.

Your entitlement following the occurrence of a Mandatory Call Event will depend on the category of the CBBCs. See “Category R CBBCs vs. Category N CBBCs” below for further information.

If no Mandatory Call Event occurs, the CBBCs will be exercised automatically on the Expiry Date by payment of a Cash Settlement Amount (if any) on the Settlement Date. The Cash Settlement Amount (if any) payable at expiry represents the difference between the Closing Price/Closing Level of the Underlying Asset on the Valuation Date and the Strike Price/Strike Level.

What are the mandatory call features of CBBCs?

Mandatory Call Event

Subject to the limited circumstances set out in the relevant Product Conditions in which a Mandatory Call Event may be reversed, we must terminate the CBBCs if a Mandatory Call Event occurs. A Mandatory Call Event occurs if the Spot Price/Spot Level of the Underlying Asset is:

- (a) at or below the Call Price/Call Level (in the case of a bull CBBC); or
- (b) at or above the Call Price/Call Level (in the case of a bear CBBC),

at any time during the Observation Period. The Observation Period starts from and includes the Observation Commencement Date of the relevant CBBCs and ends on and includes the Trading Day immediately preceding the Expiry Date.

Subject to the limited circumstances set out in the relevant Product Conditions in which a Mandatory Call Event may be reversed and such modification and amendment as may be prescribed by the Stock Exchange from time to time:

- (a) all trades in the CBBCs concluded via auto-matching or manually after the time of the occurrence of a Mandatory Call Event; and
- (b) where the Mandatory Call Event occurs during a pre-opening session or closing auction session (if applicable), all auction trades in the CBBCs concluded in such session and all manual trades concluded after the end of the pre-order matching period in such session,

will be invalid and cancelled, and will not be recognised by us or the Stock Exchange.

The time at which a Mandatory Call Event occurs will be determined by reference to:

- (a) in respect of CBBCs over single equities or CBBCs over exchange traded funds (“ETF”) listed on the Stock Exchange, the Stock Exchange’s trading system time at which the Spot Price is at or below the Call Price (in the case of a bull CBBC) or is at or above the Call Price (in the case of a bear CBBC); or
- (b) in respect of CBBCs over index, the time the relevant Spot Level is published by the Index Compiler at which the Spot Level is at or below the Call Level (in the case of a bull CBBC) or is at or above the Call Level (in the case of a bear CBBC),

subject to the rules and requirements as prescribed by the Stock Exchange from time to time.

Category R CBBCs vs. Category N CBBCs

The Launch Announcement and Supplemental Listing Document for the relevant series of CBBCs will specify whether the CBBCs are Category R CBBCs or Category N CBBCs.

“**Category R CBBCs**” refer to CBBCs for which the Call Price/Call Level is different from their Strike Price/Strike Level. In respect of a series of Category R CBBCs, you may receive a cash payment called the Residual Value upon the occurrence of a Mandatory Call Event. The amount of the Residual Value payable (if any) is calculated by reference to:

- (a) in respect of a series of bull CBBCs, the difference between the Minimum Trade Price/Minimum Index Level and the Strike Price/Strike Level of the Underlying Asset; and
- (b) in respect of a series of bear CBBCs, the difference between the Strike Price/Strike Level and the Maximum Trade Price/Maximum Index Level of the Underlying Asset.

You must read the applicable Product Conditions and the relevant Launch Announcement and Supplemental Listing Document to obtain further information on the calculation formula of the Residual Value applicable to Category R CBBCs.

“**Category N CBBCs**” refer to CBBCs for which the Call Price/Call Level is equal to their Strike Price/Strike Level. In respect of a series of Category N CBBCs, you will not receive any cash payment following the occurrence of a Mandatory Call Event.

You may lose all of your investment in a particular series of CBBCs if:

- (a) in the case of a series of bull CBBCs, the Minimum Trade Price/Minimum Index Level of the Underlying Asset is equal to or less than the Strike Price/Strike Level; or
- (b) in the case of a series of bear CBBCs, the Maximum Trade Price/Maximum Index Level of the Underlying Asset is equal to or greater than the Strike Price/Strike Level.

How is the funding cost calculated?

The issue price of a series of CBBCs represents the difference between the initial reference spot price/spot level of the Underlying Asset as at the launch date of the CBBC and the Strike Price/Strike Level, plus the applicable funding cost.

The initial funding cost applicable to each series of CBBCs will be specified in the relevant Launch Announcement and Supplemental Listing Document. The funding cost will fluctuate throughout the life of the CBBCs as the funding rate changes from time to time. The funding rate is a rate determined by us based on one or more of the following factors, including but not limited to the Strike Price/Strike Level, the prevailing interest rate, the expected life of the CBBCs, expected notional dividends or distributions in respect of the Underlying Asset and the margin financing provided by us.

Further details about the funding cost applicable to a series of CBBCs will be described in the relevant Launch Announcement and Supplemental Listing Document.

Do you own the Underlying Asset?

CBBCs convey no interest in the Underlying Asset. We may choose not to hold the Underlying Asset or any derivatives contracts linked to the Underlying Asset. There is no restriction through the issue of the CBBCs on the ability of us and/or our affiliates to sell, pledge or otherwise convey all right, title and interest in any Underlying Asset or any derivative products linked to the Underlying Asset.

Where can you find the Product Conditions applicable to our CBBCs?

You should review the Product Conditions applicable to each type of the CBBCs before your investment.

The Product Conditions applicable to each type of our CBBCs are set out in Appendix 3 (as may be supplemented by any addendum or the relevant Launch Announcement and Supplemental Listing Document).

What are the factors determining the price of a series of CBBCs?

The price of a series of CBBCs tends to follow closely the movement in the value of the Underlying Asset in dollar value (on the assumption of an entitlement ratio of one CBBC to one unit of the Underlying Asset).

However, throughout the term of a CBBC, its price will be influenced by a number of factors, including:

- (a) the Strike Price/Strike Level and the Call Price/Call Level;
- (b) the likelihood of the occurrence of a Mandatory Call Event;
- (c) for Category R CBBCs only, the probable range of the Residual Value payable upon the occurrence of a Mandatory Call Event;
- (d) the time remaining to expiry;
- (e) the interim interest rates and expected dividend payments or other distributions on the Underlying Asset or on any components comprising the underlying index;
- (f) the supply and demand for the CBBCs;
- (g) the probable range of the Cash Settlement Amounts;
- (h) the liquidity of the Underlying Asset or futures contracts relating to the underlying index;
- (i) our related transaction cost; and
- (j) our creditworthiness.

What is your maximum loss in CBBCs?

Your maximum loss in CBBCs will be your entire investment amount plus any transaction cost.

How can you get information about the CBBCs after issue?

You may visit our website *www.citicswarrants.com* to obtain further information on CBBCs or any notice given by us in relation to our CBBCs.

INFORMATION ABOUT US

Place of incorporation

CITIC Securities Brokerage (HK) Limited is incorporated in Hong Kong with limited liability.

Background

The Issuer is a wholly-owned subsidiary of CITIC Securities International Company Limited (“**CITIC Securities International**”). The parent company of CITIC Securities International is CITIC Securities Company Limited (“**CITIC Securities**”, together with its subsidiaries, the “**Group**”), which is listed on the Stock Exchange and the Shanghai Stock Exchange (Stock Codes: 6030.HK and 600030.SS, respectively).

Business activities of the Issuer

With three trading rights on the Hong Kong Exchanges and Clearing Limited, the Issuer is specialised in securities brokerage, supplemented by other related activities including e-trading, custodian and nominee services, and securities financing in Hong Kong. The Issuer’s clientele ranges from institutional clients, retail and corporate to high net worth individuals. Together with CITIC Securities International, the Issuer serve institutional clients through its combined platform covering China and the most dynamic financial markets in the world. The Issuer provide worldwide securities brokerage services covering markets in Hong Kong, Japan, Shanghai, Shenzhen, Singapore, Philippines, Thailand, Malaysia, Australia, Germany, United Kingdom and United States.

Business activities of the Group

The Group is principally engaged in investment banking, wealth management, asset management, financial markets and other related financial services.

The investment banking business of the Group consists of equity financing, debt financing and financial advisory services. The Group provides fund raising and financial advisory services to a wide range of enterprises and other institutional clients in China and globally.

The wealth management business of the Group mainly includes securities and futures brokerage business, distribution of financial products and investment consulting services.

The institutional stock brokerage business of the Group provides domestic and overseas professional institutional investors client bases with various professional value-added services, including marketing research, transaction execution, equity financing and trading projects recommendation for their investments and trading, in Chinese stock markets and Asia-Pacific, American and other overseas stock markets.

The financial market business of the Group mainly includes trading and market-making of equity products, fixed income products and derivatives, foreign exchange business, margin financing and securities lending business.

The Group provides asset management services and products to clients in China and globally. The Group has been engaged in asset management businesses including collective asset management, separately managed account and specialised asset management, fund management and other investment accounts management.

The investment business of the Group mainly comprises alternative investment and private equity investment.

The Group provides services such as custody and research.

Members of the Issuer's board of directors as at 20 March 2024 are:

Mr. CHEN Jiachun

Mr. XU Jianqiang

Mr. FAN Ping Lun Alan

Mr. CHENG Yiu Wa

RISK FACTORS

Not all of the risk factors described below will be applicable to a particular series of Structured Products. Please consider all risks carefully prior to investing in any Structured Products and consult your professional independent financial adviser and legal, accounting, tax and other advisers with respect to any investment in the Structured Products. Please read the following section together with the risk factors set out in the relevant Launch Announcement and Supplemental Listing Document.

General risks relating to us

Non-collateralised Structured Products

The Structured Products are not secured on any of our assets or any collateral. Each series of Structured Products constitutes our general unsecured contractual obligations and of no other person and will rank equally with our other unsecured contractual obligations and with our unsecured and unsubordinated debt. At any given time, the number of our Structured Products outstanding may be substantial.

Credit risk

If you purchase our Structured Products, you are relying upon our creditworthiness and have no rights under these products against:

- (a) any company which issues the underlying shares;
- (b) any fund which issues the underlying securities or its trustee (if applicable) or manager; or
- (c) any index compiler of the underlying index.

As our obligations under the Structured Products are unsecured, we do not guarantee the repayment of your investment in any Structured Product.

If we become insolvent or default on our obligations under the Structured Products, you may not be able to recover all or even part of the amount due under the Structured Products (if any).

Repurchase of our Structured Products

We may repurchase the Structured Products from time to time in the private market or otherwise at a negotiated price or at the prevailing market price at our discretion. You should not make any assumption as to the number of Structured Products in issue for any particular series at any time.

No deposit liability or debt obligation

We are obliged to deliver to you the Cash Settlement Amount under the Conditions of each series of Structured Product upon expiry. We do not intend (expressly, implicitly or otherwise) to create a deposit liability or a debt obligation of any kind by the issue of any Structured Product.

Conflicts of interest

The Group engages in financial activities for our own account and the account of others. The Group, in connection with our other business activities, may possess or acquire material information about the Underlying Assets to which a Structured Product is linked. Such activities may involve or otherwise affect the Underlying Assets in a manner that may cause consequences adverse to you or otherwise create conflicts of interests in connection with the issue of Structured Products by us. Such actions and conflicts may include, without limitation, the purchase and sale of securities and exercise of creditor rights.

The Group:

- (a) has no obligation to disclose such information about the Underlying Assets or such activities. The Group and our officers and directors may engage in any such activities without regard to the issue of Structured Products by us or the effect that such activities may directly or indirectly have on any Structured Product;
- (b) may from time to time engage in transactions involving the Underlying Assets for our proprietary accounts and/or for accounts under our management and/or to hedge against the market risk associated with issuing the Structured Products. Such transactions may have a positive or negative effect on the price/level of the Underlying Assets and consequently upon the value of the relevant series of Structured Products;

- (c) may from time to time act in other capacities with regard to the Structured Products, such as in an agency capacity and/or as the liquidity provider;
- (d) may issue other derivative instruments in respect of the Underlying Assets and the introduction of such competing products into the marketplace may affect the value of the relevant series of Structured Products; and/or
- (e) may also act as underwriter in connection with future offerings of the Underlying Assets or may act as financial adviser to the issuer, or sponsor, as the case may be, of any such Underlying Assets, the trustee (if applicable) or the manager of the ETF. Such activities could present certain conflicts of interest and may affect the value of the Structured Products.

Not the ultimate holding company of the group

We are not the ultimate holding company of the group to which we belong. Our ultimate holding company is CITIC Securities (Stock Codes: 6030.HK and 600030.SS) which wholly owns us.

General risks in relation to Structured Products

The Structured Products are not principal protected and you may lose all your investment in the Structured Products

Structured Products involve a high degree of risk, and are subject to a number of risks which may include interest rate, foreign exchange, time value, market and/or political risks. Structured Products may expire worthless. The past performance of a Structured Product or an Underlying Asset is not indicative of its future performance.

Options, warrants and equity linked instruments are priced primarily on the basis of the price/level of the Underlying Asset, the volatility of the Underlying Asset's price/level and the time remaining to expiry of the Structured Product.

The price of Structured Products generally may fall in value as rapidly as they may rise and you should be prepared to sustain a significant or total loss of the purchase price of the Structured Products. Assuming all other factors are held constant, the more the underlying share price, unit price or index level of a Structured Product moves in a direction against you and the shorter its remaining term to expiration, the greater the risk that you will lose all or a significant part of your investment.

The European style Structured Products are only exercisable on their respective Expiry Dates and may not be exercised by you prior to the relevant Expiry

Date. Accordingly, if on such Expiry Date the Cash Settlement Amount is zero or negative, you will lose the value of your investment.

The risk of losing all or any part of the purchase price of a Structured Product means that, in order to recover and realise a return on your investment, you must generally anticipate correctly the direction, timing and magnitude of any change in the price/level of the Underlying Asset specified in the relevant Launch Announcement and Supplemental Listing Document.

Changes in the price/level of an Underlying Asset can be unpredictable, sudden and large and such changes may result in the price/level of the Underlying Asset moving in a direction which will negatively impact upon the return on your investment. You therefore risk losing your entire investment if the price/level of the relevant Underlying Asset does not move in the anticipated direction.

The value of the Structured Products may be disproportionate or opposite to the movement in price/level of the Underlying Assets

An investment in Structured Products is not the same as owning the Underlying Assets or having a direct investment in the Underlying Asset. The market values of Structured Products are linked to the relevant Underlying Assets and will be influenced (positively or negatively) by it or them but any change may not be comparable and may be disproportionate. For example, for a call Warrant, it is possible that while the price or level of the Underlying Assets is increasing, the value of the Warrant is falling.

If you intend to purchase any series of Structured Products to hedge against the market risk associated with investing in the Underlying Asset, you should recognise the complexities of utilising Structured Products in this manner. For example, the value of the Structured Products may not exactly correlate with the price/level of the Underlying Asset. Due to fluctuations in supply and demand for Structured Products, there is no assurance that their value will correlate with movements of the Underlying Asset.

Furthermore, it may not be possible to liquidate the Structured Products at a level which directly reflects the price/level of the Underlying Asset or portfolio of which the Underlying Asset forms a part. Therefore, it is possible that you could suffer substantial losses in the Structured Products in addition to any losses suffered with respect to investments in or exposures to the Underlying Asset.

Possible illiquidity of secondary market

It is not possible to predict if and to what extent a secondary market may develop in any series of Structured Products and at what price such series of Structured Products will trade in the secondary market and whether such market will be liquid or illiquid. The fact that the Structured Products are listed does not necessarily lead to greater liquidity than if they were not listed.

A lessening of the liquidity of the affected series of Structured Products may cause, in turn, an increase in the volatility associated with the price of such Structured Products.

While we have, or will appoint, a liquidity provider for the purposes of making a market for each series of Structured Products, there may be circumstances outside our control or the appointed liquidity provider's control where the appointed liquidity provider's ability to make a market in some or all series of Structured Products is limited, restricted, and/or without limitation, frustrated. In such circumstances we will use our best endeavours to appoint an alternative liquidity provider.

Interest rates

Value of the Structured Products in the secondary market may be sensitive to movements in interest rates with respect to the currency of denomination of the Underlying Assets and/or the Structured Products. A variety of factors influence interest rates such as macro economic, governmental, speculative and market sentiment factors. Such fluctuations may have an impact on the value of the Structured Products at any time prior to valuation of the Underlying Assets relating to the Structured Products.

Time decay

The settlement amount of certain series of Structured Products at any time prior to expiration may be less than the trading price of such Structured Products at that time. The difference between the trading price and the settlement amount will reflect, among other things, a "time value" of the Structured Products. The "time value" of the Structured Products will depend upon, among others, the length of the period remaining to expiration and expectations concerning the range of possible future prices/levels of the Underlying Assets. The value of a Structured Product is likely to decrease over time. Therefore, the Structured Products should not be viewed as products for long term investments.

Taxes

You may be required to pay stamp duty or other taxes or other documentary charges. If you are in doubt as to your tax position, you should consult your own independent tax advisers. In addition, you should be aware that tax regulations and their application by the relevant taxation authorities may change from time to time. Accordingly, it is not possible to predict the precise tax treatment which will apply at any given time. See the section headed "Taxation" for further information.

Modification to the Conditions

Under the Conditions, we may, without your consent, effect any modification of the terms and conditions applicable to the Structured Products or the Instrument which, in our opinion is:

- (a) not materially prejudicial to the interests of the holder of the Structured Products generally (without considering the circumstances of any individual holder or the tax or other consequences of such modification in any particular jurisdiction);
- (b) of a formal, minor or technical nature;
- (c) made to correct a manifest error; or
- (d) necessary in order to comply with mandatory provisions of the laws or regulations of Hong Kong.

Possible early termination for illegality or impracticability

If we determine in good faith and in a commercially reasonable manner that, for reasons beyond our control, it has become or it will become illegal or impracticable:

- (a) for us to perform our obligations under the Structured Products in whole or in part as a result of (i) the adoption of or any change in any relevant law or regulation or (ii) the promulgation of, or any change, in the interpretation by any court, tribunal, governmental, administrative, legislative, regulatory or judicial authority or power with competent jurisdiction of any relevant law or regulation, (each of (i) and (ii), a “**Change in Law Event**”); or
- (b) for us or our affiliates to maintain our hedging arrangements with respect to the Structured Product due to a Change in Law Event,

we may terminate such Structured Products early. If we terminate the Structured Products early, we will, if and to the extent permitted by applicable law, pay an amount determined by us in good faith and in commercially reasonable manner to be the fair market value notwithstanding the illegality or impracticability less the cost to us of unwinding any related hedging arrangements. Such amount may be substantially less than your initial investment and may be zero.

Exchange rate risk

There may be an exchange rate risk in the case of cash settled Structured Products where the Cash Settlement Amount will be converted from a foreign currency into the Settlement Currency. Exchange rates between currencies are determined by forces of supply and demand in the foreign exchange markets. These forces are, in turn, affected by factors such as international balances of payments and other economic and financial conditions, government intervention in currency markets and currency trading speculation. Fluctuations in foreign exchange rates, foreign political and economic developments and the imposition of exchange controls or other foreign governmental laws or restrictions applicable to such investments may affect the foreign currency market price and the exchange rate-adjusted equivalent price of the Structured Products.

Fluctuations in the exchange rate of any one currency may be offset by fluctuations in the exchange rate of other relevant currencies.

Risks in relation to the Underlying Asset

You have no right to the Underlying Asset

Unless specifically indicated in the Conditions, you will not be entitled to any:

- (a) voting rights or rights to receive dividends or other distributions or any other rights that a holder of the underlying shares or units would normally be entitled to; or
- (b) voting rights or rights to receive dividends or other distributions or any other rights with respect to any company constituting any underlying index.

Valuation risk

An investment in Structured Products may involve valuation risk with regards to the Underlying Asset to which the particular series of Structured Products relate. The price/level of the Underlying Asset may vary over time and may increase or decrease by reference to a variety of factors which may include corporate actions, macro economic factors, speculation and, where the Underlying Asset is an index, changes in the formula for or the method of calculating the index.

Where the Structured Products are linked to certain Underlying Asset in a developing financial market, you should note a developing financial market differs from most developed markets in various aspects, including the growth rate, government involvement and control, level of development and foreign exchange control. Any rapid or significant changes in the economic, political or social condition and the government policies of the developing financial market may result in large fluctuations in the value or level of the Underlying Asset. Such fluctuations may affect the market value of the Structured Products and hence your investment return.

You must be experienced with dealings in these types of Structured Products and must understand the risks associated with dealings in such products. You should reach an investment decision only after careful consideration, with your advisers, of the suitability of any Structured Product in light of your

particular financial circumstances, the information regarding the relevant Structured Product and the particular Underlying Asset to which the value of the relevant Structured Product relates.

Adjustment related risk

Certain events relating to the Underlying Asset require or, as the case may be, permit us to make certain adjustments or amendments to the Conditions. You have limited anti-dilution protection under the Conditions of the Structured Products. We may, in our sole and absolute discretion and in a commercially reasonable manner, adjust, among other things, the Entitlement, the Exercise Price, the Strike Level, the Strike Price, Closing Price, Closing Level, Call Price, Call Level (if applicable) or any other terms (including without limitation the closing price or the closing level of the Underlying Asset) of any series of Structured Product. However, we are not required to make an adjustment for every event that may affect an Underlying Asset, in which case the market price of the Structured Product and the return upon the expiry of the Structured Product may be affected.

In the case of Structured Products which relate to an index, in addition, the level of the index may be published by the index compiler at a time when one or more shares comprising the index are not trading. If this occurs on the Valuation Date but such occurrence does not constitute a Market Disruption Event under the Conditions, then the value of such share(s) may not be included in the level of the index. In addition, certain events relating to the index (including a material change in the formula or the method of calculating the index or a failure to publish the index) permit us to determine the level of the index on the basis of the formula or method last in effect prior to such change in formula or method, but using only those securities that comprised the index immediately prior to that change or failure (other than those securities that have since ceased to be listed on the relevant exchange).

Suspension of trading

If an Underlying Asset is suspended from trading or dealing for whatever reason on the market on which it is listed or dealt in (including the Stock Exchange), trading or dealing in the relevant series of Structured Product may be suspended for a similar period. In addition, if an Underlying Asset is an index and the calculation and/or publication of the index level by the index compiler is suspended for whatever

reasons, trading in the relevant series of Structured Product may be suspended for a similar period. The value of the Structured Products will decrease over time as the length of the period remaining to expiration becomes shorter. You should note that in the case of a prolonged suspension period, the market price of the Structured Products may be subject to a significant impact of time decay of such prolonged suspension period and may fluctuate significantly upon resumption of trading after the suspension period of the Structured Products. This may adversely affect your investment in the Structured Products.

Delay in settlement

Unless otherwise specified in the relevant Conditions, in the case of any expiry of Structured Products, there may be a time lag between the date on which the Structured Products expire and the time the applicable settlement amount relating to such event is determined. Any such delay between the time of expiry and the determination of the settlement amount will be specified in the relevant Conditions.

However, such delay could be significantly longer, particularly in the case of a delay in the expiry of such Structured Products arising from a determination by us that a Market Disruption Event, Settlement Disruption Event or delisting of a company or fund has occurred at any relevant time or that adjustments are required in accordance with the Conditions.

The applicable settlement amount may change significantly during any such period, and such movement or movements could decrease or modify the settlement amount of the Structured Products.

You should note that in the event of a Settlement Disruption Event or a Market Disruption Event, payment of the Cash Settlement Amount may be delayed as more fully described in the Product Conditions.

Risk specific to underlying asset adopting the multiple counters model

Where the Underlying Asset of Structured Products adopts the multiple counters model for trading its units or shares on the Stock Exchange in Hong Kong dollars (“HKD”) and one or more foreign currencies (such as Renminbi and/or United States Dollars)

(“**Foreign Currency**”) separately, the novelty and relatively untested nature of the Stock Exchange’s multiple counters model may bring the following additional risks:

- (a) the Structured Products may be linked to the HKD-traded or the Foreign Currency traded units or shares. If the Underlying Asset of Structured Products is the units or shares traded in one currency counter, movements in the trading prices of the units or shares traded in another currency counter should not directly affect the price of the Structured Products;
- (b) if there is a suspension of inter-counter transfer of such units or shares between different currency counters for any reason, such units or shares will only be able to be traded in the relevant currency counter on the Stock Exchange, which may affect the demand and supply of such units or shares and have an adverse effect on the price of the Structured Products; and
- (c) the trading price on the Stock Exchange of the units or shares traded in one currency counter may deviate significantly from the trading price on the Stock Exchange of units or shares traded in another currency counter due to different factors, such as market liquidity, foreign exchange conversion risk, supply and demand in each counter and the exchange rate fluctuation. Changes in the trading price of the Underlying Asset of Structured Products in the relevant currency counter may adversely affect the price of the Structured Products.

Liquidation or termination of the Underlying Asset

In the case of Structured Products which relate to shares of a company, in the event of liquidation, winding up or dissolution of, or the appointment of a liquidator, receiver or administrator or analogous person to, the company that issues the underlying shares, the Structured Products shall lapse and cease to be valid, except that in the case of put Warrants or bear CBBCs, we may pay to you the residual value (if any) less any unwind costs as determined by us in our sole and absolute discretion, which may be substantially less than your initial investment and may be zero.

In the case of Structured Products which relate to units or shares of a fund, in the event of termination, liquidation or dissolution of, or the appointment of a liquidator, receiver or administrator or analogous

person to, the fund that issues the underlying units or shares (or the trustee of the fund, if applicable), the Structured Products shall lapse and cease to be valid. You will lose all your investment.

Risks relating to Structured Products over funds

General risks

In the case of Structured Products which relate to units or shares of a fund:

- (a) we and our affiliates do not have the ability to control or predict the actions of the trustee (if applicable) or the manager (if applicable) of the relevant fund. Neither the trustee (if applicable) nor the manager (if applicable) of the relevant fund (i) is involved in the offer of any Structured Product in any way, or (ii) has any obligation to consider the interests of the holders of any Structured Product in taking any corporate actions that might affect the value of any Structured Product; and
- (b) we have no role in the relevant fund. Generally, the manager (if applicable) of the relevant fund is responsible for making strategic, investment and other trading decisions with respect to the management of the relevant fund consistent with its investment objectives and in compliance with the investment restrictions as set out in the constitutive documents of the relevant fund. The manner in which the relevant fund is managed and the timing of the manager’s actions may have a significant impact on the performance of the relevant fund. Hence, the market price of the relevant units or shares is also subject to these risks.

Exchange traded funds

In the case of Structured Products linked to units or shares of an ETF, you should note that:

- (a) an ETF is exposed to the economic, political, currency, legal and other risks of a specific sector or market related to the underlying asset pool or index or market that the ETF is designed to track;
- (b) there may be disparity between the performance of the ETF and the performance of the underlying asset pool or index or market that the ETF is designed to track as a result of, for example, failure of the tracking strategy, currency differences, fees and expenses; and

- (c) where the underlying asset pool or index or market that the ETF tracks is subject to restricted access, the efficiency in the creation or redemption of units or shares to keep the price of the ETF in line with its net asset value may be disrupted, causing the ETF to trade at a higher premium or discount to its net asset value. Hence, the market price of the Structured Products will also be indirectly subject to these risks.

Synthetic exchange traded funds

Additionally, where the Underlying Asset comprises the units or shares of an ETF adopting a synthetic replication investment strategy to achieve its investment objectives by investing in financial derivative instruments linked to the performance of an underlying asset pool or index that the ETF is designed to track (“**Synthetic ETF**”), you should note that:

- (a) investments in financial derivative instruments will expose the Synthetic ETF to the credit, potential contagion and concentration risks of the counterparties who issued such financial derivative instruments. As such counterparties are predominantly international financial institutions, the failure of one such counterparty may have a negative effect on other counterparties of the Synthetic ETF. Even if the Synthetic ETF has collateral to reduce the counterparty risk, there may still be a risk that the market value of the collateral has fallen substantially when the Synthetic ETF seeks to realise the collateral; and
- (b) the Synthetic ETF may be exposed to higher liquidity risk if the Synthetic ETF invests in financial derivative instruments which do not have an active secondary market.

The above risks may have a significant impact on the performance of the relevant ETF or Synthetic ETF and hence the market price of Structured Products linked to such ETF or Synthetic ETF.

Risks related to the ETF investing through the QFI regimes and/or China Connect

Where the Underlying Asset comprises the units or shares of an ETF (“**China ETF**”) issued and traded outside Chinese Mainland with direct investment in the Chinese Mainland’s securities markets through the Qualified Foreign Institutional Investor regime

and Renminbi Qualified Foreign Institutional Investor regime (collectively, “**QFI regimes**”) and/or the Shanghai-Hong Kong Stock Connect and Shenzhen- Hong Kong Stock Connect (collectively, “**China Connect**”), you should note that, amongst others:

- (a) the policy and rules for the QFI regimes and China Connect prescribed by the Chinese Mainland government are new and subject to change, and there may be uncertainty to its interpretation and/or implementation. The uncertainty and change of the laws and regulations in Chinese Mainland may adversely impact on the performance of the China ETFs and the trading price of the relevant units or shares;
- (b) a China ETF primarily invests in securities traded in the Chinese Mainland’s securities markets and is subject to concentration risk. Investment in the Chinese Mainland’s securities markets (which are inherently stock markets with restricted access) involves certain risks and special considerations as compared with investment in more developed economies or markets, such as greater political, tax, economic, foreign exchange, liquidity and regulatory risks. The operation of a China ETF may also be affected by interventions by the applicable government(s) and regulators in the financial markets;
- (c) trading of securities invested by a China ETF under China Connect will be subject to a daily quota which is utilised on a first-come-first-serve basis under the China Connect. In the event that the daily quota under China Connect is reached, the manager may need to suspend creation of further units or shares of such China ETF, and therefore may affect liquidity in unit or share trading of such China ETF. In such event, the trading price of a unit or share of such China ETF is likely to be at a significant premium to its net asset value, and may be highly volatile. The People’s Bank of China and the State Administration of Foreign Exchange have jointly published the detailed implementation rules removing the investment quota under the QFI regimes with effect from 6 June 2020; and

(d) there are risks and uncertainties associated with the current Chinese Mainland tax laws applicable to a China ETF investing in Chinese Mainland through the QFI regimes and/or China Connect. Although such China ETF may have made a tax provision in respect of potential tax liability, the provision may be excessive or inadequate. Any shortfall between the provisions and actual tax liabilities may be covered by the assets of such China ETF and may therefore adversely affect the net asset value of such China ETF and the market value and/or potential payout of our structured products.

The above risks may have a significant impact on the performance of the China ETF and hence the market price of Structured Products linked to such China ETF.

Please read the offering documents of the China ETF to understand its key features and risks.

Real estate investment trust (“REIT”)

Where the Underlying Asset comprises the units of a REIT, you should note that the investment objective of a REIT is to invest in a real estate portfolio. Each REIT is exposed to risks relating to investments in real estate, including but not limited to (a) adverse changes in political or economic conditions; (b) changes in interest rates and the availability of debt or equity financing, which may result in an inability by the REIT to maintain or improve the real estate portfolio and finance future acquisitions; (c) changes in environmental, zoning and other governmental rules; (d) changes in market rents; (e) any required repair and maintenance of the portfolio properties; (f) breach of any property laws or regulations; (g) the relative illiquidity of real estate investment; (h) real estate taxes; (i) any hidden interests in the portfolio properties; (j) any increase in insurance premiums; and (k) any uninsurable losses.

There may also be disparity between the market price of the units of a REIT and the net asset value per unit. This is because the market price of the units of a REIT also depends on many factors, including but not limited to (a) the market value and perceived prospects of the real estate portfolio; (b) changes in economic or market conditions; (c) changes in market valuations of similar companies; (d) changes in interest rates; (e) the perceived attractiveness of the units of the REIT against those of other equity securities; (f) the future size and liquidity of the market for the units and the REIT market generally;

(g) any future changes to the regulatory system, including the tax system; and (h) the ability of the REIT to implement its investment and growth strategies and to retain its key personnel.

The above risks may have a significant impact on the performance of the relevant units and the price of the Structured Products.

Commodity market risk

Where the Underlying Asset comprises the units or shares of an ETF whose value relates directly to the value of a commodity, you should note that fluctuations in the price of the commodity could materially adversely affect the value of the underlying units or shares. Commodity market is generally subject to greater risks than other markets. The price of a commodity is highly volatile. Price movement of a commodity is influenced by, among other things, interest rates, changing market supply and demand relationships, trade, fiscal, monetary and exchange control programmes and policies of governments, and international political and economic events and policies.

Risk relating to CBBCs

Correlation between the price of a CBBC and the price/level of the Underlying Asset

When the Underlying Asset of a CBBC is trading at a price/level close to its Call Price/Call Level, the price of that CBBC tends to be more volatile and any change in the value of that CBBC at such time may be incomparable and disproportionate to the change in the price/level of the Underlying Asset.

You may lose your entire investment when a Mandatory Call Event occurs

Unlike warrants, CBBCs have a mandatory call feature and trading in the CBBCs will be suspended when the Spot Level/Spot Price reaches the Call Level/Call Price (subject to the circumstances in which a Mandatory Call Event will be reversed as set out below). No investor can sell the CBBCs after the occurrence of a Mandatory Call Event. Even if the level/price of the Underlying Asset bounces back in the right direction, the CBBCs which have been terminated as a result of the Mandatory Call Event will not be revived and investors will not be able to profit from the bounce-back. Investors may receive a Residual Value after the occurrence of a Mandatory Call Event but such amount may be zero.

Mandatory Call Event is irrevocable except in limited circumstances

A Mandatory Call Event is irrevocable unless it is triggered as a result of any of the following events:

- (a) system malfunction or other technical errors of HKEX (such as the setting up of wrong Call Price/Call Level and other parameters), and such event is reported by the Stock Exchange to us and we and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked; or
- (b) manifest errors caused by the relevant third party price source where applicable (such as miscalculation of the index level by the relevant index compiler), and such event is reported by us to the Stock Exchange and we and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked, in each case, such mutual agreement must be reached between the Stock Exchange and us no later than such time as prescribed in the relevant Launch Announcement and Supplemental Listing Document. Upon revocation of the Mandatory Call Event, trading of the CBBCs will resume and any trade cancelled after such Mandatory Call Event will be reinstated.

Non-recognition of Post MCE Trades

The Stock Exchange and its recognised exchange controller, HKEX, shall not incur any liability (whether based on contract, tort (including, without limitation, negligence), or any other legal or equitable grounds and without regard to the circumstances giving rise to any purported claim except in the case of willful misconduct on the part of the Stock Exchange and/or HKEX) for any direct, consequential, special, indirect, economic, punitive, exemplary or any other loss or damage suffered or incurred by us or any other party arising from or in connection with the Mandatory Call Event or the suspension of trading (“**Trading Suspension**”) or the non-recognition of trades after a Mandatory Call Event (“**Non-Recognition of Post MCE Trades**”), including without limitation, any delay, failure, mistake or error in the Trading Suspension or Non-Recognition of Post MCE Trades.

We and our affiliates shall not have any responsibility towards you for any losses suffered as a result of the Trading Suspension and/or Non-Recognition of Post MCE Trades in connection with the occurrence of a Mandatory Call Event,

notwithstanding that such Trading Suspension or Non-Recognition of Post MCE Trades may have occurred as a result of an error in the observation of the event.

Residual Value will not include residual funding cost

For Category R CBBCs, the Residual Value (if any) payable by us following the occurrence of a Mandatory Call Event will not include the residual funding cost for the CBBCs. You will not receive any residual funding cost back from us upon early termination of a Category R CBBC following the occurrence of a Mandatory Call Event.

Delay in announcements of a Mandatory Call Event

The Stock Exchange will notify the market as soon as practicable after the CBBC has been called. You must however be aware that there may be delay in the announcements of a Mandatory Call Event due to technical errors or system failures and other factors that are beyond our control or the control of the Stock Exchange.

Our hedging activities may adversely affect the price/level of the Underlying Asset

We and/or any of our affiliates may carry out activities that minimise our risks related to the CBBCs, including effecting transactions for our own account or for the account of our customers and hold long or short positions in the Underlying Asset whether for risk reduction purposes or otherwise. In addition, in connection with the offering of any CBBCs, we and/or any of our affiliates may enter into one or more hedging transactions with respect to the Underlying Asset. In connection with such hedging or market-making activities or with respect to proprietary or other trading activities by us and/or any of our affiliates, we and/or any of our affiliates may enter into transactions in the Underlying Asset which may affect the market price, liquidity or price/level of the Underlying Asset and/or the value of CBBCs and which could be deemed to be adverse to your interests. We and/or our affiliates are likely to modify our hedging positions throughout the life of the CBBCs whether by effecting transactions in the Underlying Asset or in derivatives linked to the Underlying Asset. Further, it is possible that the advisory services which we and/or our affiliates provide in the ordinary course of our business could lead to an adverse impact on the value of the Underlying Asset.

Unwinding of hedging arrangements

The trading and/or hedging activities of us or our affiliates related to CBBCs and/or other financial instruments issued by us from time to time may have an impact on the price/level of the Underlying Asset and may trigger a Mandatory Call Event. In particular, when the Underlying Asset is trading close to the Call Price/Call Level, our unwinding activities may cause a fall or rise (as the case may be) in the trading price/level of the Underlying Asset, leading to a Mandatory Call Event as a result of such unwinding activities.

In respect of Category N CBBCs, we or our affiliates may unwind any hedging transactions entered into by us in relation to the CBBCs at any time even if such unwinding activities may trigger a Mandatory Call Event.

In respect of Category R CBBCs, before the occurrence of a Mandatory Call Event, we or our affiliates may unwind our hedging transactions relating to the CBBCs in proportion to the amount of the CBBCs we repurchase from time to time. Upon the occurrence of a Mandatory Call Event, we or our affiliates may unwind any hedging transactions in relation to the CBBCs. Such unwinding activities after the occurrence of a Mandatory Call Event may affect the trading price/level of the Underlying Asset and consequently the Residual Value for the CBBCs.

Risks relating to the legal form of the Structured Products

Each series of Structured Products will be represented by a global certificate registered in the name of HKSCC Nominees Limited (or such other nominee company as may be used by HKSCC from time to time in relation to the provision of nominee services to persons admitted for the time being by HKSCC as a participant of CCASS).

Structured Products issued in global registered form held on your behalf within a clearing system effectively means evidence of your title and efficiency of ultimate delivery of the Cash Settlement Amount will be subject to the CCASS Rules. Amongst the risks, you should note that:

- (a) you will not receive any definitive certificates where the Structured Products are to remain in the name of HKSCC Nominees Limited for their entire life;

- (b) any register that is maintained by us or on our behalf, while available for inspection by you, will not be capable of registering any interests other than that of the legal title owner, in other words, it will record at all times that the Structured Products are being held by HKSCC Nominees Limited;
- (c) you will have to rely solely upon your brokers/custodians and the statements you receive from such party as evidence of your interests in the investment;
- (d) notices or announcements will be published on the HKEX website and/or released by HKSCC to its participants via CCASS. You will need to check the HKEX website regularly and/or rely on your brokers/custodians to obtain such notices/announcements; and
- (e) our obligations under the Conditions will be duly performed by the payment of the Cash Settlement Amount to HKSCC Nominees Limited as the registered holder of the Structured Products, all in accordance with the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time.

United States federal tax may be withheld from payments with respect to Structured Products that are treated as “dividend equivalents”. This may have an adverse effect on the value and liquidity of the Structured Products.

A “dividend equivalent” payment generally is treated as a dividend from sources within the U.S. and such payments generally would be subject to a 30 percent (or a lower rate if an income tax treaty applies) U.S. federal withholding tax if paid to a Non-U.S. Holder (as defined in “United States Taxation”). Under U.S. Treasury regulations issued pursuant to Section 871(m) of the U.S. Internal Revenue Code of 1986, as amended (the “Code”), payments (including deemed payments) that are contingent upon or determined by reference to actual or estimated U.S. source dividends with respect to certain equity-linked instruments (including U.S. equity securities, indices containing U.S. equity securities and other financial transactions that reference the value of one or more U.S. equity securities), may be treated as “dividend equivalents”. If we determine that withholding is required with respect to the Structured Products, we (or an applicable withholding agent) would be entitled to withhold

taxes at the applicable rate without being required to pay any additional amounts with respect to amounts so withheld. As a result, payments on the Structured Products may be substantially less than the amounts specified in their terms.

Payments made by us to certain holders with respect to the Structured Products may be subject to U.S. federal withholding tax under the United States Foreign Account Tax Compliance Act.

The Foreign Account Tax Compliance Act of the United States (“**FATCA**”) generally imposes a 30 percent U.S. federal withholding tax on certain United States source withholdable payments, including interest (and original issue discount), dividends (and “dividend equivalent” payments), or other fixed or determinable annual or periodical gain, profits, and income, and on the gross proceeds from a disposition of property of a type which can produce United States source interest or dividends (“**Withholdable Payments**”), if paid to, among others, a foreign financial institution (including amounts paid to a foreign financial institution on behalf of an account holder), unless such institution enters into an agreement with the U.S. Treasury Department to collect and provide to the U.S. Treasury Department substantial information regarding United States account holders (including certain account holders that are foreign entities with United States owners) with such institution, or such institution otherwise complies with its obligations under FATCA. A Structured Product may constitute an account for these purposes. FATCA also generally imposes a withholding tax of 30 percent on Withholdable Payments made to, among others, a non-financial foreign entity unless such entity provides the withholding agent with a certification that it does not have any substantial United States owners or a certification identifying the direct and indirect substantial United States owners of the entity, or otherwise establishes an exemption. FATCA also generally imposes a withholding tax of a 30 percent on withholdable payments made to an individual unless such an individual provides the withholding agent with a certification that the individual is not a “United States persons” (as defined in the Code). Under certain circumstances, a holder may be eligible for refunds or credits of such taxes. Moreover, in the event of change in circumstance, the holder must provide an updated certification within 30 days of the occurrence of such an event.

In addition, under FATCA, “passthru payments” made by a foreign financial institution to “recalcitrant account holders” or to non-compliant foreign financial institutions are subject to a 30 percent U.S. withholding tax. A “recalcitrant account holder” generally is a holder of an account with a foreign financial institution that fails to comply with certain requests for information that will help enable the relevant foreign financial institution to comply with its obligations under FATCA (a Structured Product may constitute an account for these purposes). Pursuant to the U.S. Treasury regulations, a passthru payment includes any Withholdable Payment and any “foreign passthru payment”, which has yet to be defined.

If we determine that withholding is required with respect to the Structured Products, we (or an applicable withholding agent) would be entitled to withhold taxes at the applicable rate without being required to pay any additional amounts with respect to amounts so withheld. As a result, payments on the Structured Products may be substantially less than the amounts specified in their terms.

Effect of the combination of risk factors unpredictable

Two or more risk factors may simultaneously have an effect on the value of a series of Structured Products such that the effect of any individual risk factor may not be predictable. No assurances can be given as to the effect any combination of risk factors may have on the value of a series of Structured Products.

TAXATION

The comments below are of a general nature and are based on current law and practice in Hong Kong and the United States. They are not intended to provide advice, and potential investors in Structured Products are strongly advised to consult their own tax advisors as to their respective tax positions on any sale, purchase, ownership, transfer, holding or exercise of any Structured Products and in particular the effect of any foreign, state or local tax laws to which potential investors (for example, a bank, dealer, insurance company or a tax-exempt entity) are subject.

Hong Kong taxation

Withholding Tax

We are not required under current law to make any withholding on account of Hong Kong tax from payments in respect of our Structured Products.

Capital Gains Tax

No capital gains tax is payable in Hong Kong on any capital gains arising from a sale or disposal of our Structured Products.

Profits Tax

Hong Kong profits tax may be chargeable on any gains arising from a sale or disposal of our Structured Products where the sale or disposal is or forms part of a trade, profession or business carried on in Hong Kong.

Stamp Duty

Our cash-settled Structured Products are not subject to Hong Kong stamp duty or bearer instrument duty either when issued or on any subsequent transfer.

United States Taxation

Section 871(m)

Under Section 871(m) of the Code, a “dividend equivalent” payment (as described below) generally is treated as a dividend from sources within the United States and such payments generally would be subject to a 30 percent (or a lower rate if an applicable income tax treaty applies) United States withholding tax if paid to a Non-U.S. Holder (as defined below), regardless of whether the payor is a U.S. person. Under the U.S. Treasury regulations issued pursuant to Section 871(m) of the Code, payments (including deemed payments) that are contingent upon or determined by reference to actual or estimated U.S. source dividends with respect to certain equity-linked instruments (including U.S. equity securities, indices containing U.S. equity securities and other financial transactions that reference the value of one or more U.S. equity securities), may be treated as “dividend equivalents”. The equity-linked instrument subject to Section 871(m) of the Code includes (i) a “simple” financial instrument that has a delta of 0.8 or greater with respect to an underlying U.S. stock or a U.S. stock component of an underlying index or basket and (ii) a “complex” financial instrument that meets the “substantial equivalence” test with respect to an underlying U.S. stock or a U.S. stock component of an underlying index or basket. However, the U.S. Internal Revenue Service has issued guidance providing that the U.S. Treasury Department and the U.S. Internal Revenue Service intend to amend the effective dates of the U.S. Treasury regulations to provide that withholding on dividend equivalent payments will not apply to certain equity-linked instruments that are not delta-one instruments and that are issued before January 1, 2025.

The regulations and administrative guidance on Section 871(m) are extremely complex. You are urged to consult your own tax advisor regarding the United States withholding tax considerations arising from your investment in the Structured Products.

The Launch Announcement and Supplemental Listing Documents may indicate if we have determined that the particular Structured Product is expected to be subject to withholding under Section 871(m). If we determine that any payments made on the Structured Products are treated as “dividend equivalents” subject to withholding, we (or an applicable withholding agent) would be entitled to withhold taxes without being required to pay any additional amounts with respect to the amounts so withheld. As a result, payments on the Structured Products may be substantially less than the amounts specified in their terms.

The Foreign Account Tax Compliance Act

FATCA (Sections 1471 through 1474 of the Code) generally imposes a 30 percent United States withholding tax on certain U.S. source withholdable payments, including interest (and original issue discount), dividends (including “dividend equivalent” as described above under “—Section 871(m)”), or other fixed or determinable annual or periodical gain, profits, and income, and on the gross proceeds from a disposition of property of a type which can produce United States source interest or dividends (“**Withholdable Payments**”), if paid to, among others, a foreign financial institution (including amounts paid to a foreign financial institution on behalf of an account holder), unless such institution enters into an agreement with the U.S. Treasury Department to collect and provide to the U.S. Treasury Department substantial information regarding United States account holders (including certain account holders that are foreign entities with United States owners) with such institution, or such institution otherwise complies with its obligations under FATCA. A Structured Product may constitute an account for these purposes. FATCA also generally imposes a withholding tax of 30 percent on Withholdable Payments made to, among others, a non-financial foreign entity unless such entity provides the withholding agent with a certification that it does not have any substantial United States owners or a certification identifying the direct and indirect substantial United States owners of the entity, or otherwise establishes an exemption. FATCA also generally imposes a withholding tax of a 30 percent on withholdable payments made to an individual unless such an individual provides the withholding agent with a certification that the individual is not a “United States persons” (as defined in the Code). Under certain circumstances, a holder may be eligible for refunds or credits of such taxes. Moreover, in the event of change in circumstance, the holder must provide an updated certification within 30 days of the occurrence of such an event.

In addition, under FATCA, “passthru payments” made by a foreign financial institution to “recalcitrant account holders” or to a non-compliant foreign financial institutions are subject to a 30 percent United States withholding tax. A “recalcitrant account holder” generally is a holder of an account with a foreign financial institution that fails to comply with certain requests for information that will help enable the relevant foreign financial institution to comply with its obligations under FATCA (a Structured Product may constitute an account for these purposes). Pursuant to the U.S. Treasury regulations, a passthru payment includes any Withholdable Payment and any “foreign passthru payment”, which has yet to be defined.

Under the current United States Treasury regulations and related guidance, the 30 percent United States withholding tax on “recalcitrant account holders” or on non-compliant foreign financial institutions generally may be imposed on Withholdable Payments, and on “foreign passthru payments” after the date of publication in the U.S. Federal Register of final regulations defining the term “foreign passthru payment”. However, payments on an obligation will not be treated as “foreign passthru payments” if such obligation is outstanding on or before (and not materially modified after) the date that is six months after the date on which final regulations defining the term “foreign passthru payment” are filed with the U.S. Federal Register. To date no final regulations defining the term “foreign passthru payment” have been filed with the U.S. Federal Register.

The proposed regulations would eliminate FATCA withholding tax on “gross proceeds” and delay the withholding on “foreign passthru payment” until the date that is two years after the date of publication in the Federal Register of final regulations defining the term “foreign passthru payment”. Taxpayers generally

may rely on the proposed regulations until the final regulations are issued. No such final regulations have been issued as of the date hereof. There is no assurance, however, that the final regulations, once issued, will not reinstate this withholding obligation (or otherwise modify the Proposed Regulations), possibly with retroactive effect.

The Launch Announcement and Supplemental Listing Documents may indicate if we have determined that the particular Structured Product is expected to be subject to withholding under FATCA. If we determine that any payments made on the Structured Products are subject to such withholding, we (or an applicable withholding agent) would be entitled to withhold taxes without being required to pay any additional amounts with respect to amounts so withheld. As a result, payments on the Structured Products may be substantially less than the amounts specified in their terms.

Foreign financial institutions and non-financial foreign entities located in a jurisdiction that has an intergovernmental agreement with the United States governing FATCA may be subject to different rules. You are urged to consult with your own tax advisors regarding the possible implications of FATCA on your investment in the Structured Products, including the possibility of meeting certain documentation requirements to be exempt from FATCA withholding tax.

The above summary only applies to you if you are a Non-U.S. Holder. You are a Non-U.S. Holder unless you are, for U.S. federal income tax purposes: (1) an individual citizen or resident of the United States; (2) a corporation that is formed or organized under the laws of the United States, any state thereof or the District of Columbia, or any entity that is taxable as a corporation so formed or organized, (3) an estate that is subject to U.S. federal income taxation regardless of its source, or (4) a trust that is subject to the jurisdiction of a U.S. court and for which one or more “United States persons” (as defined in the Code) control all of the substantial decisions, or has otherwise made an appropriate election under U.S. tax regulations. If you are an investor treated as a partnership for U.S. federal income tax purposes, FATCA withholding tax may apply to you and your beneficial owners based on your and your beneficial owners’ activities and status and you should consult your own tax advisor regarding any FATCA withholding tax consideration arising from your investment in the Structured Products.

APPENDIX 1
GENERAL CONDITIONS OF STRUCTURED PRODUCTS

These General Conditions relate to each series of Structured Products and must be read in conjunction with, and are subject to, the relevant Product Conditions set out in Appendix 2 and Appendix 3 to this Base Listing Document and the supplemental terms and conditions contained in the Launch Announcement and Supplemental Listing Document in relation to the particular series of Structured Products. These General Conditions and the relevant Product Conditions together constitute the Conditions of the relevant Structured Products, and will be endorsed on the Global Certificate representing the relevant Structured Products. The Launch Announcement and Supplemental Listing Document in relation to the issue of any series of Structured Products may specify additional terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these General Conditions and the relevant Product Conditions, replace or modify these General Conditions and the relevant Product Conditions for the purpose of such series of Structured Products.

1. Definitions

“**Base Listing Document**” means the base listing document relating to Structured Products dated 2 May 2024 and issued by the Issuer (including any addenda to such base listing document issued by the Issuer from time to time);

“**Board Lot**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“**Business Day**” means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong and banks are open for business in Hong Kong;

“**CCASS**” means the Central Clearing and Settlement System established and operated by the HKSCC;

“**CCASS Rules**” means the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time;

“**CCASS Settlement Day**” has the meaning ascribed to the term “**Settlement Day**” in the CCASS Rules in effect from time to time, subject to such modification and amendment prescribed by HKSCC from time to time;

“**Conditions**” means, in respect of a particular series of Structured Products, these General Conditions and the applicable Product Conditions;

“**Designated Bank Account**” means the relevant bank account designated by each Holder;

“**Exercise Expenses**” means, in respect of each series of Structured Products, any charges or expenses (including any taxes or duties) which are incurred in respect of the exercise of a Board Lot of Structured Products;

“**Expiry Date**” means the date specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**General Conditions**” means these general terms and conditions. These General Conditions apply to each series of Structured Products;

“**Global Certificate**” means, in respect of the relevant Structured Products, a global certificate registered in the name of the Nominee;

“**HKSCC**” means Hong Kong Securities Clearing Company Limited;

“**Holder**” means, in respect of each series of Structured Products, each person who is for the time being shown in the Register as the holder of the Structured Products, and such person shall be treated by the Issuer as the absolute owner and holder of the Structured Products;

“**Hong Kong**” means the Hong Kong Special Administrative Region of the People’s Republic of China;

“**Index**” means the index specified as such in the relevant Launch Announcement and Supplemental Listing Document in respect of each series of Structured Products;

“**Instrument**” means an instrument dated 21 February 2024 (as amended, supplemented or replaced from time to time) executed by the Issuer by way of deed poll pursuant to which the Issuer creates and grants to the Holders certain rights in relation to the Structured Products;

“**Issuer**” means CITIC Securities Brokerage (HK) Limited;

“**Launch Announcement and Supplemental Listing Document**” means the launch announcement and supplemental listing document relating to a particular series of Structured Products;

“**Listing Date**” means the date specified as such in the relevant Launch Announcement and Supplemental Listing Document and on which dealing of the Structured Products on the Stock Exchange commences;

“**Nominee**” means HKSCC Nominees Limited (or such other nominee company as may be used by HKSCC from time to time in relation to the provision of nominee services to persons admitted for the time being by HKSCC as a participant of CCASS);

“**Product Conditions**” means, in respect of each series of Structured Products, the product specific terms and conditions that apply to that particular series of Structured Products;

“**Register**” means, in respect of each series of Structured Products, the register of the Holders of such series of Structured Products kept by the Issuer in Hong Kong;

“**Settlement Currency**” means the currency specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**Settlement Disruption Event**” means an event which is beyond the control of the Issuer and as a result of which, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder on the original Settlement Date;

“**Share**” means the share specified as such in the relevant Launch Announcement and Supplemental Listing Document in respect of each series of Structured Products;

“**Stock Exchange**” means The Stock Exchange of Hong Kong Limited; and

“**Structured Products**” means standard warrants (“**Warrants**”), callable bull/bear contracts (“**CBBCs**”) or such other structured products to be issued by the Issuer from time to time. References to “Structured Products” are to be construed as references to a particular series of Structured Products and, unless the context otherwise requires, any further Structured Products issued pursuant to General Condition 8.

Other capitalised terms will, unless otherwise defined, have the meanings given to them in the Base Listing Document, the relevant Product Conditions, the relevant Launch Announcement and Supplemental Listing Document and/or the Global Certificate.

2. Form, Status, Transfer and Additional Costs and Expenses

2.1 Form

The Structured Products are issued in registered form subject to and with the benefit of the Instrument. The Holders are entitled to the benefit of, are bound by, and are deemed to have notice of all the provisions of the Instrument. A copy of the Instrument is available for inspection at the offices of the Issuer.

The Structured Products are represented by a Global Certificate. No definitive certificate will be issued. The Structured Products can only be exercised by the Nominee.

2.2 Status of the Issuer's obligations

The settlement obligation of the Issuer in respect of the Structured Products represents general unsecured contractual obligations of the Issuer and of no other person which rank, and will rank, equally among themselves and *pari passu* with all other present and future unsecured and unsubordinated contractual obligations of the Issuer, except for obligations accorded preference by mandatory provisions of applicable law.

Structured Products represent general contractual obligations of the Issuer, and are not, nor is it the intention (expressed, implicit or otherwise) of the Issuer to create by the issue of Structured Products deposit liabilities of the Issuer or a debt obligation of any kind.

2.3 Transfer of Structured Products

Transfers of Structured Products may be effected only in Board Lots or integral multiples thereof in CCASS in accordance with the CCASS Rules.

2.4 Additional Costs and Expenses

Holders shall be responsible for additional costs and expenses in connection with any exercise of the Structured Products including the Exercise Expenses which amount shall, subject to the General Condition 3.2 and to the extent necessary, be payable to the Issuer and collected from the Holders.

3. Rights and Exercise Expenses relating to the Structured Products

3.1 Entitlement of Holders

Every Board Lot initially entitles the Holders, upon due exercise or early expiration (as the case may be) and upon compliance with these General Conditions and the applicable Product Conditions, the rights to receive payment of the Cash Settlement Amount, if any.

3.2 Holders responsible for Exercise Expenses

Upon exercise or early expiration of a particular series of Structured Products, the Holders of such series will be required to pay a sum equal to all the expenses resulting from the exercise or early expiration of such Structured Products. To effect such payment an amount equivalent to the Exercise Expenses shall be deducted from the Cash Settlement Amount in accordance with the applicable Product Conditions.

4. Purchase

The Issuer or any of its subsidiaries may at any time purchase Structured Products at any price in the open market or by tender or by private treaty. Any Structured Products so purchased may be held or resold or surrendered for cancellation.

5. Global Certificate

A Global Certificate representing the Structured Products will be deposited with CCASS in the name of the Nominee. No definitive certificate will be issued.

6. Meetings of Holders and Modification

6.1 Meetings of Holders

The Instrument contains provisions for convening meetings of the Holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Instrument) of a modification of the provisions of the Structured Products or of the Instrument.

Any resolution to be passed in a meeting of the Holders shall be decided by poll. A meeting may be convened by the Issuer or by Holders holding not less than 10 per cent. of the Structured Products for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Structured Products for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Holders whatever the number of Structured Products so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Holders who, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Holders shall be binding on all Holders, whether or not they are present at the meeting.

Resolutions can be passed in writing without a meeting of the Holders being held if passed unanimously.

6.2 Modification

The Issuer may, without the consent of the Holders, effect any modification of the terms and conditions of the Structured Products or the Instrument which, in the opinion of the Issuer, is:

- (a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holders or the tax or other consequences of such modification in any particular jurisdiction);
- (b) of a formal, minor or technical nature;
- (c) made to correct a manifest error; or
- (d) necessary in order to comply with mandatory provisions of the laws or regulations of Hong Kong.

Any such modification shall be binding on the Holders and shall be notified to them by the Issuer as soon as practicable thereafter in accordance with General Condition 7.

7. Notices

All notices to the Holders will be validly given if published in English and in Chinese on the website of Hong Kong Exchanges and Clearing Limited. The Issuer shall not be required to despatch copies of the notice to the Holders.

8. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Holders, to create and issue further structured products so as to form a single series with the Structured Products.

9. Good Faith and Commercially Reasonable Manner

Any exercise of discretion by the Issuer under the Conditions will be made in good faith and in a commercially reasonable manner.

10. Governing Law

The Structured Products and the Instrument are governed by and construed in accordance with the laws of Hong Kong. The Issuer and each Holder (by its purchase of the Structured Products) submit for all purposes in connection with the Structured Products and the Instrument to the non-exclusive jurisdiction of the courts of Hong Kong.

11. Language

In the event of any inconsistency between the Chinese translation and the English version of these Conditions, the English version of these Conditions prevails.

12. Illegality or Impracticability

The Issuer is entitled to terminate the Structured Products if it determines in good faith and in a commercially reasonable manner that, for reasons beyond its control, it has become or it will become illegal or impracticable:

- (a) for it to perform its obligations under the Structured Products in whole or in part as a result of:
 - (i) the adoption of, or any change in, any relevant law or regulation (including any tax law); or
 - (ii) the promulgation of, or any change in, the interpretation by any court, tribunal, governmental, administrative, legislative, regulatory or judicial authority or power with competent jurisdiction of any relevant law or regulation (including any tax law),(each of (i) and (ii), a “**Change in Law Event**”); or
- (b) for it or any of its affiliates to maintain the Issuer’s hedging arrangements with respect to the Structured Products due to a Change in Law Event.

Upon the occurrence of a Change in Law Event, the Issuer will, if and to the extent permitted by the applicable law or regulation, pay to each Holder a cash amount that the Issuer determines in good faith and in a commercially reasonable manner to be the fair market value in respect of each Structured Products held by such Holder immediately prior to such termination (ignoring such illegality or impracticability) less the cost to the Issuer of unwinding any related hedging arrangement as determined by the Issuer in its sole and absolute discretion. Payment will be made to each Holder in such manner as shall be notified to the Holder in accordance with General Condition 7.

13. Contracts (Rights of Third Parties) Ordinance

A person who is not a party to the Conditions has no right under the Contracts (Rights of Third Parties) Ordinance (Cap. 623 of the Laws of Hong Kong) to enforce or to enjoy the benefit of any term of the Structured Products.

APPENDIX 2
PRODUCT CONDITIONS OF WARRANTS

The following pages set out the Product Conditions in respect of different types of Warrants.

	Page
PART A — PRODUCT CONDITIONS OF CASH SETTLED WARRANTS OVER SINGLE EQUITIES	32
PART B — PRODUCT CONDITIONS OF CASH SETTLED WARRANTS OVER INDEX	40
PART C — PRODUCT CONDITIONS OF CASH SETTLED WARRANTS OVER EXCHANGE TRADED FUNDS	45

PART A
PRODUCT CONDITIONS OF CASH SETTLED WARRANTS OVER SINGLE EQUITIES

These Product Conditions will, together with the General Conditions and the supplemental terms and conditions contained in the relevant Launch Announcement and Supplemental Listing Document, and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Launch Announcement and Supplemental Listing Document in relation to the issue of any series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these Product Conditions, replace or modify these Product Conditions for the purpose of such series of Warrants.

1. Definitions

For the purposes of these Product Conditions:

“**Average Price**” means the arithmetic mean of the closing prices of one Share (as derived from the daily quotation sheet of the Stock Exchange, subject to any adjustments to such closing prices as may be necessary to reflect any event as contemplated in Product Condition 3 such as capitalisation, rights issue, distribution or the like) in respect of each Valuation Date;

“**Cash Settlement Amount**” means, in respect of every Board Lot, an amount payable in the Settlement Currency calculated by the Issuer in accordance with the following formula:

(a) In the case of a series of call Warrants:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement} \times (\text{Average Price} - \text{Exercise Price}) \times \text{one Board Lot}}{\text{Number of Warrant(s) per Entitlement}}$$

(b) In the case of a series of put Warrants:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement} \times (\text{Exercise Price} - \text{Average Price}) \times \text{one Board Lot}}{\text{Number of Warrant(s) per Entitlement}}$$

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

“**Company**” means the company specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**Entitlement**” means the number specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

“**Exercise Price**” means the price specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

“**General Conditions**” means the general terms and conditions of Structured Products set out in Appendix 1 of the Base Listing Document;

“Market Disruption Event” means:

- (a) the occurrence or existence on any Valuation Date during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in:
 - (i) the Shares; or
 - (ii) any options or futures contracts relating to the Shares if, in any such case, such suspension or limitation is, in the determination of the Issuer, material;
- (b) the occurrence of any severe weather condition or other event on any day which either:
 - (i) results in the Stock Exchange being closed for trading for the entire day; or
 - (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session),

PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of such severe weather condition or other event; or

- (c) a limitation or closure of the Stock Exchange due to any unforeseen circumstances;

“Product Conditions” means these product terms and conditions. These Product Conditions apply to each series of cash settled Warrants over single equities;

“Settlement Date” means the third CCASS Settlement Day after the later of: (i) the Expiry Date; and (ii) the day on which the Average Price is determined in accordance with the Conditions;

“Share” means the share specified as such in the relevant Launch Announcement and Supplemental Listing Document; and

“Valuation Date” means each of the five Business Days immediately preceding the Expiry Date, provided that if the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on any Valuation Date, then that Valuation Date shall be postponed until the first succeeding Business Day on which there is no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a Business Day that is already or is deemed to be a Valuation Date.

For the avoidance of doubt, in the event that a Market Disruption Event has occurred and a Valuation Date is postponed as aforesaid, the closing price of the Shares on the first succeeding Business Day will be used more than once in determining the Average Price, so that in no event shall there be less than five closing prices used to determine the Average Price.

If the postponement of the Valuation Date as aforesaid would result in the Valuation Date falling on or after the Expiry Date, then:

- (i) the Business Day immediately preceding the Expiry Date (the **“Last Valuation Date”**) shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and

- (ii) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of the price that would have prevailed on the Last Valuation Date but for the Market Disruption Event.

Trading in Warrants on the Stock Exchange shall cease prior to the Expiry Date in accordance with the requirements of the Stock Exchange.

Other capitalised terms shall, unless otherwise defined herein, have the meaning ascribed to them in the Base Listing Document, the General Conditions, the relevant Launch Announcement and Supplemental Listing Document or the Global Certificate.

2. Exercise of Warrants

2.1 Exercise of warrants in Board Lots

The Warrants may only be exercised in Board Lots or integral multiples thereof.

2.2 Automatic exercise

The Warrants will be deemed to be automatically exercised on the Expiry Date (without notice given to the Holders) if the Issuer determines that the Cash Settlement Amount is positive. The Holders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Holders the Cash Settlement Amount. Any Warrant which has not been automatically exercised in accordance with this Product Condition 2.2 shall expire immediately without value thereafter and all rights of the Holder and obligations of the Issuer with respect to such Warrant shall cease.

2.3 Exercise Expenses

Any Exercise Expenses which are not determined by the Issuer on the Expiry Date and deducted from the Cash Settlement Amount prior to delivery to the Holders in accordance with this Product Condition 2, shall be notified by the Issuer to the Holders as soon as practicable after determination thereof and shall be paid by the Holders to the Issuer immediately upon demand.

2.4 Record in the Register

Upon automatic exercise of the Warrants on the Expiry Date of the Warrants in accordance with the Conditions, or in the event the Warrants have expired worthless, the Issuer will, with effect from the first Business Day following the Expiry Date, remove the names of each Holder from the Register in respect of the number of relevant Warrants which are the subject of the automatic exercise or the number of relevant Warrants which have expired worthless, as the case may be, and thereby cancel the relevant Warrants and the Global Certificate.

2.5 Cash Settlement

Upon the automatic exercise of Warrants in accordance with the Conditions, the Issuer will pay the Cash Settlement Amount minus the determined Exercise Expenses to the relevant Holder. If the Cash Settlement Amount is equal to or less than the determined Exercise Expenses, no amount is payable by the Issuer.

The Cash Settlement Amount minus the determined Exercise Expenses shall be despatched no later than the Settlement Date, by crediting that amount, in accordance with the CCASS Rules, to the Designated Bank Account.

Upon the occurrence of a Settlement Disruption Event, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of a Settlement Disruption Event.

The Issuer's obligations to pay the Cash Settlement Amount shall be discharged by payment in accordance with this Product Condition 2.5.

3. Adjustments

3.1 Rights Issues

If and whenever the Company shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a "**Rights Offer**"), the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Shares becomes ex-entitlement ("**Rights Issue Adjustment Date**") in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Component} \times E$$

Where:

$$\text{Adjustment Component} = \frac{1 + M}{1 + (R/S) \times M}$$

E: Existing Entitlement immediately prior to the Rights Offer

S: Cum-Rights Share price being the closing price of an existing Share as derived from the daily quotation sheet of the Stock Exchange on the last Business Day on which the Shares are traded on a Cum-Rights basis

R: Subscription price per new Share specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Rights

M: Number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe,

provided that if the above formula would result in an adjustment to the Entitlement which would amount to one per cent. or less of the Entitlement immediately prior to the adjustment, then no adjustment will be made. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Component, where the reciprocal of the Adjustment Component means one divided by the relevant Adjustment Component. The adjustment to the Exercise Price shall take effect on the Rights Issue Adjustment Date.

For the purposes of these Product Conditions:

"**Rights**" means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

3.2 Bonus Issues

If and whenever the Company shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the Company or otherwise in lieu of a cash dividend and without any payment or other consideration being made or given by such holders) (a “**Bonus Issue**”) the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Shares becomes ex-entitlement (“**Bonus Issue Adjustment Date**”) in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Component} \times E$$

Where:

$$\text{Adjustment Component} = 1 + N$$

E: Existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Shares (whether a whole or a fraction) received by a holder of Shares for each Share held prior to the Bonus Issue,

provided that if the above formula would result in an adjustment to the Entitlement which would amount to one per cent. or less of the Entitlement immediately prior to the adjustment, then no adjustment will be made. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Component, where the reciprocal of the Adjustment Component means one divided by the relevant Adjustment Component. The adjustment to the Exercise Price shall take effect on the Bonus Issue Adjustment Date.

3.3 Subdivisions and Consolidations

If and whenever the Company shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a “**Subdivision**”) or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a “**Consolidation**”), then:

- (a) in the case of a Subdivision, the Entitlement in effect immediately prior thereto will be increased whereas the Exercise Price (which shall be rounded to the nearest 0.001) will be decreased in the same ratio as the Subdivision; and
- (b) in the case of a Consolidation, the Entitlement in effect immediately prior thereto will be decreased whereas the Exercise Price (which shall be rounded to the nearest 0.001) will be increased in the same ratio as the Consolidation,

in each case on the day on which the Subdivision or Consolidation (as the case may be) takes effect.

3.4 Restructuring Events

If it is announced that the Company is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of or controlled by any person or corporation) (except where the Company is the surviving corporation in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the Warrants may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “**Restructuring Event**”) (as determined by the Issuer in its absolute discretion) so that the Warrants shall, after such Restructuring Event, relate to the number of shares of the corporation(s) resulting from or surviving such

Restructuring Event or other securities (“**Substituted Securities**”) and/or cash offered in substitution for the affected Shares, as the case may be, to which the holder of such number of Shares to which the Warrants related immediately before such Restructuring Event would have been entitled upon such Restructuring Event, and thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in the relevant currency equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected. For the avoidance of doubt, any remaining Shares shall not be affected by this paragraph and, where cash is offered in substitution for Shares or is deemed to replace Substituted Securities as described above, references in these Product Conditions to the Shares shall include any such cash.

3.5 Cash Distribution

No adjustment will be made for an ordinary cash dividend (whether or not it is offered with a scrip alternative) (“**Ordinary Dividend**”). For any other forms of cash distribution (“**Cash Distribution**”) announced by the Company, such as a cash bonus, special dividend or extraordinary dividend, no adjustment will be made unless the value of the Cash Distribution accounts for 2 per cent. or more of the Share’s closing price as derived from the daily quotation sheet of the Stock Exchange on the day of announcement by the Company.

If and whenever the Company shall make a Cash Distribution credited as fully paid to the holders of Shares generally, the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Shares becomes ex-entitlement in respect of the relevant Cash Distribution (“**Cash Distribution Adjustment Date**”) in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Component} \times E$$

Where:

$$\text{Adjustment Component} = \frac{S - OD}{S - OD - CD}$$

E: The existing Entitlement immediately prior to the Cash Distribution

S: The closing price of the Share as derived from the daily quotation sheet of the Stock Exchange on the Business Day immediately preceding the Cash Distribution Adjustment Date

CD: The amount of Cash Distribution per Share

OD: The amount of Ordinary Dividend per Share, provided that the Ordinary Dividend and the Cash Distribution shall have the same ex-entitlement date. For the avoidance of doubt, the OD shall be deemed to be zero if the ex-entitlement dates of the relevant Ordinary Dividend and Cash Distribution are different

In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Component, where the reciprocal of the Adjustment Component means one divided by the relevant Adjustment Component. The adjustment to the Exercise Price shall take effect on the Cash Distribution Adjustment Date.

3.6 *Other Adjustments*

Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the Warrants as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:

- (a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction); or
- (b) determined by the Issuer in good faith to be appropriate and commercially reasonable.

3.7 *Notice of Determinations*

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with General Condition 7.

4. **Liquidation**

In the event of a liquidation, winding up or dissolution of the Company or the appointment of a liquidator, receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of the undertaking, property or assets of the Company (each an “**Insolvency Event**”), all unexercised Warrants shall terminate automatically upon the occurrence of any Insolvency Event and the Issuer shall have no further obligation under the Warrants, except that in the case of a series of put Warrants:

- (a) if the Issuer determines in good faith and in a commercially reasonable manner that there is any residual value in the put Warrants upon the occurrence of such Insolvency Event:
 - (i) the Issuer shall pay to each Holder the residual value of the put Warrants in cash representing the fair market value in respect of each put Warrant held by such Holder on or about the occurrence of such Insolvency Event less the cost to the Issuer of unwinding any related hedging arrangement as determined by the Issuer in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner. Payment will be made to each Holder in such manner as shall be notified to the Holders in accordance with General Condition 7; and
 - (ii) the Issuer may, but shall not be obliged to, determine such cash amount by having regard to the manner in which the options contracts or futures contracts of the Shares traded on the Stock Exchange are calculated;
- (b) otherwise, if the Issuer determines in good faith and in a commercially reasonable manner that there is no residual value in the put Warrants upon the occurrence of such Insolvency Event, the put Warrants shall lapse and cease to be valid for any purpose upon the occurrence of the Insolvency Event.

For the purpose of this Condition 4, an Insolvency Event occurs,

- (i) in the case of a voluntary liquidation or winding up of the Company, on the effective date of the relevant resolution; or
- (ii) in the case of an involuntary liquidation, winding up or dissolution of the Company, on the date of the relevant court order; or

- (iii) in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of the undertaking, property or assets of the Company, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of the applicable law.

5. Delisting

5.1 Adjustments following delisting

If at any time the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to these Product Conditions in such manner and make such adjustments and amendments to the rights attaching to the Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Holders generally are not materially prejudiced as a consequence of such delisting (without considering the circumstances of any individual Holder or the tax or other consequences that may result in any particular jurisdiction).

5.2 Listing on another exchange

Without prejudice to the generality of Product Condition 5.1, where the Shares are, or, upon the delisting, become, listed on any other stock exchange, these Product Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Holders, make such adjustments to the entitlements of the Holders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into the relevant currency) as may be appropriate in the circumstances.

5.3 Adjustments binding

The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Holders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Holders in accordance with General Condition 7 as soon as practicable after they are determined.

PART B
PRODUCT CONDITIONS OF CASH SETTLED WARRANTS OVER INDEX

These Product Conditions will, together with the General Conditions and the supplemental terms and conditions contained in the relevant Launch Announcement and Supplemental Listing Document, and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Launch Announcement and Supplemental Listing Document in relation to the issue of any series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these Product Conditions, replace or modify these Product Conditions for the purpose of such series of Warrants.

1. Definitions

For the purposes of these Product Conditions:

“**Cash Settlement Amount**” means, in respect of every Board Lot, an amount calculated by the Issuer in accordance with the following formula (and, if appropriate, either (I) converted (if applicable) into the Settlement Currency at the Exchange Rate or, as the case may be, (II) converted into the Interim Currency at the First Exchange Rate and then (if applicable) converted into Settlement Currency at the Second Exchange Rate):

(a) In the case of a series of Call Warrants:

$$\text{Cash Settlement Amount per Board Lot} = \frac{(\text{Closing Level} - \text{Strike Level}) \times \text{Index Currency Amount} \times \text{one Board Lot}}{\text{Divisor}}$$

(b) In the case of a series of Put Warrants:

$$\text{Cash Settlement Amount per Board Lot} = \frac{(\text{Strike Level} - \text{Closing Level}) \times \text{Index Currency Amount} \times \text{one Board Lot}}{\text{Divisor}}$$

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

“**Closing Level**” means the level specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

“**Divisor**” means the number specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**Exchange Rate**” means the rate specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**First Exchange Rate**” means the rate specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**General Conditions**” means the general terms and conditions of Structured Products set out in Appendix 1 of the Base Listing Document;

“**Index**” means the index specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**Index Business Day**” means a day on which the Index Exchange is scheduled to open for trading for its regular trading sessions;

“**Index Compiler**” means the index compiler specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**Index Currency Amount**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“**Index Exchange**” means the index stock exchange specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**Interim Currency**” means the currency specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**Market Disruption Event**” means:

- (a) the occurrence or existence, on the Valuation Date during the one-half hour period that ends at the close of trading on the Index Exchange, of any of:
 - (i) the suspension or material limitation of the trading of a material number of constituent securities that comprise the Index;
 - (ii) the suspension or material limitation of the trading of options or futures contracts relating to the Index on any exchanges on which such contracts are traded; or
 - (iii) the imposition of any exchange controls in respect of any currencies involved in determining the Cash Settlement Amount.

For the purposes of this definition:

- (1) the limitation of the number of hours or days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of any relevant exchange, and
 - (2) a limitation on trading imposed by reason of the movements in price exceeding the levels permitted by any relevant exchange will constitute a Market Disruption Event; or
- (b) where the Index Exchange is the Stock Exchange, the occurrence of any severe weather condition or other event on any day which either:
 - (i) results in the Stock Exchange being closed for trading for the entire day; or
 - (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session),

PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of such severe weather condition or other event;

- (c) a limitation or closure of the Index Exchange due to any unforeseen circumstances; or

- (d) any circumstances beyond the control of the Issuer in which the Closing Level or, if applicable, the Exchange Rate, the First Exchange Rate or the Second Exchange Rate (as the case may be) cannot be determined by the Issuer in the manner set out in these Conditions or in such other manner as the Issuer considers appropriate at such time after taking into account all the relevant circumstances;

“**Product Conditions**” means these product terms and conditions. These Product Conditions apply to each series of cash settled warrants over an index;

“**Second Exchange Rate**” means the rate specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**Settlement Date**” means the third CCASS Settlement Day after the later of: (i) the Expiry Date; and (ii) the day on which the Closing Level is determined in accordance with the Conditions;

“**Strike Level**” means the level specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**Successor Index Compiler**” means a successor to the Index Compiler acceptable to the Issuer; and

“**Valuation Date**” means the date specified in the relevant Launch Announcement and Supplemental Listing Document, provided that if the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on the Valuation Date, then the Issuer shall determine the Closing Level on the basis of its good faith estimate of the Closing Level that would have prevailed on that day but for the occurrence of the Market Disruption Event provided that the Issuer, if applicable, may, but shall not be obliged to, determine such Closing Level by having regard to the manner in which futures contracts relating to the Index are calculated.

Trading in Warrants on the Stock Exchange shall cease prior to the Expiry Date in accordance with the requirements of the Stock Exchange.

Other capitalised terms shall, unless otherwise defined herein, have the meaning ascribed to them in the Base Listing Document, the General Conditions, the relevant Launch Announcement and Supplemental Listing Document or the Global Certificate.

2. Exercise of Warrants

2.1 Exercise of warrants in Board Lots

The Warrants may only be exercised in Board Lots or integral multiples thereof.

2.2 Automatic exercise

The Warrants will be deemed to be automatically exercised on the Expiry Date (without notice given to the Holders) if the Issuer determines that the Cash Settlement Amount is positive. The Holders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Holders the Cash Settlement Amount. Any Warrant which has not been automatically exercised in accordance with this Product Condition 2.2 shall expire immediately without value thereafter and all rights of the Holder and obligations of the Issuer with respect to such Warrant shall cease.

2.3 *Exercise Expenses*

Any Exercise Expenses which are not determined by the Issuer on the Expiry Date and deducted from the Cash Settlement Amount prior to delivery to the Holders in accordance with this Product Condition 2, shall be notified by the Issuer to the Holders as soon as practicable after determination thereof and shall be paid by the Holders to the Issuer immediately upon demand.

2.4 *Record in the Register*

Upon automatic exercise of the Warrants on the Expiry Date of the Warrants in accordance with the Conditions, or in the event the Warrants have expired worthless, the Issuer will, with effect from the first Business Day following the Expiry Date, remove the names of each Holder from the Register in respect of the number of relevant Warrants which are the subject of the automatic exercise or the number of relevant Warrants which have expired worthless, as the case may be, and thereby cancel the relevant Warrants and the Global Certificate.

2.5 *Cash Settlement*

Upon the automatic exercise of Warrants in accordance with the Conditions, the Issuer will pay the Cash Settlement Amount minus the determined Exercise Expenses to the relevant Holder. If the Cash Settlement Amount is equal to or less than the determined Exercise Expenses, no amount is payable by the Issuer.

The Cash Settlement Amount minus the determined Exercise Expenses shall be despatched no later than the Settlement Date, by crediting that amount, in accordance with the CCASS Rules, to the Designated Bank Account.

Upon the occurrence of a Settlement Disruption Event, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of a Settlement Disruption Event.

The Issuer's obligations to pay the Cash Settlement Amount shall be discharged by payment in accordance with this Product Condition 2.5.

3. Adjustments to the Index

3.1 *Successor Index Compiler Calculates and Reports Index*

If the Index is:

- (a) not calculated and announced by the Index Compiler but is calculated and published by a Successor Index Compiler; or
- (b) replaced by a successor index using, in the determination of the Issuer, the same or a substantially similar formula for and method of calculation as used in the calculation of the Index,

then the Index will be deemed to be the index so calculated and announced by the Successor Index Compiler or that successor index, as the case may be.

3.2 *Modification and Cessation of Calculation of Index*

If:

- (a) on or prior to the Valuation Date, the Index Compiler or (if applicable) the Successor Index Compiler makes a material change in the formula for or the method of calculating the Index or in any other way materially modifies the Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent securities and other routine events); or
- (b) on the Valuation Date, the Index Compiler or (if applicable) the Successor Index Compiler fails to calculate and publish the Index (other than as a result of a Market Disruption Event),

then the Issuer shall determine the Closing Level using, in lieu of the published level for the Index, the level for the Index as of the Valuation Date as determined by the Issuer in accordance with the formula for and method of calculating the Index last in effect prior to that change or failure, but using only those securities that comprised the Index immediately prior to that change or failure (other than those securities that have since ceased to be listed on the relevant exchange).

3.3 *Other Adjustments*

Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the Warrants as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:

- (a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction); or
- (b) determined by the Issuer in good faith to be appropriate and commercially reasonable.

3.4 *Notice of Determinations*

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with General Condition 7.

PART C

PRODUCT CONDITIONS OF CASH SETTLED WARRANTS OVER EXCHANGE TRADED FUNDS

These Product Conditions will, together with the General Conditions and supplemental terms and conditions contained in the relevant Launch Announcement and Supplemental Listing Document, and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Launch Announcement and Supplemental Listing Document in relation to the issue of any series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these Product Conditions, replace or modify these Product Conditions for the purpose of such series of Warrants.

1. Definitions

For the purposes of these Product Conditions:

“**Average Price**” shall be the arithmetic mean of the closing prices of one Unit (as derived from the daily quotation sheet of the Stock Exchange, subject to any adjustments to such closing prices as may be necessary to reflect any event as contemplated in Product Condition 3 such as capitalisation, rights issue, distribution or the like) in respect of each Valuation Date;

“**Cash Settlement Amount**” means, in respect of every Board Lot, an amount payable in the Settlement Currency calculated by the Issuer in accordance with the following formula:

(a) In the case of a series of call Warrants:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement} \times (\text{Average Price} - \text{Exercise Price}) \times \text{one Board Lot}}{\text{Number of Warrant(s) per Entitlement}}$$

(b) In the case of a series of put Warrants:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement} \times (\text{Exercise Price} - \text{Average Price}) \times \text{one Board Lot}}{\text{Number of Warrant(s) per Entitlement}}$$

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

“**Entitlement**” means the number specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

“**Exercise Price**” means the price specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

“**Fund**” means the exchange traded fund specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**General Conditions**” means the general terms and conditions of Structured Products set out in Appendix 1 of the Base Listing Document;

“Market Disruption Event” means:

- (a) the occurrence or existence on any Valuation Date during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in:
 - (i) the Units; or
 - (ii) any options or futures contracts relating to the Units if, in any such case, such suspension or limitation is, in the determination of the Issuer, material;
- (b) the occurrence of any severe weather condition or other event on any day which either:
 - (i) results in the Stock Exchange being closed for trading for the entire day; or
 - (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session),

PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of such severe weather condition or other event; or

- (c) a limitation or closure of the Stock Exchange due to any unforeseen circumstances;

“Product Conditions” means these product terms and conditions. These Product Conditions apply to each series of cash settled Warrants over exchange traded funds;

“Settlement Date” means the third CCASS Settlement Day after later of: (i) the Expiry Date; and (ii) the day on which the Average Price is determined in accordance with the Conditions;

“Unit” means the share or unit of the Fund specified as such in the relevant Launch Announcement and Supplemental Listing Document; and

“Valuation Date” means each of the five Business Days immediately preceding the Expiry Date, provided that if the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on any Valuation Date, then that Valuation Date shall be postponed until the first succeeding Business Day on which there is no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a Business Day that is already or is deemed to be a Valuation Date.

For the avoidance of doubt, in the event that a Market Disruption Event has occurred and a Valuation Date is postponed as aforesaid, the closing price of the Units on the first succeeding Business Day will be used more than once in determining the Average Price, so that in no event shall there be less than five closing prices used to determine the Average Price.

If the postponement of the Valuation Date as aforesaid would result in the Valuation Date falling on or after the Expiry Date, then:

- (i) the Business Day immediately preceding the Expiry Date (the **“Last Valuation Date”**) shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and

- (ii) the Issuer shall determine the closing price of the Units on the basis of its good faith estimate of the price that would have prevailed on the Last Valuation Date but for the Market Disruption Event.

Trading in Warrants on the Stock Exchange shall cease prior to the Expiry Date in accordance with the requirements of the Stock Exchange.

Other capitalised terms shall, unless otherwise defined herein, have the meaning ascribed to them in the Base Listing Document, the General Conditions, the relevant Launch Announcement and Supplemental Listing Document or the Global Certificate.

2. Exercise of Warrants

2.1 Exercise of warrants in Board Lots

The Warrants may only be exercised in Board Lots or integral multiples thereof.

2.2 Automatic exercise

The Warrants will be deemed to be automatically exercised on the Expiry Date (without notice given to the Holders) if the Issuer determines that the Cash Settlement Amount is positive. The Holders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Holders the Cash Settlement Amount. Any Warrant which has not been automatically exercised in accordance with this Product Condition 2.2 shall expire immediately without value thereafter and all rights of the Holder and obligations of the Issuer with respect to such Warrant shall cease.

2.3 Exercise Expenses

Any Exercise Expenses which are not determined by the Issuer on the Expiry Date and deducted from the Cash Settlement Amount prior to delivery to the Holders in accordance with this Product Condition 2, shall be notified by the Issuer to the Holders as soon as practicable after determination thereof and shall be paid by the Holders to the Issuer immediately upon demand.

2.4 Record in the Register

Upon automatic exercise of the Warrants on the Expiry Date of the Warrants in accordance with the Conditions, or in the event the Warrants have expired worthless, the Issuer will, with effect from the first Business Day following the Expiry Date, remove the names of each Holder from the Register in respect of the number of relevant Warrants which are the subject of the automatic exercise or the number of relevant Warrants which have expired worthless, as the case may be, and thereby cancel the relevant Warrants and the Global Certificate.

2.5 Cash Settlement

Upon the automatic exercise of Warrants in accordance with the Conditions the Issuer will pay the Cash Settlement Amount minus the determined Exercise Expenses to the relevant Holder. If the Cash Settlement Amount is equal to or less than the determined Exercise Expenses, no amount is payable by the Issuer.

The Cash Settlement Amount minus the determined Exercise Expenses shall be despatched no later than the Settlement Date, by crediting that amount, in accordance with the CCASS Rules, to the Designated Bank Account.

Upon the occurrence of a Settlement Disruption Event, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of a Settlement Disruption Event.

The Issuer's obligations to pay the Cash Settlement Amount shall be discharged by payment in accordance with this Product Condition 2.5.

3. Adjustments

3.1 Rights Issues

If and whenever the Fund shall, by way of Rights (as defined below), offer new Units for subscription at a fixed subscription price to the holders of existing Units pro rata to existing holdings (a "**Rights Offer**"), the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Units becomes ex-entitlement ("**Rights Issue Adjustment Date**") in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Component} \times E$$

Where:

$$\text{Adjustment Component} = \frac{1 + M}{1 + (R/S) \times M}$$

E: Existing Entitlement immediately prior to the Rights Offer

S: Cum-Rights Unit price being the closing price of an existing Unit as derived from the daily quotation sheet of the Stock Exchange on the last Business Day on which the Units are traded on a Cum-Rights basis

R: Subscription price per new Unit specified in the Rights Offer plus an amount equal to any distributions or other benefits foregone to exercise the Rights

M: Number of new Unit(s) (whether a whole or a fraction) per existing Unit each holder thereof is entitled to subscribe,

provided that if the above formula would result in an adjustment to the Entitlement which would amount to one per cent. or less of the Entitlement immediately prior to the adjustment, then no adjustment will be made. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Component, where the reciprocal of the Adjustment Component means one divided by the relevant Adjustment Component. The adjustment to the Exercise Price shall take effect on the Rights Issue Adjustment Date.

For the purposes of these Product Conditions:

"**Rights**" means the right(s) attached to each existing Unit or needed to acquire one new Unit (as the case may be) which are given to the holders of existing Units to subscribe at a fixed subscription price for new Units pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

3.2 Bonus Issues

If and whenever the Fund shall make an issue of Units credited as fully paid to the holders of Units generally (other than pursuant to a scrip distribution or similar scheme for the time being operated by the Fund or otherwise in lieu of a cash distribution and without any payment or other consideration being made or given by such holders) (a “**Bonus Issue**”), the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Units becomes ex-entitlement (“**Bonus Issue Adjustment Date**”) in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Component} \times E$$

Where:

$$\text{Adjustment Component} = 1 + N$$

E: Existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Units (whether a whole or a fraction) received by a holder of Units for each Units held prior to the Bonus Issue,

provided that if the above formula would result in an adjustment to the Entitlement which would amount to one per cent. or less of the Entitlement immediately prior to the adjustment, then no adjustment will be made. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Component, where the reciprocal of the Adjustment Component means one divided by the relevant Adjustment Component. The adjustment to the Exercise Price shall take effect on the Bonus Issue Adjustment Date.

3.3 Subdivisions and Consolidations

If and whenever the Fund shall subdivide its Units or any class of its outstanding Units into a greater number of units or shares (a “**Subdivision**”) or consolidate the Units or any class of its outstanding Units into a smaller number of units or shares (a “**Consolidation**”), then:

- (a) in the case of a Subdivision, the Entitlement in effect immediately prior thereto will be increased whereas the Exercise Price (which shall be rounded to the nearest 0.001) will be decreased in the same ratio as the Subdivision; and
- (b) in the case of a Consolidation, the Entitlement in effect immediately prior thereto will be decreased whereas the Exercise Price (which shall be rounded to the nearest 0.001) will be increased in the same ratio as the Consolidation,

in each case on the day on which the Subdivision or Consolidation (as the case may be) takes effect.

3.4 Restructuring Events

If it is announced that the Fund is to or may merge or consolidate with or into any other trust or corporation (including becoming, by agreement or otherwise, controlled by any person or corporation) (except where the Fund is the surviving entity in a merger) or that it is to, or may, sell or transfer all or substantially all of its assets, the rights attaching to the Warrants may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “**Restructuring Event**”) (as determined by the Issuer in its absolute discretion) so that the Warrants shall, after such Restructuring Event, relate to the number of units or shares of the trust(s) or corporation(s) resulting from or surviving such Restructuring Event or other securities (“**Substituted Securities**”) and/or cash offered in substitution for the affected Units, as the case may be, to which the holder of such number of Units to which the Warrants related

immediately before such Restructuring Event would have been entitled upon such Restructuring Event, and thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in the relevant currency equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected. For the avoidance of doubt, any remaining Units shall not be affected by this paragraph and, where cash is offered in substitution for Units or is deemed to replace Substituted Securities as described above, references in these Product Conditions to the Units shall include any such cash.

3.5 Cash Distribution

No adjustment will be made for an ordinary cash distribution (whether or not it is offered with a scrip alternative) (“**Ordinary Distribution**”). For any other forms of cash distribution (“**Cash Distribution**”) announced by the Fund, such as a cash bonus, special distribution or extraordinary distribution, no adjustment will be made unless the value of the Cash Distribution accounts for 2 per cent. or more of the Unit’s closing price as derived from the daily quotation sheet of the Stock Exchange on the day of announcement by the Fund.

If and whenever the Fund shall make a Cash Distribution credited as fully paid to the holders of Units generally, the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Units becomes ex-entitlement in respect of the relevant Cash Distribution (“**Cash Distribution Adjustment Date**”) in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Component} \times E$$

Where:

$$\text{Adjustment Component} = \frac{S - OD}{S - OD - CD}$$

E: The existing Entitlement immediately prior to the Cash Distribution

S: The closing price of the Unit as derived from the daily quotation sheet of the Stock Exchange on the Business Day immediately preceding the Cash Distribution Adjustment Date

CD: The amount of Cash Distribution per Unit

OD: The amount of Ordinary Distribution per Unit, provided that the Ordinary Distribution and the Cash Distribution shall have the same ex-entitlement date. For the avoidance of doubt, the OD shall be zero if the ex-entitlement dates of the relevant Ordinary Distribution and Cash Distribution are different

In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Component, where the reciprocal of the Adjustment Component means one divided by the relevant Adjustment Component. The adjustment to the Exercise Price shall take effect on the Cash Distribution Adjustment Date.

3.6 *Other Adjustments*

Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the Warrants as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:

- (a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction); or
- (b) determined by the Issuer in good faith to be appropriate and commercially reasonable.

3.7 *Notice of Determinations*

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with General Condition 7.

4. **Termination or Liquidation**

In the event of a Termination or the liquidation or dissolution of the Fund or, if applicable, the trustee of the Fund (including any successor trustee appointed from time to time) (“**Trustee**”) (in its capacity as trustee of the Fund) or the appointment of a liquidator, receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of the Fund’s or the Trustee’s (as the case may be) undertaking, property or assets, all unexercised Warrants will lapse and shall cease to be valid for any purpose. In the case of a Termination, the unexercised Warrants will lapse and shall cease to be valid on the effective date of the Termination, in the case of a voluntary liquidation, the unexercised Warrants will lapse and shall cease to be valid on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, the unexercised Warrants will lapse and shall cease to be valid on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of such Fund’s or Trustee’s (as the case may be) undertaking, property or assets, the unexercised Warrants will lapse and shall cease to be valid on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

For the purpose of this Product Condition 4, “**Termination**” means:

- (a) the Fund is terminated or required to be terminated for whatever reason, or the termination of the Fund commences;
- (b) where applicable, the Fund is held or is conceded by the Trustee or the manager of the Fund (including any successor manager appointed from time to time) not to have been constituted or to have been imperfectly constituted;
- (c) where applicable, the Trustee ceases to be authorised under the Fund to hold the property of the Fund in its name and perform its obligations under the trust deed constituting the Fund; or
- (d) the Fund ceases to be authorised as an authorised collective investment scheme under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

5. Delisting

5.1 Adjustments following delisting

If at any time the Units cease to be listed on the Stock Exchange, the Issuer shall give effect to these Product Conditions in such manner and make such adjustments and amendments to the rights attaching to the Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Holders generally are not materially prejudiced as a consequence of such delisting (without considering the circumstances of any individual Holder or the tax or other consequences that may result in any particular jurisdiction).

5.2 Listing on another exchange

Without prejudice to the generality of Product Condition 5.1, where the Units are, or, upon the delisting, become, listed on any other stock exchange, these Product Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Holders, make such adjustments to the entitlements of the Holders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into the relevant currency) as may be appropriate in the circumstances.

5.3 Adjustment binding

The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Holders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Holders in accordance with General Condition 7 as soon as practicable after they are determined.

APPENDIX 3
PRODUCT CONDITIONS OF CBBCS

The following pages set out the Product Conditions in respect of different types of CBBCs.

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PART A
PRODUCT CONDITIONS OF CASH SETTLED CALLABLE
BULL/BEAR CONTRACTS OVER SINGLE EQUITIES

These Product Conditions will, together with the General Conditions and the supplemental terms and conditions contained in the relevant Launch Announcement and Supplemental Listing Document, and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Launch Announcement and Supplemental Listing Document in relation to the issue of any series of CBBCs may specify additional terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these Product Conditions, replace or modify these Product Conditions for the purpose of such series of CBBCs.

1. Definitions

For the purposes of these Product Conditions:

“**Call Price**” means the price specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

“**Cash Settlement Amount**” means, in respect of every Board Lot, an amount payable in the Settlement Currency calculated by the Issuer in accordance with the following formula:

(a) following a Mandatory Call Event:

- (i) in the case of a series of Category R CBBCs, the Residual Value; or
- (ii) in the case of a series of Category N CBBCs, zero; and

(b) at expiry:

- (i) in the case of a series of bull CBBCs:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement} \times (\text{Closing Price} - \text{Strike Price}) \times \text{one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

- (ii) in the case of a series of bear CBBCs:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement} \times (\text{Strike Price} - \text{Closing Price}) \times \text{one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

“**Category N CBBCs**” means a series of CBBCs where the Call Price is equal to the Strike Price;

“**Category R CBBCs**” means a series of CBBCs where the Call Price is different from the Strike Price;

“**Closing Price**” means the closing price of one Share (as derived from the daily quotation sheet of the Stock Exchange, subject to any adjustments to such closing price as may be necessary to reflect any event as contemplated in Product Condition 3 such as capitalisation, rights issue, distribution or the like) as of the Valuation Date;

“**Company**” means the company specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**Entitlement**” means the number specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

“**General Conditions**” means the general terms and conditions of Structured Products set out in Appendix 1 of the Base Listing Document;

“**Mandatory Call Event**” occurs if the Spot Price is:

- (a) in the case of a series of bull CBBCs, at or below the Call Price; or
- (b) in the case of a series of bear CBBCs, at or above the Call Price,

at any time during a Trading Day in the Observation Period;

“**Market Disruption Event**” means:

- (a) the occurrence or existence on any Trading Day during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in:
 - (i) the Shares; or
 - (ii) any options or futures contracts relating to the Shares if, in any such case, such suspension or limitation is, in the determination of the Issuer, material;
- (b) the occurrence of any severe weather condition or other event on any day which either:
 - (i) results in the Stock Exchange being closed for trading for the entire day; or
 - (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session),

PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of such severe weather condition or other event; or

- (c) a limitation or closure of the Stock Exchange due to any unforeseen circumstances;

“**Maximum Trade Price**” means the highest Spot Price of the Shares (subject to any adjustments to such spot prices as may be necessary to reflect any event as contemplated in Product Condition 3 such as capitalisation, rights issue, distribution or the like) during the MCE Valuation Period;

“**MCE Valuation Period**” means the period commencing from and including the moment upon which the Mandatory Call Event occurs (the trading session on the Stock Exchange during which the Mandatory Call Event occurs is the “**1st Session**”) and up to the end of the trading session on the Stock Exchange immediately following the 1st Session (“**2nd Session**”) unless, in the determination of the Issuer in its good faith, the 2nd Session for any reason (including, without limitation, a Market Disruption Event occurring and subsisting in the 2nd Session) does not contain any continuous period of 1 hour or more than 1 hour during which trading in the Shares is permitted on the Stock Exchange with no limitation imposed, the MCE Valuation Period shall be extended to the end of the subsequent trading session following the 2nd Session during which trading in the Shares is permitted on the Stock Exchange with no limitation imposed for a continuous period of at least 1 hour notwithstanding the

existence or continuance of a Market Disruption Event in such postponed trading session, unless the Issuer determines in its good faith that each trading session on each of the four Trading Days immediately following the date on which the Mandatory Call Event occurs does not contain any continuous period of 1 hour or more than 1 hour during which trading in the Shares is permitted on the Stock Exchange with no limitation imposed. In that case:

- (a) the period commencing from the 1st Session up to, and including, the last trading session on the Stock Exchange of the fourth Trading Day immediately following the date on which the Mandatory Call Event occurs shall be deemed to be the MCE Valuation Period; and
- (b) the Issuer shall determine the Maximum Trade Price or the Minimum Trade Price (as the case may be) having regard to the then prevailing market conditions, the last reported Spot Price and such other factors as the Issuer may determine to be relevant in its good faith.

For the avoidance of doubt, all Spot Prices available throughout the extended MCE Valuation Period shall be taken into account to determine the Maximum Trade Price or the Minimum Trade Price (as the case may be) for the calculation of the Residual Value.

For the purposes of this definition,

- (i) the pre-opening session, the morning session and, in the case of half day trading, the closing auction session (if applicable) of the same day; and
- (ii) the afternoon session and the closing auction session (if applicable) of the same day,

shall each be considered as one trading session only;

“**Minimum Trade Price**” means the lowest Spot Price of the Shares (subject to any adjustments to such Spot Prices as may be necessary to reflect any event as contemplated in Product Condition 3 such as capitalisation, rights issue, distribution or the like) during the MCE Valuation Period;

“**Observation Commencement Date**” means the date specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**Observation Period**” means the period commencing from and including the Observation Commencement Date up to and including the close of trading (Hong Kong time) on the Trading Day immediately preceding the Expiry Date;

“**Post MCE Trades**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to such modification and amendment prescribed by the Stock Exchange from time to time;

“**Product Conditions**” means these product terms and conditions. These Product Conditions apply to each series of cash settled CBBCs over single equities;

“**Residual Value**” means, in respect of every Board Lot, an amount calculated by the Issuer in accordance with the following formula:

- (a) in the case of a series of bull CBBCs:

$$\text{Residual Value per Board Lot} = \frac{\text{Entitlement} \times (\text{Minimum Trade Price} - \text{Strike Price}) \times \text{one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

- (b) in the case of a series of bear CBBCs:

$$\text{Residual Value per Board Lot} = \frac{\text{Entitlement} \times (\text{Strike Price} - \text{Maximum Trade Price}) \times \text{one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

“**Settlement Date**” means the third CCASS Settlement Day after (i) the end of the MCE Valuation Period or (ii) the later of: (a) the Expiry Date; and (b) the day on which the Closing Price is determined in accordance with the Conditions (as the case may be);

“**Share**” means the share specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**Spot Price**” means:

- (a) in respect of a continuous trading session of the Stock Exchange, the price per Share concluded by means of automatic order matching on the Stock Exchange as reported in the official real-time dissemination mechanism for the Stock Exchange during such continuous trading session in accordance with the Trading Rules, excluding direct business (as defined in the Trading Rules); and
- (b) in respect of a pre-opening session or a closing auction session (if applicable) of the Stock Exchange (as the case may be), the final Indicative Equilibrium Price (as defined in the Trading Rules) of the Share (if any) calculated at the end of the pre-order matching period of such pre-opening session or closing auction session (if applicable), as the case may be, in accordance with the Trading Rules, excluding direct business (as defined in the Trading Rules),

subject to such modification and amendment prescribed by the Stock Exchange from time to time;

“**Strike Price**” means the price specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

“**Trading Day**” means any day on which the Stock Exchange is scheduled to open for trading for its regular trading sessions;

“**Trading Rules**” means the Rules and Regulations of the Exchange prescribed by the Stock Exchange from time to time; and

“**Valuation Date**” means the Trading Day immediately preceding the Expiry Date provided if, in the determination of the Issuer, a Market Disruption Event has occurred on that day, the Valuation Date shall be postponed until the first succeeding Trading Day on which the Issuer determines that there is no Market Disruption Event, unless the Issuer determines that there is a Market Disruption Event occurring on each of the four Trading Days immediately following the original date which (but for the Market Disruption Event) would have been the Valuation Date. In that case:

- (a) the fourth Trading Day immediately following the original date shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and
- (b) the Issuer shall determine the Closing Price having regard to the then prevailing market conditions, the last reported trading price of the Share on the Stock Exchange and such other factors as the Issuer determines to be relevant.

2. Exercise of CBBCs

2.1 Exercise of CBBCs in Board Lots

CBBCs may only be exercised in Board Lots or integral multiples thereof.

2.2 Automatic exercise

If no Mandatory Call Event has occurred during the Observation Period, the CBBCs will be deemed to be automatically exercised on the Expiry Date if the Cash Settlement Amount is positive. Any CBBC which has not been automatically exercised in accordance with this Product Condition 2.2 shall expire immediately without value thereafter and all rights of the Holder and obligations of the Issuer with respect to such CBBC shall cease.

2.3 Mandatory Call Event

- (a) Subject to Product Condition 2.3(b) below, following a Mandatory Call Event, the CBBCs will be terminated automatically and the Issuer shall have no further obligation under the CBBCs except for the payment of the Cash Settlement Amount (if any) on the relevant Settlement Date. The Issuer will notify the Holders of the occurrence of the Mandatory Call Event in accordance with General Condition 7. Trading in the CBBCs will be suspended immediately upon the occurrence of a Mandatory Call Event and any Post MCE Trades will be cancelled and will not be recognised by the Stock Exchange or the Issuer.
- (b) A Mandatory Call Event is irrevocable unless it is triggered as a result of any of the following events:
 - (i) system malfunction or other technical errors of Hong Kong Exchanges and Clearing Limited and such event is reported by the Stock Exchange to the Issuer and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked; or
 - (ii) manifest errors caused by the relevant third party where applicable and such event is reported by the Issuer to the Stock Exchange, and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked;

in each case, such mutual agreement must be reached no later than 30 minutes before the commencement of trading (including the pre-opening session) (Hong Kong time) on the Trading Day of the Stock Exchange immediately following the day on which the Mandatory Call Event occurs, or such other time as prescribed by the Stock Exchange from time to time.

In both cases, the Mandatory Call Event so triggered will be reversed; and all cancelled trades (if any) will be reinstated and trading of the CBBCs will resume as soon as practicable in accordance with the rules and/or requirements prescribed by the Stock Exchange from time to time.

2.4 Entitlement

Every Board Lot of CBBCs entitles the Holder to receive from the Issuer on the Settlement Date the Cash Settlement Amount (if any).

2.5 *Cancellation*

Upon early expiration of the CBBCs at the occurrence of a Mandatory Call Event or an automatic exercise of the CBBCs on the Expiry Date, the Issuer will, with effect from the first Business Day following the MCE Valuation Period or the Expiry Date (as the case may be) remove the name of the Holder from the Register in respect of the number of CBBCs which have expired or exercised (as the case may be) and thereby cancel the relevant CBBCs and if applicable, the Global Certificate.

2.6 *Exercise Expenses*

Any Exercise Expenses which are not determined by the Issuer by the end of the MCE Valuation Period or the Expiry Date (as the case may be) and deducted from the Cash Settlement Amount prior to delivery to the Holder in accordance with this Product Condition 2, shall be notified by the Issuer to the Holder as soon as practicable after determination thereof and shall be paid by the Holder to the Issuer immediately upon demand.

2.7 *Cash Settlement*

Upon early termination of the CBBCs following the occurrence of a Mandatory Call Event or an automatic exercise of the CBBCs on the Expiry Date (as the case may be), the Issuer will, in respect of every Board Lot, pay the Cash Settlement Amount minus the determined Exercise Expenses to the relevant Holder. If the Cash Settlement Amount is equal to or less than the determined Exercise Expenses, no amount is payable.

The Cash Settlement Amount minus the determined Exercise Expenses shall be despatched no later than the Settlement Date by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of the Settlement Disruption Event.

2.8 *Responsibility of Issuer*

The Issuer or its agents shall not have any responsibility for any errors or omissions in the calculation and dissemination of any variables published by a third party and used in any calculation made pursuant to these Conditions or in the calculation of the Cash Settlement Amount arising from such errors or omissions. The purchase of CBBCs does not confer on any Holder of such CBBCs any rights (whether in respect of voting, distributions or otherwise) in relation to the Shares.

2.9 *Liability of Issuer*

Exercise and settlement of the CBBCs is subject to all applicable laws, rules, regulations and guidelines in force at the relevant time and the Issuer shall not incur any liability whatsoever if it is unable to effect the transactions contemplated, after using all reasonable efforts, as a result of any such laws, rules, regulations or guidelines. The Issuer shall not under any circumstances be liable for any acts or defaults of the CCASS in relation to the performance of its duties in relation to the CBBCs.

2.10 Trading

Subject to Product Condition 2.3(b), trading in CBBCs on the Stock Exchange shall cease:

- (a) immediately upon the occurrence of a Mandatory Call Event; or
- (b) at the close of trading for the Trading Day immediately preceding the Expiry Date (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning session only, at the close of trading for the morning session),

whichever is the earlier.

3. Adjustments

3.1 Rights Issues

If and whenever the Company shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a “**Rights Offer**”), the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Shares becomes ex-entitlement (“**Rights Issue Adjustment Date**”) in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Component} \times E$$

Where:

$$\text{Adjustment Component} = \frac{1 + M}{1 + (R/S) \times M}$$

- E: Existing Entitlement immediately prior to the Rights Offer
- S: Cum-Rights Share price being the closing price of an existing Share as derived from the daily quotation sheet of the Stock Exchange on the last Business Day on which the Shares are traded on a Cum-Rights basis
- R: Subscription price per new Share specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Rights
- M: Number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe,

provided that if the above formula would result in an adjustment to the Entitlement which would amount to one per cent. or less of the Entitlement immediately prior to the adjustment, then no adjustment will be made. In addition, the Issuer shall adjust the Strike Price and the Call Price (both of which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Component, where the reciprocal of the Adjustment Component means one divided by the relevant Adjustment Component. The adjustment to the Strike Price and the Call Price shall take effect on the Rights Issue Adjustment Date.

For the purposes of these Product Conditions:

“**Rights**” means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

3.2 Bonus Issues

If and whenever the Company shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the Company or otherwise in lieu of a cash dividend and without any payment or other consideration being made or given by such holders) (a “**Bonus Issue**”) the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Shares becomes ex-entitlement (“**Bonus Issue Adjustment Date**”) in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Component} \times E$$

Where:

$$\text{Adjustment Component} = 1 + N$$

E: Existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Shares (whether a whole or a fraction) received by a holder of Shares for each Share held prior to the Bonus Issue,

provided that if the above formula would result in an adjustment to the Entitlement which would amount to one per cent. or less of the Entitlement immediately prior to the adjustment, then no adjustment will be made. In addition, the Issuer shall adjust the Strike Price and the Call Price (both of which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Component, where the reciprocal of the Adjustment Component means one divided by the relevant Adjustment Component. The adjustment to the Strike Price and the Call Price shall take effect on the Bonus Issue Adjustment Date.

3.3 Subdivisions and Consolidations

If and whenever the Company shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a “**Subdivision**”) or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a “**Consolidation**”), then:

- (a) in the case of a Subdivision, the Entitlement in effect immediately prior thereto will be increased whereas the Strike Price and the Call Price (both of which shall be rounded to the nearest 0.001) will be decreased in the same ratio as the Subdivision; and
- (b) in the case of a Consolidation, the Entitlement in effect immediately prior thereto will be decreased whereas the Strike Price and the Call Price (both of which shall be rounded to the nearest 0.001) will be increased in the same ratio as the Consolidation,

in each case on the day on which the Subdivision or Consolidation (as the case may be) takes effect.

3.4 Restructuring Events

If it is announced that the Company is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of or controlled by any person or corporation) (except where the Company is the surviving corporation in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the CBBCs may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “**Restructuring Event**”) (as determined by the Issuer in its absolute discretion) so that the CBBCs shall, after such Restructuring

Event, relate to the number of shares of the corporation(s) resulting from or surviving such Restructuring Event or other securities (“**Substituted Securities**”) and/or cash offered in substitution for the affected Shares, as the case may be, to which the holder of such number of Shares to which the CBBCs related immediately before such Restructuring Event would have been entitled upon such Restructuring Event and thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in the relevant currency equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected. For the avoidance of doubt, any remaining Shares shall not be affected by this paragraph and, where cash is offered in substitution for Shares or is deemed to replace Substituted Securities as described above, references in these Product Conditions to the Shares shall include any such cash.

3.5 Cash Distribution

No adjustment will be made for an ordinary cash dividend (whether or not it is offered with a scrip alternative) (“**Ordinary Dividend**”). For any other forms of cash distribution (“**Cash Distribution**”) announced by the Company, such as a cash bonus, special dividend or extraordinary dividend, no adjustment will be made unless the value of the Cash Distribution accounts for 2 per cent. or more of the Share’s closing price on the day of announcement by the Company.

If and whenever the Company shall make a Cash Distribution credited as fully paid to the holders of Shares generally, the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Shares becomes ex-entitlement in respect of the relevant Cash Distribution (“**Cash Distribution Adjustment Date**”) in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Component} \times E$$

Where:

$$\text{Adjustment Component} = \frac{S - OD}{S - OD - CD}$$

E: The existing Entitlement immediately prior to the Cash Distribution

S: The closing price of the existing Share as derived from the daily quotation sheet of the Stock Exchange on the Business Day immediately preceding the Cash Distribution Adjustment Date

CD: The amount of Cash Distribution per Share

OD: The amount of Ordinary Dividend per Share, provided that the Ordinary Dividend and the Cash Distribution shall have the same ex-entitlement date. For the avoidance of doubt, the OD shall be deemed to be zero if the ex-entitlement dates of the relevant Ordinary Dividend and Cash Distribution are different

In addition, the Issuer shall adjust the Strike Price and the Call Price (both of which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Component, where the reciprocal of the Adjustment Component means one divided by the relevant Adjustment Component. The adjustment to the Strike Price and the Call Price shall take effect on the Cash Distribution Adjustment Date.

3.6 *Other Adjustments*

Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the CBBCs as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:

- (a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction); or
- (b) determined by the Issuer in good faith to be appropriate and commercially reasonable.

3.7 *Notice of Determinations*

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment or amendment and of the date from which such adjustment or amendment is effective by publication in accordance with General Condition 7.

4. **Liquidation**

In the event of a liquidation, winding up or dissolution of the Company or the appointment of a liquidator, receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of the undertaking, property or assets of the Company (each an “**Insolvency Event**”), all unexercised CBBCs shall terminate automatically upon the occurrence of any Insolvency Event and the Issuer shall have no further obligation under the CBBCs, except that in the case of a series of bear CBBCs:

- (a) if the Issuer determines in good faith and in a commercially reasonable manner that there is any residual value in the bear CBBCs upon the occurrence of such Insolvency Event:
 - (i) the Issuer shall pay to each Holder the residual value of the bear CBBCs in cash representing the fair market value in respect of each bear CBBC held by such Holder on or about the occurrence of such Insolvency Event less the cost to the Issuer of unwinding any related hedging arrangement as determined by the Issuer in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner. Payment will be made to each Holder in such manner as shall be notified to the Holders in accordance with General Condition 7; and
 - (ii) the Issuer may, but shall not be obliged to, determine such cash amount by having regard to the manner in which the options contracts or futures contracts of the Shares traded on the Stock Exchange are calculated;
- (b) otherwise, if the Issuer determines in good faith and in a commercially reasonable manner that there is no residual value in the bear CBBCs upon the occurrence of such Insolvency Event, the bear CBBCs shall lapse and cease to be valid for any purpose upon the occurrence of the Insolvency Event.

For the purpose of this Condition 4, an Insolvency Event occurs,

- (i) in the case of a voluntary liquidation or winding up of the Company, on the effective date of the relevant resolution; or
- (ii) in the case of an involuntary liquidation, winding up or dissolution of the Company, on the date of the relevant court order; or
- (iii) in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of the undertaking, property or assets of the Company, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of the applicable law.

5. Delisting

5.1 Adjustments following delisting

If at any time the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments and amendments to the rights attaching to the CBBCs as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Holders generally are not materially prejudiced as a consequence of such delisting (without considering the circumstances of any individual Holder or the tax or other consequences that may result in any particular jurisdiction).

5.2 Listing on another exchange

Without prejudice to the generality of Product Condition 5.1, where the Shares are, or, upon the delisting, become, listed on any other stock exchange, the Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Holders, make such adjustments to the entitlements of the Holders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into the relevant currency) as may be appropriate in the circumstances.

5.3 Adjustments binding

The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Holders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Holders in accordance with General Condition 7 as soon as practicable after they are determined.

PART B
PRODUCT CONDITIONS OF CASH SETTLED CALLABLE
BULL/BEAR CONTRACTS OVER AN INDEX

These Product Conditions will, together with the General Conditions and the supplemental terms and conditions contained in the relevant Launch Announcement and Supplemental Listing Document and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Launch Announcement and Supplemental Listing Document in relation to the issue of any series of CBBCs may specify additional terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these Product Conditions, replace or modify these Product Conditions for the purpose of such series of CBBCs.

1. Definitions

For the purposes of these Product Conditions:

“**Call Level**” means the level specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

“**Cash Settlement Amount**” means, in respect of every Board Lot, an amount calculated by the Issuer in accordance with the following formula (and, if appropriate, either (I) converted (if applicable) into the Settlement Currency at the Exchange Rate or, as the case may be, (II) converted into the Interim Currency at the First Exchange Rate and then (if applicable) converted into Settlement Currency at the Second Exchange Rate):

(a) following a Mandatory Call Event:

(i) in the case of a series of Category R CBBCs, the Residual Value; or

(ii) in the case of a series of Category N CBBCs, zero; and

(b) at expiry:

(i) in the case of a series of bull CBBCs:

$$\text{Cash Settlement Amount per Board Lot} = \frac{(\text{Closing Level} - \text{Strike Level}) \times \text{Index Currency Amount} \times \text{one Board Lot}}{\text{Divisor}}$$

(ii) in the case of a series of bear CBBCs:

$$\text{Cash Settlement Amount per Board Lot} = \frac{(\text{Strike Level} - \text{Closing Level}) \times \text{Index Currency Amount} \times \text{one Board Lot}}{\text{Divisor}}$$

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

“**Category N CBBCs**” means a series of CBBCs where the Call Level is equal to the Strike Level;

“**Category R CBBCs**” means a series of CBBCs where the Call Level is different from the Strike Level;

“**Closing Level**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

“**Divisor**” means the number specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“Exchange Rate” means the rate specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“First Exchange Rate” means the rate specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“General Conditions” means the general terms and conditions of Structured Products set out in Appendix 1 of the Base Listing Document;

“Index” means the index specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“Index Business Day” means a day on which the Index Exchange is scheduled to open for trading for its regular trading sessions;

“Index Compiler” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Index Currency Amount” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Index Exchange” means the index exchange specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“Interim Currency” means the currency specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“Mandatory Call Event” occurs if the Spot Level is:

- (a) in the case of a series of bull CBBCs, at or below the Call Level; or
- (b) in the case of a series of bear CBBCs, at or above the Call Level,

at any time during an Index Business Day in the Observation Period;

“Market Disruption Event” means:

- (a) the occurrence or existence, on any Trading Day or Index Business Day during the one-half hour period that ends at the close of trading on the Index Exchange, of any of:
 - (i) the suspension or material limitation of the trading of a material number of constituent securities that comprise the Index;
 - (ii) the suspension or material limitation of the trading of options or futures contracts relating to the Index on any exchanges on which such contract are traded; or
 - (iii) the imposition of any exchange controls in respect of any currencies involved in determining the Cash Settlement Amount.

For the purposes of this definition:

- (1) the limitation of the number of hours or days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of any relevant exchange, and

- (2) a limitation on trading imposed by reason of the movements in price exceeding the levels permitted by any relevant exchange will constitute a Market Disruption Event; or
- (b) where the Index Exchange is the Stock Exchange, the occurrence of any severe weather condition or other event on any day which either:
 - (i) results in the Stock Exchange being closed for trading for the entire day; or
 - (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session),

PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of such severe weather condition or other event;

- (c) a limitation or closure of the Index Exchange due to any unforeseen circumstances; or
- (d) any circumstances beyond the control of the Issuer in which the Closing Level or, if applicable, the Exchange Rate, the First Exchange Rate or the Second Exchange Rate (as the case may be) cannot be determined by the Issuer in the manner set out in these Conditions or in such other manner as the Issuer considers appropriate at such time after taking into account all the relevant circumstances;

“**Maximum Index Level**” means the highest Spot Level during the MCE Valuation Period;

“**MCE Valuation Period**” means the period commencing from and including the moment upon which the Mandatory Call Event occurs (the trading session on the Index Exchange during which the Mandatory Call Event occurs is the “**1st Session**”) and up to the end of the trading session on the Index Exchange immediately following the 1st Session (“**2nd Session**”) unless, in the determination of the Issuer in its good faith, the 2nd Session for any reason (including, without limitation, a Market Disruption Event occurring and subsisting in the 2nd Session) does not contain any continuous period of 1 hour or more than 1 hour during which the Spot Levels are available, the MCE Valuation Period shall be extended to the end of the subsequent trading session on the Index Exchange following the 2nd Session during which Spot Levels are available for a continuous period of at least 1 hour notwithstanding the existence or continuance of a Market Disruption Event in such postponed trading session, unless the Issuer determines in its good faith that each trading session on each of the four Index Business Days immediately following the date on which the Mandatory Call Event occurs does not contain any continuous period of 1 hour or more than 1 hour during which Spot Levels are available. In that case:

- (a) the period commencing from the 1st Session up to, and including, the last trading session of the fourth Index Business Day on the Index Exchange immediately following the date on which the Mandatory Call Event occurs shall be deemed to be the MCE Valuation Period; and
- (b) the Issuer shall determine the Maximum Index Level or the Minimum Index Level (as the case may be) having regard to the then prevailing market conditions, the last reported Spot Level of the Index and such other factors as the Issuer may determine to be relevant in its good faith.

For the avoidance of doubt, all Spot Levels available throughout the extended MCE Valuation Period shall be taken into account to determine the Maximum Index Level or the Minimum Index Level (as the case may be) for the calculation of the Residual Value.

For the purposes of this definition,

- (i) the pre-opening session, the morning session and, in the case of half day trading, the closing auction session (if applicable) of the same day; and
- (ii) the afternoon session and the closing auction session (if applicable) of the same day,

shall each be considered as one trading session only;

“**Minimum Index Level**” means the lowest Spot Level during the MCE Valuation Period;

“**Observation Commencement Date**” means the date specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**Observation Period**” means the period commencing from and including the Observation Commencement Date up to and including the close of trading (Hong Kong time) on the Trading Day immediately preceding the Expiry Date;

“**Post MCE Trades**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to such modification and amendment prescribed by the Stock Exchange from time to time;

“**Price Source**”, if applicable, has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“**Product Conditions**” means these product terms and conditions. These Product Conditions apply to each series of cash settled CBBCs over an index;

“**Residual Value**” means, in respect of every Board Lot, an amount calculated by the Issuer in accordance with the following formula (and, if appropriate, either (I) converted (if applicable) into the Settlement Currency at the Exchange Rate or, as the case may be, (II) converted into the Interim Currency at the First Exchange Rate and then (if applicable) converted into Settlement Currency at the Second Exchange Rate):

- (a) In the case of a series of bull CBBCs:

$$\text{Residual Value per Board Lot} = \frac{(\text{Minimum Index Level} - \text{Strike Level}) \times \text{one Board Lot} \times \text{Index Currency Amount}}{\text{Divisor}}$$

- (b) In the case of a series of bear CBBCs:

$$\text{Residual Value per Board Lot} = \frac{(\text{Strike Level} - \text{Maximum Index Level}) \times \text{one Board Lot} \times \text{Index Currency Amount}}{\text{Divisor}}$$

“**Second Exchange Rate**” means the rate specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**Settlement Date**” means the third CCASS Settlement Day after (i) the end of the MCE Valuation Period or (ii) the later of: (a) the Expiry Date; and (b) the day on which the Closing Level is determined in accordance with the Conditions (as the case may be);

“Spot Level” means:

- (a) if no Price Source is specified, the spot level of the Index as compiled and published by the Index Compiler; or
- (b) if a Price Source is specified, the spot level of the Index as published on the Price Source;

“Strike Level” means the level specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

“Trading Day” means any day on which the Stock Exchange is scheduled to open for trading for its regular trading sessions; and

“Valuation Date” means the date specified as such in the relevant Launch Announcement and Supplemental Listing Document, provided that, if the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on the Valuation Date, then the Issuer shall determine the Closing Level on the basis of its good faith estimate of the Closing Level that would have prevailed on that day but for the occurrence of the Market Disruption Event, provided that the Issuer, if applicable, may, but shall not be obliged to, determine such Closing Level by having regard to the manner in which futures contracts relating to the Index are calculated.

2. Exercise of CBBCs

2.1 Exercise of CBBCs in Board Lots

CBBCs may only be exercised in Board Lots or integral multiples thereof.

2.2 Automatic exercise

If no Mandatory Call Event has occurred during the Observation Period, the CBBCs will be deemed to be automatically exercised on the Expiry Date if the Cash Settlement Amount is positive. Any CBBC which has not been automatically exercised in accordance with this Product Condition 2.2 shall expire immediately without value thereafter and all rights of the Holder and obligations of the Issuer with respect to such CBBC shall cease.

2.3 Mandatory Call Event

- (a) Subject to Product Condition 2.3(b) below, following a Mandatory Call Event, the CBBCs will be terminated automatically and the Issuer shall have no further obligation under the CBBCs except for the payment of the Cash Settlement Amount (if any) on the relevant Settlement Date. The Issuer will notify the Holders of the occurrence of the Mandatory Call Event in accordance with General Condition 7. Trading in the CBBCs will be suspended immediately upon the occurrence of a Mandatory Call Event and any Post MCE Trades will be cancelled and will not be recognised by the Stock Exchange or the Issuer.
- (b) A Mandatory Call Event is irrevocable unless it is triggered as a result of any of the following events:
 - (i) system malfunction or other technical errors of Hong Kong Exchanges and Clearing Limited and such event is reported by the Stock Exchange to the Issuer and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked; or

- (ii) manifest errors caused by the relevant third party where applicable (such as miscalculation of the index level by the Index Compiler) and such event is reported by the Issuer to the Stock Exchange, and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked;

in each case, such mutual agreement must be reached no later than 30 minutes before the commencement of trading (including the pre-opening session) (Hong Kong time) on the Trading Day of the Stock Exchange immediately following the day on which the Mandatory Call Event occurs, or such other time as prescribed by the Stock Exchange from time to time.

In both cases, the Mandatory Call Event so triggered will be reversed; and all cancelled trades (if any) will be reinstated and trading of the CBBCs will resume as soon as practicable in accordance with the rules and/or requirements prescribed by the Stock Exchange from time to time.

2.4 Entitlement

Every Board Lot of CBBCs entitles the Holder to receive from the Issuer on the Settlement Date the Cash Settlement Amount (if any).

2.5 Cancellation

Upon early expiration of the CBBCs at the occurrence of a Mandatory Call Event or an automatic exercise of the CBBCs on the Expiry Date, the Issuer will, with effect from the first Business Day following the MCE Valuation Period or the Expiry Date (as the case may be) remove the name of the Holder from the Register in respect of the number of CBBCs which have expired or exercised (as the case may be) and thereby cancel the relevant CBBCs and if applicable, the Global Certificate.

2.6 Exercise Expenses

Any Exercise Expenses which are not determined by the Issuer by the end of the MCE Valuation Period or the Expiry Date (as the case may be) and deducted from the Cash Settlement Amount prior to delivery to the Holder in accordance with this Product Condition 2, shall be notified by the Issuer to the Holder as soon as practicable after determination thereof and shall be paid by the Holder to the Issuer immediately upon demand.

2.7 Cash Settlement

Upon early termination of the CBBCs following the occurrence of a Mandatory Call Event or an automatic exercise of the CBBCs on the Expiry Date (as the case may be), the Issuer will, in respect of every Board Lot, pay the Cash Settlement Amount minus the determined Exercise Expenses to the relevant Holder. If the Cash Settlement Amount is equal to or less than the determined Exercise Expenses, no amount is payable.

The Cash Settlement Amount minus the determined Exercise Expenses shall be despatched no later than the Settlement Date by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of the Settlement Disruption Event.

2.8 Responsibility of Issuer

The Issuer or its agents shall not have any responsibility for any errors or omissions in the calculation and dissemination of any variables published by a third party and used in any calculation made pursuant to these Conditions or in the calculation of the Cash Settlement Amount arising from such errors or omissions. The purchase of CBBCs does not confer on any Holder of such CBBCs any rights (whether in respect of voting, distributions or otherwise) in relation to the constituent securities comprising the Index.

2.9 Liability of Issuer

Exercise and settlement of the CBBCs is subject to all applicable laws, rules, regulations and guidelines in force at the relevant time and the Issuer shall not incur any liability whatsoever if it is unable to effect the transactions contemplated, after using all reasonable efforts, as a result of any such laws, rules, regulations or guidelines. The Issuer shall not under any circumstances be liable for any acts or defaults of the CCASS in relation to the performance of its duties in relation to the CBBCs.

2.10 Trading

Subject to Product Condition 2.3(b), trading in CBBCs on the Stock Exchange shall cease:

- (a) immediately upon the occurrence of a Mandatory Call Event; or
- (b) at the close of trading for the Trading Day immediately preceding the Expiry Date (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning session only, at the close of trading for the morning session),

whichever is the earlier.

3. Adjustments

3.1 Successor Index Compiler Calculates and Reports Index

If the Index is:

- (a) not calculated and announced by the Index Compiler but is calculated and published by a successor to the Index Compiler (the “**Successor Index Compiler**”) acceptable to the Issuer; or
- (b) replaced by a successor index using, in the determination of the Issuer, the same or a substantially similar formula for and method of calculation as used in the calculation of the Index,

then the Index will be deemed to be the index so calculated and announced by the Successor Index Compiler or that successor index, as the case may be.

3.2 Modification and Cessation of Calculation of Index

If:

- (a) on or prior to the Valuation Date, the Index Compiler or (if applicable) the Successor Index Compiler makes a material change in the formula for or the method of calculating the Index or in any other way materially modifies the Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent securities and other routine events); or

- (b) on the Valuation Date, the Index Compiler or (if applicable) the Successor Index Compiler fails to calculate and publish the Index (other than as a result of a Market Disruption Event),

then the Issuer shall determine the Closing Level using, in lieu of a published level for the Index, the level for the Index as of the Valuation Date as determined by the Issuer in accordance with the formula for and method of calculating the Index last in effect prior to that change or failure, but using only those securities that comprised the Index immediately prior to that change or failure (other than those securities that have since ceased to be listed on the relevant exchange).

3.3 Other Adjustments

Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the CBBCs as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:

- (a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction); or
- (b) determined by the Issuer in good faith to be appropriate and commercially reasonable.

3.4 Notice of Determinations

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment or amendment and of the date from which such adjustment or amendment is effective by publication in accordance with General Condition 7.

PART C
PRODUCT CONDITIONS OF CASH SETTLED CALLABLE
BULL/BEAR CONTRACTS OVER EXCHANGE TRADED FUNDS

These Product Conditions will, together with the General Conditions and the supplemental terms and conditions contained in the relevant Launch Announcement and Supplemental Listing Document, and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Launch Announcement and Supplemental Listing Document in relation to the issue of any series of CBBCs may specify additional terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these Product Conditions, replace or modify these Product Conditions for the purpose of such series of CBBCs.

1. Definitions

For the purposes of these Product Conditions:

“**Call Price**” means the price specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

“**Cash Settlement Amount**” means, in respect of every Board Lot, an amount payable in the Settlement Currency calculated by the Issuer in accordance with the following formula:

(a) following a Mandatory Call Event:

- (i) in the case of a series of Category R CBBCs, the Residual Value; or
- (ii) in the case of a series of Category N CBBCs, zero; and

(b) at expiry:

- (i) in the case of a series of bull CBBCs:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement} \times (\text{Closing Price} - \text{Strike Price}) \times \text{one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

- (ii) in the case of a series of bear CBBCs:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement} \times (\text{Strike Price} - \text{Closing Price}) \times \text{one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

“**Category N CBBCs**” means a series of CBBCs where the Call Price is equal to the Strike Price;

“**Category R CBBCs**” means a series of CBBCs where the Call Price is different from the Strike Price;

“**Closing Price**” means the closing price of one Unit (as derived from the daily quotation sheet of the Stock Exchange, subject to any adjustments to such closing price as may be necessary to reflect any event as contemplated in Product Condition 3 such as capitalisation, rights issue, distribution or the like) as of the Valuation Date;

“**Entitlement**” means the number specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

“**Fund**” means the exchange traded fund specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**General Conditions**” means the general terms and conditions of Structured Products set out in Appendix 1 of the Base Listing Document;

“**Mandatory Call Event**” occurs if the Spot Price is:

- (a) in the case of a series of bull CBBCs, at or below the Call Price; or
- (b) in the case of a series of bear CBBCs, at or above the Call Price,

at any time during any Trading Day in the Observation Period;

“**Market Disruption Event**” means:

- (a) the occurrence or existence on any Trading Day during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in:
 - (i) the Units; or
 - (ii) any options or futures contracts relating to the Units if, in any such case, such suspension or limitation is, in the determination of the Issuer, material;
- (b) the occurrence of any severe weather condition or other event on any day which either:
 - (i) results in the Stock Exchange being closed for trading for the entire day; or
 - (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session),

PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of such severe weather condition or other event; or

- (c) a limitation or closure of the Stock Exchange due to any unforeseen circumstances;

“**Maximum Trade Price**” means the highest Spot Price of the Units (subject to any adjustments to such spot prices as may be necessary to reflect any event as contemplated in Product Condition 3 such as capitalisation, rights issue, distribution or the like) during the MCE Valuation Period;

“**MCE Valuation Period**” means the period commencing from and including the moment upon which the Mandatory Call Event occurs (the trading session on the Stock Exchange during which the Mandatory Call Event occurs is the “**1st Session**”) and up to the end of the trading session on the Stock Exchange immediately following the 1st Session (“**2nd Session**”) unless, in the determination of the Issuer in its good faith, the 2nd Session for any reason (including, without limitation, a Market Disruption Event occurring and subsisting in the 2nd Session) does not contain any continuous period of 1 hour or more than 1 hour during which trading in the Units is permitted on the Stock Exchange with no limitation imposed, the MCE Valuation Period shall be extended to the end of the subsequent trading session following the 2nd Session during which trading in the Units is permitted on the Stock Exchange with no limitation imposed for a continuous period of at least 1 hour notwithstanding the existence or continuance of a Market Disruption Event in such postponed trading session, unless the

Issuer determines in its good faith that each trading session on each of the four Trading Days immediately following the date on which the Mandatory Call Event occurs does not contain any continuous period of 1 hour or more than 1 hour during which trading in the Units is permitted on the Stock Exchange with no limitation imposed. In that case:

- (a) the period commencing from the 1st Session up to, and including, the last trading session on the Stock Exchange of the fourth Trading Day immediately following the date on which the Mandatory Call Event occurs shall be deemed to be the MCE Valuation Period; and
- (b) the Issuer shall determine the Maximum Trade Price or the Minimum Trade Price (as the case may be) having regard to the then prevailing market conditions, the last reported Spot Price and such other factors as the Issuer may determine to be relevant in its good faith.

For the avoidance of doubt, all Spot Prices available throughout the extended MCE Valuation Period shall be taken into account to determine the Maximum Trade Price or the Minimum Trade Price (as the case may be) for the calculation of the Residual Value.

For the purposes of this definition,

- (i) the pre-opening session, the morning session and, in the case of half day trading, the closing auction session (if applicable) of the same day; and
- (ii) the afternoon session and the closing auction session (if applicable) of the same day,

shall each be considered as one trading session only;

“**Minimum Trade Price**” means the lowest Spot Price of the Units (subject to any adjustments to such spot prices as may be necessary to reflect any event as contemplated in Product Condition 3 such as capitalisation, rights issue, distribution or the like) during the MCE Valuation Period;

“**Observation Commencement Date**” means the date specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**Observation Period**” means the period commencing from and including the Observation Commencement Date up to and including the close of trading (Hong Kong time) on the Trading Day immediately preceding the Expiry Date;

“**Post MCE Trades**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to such modification and amendment prescribed by the Stock Exchange from time to time;

“**Product Conditions**” means these product terms and conditions. These Product Conditions apply to each series of cash settled CBBCs over exchange traded funds;

“**Residual Value**” means, in respect of every Board Lot, an amount calculated by the Issuer in accordance with the following formula:

- (a) in the case of a series of bull CBBCs:

$$\text{Residual Value per Board Lot} = \frac{\text{Entitlement} \times (\text{Minimum Trade Price} - \text{Strike Price}) \times \text{one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

- (b) in the case of a series of bear CBBCs:

$$\text{Residual Value per Board Lot} = \frac{\text{Entitlement} \times (\text{Strike Price} - \text{Maximum Trade Price}) \times \text{one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

“**Settlement Date**” means the third CCASS Settlement Day after: (a) the end of the MCE Valuation Period; or (b) the later of: (i) the Expiry Date; and (ii) the day on which the Closing Price is determined in accordance with the Conditions (as the case may be);

“**Spot Price**” means:

- (a) in respect of a continuous trading session of the Stock Exchange, the price per Unit concluded by means of automatic order matching on the Stock Exchange as reported in the official real-time dissemination mechanism for the Stock Exchange during such continuous trading session in accordance with the Trading Rules, excluding direct business (as defined in the Trading Rules); and
- (b) in respect of a pre-opening session or a closing auction session (if applicable) of the Stock Exchange (as the case may be), the final Indicative Equilibrium Price (as defined in the Trading Rules) of the Unit (if any) calculated at the end of the pre-order matching period of such pre-opening session or closing auction session (if applicable), as the case may be, in accordance with the Trading Rules, excluding direct business (as defined in the Trading Rules),

subject to such modification and amendment prescribed by the Stock Exchange from time to time;

“**Strike Price**” means the price specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

“**Trading Day**” means any day on which the Stock Exchange is scheduled to open for trading for its regular trading sessions;

“**Trading Rules**” means the Rules and Regulations of the Exchange prescribed by the Stock Exchange from time to time;

“**Unit**” means the share or unit of the Fund specified as such in the relevant Launch Announcement and Supplemental Listing Document; and

“**Valuation Date**” means the Trading Day immediately preceding the Expiry Date provided that if, in the determination of the Issuer, a Market Disruption Event has occurred on that day, the Valuation Date shall be postponed until the first succeeding Trading Day on which the Issuer determines that there is no Market Disruption Event, unless the Issuer determines that there is a Market Disruption Event occurring on each of the four Trading Days immediately following the original date which (but for the Market Disruption Event) would have been the Valuation Date. In that case:

- (a) the fourth Trading Day immediately following the original date shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and
- (b) the Issuer shall determine the Closing Price having regard to the then prevailing market conditions, the last reported trading price of the Unit on the Stock Exchange and such other factors as the Issuer determines to be relevant.

2. Exercise of CBBCs

2.1 Exercise of CBBCs in Board Lots

CBBCs may only be exercised in Board Lots or integral multiples thereof.

2.2 Automatic exercise

If no Mandatory Call Event has occurred during the Observation Period, the CBBCs will be deemed to be automatically exercised on the Expiry Date if the Cash Settlement Amount is positive. Any CBBC which has not been automatically exercised in accordance with this Product Condition 2.2 shall expire immediately without value thereafter and all rights of the Holder and obligations of the Issuer with respect to such CBBC shall cease.

2.3 Mandatory Call Event

- (a) Subject to Product Condition 2.3(b) below, following a Mandatory Call Event, the CBBCs will be terminated automatically and the Issuer shall have no further obligation under the CBBCs except for the payment of the Cash Settlement Amount (if any) on the relevant Settlement Date. The Issuer will notify the Holders of the occurrence of the Mandatory Call Event in accordance with General Condition 7. Trading in the CBBCs will be suspended immediately upon the occurrence of a Mandatory Call Event and any Post MCE Trades will be cancelled and will not be recognised by the Stock Exchange or the Issuer.
- (b) A Mandatory Call Event is irrevocable unless it is triggered as a result of any of the following events:
 - (i) system malfunction or other technical errors of Hong Kong Exchanges and Clearing Limited and such event is reported by the Stock Exchange to the Issuer and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked; or
 - (ii) manifest errors caused by the relevant third party where applicable and such event is reported by the Issuer to the Stock Exchange, and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked;

in each case, such mutual agreement must be reached no later than 30 minutes before the commencement of trading (including the pre-opening session) (Hong Kong time) on the Trading Day of the Stock Exchange immediately following the day on which the Mandatory Call Event occurs, or such other time as prescribed by the Stock Exchange from time to time.

In both cases, the Mandatory Call Event so triggered will be reversed; and all cancelled trades (if any) will be reinstated and trading of the CBBCs will resume as soon as practicable in accordance with the rules and/or requirements prescribed by the Stock Exchange from time to time.

2.4 Entitlement

Every Board Lot of CBBCs entitles the Holder to receive from the Issuer on the Settlement Date the Cash Settlement Amount (if any).

2.5 *Cancellation*

Upon early expiration of the CBBCs at the occurrence of a Mandatory Call Event or an automatic exercise of the CBBCs on the Expiry Date, the Issuer will, with effect from the first Business Day following the MCE Valuation Period or the Expiry Date (as the case may be) remove the name of the Holder from the Register in respect of the number of CBBCs which have expired or exercised (as the case may be) and thereby cancel the relevant CBBCs and if applicable, the Global Certificate.

2.6 *Exercise Expenses*

Any Exercise Expenses which are not determined by the Issuer by the end of the MCE Valuation Period or the Expiry Date (as the case may be) and deducted from the Cash Settlement Amount prior to delivery to the Holder in accordance with this Product Condition 2, shall be notified by the Issuer to the Holder as soon as practicable after determination thereof and shall be paid by the Holder to the Issuer immediately upon demand.

2.7 *Cash Settlement*

Upon early termination of the CBBCs following the occurrence of a Mandatory Call Event or an automatic exercise of the CBBCs on the Expiry Date (as the case may be), the Issuer will, in respect of every Board Lot, pay the Cash Settlement Amount minus the determined Exercise Expenses to the relevant Holder. If the Cash Settlement Amount is equal to or less than the determined Exercise Expenses, no amount is payable.

The Cash Settlement Amount minus the determined Exercise Expenses shall be despatched no later than the Settlement Date by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of the Settlement Disruption Event.

2.8 *Responsibility of Issuer*

The Issuer or its agents shall not have any responsibility for any errors or omissions in the calculation and dissemination of any variables published by a third party and used in any calculation made pursuant to these Conditions or in the calculation of the Cash Settlement Amount arising from such errors or omissions. The purchase of CBBCs does not confer on any Holder of such CBBCs any rights (whether in respect of voting, distributions or otherwise) in relation to the Units.

2.9 *Liability of Issuer*

Exercise and settlement of the CBBCs is subject to all applicable laws, rules, regulations and guidelines in force at the relevant time and the Issuer shall not incur any liability whatsoever if it is unable to effect the transactions contemplated, after using all reasonable efforts, as a result of any such laws, rules, regulations or guidelines. The Issuer shall not under any circumstances be liable for any acts or defaults of the CCASS in relation to the performance of its duties in relation to the CBBCs.

2.10 Trading

Subject to Product Condition 2.3(b), trading in CBBCs on the Stock Exchange shall cease:

- (a) immediately upon the occurrence of a Mandatory Call Event; or
- (b) at the close of trading for the Trading Day immediately preceding the Expiry Date (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning session only, at the close of trading for the morning session),

whichever is the earlier.

3. Adjustments

3.1 Rights Issues

If and whenever the Fund shall, by way of Rights (as defined below), offer new Units for subscription at a fixed subscription price to the holders of existing Units pro rata to existing holdings (a “**Rights Offer**”), the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Units becomes ex-entitlement (“**Rights Issue Adjustment Date**”) in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Component} \times E$$

Where:

$$\text{Adjustment Component} = \frac{1 + M}{1 + (R/S) \times M}$$

- E: Existing Entitlement immediately prior to the Rights Offer
- S: Cum-Rights Unit price being the closing price of an existing Unit as derived from the daily quotation sheet of the Stock Exchange on the last Business Day on which the Units are traded on a Cum-Rights basis
- R: Subscription price per new Unit specified in the Rights Offer plus an amount equal to any distributions or other benefits foregone to exercise the Rights
- M: Number of new Unit(s) (whether a whole or a fraction) per existing Unit each holder thereof is entitled to subscribe,

provided that if the above formula would result in an adjustment to the Entitlement which would amount to one per cent. Or less of the Entitlement immediately prior to the adjustment, then no adjustment will be made. In addition, the Issuer shall adjust the Strike Price and the Call Price (both of which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Component, where the reciprocal of the Adjustment Component means one divided by the relevant Adjustment Component. The adjustment to the Strike Price and the Call Price shall take effect on the Rights Issue Adjustment Date.

For the purposes of these Product Conditions:

“**Rights**” means the right(s) attached to each existing Unit or needed to acquire one new Unit (as the case may be) which are given to the holders of existing Units to subscribe at a fixed subscription price for new Units pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

3.2 Bonus Issues

If and whenever the Fund shall make an issue of Units credited as fully paid to the holders of Units generally (other than pursuant to a scrip distribution or similar scheme for the time being operated by the Fund or otherwise in lieu of a cash distribution and without any payment or other consideration being made or given by such holders) (a “**Bonus Issue**”), the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Units becomes ex-entitlement (“**Bonus Issue Adjustment Date**”) in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Component} \times E$$

Where:

$$\text{Adjustment Component} = 1 + N$$

E: Existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Units (whether a whole or a fraction) received by a holder of Units for each Unit held prior to the Bonus Issue,

provided that if the above formula would result in an adjustment to the Entitlement which would amount to one per cent. Or less of the Entitlement immediately prior to the adjustment, then no adjustment will be made. In addition, the Issuer shall adjust the Strike Price and the Call Price (both of which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Component, where the reciprocal of the Adjustment Component means one divided by the relevant Adjustment Component. The adjustment to the Strike Price and the Call Price shall take effect on the Bonus Issue Adjustment Date.

3.3 Subdivisions and Consolidations

If and whenever the Fund shall subdivide its Units or any class of its outstanding Units into a greater number of units or shares (a “**Subdivision**”) or consolidate the Units or any class of its outstanding Units into a smaller number of units or shares (a “**Consolidation**”), then:

- (a) in the case of a Subdivision, the Entitlement in effect immediately prior thereto will be increased whereas the Strike Price and the Call Price (both of which shall be rounded to the nearest 0.001) will be decreased in the same ratio as the Subdivision; and
- (b) in the case of a Consolidation, the Entitlement in effect immediately prior thereto will be decreased whereas the Strike Price and the Call Price (both of which shall be rounded to the nearest 0.001) will be increased in the same ratio as the Consolidation,

in each case on the day on which the Subdivision or Consolidation (as the case may be) takes effect.

3.4 Restructuring Events

If it is announced that the Fund is to or may merge with or into any other trust or consolidate with or into any other trust or corporation (including becoming, by agreement or otherwise, controlled by any person or corporation) (except where the Fund is the surviving entity in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the CBBCs may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “**Restructuring Event**”) (as determined by the Issuer in its absolute discretion) so that the CBBCs shall, after such Restructuring Event, relate to the number of units or shares of the trust(s) or corporation(s) resulting from or surviving such Restructuring Event or other securities (“**Substituted Securities**”) and/or cash offered in substitution for the affected Units,

as the case may be, to which the holder of such number of Units to which the CBBCs related immediately before such Restructuring Event would have been entitled upon such Restructuring Event and thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in the relevant currency equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected. For the avoidance of doubt, any remaining Units shall not be affected by this paragraph and, where cash is offered in substitution for Units or is deemed to replace Substituted Securities as described above, references in these Product Conditions to the Units shall include any such cash.

3.5 Cash Distribution

No adjustment will be made for an ordinary cash distribution (whether or not it is offered with a scrip alternative) (“**Ordinary Distribution**”). For any other forms of cash distribution (“**Cash Distribution**”) announced by the Fund, such as a cash bonus, special distribution or extraordinary distribution, no adjustment will be made unless the value of the Cash Distribution accounts for 2 per cent. Or more of the Unit’s closing price on the day of announcement by the Fund.

If and whenever the Fund shall make a Cash Distribution credited as fully paid to the holders of Units generally, the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Units becomes ex-entitlement in respect of the relevant Cash Distribution (“**Cash Distribution Adjustment Date**”) in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Component} \times E$$

Where:

$$\text{Adjustment Component} = \frac{S - OD}{S - OD - CD}$$

E: The existing Entitlement immediately prior to the Cash Distribution

S: The closing price of the existing Unit as derived from the daily quotation sheet of the Stock Exchange on the Business Day immediately preceding the Cash Distribution Adjustment Date

CD: The amount of Cash Distribution per Unit

OD: The amount of Ordinary Distribution per Unit, provided that the Ordinary Distribution and the Cash Distribution shall have the same ex-entitlement date. For the avoidance of doubt, the OD shall be deemed to be zero if the ex-entitlement dates of the relevant Ordinary Distribution and Cash Distribution are different

In addition, the Issuer shall adjust the Strike Price and the Call Price (both of which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Component, where the reciprocal of the Adjustment Component means one divided by the relevant Adjustment Component. The adjustment to the Strike Price and the Call Price shall take effect on the Cash Distribution Adjustment Date.

3.6 *Other Adjustments*

Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the CBBCs as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:

- (a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction); or
- (b) determined by the Issuer in good faith to be appropriate and commercially reasonable.

3.7 *Notice of Determinations*

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment or amendment and of the date from which such adjustment or amendment is effective by publication in accordance with General Condition 7.

4. **Termination or Liquidation**

In the event of a Termination or the liquidation or dissolution of the Fund or, if applicable, trustee of the Fund (including any successor trustee appointed from time to time) (“**Trustee**”) (in its capacity as trustee of the Fund) or the appointment of a liquidator, receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of the Fund’s or the Trustee’s (as the case may be) undertaking, property or assets, all unexercised CBBCs will lapse and shall cease to be valid for any purpose.

In the case of a Termination, the unexercised CBBCs will lapse and shall cease to be valid on the effective date of the Termination, in the case of a voluntary liquidation, the unexercised CBBCs will lapse and shall cease to be valid on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of such Fund’s or Trustee’s (as the case may be) undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of the applicable law.

For the purpose of this Product Condition 4, “**Termination**” means:

- (i) the Fund is terminated or required to be terminated for whatever reason, or the termination of the Fund commences;
- (ii) where applicable, the Fund is held or is conceded by the Trustee or the manager of the Fund (including any successor manager appointed from time to time) as not having been constituted or as having been imperfectly constituted;
- (iii) where applicable, the Trustee ceases to be authorised under the Fund to hold the property of the Fund in its name and perform its obligations under the trust deed constituting the Fund; or
- (iv) the Fund ceases to be authorised as an authorised collective investment scheme under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

5. Delisting

5.1 Adjustments following delisting

If at any time the Units cease to be listed on the Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments and amendments to the rights attaching to the CBBCs as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Holders generally are not materially prejudiced as a consequence of such delisting (without considering the circumstances of any individual Holder or the tax or other consequences that may result in any particular jurisdiction).

5.2 Listing on another exchange

Without prejudice to the generality of Product Condition 5.1, where the Units are, or, upon the delisting, become, listed on any other stock exchange, the Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Holders, make such adjustments to the entitlements of the Holders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into the relevant currency) as may be appropriate in the circumstances.

5.3 Adjustments binding

The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Holders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Holders in accordance with General Condition 7 as soon as practicable after they are determined.

APPENDIX 4
AUDITOR'S REPORT AND OUR FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

The information in this Appendix 4 has been extracted from our audited financial statements for the year ended 31 December 2023. References to page numbers on the following pages are to the page numbers of such audited financial statements.

Please refer to the base listing document dated 22 February 2024 for our audited financial statements for the year ended 31 December 2022 and the auditor's report of PricewaterhouseCoopers LLP on such financial statements.

CITIC Securities Brokerage (HK)
Limited

For the year ended 31 December 2023

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Report of the directors

The directors submit herewith their report together with the audited financial statements of CITIC Securities Brokerage (HK) Limited (the “Company”) for the year ended 31 December 2023.

Principal activities

The Company is licensed under the Securities and Futures Ordinance to carry out regulated activities of dealing in securities (Type 1) and advising on securities (Type 4). The Company is also a licensed Insurance Broker under the Insurance Ordinance in Hong Kong.

Its principal activities are the provision of securities and insurance brokerage and margin financing services to clients.

Results and appropriations

The Company’s profit for the year ended 31 December 2023 is set out in the statement of profit or loss and other comprehensive income on page 8.

The directors do not recommend the payment of dividend in respect of the year ended 31 December 2023 (2022: Nil).

Share capital

Details of the movements in share capital of the Company’s share capital are set out in Note 27 to the financial statements.

Directors

The directors of the Company during the year and up to the date of this report were:

Mr. CHEN Jiachun (Appointed on 14 August 2023)
Mr. CHENG Yiu Wa
Mr. FAN Ping Lun Alan
Mr. LI Chunbo (Resigned on 14 August 2023)
Mr. XU Jianqiang

In accordance with Article 7 of the Company’s Articles of Association, all remaining directors will retire from the board and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Board confirmed that nothing relating to the affairs of the Company needed to be brought to the attention of shareholders of the Company.

Business review

No business review is presented for the year ended 31 December 2023 has been able to claim an exemption under section 388(3) of the Hong Kong Companies Ordinance Cap. 622 since it is a wholly-owned subsidiary of CITIC Securities International Company Limited, a Company incorporated in Hong Kong.

Directors' interests in the shares, underlying shares and debentures of the Company or any specified undertaking of the Company

At no time during the year was the Company, its holding company or fellow subsidiaries a party to any arrangement to enable the Company's directors to hold any interests in shares or debentures of the Company or any other body corporate.

Directors' interests in transactions, arrangements and contracts

No transactions, arrangements or contracts of significance to which the Company or any of its holding company or fellow subsidiaries was a party, and in which a director of the Company or entities connected with the directors had a material interest, subsisted at the end of the year or at any time during the year.

Management contracts

During the year, the Company paid a management and administrative support service fee of HK\$6,194,446 (2022: HK\$6,193,199) to its immediate holding company and HK\$134,048,691 (2022: HK\$91,390,662) to its fellow subsidiaries which provide office premises, centralised management and administrative support services to the Company.

Permitted indemnity provisions

A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the directors of the Company is currently in force and was in force throughout the year. The Company has also maintained for the directors insurance against certain liabilities in relation to the Company and its associates. The coverage and the sum insured under the policy are reviewed annually.

Auditors

KPMG were first appointed as auditors of the Company in 2023 upon the retirement of PricewaterhouseCoopers.

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

Mr. FAN Ping Lun Alan
Director

29 April 2024



Independent auditor's report to the member of
CITIC Securities Brokerage (HK) Limited
(incorporated in Hong Kong with limited liability)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of CITIC Securities Brokerage (HK) Limited ("the Company") set out on pages 8 to 56, which comprise the statement of financial position as at 31 December 2023, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and notes, comprising material accounting policy information and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAAs") and with reference to Practice Note 820 (Revised), *"The Audit of Licensed Corporations and Associated Entities of Intermediaries"* issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the audit of the financial statements* section of our report.

We are independent of the Company in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Independent auditor's report to the member of
CITIC Securities Brokerage (HK) Limited (continued)
(incorporated in Hong Kong with limited liability)

Report on the audit of the financial statements (continued)

Information other than the financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the report of the directors, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of directors for the financial statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

In addition, the directors are required to ensure that the financial statements are in accordance with the records kept under the Securities and Futures (Keeping of Records) Rules and satisfy the requirements of the Securities and Futures (Accounts and Audit) Rules.



Independent auditor's report to the member of CITIC Securities Brokerage (HK) Limited (continued) *(incorporated in Hong Kong with limited liability)*

Report on the audit of the financial statements (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. The report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and to report to you on the other matters set out in the preceding paragraph, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. In addition, we are required to obtain reasonable assurance about whether the financial statements are in accordance with the records kept under the Securities and Futures (Keeping of Records) Rules and satisfy the requirements of the Securities and Futures (Accounts and Audit) Rules.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



Independent auditor's report to the member of
CITIC Securities Brokerage (HK) Limited (continued)
(incorporated in Hong Kong with limited liability)

Report on the audit of the financial statements (continued)

Auditor's Responsibilities for the audit of the financial statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on matters under the Securities and Futures (Keeping of Records) Rules and Securities and Futures (Accounts and Audit) Rules of the Securities and Futures Ordinance

In our opinion, the financial statements are in accordance with the records kept under the Securities and Futures (Keeping of Records) Rules and satisfy the requirements of the Securities and Futures (Accounts and Audit) Rules.

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

29 April 2024

Statement of profit or loss and other comprehensive income for the year ended 31 December 2023

	Notes	2023 HK\$	2022 HK\$
Revenue			
Commission and fee income	4	190,315,541	251,747,061
Interest income	5	720,494,546	388,921,598
Other gains/(losses)	6	68,204,897	(5,671,840)
		979,014,984	634,996,819
Employee benefits expenses	8	(143,284,453)	(128,444,044)
Commission expenses		(62,879,311)	(61,857,161)
Expenses on client referral and account servicing		(9,259,500)	-
Expense relating to short-term leases	13	(36,000)	(36,000)
Handling and settlement expenses		(28,443,700)	(27,531,640)
Interest expenses on client accounts		(5,261,127)	(7,241,922)
Management and administrative support service fee paid to group companies		(140,243,137)	(97,583,861)
Other operating expenses	7	(97,516,824)	(88,233,211)
Finance costs	10	(100,806,108)	(30,093,907)
(Impairment losses)/reversal of impairment losses on accounts receivable		(567,370)	46,025
		(588,297,530)	(440,975,721)
Profit before taxation		390,717,454	194,021,098
Income tax	11	(9,391,990)	(15,452,096)
Profit and total comprehensive income for the year		381,325,464	178,569,002

The notes on pages 14 to 56 form part of these financial statements.

Statement of financial position as at 31 December 2023

	Notes	2023 HK\$	2022 HK\$
Non-current assets			
Property, plant and equipment	12	25,923,590	13,887,696
Right-of-use assets	13	27,685,036	38,108,931
Intangible assets	14	3	3
Other assets	15	2,370,549	2,373,931
		55,979,178	54,370,561
Current assets			
Accounts receivable arising from dealing and broking	16	6,683,003,768	7,148,446,770
Financial assets measured at fair value through profit or loss	17	87,909	86,017
Prepayments, deposits and other receivables	19	58,058,829	47,486,659
Other assets	15	62,904,292	108,677,392
Amounts due from fellow subsidiaries	20	437,036	585,572
Cash held on behalf of customers	21	5,415,906,106	7,560,098,048
Cash and cash equivalents	22	1,014,978,285	553,368,496
Tax recoverable		7,811,510	5,045,113
		13,243,187,735	15,423,794,067
Current liabilities			
Accounts payable arising from dealing and broking	23	6,287,683,262	8,822,901,641
Financial liabilities measured at fair value through profit or loss	17	128	245,039
Amounts due to fellow subsidiaries	20	1,660,033,372	689,520,856
Amounts due to the immediate holding company	20	9,050,354	8,294,135
Cash collateral received for securities lending		601,275,794	-
Other payables and accruals	24	79,201,666	69,150,657
Interest-bearing bank borrowings	25	3,001,696	602,000,000
Lease liabilities	13	23,507,585	19,276,497
Subordinated loans	26	-	1,000,000,000
		8,663,753,857	11,211,388,825
Net current assets		4,579,433,878	4,212,405,242
Total assets less current liabilities		4,635,413,056	4,266,775,803

Statement of financial position as at 31 December 2023 (continued)

	Notes	2023 HK\$	2022 HK\$
Non-current liabilities			
Other payables and accruals	24	8,987,777	9,624,879
Deferred tax liabilities	28	3,477,610	1,722,121
Lease liabilities	13	4,194,524	18,001,122
		16,659,911	29,348,122
NET ASSETS		4,618,753,145	4,237,427,681
EQUITY			
Share capital	27	2,150,000,000	2,150,000,000
Retained earnings		2,468,753,145	2,087,427,681
TOTAL EQUITY		4,618,753,145	4,237,427,681

Approved and authorised for issue by the board of directors on 29 April 2024

Mr. FAN Ping Lun Alan
Director

Mr. CHENG Yiu Wa
Director

The notes on pages 14 to 56 form part of these financial statements.

Statement of changes in equity for the year ended 31 December 2023

	<i>Share capital</i> HK\$	<i>Retained earnings</i> HK\$	<i>Total equity</i> HK\$
At 1 January 2022	2,150,000,000	1,908,858,679	4,058,858,679
Changes in equity for 2022: Profit and total comprehensive income for the year	-	178,569,002	178,569,002
At 31 December 2022 and at 1 January 2023	2,150,000,000	2,087,427,681	4,237,427,681
Changes in equity for 2023: Profit and total comprehensive income for the year	-	381,325,464	381,325,464
At 31 December 2023	2,150,000,000	2,468,753,145	4,618,753,145

The notes on pages 14 to 56 form part of these financial statements.

Statement of cash flows for the year ended 31 December 2023

	Notes	2023 HK\$	2022 HK\$
Cash flows from operating activities			
Profit before taxation		390,717,454	194,021,098
Adjustments for:			
Depreciation			
- Property, plant and equipment	12	7,768,753	5,172,489
- Right-of-use assets	13	24,709,835	22,198,334
Interest income	5	(720,494,546)	(388,921,598)
Finance costs	10	100,806,108	30,093,907
Impairment losses/(reversal of impairment losses) on accounts receivable		567,370	(46,025)
Fair value (gains)/losses on financial assets and financial liabilities measured at fair value through profit or loss	6	(215,743)	205,782
Foreign exchange (gains)/losses		(23,466,238)	31,599,802
		(219,607,007)	(105,676,211)
Decrease/(increase) in other assets		45,734,329	(24,931,073)
Decrease in accounts receivable arising from dealing and broking		460,500,774	1,305,391,398
Increase in financial assets and financial liabilities measured at fair value through profit or loss		(31,060)	(41,975)
Decrease in prepayments, deposits and other receivables		30,541,177	6,422,234
Decrease in amounts due from fellow subsidiaries		148,536	1,411,240
Decrease in cash held on behalf of customers		2,144,265,962	1,965,394,314
Decrease in accounts payable arising from dealing and broking		(2,536,360,295)	(939,914,239)
Increase/(decrease) in amounts due to fellow subsidiaries		992,246,088	(2,837,365,240)
Increase in amount due to the immediate holding company		756,219	8,294,135
Decrease in amount due to an intermediate holding company		-	(818,636)
Increase in cash collateral received for securities lending		601,275,794	-
Increase in other payables and accruals		11,267,429	9,961,128
		1,530,737,946	(611,872,925)
Cash flows from/(used in) operations		1,530,737,946	(611,872,925)
Interest received		679,375,320	359,013,451
Interest paid		(100,804,412)	(29,962,478)
Income tax paid		(10,402,898)	(32,540,179)
		2,098,905,956	(315,362,131)
Net cash flows from/(used in) operating activities		2,098,905,956	(315,362,131)

Statement of cash flows (continued) for the year ended 31 December 2023

	Notes	2023 HK\$	2022 HK\$
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(19,804,647)	(7,053,368)
Net cash flows used in investing activities		(19,804,647)	(7,053,368)
Cash flows from financing activities			
(Repayment of)/proceeds from interest-bearing bank borrowings	30	(599,000,000)	599,000,000
Repayment of subordinated loans	30	(1,000,000,000)	-
Lease payments			
- Capital elements	30	(23,293,949)	(19,224,708)
- Interest elements	30	(1,107,303)	(999,890)
Net cash flows (used in)/from financing activities		(1,623,401,252)	578,775,402
Net increase in cash and cash equivalents		455,700,057	256,359,903
Cash and cash equivalents at beginning of year		553,368,496	320,393,703
Effect of changes in foreign exchange rates		5,909,732	(23,385,110)
Cash and cash equivalents at end of year	22	1,014,978,285	553,368,496

The notes on pages 14 to 56 form part of these financial statements.

Notes to financial statements

1. General information

CITIC Securities Brokerage (HK) Limited (the “Company”) is a limited liability company incorporated in Hong Kong. The registered office is located at 26/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong.

The Company is licensed under the Securities and Futures Ordinance to carry out business of dealing in securities (Type 1) and advising on securities (Type 4). During the year, the Company was principally engaged in the businesses of provision of securities and insurance brokerage and margin financing services to clients.

Since May 2022, the Company obtained Insurance Broker Company License from the Insurance Authority in Hong Kong. As at 31 December 2023, there was nil aggregate balance of cash held in client account and insurance premium payable, respectively.

On 31 August 2022, the Company’s immediate holding company changed from CLSA B.V., a company incorporated in the Netherlands, to CITIC Securities International Company Limited (“CSI”) which is incorporated in Hong Kong. The parent company of CSI is CITIC Securities Company Limited (“CS”), which is incorporated in the People’s Republic of China and is listed on the Shanghai Stock Exchange (Stock code: 600030) and the Hong Kong Stock Exchange (Stock code: 6030).

On 13 April 2022, CS received a notification from CITIC Corporation Limited, CS’s largest shareholder, that the operating performance and financial position of CS were consolidated into the financial statements of CITIC Corporation Limited as from the date. CITIC Limited and CITIC Corporation Limited held 2.93% and 15.52% equity interests of CS respectively. CITIC Limited is acting in concert with CITIC Corporation Limited and together have a shareholding of 18.45% of the total issued shares of CS.

2. Material accounting policies

2.1 Statement of compliance and basis of preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the requirements of the Hong Kong Companies Ordinance. Material accounting policies adopted by the Company are disclosed below.

2. Material accounting policies (continued)

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Company. Note 2.1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Company for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following:

- Certain financial assets and liabilities (including derivative instruments) – measured at fair value (Note 2.5);
- Defined benefits pension plans – plan asset measured at fair value (Note 2.16)

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3 to the financial statements.

(c) Updates in accounting policies

(i) New and amended HKFRSs

The HKICPA has issued a new HKFRS and a number of amendments to HKFRSs that are first effective for the accounting period. None of these developments are relevant to the Company except for below:

- Amendments to HKAS12, *Income taxes: International tax reform – Pillar Two model rules*

2. Material accounting policies (continued)

The amendments introduce a temporary mandatory exception from deferred tax accounting for the income tax arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (“OECD”) (income tax arising from such tax laws is hereafter referred to as “Pillar Two income taxes”), including tax laws that implement qualified domestic minimum top-up taxes described in those rules. The amendments also introduce disclosure requirements about such tax including the estimated tax exposure to Pillar Two income taxes. The amendments are immediately effective upon issuance and require retrospective application.

The Company has not applied any new standard or interpretation that is not yet effective for the current accounting period.

- (ii) New HKICPA guidance on the accounting implications of the abolish of the MPF-LSP offsetting mechanism

In June 2022 the Hong Kong SAR Government (the “Government”) gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “Amendment Ordinance”), which will come into effect from 1 May 2025 (the “Transition Date”). Once the Amendment Ordinance takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory contributions to mandatory provident fund (“MPF”) scheme to reduce the long service payment (“LSP”) in respect of an employee’s service from the Transition Date (the abolition of the “offsetting mechanism”). In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee’s monthly salary immediately before the Transition Date and the years of service up to that date.

The Company has determined that the Amendment Ordinance has no material impact in regard to the Company’s LSP liability.

2.2 Related parties

- (a) A person, or a close member of that person’s family, is related to the Company if that person:
 - (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Company or the Company’s parent.
- (b) An entity is related to the Company if any of the following conditions applies:
 - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.

2. Material accounting policies (continued)

- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (vii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2.3 Property, plant and equipment and depreciation

Property, plant and equipment, comprising leasehold improvements, computer equipment, office equipment, furniture and fixtures are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the statement of profit or loss and other comprehensive income during the financial year in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Leasehold improvements	Rate is chosen to fully depreciate the leasehold improvements by end of lease
Computer equipment	3 - 5 years
Office equipment	5 years
Furniture and fixtures	5 years

Depreciation method, residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of profit or loss and other comprehensive income.

2. Material accounting policies (continued)

2.4 Impairment of non-financial assets

Non-financial assets that have an indefinite useful life are not subject to amortisation, and are tested annually for impairment. Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of impairment at each reporting date.

2.5 Financial assets and liabilities

Initial recognition and measurement

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Company commits to purchase or sell the asset. At initial recognition, the Company measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not measured at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss ("ECL") allowance is recognised for financial assets measured at amortised cost, which result in an accounting loss being recognised in profit or loss when an asset is newly originated.

Financial assets

Classification and subsequent measurement

The Company classified financial assets on the basis of the Company's business model for managing the asset and the cash flow characteristics of the assets:

- (i) Amortised cost; and
- (ii) Fair value through profit or loss ("FVTPL").

The classification requirements for debt and equity instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability, e.g. bank loans.

Based on the Company's business model for managing the assets and the cash flow characteristic of the asset, the Company classifies its debt instruments into one of the following two measurement categories:

2. Material accounting policies (continued)

Amortised cost: Assets that are held for collection of contractual cash flows were those cash flows represents solely payment of principal and interest (“SPPI”), and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by an ECL allowance recognised and measured as described in Note 34 to the financial statements.

FVTPL: Assets that do not meet the criteria for amortised cost are measured at fair value through profit or loss. A gain or loss on debt instrument that is subsequently measured at fair value through profit or loss and is not part of a hedging relation is recognized in profit or loss and presented within net trading income in the period in which it arises. Interest income from these financial assets calculated based on coupon rates is presented within “other gains/(losses)”.

The business model reflects how the Company manages the assets in order to generate cash flows. That is, whether either Company’s objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of other business model and measured at FVTPL. Factors considered by the Company in determining the business model for a company of assets include past experience on how the cash flows for these assets were collected, how the asset’s performance is evaluated and reported to key management personnel, how risks are assessed and managed and how manager are compensated.

Where the business model is to hold assets to collect contractual cash flow or to collect contractual cash flow and sell, the Company assesses whether the financial instruments’ cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial assets is classified and measured at fair value through profit or loss.

The Company reclassifies debt instruments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be infrequent and none occurred during the period. Gains and losses on debt instruments at fair value through profit or loss are recognised in profit or loss and presented in “other gains/(losses)”.

Equity instruments

Equity instrument are instruments that meet the definition of equity from the issuer’s perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer’s net assets. Examples of equity instruments include basic ordinary shares.

2. Material accounting policies (continued)

The Company subsequently measures all equity investments at fair value through profit or loss, except where the Company's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Company's policy is to designate an equity investment as FVOCI when those investments are held for purposes other than to generate investment returns. Dividends, when representing a return on such investments, continue to be recognized in profit or loss when the Company's right to receive payment is established.

Gains and losses on equity investment at fair value through profit or loss are recognised in profit or loss and presented in "other gains/(losses)".

Impairment

The Company assess on a forward looking basis the expected credit losses ("ECL") associated with its debt instrument assets carried at amortized cost and with the exposure arising from loan commitments. The Company recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current condition and forecasts of future economic conditions.

Note 34(i) to the financial statements provides more detail of how the expected credit loss allowance is measured.

Financial liabilities

Classification and subsequent measurement

Financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities measured at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attribute to change in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially in profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss; or

2. Material accounting policies (continued)

- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition or when the continuing involvement approach applies. When the transfer of financial assets did not qualify for derecognition, a financial liability is recognised for the consideration received for the transfer. In subsequent period, the Company recognises any expense incurred on the financial liability; when continuing involvement approach applies

The Company's financial liabilities mainly include accounts payable arising from dealing and broking, other payables, amounts due to related companies, interest-bearing bank borrowings, lease liabilities, subordinated loans and cash collateral received for securities lending.

2.6 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.7 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 - based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

2. Material accounting policies (continued)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.8 Cash and cash equivalents

In the statement of cash flows, cash and cash equivalent include deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, short-term borrowings including bank overdrafts which are subject to an insignificant risk of changes in value. In the statement of financial position, bank overdrafts are shown within bank borrowings in current liabilities.

2.9 Cash collateral received for securities lending

Cash collateral received in respect of securities lent is included in current liabilities. The securities lent are treated as off balance sheet items. Income or expenses are recognised as interest over the life of the transactions.

2.10 Accounts receivable and other receivables

A receivable is recognised when the Company has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Company has an unconditional right to receive consideration, the amount is presented as a contract asset.

Accounts receivable and other receivables that do not contain a significant financing component are initially measured at their transaction price. Accounts receivable and other receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost, using the effective interest method and including an allowance for credit losses as determined below:

The loss allowance is measured at an amount equal to lifetime expected credit losses (ECLs), which are those losses that are expected to occur over the expected life of the trade receivables. The loss allowance is estimated using a provision matrix based on the company's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

ECLs are remeasured at each reporting date with any changes recognised as an impairment gain or loss in profit or loss. The Company recognises an impairment gain or loss with a corresponding adjustment to the carrying amount of trade and other receivables through a loss allowance account.

2. Material accounting policies (continued)

2.11 Accounts payable and other payables

Accounts payable and other payables are initially recognised at fair value. Subsequent to initial recognition, accounts payable and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

2.12 Provisions

Provisions for legal claims are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.13 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. It is recognised in the statement of profit or loss and other comprehensive income, except to the extent that it relates to items recognised directly in equity.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised, using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2. Material accounting policies (continued)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.14 Revenue and other income

Revenue is recognised in the statement of profit or loss and other comprehensive income. Income is classified by the Company as revenue when it arises from the provision of services in the ordinary course of the Company's business. Further details of the Company's revenue and other income recognition are as follows:

- (a) commission income for dealing and broking business is recognised when the underlying transaction is executed;
- (b) commission income from underwriting and placing of securities within the scope of HKFRS 15 generally consists of one performance obligation and recognised at a point in time when the underwriting and placing arrangements are completed;
- (c) interest income from financial assets measured at amortised costs is calculated using amortised cost and effective interest rate;
- (d) handling income, trade processing fees and other services income are recognised when the services have been rendered; and
- (e) trailer fee income is recognised when the relevant services have been rendered.

2.15 Cash held on behalf of customers

The Company maintains segregated accounts with banks and authorized institutions to hold clients' monies arising from its normal course of business. The Company classifies the clients' monies as cash held on behalf of customers within current assets and with corresponding accounts payable to respective clients within current liabilities on the grounds that the Company is liable to the clients. Cash held on behalf of clients is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

2.16 Employee benefits

(a) Bonus plans

The Company recognises a liability and an expense for bonuses based on a formula that takes into consideration the operating profits of the group of the Company after certain adjustments and any further amounts agreed by the Management.

Deferred bonus expense has been recognised for the period of service the staff rendered in the current year over the vesting period of each committed bonus pool. The deferred cash discretionary bonus is subject to various vesting conditions, including vesting periods of at least 3 years generally.

2. Material accounting policies (continued)

(b) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the reporting date.

(c) Pension obligations

The Company operates pension scheme which is generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations.

The Company has defined contribution plans. A defined contribution plan is a pension plan under which the Company pays contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

2.17 Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation when items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates are generally recognised in profit or loss, except when deferred in equity as qualifying cash flow hedges.

All foreign exchange gains and losses are presented in the statement of profit or loss and other comprehensive income on a net basis within other gains/(losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

2.18 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Company is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

2. Material accounting policies (continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Company under residual value guarantees
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

2. Material accounting policies (continued)

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs
- restoration costs

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

3. Critical accounting judgements and estimates

The preparation of the Company's financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Expected credit losses for margin financing

The loss allowances for margin financing were based on assumptions about risk of default and expected loss rates. Based on historical data, the Company applied judgements for the purpose of ECL measurement, including determining criteria for significant increase of credit risk, choosing appropriate models and assumptions, as well as projection of macroeconomic variables for forward-looking scenarios. Details of the key assumptions and inputs used are disclosed in the table in Note 34(i) to the financial statements.

4. Commission and fee income

	2023 HK\$	2022 HK\$
<u>Revenue from contracts with customers within the scope of HKFRS15</u>		
Brokerage commission from securities dealing on		
- The Stock Exchange of Hong Kong Limited ("SEHK")	125,289,026	163,599,726
- Overseas exchanges	25,153,625	27,823,395
Income from client referral and accounts servicing	3,901,854	17,588,580
Securities handling fee income	25,576,904	31,586,142
Commission from share placements and IPO	1,750,935	3,636,292
Commission income from stock option trades	1,506,304	3,458,255
Trailer fee income on fund distribution	2,956,315	3,659,352
Research fee income	288,473	395,319
Insurance brokerage commission income	764,663	-
Insurance referral fee income	3,127,442	-
	<u>190,315,541</u>	<u>251,747,061</u>
Total commission and fee income	190,315,541	251,747,061

5. Interest income

	2023 HK\$	2022 HK\$
Interest income arising from provision of securities margin and IPO financing	382,133,138	256,335,334
Interest income on bank balances and advances	337,602,817	132,586,264
Interest income arising from securities lending	758,591	-
	<u>720,494,546</u>	<u>388,921,598</u>
Total interest income	720,494,546	388,921,598

Notes: Total interest income has been calculated using effective interest method.

6. Other gains/(losses)

	2023 HK\$	2022 HK\$
Foreign exchange losses, net	(3,421,516)	(32,207,393)
Financial assets and financial liabilities measured at fair value through profit or loss		
- Unrealised gains/(losses), net	215,743	(205,782)
- Realised gains, net	71,269,276	26,715,524
Others	141,394	25,811
	<u>68,204,897</u>	<u>(5,671,840)</u>
Total other gains/(losses)	68,204,897	(5,671,840)

7. Other operating expenses

	2023 HK\$	2022 HK\$
Auditors' remuneration	680,128	937,139
Bank charges	1,391,184	974,893
Depreciation on property, plant and equipment (Note 12)	7,768,753	5,172,489
Depreciation on right-of-use assets (Note 13)	24,709,835	22,198,334
Information data expenses	12,730,101	11,627,383
Legal and professional fees	1,102,772	2,009,126
Office expenditure	8,713,821	7,790,714
Software and hardware maintenance	16,710,793	17,335,432
Stock exchange system costs	7,137,392	5,598,403
Telecommunications and internet expenses	6,029,777	5,046,661
Tax surcharge	1,066,967	-
Other expenses	9,475,301	9,542,637
	<u>97,516,824</u>	<u>88,233,211</u>

8. Employee benefits expenses

	2023 HK\$	2022 HK\$
Salaries	75,676,376	69,844,909
Bonus expenses	49,980,328	42,245,971
Pension costs - defined contribution plans	3,849,988	3,364,241
Medical insurance	4,268,019	3,623,445
Redundancy	-	436,000
Temporary staff	7,026,921	3,466,656
Others	2,482,821	5,462,822
	<u>143,284,453</u>	<u>128,444,044</u>

9. Directors' remuneration

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2023 HK\$	2022 HK\$
Directors' fee	-	-
Other emoluments:		
- Salaries, bonuses, allowance and other non-cash benefits	3,596,698	3,665,258
- Pension scheme contributions	90,014	90,065
- Other long-term benefits	277,903	105,251
	<u>3,964,615</u>	<u>3,860,574</u>

In addition to the directors' remuneration disclosed above, certain directors are not paid directly by the Company but receive remuneration from the Company's related companies, in respect of their services to the larger group which includes the Company and its subsidiaries. No apportionment has been made as the qualifying services provided by these directors to the Company and its subsidiaries are incidental to their responsibilities to the larger group.

During the year ended 31 December 2023, there were no loans, quasi-loans and other dealings entered into by the Company or subsidiary undertaking of the Company in favour of directors of the Company and of the holding company of the Company, controlled bodies corporate by and connected entities with such directors (2022: Nil).

During the year ended 31 December 2023, no significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period (2022: Nil).

10. Finance costs

	2023 HK\$	2022 HK\$
Interest expenses on		
- Bank loans and overdrafts	16,461,692	12,973,320
- Loans from fellow subsidiaries	76,676,392	16,120,697
- Lease liabilities (Note 13(ii))	1,107,303	999,890
- Interest expense arising from securities lending	6,560,721	-
	<u>100,806,108</u>	<u>30,093,907</u>

11. Income tax

The amount of tax expense charged to the statement of profit or loss and other comprehensive income represents:

	2023 HK\$	2022 HK\$
Current tax on profits for the year	7,392,940	14,954,887
Current tax of prior years	243,561	289,276
Deferred tax (Note 28)	1,755,489	207,933
	<u>9,391,990</u>	<u>15,452,096</u>
Tax charge for the year	<u>9,391,990</u>	<u>15,452,096</u>

The provision for Hong Kong Profits Tax for 2023 is calculated at 16.5% (2022: 16.5%) of the estimated assessable profits arising in Hong Kong for the year.

A reconciliation of the tax expense applicable to profit before tax at the statutory rate to the tax expense at the effective tax rate is as follows:

	2023 HK\$	2022 HK\$
Profit before taxation	<u>390,717,454</u>	<u>194,021,098</u>
Tax at the statutory tax rate of 16.5% (2022: 16.5%)	64,468,379	32,013,481
Income not subject to tax	(56,285,218)	(21,714,237)
Statutory stepped income exemption	(165,000)	(165,000)
Expenses not deductible for tax	1,044,797	5,028,576
Current tax of prior years	243,561	289,276
Deferred tax of prior years	85,471	-
	<u>9,391,990</u>	<u>15,452,096</u>
Tax charge at the effective rate of 2.4% (2022: 8.0%)	<u>9,391,990</u>	<u>15,452,096</u>

12. Property, plant and equipment

	<i>Leasehold improvements</i> HK\$	<i>Computer equipment</i> HK\$	<i>Office equipment, furniture and fixtures</i> HK\$	<i>Total</i> HK\$
31 December 2023				
At 31 December 2022 and at 1 January 2023				
Cost	4,075,516	25,525,524	530,602	30,131,642
Accumulated depreciation	<u>(3,030,046)</u>	<u>(13,079,239)</u>	<u>(134,661)</u>	<u>(16,243,946)</u>
At 1 January 2023, net carrying amount	1,045,470	12,446,285	395,941	13,887,696
Additions	2,996,846	15,943,840	863,961	19,804,647
Depreciation provided during the year (Note 7)	<u>(1,090,826)</u>	<u>(6,485,300)</u>	<u>(192,627)</u>	<u>(7,768,753)</u>
At 31 December 2023, net carrying amount	<u>2,951,490</u>	<u>21,904,825</u>	<u>1,067,275</u>	<u>25,923,590</u>
At 31 December 2023				
Cost	7,072,362	41,469,364	1,394,563	49,936,289
Accumulated depreciation	<u>(4,120,872)</u>	<u>(19,564,539)</u>	<u>(327,288)</u>	<u>(24,012,699)</u>
Net carrying amount	<u>2,951,490</u>	<u>21,904,825</u>	<u>1,067,275</u>	<u>25,923,590</u>
	<i>Leasehold improvements</i> HK\$	<i>Computer equipment</i> HK\$	<i>Office equipment, furniture and fixtures</i> HK\$	<i>Total</i> HK\$
31 December 2022				
At 31 December 2021 and at 1 January 2022				
Cost	3,600,996	19,197,229	280,049	23,078,274
Accumulated depreciation	<u>(2,446,131)</u>	<u>(8,565,854)</u>	<u>(59,472)</u>	<u>(11,071,457)</u>
At 1 January 2022, net carrying amount	1,154,865	10,631,375	220,577	12,006,817
Additions	474,520	6,328,295	250,553	7,053,368
Depreciation provided during the year (Note 7)	<u>(583,915)</u>	<u>(4,513,385)</u>	<u>(75,189)</u>	<u>(5,172,489)</u>
At 31 December 2022, net carrying amount	<u>1,045,470</u>	<u>12,446,285</u>	<u>395,941</u>	<u>13,887,696</u>
At 31 December 2022				
Cost	4,075,516	25,525,524	530,602	30,131,642
Accumulated depreciation	<u>(3,030,046)</u>	<u>(13,079,239)</u>	<u>(134,661)</u>	<u>(16,243,946)</u>
Net carrying amount	<u>1,045,470</u>	<u>12,446,285</u>	<u>395,941</u>	<u>13,887,696</u>

13. Leases

(i) Amounts recognised in statement of financial position

The balance sheet shows the following amounts relating to leases:

	2023 HK\$	2022 HK\$
Right-of-use assets		
Buildings	<u>27,685,036</u>	<u>38,108,931</u>
Lease liabilities		
Current	23,507,585	19,276,497
Non-current	<u>4,194,524</u>	<u>18,001,122</u>
	<u>27,702,109</u>	<u>37,277,619</u>

Additions to the right-of-use assets during the 2023 financial year were HK\$14,285,940 (2022: HK\$19,212,279).

(ii) Amounts recognised in the statement of profit or loss and other comprehensive income

The statement of profit or loss and other comprehensive income shows the following amounts relating to leases:

	2023 HK\$	2022 HK\$
Depreciation charge of right-of-use assets - Buildings (Note 7)	24,709,835	22,198,334
Interest expenses (included in finance costs) (Note 10)	1,107,303	999,890
Expense relating to short-term leases	<u>36,000</u>	<u>36,000</u>

The total cash outflow for leases in 2023 was HK\$24,401,252 (2022: HK\$20,224,598).

13. Leases (continued)

(iii) The Company's leasing activities and how these are accounted for

The Company leases various offices and a data centre. Rental contracts are typically made for fixed periods of 1 to 5 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

14. Intangible assets

	<i>Exchange trading rights HK\$</i>
31 December 2023	
Cost	9,230,002
Accumulated amortisation and impairment	(9,229,999)
	3
Net carrying amount at 1 January 2023 and 31 December 2023	3
31 December 2022	
Cost	9,230,002
Accumulated amortisation and impairment	(9,229,999)
	3
Net carrying amount at 1 January 2022 and 31 December 2022	3

15. Other assets

	2023 HK\$	2022 HK\$
<u>Non-current assets</u>		
Deposits with the Stock Exchange of Hong Kong Limited		
- Fidelity Fund and Compensation Fund	300,000	300,000
Statutory deposits with the Securities and Futures Commission	50,000	50,000
Admission fees paid to Hong Kong Securities Clearing Company Limited ("HKSCC")	150,000	150,000
Basic cash contribution to the Guarantee Fund of HKSCC	150,000	150,000
Mainland Security Deposit with HKSCC	220,549	223,931
Deposits with the SEHK Options Clearing House Limited ("SEOCH") - Reserve fund	1,500,000	1,500,000
	2,370,549	2,373,931
	2,370,549	2,373,931
<u>Current assets</u>		
Additional basic and dynamic cash contribution to the Guarantee Fund of HKSCC	41,670,929	83,086,852
Deposits with SEOCH - Additional deposit	966,502	729,456
Mainland Security and Settlement Deposits with HKSCC	17,264,142	21,858,365
Mainland Security and Settlement Deposits with China Securities Depository and Clearing Corporation	3,002,719	3,002,719
	62,904,292	108,677,392
	62,904,292	108,677,392

The carrying amounts of the Company's other assets approximate to their fair values.

16. Accounts receivable arising from dealing and broking

Analysis of accounts receivable

	Notes	2023 HK\$	2022 HK\$
Accounts receivable from			
- Client securities accounts			
- cash accounts	(i)	959,279,519	985,684,332
- margin accounts	(ii)	5,326,302,184	5,529,819,846
- Brokers	(iii)	331,079,557	282,532,424
- Clearing houses	(iv)	125,655,289	409,155,579
		<u>6,742,316,549</u>	<u>7,207,192,181</u>
Less: provision for impairment losses	(v)	<u>(59,312,781)</u>	<u>(58,745,411)</u>
		<u>6,683,003,768</u>	<u>7,148,446,770</u>

Notes:

- (i) Included in accounts receivable from cash clients was HK\$270,661,577 due from fellow subsidiaries (2022: HK\$90,537,375 due from a fellow subsidiary) in the normal course of the Company's business.
- (ii) As at 31 December 2023, the aggregate market value of collateral obtained in respect of receivables from margin accounts is HK\$32,022,024,956 (2022: HK\$25,776,527,392).
- (iii) As at 31 December 2023, accounts receivable from brokers included HK\$29,440,859 (2022: HK\$29,420,709) due from CITIC Securities Company Limited in the normal course of the Company's business.
- Included in accounts receivable from brokers was HK\$34,529,220 due from fellow subsidiaries (2022: HK\$25,549,698).
- (iv) Included in receivable from clearing houses was a net Continuous Net Settlement ("CNS") money obligations receivable of HK\$5,920,592 (2022: HK\$342,599,614) from HKSCC, with legally enforceable right to set-off the corresponding CNS money obligations receivable and payable balances. Details of the offsetting of these balances are set out in Note 31 to the financial statements.
- Included in receivable from clearing houses was HK\$77,951,166 (2022: HK\$12,047,174) due from SEOCH, of which HK\$77,906,514 (2022: HK\$12,018,881) was included in trust accounts maintained on behalf of clients.
- (v) Note 34(i) provides details about the estimations of impairment losses.

17. Financial assets and liabilities measured at fair value through profit or loss

	2023 HK\$	2022 HK\$
Financial assets held for trading, at fair value		
- Listed equity securities	87,909	47,361
- Listed funds	-	38,656
	87,909	86,017
Financial liabilities held for trading, at fair value		
- Derivatives	128	245,039
	128	245,039

18. Fair value and fair value hierarchy

Management has assessed that the fair values of accounts receivable and payable arising from dealing and broking, deposits and other receivables, amounts due from/to fellow subsidiaries and the immediate holding company, cash held on behalf of customers, cash and cash equivalents, other payables, interest-bearing bank borrowings, subordinated loans and cash collateral received for securities lending approximate to their carrying amounts.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Company's financial instruments:

	2023 <i>Fair value measurement using quoted prices in active markets (Level 1)</i> HK\$	2022 <i>Fair value measurement using quoted prices in active markets (Level 1)</i> HK\$
Assets		
Financial assets measured at fair value through profit or loss - Listed equity securities	87,909	47,361
Financial assets measured at fair value through profit or loss - Listed funds	-	38,656
	87,909	86,017
Liabilities		
Financial liabilities measured at fair value through profit or loss - Derivatives	128	245,039
	128	245,039

18. Fair value and fair value hierarchy (continued)

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2022: Nil).

Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market prices used for financial assets/liabilities held by the Company are at bid price for long positions and ask price for short positions.

19. Prepayments, deposits and other receivables

	2023 HK\$	2022 HK\$
Prepayments	6,892,199	7,953,003
Rental, utility, and other deposits	10,047,374	9,624,978
Other receivables (including interest receivables)	41,119,256	29,908,678
	58,058,829	47,486,659

20. Amounts due from/to related companies

Amounts due to fellow subsidiaries include amounts due to a fellow subsidiary which are unsecured, interest-bearing of 0.97% p.a. to 6.73% p.a. (2022: 0.37% p.a. to 5.62% p.a.) and repayable on demand.

Other amounts due from/to related companies are unsecured, interest-free and repayable on demand.

21. Cash held on behalf of customers

The Company maintains trust and segregated accounts with authorized financial institutions to hold clients' deposits arising from normal business transactions. The Company is not allowed to use the clients' monies to settle its own obligations under the Securities and Futures Ordinance (Cap.571).

Included in cash held on behalf of customers was an amount of HK\$810,725,598 (2022: HK\$920,172,345) held with a fellow subsidiary bank.

22. Cash and cash equivalents

Included in cash and cash equivalents was an amount of HK\$63,930,157 (2022: HK\$52,319,227) held with a fellow subsidiary bank.

No bank balances have been pledged as collateral as at 31 December 2023 and 2022.

23. Accounts payable arising from dealing and broking

	Notes	2023 HK\$	2022 HK\$
Accounts payable to			
- Client securities accounts			
- cash accounts	(i)	4,103,567,253	6,632,923,543
- margin accounts		1,574,276,795	1,907,581,787
- Brokers	(ii)	513,299,387	207,002,025
- Clearing house	(iii)	96,539,827	75,394,286
		<u>6,287,683,262</u>	<u>8,822,901,641</u>

Notes:

- (i) As at 31 December 2023, included in accounts payable to cash and margin clients was HK\$182,429,048 (2022: HK\$332,450,177) payable to fellow subsidiaries in the normal course of the Company's business.
- (ii) Included in accounts payable to brokers was HK\$13,163,682 (2022: HK\$4,801,403) payable to fellow subsidiaries in the normal course of the Company's business.
- (iii) Included in payable to clearing house was a net CNS money obligations payable of HK\$96,539,827 (2022: HK\$75,394,286) to HKSCC, with legally enforceable right to set-off the corresponding CNS money obligations receivable and payable balances. Details of the offsetting of these balances are set out in Note 31 to the financial statements.

24. Other payables and accruals

Other payables and accruals were non-interest-bearing and repayable on demand to over a year.

25. Interest-bearing bank borrowings

As at 31 December 2023, the Company maintained aggregate banking facilities of HK\$4,045 million (2022: HK\$4,045 million), of which HK\$560 million (2022: HK\$560 million) was guaranteed by the immediate holding company. Loans drawn under such banking facilities were in general on revolving terms not exceeding three months and interest charge based on market interest rates. As at 31 December 2023, no amounts were drawn from such banking facilities (2022: Nil).

As at 31 December 2023, listed securities and investment fund holdings belonging to margin clients of the Company, with a total market value of HK\$3,651,685,975 (2022: HK\$5,305,434,000), were pledged to banks as collateral for short-term floating rate bank loans of HK\$3,000,000 (2022: HK\$602,000,000) to finance the margin financing businesses.

As at 31 December 2023, bank loans of HK\$3,000,000 (2022: HK\$602,000,000) were denominated in Hong Kong dollars, repayable within one week with interest rate at HIBOR+0.75% to 1.1% p.a. (2022: HIBOR+0.75% to 1.1% p.a.), and not guaranteed by the immediate holding company.

25. Interest-bearing bank borrowings (continued)

Assets of the Company were free from encumbrances or charges as at 31 December 2023 and 2022.

26. Subordinated loans

	2023 HK\$	2022 HK\$
Subordinated loans due to the immediate holding company	-	<u>1,000,000,000</u>

As at 31 December 2023, the Company had subordinated loan facility agreements totalling HK\$3.6 billion (2022: HK\$3.6 billion) from its immediate holding company, with approval of the Securities and Futures Commission ("SFC").

The subordinated loans were ranked lower regarding their status of claim relative to other liabilities of the Company.

Repayment of the subordinated loans was subject to the prior consent of the SFC.

The subordinated loans in 2022 consist of balances of HK\$0.4 billion and HK\$0.6 billion drawn under the loan facilities, pursuant to the written consent from the SFC dated 3 December 2014 and 10 April 2015, respectively. The loans do not have fixed repayment date and are interest-free. On 28 February 2023, both subordinated loans were fully repaid to its immediate holding company.

27. Share capital

	<i>Number of shares</i>	<i>Share capital HK\$</i>
Ordinary shares, issued and fully paid:		
As at 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	<u>650,000,000</u>	<u>2,150,000,000</u>

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meeting of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

28. Deferred tax

	2023 HK\$	2022 HK\$
Deferred tax liabilities to be recovered after more than 12 months	<u>3,477,610</u>	<u>1,722,121</u>

The movement in deferred tax liabilities is as follows:

	2023 HK\$	2022 HK\$
Beginning of the year	1,722,121	1,514,188
Charged to profit or loss (Note 11)	<u>1,755,489</u>	<u>207,933</u>
End of the year	<u>3,477,610</u>	<u>1,722,121</u>

		<i>Depreciation allowances HK\$</i>
<i>Deferred tax liabilities</i>		
At 1 January 2022		1,514,188
Recognised in profit or loss		<u>207,933</u>
At 31 December 2022		<u>1,722,121</u>
At 1 January 2023		1,722,121
Recognised in profit or loss		<u>1,755,489</u>
At 31 December 2023		<u>3,477,610</u>

29. Commitment

The Company entered into cash pooling arrangement with the immediate holding company and affiliates. Certain bank accounts have been designated for the cash pooling and may be liable for overdraft drawn by the immediate holding company and affiliates under the arrangement. As at 31 December 2023, the maximum exposure is the balance maintained in the designated bank account of HK\$610,278,061 (2022: HK\$173,260,494).

At 31 December 2023, the Company entered into securities lending arrangements with a fellow subsidiary under which it has securities and lending commitments. The Company had HK\$601,275,794 (2022: HK\$Nil) cash collaterals received from the fellow subsidiary for their borrowings of equity securities of total market value of HK\$570,729,907 (2022: HK\$Nil).

30. Reconciliation of liabilities arising from financing activities

	Bank borrowings HK\$	Lease liabilities HK\$	Subordinated loans HK\$
At 1 January 2022			
Financing cash flows	(3,000,000)	(40,200,039)	(1,000,000,000)
New leases	(599,000,000)	20,224,598	-
Other changes:	-	(16,302,288)	-
Interest expense	(12,973,320)	(999,890)	-
Interest payments (Presented as operating cash flows)	12,973,320	-	-
At 31 December 2022	(602,000,000)	(37,277,619)	(1,000,000,000)
At 1 January 2023			
Financing cash flows	(602,000,000)	(37,277,619)	(1,000,000,000)
New leases	599,000,000	24,401,252	1,000,000,000
Other changes:	-	(13,718,439)	-
Interest expense	(16,461,692)	(1,107,303)	-
Interest payments (Presented as operating cash flows)	16,459,996	-	-
At 31 December 2023	(3,001,696)	(27,702,109)	-

31. Offsetting financial assets and financial liabilities

The Company currently has a legally enforceable right to set-off the CNS money obligations receivable and payable on the same trading day with HKSCC; and the Company intends to settle on a net basis as accounts receivable from or accounts payable to HKSCC. For the net amount of CNS money obligations receivable or payable on different trading day with HKSCC and Guarantee Fund placed with HKSCC, they do not meet the criteria for offsetting in the financial statements and the Company does not intend to settle the balances on a net basis.

As at 31 December 2023

	Gross amounts of recognised financial assets HK\$	Gross amounts of recognised financial liabilities set off in the statement of financial position HK\$	Net amounts of financial assets presented in the statement of financial position HK\$	Related amounts not set off in the statement of financial position		Net amount HK\$
				Financial instruments HK\$	Cash collateral received HK\$	
CNS money obligation receivable (Note 16(iv))	577,063,112	(571,142,520)	5,920,592	-	-	5,920,592

	Gross amounts of recognised financial liabilities HK\$	Gross amounts of recognised financial assets set off in the statement of financial position HK\$	Net amounts of financial liabilities presented in the statement of financial position HK\$	Related amounts not set off in the statement of financial position		Net amount HK\$
				Financial instruments HK\$	Cash collateral received HK\$	
CNS money obligation payable (Note 23(iii))	(667,682,347)	571,142,520	(96,539,827)	-	23,036,895	(73,502,932)

As at 31 December 2022

	Gross amounts of recognised financial assets HK\$	Gross amounts of recognised financial liabilities set off in the statement of financial position HK\$	Net amounts of financial assets presented in the statement of financial position HK\$	Related amounts not set off in the statement of financial position		Net amount HK\$
				Financial instruments HK\$	Cash collateral received HK\$	
CNS money obligation receivable (Note 16(iv))	1,174,574,560	(831,974,946)	342,599,614	-	-	342,599,614

	Gross amounts of recognised financial liabilities HK\$	Gross amounts of recognised financial assets set off in the statement of financial position HK\$	Net amounts of financial liabilities presented in the statement of financial position HK\$	Related amounts not set off in the statement of financial position		Net amount HK\$
				Financial instruments HK\$	Cash collateral received HK\$	
CNS money obligation payable (Note 23(iii))	(907,369,232)	831,974,946	(75,394,286)	-	52,269,481	(23,124,805)

The “net amounts of financial assets/liabilities reflected in the financial statements”, as set out above, are included in “accounts receivable/payable arising from dealing and broking - clearing houses” in Notes 16(iv) and 23(iii), respectively.

32. Related party transactions

In addition to the transaction disclosed elsewhere in these financial statements, the Company had the following material transactions with related parties during the year:

(a) Income/(expenses) during the year:

	2023 HK\$	2022 HK\$
The immediate holding company		
- Management and administrative support service fee (Note)	(6,194,446)	(6,193,199)
A fellow subsidiary bank		
- Interest income on bank deposits	61,060,697	51,407,411
Other fellow subsidiaries		
- Management and administrative support service fee (Note)	(134,048,691)	(91,390,662)
- Interest expense on client securities account	(30,002)	(28,508)
- Brokerage commission income on trading of securities	13,344,511	20,536,165
- Brokerage commission expense on trading of securities	(972,778)	(1,955,242)
- Securities handling fee income	1,850,165	1,339,515
- Commission from share placements and IPO	380,592	205,507
- Interest expenses paid respect of loans borrowed	(76,676,392)	(16,120,697)
- Interest income received in respect of loans lent	-	3
- Income from client referral and accounts servicing	3,319,706	11,337,008
- Expenses from client referral and accounts servicing	9,259,500	-
- Trailer fee income on fund distribution	203,838	237,791
- Interest expense arising from securities lending	(6,560,721)	-
- Interest income arising from securities lending	758,591	-
- Interest income arising from provision of securities margin and IPO financing	322	-
	322	-

Note:

The management and administrative support service fee paid to the immediate holding company and fellow subsidiaries was attributable to office premises expenses and central management and administrative support services rendered and was, in the opinion of the Company's directors, determined based on the costs incurred by those companies with reference to the activity level of the Company relative to the activity level of the other group companies.

(b) Key management compensation

All members of key management personnel are directors of the Company, and their remuneration is disclosed in Note 9 to the financial statements.

33. Financial instruments by category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

31 December 2023

<i>Financial assets</i>	<i>Financial assets measured at fair value through profit or loss HK\$</i>	<i>Amortised cost HK\$</i>	<i>Total HK\$</i>
Other assets	-	65,274,841	65,274,841
Accounts receivable arising from dealing and broking	-	6,683,003,768	6,683,003,768
Financial assets measured at fair value through profit or loss	87,909	-	87,909
Financial assets included in deposits and other receivables	-	51,166,630	51,166,630
Amounts due from fellow subsidiaries	-	437,036	437,036
Cash held on behalf of customers	-	5,415,906,106	5,415,906,106
Cash and cash equivalents	-	1,014,978,285	1,014,978,285
	<u>87,909</u>	<u>13,230,766,666</u>	<u>13,230,854,575</u>
<i>Financial liabilities</i>	<i>Financial liabilities measured at fair value through profit or loss HK\$</i>	<i>Amortised cost HK\$</i>	<i>Total HK\$</i>
Accounts payable arising from dealing and broking	-	6,287,683,262	6,287,683,262
Financial liabilities measured at fair value through profit or loss	128	-	128
Amounts due to fellow subsidiaries	-	1,660,033,372	1,660,033,372
Amount due to the immediate holding company	-	9,050,354	9,050,354
Other payables and accruals	-	88,191,139	88,191,139
Interest-bearing bank borrowings	-	3,000,000	3,000,000
Lease liabilities	-	27,702,109	27,702,109
Cash collateral received for securities borrowing	-	601,275,794	601,275,794
	<u>128</u>	<u>8,676,936,030</u>	<u>8,676,936,158</u>

34. Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Financial risk management is overseen by the Risk Management Committee ("RC") of CITIC Securities International Company Limited and its subsidiaries ("Group"). The RC comprises Chief Risk Officer, Chief Financial Officer, Group Head of FICC, Group Head of EQD, Deputy Head of Legal and Compliance, Head of Legal, CEO of Institutional Equities and Head of Treasury. Risk management is also in close co-operation with the Group's operating units and other Group committees and issues guidelines and policies for overall financial risk management and risk exposure limits.

(i) Credit risk

The Company is exposed to credit risk, which is the risk that a counterparty is unable to pay amounts in full when due. It arises primarily from its brokerage and share margin lending business.

The Company's policies require the review of individual financial assets that are above materiality thresholds at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed client accounts are determined by an evaluation of the incurred loss at the reporting date on a case-by-case basis, and are applied to all individually significant client accounts. The assessment normally encompasses collateral held and the anticipated receipts for that individual client account.

The Company evaluates the financial instruments at each financial statement date after considering whether a significant increase in credit risk (SICR) has occurred since initial recognition. An ECL allowance for financial instruments is recognized according to the stage of ECL, which reflects the reasonable information and evidence available about the SICR and is also forward-looking.

Quantitative disclosures in respect of the Company's exposure to credit risk arising from its accounts receivable are set out in Note 16 to the financial statements.

The maximum exposure of the Company's financial assets to credit risk, before taking into account the effect of risk mitigation by way of collateral held, is equal to the amounts of the Company's financial assets as disclosed in the Company's statement of financial position.

All the Company's cash and cash equivalents are held in major financial institutions, which management believes are of high credit quality. The Company has policies in place to evaluate credit risk when accepting new business and to monitor its credit exposure to individual customers.

34. Financial risk management (continued)

(a) Measurement of the expected credit loss allowance

ECL measurement

- (i) The Company applies the HKFRS 9 general approach to measure the ECL for amounts receivable arising from margin financing.
- (ii) The Company applies the HKFRS 9 simplified approach to measure ECL, which uses a lifetime expected loss allowance from other amounts receivable arising from dealing and broking.
- (iii) ECL from other financial assets measured at amortised costs are considering using the general approach. Management assessed the overall counterparty credit risk is low with insignificant ECL.

The measurement of the ECL allowances for financial assets are area that require the use of models and assumptions about future economic conditions and credit behaviour of the client (such as the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determine criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and associated ECL.

The Company has applied a 'three-stage' impairment model for ECL measurement based on changes in credit quality since initial recognition of financial assets as summarized below:

- A financial instrument that is not credit-impaired on initial recognition is classified in "Stage 1" and has its credit risk continuously monitored by the Company.
- If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to "Stage 2" but is not yet deemed to be credit-impaired. The Company considers a financial instrument to have experienced a SICR when one or more of the following criteria have been met. For margin financing, the occurrence of fore-warning credit management actions such as margin call measure triggered based on the pre-determined threshold of the relevant loan-to-margin value and loan-to-market value ratio, significant deterioration in the value of the collateral supporting the obligation or in the quality of third party guarantees or credit enhancements which have an effect on the probability of a default occurring.
- If the financial instrument is credit-impaired, the financial instrument is then moved to "Stage 3". The Company defines a financial instrument is credit impaired upon the occurrence of credit events. For margin financing, if it is occurrence of credit management actions such as collateral valuation falling short of the related margin loan amount.

34. Financial risk management (continued)

Inputs, assumptions and estimation techniques

The ECL of different financial portfolios is measured by the Company on either a 12-month or lifetime basis depending on whether they are in Stage 1, 2 or 3 as defined above.

For margin financing, ECL is the discounted product of the Exposure at Default (EAD) and Loss Ratio (LR):

- EAD is based on the amounts the Company expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.
- LR represents the Company's expectation of the likelihood and extent of loss on exposure based on the relevant loan to collateral ratio. The Company uses historical loss rates based on publicly available information and assesses their appropriateness for the purposes of estimating ECL.

A pervasive concept in measuring ECL in accordance with HKFRS9 is that it should consider forward looking information. The Hang Seng Index ("HSI") is considered a key economic factor in determination of forward looking adjustment. Neutral, optimistic and pessimistic scenarios are considered in predicting the HSI movement, based on historical price-earnings ratios and the respective HSI in Bloomberg. A weighing factor is applied based on the number of years HSI stayed in optimistic and pessimistic zones.

Given the characteristics of these exposures and the credit management approach adopted, management considers that the impacts of forward-looking information based on key economic variables will not have any significant impacts to the financial statements.

The Company considers the aforesaid forecasts and assessments to represent its best estimate of possible outcomes. As with any economic forecasts, the above projections and likelihoods of occurrence are subject to a certain level of uncertainties and further enhancement and calibrations.

34. Financial risk management (continued)

The closing loss allowances for accounts receivable arising from dealing and broking reconcile to the opening loss allowances as follows:

31 December 2023	Stage 1 12-month ECL HK\$	Stage 2 Lifetime ECL HK\$	Stage 3 Lifetime ECL HK\$
Opening loss allowance as at 1 January 2023	-	114,521	58,630,890
Reversal of provision	-	(105,771)	-
Provision for the year	-	-	673,141
As at 31 December 2023	-	8,750	59,304,031

31 December 2022	Stage 1 12-month ECL HK\$	Stage 2 Lifetime ECL HK\$	Stage 3 Lifetime ECL HK\$
Opening loss allowance as at 1 January 2022	-	160,546	58,630,890
Reversal of provision	-	(46,025)	-
As at 31 December 2022	-	114,521	58,630,890

Accounts receivable arising from client securities accounts with loss allowance and related collateral held are shown as follow:

31 December 2023	Gross exposure HK\$	Impairment allowance HK\$	Carrying amount HK\$	Fair value of collateral held HK\$
Accounts receivable arising from client securities accounts				
- cash accounts	959,279,519	(46,298,098)	912,981,421	-
- margin accounts	5,326,302,184	(13,014,683)	5,313,287,501	32,022,024,956
	<u>6,285,581,703</u>	<u>(59,312,781)</u>	<u>6,226,268,922</u>	<u>32,022,024,956</u>

31 December 2022	Gross exposure HK\$	Impairment allowance HK\$	Carrying amount HK\$	Fair value of collateral held HK\$
Accounts receivable arising from client securities accounts				
- cash accounts	985,684,332	(46,298,098)	939,386,234	-
- margin accounts	5,529,819,846	(12,447,313)	5,517,372,533	25,776,527,392
	<u>6,515,504,178</u>	<u>(58,745,411)</u>	<u>6,456,758,767</u>	<u>25,776,527,392</u>

34. Financial risk management (continued)

(ii) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its contractual or contingent obligations when they fall due.

The Company is subject to regulatory capital requirements prescribed by the regulatory authorities. The Company has put in place a monitoring system to ensure that it maintains adequate liquid capital to fund its business commitments and to comply with the Securities and Futures (Financial Resources Rules) as enforced by the Securities and Futures Commission.

The Company also maintains stand-by banking facilities to cover contingency in its business operations. The management believes that the Company has sufficient working capital to meet its financial obligations as they fall due.

The following tables show the remaining contractual maturities profile of the Company's financial liabilities as at the end of the reporting period, based on contractual undiscounted cash flows, is as follows:

Year ended 31 December 2023

	<i>On demand</i> HK\$	<i>Less than</i> <i>3 months</i> HK\$	<i>3 to 12 months</i> HK\$	<i>Over</i> <i>1 year</i> HK\$	<i>Total</i> HK\$
Accounts payable arising from the dealing and broking	5,484,322,617	803,360,645	-	-	6,287,683,262
Amounts due to fellow subsidiaries	1,660,033,372	-	-	-	1,660,033,372
Amount due to the immediate holding company	9,050,354	-	-	-	9,050,354
Other payables and accruals	-	10,650,529	68,551,137	8,987,777	88,189,443
Interest-bearing bank borrowings	-	3,001,696	-	-	3,001,696
Lease liabilities	-	6,326,797	17,732,337	4,690,962	28,750,096
Cash collateral received for securities borrowing	601,275,794	-	-	-	601,275,794
	<u>7,754,682,137</u>	<u>823,339,667</u>	<u>86,283,474</u>	<u>13,678,739</u>	<u>8,677,984,017</u>
				<i>Less than</i> <i>3 months</i> HK\$	
Gross-settled derivative financial liabilities					
Contractual amounts receivable					47,683
Contractual amounts payable					<u>(47,811)</u>
					<u>(128)</u>

34. Financial risk management (continued)

Year ended 31 December 2022

	<i>On demand</i> HK\$	<i>Less than</i> <i>3 months</i> HK\$	<i>3 to 12 months</i> HK\$	<i>Over</i> <i>1 year</i> HK\$	<i>Total</i> HK\$
Accounts payable arising from the dealing and broking	7,488,805,419	1,334,096,222	-	-	8,822,901,641
Amounts due to fellow subsidiaries	689,520,856	-	-	-	689,520,856
Amount due to the immediate holding company	8,294,135	-	-	-	8,294,135
Other payables and accruals	-	15,002,214	43,574,226	9,624,879	68,201,319
Interest-bearing bank borrowings	-	602,131,429	-	-	602,131,429
Subordinated loans	-	1,000,000,000	-	-	1,000,000,000
Lease liabilities	-	6,201,494	14,591,148	18,745,397	39,538,039
	<u>8,186,620,410</u>	<u>2,957,431,359</u>	<u>58,165,374</u>	<u>28,370,276</u>	<u>11,230,587,419</u>

Less than
3 months
HK\$

Gross-settled derivative financial liabilities

Contractual amounts receivable

465,000,000

Contractual amounts payable

(465,245,039)

(245,039)

(iii) Market risk

The Company could be exposed to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk mainly arises from open positions in interest rate, foreign currency and equity securities.

The Company's exposures to each major category of market risk and the corresponding risk management approaches are summarised below.

(a) Interest rate risk

The Company has interest earning assets mainly in securities margin loans to clients and bank balances. Interest is earned on such assets based on prevailing market interest rates in Hong Kong.

The Company maintains banking facilities for margin financing and general working capital purposes, and therefore could incur interest bearing liabilities on bank borrowings in which interest is based on market interest rates. During the year, the Company financed its businesses mainly from internal capital and funding resources.

The Company's exposure to interest rate risk mainly arises on accounts receivable - client securities margin accounts, cash held on behalf of customers, cash and cash equivalents and bank borrowings.

34. Financial risk management (continued)

Assuming a parallel shift in market interest rates and without taking into consideration of the management's activities to reduce interest rate risk, the impact of such a shift on pre-tax profit and equity based on an interest rate sensitivity analysis of the Company is as follows:

	2023 HK\$	2022 HK\$
Impact on pre-tax profit		
+100 basis points	117,542,000	130,413,000
- 100 basis points	(117,542,000)	(130,413,000)
Impact on equity		
+100 basis points	108,758,000	121,289,000
- 100 basis points	(108,758,000)	(121,289,000)

In practice, the actual results may differ from the above sensitivity analysis and the difference could be significant.

The Company manages its interest rate risk exposures through actively monitoring its interest bearing financial instruments and the movements in their interest rates. If any excessive exposures to interest rate risk are perceived, the Company would take steps to adjust the relative quantum of its interest-bearing assets and liabilities or taking out suitable hedging arrangement, as appropriate.

(b) Foreign exchange risk

The Company could be exposed to foreign exchange risk, mainly arising from its brokerage activities that give rise to financial assets or liabilities denominated in foreign currencies. The currencies to which the Company had significant exposure at the reporting dates on its monetary financial assets and liabilities included United States dollar and Chinese Renminbi ("RMB"). Since Hong Kong dollar is pegged to the United States dollar, the Company's exposure to foreign currency risk in respect of the accounts receivable, the accounts payable and the bank balances denominated in United States dollars is considered to be minimal.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate on monetary financial assets and liabilities, with all other variable held constant, of the Company's profit before income tax.

34. Financial risk management (continued)

	<i>Assumed change in currency rate</i>	<i>Estimated impact on pre-tax profit HK\$000</i>	<i>Estimated impact on equity HK\$000</i>
2023			
If Hong Kong dollar against RMB	±5%	±(7,118)	±(5,993)
2022			
If Hong Kong dollar against RMB	±5%	±19,004	±15,869

(c) Equity price risk

The Company is exposed to price changes arising from its holdings in financial assets measured at fair value through profit or loss (see Note 17). These holdings are primarily listed securities and listed funds.

Based on the Company's holdings in financial assets measured at fair value through profit or loss as at the end of the reporting period, if the prices of the respective equity investments had been 5% (2022: 5%) higher/lower, with all other variables held constant, the profit before tax for the year would have been increased/decreased by approximately HK\$4,395 (2022: approximately HK\$4,261) as a result of the changes in the fair value of held-for-trading investments. In practice, the actual trading results may differ from the above sensitivity analysis.

The Company is also exposed to equity price risk in relation to its brokerage margin financing business. If the stock price of a margin financing client's portfolio drops below the margin limit and the client fails to meet margin call, the Company might be exposed to the defaulting client's liabilities. The Company will mitigate the amount of potential loss by force selling the defaulting margin client's stocks. The Company will also take legal actions against the defaulting client, if necessary, to recover any remaining outstanding debt.

Exposures to equity price risk is managed by the Company through implementation of a risk management framework and related policies, which imposed various disciplines including limits on the quantum of risk that is permitted to be utilised.

(iv) **Capital management**

The Company considers its share capital and retained profits as its capital. The Company's primary objectives when managing its capital are to safeguard the Company's ability to continue as a going concern, to provide returns for shareholders and benefits for other stakeholders, and to secure access to finance at reasonable cost.

34. Financial risk management (continued)

The Company regularly reviews and manages its capital structure to balance between maximising return on capital with higher borrowing level, and the advantages of a higher capital level. The Company will also adjust the capital level and structure in light of changes in economic conditions and business opportunities. No changes in the objectives, policies or processes for managing capital were made during the years ended 31 December 2023 and 2022.

During the year, the Company had complied in full with all its externally imposed capital requirements ended 31 December 2023 and 31 December 2022.

In accordance with the Securities and Futures (Financial Resources) Rules, the Company is required to maintain liquid capital at a level no less than the higher of the minimum liquid capital requirement (i.e., HK\$3,000,000 (2022: HK\$3,000,000)) and the variable liquid capital requirement (i.e., 5% of the total adjusted liabilities of the Company). Liquid capital is defined as the amount by which liquid assets exceed ranking liabilities as stated in the Securities and Futures (Financial Resources) Rules. The Company monitors liquid capital on daily basis by reviewing the excess of liquid assets over ranking liabilities against its required liquid capital.

The Company is regulated by the Insurance Authority and is required to maintain certain minimum net asset value and paid-up capital according to the section 70(2) of the Hong Kong Insurance Ordinance. Management monitors the Company's net asset value and paid-up capital to ensure the Company meets the minimum requirement of HK\$100,000 in accordance with the Ordinance. These externally imposed capital requirements have been complied with for the years ended 31 December 2023.

35. Subsequent event

Pursuant to an ordinary resolution passed on 5 February 2024, CSI contributed additional capital of HK\$1,017,000,000 to the Company, without increasing the number of shares issued. The purpose of the capital injection was to provide additional working capital for the Company.

36. Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2023

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2023 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Company.

36. Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2023 (continued)

*Effective for
accounting periods
beginning on or after*

Amendments to HKAS 1, <i>Presentation of financial statements: Classification of liabilities as current or non-current</i> (“2020 amendments”)	1 January 2024
Amendments to HKAS 1, <i>Presentation of financial statements: Non-current liabilities with covenants</i> (“2022 amendments”)	1 January 2024
Amendments to HKAS 21, <i>The effects of changes in foreign exchange rates: Lack of exchangeability</i> .	1 January 2024

The Company is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the financial statements.

PARTIES

OUR OFFICE

CITIC Securities Brokerage (HK) Limited

26/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

LIQUIDITY PROVIDER

CITIC Securities Brokerage (HK) Limited

26/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

LEGAL ADVISOR AS TO HONG KONG LAW

King & Wood Mallesons

13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Central, Hong Kong

AUDITOR

KPMG

Certified Public Accountants
8/F, Prince's Building
10 Chater Road
Central, Hong Kong