

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

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Non-collateralised Structured Products

Base Listing Document relating to Structured Products to be issued by

trueFriend Korea Investment
& Securities Asia Ltd.

Korea Investment & Securities Asia 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 (“**CBBCs**”) 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), type 2 (dealing in futures contracts) 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 have no litigation or claims of material importance pending or threatened against us.

Authorisation for the issue of the Structured Products

The issue of the Structured Products was authorised by our board of directors on 31 August 2023.

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 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 <https://kisasiawarrants.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) the consent letter from KPMG (“**Auditor**”) in relation to the inclusion of its auditor’s report in this document;
- (c) the Launch announcement and Supplemental Listing Document as long as the relevant series of Structured Products is listed on the Stock Exchange.

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 <https://kisasiawarrants.com/> 瀏覽。

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

Our Auditor has given and has not withdrawn its written consent to the inclusion of its 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. Its report was not prepared for incorporation into this document.

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

Authorised representatives

JOO Myung and LEUNG Chi Kong of Suites 3716-19, Jardine House, 1 Connaught Place, Central, Hong Kong are our authorised representatives.

How can you get further information about us?

You may visit <https://kisasiawarrants.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 <https://kisasiawarrants.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 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 derivatives 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 <https://kisasiawarrants.com/> to obtain further information on CBBCs or any notice given by us in relation to our CBBCs.

INFORMATION ABOUT US

Place of incorporation

The Issuer is incorporated in Hong Kong with limited liability.

Background

The Issuer is a wholly-owned subsidiary of Korea Investment & Securities Co., Ltd. (“**KIS Korea**”), which is in turn a wholly-owned subsidiary of Korea Investment Holdings Co., Ltd. (Stock Code: 071050.KS, together with its subsidiaries, the “**Group**”).

Business activities of the Issuer

The Issuer is principally engaged in securities brokerage, securities dealing and advisory services to investors (including retail investors), futures contracts dealing services to the professional investors (as defined in SFO), investment and trading supporting services to the immediate holding company and its affiliates and ETF market making activities on the Stock Exchange.

Business activities of the Group

The Group has a diversified business line including securities, asset management, savings bank, credit finance, venture capital, private equity funds and real estate trust. The Group established an integrated risk management system to operate its risk management. Each affiliate of the Group concentrates on strengthening its risk management in the IT sector and protecting financial consumers, including cyber security and personal information.

Members of the Issuer’s board of directors as of 30 April 2024 are:

- JOO, Myung
- CHUN, Sung Woo

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) the 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 or 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 market place 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 Korea Investment Holdings Co., Ltd., a listed company of the Republic of Korea, 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 early such Structured Products. If we terminate early the Structured Products, 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).

Risk relating to 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 our costs of unwinding any related hedging arrangements as determined by us, 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 or liquidation of a fund that issues the underlying units or shares or the appointment of a receiver or administrator or analogous person to the fund, the Structured Products shall lapse and cease to be valid. You will lose all your investment.

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 shares or units 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.

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 of the relevant fund. Neither the trustee (if applicable) nor the manager 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. The manager 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 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 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’s 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 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 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 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.

In addition, under FATCA, “foreign passthru payments” (regardless of whether such payments have any direct connection to Withholdable Payments) made by a foreign financial institution to “recalcitrant account holders” or non-compliant foreign financial institutions are subject to a 30 percent U.S. federal 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).

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 guidance, 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 are subject.

Hong Kong taxation

No tax is payable in Hong Kong by way of withholding or otherwise in respect of:

- (a) dividends of any company which has issued the underlying shares;
- (b) distributions of any fund which has issued the underlying units or shares; or
- (c) any capital gains arising on the sale of the underlying assets or Structured Products,

except that Hong Kong profits tax may be chargeable on any such gains in the case of certain persons carrying on a trade, profession or business in Hong Kong.

You do not need to pay any stamp duty in respect of purely cash settled Structured Products.

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 federal 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 federal 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.

FATCA (Sections 1471 through 1474 of the Code) generally imposes a 30 percent United States federal withholding tax on certain U.S. source 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 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 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.

In addition, under FATCA, “foreign passthru payments” (regardless of whether such payments have any direct connection to Withholdable Payments) made by a foreign financial institution to “recalcitrant account holders” or non-compliant foreign financial institutions are subject to a 30 percent United States federal 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).

However, under the current United States Treasury regulations and related guidance, the FATCA withholding tax on “foreign passthru payments” with respect to the Structured Products does not apply to the Structured Products that are issued on or before (and are not materially modified after) the Grandfather Date (as defined below). For these purposes, the “Grandfather Date” is 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. As of the date of this Base Listing Document, no final regulation defining the term “foreign passthru payment” has 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: (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 30 April 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 September 2023 (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 Korea Investment & Securities Asia 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 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. Prescription

Claims against the Issuer for payment of any amount in respect of the relevant Structured Products will become void unless made within ten years of the Expiry Date or the end of the MCE Valuation Period (as the case may be) and thereafter, any sums payable in respect of such Structured Products shall be forfeited and shall revert to the Issuer.

13. 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.

14. 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.

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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:

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

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

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

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 Product 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:

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

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

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

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; or

- (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:

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

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

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

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:

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

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 fund 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 fund(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:

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

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 Product Condition 4, an Insolvency Event occurs,

- (i) in the case of 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; or

- (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:

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

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 fund or consolidate with or into any other fund 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 fund(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

Our audited financial statements for the year ended 31 December 2023 are set out in this Appendix 4. 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 27 November 2023 for the auditor's report and our audited financial statements for the year ended 31 December 2022.



**Korea Investment and Securities
Asia Limited**

韓國投資證券亞洲有限公司

Reports and financial statements
for the year ended 31 December 2023

Directors' report

The directors present the annual report together with the audited financial statements of Korea Investment and Securities Asia Limited (the "Company") for the year ended 31 December 2023.

Principal activities

The principal activities of the Company are provision of securities and futures dealing services as well as investment advices to clients, provision of investment and trading supporting services to the immediate holding company and its affiliates, issuing derivative warrants and engaging in proprietary investments.

The Company is licensed by the Hong Kong Securities and Futures Commission to perform the following regulated activities:

Type 1: Dealing in securities

Type 2: Dealing in futures contracts

Type 4: Advising on securities

* For Type 2 regulated activity, the Company is subject to licensing condition that it shall only provide services to professional investors. The term "professional investor" is as defined in the Securities and Futures Ordinance and its subsidiary legislation.

Results and appropriation

The results of the Company for the year ended 31 December 2023 are set out in the statement of profit or loss and other comprehensive income on page 10 -11.

The directors do not recommend the payment of a dividend.

Share capital

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

Directors

The directors for the year ended 31 December 2023 and up to the date of this report are:

Joo, Myung (Appointed on 12 January 2024)
Chun, Sung Woo
Lee, Kang Hee (Resigned on 31 January 2024)

There being no provision to the contrary in the Company's Articles of Association, the directors continue in office.

Directors' material interests in transactions, arrangements and contracts that are significant in relation to the Company's business

No transactions, arrangements and contracts of significance in relation to the Company's business to which Company's fellow subsidiaries or its holding companies was a party and in which the directors of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31 December 2023 or at any time during the year.

Directors' interest in the shares and debentures of the Company or any specified undertakings of the Company

At no time for the year ended 31 December 2023 was the Company, its fellow subsidiaries or its holding companies a party to any arrangement to enable the directors of the Company to hold any interests in the shares, or debentures of, the Company or its specified undertakings.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed for the year ended 31 December 2023.

Business Review

Pursuant to Section 388(3)(b) of the Hong Kong Companies Ordinance (Cap. 622), the Company is exempted from the preparation of a business review as required under Schedule 5 of the Hong Kong Companies Ordinance (Cap.622) as the Company is a wholly owned subsidiary of another body corporate in the financial year.

Permitted indemnity provisions

At no time during the financial year and up to the date of this directors' report, there was or is, any permitted indemnity provision being in force for the benefit of any of the directors of the Company.

Auditor

The financial statements have been audited by KPMG who retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditor of the Company is proposed at the Annual General Meeting.

On behalf of the Board



Joo, Myung
Director

Hong Kong, 29 APR 2024



Independent auditor's report to the member of Korea Investment and Securities Asia Limited

(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the financial statements of Korea Investment and Securities Asia Limited ("the Company") set out on pages 7 to 60, 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 to the financial statements, including material accounting policy 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 ("HKSA") 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.

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

The directors are responsible for the other information. The other information comprises all the information included in the annual report, 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.



Independent auditor's report to the member of Korea Investment and Securities Asia Limited (continued)

(Incorporated in Hong Kong with limited liability)

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with the applicable 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 Hong Kong Securities and Futures (Keeping of Records) Rules and satisfy the requirements of the Hong Kong Securities and Futures (Accounts and Audit) Rules.

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. This 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 HKSAAs 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 Hong Kong Securities and Futures (Keeping of Records) Rules and satisfy the requirements of the Hong Kong Securities and Futures (Accounts and Audit) Rules.



**Independent auditor's report to the member of
Korea Investment and Securities Asia Limited (continued)**
(Incorporated in Hong Kong with limited liability)

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

As part of an audit in accordance with HKSAAs, we exercise professional judgement 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.
- 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.



**Independent auditor's report to the member of
Korea Investment and Securities Asia Limited (continued)**

(Incorporated in Hong Kong with limited liability)

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

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

Certified Public Accountants

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

29 APR 2024

Statement of financial position as at 31 December 2023

(Expressed in Hong Kong dollars)

	Notes	2023 HK\$	2022 HK\$
Assets			
Non-current assets			
Property and equipment	4	409,533	818,021
Intangible assets	5	2,618,690	3,492,488
Right-of-use assets	6(a)	4,634,359	9,268,718
Investment in associate	7	118,731,470	95,866,264
Financial assets measured at amortised cost	8	258,527,565	257,191,664
Statutory deposits	9	661,289,314	828,452,333
Deposits and other assets	10	1,479,701	1,529,701
Deferred tax assets	19	683,584	382,201
		<u>1,048,374,216</u>	<u>1,197,001,390</u>
Current assets			
Amounts due from broker	11	184,160	973,604,189
Amount due from immediate holding company	12, 26(a)	6,199,682	839,567
Financial assets measured at amortised cost	8	1,908,243	-
Financial assets at fair value through profit or loss	13	1,220,355,832	1,463,738,649
Deposits and other assets	10	5,900,815	5,741,941
Tax recoverable	19	-	9,805,482
Cash and cash equivalents			
- General accounts	16(a)	2,186,875,932	914,697,565
- Segregated accounts		28,146,965	385,341,575
Trade and other receivables	17	19,871,902	36,792,015
		<u>3,469,443,531</u>	<u>3,790,560,983</u>
Total assets		<u><u>4,517,817,747</u></u>	<u><u>4,987,562,373</u></u>

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

(Expressed in Hong Kong dollars)

	Notes	2023 HK\$	2022 HK\$
Equity			
Equity attributable to the owners of the Company			
Share capital	27	3,700,321,900	3,700,321,900
Retained earnings		299,288,596	83,413,093
Total equity		<u>3,999,610,496</u>	<u>3,783,734,993</u>
Liabilities			
Current liabilities			
Financial liabilities at fair value through profit or loss	13	6,148,199	229,875
Accrued bonus		14,902,529	7,732,057
Accounts payable and accruals		12,813,037	7,059,657
Amount due to broker	11	1	973,436
Lease liabilities	6(b)	4,753,707	4,725,285
Tax payable	19(a)	43,005	-
Trade and other payables	18	479,546,773	1,178,353,363
Total current liabilities		<u>518,207,251</u>	<u>1,199,073,673</u>

Statement of financial position as at 31 December 2023
(continued)
(Expressed in Hong Kong dollars)

	Notes	2023 HK\$	2022 HK\$
Non-current liabilities			
Lease liabilities	6(b)	-	4,753,707
Total non-current liabilities		-	4,753,707
Total liabilities		518,207,251	1,203,827,380
Total equity and liabilities		4,517,817,747	4,987,562,373

Approved by the Board of Directors on 29 APR 2024 and signed on behalf of the Board by



Joo, Myung
Director



Chun, Sung Woo
Director

The notes on pages 15 to 60 form part of these financial statements.

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

(Expressed in Hong Kong dollars)

	Notes	2023 HK\$	2022 HK\$
Income			
Fee income	20, 26(a)	30,021,071	25,547,275
Net gains/(losses) on financial assets and financial liabilities at fair value through profit or loss	21	73,401,690	(6,437,721)
Net gains/(losses) on interest in associates		28,742,915	(2,389,142)
Dividend income		40,965,218	9,333,848
Interest income	22	93,094,540	97,419,959
		266,225,434	123,474,219
Other income			
Other interest income	22	58,062,397	14,531,921
Income from money market funds		4,868,335	-
Exchange (losses)/gains, net		(5,659,286)	(8,725,213)
Other (losses)/income		(3,080)	177
		57,268,366	5,806,885
Net total income		323,493,800	129,281,104
Expenses			
Staff costs	23	54,876,587	43,077,107
Travelling and entertainment		2,990,533	1,950,978
Information and communication costs		15,367,370	14,413,472
Insurance costs		1,037,896	950,048
Depreciation			
- Property and equipment	4	480,256	514,400
- Right-of-use asset	6(a)	4,634,359	4,634,359
Auditor's remuneration			
- Audit fee		1,465,200	926,400
- Other services		330,450	161,636
Transaction fees		2,977,692	2,200,579
Commission and transaction fees related to loans and funds		1,933,547	12,189,672
Other operating expenses		5,649,994	6,389,064
Amortisation expense	5	873,798	873,797
Total expenses		92,617,682	88,281,512
Impairment Losses (released)/charged	8(b)	(778,850)	2,882,994

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

(Expressed in Hong Kong dollars)

	<i>Notes</i>	2023 HK\$	2022 HK\$
Finance costs			
- Interest paid to broker	11	3,329,171	668,720
- Interest expense on lease liabilities		41,499	69,751
- Interest paid for repurchase agreement		11,895,256	1,665,405
- Interest paid for bank borrowing and overdraft		42,581	1,725,275
- Interest paid for stock borrowing		-	112
		<u>15,308,507</u>	<u>4,129,263</u>
Profit before tax		216,346,461	33,987,335
Income tax	24	<u>(470,958)</u>	<u>(2,801,482)</u>
Profit and total comprehensive income for the year		<u>215,875,503</u>	<u>31,185,853</u>

The notes on pages 15 to 60 form part of these financial statements.

Statement of changes in equity for the year ended 31 December 2023

(Expressed in Hong Kong dollars)

	<i>Note</i>	<i>Share capital HK\$</i>	<i>Retained earnings HK\$</i>	<i>Total HK\$</i>
Balance at 1 January 2022		3,700,321,900	52,227,240	3,752,549,140
Total comprehensive income for the year		-	31,185,853	31,185,853
Balance at 31 December 2022 and 1 January 2023		3,700,321,900	83,413,093	3,783,734,993
Total comprehensive income for the year		-	215,875,503	215,875,503
Balance at 31 December 2023		<u>3,700,321,900</u>	<u>299,288,596</u>	<u>3,999,610,496</u>

The notes on pages 15 to 60 form part of these financial statements.

Statement of cash flows for the year ended 31 December 2023

(Expressed in Hong Kong dollars)

	Notes	2023 HK\$	2022 HK\$
Operating activities			
Profit before tax		216,346,461	33,987,335
Adjustments for:			
Depreciation	4, 6(a)	5,114,615	5,148,759
Amortisation expense	5	873,798	873,797
Impairment Losses (released)/charged		(778,850)	2,882,994
Interest income		(151,156,937)	(111,951,880)
Finance costs		15,308,507	4,129,263
Net (gains)/losses on interest in associates		(28,742,915)	2,389,142
Net			
Unrealised loss on financial assets and financial liabilities at fair value through profit or loss		74,495,031	25,652,248
Unrealised loss on foreign exchange		10,148,113	12,829,566
Changes in working capital:			
Increase in financial assets measured at amortised cost		2,541,217	(196,075,738)
Decrease in financial assets at fair value through profit or loss		164,606,502	746,638,902
(Increase)/decrease in due from immediate holding company		(5,360,115)	155,709
Decrease in amount due from a fellow subsidiary		-	35,688,649
Decrease in deposits and other assets		167,054,145	523,487,444
Decrease/(increase) in amount due from broker		973,420,029	(964,123,911)
Increase in financial liabilities at fair value through profit or loss		5,918,324	3,752
Increase/(decrease) in accrued bonus		7,170,472	(4,923,494)
Increase in accounts payable and accruals		5,753,380	4,887,856
Decrease in amount due to broker		(973,435)	(3,828,946)
Increase in trade and other receivables		9,567,358	34,510,609
Decrease in trade and other payables		(341,611,980)	(83,088,818)
Cash generated from operations		1,129,693,720	69,273,238

Statement of cash flows for the year ended 31 December 2023 (continued)

(Expressed in Hong Kong dollars)

	Notes	2023 HK\$	2022 HK\$
Interest received		147,508,948	109,680,544
Interest paid		(15,267,008)	(4,059,512)
Tax refund/(paid)		9,076,146	(3,604,784)
Net cash generated from operating activities		<u>1,271,011,806</u>	<u>171,289,486</u>
Investing activities			
Payment for the purchase of fixed assets	4	(71,768)	(487,464)
Distribution/(acquisition) of interest in associates		6,005,113	(75,433,887)
Net cash generated from/(used in) investing activities		<u>5,933,345</u>	<u>(75,921,351)</u>
Financing activity			
Interest element of lease rentals paid	16(b)	(41,499)	(69,751)
Capital element of lease rentals paid	16(b)	(4,725,285)	(4,697,033)
Net cash used in from financing activity		<u>(4,766,784)</u>	<u>(4,766,784)</u>
Net increase in cash and cash equivalents		1,272,178,367	90,601,351
Cash and cash equivalents at beginning of the year		914,697,565	824,096,214
Cash and cash equivalents at end of the year	16(a)	<u>2,186,875,932</u>	<u>914,697,565</u>

The notes on pages 15 to 60 form part of these financial statements.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 General

Korea Investment and Securities Asia Limited (the "Company") is a public limited company incorporated in Hong Kong. Its immediate holding company is Korea Investment & Securities Company Limited, a company incorporated in Korea, and its ultimate holding company is Korea Investment Holdings Company Limited, a company incorporated in Korea and listed on Korea Stock Exchange. The principal activities of the Company are provision of securities and futures dealing services as well as investment advices to clients, provision of investment and trading supporting services to the immediate holding company and its affiliates, issuing derivative warrants and engaging in proprietary investments.

The Company is licensed under the Hong Kong Securities and Futures Ordinance to carry out the following regulated activities:

Type 1: Dealing in securities

Type 2: Dealing in futures contracts*

Type 4: Advising on securities

* For Type 2 regulated activity, the Company is subject to licensing condition that it shall only provide services to professional investors. The term "professional investor" is as defined in the Securities and Futures Ordinance and its subsidiary legislation.

The address of the registered office and the principal place of business is Suites 3711-12 & 3716-19, Jardine House, 1 Connaught Place, Central, Hong Kong.

These financial statements are presented in Hong Kong dollars ("HK\$"), unless otherwise stated.

2 Material accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable 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.

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(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 and prior accounting periods reflected in these financial statements.

2 Material accounting policies (continued)

(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 investments in associate and the investments in debt and equity securities are stated at their fair value as explained in the accounting policies set out in note 2(d) and 2(e).

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.

(c) Changes in accounting policies

(i) New and amended HKFRSs

The Company has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- HKFRS 17, Insurance contracts
- Amendments to HKAS 8, Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates
- Amendments to HKAS 1, Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies
- Amendments to HKAS 12, Income taxes: Deferred tax related to assets and liabilities arising from a single transaction
- Amendments to HKAS 12, Income taxes: International tax reform – Pillar Two model rules

Except as explained below, the application of these amendments to accounting standards and interpretations does not have a material effect on the financial statements.

Amendments to HKAS 1, Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies

The amendments require entities to disclose material accounting policy information and provide guidance on applying the concept of materiality to accounting policy disclosure. The Group and the Company have revisited the accounting policy information it has been disclosing and considered it is consistent with the amendments.

2 Material accounting policies (continued)

(ii) New HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund- Long Service Payment (“MPF-LSP”) offsetting mechanism

Hong Kong employees that have been employed continuously for at least five years are entitled to long service payments in accordance with the Hong Kong Employment Ordinance under certain circumstances, the amount of LSP payable is determined with reference to the employee’s final salary and the years of service, reduced by the amount of any accrued benefits derived from the employer’s contributions to MPF scheme or Occupational Retirement Schemes Ordinance Schemes, with an overall cap.

In June 2022, the Hong Kong SAR Government gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022, which will eventually abolish the statutory right of an employer to reduce its LSP payable to a Hong Kong employee by drawing on its accrued benefits derived from its mandatory contributions to the schemes.

In July 2023, the HKICPA issued guidance for accounting for the impact arising from the abolition of the offsetting mechanism. Depending on which approach was chosen, recognition of additional LSP liabilities and/or LSP-related assets may be required if the employer’s voluntary contributions are insufficient to offset the LSP.

The amendments listed above did not have material impacts on the Company’s accounting policies and did not require retrospective adjustments.

(d) Investment in associate

An associate is an entity in which the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

In the statement of financial position, other than associates held for capital appreciation are measured at fair value, investment in associate is stated at cost less impairment losses, unless classified as held for sale (or included in a disposal group that is classified as held for sale).

When an investment in an associate that is a venture capital organisation, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, investment in associate is stated at fair value through profit or loss.

2 Material accounting policies (continued)

(e) Investments in debt and equity securities

Investments are recognised/decognised on the date the Company commits to purchase/sell the investments or they expire. Investments in debt and equity securities are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Company determines fair value of financial instruments, see note 28(e). These investments are subsequently accounted for as follows, depending on their classification:

(i) Investments other than equity investments

Non-equity investments held by the Company are classified as fair value through profit or loss (FVTPL) when the contractual cash flows of the investment do not represent solely payments of principal and interest. Changes in the fair value of the investment (including interest) are recognised in profit or loss.

If the contractual cash flows of the non-equity investments held by the Company represent solely payments of principal and interest, the investment would be classified as amortised cost, as the Company does not invest in such instruments other than principally to collect those contractual cash flows. Interest income from investments carried at amortised cost is calculated using the effective interest method (see note 2(q)). A loss allowance on investments carried at amortised cost would be recognised with reference to credit losses expected to arise on the instrument, discounted where the effect would be material, and taking into account whether the credit risk of the instrument had increased significantly since initial recognition.

(ii) Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Company makes an irrevocable election to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss.

Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 2(q).

2 Material accounting policies (continued)

(f) Property, plant and equipment

Properties and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation is calculated to write off their cost, less their estimated residual value, if any, over their estimated useful lives on a straight-line basis at the following annual rates:

- Furniture	33.3%
- Office equipment	33.3%
- Leasehold improvement	33.3%

Both the useful life of an asset and its residual value, if any, are reviewed annually.

The carrying amounts of properties and equipment are reviewed for indications of impairment at the end of each reporting period. An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. The recoverable amount of an asset, or of the cash generating unit to which it belongs, is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

Gains or losses arising from the retirement or disposal of an item of fixed assets are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

2 Material accounting policies (continued)

(g) Leased assets

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

Where the contract contains lease component(s) and non-lease component(s), the Company has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Company recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Company, are primarily laptops and office furniture. When the Company enters into a lease in respect of a low-value asset, the Company decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(f)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Company will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

2 Material accounting policies (continued)

(g) Leased assets (continued)

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of HKFRS 16 *Leases*. In such cases, the Company has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the statement of financial position, the current portion of long-term lease liabilities is determined as the principal portion of contractual payments that are due to be settled within twelve months after the reporting period.

(h) Intangible assets

Intangible assets that are acquired by the Company are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses.

The Company has developed the following criteria to identify computer software or licence to be classified as equipment of intangible assets:

- Software or licence that is embedded in computer-controlled equipment, including operating system that cannot operate with that specific software is an integral part of the related hardware and is treated as equipment; and
- Application software that is being used in a computer is generally easily replaced and is not an integral part of the related hardware and is classified as intangible asset.

Software license acquired separately are measured on initial recognition at cost. Following initial recognition, software license are carried at cost less any accumulated amortisation and any accumulated impairment losses. Due to the risk of technological changes, the useful life of all software license are generally assessed as finite and are amortised on a straight-line basis over the estimated economic useful life and assessed for impairment whenever there is an indication that the software licenses may be impaired. The amortization period and the amortization method for software licenses are reviewed at the end of each reporting period. The useful life for software licenses classified as intangible assets is 5 years.

Trading rights

Trading right, representing eligibility right to trade on or through The Hong Kong Stock Exchange Limited (the "Stock Exchange"), with indefinite useful life are tested for impairment annually either individually or at the cash generating unit level. These intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

2 Material accounting policies (continued)

(i) Due from and due to brokers

Amounts due from and to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the statement of financial position date respectively. The due from brokers balance is held for collection.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Company shall measure the loss allowance on amounts due from broker at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Company shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

(j) Trade 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.

Receivables are stated at amortised cost using the effective interest method less 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.

The gross carrying amount of a trade debtor or other receivable is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

2 Material accounting policies (continued)

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(l) Accounts payables and other payables

Accounts and other payables are initially recognised at fair value. Accounts payables and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(i) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees, and no provision is made for the estimated liability for annual leave as annual leave shall not be accumulated to the next leave year and unused leave days shall not be compensated.

(ii) Bonus plan

The Company operates a bonus plan by which it makes its employees eligible for receiving discretionary bonuses based on the performance of the Company and the respective employee. The expected costs of bonus payments are recognised as a liability when the Company has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(iii) Pension obligations

The Company operates a mandatory provident fund scheme ("MPF Scheme") in Hong Kong. The assets of the MPF Scheme are held in a separate trustee-administered fund. Both the Company and the employees are required to contribute 5% of the employees' relevant income up to a maximum of HK\$1,500 per employee per month. The Company's contributions to the MPF Scheme are expensed as incurred.

2 Material accounting policies (continued)

(n) *Income tax*

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits. Apart from differences which arise on initial recognition of assets and liabilities, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

(o) *Share capital*

Ordinary shares are classified as equity when there is no obligation to transfer cash or other assets.

(p) *Provisions and contingent liabilities*

Provisions are recognised when the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

2 Material accounting policies (continued)

(q) Revenue and other income

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Company is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Company's revenue and other income recognition policies are as follows:

- For commission and brokerage income are recognised on a trade date basis when the security brokerage transaction is executed.
- For commission income, the Company satisfies the performance obligation at a point in time when a brokerage client is referred to Korea Investment & Securities Company Limited and the referred client uses the brokerage services.
- Commission and advisory income is recognised when the service has been rendered such that the performance obligation has been completed based on terms of the respective agreements.
- Interest income is accrued on a time-proportionate basis, by reference to the principal outstanding and at the effective interest rate applicable which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.
- Dividend income is recognised when the right to receive payment is established.
- Realised gains or losses on disposal of investments are recognised on a trade date basis when a sale and purchase contract is entered into. Unrealised gains or losses on investments are measured and recognised in accordance with note 2(e).

(r) Translation of foreign currencies

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements are presented in HK\$, which is the Company's functional and presentation currency.

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies and non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

2 Material accounting policies (continued)

(s) Trust activities

The Company maintains segregated accounts with banks and authorized institutions to hold clients' monies arising from its normal course of business. The Company has classified the clients' monies as cash held on behalf of customers under the current assets section of the statement of financial position and recognised the corresponding accounts payable to respective clients on the grounds that the Company is liable to the clients. Cash held on behalf of customers is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

(t) 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.
 - (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).
 - (viii) 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.

3 Accounting judgements and estimates

Management makes estimates and assumptions concerning the future. The resulting accounting estimates may not equal the related actual results. The estimates, assumptions and judgments that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial period are outlined below.

Fair value of level 3 financial instruments

The fair value of the financial instruments in note 28(e) are estimated by applicable valuation models. The estimation of fair value of the financial instruments includes some assumptions not supported by observable market prices or rates. The change of assumptions may have significant impact to the fair value of the financial instruments. The carrying amount of level 3 financial instruments as at 31 December 2023 was HK\$753,861,463 (2022: HK\$510,361,757). The directors believe that appropriate valuation techniques and assumptions in determining the fair value of financial instruments have been applied.

4 Property and equipment

	<i>Furniture</i> HK\$	<i>Leasehold improvement</i> HK\$	<i>Office equipment</i> HK\$	<i>Total</i> HK\$
Year ended 31 December 2022				
Opening net book value	43,400	367,389	434,168	844,957
Additions	20,680	-	466,784	487,464
Depreciation for the year	(30,220)	(129,667)	(354,513)	(514,400)
Closing net book value	<u>33,860</u>	<u>237,722</u>	<u>546,439</u>	<u>818,021</u>
As at 31 December 2022				
Cost	573,825	1,357,121	3,311,212	5,242,158
Accumulated depreciation	(539,965)	(1,119,399)	(2,764,773)	(4,424,137)
Net book value	<u>33,860</u>	<u>237,722</u>	<u>546,439</u>	<u>818,021</u>
Year ended 31 December 2023				
Opening net book value	33,860	237,722	546,439	818,021
Additions	19,750	-	52,018	71,768
Depreciation for the year	(23,498)	(129,667)	(327,091)	(480,256)
Closing net book value	<u>30,112</u>	<u>108,055</u>	<u>271,366</u>	<u>409,533</u>
As at 31 December 2023				
Cost	593,575	1,357,121	3,363,230	5,313,926
Accumulated depreciation	(563,463)	(1,249,066)	(3,091,864)	(4,904,393)
Net book value	<u>30,112</u>	<u>108,055</u>	<u>271,366</u>	<u>409,533</u>

5 Intangible assets

	<i>Trading right</i> HK\$	<i>Computer & software</i> HK\$	<i>Total</i> HK\$
At 1 January 2022			
Cost	1,000,000	4,368,987	5,368,987
Accumulated amortisation	-	(1,002,702)	(1,002,702)
Net book value	<u>1,000,000</u>	<u>3,366,285</u>	<u>4,366,285</u>
During the year ended 31 December 2022			
Opening net book value	1,000,000	3,366,285	4,366,285
Amortisation		(873,797)	(873,797)
Closing net book value	<u>1,000,000</u>	<u>2,492,488</u>	<u>3,492,488</u>
At 31 December 2022			
Cost	1,000,000	4,368,987	5,368,987
Accumulated amortisation	-	(1,876,499)	(1,876,499)
Net book value	<u>1,000,000</u>	<u>2,492,488</u>	<u>3,492,488</u>
During the year ended 31 December 2023			
Opening net book value	1,000,000	2,492,488	3,492,488
Amortisation		(873,798)	(873,798)
Closing net book value	<u>1,000,000</u>	<u>1,618,690</u>	<u>2,618,690</u>
As at 31 December 2023			
Cost	1,000,000	4,368,987	5,368,987
Accumulated amortisation	-	(2,750,297)	(2,750,297)
Net book value	<u>1,000,000</u>	<u>1,618,690</u>	<u>2,618,690</u>

6 Leases

(a) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	2023 HK\$	2022 HK\$
Other properties leased for own use, carried at depreciated cost	<u>4,634,359</u>	<u>9,268,718</u>

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2023 HK\$	2022 HK\$
Depreciation charge of right-of-use assets	<u>4,634,359</u>	<u>4,634,359</u>

During the year, additions and derecognition of right-of-use assets were HK\$Nil (2022: HK\$11,493,428) and \$Nil (2022: HK\$Nil) respectively.

The Company has obtained the right-of-use of other properties as its Hong Kong office through tenancy agreements. The leases typically run for an initial period of 3 to 4 years.

The Company assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Company is not reasonably certain to exercise the extension options at lease commencement date, the future lease payments during the extension periods are not included in the measurement of lease liabilities.

(b) Lease liabilities

	<u>31 December 2023</u>		<u>31 December 2022</u>	
	<i>Present value of the lease payments</i> HK\$	<i>Total lease payments</i> HK\$	<i>Present value of the lease payments</i> HK\$	<i>Total lease payments</i> HK\$
Within 1 year	<u>4,753,707</u>	<u>4,766,784</u>	<u>4,725,285</u>	<u>4,766,784</u>
After 1 year but within 2 years	-	-	4,753,707	4,766,784
	<u>-</u>	<u>-</u>	<u>4,753,707</u>	<u>4,766,784</u>
	<u>4,753,707</u>	<u>4,766,784</u>	<u>9,478,992</u>	<u>9,533,568</u>
Less: Total future interest expenses		<u>(13,077)</u>		<u>(54,576)</u>
Present value of lease liabilities		<u>4,753,707</u>		<u>9,478,992</u>

7 Investment in associate

Associates held by the Company held for capital appreciation are measured at fair value in the financial statements, breakdown as below:

	2023 HK\$	2022 HK\$
Clean Energy Transition Fund LP	<u>118,731,470</u>	<u>95,866,264</u>

The following list contains the particulars of the associate, which is unlisted limited partnership whose quoted market price is not available:

Name of associate	Form of business structure	Place of incorporation and business	Particulars of the Fund commitment	Proportion of ownership interest held by the Company	Principal activity
Clean Energy Transition Fund LP	Limited Partnership	Cayman Islands	US\$15,000,000 of US\$28,350,000	52.91%	Investment (Note 1)

Note 1: The investment in Clean Energy Transition Fund LP, a partnership whose investment objective is to invest in clean energy transition companies.

Summarised financial information of the associates, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	2023 HK\$	2022 HK\$
Gross amounts of the associate		
Current assets	271,070,694	205,974,170
Current liabilities	(10,063,875)	(2,582,666)
Equity	<u>261,006,819</u>	<u>203,391,504</u>
Revenue	30,076,002	7,475,752
Profit before tax	<u>91,093,690</u>	<u>431,521</u>
Reconciled to the interests in the associate		
Gross amounts of net assets of the associate	261,006,819	203,391,504
Less: general partner interests	(17,135,209)	-
	<u>243,871,610</u>	<u>203,391,504</u>
Effective interest	52.91%	52.91%
Company's share of net assets of the associate	129,032,469	107,614,445
Less: Capital contribution receivables	(10,300,999)	(11,748,181)
Carrying amount in the financial statements	<u>118,731,470</u>	<u>95,866,264</u>

8 Financial assets measured at amortised cost

	2023 HK\$	2022 HK\$		
(a) Financial assets				
Loans	262,842,561	260,377,267		
Less: impairment allowances	<u>(2,406,753)</u>	<u>(3,185,603)</u>		
	<u>260,435,808</u>	<u>257,191,664</u>		
 (b) Provision for costs of debt				
	<i>Stage 1</i> HK\$	<i>Stage 2</i> HK\$	<i>Stage 3</i> HK\$	<i>Total</i> HK\$
ECL allowance at 1 January 2022	(302,609)	-	-	(302,609)
Cost of credit charge to profit or loss	<u>(2,882,994)</u>	<u>-</u>	<u>-</u>	<u>(2,882,994)</u>
At 31 December 2022	<u>(3,185,603)</u>	<u>-</u>	<u>-</u>	<u>(3,185,603)</u>
ECL allowance at 1 January 2023	(3,185,603)	-	-	(3,185,603)
Cost of credit reversal to profit or loss	<u>778,850</u>	<u>-</u>	<u>-</u>	<u>778,850</u>
At 31 December 2023	<u>(2,406,753)</u>	<u>-</u>	<u>-</u>	<u>(2,406,753)</u>

9 Statutory deposits

	2023	2022
	HK\$	HK\$
The Hong Kong Securities Clearing Company Limited		
- Admission fee deposit	50,000	50,000
- Guarantee fund deposit	72,647	908,934
- Mainland security deposit	527,165	711,406
 SEHK		
- Fidelity fund and compensation fund deposit	100,000	100,000
- Stamp duty deposit	30,000	30,000
 HKFE Clearing Corporation Limited		
- Reserve fund deposit	78,235,332	22,478,045
- Client deposit	449,430,969	776,790,413
- House deposit	131,343,201	27,383,535
 The SEHK Options Clearing House Limited		
- Reserve fund deposit	1,500,000	-
	<u>661,289,314</u>	<u>828,452,333</u>

10 Deposits and other assets

	2023	2022
	HK\$	HK\$
Non-current		
Rental and other deposits	<u>1,479,701</u>	<u>1,529,701</u>
 Current		
Prepayments and other deposits	<u>5,900,815</u>	<u>5,741,941</u>

11 Amount due from/(to) broker

	2023 HK\$	2022 HK\$
Amount due from broker		
Deposit	<u>184,160</u>	<u>973,604,189</u>
Amount due to broker		
Overdraft (note)	(1)	(756,744)
Deposit	<u>-</u>	<u>(216,692)</u>
	<u>(1)</u>	<u>(973,436)</u>

Note: The overdraft amount bears interest at overnight reference rate plus 61 basis points (2022: overnight reference rate plus 61 basis points). The interest amount paid during the year amounted to HK\$3,329,171 (2022: HK\$1,725,275). Custody assets, deposits and debt securities, which broker takes custody of, have been pledged as security against overdraft facilities granted to the Company by broker.

12 Amounts due from immediate holding company

Amount due from immediate holding company represent commission income receivable in accordance with written service agreements. The balances are unsecured, non-interest bearing and repayable on demand. Refer to note 26 for details.

13 Financial assets and financial liabilities at fair value through profit or loss

	2023 HK\$	2022 HK\$
Financial assets		
Loans	476,986,840	361,033,925
Equity securities	363,627,336	19,683,927
Debt securities	-	775,581,611
Exchange-traded funds	110,678,510	154,402,968
Unlisted investment funds (note 14)	255,960,993	149,327,832
Forward contracts (note 15)	-	3,708,386
Derivative warrants	200	-
Convertible notes	13,101,953	-
	<u>1,220,355,832</u>	<u>1,463,738,649</u>
Financial liabilities		
Forward contracts (note 15)	(6,065,624)	(229,875)
Derivative warrants	(82,575)	-
	<u>(6,148,199)</u>	<u>(229,875)</u>

14 Interests in unlisted investment funds

	2023 HK\$	2022 HK\$
Unlisted investment funds	<u>255,960,993</u>	<u>149,327,832</u>

As at 31 December 2023 and 2022, the Company held interest in several unlisted investment funds (see note 13) which are limited partnerships. The funds provide the Company with a variety of investment opportunities through managed investment strategies.

The Company concluded that the investment funds in which it invests, but that it does not consolidate, meet the definition of structured entities because the voting rights in the funds are not dominant rights in deciding who controls the funds.

14 Interests in unlisted investment funds (continued)

The table below describes the types of structured entities that the Company does not consolidate but in which it holds an interest.

<i>Type of structured entity</i>	<i>Nature and purpose</i>	<i>Interest held by the Company</i>
Limited partnerships investment funds	To invest in a portfolio of assets in order to provide returns to the investors from capital appreciation, income or both from those assets on behalf of third party investors and generate fees for the investment managers.	Capital contribution invested into the funds

These funds are financed through equity capital provided by investors.

Investments in unlisted investment funds is recorded at the net asset value and adjusted thereafter for the post acquisition change on the Company's share of unlisted investment fund's net assets.

The table below set outs the interests held by the Company in the unconsolidated structured entities as at 31 December 2023 and 2022.

<i>In HKD</i>	<i>Number of investment funds</i>	<i>Total net assets</i>	<i>Carrying amount included in financial assets (note 13)</i>
<u>As at 31 December 2023</u>			
Investment in limited partnerships investment funds	5	12,693,376,073	255,960,993
<u>As at 31 December 2022</u>			
Investment in limited partnerships investment funds	3	7,039,485,210	149,327,832

15 Derivative financial instruments

During the reporting period, the company has entered into various forward currency contracts to manage its exchange rate exposures on foreign currency assets and liabilities. The total notional amounts of the forward currency contracts hold by the Company as of year end is HK\$359,067,330 (2022: HK\$557,155,392)

Management selected not to adopt hedge accounting for the foreign currencies transactions. Net gain in the fair value of the non-hedging derivative financial instruments amounting to HK\$14,634,630 were recognised to profit or loss during the year (2022: Net gain of HK\$474,954).

16 Cash and cash equivalents

(a) Cash and cash equivalents comprise of:

	2023 HK\$	2022 HK\$
Bank balances at authorised financial institutions:		
(i) General accounts		
- Cash	36,515,395	268,322,348
- Time deposit with original maturity of 3 months or less	1,339,961,431	646,375,217
(ii) Segregated accounts - cash	<u>28,146,965</u>	<u>385,341,575</u>
Cash and bank balances	1,404,623,791	1,300,039,140
Less: Client's monies in segregated trust accounts	<u>(28,146,965)</u>	<u>(385,341,575)</u>
	1,376,476,826	914,697,565
Deposits at market money funds	<u>810,399,106</u>	<u>-</u>
	<u><u>2,186,875,932</u></u>	<u><u>914,697,565</u></u>

16 Cash and cash equivalents (continued)

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Company's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the cash flow statement as cash flows from financing activities.

	<i>Lease liabilities</i> HK\$ (note 6b)	<i>Total</i> HK\$
At 1 January 2022	2,682,597	2,682,597
Changes from financing cash flows:		
Capital element of lease rentals paid	(4,697,033)	(4,697,033)
Interest element of lease rentals paid	(69,751)	(69,751)
	(4,766,784)	(4,766,784)
Total changes from financing cash flows	(4,766,784)	(4,766,784)
Other changes:		
Interest expense	69,751	69,751
Increase in lease liabilities from entering into new leases during the period	11,493,428	11,493,428
	11,493,428	11,493,428
At 31 December 2022 and 1 January 2023	9,478,992	9,478,992
Changes from financing cash flows:		
Capital element of lease rentals paid	(4,725,285)	(4,725,285)
Interest element of lease rentals paid	(41,499)	(41,499)
	(4,766,784)	(4,766,784)
Total changes from financing cash flows	(4,766,784)	(4,766,784)
Other changes:		
Interest expense	41,499	41,499
	41,499	41,499
At 31 December 2023	4,753,707	4,753,707

17 Trade and other receivables

	2023	2022
	HK\$	HK\$
Accounts receivable arising from the ordinary course of business of dealing in securities (Note):		
Cash clients		
- third parties	153,943	-
- intermediate holding company	1,448,918	4,013,792
Clearing house	61,476	7,587,325
	1,664,337	11,601,117
Other receivables, deposits and prepayments	18,207,565	25,190,898
	19,871,902	36,792,015

The majority of the Company's account receivables, particularly those arising from the ordinary course of business of dealing and broking, are revolving in nature.

18 Trade and other payables

	2023	2022
	HK\$	HK\$
Accounts payable arising from the ordinary course of business of dealing in securities and futures:		
Clients		
- third parties	20,456,108	20,132,925
- intermediate holding company	457,883,983	1,144,513,521
Clearing house	1,206,682	5,206,977
	479,546,773	1,169,853,423
Commission payable to intermediate holding company	-	8,499,940
	479,546,773	1,178,353,363

19 Income tax in statement of financial position

(a) Current taxation in the statement of financial position represents:

	2023 HK\$	2022 HK\$
Provision for Hong Kong Profits Tax for the year	43,005	-
Provisional Profits Tax paid	-	-
	43,005	-
Balance of Profits Tax provision relating to prior years	-	(9,805,482)
	43,005	(9,805,482)
Income tax payable/(recoverable)	43,005	(9,805,482)

(b) Deferred tax liabilities/(assets) recognised:

Deferred income tax is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2022: 16.5%). In accordance with the accounting policy set out in note 2(n), as at 31 December 2022, the Company has not recognised deferred tax assets in respect of cumulative tax losses of HK\$95,372,625 as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation.

The movement in deferred tax (assets)/liabilities during the year is as follows:

	<i>Depreciation allowances in excess of the related depreciation</i> HK\$	<i>Credit loss and other allowance</i> HK\$	<i>Other provision</i> HK\$	<i>Total</i> HK\$
Year ended 31 December 2022				
At the beginning of the year	421,101	-	-	421,101
Released to the statement of comprehensive income (Note 24(a))	(69,414)	(529,470)	(204,418)	(803,302)
At the end of the year	351,687	(529,470)	(204,418)	(382,201)
Year ended 31 December 2023				
At the beginning of the year	351,687	(529,470)	(204,418)	(382,201)
Released to the statement of comprehensive income (Note 24(a))	(201,761)	95,141	(194,763)	(301,383)
At the end of the year	149,926	(434,329)	(399,181)	(683,584)

20 Fee income

	2023 HK\$	2022 HK\$
Commission income from client referral (Note 26(a)(i))	15,977,580	15,551,651
Commission income from acquisition financing (Note 26(a)(ii))	5,564,062	2,223,989
Commission income from securities and futures dealing	7,138,019	6,471,269
Advisory income	1,341,410	1,300,366
	30,021,071	25,547,275

21 Net gains/(losses) on financial assets and financial liabilities at fair value through profit or loss

	2023 HK\$	2022 HK\$
- Net loss on unlisted loans	(11,736,139)	(13,640,159)
- Net loss on equity securities	(80,612,162)	(6,855,074)
- Net loss on exchange traded funds	(7,315,148)	(30,813,664)
- Net gain on unlisted funds	23,798,566	13,986,481
- Net gain on convertible notes	720,122	-
- Net gain/(loss) on bonds	25,800,570	(117,862,693)
- Net gain on derivatives	122,745,881	148,747,388
	73,401,690	(6,437,721)

22 Interest income

	2023 HK\$	2022 HK\$
- Interest income calculated using the effective interest method	21,537,801	17,969,912
- Interest income from financial assets measured at fair value through profit or loss	71,556,739	79,450,047
	93,094,540	97,419,959
Other interest income from bank and other authorised institutions	58,062,397	14,531,921

23 Staff costs

	2023 HK\$	2022 HK\$
Salaries	38,664,025	33,855,711
Bonuses	12,595,723	6,263,512
Pension costs - MPF Scheme	620,986	540,810
Welfare	81,907	77,896
Directors' emolument (Note 26(b))	2,913,946	2,339,178
	54,876,587	43,077,107

24 Income tax in statement of profit or loss and other comprehensive income

(a) Taxation charged to profit or loss:

	2023 HK\$	2022 HK\$
Current Profits Tax		
Provision of Hong Kong profits tax for the year	43,005	-
Withholding tax	729,336	1,923,152
Under/over-provision in respect of prior years	-	1,681,632
	772,341	3,604,784
Deferred tax		
Origination and reversal of temporary differences (note 19)	(301,383)	(803,302)
	470,958	2,801,482

In March 2018, the Hong Kong Government introduced a two-tiered profits tax rate regime by enacting the Inland Revenue (Amendment) (No. 3) Ordinance 2018 (the "Ordinance"). Under the two-tiered profits tax rate regime, the first HK\$2 million of assessable profits of qualifying corporations is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The Ordinance is effective from the year of assessment 2018/19.

For the year ended 31 December 2023, the assessable profits are taxed at 8.25% (2022: The Company has adjusted losses for the year, which cannot meet the conditions of applying two-tiered profits tax rate regime, the normal profit tax rate, i.e. 16.5%, is therefore applied).

24 Income tax in statement of profit or loss and other comprehensive income (continued)

(b) Reconciliation between tax expense (reversed)/ charged to profit or loss and accounting profit at applicable tax rates:

	2023 HK\$	2022 HK\$
Profit before tax	<u>216,346,461</u>	<u>33,987,335</u>
Notional tax on profit before taxation	35,697,166	5,607,910
Tax effect of non-deductible expenses	1,261,144	2,073,487
Tax effect of non-taxable income	(21,423,100)	(23,687,587)
Under-provision in prior years	-	1,681,632
Tax effect of tax losses not recognised	-	15,736,483
Tax effect of utilisation of tax losses previously not recognised	(15,578,317)	-
Statutory tax concession	(43,005)	-
Withholding tax	729,336	1,923,152
Others	<u>(172,266)</u>	<u>(533,595)</u>
Tax expense for the year	<u>470,958</u>	<u>2,810,482</u>

25 Commitments

The outstanding capital commitment on the fund investments and on Investment in associate not provided for in the financial statements at 31 December 2023 is approximately HK\$208.9m (2022: HK\$140.4m).

26 Related party transactions

(a) Fee income from related parties

(i) Commission income from client referral

The Company provides client referral services to Korea Investment & Securities Company Limited (immediate holding company of the Company). Commission income represents the sharing of brokerage commissions received by Korea Investment & Securities Company Limited on the trades mainly in Korean listed investments as entered into by the clients referred by the Company. In accordance with the fully disclosed clearing agreements for the respective clients referred by the Company, the Company earns a certain percentage of the commissions received by Korea Investment & Securities Company Limited on the trades entered into by these clients.

An amount of HK\$15,977,580 was earned from Korea Investment & Securities Company Limited (2022: HK\$15,551,651), with a receivable of HK\$635,619 as at 31 December 2023 (2022: HK\$839,567). The amount has been settled as of the date of the report.

26 Related party transactions (continued)

(ii) Commission income/expenses for acquisition financing

The Company entered into the business cooperation agreement with Korea Investment & Securities Company Limited (immediate holding company of the Company) to conduct business activities related to investment banking business. Korea Investment & Securities Company Limited shall allocate the Company with appropriate revenue according to the agreement. The Company and Korea Investment & Securities Company Limited cooperated and conducted business activities together in relation to acquisition financing business.

During the year, an amount of HK\$5,564,062 was earned from (2022: an amount of HK\$8,499,940 was charged by) Korea Investment & Securities Company Limited, with receivable of HK\$ 5,564,062 as at 31 December 2023 (2022: payable of HK\$8,499,940).

(iii) Commission income from securities and futures dealing

The Company is providing securities and futures dealing services to Korea Investment & Securities Company Limited and charges commission income based on the trades.

(b) Key management compensation

The directors are considered to be the key management of the Company. The following disclosures are made pursuant to section 383(1)(a) to (f) of the Hong Kong Companies Ordinance (Cap. 622) and parts 2 to 4 of the Hong Kong Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G).

The remuneration of directors for the year ended 31 December is set out below:

	Salary HK\$	Discretionary bonuses HK\$	Employer's contribution to a retirement benefit scheme HK\$ HK\$	Total HK\$
2023	2,296,558	599,388	18,000	2,913,946
2022	2,066,602	254,576	18,000	2,339,178

During the year ended 31 December 2023 and 2022, no defined benefit pension plan was operated by the Company, and therefore no retirement benefits were paid to the directors in respect of directors services as directors of the Company. No other retirement benefits were paid to the directors in respect of directors' other services in connection with the management of the affairs of the Company or its subsidiary undertaking for the year ended 31 December 2023 and 2022.

During the year ended 31 December 2023 and 2022, no termination benefits nor considerations provided to third parties for making available directors' services were paid.

As at 31 December 2023 and 2022, there was no loans, quasi-loans nor other dealings entered into by the Company in favour of the directors, controlled bodies corporate by and connected entities with the directors.

Save for contracts amongst group companies, no significant transaction, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a directors of the Company had a material interest, whether directly, or indirectly, subsisted at the end of the year or at any time during the year.

27 Share capital

(a) Issued share capital

	2023		2022	
	No. of shares	HK\$	No. of shares	HK\$
Ordinary shares, issued and fully paid:				
At 31 December	475,000,000	3,700,321,900	475,000,000	3,700,321,900

Ordinary shares entitle the holder to participate in dividends, and to share in the proceeds of winding up the Company in proportion to the number of and amounts paid on the shares held.

(b) Capital management

The Company's primary objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost. As the Company is part of a larger group, the Company's sources of additional capital and policies for distribution of excess capital may also be affected by the group's capital management objectives.

The Company defines "capital" as including all components of equity. Accordingly, the capital balance as at 31 December 2023 is HK\$3,999,610,496 (2022: HK\$3,783,734,993).

The Company's capital structure is regularly reviewed and managed with due regard to the capital management practices of the group to which the Company belongs. Adjustments are made to the capital structure in light of changes in economic conditions affecting the Company or the group, to the extent that these do not conflict with the directors' fiduciary duties towards the Company or the requirements of the Hong Kong Companies Ordinance.

The Company is also subject to regulatory capital requirement imposed by the Hong Kong Securities and Futures Commission (the "SFC") under the Securities and Futures (Financial Resources) Rules (the "SF(FR)R"). Capital adequacy and utilisation of regulatory capital are monitored daily by the Company's management in accordance with the SF(FR)R.

The Company is required to report its liquid capital on a monthly basis and has complied with the liquid capital requirement under the SF(FR)R at each reporting date throughout the periods ended 31 December 2023 and 2022.

The Company currently has a legally enforceable right to set-off the Continuous Net Settlement ("CNS") money obligations receivables and payables with Hong Kong Securities Clearing Company Limited ("HKSCC"); and the Company settles on a net basis as account receivables from or account payables to HKSCC. For the net amount of CNS money obligations receivables or payables 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.

28 Financial risk management objectives and policies

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Company's business.

The directors manage and monitor this exposure to ensure appropriate measures are implemented in timely and effective manner.

The following is a summary of the main risks and risk management policies.

(a) Foreign currency risk

The Company is exposed to currency risks primarily arising from financial instruments that are denominated in United States dollars ("USD"). As the HK\$ is pegged to the USD, the Company considers the risk of movements in exchange rates between the HK\$ and the USD to be insignificant. In respect of financial instruments denominated in other currencies, the Company ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

The following table details the Company's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in HK\$, translated using the spot rate at the year-end date.

28 Financial risk management objectives and policies (continued)

As at 31 December 2023	Exposure to major foreign currencies (expressed in Hong Kong dollars)			
	EUR HK\$	AUD HK\$	NZD HK\$	CNY HK\$
Statutory deposits	-	-	-	3,743,195
Financial assets at fair value through profit or loss	46,988,238	74,928,837	166,088,362	-
Financial assets measured at amortised cost	-	87,290,879	98,927,660	-
Trade and other receivables	2,714,203	-	150,932	153,353
Cash and balance with banks	-	5,483,165	5,214,031	5,158,282
Amounts due from broker	36	-	-	-
Amount due from immediate holding company	-	-	-	-
Financial liabilities at fair value through profit or loss	-	-	-	-
Amount due to broker	-	(4,200,819)	-	-
Trade and other payables	-	-	-	(2,227,774)
Net exposure arising from recognised assets and liabilities	49,702,477	163,502,062	270,380,985	6,827,056

As at 31 December 2022	Exposure to major foreign currencies (expressed in Hong Kong dollars)			
	EUR HK\$	AUD HK\$	NZD HK\$	CNY HK\$
Statutory deposits	-	-	-	2,892,409
Financial assets at fair value through profit or loss	31,032,208	46,123,559	366,155,700	-
Financial assets measured at amortised cost	-	86,507,710	98,951,700	-
Trade and other receivables	-	1,554,769	8,682,504	19,480
Cash and balance with banks	-	1	1	5,487,641
Amounts due from broker	2,547	-	-	204
Amount due from immediate holding company	-	-	-	-
Financial liabilities at fair value through profit or loss	-	-	-	-
Amount due to broker	-	(2,306)	-	-
Trade and other payables	-	-	-	(2,231,715)
Net exposure arising from recognised assets and liabilities	31,034,755	134,183,733	473,789,905	6,168,019

28 Financial risk management objectives and policies (continued)

Sensitivity analysis

The following table indicates the instantaneous change in the Company's profit before tax (and retained profits) and other components of consolidated equity that would arise if foreign exchange rates to which the Company has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would not be materially affected by any changes in movement in value of the United States dollar against other currencies.

	<i>Increase/ (decrease) in exchange rate HK\$</i>	<i>Change in equity attributable to shareholders HK\$</i>
As at 31 December 2023		
<i>Currency</i>		
EUR	+/- 10%	+/- 4,970,248
AUD	+/- 10%	+/- 16,350,206
NZD	+/- 10%	+/- 27,038,099
CNY	+/- 5%	+/- 341,353
As at 31 December 2022		
<i>Currency</i>		
EUR	+/- 10%	+/- 3,103,475
AUD	+/- 10%	+/- 13,418,373
NZD	+/- 10%	+/- 47,378,990
CNY	+/- 5%	+/- 308,401

28 Financial risk management objectives and policies (continued)

Outstanding foreign exchange forward contracts and exchange traded foreign exchange futures entered directly by the Company as at 31 December 2023 and 2022 are as follows:

	<i>Notional amount HK\$</i>	<i>Fair value HK\$</i>
As at 31 December 2023		
Financial liabilities at fair value through profit or loss		
Foreign exchange forward contracts		
- Buy USD/Sell AUD	87,016,265	(4,751,445)
- Buy USD/Sell NZD	272,051,065	(1,314,179)
Total	<u>359,067,330</u>	<u>(6,065,624)</u>

	<i>Notional amount HK\$</i>	<i>Fair value HK\$</i>
As at 31 December 2022		
Financial assets at fair value through profit or loss		
Foreign exchange forward contracts		
- Buy USD/Sell AUD	7,921,347	66,236
- Buy USD/Sell NZD	470,020,575	3,642,150
Total	<u>477,941,922</u>	<u>3,708,386</u>
Financial liabilities at fair value through profit or loss		
Foreign exchange forward contracts		
- Buy USD/Sell AUD	(79,213,470)	(229,875)
Total	<u>(79,213,470)</u>	<u>(229,875)</u>

28 Financial risk management objectives and policies (continued)

(b) Interest rate risk

The Company's interest rate risk arises primarily from investments in debt instruments and bank deposits. The fair value of the Company's fixed rate securities will be affected by changes in prevailing external interest rates. The cash flows receivable from the Company's investments in variable rates securities will vary with changes in prevailing external interest rates.

(i) Interest rate profile

The following table details the interest rate profile of the Company's interest-bearing financial instruments at the end of the reporting period:

	2023		2022	
	<i>Effective interest rate</i>	<i>Amount HK\$</i>	<i>Effective interest rate</i>	<i>Amount HK\$</i>
Assets				
<i>Fixed rate instruments</i>				
Cash and cash equivalents	0% - 4.85%	64,662,360	0% - 4.85%	653,663,923
Debt instruments classified as financial assets at fair value through profit or loss	-	-	0.8% - 4%	775,581,611
<i>Variable rate instruments</i>				
Loans classified as financial assets at fair value through profit or loss	6.75% - 7.62%	476,986,840	4.25% - 8.73%	361,033,925
Loans classified as financial assets measured at amortised cost	4.25% - 10.05%	260,435,808	4.25% - 8.73%	257,191,664
Overdraft	Overnight reference rate + 0.61%	1	Overnight reference rate + 0.61%	756,744

(ii) Sensitivity analysis

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. It is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would have decreased/increased the profit after tax and retained profits by approximately HK\$4,375,307 (2022: increase/decrease by HK\$9,743,442).

28 Financial risk management objectives and policies (continued)

(c) Credit risk

The Company's credit risk is primarily attributable to amounts due from clients, brokers and clearing houses and deposits at banks. The management has a credit policy in place and the exposure to the credit risk is monitored on an ongoing basis.

In respect of amounts due from clients, individual evaluations are performed on all clients (including cash and margin clients) based on the underlying collateral. Cash clients are required to place deposits as prescribed in the Company's credit policy before execution of any purchase transactions. Receivables due from cash clients are due within the settlement period commonly adopted in the relevant market practices, which is usually within a few days from the trade date. Because accounts receivable from cash clients relate to a wide range of customers for whom there was no recent history of default, there has not been a significant change in credit quality and the balances are considered fully receivable, and the prescribed deposit requirements and the short settlement period involved, the credit risk arising from the amounts due from cash clients is considered low. Market conditions and adequacy of securities collateral and margin deposits of each cash account and margin account are monitored by management on a daily basis. Margin calls and forced liquidation are made where necessary.

In respect of amounts receivable from brokers and clearing houses and deposits at banks, credit risks are considered low as the Company normally enters into transactions with banks, brokers and clearing houses which are registered with regulatory bodies and enjoy sound reputation in the industry.

The Company has no significant concentration of credit risk as credits are granted to a large population of clients.

The Company does not provide any other guarantees which would expose the Company to credit risk.

28 Financial risk management objectives and policies (continued)

(c) Credit risk (continued)

The Company has adopted HKFRS 9 and measures the related loss provision by 12-month ECLs or lifetime ECLs.

The movements in the expected credit losses during the year are as follows:

	2023	Lifetime	Lifetime	2022	Lifetime	Lifetime
	12-month	ECL (not	ECL	12-month	ECL (not	ECL
	ECL	credit-	(credit-	ECL	credit-	(credit-
	HK\$	impaired)	impaired)	HK\$	impaired)	impaired)
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Financial assets at amortised cost						
At 1 January	3,185,603	-	-	302,609	-	-
(Reversal)/recognition of loss allowance	<u>(778,850)</u>	<u>-</u>	<u>-</u>	<u>2,882,994</u>	<u>-</u>	<u>-</u>
At 31 December	<u><u>2,406,753</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>3,185,603</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

28 Financial risk management objectives and policies (continued)

(c) Credit risk (continued)

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance.

	2023 HK\$	2022 HK\$
Financial assets at fair value through profit or loss		
- Loans	476,986,840	361,033,925
- Debt securities	-	775,581,611
- Over-the-counter derivatives	-	3,708,386
- Convertible notes	13,101,953	-
	490,088,793	1,140,323,922
Financial assets measured at amortised cost	260,435,808	257,191,664
Cash and cash equivalents	2,215,022,897	1,300,039,140
Amount due from immediate holding company	6,199,682	839,567
Amount due from broker	184,160	973,604,189
Trade and other receivables	19,871,902	36,792,015
	<u>2,991,803,242</u>	<u>3,708,790,497</u>

The Company measures credit risk associated with amounts due from related parties, amount due from broker and cash and cash equivalents and expected credit losses using probability of default, exposure at default and loss given default (2022: amounts due from related parties, amount due from broker and cash and cash equivalents and expected credit losses using probability of default, exposure at default and loss given default). The management considers both historical analysis and forward looking information in determining any expected credit loss from such financial assets. The management has assessed that all of the above financial assets aforementioned as at 31 December 2023 and 31 December 2022 are stage 1 assets under HKFRS 9, i.e. financial instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. At 31 December 2023 and 31 December 2022, management considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be considered insignificant to the Company.

28 Financial risk management objectives and policies (continued)

(c) Credit risk (continued)

The following table provides information about the for expected credit losses:-

	Gross carrying amount HK\$	Loss allowance HK\$	Net amount HK\$
As at 31 December 2023			
Financial assets measured at amortised cost	<u>262,842,561</u>	<u>(2,406,753)</u>	<u>260,435,808</u>
As at 31 December 2022			
Financial assets measured at amortised cost	<u>260,377,267</u>	<u>(3,185,603)</u>	<u>257,191,664</u>

The table on the following page presents the Company's financial assets and liabilities subject to offsetting and similar agreements. The tables are presented by types of financial instrument. Financial instruments subject to offsetting and similar agreements:

	A	B	C=A-B	D <i>Related amounts not set-off in the statement of financial position</i>		E=C-D
	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\$	D(i) Financial Instruments HK\$	D(ii) Cash Collateral received HK\$	Net Amount HK\$
As at 31 December 2023						
Financial assets						
Amount due from broker	184,160	-	184,160	(1)	-	184,159
Trade and other receivables	40,962,485	(21,090,583)	19,871,902	-	-	19,871,902
Total	<u>41,146,645</u>	<u>(21,090,583)</u>	<u>20,056,062</u>	<u>(1)</u>	<u>-</u>	<u>20,056,061</u>
Financial liabilities						
Forward contracts	(6,065,624)	-	(6,065,624)	-	-	(6,065,624)
Amount due to broker	(1)	-	(1)	1	-	-
Trade and other payables	(500,637,356)	21,090,583	(479,546,773)	-	-	(479,546,773)
Total	<u>(506,702,981)</u>	<u>21,090,583</u>	<u>(485,612,398)</u>	<u>1</u>	<u>-</u>	<u>(485,612,397)</u>

28 Financial risk management objectives and policies (continued)

(c) Credit risk (continued)

	A	B	C=A-B	D		E=C-D
				Related amounts not set-off in the statement of financial position		
				D(i)	D(ii)	
	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\$	Financial Instruments HK\$	Cash Collateral received HK\$	Net Amount HK\$
As at 31 December 2022						
Financial assets						
Forward contracts	3,708,386	-	3,708,386	-	-	3,708,386
Amount due from broker	973,604,189	-	973,604,189	(756,744)	-	972,847,445
Total	<u>977,312,575</u>	<u>-</u>	<u>977,312,575</u>	<u>(756,744)</u>	<u>-</u>	<u>976,555,831</u>
Financial liabilities						
Forward contracts	(229,875)	-	(229,875)	-	-	(229,875)
Amount due to broker	(973,436)	-	(973,436)	756,744	-	(216,692)
Total	<u>(1,203,311)</u>	<u>-</u>	<u>(1,203,311)</u>	<u>756,744</u>	<u>-</u>	<u>(446,567)</u>

Amounts in D(i) and D(ii) above relate to amounts subject to set-off that do not qualify for offsetting under (B) above. This includes (i) amounts which are subject to set-off against the asset (or liability) disclosed in 'A' which have not been offset in the statement of financial position, and (ii) any financial collateral (including cash collateral), both received and pledged.

The Company and its counterparty have elected to settle all transactions on a gross basis however, each party has the option to settle all open contracts on a net basis in the event of default of the other party. Per the terms of the master netting agreement, an event of default includes the following:

- failure by a party to make payment when due;
- failure by a party to perform any obligation required by the agreement (other than payment) if such failure is not remedied within 30 days after notice of such failure is given to the party;
- bankruptcy.

28 Financial risk management objectives and policies (continued)

(d) Liquidity risk

Liquidity risk is the risk that the Company may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

In the management of liquidity risk, the Company monitors and maintains a level of cash and cash equivalents deemed adequate by the director to finance the Company's operations and mitigate the effects of fluctuations in cash flows.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month HK\$	1 month to less than 3 months HK\$	3 months to less than 1 year HK\$	Over 1 year	Total HK\$
As at 31 December 2023					
Amount due to broker	1	-	-	-	1
Accrued bonus	-	-	14,902,529	-	14,902,529
Accounts payable and accruals	11,598,037	-	1,215,000	-	12,813,037
Lease liabilities	397,232	794,464	3,575,088	-	4,766,784
Financial liabilities at fair value through profit or loss	-	-	6,148,199	-	6,148,199
Trade and other payables	459,090,665	-	20,456,108	-	479,546,773
Contractual cash outflow	471,085,935	794,464	46,296,924	-	518,177,323
As at 31 December 2022					
Amount due to broker	973,436	-	-	-	973,436
Accrued bonus	-	6,493,163	1,238,894	-	7,732,057
Accounts payable and accruals	6,088,257	-	971,400	-	7,059,657
Lease liabilities	397,232	794,464	3,575,088	4,766,784	9,533,568
Financial liabilities at fair value through profit or loss	-	-	229,875	-	229,875
Trade and other payables	1,158,220,438	-	20,132,925	-	1,178,353,363
Contractual cash outflow	1,165,679,363	7,287,627	26,148,182	4,766,784	1,203,881,956

As at 31 December 2023, based on the earliest date on which the Company can realise the assets, HK\$2,215,658,516 (2022: HK\$1,300,878,707) of the financial assets are receivable within one month or have no stated maturity and therefore considered callable on demand.

28 Financial risk management objectives and policies (continued)

(e) Fair value measurement

Financial instruments carried at fair value

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1 - Quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Company determines fair values using valuation techniques. Valuation techniques include net asset value as provided by investment fund managers, comparison to similar instruments for which market observable prices exist, and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value measurement that reflects the price of the financial instrument that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the reporting date.

The Company uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like currency swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over-the-counter (OTC) derivatives like interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

28 Financial risk management objectives and policies (continued)

The following table analyses within the fair value hierarchy of the Company's financial assets measured at fair value:

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
As at 31 December 2023				
Assets				
<i>Financial assets at fair value through profit or loss</i>				
- Loans	-	-	476,986,840	476,986,840
- Equity securities	355,815,659	-	7,811,677	363,627,336
- Exchange traded funds	110,678,510	-	-	110,678,510
- Fund	-	-	255,960,993	255,960,993
- Derivative warrants	200	-	-	200
- Convertible notes	-	-	13,101,953	13,101,953
	<u>466,494,369</u>	<u>-</u>	<u>753,861,463</u>	<u>1,220,355,832</u>
Liabilities				
<i>Financial liabilities at fair value through profit or loss</i>				
- Forward contracts	-	(6,065,624)	-	(6,065,624)
- Derivative warrants	(82,575)	-	-	(82,575)
	<u>(82,575)</u>	<u>(6,065,624)</u>	<u>-</u>	<u>(6,148,199)</u>
As at 31 December 2022				
Assets				
<i>Financial assets at fair value through profit or loss</i>				
- Loans	-	-	361,033,925	361,033,925
- Equity securities	19,683,927	-	-	19,683,927
- Debt securities	-	775,581,611	-	775,581,611
- Exchange traded funds	154,402,968	-	-	154,402,968
- Fund	-	-	149,327,832	149,327,832
Derivatives				
- Forward contracts	-	3,708,386	-	3,708,386
	<u>174,086,895</u>	<u>779,289,997</u>	<u>510,361,757</u>	<u>1,463,738,649</u>
Liabilities				
<i>Financial liabilities at fair value through profit or loss</i>				
- Forward contracts	-	(229,875)	-	(229,875)
	<u>-</u>	<u>(229,875)</u>	<u>-</u>	<u>(229,875)</u>

During the year there were no transfers between instruments in Level 1, Level 2 and Level 3.

28 Financial risk management objectives and policies (continued)

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of the unquoted debt securities is determined by discounting the future coupons and principal amount. The discount rate used is derived with reference to debt securities with similar risk profile.

The fair value of the foreign currency forward contracts is the discounted amount that the group would receive or pay at maturity date, taking into account the current interest rates of the underlying currencies and the creditworthiness of the counterparty.

Valuation techniques and significant unobservable inputs used in Level 3 fair value measurements

	Fair value at 31 December 2023 HK\$	Fair value at 31 December 2022 HK\$	Valuation technique	Unobservable input	Range for unobservable input	Sensitivity to changes in unobservable input
Unlisted investment funds	255,960,993	149,327,832	Net asset value	Liquidity lock-up/ no right of withdrawal	N/A	The estimated fair value would decrease if the liquidity lock-up discount is higher
Unlisted loans	476,986,840	361,033,925	The present value of cash flows discounted	Discount Rate	7.13% to 7.88% p.a.	The estimated fair value would increase if discount rate decrease
Unlisted equity securities	7,811,677	-	Recent transaction price	Liquidity	N/A	N/A
Unlisted convertible notes	13,101,953	-	Binomial option pricing model	Discount Rate	13.3%	The estimated fair value would increase if discount rate decrease
	<u>753,861,463</u>	<u>510,361,757</u>				

The funds held by the Company is a Level 3 investments which the Company values based on the shareholding percentage of the net asset value of the fund as at year-end date.

The loans held by the Company is a Level 3 investments which the Company values based on the present values of future cash flows, discounted at interest rates based on the government yield curve as at the end of the reporting period plus an adequate constant credit spread, adjusted for the company's own credit risk.

The unlisted equity securities held by the Company is a Level 3 investments, which the Company purchased within twelve months before the year ended 31 December 2023, values based on the recent transaction price.

28 Financial risk management objectives and policies (continued)

The convertible notes held by the Company is a Level 3 investments which the Company values based on the binomial option pricing model, discounted at bond yield derived by the United States risk-free rate and option-adjusted spread of the bonds with CCC credit rating.

For year ended 31 December 2023 and 2022, there were no transfers between levels.

The movements during the year in the balance of these Level 3 investments are as follows:

2023	<i>Unlisted investment funds</i> HK\$	<i>Unlisted loans</i> HK\$	<i>Unlisted equity securities</i> HK\$	<i>Unlisted convertible notes</i> HK\$	<i>Total</i> HK\$
At 1 January	149,327,832	361,033,925	-	-	510,361,757
Additions	82,587,352	312,582,320	7,803,690	11,770,533	414,743,895
Disposals	-	(185,839,820)	-	-	(185,839,820)
Accrued interests	-	4,495,102	-	884,114	5,379,216
Unrealised gain recognised, net	21,084,363	(3,064,917)	-	500,282	18,519,728
Exchange loss, net	2,961,446	(12,219,770)	7,987	(52,976)	(9,303,313)
At 31 December	255,960,993	476,986,840	7,811,677	13,101,953	753,861,463
Total gain/(loss) for the year included in profit or loss for assets held at the end of the reporting period	21,084,363	(3,064,917)	-	500,282	21,233,931
 2022					
	<i>Unlisted investment funds</i> HK\$	<i>Unlisted loans</i> HK\$	<i>Unlisted equity securities</i> HK\$	<i>Unlisted convertible notes</i> HK\$	<i>Total</i> HK\$
At 1 January	418,808,319	-	-	-	418,808,319
Additions	103,173,376	1,316,545,340	-	-	1,419,718,716
Disposals	(371,855,767)	(957,233,715)	-	-	(1,329,089,482)
Accrued interests	-	3,866,455	-	-	3,866,455
Unrealised gain recognised, net	5,696,067	(4,913,174)	-	-	782,893
Exchange loss, net	(6,494,163)	2,769,019	-	-	(3,725,144)
At 31 December	149,327,832	361,033,925	-	-	510,361,757
Total gain/(loss) for the year included in profit or loss for assets held at the end of the reporting period	5,696,067	(4,913,174)	-	-	782,893

29 Subsequent event

There have been no matters or circumstances that have arisen since the end of the financial period, which significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the status.

30 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 amendments and a new standard, 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.

	<i>Effective for accounting periods beginning on or after</i>
Amendments to HKAS 1, <i>Presentation of financial statements: Classification of liabilities as current or non-current ("2020 amendments")</i>	1 January 2024
Amendments to HKAS 1, <i>Presentation of financial statements: Non-current liabilities with covenants ("2020 amendments")</i>	1 January 2024
Amendments to HKFRS 16, <i>Leases: Lease liability in a sale and leaseback</i>	1 January 2024
Amendments to HKAS 7, <i>Statement of cash flows and HKFRS 7, Financial Instruments: Disclosures : Supplier finance arrangements</i>	1 January 2024
Amendments to HKAS 21, <i>The effects of changes in foreign exchange rates: Lack of exchangeability</i>	1 January 2025

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.

31 Comparative figure

Certain comparative figures have been reclassified to conform to current year's presentation and to provide comparative amounts in respect of items. The revised presentation reflects more appropriately the nature of these items. These reclassifications have no effect on the reported financial position, results or cash flows of the Company.

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