BASE LISTING DOCUMENT DATED 28 April 2017

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

海通國際 HAITONG

Haitong International Securities Company 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 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 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 trustee or the manager of the underlying unit trust; 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 on the date 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 collateral. 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 referred to in Rule 15A.13(3)?

We are licensed for type 1 (dealing in securities), type 3 (leveraged foreign exchange trading) and type 4 (advising on securities) regulated activities by the Securities and Futures Commission. The Issuer is not regulated by any of the bodies referred to in Rule 15A.13(2) of the Listing Rules.

Are we rated by any credit rating agencies?

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

The Structured Products are not rated.

Are we subject to any litigation?

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

Authorisation for the issue of the Structured Products

The issue of the Structured Products was authorised by our board of directors on 20 November 2015.

Has our financial position changed since 31 December 2016?

Save as disclosed in this document, there has been no material adverse change in our financial or trading position since 31 December 2016.

Do you need to pay any transaction cost?

The Stock Exchange charges a trading fee of 0.005 per cent. and the Securities and Futures Commission charges a transaction levy of 0.0027 per cent. in respect of 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 and sale

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.

Where can you inspect the relevant documents?

The following documents are available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at our office at 22/F., Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong:

(a) our audited group report and financial statements for the year ended 31 December 2016;

(b) our audited report and financial statements for the year ended 31 December 2016;

(c) our interim or quarterly financial statements;

(d) the consent letter of the auditor, Deloitte Touche Tohmatsu ("**Auditor**");

(e) this document and any addendum to this document;

(f) the Launch Announcement and Supplemental Listing Document as long as the relevant series of Structured Products is listed on the Stock Exchange; and

(g) the instrument executed by us by way of deed poll dated 29 February 2016 ("**Instrument**") as defined in General Condition 1 (see Appendix 1).

Requests for photocopies of the above documents will be subject to a reasonable fee which reflects the cost of making such copies.

The Listing Documents are also available on the website of the HKEX at *www.hkexnews.hk* and our website at *www.htiwarrants.com*.

各上市文件亦可於香港交易所披露易網站 *www.hkexnews.hk*
以及我們的網站 *www.htiwarrants.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 26 April 2017 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 or shares in our subsidiaries, nor does it have the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our securities or securities of any of our subsidiaries.

Authorised representatives

Du Jinsong Duke and Lau Yikchi Karine, both of 22/F., Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong, are our authorised representatives.

How can you get further information about us?

You may visit *www.htiwarrants.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.

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 derivative warrant?

A derivative warrant linked to a share, a unit, an index, a commodity, a commodity futures contract, a currency pair or other asset ("**Underlying Assets**", 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, level or exchange rate called the Exercise Price, Strike Level or Strike Rate 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, unit trust, commodity or commodity futures contract, the Exercise Price and the Average Price/ Closing Price;

(b) For a Warrant linked to a currency pair, the Strike Rate and the Spot Rate; and

(c) 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, level or exchange rate of the Underlying Asset during the term of the Warrant.

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

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

The price of a warrant generally depends on the prevailing price/ exchange rate/ 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 Rate/ or Strike Level of the warrants;

(b) the value and volatility of the price/ exchange rate/ level of the Underlying Asset (being a measure of the fluctuation in the price/ exchange rate/ 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 the Stock Exchange website at *http://www.hkex.com.hk/eng/prod/secprod/dwrc/dw.htm* or our website *www.htiwarrants.com* to obtain further information on derivative warrants or any notice given by us or the Stock Exchange 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 listed on the Stock Exchange;

(b) unit trusts listed on the Stock Exchange;

(c) Hang Seng Index, Hang Seng China Enterprises Index and Hang Seng China H-Financials Index; and/or

(d) overseas securities, indices, currencies, commodities (such as oil, gold and platinum) or commodity futures.

A list of eligible Underlying Assets for CBBCs is available on the website of the Stock Exchange at *http://www.hkex.com.hk/eng/prod/secprod/cbbc/underlying_latest.htm*.

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 is the mandatory call feature 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. See "Category R CBBCs vs Category N CBBCs" below.

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 single unit trusts listed on the Stock Exchange, the Stock Exchange's automatic order matching and execution 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.

"**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 must read the applicable 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.

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 tend to mirror 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 the Stock Exchange website at *http://www.hkex.com.hk/eng/prod/secprod/cbbc/intro.htm* or our *website www.htiwarrants.com* to obtain further information on CBBCs or any notice given by us or the Stock Exchange in relation to our CBBCs.

INFORMATION ABOUT US

Place of incorporation

Haitong International Securities Company Limited is incorporated in Hong Kong with limited liability.

Profile and activities

Haitong International Securities Company Limited, a main operating subsidiary of Haitong International Securities Group Limited (stock code: 665) ("**Haitong International**", together with its subsidiaries, the "**Group**"), was established in 1973. Haitong International was formed in 1996 and was listed on The Stock Exchange of Hong Kong Limited in August of the same year.

Haitong International is well positioned to serve more than 200,000 corporate, institutional and retail clients worldwide. Its well established investment banking business platform provides corporate finance, brokerage, asset management, fixed income, currency and commodities (FICC), institutional equities and a full spectrum of financial products and services. Haitong International possesses a sound risk management system that is in line with international standards. It has become Constituent of Hang Seng Composite LargeCap & MidCap Index and the first Chinese financial institution in Hong Kong to have been assigned a "BBB" long-term credit rating by Standard and Poor's. In December 2016 the company completed the acquisition of Haitong India (A subsidiary of Haitong Bank), with which a financial servicing network has been set up to cover the world's major capital markets including Hong Kong, Singapore, New York, London, Tokyo and Mumbai, thereby making us to be a leading boutique investment banking company in Asia-Pacific region.

Members of the Issuer's board of directors as of the date of this document are:

CHAN Yat Nam Daniel
DENG Xi
DU Jinsong
HUI Yee Wilson
LO Wai Ho
LO Yam Pui Eric
NGAN Man Wing
SUN Jianfeng
SUN Tong
ZHANG Xinjun
ZHANG Yibin

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 trustee or the manager of the underlying trust; 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 General Conditions and the relevant Product 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

We and our subsidiaries (the "**Group**") engage 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/ rate/ 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 shares, units or other securities or may act as financial adviser to the issuer, or sponsor, as the case may be, of any such share or other security or the trustee or the manager of the unit trust. 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 group holding company is Haitong International Securities Group Limited (stock code : 665) which wholly own us. Haitong International Securities Group Limited is majority owned by Haitong Securities Company Limited (stock code : 6837).

General risks in relation to Structured Products

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.

Options, warrants and equity linked instruments are priced primarily on the basis of the price/ exchange rate/ level of the Underlying Asset, the volatility of the Underlying Asset's price/ exchange rate/ 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, exchange rate 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.

"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 upon expiration 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/ exchange rate/ level of the Underlying Asset specified in the relevant Launch Announcement and Supplemental Listing Document.

Changes in the price/ exchange rate/ level of an Underlying Asset can be unpredictable, sudden and large and such changes may result in the price/ exchange rate/ 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/ exchange rate/ 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/ exchange rate/ 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. It is possible that while the price/ exchange rate/ level of the Underlying Assets increases, the value of the Structured Product decreases.

If you intend to purchase any series of Structured Products to hedge against the market risk associated with investing in the Underlying Asset specified in the relevant Launch Announcement and Supplemental Listing Document, you should recognise the complexities of utilizing Structured Products in this manner. For example, the value of the Structured Products may not exactly correlate with the price/ exchange rate/ 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/exchange rate 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/ exchange rate/ 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" on page 21 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/ exchange rate/ 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.

Where the Structured Products are linked to a currency pair as the Underlying Asset, you should note that the foreign exchange market can be very volatile and unpredictable. Exchange rate of the currencies may fluctuate as a result of market, economic and/or political conditions in the principal financial centres of the countries of the currencies and also in other countries. For example, it can be affected by change of governments' monetary or foreign exchange policies, rates of inflation, interest rate levels and the extent of governmental surpluses or deficits in the relevant countries. 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, adjust, among other things, the Entitlement, the Exercise Price, the Strike Level, the Strike Price, Closing Price, Closing Level, Spot Rate, Call Price, Call Level, Settlement Exchange Rate (if applicable) or any other terms (including without limitation the closing price or the closing level of the Underlying Asset, price source, exchange rate) 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.

Suspension of trading

Prior to the Expiry Date, if trading or dealing in the Underlying Assets is suspended on the Stock Exchange, trading or dealing in the relevant series of Structured Product will 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 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.

Risks relating to Structured Products over trusts

General risks

In the case of Structured Products which relate to units of a trust:

(a) we and our affiliates do not have the ability to control or predict the actions of the trustee or the manager of the relevant trust. Neither the trustee nor the manager of the relevant trust (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 trust. The manager of the relevant trust is responsible for making strategic, investment and other trading decisions with respect to the management of the relevant trust consistent with its investment objectives and in compliance with the investment restrictions as set out in the constitutive documents of the relevant trust. The manner in which the relevant trust is managed and the timing of the manager's actions may have a significant impact on the performance of the relevant trust. Hence, the market price of the relevant units is also subject to these risks.

Exchange traded funds

In the case of Structured Products linked to units of an exchange traded fund ("**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 unit creation or redemption 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 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.

RQFII ETF ("RQFII ETF")

An RQFII ETF is issued and traded outside Mainland China with direct investment in the Mainland China's securities markets through the Renminbi Qualified Foreign Institutional Investor ("**RQFII**") regime. Where the Underlying Asset comprises the units of an RQFII ETF, you should note that, amongst others:

(a) the novelty and untested nature of an RQFII ETF make it riskier than traditional ETFs investing directly in more developed markets. The policy and rules for RQFII prescribed by the Mainland China government are new and subject to change, and there may be uncertainty to its implementation. The uncertainty and change of the laws and regulations in Mainland China may adversely impact on the performance of the relevant trust and the trading price of the relevant units;

(b) as disclosed in its offering documents, an RQFII ETF primarily invests in securities traded in the Mainland China's securities markets and is subject to concentration risk. Investment in the Mainland China'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 an RQFII ETF may also be affected by interventions by the applicable government(s) and regulators in the financial markets; and

(c) an RQFII ETF will utilize its manager's RQFII quota allocated to such fund under the RQFII regime. In the event that RQFII quota allocated to the RQFII ETF is reached and the manager is unable to acquire additional RQFII quota for the RQFII ETF, the manager may need to suspend creation of further units of the RQFII ETF, and therefore may affect liquidity in unit trading of the RQFII ETF. In such event, the trading price of a unit of the RQFII ETF is likely to be at a significant premium to its net asset value, and may be highly volatile.

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

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

ETF traded through dual counters model

Where the Underlying Asset comprises the units of an ETF which adopts the dual counters model for trading its units on the Stock Exchange in Renminbi ("**RMB**") and Hong Kong dollars ("**HKD**") separately, the novelty and relatively untested nature of the Stock Exchange's dual counters model may bring the following additional risks:

(a) the Structured Products may be linked to the HKD-traded units or the RMB-traded units. If the Underlying Asset is the HKD-traded units, movements in the trading prices of the RMB-traded units should not directly affect the price of the Structured Products. Similarly, if the Underlying Asset is the RMB-traded units, movements in the trading prices of the HKD-traded units should not directly affect the price of the Structured Products;

(b) if there is a suspension of inter-counter transfer of such units between the HKD counter and the RMB counter for any reason, such units 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 and have an adverse effect on the price of the Structured Products; and

(c) the trading price on the Stock Exchange of the HKD-traded units and RMB-traded units may deviate significantly due to different factors, such as market liquidity, RMB conversion risk, supply and demand in each counter and the exchange rate between RMB and HKD. Changes in the trading price of the Underlying Asset in HKD or RMB (as the case may be) may adversely affect the price of the Structured Products.

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.

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.

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 Product 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 Product is to remain in the name of HKSCC Nominees Limited for its 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 broker/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 United States and such payments generally would be subject to a 30 per cent. United States 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, whether explicitly stated or implicitly taken into account in computing one or more of the terms of such securities, may be treated as "dividend equivalents".

As a result, actual payments on the Structured Products may be substantially less than the amounts specified in their terms.

In addition, since the determination of whether payments made on a Structured Product are "dividend equivalent" payments is generally made at the time the Structured Product is acquired (whether or not the acquisition occurs at the original issuance), payments on the same Structured Product may subsequently be treated as "dividend equivalent" payments with respect to a secondary market purchaser even if they are not so treated with respect to the initial holder. As a result, an initial holder's ability to transfer the Structured Products on a secondary market, if any, may be further limited.

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

The Foreign Account Tax Compliance Act ("**FATCA**") generally imposes a 30 per cent. United States 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 a holder), unless such institution enters into an agreement with the U.S. Treasury to collect and provide to the U.S. Treasury 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 per cent. 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, "passthru payments" made by a foreign financial institution to "recalcitrant holders" or non-compliant foreign financial institutions are subject to a 30 per cent. United States withholding tax. A "recalcitrant holder" generally is a holder of an account with a foreign financial institution that fails to comply with certain requests for information that will help enable the relevant foreign financial institution to comply with its obligations under FATCA (a Structured Product may constitute an account for these purposes). Pursuant to U.S. Treasury regulations, a passthru payment is any Withholdable Payment and any "foreign passthru payment", which has yet to be defined.

If we determine that withholding is appropriate with respect to the Structured Products, we (or an applicable withholding agent) would be entitled to withhold taxes at the applicable statutory rate without being required to pay any additional amounts with respect to amounts so withheld.

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, potential investors in Structured Products are strongly advised to consult their own tax advisers as to their respective tax position on sale, purchase, ownership, transfer, holding or exercise of any Structured Products, 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 trust which has issued the underlying units; 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, enacted under the United States Hiring Incentives to Restore Employment Act of 2010, a "dividend equivalent" payment generally is treated as a dividend from sources within the United States and such payments generally would be subject to a 30 per cent. United States withholding tax if paid to a Non-U.S. Holder (as defined below). Under 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, whether explicitly stated or implicitly taken into account in computing one or more of the terms of such securities, may be treated as "dividend equivalents". The regulations are extremely complex, and would impose a withholding tax on payments made on certain equity-linked instruments unless exemptions are provided for. If 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 amounts so withheld. As a result, actual payments on the Structured Products may be substantially less than the amounts specified in their terms.

In addition, since the determination of whether payments made under a Structured Product are "dividend equivalent" payments is generally made at the time the Structured Product is acquired (whether or not the acquisition occurs at the original issuance), payments on the same Structured Product may subsequently be treated as "dividend equivalent" payments with respect to a secondary market purchaser even if they are not so treated with respect to the initial holder. As a result, an initial holder's ability to transfer the Structured Products on a secondary market, if any, may be further limited.

The Foreign Account Tax Compliance Act

The Foreign Account Tax Compliance Act ("**FATCA**") (Sections 1471 through 1474 of the Code) generally imposes a 30 per cent. United States 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 a holder), unless such institution enters into an agreement with the U.S. Treasury to collect and provide to the U.S. Treasury 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 per cent. 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. Under certain circumstances, a holder may be eligible for refunds or credits of such taxes.

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

Under the current United States Treasury regulations and related guidance, the 30 per cent. United States withholding tax on "recalcitrant holders" or non-compliant foreign financial institutions generally may be imposed on Withholdable Payments (e.g. "dividend equivalent" payments) made by us with respect to the Structured Products after 30 June 2014 and on "foreign passthru payments" made by us with respect to the Structured Products after the later of (i) 31 December 2018 or (ii) the date of publication in the U.S. Federal Register of final regulations defining the term "foreign passthru payment." However, the withholding tax generally will not be imposed on payments pursuant to an obligation giving rise to Withholdable Payments solely because such payments are treated as "dividend equivalent" payments if the obligation is outstanding six months after the date on which the obligation becomes subject to such treatment. In addition, payments on an obligation will not be treated as "foreign passthru payments" if such obligation is outstanding on or before 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.

If we determine that withholding is appropriate with respect to the Structured Products, we (or an applicable withholding agent) would be entitled to withhold taxes at the applicable statutory rate without being required to pay any additional amounts with respect to amounts so withheld.

Foreign financial institutions and non-financial foreign entities located in jurisdictions that have an intergovernmental agreement with the United States governing FATCA may be subject to different rules. Holders are urged to consult with their own tax advisors regarding the possible implications of FATCA on their investment in the Structured Products.

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, partnership or other entity (excluding a trust) that is formed or organized under the laws of the United States or any political subdivision of the United States (or is taxable as an entity so formed or organized); (3) an estate, the income of which is subject to U.S. federal income taxation regardless of its source; (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 U.S. Internal Revenue Code) control all of the substantial decisions, or has otherwise made an appropriate election under the U.S. tax regulations.

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 28 April 2017 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 General Rules of CCASS and the CCASS Operational Procedures 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 29 February 2016 (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 Haitong International Securities Company 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;

"**Structured Products**" means derivative 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; and

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

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

2.1 Form

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

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

2.2 Status of the Issuer's obligations

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

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

2.3 Transfer of Structured Products

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

2.4 Additional Costs and Expenses

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

3. Rights and Exercise Expenses relating to the Structured Products

3.1 Entitlement of Holders

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

3.2 Holders responsible for Exercise Expenses

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

4. Purchase

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

5. Global Certificate

A Global Certificate representing the Structured Products will be deposited with CCASS in the name of the Nominee. The Global Certificate must be executed manually on behalf of the Issuer by authorised person(s) or attorney(s) of the Issuer.

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 Structures Products.

APPENDIX 2
PRODUCT CONDITIONS OF WARRANTS

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

PART A
PRODUCT CONDITIONS OF CASH SETTLED WARRANTS OVER SINGLE EQUITIES

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

1. Definitions

For the purposes of these Product Conditions:

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

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

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

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

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

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

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 issuance of the tropical cyclone warning signal number 8 or above or the issuance of a "BLACK" rainstorm signal 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 the tropical cyclone warning signal number 8 or above or the "BLACK" rainstorm signal having been issued; 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

Adjustments may be made by the Issuer to the number of Shares to which the Warrants relate on the basis of the following provisions:

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:

Adjusted Entitlement = Adjustment Component x 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 Right

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:

Adjusted Entitlement = Adjustment Component x E

Where:

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:

Adjusted Entitlement = Adjustment Component x 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 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 its undertaking, property or assets, all unexercised Warrants will lapse and shall cease to be valid for any purpose. In the case of 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, 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 its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

5. Delisting

5.1 Adjustments following delisting

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

5.2 Listing on another exchange

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

5.3 Adjustments binding

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

PART B
PRODUCT CONDITIONS OF CASH SETTLED WARRANTS OVER INDEX

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

1. Definitions

For the purposes of these Product Conditions:

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

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

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

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

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

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

"**Closing Level**" means the level specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**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 Compiler**" means the index compiler 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 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 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 issuance of the tropical cyclone warning signal number 8 or above or the issuance of a "BLACK" rainstorm signal 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 the tropical cyclone warning signal number 8 or above or the "BLACK" rainstorm signal having been issued;

(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 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, contracts or commodities 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 at 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, contracts or commodities 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 SINGLE UNIT TRUSTS

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

1. Definitions

For the purposes of these Product Conditions:

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

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

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

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

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

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

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;

"**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 issuance of the tropical cyclone warning signal number 8 or above or the issuance of a "BLACK" rainstorm signal 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 the tropical cyclone warning signal number 8 or above or the "BLACK" rainstorm signal having been issued; 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 unit trusts;

"**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;

"**Trust**" means the trust specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Unit**" means the unit 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

Adjustments may be made by the Issuer to the number of Units to which the Warrants relate on the basis of the following provisions:

3.1 Rights Issues

If and whenever the Trust 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:

Adjusted Entitlement = Adjustment Component x 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 Right

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 Trust 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 Trust 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:

Adjusted Entitlement = Adjustment Component x E

Where:

Adjustment Component = 1 + N

E: Existing Entitlement immediately prior to the Bonus Issue

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

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

3.3 *Subdivisions and Consolidations*

If and whenever the Trust shall subdivide its Units or any class of its outstanding Units into a greater number of units (a "**Subdivision**") or consolidate the Units or any class of its outstanding Units into a smaller number of units (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 Trust is to or may merge with or into any other trust or consolidate with or into any other trust or corporation (including becoming, by agreement or otherwise, controlled by any person or corporation) (except where the Trust 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 of the trust(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 Trust, 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 Trust.

If and whenever the Trust 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:

Adjusted Entitlement = Adjustment Component x 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 trustee of the Trust (including any successor trustee appointed from time to time) ("**Trustee**") (in its capacity as trustee of the Trust) 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 Trustee's 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 the Trustee's 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 Trust is terminated, or the Trustee or the manager of the Trust (including any successor manager appointed from time to time) ("**Manager**") is required to terminate the Trust under the trust deed ("**Trust Deed**") constituting the Trust or applicable law, or the termination of the Trust commences;

(b) the Trust is held or is conceded by the Trustee or the Manager not to have been constituted or to have been imperfectly constituted;

(c) the Trustee ceases to be authorised under the Trust to hold the property of the Trust in its name and perform its obligations under the Trust Deed; or

(d) the Trust 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.

PART D
PRODUCT CONDITIONS OF CASH SETTLED WARRANTS OVER COMMODITIES

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 the applicable 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 applicable, converted into the Settlement Currency at the Exchange Rate) :

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

$$\frac{\text{Entitlement x (Closing Price – Exercise Price) x one Board Lot}}{\text{Number of Warrant(s) per Entitlement}}$$

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

$$\frac{\text{Entitlement x (Exercise Price – Closing Price) x one Board Lot}}{\text{Number of Warrant(s) per Entitlement}}$$

"**Closing Price**" 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;

"**Commodity**" means the commodity specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Commodity Business Day**" has the meaning given to it 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, 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;

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

"**General Conditions**" means the general terms and conditions set out in Appendix 1 of the Base Listing Document;

"**Market Disruption Event**" means:

(a) the occurrence or existence, on a Valuation Day of any suspension of or material limitation imposed on, trading in the Commodity or any warrants, options contracts or futures contracts relating to the Commodity on any Related Exchange;

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

(c) the disappearance of, or disappearance of trading, in the Commodity;

(d) a Price Source Disruption Event; or

(e) any circumstances beyond the control of the Issuer in which the Closing Price or the Exchange Rate cannot be determined by the Issuer in the manner set out in these Product Conditions or in such other manner as the Issuer considers appropriate at such time after taking into account all the relevant circumstances;

"**Price Source**" means the publication (or such other origin of price source reference) (if any) specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Price Source Disruption Event**" means:

(a) the failure of the Price Source to announce or publish any relevant level, value or price in relation to the Commodity (or the information necessary for determining the Closing Price); or

(b) the temporary or permanent discontinuance or unavailability of the Price Source;

"**Product Conditions**" means these product terms and conditions. These Product Conditions apply to each series of cash settled warrants over commodity;

"**Relevant Currency**" means the currency specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Related Exchange**" means any exchange or quotation system in a major international market (including but not limited to New York, Chicago, London, Australia and Frankfurt) on which options contracts or futures contracts or other derivatives contracts relating to the Commodity is traded, as determined by the Issuer;

"**Settlement Currency**" means the currency specified as such in the Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

"**Settlement Date**" means the third CCASS Settlement Day after the Valuation Date;

"**Unit**" means the unit specified as such in the relevant Launch Announcement and Supplemental Listing Document; 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 Price on the basis of its good faith estimate of the Closing Price that would have prevailed on that day but for the Market Disruption Event.

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 2.2 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 Market Disruption Events

Without limiting Product Condition 2.5, if a Market Disruption Event occurs, the Issuer has the right to adjust the Price Source, the Closing Price, the Exchange Rate and/or any other relevant variables accordingly. The Issuer shall as soon as reasonably practicable under such circumstances notify the Holders in accordance with General Condition 7 if it determines that a Market Disruption Event has occurred.

3.2 Foreign Currency Controls

If exchange control or other laws, regulations, directives or guidelines are imposed by any central banking authority or other governmental or regulatory body which:

(a) requires the Issuer to obtain permission from such authority or body to purchase the Settlement Currency;

(b) otherwise restricts the Issuer's ability to obtain the Settlement Currency; or

(c) otherwise adversely regulates the purchase or holding of the Settlement Currency such that additional costs are imposed in obtaining the Settlement Currency which would not be imposed in the absence of such laws, regulations, directives or guidelines, or if the cost of obtaining the Settlement Currency at the Exchange Rate is determined by the Issuer to be excessive because of a disruption in the foreign exchange market relating to the Settlement Currency,

then, upon notice from the Issuer to Holders in accordance with General Condition 7 to such effect, Holders who have exercised their Warrants in accordance with Product Condition 2 shall receive, at the option of the Issuer, in lieu of the Settlement Currency, an amount equal to the Cash Settlement Amount in any other currency as determined by the Issuer.

3.3 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 E
PRODUCT CONDITIONS OF CASH SETTLED WARRANTS OVER COMMODITY FUTURES

These Product Conditions will, together with the General Conditions and the supplemental provisions 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 inconsistent with the applicable Product Conditions, replace or modify the applicable Product Conditions for the purpose of such series of Warrants.

1. Definitions

For the purposes of these Product Conditions:

"**Cash Settlement Amount**" means, for every Board Lot, an amount calculated by the Issuer in accordance with the following formula (and if applicable, converted into the Settlement Currency at the Exchange Rate) :

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

$$\frac{\text{Entitlement x (Closing Price – Exercise Price) x one Board Lot}}{\text{Number of Warrant(s) per Entitlement}}$$

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

$$\frac{\text{Entitlement x (Exercise Price – Closing Price) x one Board Lot}}{\text{Number of Warrant(s) per Entitlement}}$$

"**Closing Price**" 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;

"**Commodity**" means the commodity specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Commodity Futures**" means the commodity futures specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Commodity Futures Trading Day**" means a day on which the Relevant Exchange is scheduled to open for trading;

"**Exchange Rate**" means the rate 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;

"**Expiry Date**" means the date 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 of:

(i) any suspension of or limitation imposed on trading:

(A) on the Relevant Exchange in the Commodity Futures or securities generally; or

(B) on any Related Exchange in any options contracts or futures contracts relating to the Commodity or the Commodity Futures, if, in any such case, such suspension or limitation is, in the determination of the Issuer, material; or

(ii)of any event that disrupts or impairs (as determined by the Issuer) the ability of market participants in general to effect transactions in, or obtain market values for, the Commodity Futures, options contracts or futures contracts on or relating to the Commodity or Commodity Futures on any Related Exchange; or

(b) the failure of the Relevant Exchange to announce or publish any relevant level, value or price in relation to the Commodity Futures (or the information necessary for determining the Closing Price); or

(c) a limitation or closure of the Relevant Exchange, any Related Exchange or the Stock Exchange due to any other unforeseen circumstances; or

(d) the permanent discontinuation of trading in the Commodity or Commodity Futures on the Relevant Exchange; or

(e) any circumstances beyond the control of the Issuer in which the Closing Price or the Exchange Rate cannot be determined by the Issuer in the manner set out in these Product Conditions or in such other manner as the Issuer considers appropriate at such time after taking into account all the relevant circumstances; or

(f) the occurrence of a material change in the content, composition or constitution of the Commodity Futures or the Commodity; or

(g) the occurrence of a material change in the formula for or the method of calculating the relevant level, value or price in relation to the Commodity Futures.

"**Product Conditions**" means these product terms and conditions. These Product Conditions apply to each series of cash settled warrants over commodity futures;

"**Relevant Currency**" means the currency specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Related Exchange**" means any exchange or quotation system in a major international market on which options contracts or futures contracts or other derivatives contracts relating to the Commodity Futures is traded, as determined by the Issuer;

"**Relevant Exchange**" means the exchange specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Settlement Currency**" means the currency specified as such in the Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

"**Settlement Date**" means the third CCASS Settlement Day after the Valuation Date;

"**Unit**" means the unit specified as such in the relevant Launch Announcement and Supplemental Listing Document; 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 Price on the basis of its good faith estimate of the Closing Price that would have prevailed on that day but for the occurrence of the Market Disruption Event.

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

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 2.3, 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 Market Disruption Events

Without limiting Product Condition 2.5, if a Market Disruption Event occurs, the Issuer has the right to adjust the Closing Price, the Exchange Rate and/or any other relevant variables accordingly. The Issuer shall as soon as reasonably practicable under such circumstances notify the Holders in accordance with General Condition 7 if it determines that a Market Disruption Event has occurred.

3.2 Foreign Currency Controls

If exchange control or other laws, regulations, directives or guidelines are imposed by any central banking authority or other governmental or regulatory body which:

(a) requires the Issuer to obtain permission from such authority or body to purchase the Settlement Currency;

(b) otherwise restricts the Issuer's ability to obtain the Settlement Currency; or

(c) otherwise adversely regulates the purchase or holding of the Settlement Currency such that additional costs are imposed in obtaining the Settlement Currency which would not be imposed in the absence of such laws, regulations, directives or guidelines, or if the cost of obtaining the Settlement Currency at the Exchange Rate is determined by the Issuer to be excessive because of a disruption in the foreign exchange market relating to the Settlement Currency,

then, upon notice from the Issuer to Holders in accordance with General Condition 7 to such effect, Holders who have exercised their Warrants in accordance with Product Condition 2 shall receive, at the option of the Issuer, in lieu of the Settlement Currency, an amount equal to the Cash Settlement Amount in any other currency as determined by the Issuer.

3.3 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 F
PRODUCT CONDITIONS OF CASH SETTLED WARRANTS OVER CURRENCY

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 inconsistent with the applicable Product Conditions, replace or modify the applicable Product Conditions for the purpose of such series of Warrants.

1. Definitions

For the purposes of these Product Conditions:

"**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 and for carrying on foreign exchange transactions in Hong Kong;

"**Cash Settlement Amount**" means, in respect of every Board Lot, an amount calculated by the Issuer in accordance with the following formula (and if applicable, converted into the Settlement Currency at the Settlement Exchange Rate) :

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

$$\frac{(\text{Spot Rate} - \text{Strike Rate}) \times \text{Currency Amount} \times \text{one Board Lot}}{\text{Divisor}}$$

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

$$\frac{(\text{Strike Rate} - \text{Spot Rate}) \times \text{Currency Amount} \times \text{one Board Lot}}{\text{Divisor}}$$

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

"**Currency Pair**" has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

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

"**Expiry Date**" means the date 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, of any circumstances beyond the control of the Issuer in which the Spot Rate or, if applicable, the Settlement Exchange Rate cannot be determined by the Issuer in the manner set out in these Product Conditions or in such other manner as the Issuer considers appropriate at such time after taking into account all the relevant circumstances; and/or

(b) the imposition of any exchange controls in respect of any currencies involved in determining the Cash Settlement Amount;

"**Product Conditions**" means these product terms and conditions. These Product Conditions apply to each series of cash settled warrants over currency;

"**Settlement Currency**" means the currency specified as such in the Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

"**Settlement Date**" means the third CCASS Settlement Day after the Valuation Date;

"**Settlement Exchange Rate**" means the rate specified as such in the Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

"**Spot Rate**" 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;

"**Strike Rate**" means the rate specified as such in the relevant Launch Announcement and Supplemental Listing Document; 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 on the Valuation Date a Market Disruption Event has occurred, then the Issuer will determine the Spot Rate or, if applicable, the Settlement Exchange Rate or any other variables on the basis of its good faith estimate of the Spot Rate or, if applicable, the Settlement Exchange Rate or any other variables that would have prevailed on that day but for the occurrence of the Market Disruption Event.

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 Market Disruption Events

Without limiting Product Condition 2.5, if a Market Disruption Event occurs, the Issuer has the right to adjust the Spot Rate or, if applicable, the Settlement Exchange Rate and/or any other relevant variables accordingly. The Issuer shall as soon as reasonably practicable under such circumstances notify the Holders in accordance with General Condition 7 if it determines that a Market Disruption Event has occurred.

3.2 Foreign Currency Controls

If exchange control or other laws, regulations, directives or guidelines are imposed by any central banking authority or other governmental or regulatory body which:

(a) requires the Issuer to obtain permission from such authority or body to purchase the Settlement Currency;

(b) otherwise restricts the Issuer's ability to obtain the Settlement Currency; or

(c) otherwise adversely regulates the purchase or holding of the Settlement Currency such that additional costs are imposed in obtaining the Settlement Currency which would not be imposed in the absence of such laws, regulations, directives or guidelines, or if the cost of obtaining the Settlement Currency at the Settlement Exchange Rate is determined by the Issuer to be excessive because of a disruption in the foreign exchange market relating to the Settlement Currency,

then, upon notice from the Issuer to Holders in accordance with General Condition 7 to such effect, Holders who have exercised their Warrants in accordance with Product Condition 2 shall receive, at the option of the Issuer, in lieu of the Settlement Currency, an amount equal to the Cash Settlement Amount in any other currency as determined by the Issuer.

3.3 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.

APPENDIX 3
PRODUCT CONDITIONS OF CBBCS

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

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:

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

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

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

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 official 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 issuance of the tropical cyclone warning signal number 8 or above or the issuance of a "BLACK" rainstorm 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 the tropical cyclone warning signal number 8 or above or the "BLACK" rainstorm signal have been issued; 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:

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

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

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

"**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.

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:

Adjusted Entitlement = Adjustment Component x 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 Right

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:

Adjusted Entitlement = Adjustment Component x E

Where:

Adjustment Component = 1 + N

E: Existing Entitlement immediately prior to the Bonus Issue

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

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

3.3 *Subdivisions and Consolidations*

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

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

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

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

3.4 *Restructuring Events*

If it is announced that the Company is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of or controlled by any person or corporation) (except where the Company is the surviving corporation in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the CBBCs may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a "**Restructuring Event**") (as determined by the Issuer in its absolute discretion) so that the CBBCs shall, after such Restructuring Event, relate to the number of shares of the corporation(s) resulting from or surviving such Restructuring Event or other securities ("**Substituted Securities**") and/or cash offered in substitution for the affected Shares, as the case may be, to which the holder of such number of Shares to which the CBBCs related immediately before such Restructuring Event would have been entitled upon such Restructuring Event and thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in the relevant currency equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected. For the avoidance of doubt, any remaining Shares shall not be affected by this paragraph and, where cash is offered in substitution for Shares or is deemed to replace Substituted Securities as described above, references in these Product Conditions to the Shares shall include any such cash.

3.5 *Cash Distribution*

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

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

Adjusted Entitlement = Adjustment Component x 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 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 its undertaking, property or assets, all unexercised CBBCs will lapse and shall cease to be valid for any purpose. In the case of 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 its 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.

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;

"**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 issuance of the tropical cyclone warning signal number 8 or above or the issuance of a "BLACK" rainstorm signal 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 the tropical cyclone warning signal number 8 or above or the "BLACK" rainstorm signal have been issued;

(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.

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, contracts, commodities or currencies 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, contracts, commodities or currencies 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 at 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, contracts, commodities or currencies that comprised the Index immediately prior to that change or failure (other than those securities, contracts, commodities or currencies 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 Holder. 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 SINGLE UNIT TRUSTS

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:

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

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

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

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 official 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;

"**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 issuance of the tropical cyclone warning signal number 8 or above or the issuance of a "BLACK" rainstorm 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 the tropical cyclone warning signal number 8 or above or the "BLACK" rainstorm signal have been issued; 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 single unit trusts;

"**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:

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

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

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

"**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;

"**Trust**" means the trust specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Unit**" means the unit 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.

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 Trust 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:

Adjusted Entitlement = Adjustment Component x 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 Trust 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 Trust 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:

Adjusted Entitlement = Adjustment Component x E

Where:

Adjustment Component = 1 + N

E: Existing Entitlement immediately prior to the Bonus Issue

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

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

3.3 Subdivisions and Consolidations

If and whenever the Trust shall subdivide its Units or any class of its outstanding Units into a greater number of units (a "**Subdivision**") or consolidate the Units or any class of its outstanding Units into a smaller number of units (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 Trust is to or may merge with or into any other trust or consolidate with or into any other trust or corporation (including becoming, by agreement or otherwise, controlled by any person or corporation) (except where the Trust 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 of the trust(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 Trust, 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 Trust.

If and whenever the Trust 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:

Adjusted Entitlement = Adjustment Component x 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 trustee of the Trust (including any successor trustee appointed from time to time) ("**Trustee**") (in its capacity as trustee of the Trust) 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 Trustee's 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 the Trustee's 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 Trust is terminated, or the Trustee or the manager of the Trust (including any successor manager appointed from time to time) ("**Manager**") is required to terminate the Trust under the trust deed ("**Trust Deed**") constituting the Trust or applicable law, or the termination of the Trust commences;

(ii) the Trust is held or is conceded by the Trustee or the Manager not to be have been constituted or to have been imperfectly constituted;

(iii) the Trustee ceases to be authorised under the Trust to hold the property of the Trust in its name and perform its obligations under the Trust Deed; or

(iv) the Trust 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 2016

This information in this Appendix 4 has been extracted from our Reports and Financial Statements for the year ended 31 December 2016.

INDEPENDENT AUDITOR'S REPORT

TO THE SOLE MEMBER OF
HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED
海通國際證券有限公司
(incorporated in Hong Kong with limited liability)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Haitong International Securities Company Limited (the "Company") set out on pages 8 to 52, which comprise the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2016, 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 (the "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 ("HKSAs") 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.

TO THE SOLE MEMBER OF
HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED - continued
海通國際證券有限公司
(incorporated in Hong Kong with limited liability)

Report on the Audit of the Financial Statements - continued

Other Information

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

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

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

TO THE SOLE MEMBER OF
HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED - continued
海通國際證券有限公司
(incorporated in Hong Kong with limited liability)

Report on the Audit of the Financial Statements - continued

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you in accordance with section 405 of the Hong Kong Companies Ordinance and section 156(1)(b) of the Hong Kong Securities and Futures Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition, we are required to obtain reasonable assurance about whether the financial statements are in accordance with the records kept under the Hong Kong Securities and Futures (Keeping of Records) Rules and satisfy the requirements of the Hong Kong Securities and Futures (Accounts and Audit) Rules.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism 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.

TO THE SOLE MEMBER OF
HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED - continued
海通國際證券有限公司
(incorporated in Hong Kong with limited liability)

Report on the Audit of the Financial Statements - continued

Auditor's Responsibilities for the Audit of the Financial Statements - continued

- 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on matters under the 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.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
26 April 2017

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	NOTES	2016 HK$	2015 HK$
Revenue			
Commission and fee income	5	810,506,393	944,488,793
Interest income	5	1,639,256,756	1,365,510,726
Net investment gains (losses)	5	176,640,857	(12,461,686)
Total revenue		2,626,404,006	2,297,537,833
Other income and gains or losses	5	2,008,427	1,210,184
		2,628,412,433	2,298,748,017
Employee benefit expense			
Salaries and allowances, bonuses and pension scheme contribution	7	(268,203,904)	(214,431,202)
Commission to accounts executives		(171,363,824)	(332,922,892)
Depreciation	11	(335,674)	(222,055)
Management and service fees to an intermediate holding company and fellow subsidiaries	29(b)&(d)	(470,396,304)	(579,321,810)
Other operating expenses		(297,105,984)	(226,338,125)
		(1,207,405,690)	(1,353,236,084)
Finance costs	6	(913,213,056)	(561,582,836)
Profit before tax	6	507,793,687	383,929,097
Income tax expense	9	(65,014,536)	(90,823,716)
Profit for the year		442,779,151	293,105,381
Other comprehensive expense that may be classified subsequently to profit or loss			
Available-for-sale investments			
- net fair value change during the year		(8,343,577)	(4,126,249)
Other comprehensive expense for the year		(8,343,577)	(4,126,249)
Profit and total comprehensive income for the year		434,435,574	288,979,132

STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2016

	NOTES	2016 HK$	2015 HK$
ASSETS			
Non-current assets			
Property and equipment	11	1,439,369	1,752,913
Intangible assets	12	6,054,345	6,054,345
Other assets	13	68,905,805	89,592,816
Available-for-sale investments	14	1,722,325,023	42,894,098
Deferred tax asset		523,919	523,919
		1,799,248,461	140,818,091
Current assets			
Advances to customers in margin financing	15	20,814,536,215	18,876,269,371
Accounts receivable	16	2,083,038,772	1,779,412,497
Amounts due from fellow subsidiaries	23	1,153,573,473	1,080,179,986
Prepayments, deposits and other receivables		156,510,170	187,066,174
Financial assets at fair value through profit or loss	18	646,982,685	314,489,494
Financial assets designated at fair value through profit or loss	19	673,519,000	137,750,000
Cash held on behalf of customers	21	19,975,758,055	15,718,809,299
Cash and cash equivalents	22	2,551,209,398	3,089,684,977
Tax recoverable		12,584,348	-
Derivative financial instruments	17	51,939,872	-
		48,119,651,988	41,183,661,798
Total assets		49,918,900,449	41,324,479,889

	NOTES	2016 HK$	2015 HK$
EQUITY AND LIABILITIES			
Capital and reserve			
Share capital	27	11,500,000,000	8,500,000,000
Reserve		1,326,914,709	1,074,541,922
Total equity		12,826,914,709	9,574,541,922
Liabilities			
Non-current liability			
Amount due to an intermediate holding company	23	2,479,797,950	1,243,763,591
Current liabilities			
Accounts payable	24	23,548,861,378	17,230,106,879
Amount due to the immediate holding company	23	480,607,586	185,283,336
Amounts due to fellow subsidiaries	23	1,928,272,627	2,131,292,334
Other payables and accruals		38,910,075	64,083,687
Bank loans	25	4,917,019,500	7,188,518,736
Subordinated loans	26	3,600,000,000	3,600,000,000
Tax payable		-	105,601,390
Financial liabilities at fair value through profit or loss	20	3,989,340	-
Derivative financial instruments	17	94,527,284	1,288,014
		34,612,187,790	30,506,174,376
Total liabilities		37,091,985,740	31,749,937,967
Total equity and liabilities		49,918,900,449	41,324,479,889

The financial statements on pages 8 to 52 were approved and authorised for issue by the Board of Directors on 26 April 2017 and are signed on its behalf by:

HUI Yee Wilson
DIRECTOR

LO Wai Ho
DIRECTOR

HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED
海通國際證券有限公司

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital HK$	Contribution reserve HK$	Investment revaluation reserve HK$	Retained earnings HK$	Total HK$
At 1 January 2015	4,500,000,000	191,284,535	-	725,002,180	5,416,286,715
Profit and total comprehensive income for the year	-	-	(4,126,249)	293,105,381	288,979,132
Issuance of new shares	4,000,000,000	-	-	-	4,000,000,000
Interim dividend declared and settled	-	-	-	(200,000,000)	(200,000,000)
Deemed contribution from an intermediate holding company (Note)	-	69,276,075	-	-	69,276,075
At 31 December 2015 and at 1 January 2016	8,500,000,000	260,560,610	(4,126,249)	818,107,561	9,574,541,922
Profit and total comprehensive income for the year	-	-	(8,343,577)	442,779,151	434,435,574
Issuance of new shares	3,000,000,000	-	-	-	3,000,000,000
Interim dividend declared and settled	-	-	-	(270,000,000)	(270,000,000)
Deemed contribution from an intermediate holding company (Note)	-	87,937,213	-	-	87,937,213
At 31 December 2016	11,500,000,000	348,497,823	(12,469,826)	990,886,712	12,826,914,709

Note: The deemed contribution from an intermediate holding company represents the imputed interest on non-current interest free payable from an intermediate holding company calculated with reference to Hong Kong Accounting Standard 39 "Financial instrument: Recognition and measurement".

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 HK$	2015 HK$
OPERATING ACTIVITIES		
Profit before tax	507,793,687	383,929,097
Adjustment for:		
Interest expenses	913,213,056	561,582,836
Dividend income	(9,372,140)	(18,452,383)
Interest income from debt investments and others	(14,852,992)	(4,493,151)
Loss on disposal of property and equipment	-	4,806
Depreciation	335,674	222,055
Impairment losses on advances to customers in margin financing	94,594,640	-
Interest income	(1,639,256,756)	(1,365,510,726)
Operating cash flows before movements in working capital	(147,544,831)	(442,717,466)
Decrease in other assets	20,687,011	50,962,141
(Increase) decrease in accounts receivable	(303,626,275)	1,410,387,908
Increase in advances to customers in margin financing	(2,032,861,484)	(9,258,228,252)
Decrease in prepayments, deposits and other receivables	114,406,574	17,944,705
Increase in financial investments designated at fair value through profit or loss	(535,769,000)	(137,750,000)
(Increase) decrease in financial assets at fair value through profit or loss	(332,493,191)	322,242,589
Increase in financial liabilities at fair value through profit or loss	3,989,340	-
Increase (decrease) in derivative financial instruments	41,299,398	(1,032,830)
Increase in cash held on behalf of customers	(4,256,948,756)	(8,196,044,154)
Increase in accounts payable	6,318,754,499	6,375,110,589
(Decrease) increase in accruals and other payables	(25,173,612)	38,384,647
Cash used in operations	(1,135,280,327)	(9,820,740,123)
Dividend received	9,372,140	18,452,383
Interest paid	(826,359,520)	(497,821,325)
Interest income received	1,555,406,186	1,281,660,156
Tax paid	(183,200,274)	(833,563)
NET CASH USED IN OPERATING ACTIVITIES	(580,061,795)	(9,019,282,472)
INVESTING ACTIVITIES		
Proceeds from disposal of property and equipment	-	239
Interest income from debt investments and others	14,852,992	4,493,151
Purchase of items of property and equipment	(22,130)	(212,808)
Purchase of available-for-sale investments	(1,687,774,502)	(47,020,347)
(Increase) decrease in amounts due from fellow subsidiaries	(73,393,487)	482,181,718
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(1,746,337,127)	439,441,953

	2016 HK$	2015 HK$
FINANCING ACTIVITIES		
Proceeds from issue of new shares	3,000,000,000	4,000,000,000
Proceeds from subordinated loans	-	700,000,000
(Repayment of bank loans) proceeds from bank loans raised	(2,271,499,236)	3,526,902,743
(Decrease) increase in amounts due to fellow subsidiaries	(203,019,707)	1,992,717,020
Increase (decrease) in amount due to the immediate holding company	25,324,250	(715,311,272)
Increase in amount due to an intermediate holding company	1,237,118,036	1,161,529,681
NET CASH FROM FINANCING ACTIVITIES	1,787,923,343	10,665,838,172
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(538,475,579)	2,085,997,653
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	3,089,684,977	1,003,687,324
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	2,551,209,398	3,089,684,977
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	2,551,209,398	3,089,684,977

1. GENERAL

Haitong International Securities Company Limited (the "Company") is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at 22/F., Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong.

During the year ended 31 December 2016, the Company is involved in securities brokerage and dealing, investment holding, the provision of securities margin financing, placing and underwriting services and other consultancy and advisory services.

The Company is licensed under the Hong Kong Securities and Futures Ordinance to conduct regulated activities of dealing in securities, dealing in leveraged foreign exchange trading and advising on securities.

In the opinion of the Board of the Company, the parent company of the Company is Haitong International Finance Company Limited, which is incorporated in Hong Kong, and the ultimate holding company of the Company is Haitong Securities Co., Ltd., which is incorporated in the People's Republic of China ("PRC") and listed in both the PRC and Hong Kong.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Company has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year.

Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation

The directors of the Company considered that the application of the amendments to HKFRSs in the current year has had no material impact on the Company's financial performance and positions for the current and prior years and/or on the disclosures set out in these financial statements.

In addition, the Company has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial instruments[2]
HKFRS 15	Revenue from contracts with customers and the related amendments[1]
HKFRS 16	Leases[3]
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts[2]
Amendments to HKAS 7	Disclosure initiative[1]
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 - 2014 cycle[4]

1 Effective for annual periods beginning on or after 1 January 2017.
2 Effective for annual periods beginning on or after 1 January 2018.
3 Effective for annual periods beginning on or after 1 January 2019.
4 Effective for annual periods beginning on or after 1 January 2017 and 1 January 2018, as appropriate.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

Except as described below, the directors of the Company do not anticipate that the application of these new and amendments to HKFRSs will have a material impact on the financial statements.

HKFRS 9 Financial instruments

HKFRS 9 introduced new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanises currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

HKFRS 9 Financial instruments - continued

The directors of the Company anticipate that the application of HKFRS 9 shall have material impact on the classification and measurement of the Company's financial assets and financial liabilities. In addition, the new impairment model may result in an earlier recognition of credit losses on the Company's loans and receivables. However, a more detailed analysis is required to determine the extent of the impact in relation to implementation of HKFRS 9.

The directors of the Company do not expect to adopt the HKFRS 9 early before its effective date.

HKFRS 15 Revenue from contracts with customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company are undergoing a detailed assessment on the implementation of HKFRS 15.

The directors of the Company do not expect to adopt the HKFRS 15 early before its effective date.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

Amendments to HKAS 7 Disclosure initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specially, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Company's financing activities, specifically reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities will be provided on application.

The directors of the Company do not anticipate that the application of the these amendments to HKAS 7 will have a material impact on the Company's financial statements and not expect to adopt the Amendments to HKAS 7 early before its effective date.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Company currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

HKFRS 16 Leases - continued

As at 31 December 2016, the Company has non-cancellable operating lease commitments of HK$3,199,617 as disclosed in note 28.

HKFRS 16 will primarily affect the Company's accounting as a lessee of leases for properties that are currently classified as operating leases as based on preliminary assessment, the Company will be required to recognise the right-to-use asset and corresponding lease liability. However, the directors of the Company are undergoing a detailed assessment on the implementation of HKFRS 16.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by HKICPA. In addition, the financial statements include applicable disclosures required by the Hong Kong Companies Ordinance ("CO").

Basis of preparation

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of preparation - continued

The principal accounting policies are set out below.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Company and when specific criteria have been met for each of the Company's activities, as described below.

- Commission income on securities dealing and broking, futures and options dealing and broking and bullion contracts dealing are recorded as income on a trade date basis when the relevant contract notes are executed;

- Commission income on underwriting and placing, financial advisory and consultancy fees are recorded as income in accordance with the terms of underlying agreements when the relevant significant acts have been completed;

- Fund management fee and handling, custodian and other service fee income are recorded when services are rendered;

- Interest income from a financial asset is accrued on a time basis using the effective interest method, 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 on initial recognition;

- Realised gains or losses from available-for-sale investments, financial assets at fair value through profit or loss, financial assets designated at fair value through profit or loss, financial liabilities at fair value through profit or loss, financial liabilities designated at fair value through profit or loss, derivative, leveraged foreign exchange transactions and bullion contracts are recognised on the transaction dates when the relevant contract notes are executed whilst the unrealised profits or losses are recognised from valuation in accordance with the accounting policies for financial instruments (see the accounting policies below); and

- Dividend income is recorded when the shareholders' right to receive payment has been established.

Foreign currencies

In preparing the financial statements of each individual entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Foreign currencies - continued

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period, except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise bank balances, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Company's cash management.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Company's financial assets are classified into the following specified categories: financial assets at fair value through profit or loss (FVTPL), available-for-sale ("AFS") financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial assets are held for trading or are designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued - continued

Financial assets at FVTPL - continued

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets. Fair value is determined in the manner described in note 31.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including advances to customers in margin financing, accounts receivable, amounts due from fellow subsidiaries, deposits and other receivables, cash held on behalf of customers and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of loans and receivables below).

AFS financial assets

AFS investments are non-derivatives that are either designated as available-for-sale or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Equity and debt securities held by the Company that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on AFS equity instruments are recognised in profit or loss when the Company's right to receive the dividends is established.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Impairment of loans and receivables

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as accounts receivable and advances to customers in margin financing, assets that are assessed are, in addition, assessed for impairment on a collective basis not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets that are carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable, advances to customers in margin financing, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When an account receivable and an advance to customer in margin financing are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Impairment of loans and receivables - continued

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is held for trading.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities. Fair value is determined in the manner described in note 30.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial liabilities and equity instruments - continued

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Other financial liabilities

Other financial liabilities (including accounts payable, amount due to an intermediate holding company, amount due to the immediate holding company, amounts due to fellow subsidiaries, bank loans, subordinated loans and other payables) are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the financial asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognise its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Company allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Property and equipment

Property and equipment held for use in the supply of services, or for administrative purpose, are stated in the statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property and equipment less their residual values over their estimated useful lives, using straight line method as follows:

Leasehold land and buildings	Over the shorter of the lease terms and 2.5%
Leasehold improvements	Over the shorter of the lease terms and 20%
Furniture, fixtures and equipment	20%
Computer hardware and equipment	30%

The estimated useful lives, residual values and depreciation model are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses (see the accounting policy below for the impairment of intangible assets).

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment losses on tangible and intangible assets other than financial assets (see the accounting policy in respect of financial assets above)

At the end of the reporting period, the Company reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Impairment losses on tangible and intangible assets other than financial assets (see the accounting policy in respect of financial assets above) - continued

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company as lessee

Assets held under finance leases are recognised as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Employee benefits

Pension scheme

The Company operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and recognised as expenses when employees have rendered services entitling them to the contributions.

The assets of the MPF Scheme are held separately from those of the Company in an independently administered fund. The Company's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Company's employer voluntary contributions, which are refunded to the Company when an employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme. The refunded contribution is recognised in the statement of profit or loss to offset the current year contribution made.

Paid leave carried forward

The Company provides paid annual leave to its employees under their employment contracts on a calendar year basis. Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Bonus plans

The Company recognises a liability and an expense for bonuses and profit-sharing, where appropriate, based on approved formulas that take into consideration the profit attributable to the Company after certain adjustments. The Company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 3, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY - continued

The estimates and underlying assumptions are reviewed on an on-going 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.

Key sources of estimation uncertainty

Impairment of loans and advances to customers

The Company reviews its loans and advances to customers to assess impairment on a periodic basis.

Each loan and advance to customer that is individually significant is reviewed for indication of impairment at the end of each reporting period. Loans and advances to customers that are individually not significant and are assessed not to be impaired individually are reviewed at the end of each reporting period on a collective portfolio basis. Objective evidence of collective impairment includes the Company's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

In assessing the individual impairment and determining whether an impairment loss should be recognised in profit or loss, the Company makes judgements as to whether there is any observable data indicating that there is an objective evidence of impairment that will have a measurable decrease in the estimated future cash flows from a portfolio of advances. Moreover, the Company also reviews the value of the securities collateral received from the customers in determining the impairment. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Details of disclosures for advances to customers in margin financing are set out in note 15.

Fair value of derivative and financial instruments

The Company selects appropriate valuation techniques for financial instruments which are classified as level 2 investments in accordance with the Company's significant accounting policies as disclosed in note 3 to the financial statements. Note 31 provides detailed information about the key assumptions used in the determination of the fair value of material financial instruments.

5. REVENUE

An analysis of revenue and other income and gains or losses is as follows:

	2016 HK$	2015 HK$
Revenue		
Commission and fee income:		
Commission on securities dealing and broking	394,447,632	736,824,419
Commission on underwriting and placing	215,760,976	113,170,341
Financial advisory and consultancy fee income	183,578,561	78,362,514
Fund management fee income	12,777,156	1,099,383
Handling, custodian and other service fee income	3,942,068	15,032,136
	810,506,393	944,488,793
Interest income:		
Interest income from advances to customers in margin financing	1,567,889,650	1,305,482,065
Interest income from other activities	71,367,106	60,028,661
	1,639,256,756	1,365,510,726
Net investment gains (losses):		
Net gains (losses) arising from financial assets/liabilities at fair value through profit or loss	117,951,817	(68,320,351)
Income from leveraged foreign exchange, net	14,766,059	13,572,624
Income from foreign exchange business	19,697,849	19,340,507
Dividend income	9,372,140	18,452,383
Interest income from debt investments and others	14,852,992	4,493,151
	176,640,857	(12,461,686)
	2,626,404,006	2,297,537,833
Other income and gains or losses		
Others	2,008,427	1,210,184
	2,628,412,433	2,298,748,017

To better reflect the major revenue sources of the Company and its proportion to the total revenue, the Company has decided to classify revenue items into three major categories: "Commission and fee income", "Interest income" and "Net investment gains (losses)". Comparative information has been reclassified to conform with the current year's presentation.

6. PROFIT BEFORE TAX

	2016 HK$	2015 HK$
Profit before tax has been arrived at after charging:		
Minimum operating leases in respect of		
- land and buildings	2,251,463	2,126,744
- equipment	20,609,275	7,128,494
Auditor's remuneration (Note)	969,857	923,430
Foreign exchange difference, net	28,039,505	128,563,493
Impairment losses on advances to customers in margin financing (note 15)	94,594,640	-
Finance costs to:		
- authorised institutions	111,999,466	99,743,024
- clients	904,652	491,254
- imputed interest expense	86,853,536	63,761,511
- the immediate holding company (note 29)	7,019,177	12,264,384
- an intermediate holding company (note 29)	706,189,963	382,561,558
- others	246,262	2,761,105
	913,213,056	561,582,836

Note: Auditor's remuneration for both years are settled by Haitong International Securities Group Limited, an intermediate holding company of the Company.

7. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2016 HK$	2015 HK$
Salaries, bonuses and allowances (Note)	262,734,290	209,736,357
Pension scheme contribution (Note)	5,469,614	4,694,845
	268,203,904	214,431,202

Note: The amounts represent the reimbursement of staff cost to a fellow subsidiary.

8. DIRECTORS' REMUNERATION

	2016 HK$	2015 HK$
Fees	-	-
Salaries and allowances	10,634,494	7,570,926
Pension scheme contribution	42,435	25,548
	10,676,929	7,596,474

The directors' emoluments shown above were mainly for their services in connection with management of the affairs of the Company.

Certain directors of the Company received emoluments from its related companies, which amounted to HK$40,484,921 (2015: HK$68,535,566), part of which is in respect of their services to the Company and its holding companies and its fellow subsidiaries. No apportionment has been made as the directors consider that it is impracticable to apportion this amount among their services to the Company, its holding companies and its fellow subsidiaries.

9. INCOME TAX EXPENSE

	2016 HK$	2015 HK$
Current tax		
- Hong Kong	76,429,055	65,171,976
(Over)under provision		
- Hong Kong	(11,414,519)	25,099,668
Deferred tax	-	552,072
	65,014,536	90,823,716

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits arising in Hong Kong for the current and prior year.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC representative office is 25%.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

9. INCOME TAX EXPENSE - continued

The tax charge for the year can be reconciled to the profit before tax per the statement of profit or loss and other comprehensive income as follows:

	2016 HK$	2015 HK$
Profit before tax	507,793,687	383,929,097
Taxation at Hong Kong Profits Tax rate of 16.5%	83,785,958	63,348,301
Effects of different tax rates in overseas jurisdiction	(1,308,580)	(1,058,351)
Tax effect of income not taxable for tax purpose	(16,948,453)	(13,005,599)
(Over)under provision in respect of prior years	(11,414,519)	25,009,668
Tax effect of expenses not deductible for tax purpose	9,811,255	12,646,841
Others	1,088,875	3,882,856
Income tax expense	65,014,536	90,823,716

There was no tax loss carried forward for the years ended 31 December 2016 and 31 December 2015.

10. DIVIDENDS

	2016 HK$	2015 HK$
Interim dividend paid - HK$0.0235 (2015: HK$0.0235) per ordinary share	270,000,000	200,000,000

At a meeting of the Board of the Company on 31 December 2015, the directors resolved to declare an interim dividend in total amount of HK$200,000,000 to the shareholders registered in the Register of Members of the Company on 31 December 2015.

At a meeting of the Board of the Company on 30 December 2016, the directors resolved to declare an interim dividend in total amount of HK$270,000,000 to the shareholders registered in the Register of Members of the Company on 30 December 2016.

11. PROPERTY AND EQUIPMENT

	Leasehold land and buildings HK$	Leasehold improvements HK$	Computer equipment HK$	Motor vehicle HK$	Furniture, fixtures and equipment HK$	Total HK$
31 December 2016						
At 1 January 2016						
Cost	1,913,824	19,244,320	2,176,814	246,189	552,118	24,133,265
Accumulated depreciation	(983,202)	(18,958,916)	(1,945,751)	(246,189)	(246,294)	(22,380,352)
Net carrying values	930,622	285,404	231,063	-	305,824	1,752,913
At 1 January 2016, net of accumulated depreciation	930,622	285,404	231,063	-	305,824	1,752,913
Exchange adjustment	-	(1,014)	(3,329)	-	4,343	-
Additions	-	-	22,130	-	-	22,130
Disposals	-	-	-	-	-	-
Depreciation	(47,844)	(83,074)	(144,904)	-	(59,852)	(335,674)
At 31 December 2016, net of accumulated depreciation	882,778	201,316	104,960	-	250,315	1,439,369
At 31 December 2016						
Cost	1,913,824	19,243,306	2,195,615	246,189	556,461	24,155,395
Accumulated depreciation	(1,031,046)	(19,041,990)	(2,090,655)	(246,189)	(306,146)	(22,716,026)
Net carrying values	882,778	201,316	104,960	-	250,315	1,439,369
31 December 2015						
At 1 January 2015						
Cost	1,913,824	19,201,660	2,021,530	246,189	542,299	23,925,502
Accumulated depreciation	(935,358)	(18,880,517)	(1,913,226)	(246,189)	(183,007)	(22,158,297)
Net carrying values	978,466	321,143	108,304	-	359,292	1,767,205
At 1 January 2015, net of accumulated depreciation	978,466	321,143	108,304	-	359,292	1,767,205
Exchange adjustment	-	-	9,428	-	(9,667)	(239)
Additions	-	42,660	145,856	-	24,292	212,808
Disposals	-	-	-	-	(4,806)	(4,806)
Depreciation	(47,844)	(78,399)	(32,525)	-	(63,287)	(222,055)
At 31 December 2015, net of accumulated depreciation	930,622	285,404	231,063	-	305,824	1,752,913
At 31 December 2015						
Cost	1,913,824	19,244,320	2,176,814	246,189	552,118	24,133,265
Accumulated depreciation	(983,202)	(18,958,916)	(1,945,751)	(246,189)	(246,294)	(22,380,352)
Net carrying values	930,622	285,404	231,063	-	305,824	1,752,913

12. INTANGIBLE ASSETS

	2016 HK$	2015 HK$
Cost (gross carrying amount)	9,075,000	9,075,000
Accumulated amortisation	(3,020,655)	(3,020,655)
Net carrying amount	6,054,345	6,054,345

Upon the adoption of HKAS 38 "Intangible assets" in 2005, the Company's eligibility rights to trade on or through The Stock Exchange of Hong Kong Limited of net carrying amount of HK$6,054,345 (31 December 2015: HK$6,054,345) are considered to have indefinite lives, which are not amortised, as the trading rights have no expiry date. The accumulated amortisation is brought forward from prior years before the adoption of HKAS 38.

The trading rights held by the Company are considered by the directors of the Company as having indefinite useful lives because they are expected to contribute net cash inflows indefinitely. The trading rights will not be amortised until their useful life is determined to be finite. Instead, they will be tested for impairment annually and whenever there is an indication that they may be impaired. The respective recoverable amounts of the cash generating units relating to brokerage business, whereby these trading rights are allocated to, using a value in use calculation, exceed the carrying amounts. Accordingly, there is no impairment of the trading rights as at 31 December 2016 and 31 December 2015.

13. OTHER ASSETS

	2016 HK$	2015 HK$
At cost:		
Deposits with the Stock Exchange:		
- Compensation fund	650,000	650,000
- Fidelity fund	350,000	350,000
- Mainland securities and settlement deposit	25,654,529	50,592,541
Dealers' deposit with Hong Kong Securities and Futures Commission ("SFC")	100,000	100,000
Stamp duty deposits	500,000	500,000
Contributions to The Central Clearing and Settlement System Guarantee Fund	29,035,566	30,122,743
Admission fees paid to Hong Kong Securities Clearing Company Limited	300,000	300,000
Reserve fund with The SEHK Options Clearing House Limited	11,629,085	6,290,907
Compensation fund paid to The Shenzhen Stock Exchange Co., Ltd.	300,000	300,000
Settlement Risk Fund paid to The Shanghai Securities Central Clearing & Registration Corporation	386,625	386,625
	68,905,805	89,592,816

14. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	2016 HK$	2015 HK$
Listed investments		
- Equity securities	31,556,068	42,894,098
Unlisted investments		
- Debt investments	1,690,768,955	-
	1,722,325,023	42,894,098

Details of disclosure for fair value measurement are set out in note 31.

15. ADVANCES TO CUSTOMERS IN MARGIN FINANCING

	2016 HK$	2015 HK$
Loans to margin clients	20,916,091,408	18,883,229,924
Less: Impairment allowance	(101,555,193)	(6,960,553)
	20,814,536,215	18,876,269,371

The credit facility limits to margin clients are determined by the discounted market value of the collateral securities accepted by the Company.

The loans to margin clients are secured by the underlying pledged securities and interest bearing. The Company maintains a list of approved stocks for margin lending at a specified loan to collateral ratio. Any excess in the lending ratio will trigger a margin call which the customers have to make good the shortfall.

As at 31 December 2016, advances to customers of HK$20,814 million (31 December 2015: HK$18,876 million) was secured by securities pledged by the customers to the Company as collateral with undiscounted market value of HK$96,819 million (31 December 2015: HK$99,238 million).

The advances to customers in margin financing have been reviewed by management to assess impairment allowances which are based on the evaluation of collectability, ageing analysis of accounts and on management's judgement, including the current creditworthiness and the past collection statistics of individual account. Except for the amount of HK$101,555,193 (2015: HK$6,960,553) which were fully impaired, there was no other impaired debt for the years ended 31 December 2016 and 31 December 2015.

15. ADVANCES TO CUSTOMERS IN MARGIN FINANCING - continued

In determining the allowances for impaired loans to securities margin clients, the management of the Company also takes into account margin shortfall by comparing the market value of stock portfolio and the outstanding balance of loan to securities margin clients individually. Impairments are made for those clients with significant margin shortfall as at year end and with no settlement or executable settlement plan and arrangement after the year end. Movements in the allowances for impaired debts in respect of loans to securities margin clients are as follows:

	2016 HK$	2015 HK$
Balance at the beginning of the year	6,960,553	7,110,603
Impairment losses recognized	94,594,640	-
Amounts recovered	-	(150,050)
	101,555,193	6,960,553

In addition to the individually assessed allowances for impaired debts, the Company has also assessed, on a collective basis, loan impairment allowances for advances to customers in margin financing arising from the business of dealing in securities with margin clients that are individually insignificant or advances to customers in margin financing where no impairment has been identified individually. Objective evidence of collective impairment could include the Company's past experience of collecting payments, internal credit rating and observable changes in national or local economic conditions that correlate with default on receivables. No significant amount of collective impairment allowance is considered necessary based on the Company's evaluation.

No ageing analysis is disclosed as in the opinion of the directors, the ageing analysis is not meaningful in view of the revolving nature of the business of securities margin financing.

16. ACCOUNTS RECEIVABLE

	2016 HK$	2015 HK$
Accounts receivable from:		
- Clients	206,173,522	211,472,401
- Brokers, dealers and clearing house	1,853,606,156	1,542,218,916
- Others	23,259,094	25,721,180
	2,083,038,772	1,779,412,497

16. ACCOUNTS RECEIVABLE - continued

There is no impaired accounts receivable as of the reporting dates for current and prior year end. The following is an ageing analysis of the accounts receivable based on trade date/invoice date at the reporting date:

	2016 HK$	2015 HK$
Between 0 and 3 months	2,052,853,619	1,752,570,892
Between 4 and 6 months	229,717	1,254,276
Between 7 and 12 months	381,856	15,699,405
Over 1 year	29,573,580	9,887,924
	2,083,038,772	1,779,412,497

Accounts receivable from clients, brokers, dealers and clearing house arising from the business of dealing in securities are repayable on demand subsequent to settlement date. The normal settlement terms of accounts receivable arising from the business of dealing in securities are two days after trade date and accounts receivable arising from the business of dealing in futures, options and securities trading in Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect are one day after trade date.

The Company seeks to maintain tight control over its outstanding accounts receivable in order to minimise credit risk. As at 31 December 2016, overdue balances are approximately of HK$3.9 million (31 December 2015: HK$3.7 million) which are regularly monitored by management. The management ensures that the listed equity securities belonged to clients in which the Company holds as custodian are sufficient to cover the amounts due to the Company.

17. DERIVATIVE FINANCIAL INSTRUMENTS

	2016 HK$	2015 HK$
ASSETS		
Listed warrants	1,086,310	-
Listed options	50,853,562	-
	51,939,872	-
LIABILITIES		
Interest rate swap	-	1,288,014
Listed warrants	65,553,208	-
Listed callable bull/bear contracts	15,917,011	-
Listed options	13,057,065	-
	94,527,284	1,288,014

The notional principal amounts of the swap contracts was HK$500 million in prior year. The maximum exposure to credit risk at the reporting date is the fair value of the derivative financial liabilities in the statement of financial position.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 HK$	2015 HK$
Held for trading		
Listed equity investments, at fair value	532,621,975	258,176,487
Listed exchange traded funds, at fair value	114,360,710	56,313,007
	646,982,685	314,489,494

19. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets designated at fair value through profit or loss comprise:

	2016 HK$	2015 HK$
Unlisted investments at fair value		
- Debt investments	640,039,000	100,000,000
- Structured products	-	37,750,000
- Preference shares	33,480,000	-
	673,519,000	137,750,000

Details of disclosure for fair value measurement are set out in note 31.

20. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 HK$	2015 HK$
Held for trading		
Listed equity investments, at fair value (note)	3,989,340	-
	3,989,340	-

Note: Balance represents the fair value of equity investments from short selling activities.

21. CASH HELD ON BEHALF OF CUSTOMERS

The Company maintains segregated trust accounts with authorised 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 it is liable for any loss or misappropriation of clients' monies.

The cash held on behalf of customers is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

22. CASH AND CASH EQUIVALENTS

The amount comprises of cash on hands and bank current and savings deposits held by the Company at prevailing market interest rate.

23. AMOUNTS DUE FROM/TO FELLOW SUBSIDIARIES/THE IMMEDIATE HOLDING COMPANY/AN INTERMEDIATE HOLDING COMPANY

The current amounts due from group companies are unsecured, repayable on demand and non-interest bearing.

The Company assesses at the year-end whether there is objective evidence that the amounts due from group companies are impaired. The impairment is made if and only if there is objective evidence of impairment as a result of one or more loss events including unsustainable operating losses occurring and having an impact in the estimated future cash flows of related companies that can be reliably estimated. In the opinion of the directors of the Company, no impairment indicator was noted in the current and prior year.

The non-current portion of amount due to an intermediate holding company is unsecured, non-interest bearing and repayable in three years after the amount becomes outstanding based on agreements signed with intermediate holding company. The carrying amounts of the non-current portion of amount due to an intermediate holding company are discounted based on an imputed interest rate with reference to an average external borrowing rate of the Company. The current portion of amounts due to group companies are unsecured, non-interest bearing and repayable on demand.

24. ACCOUNTS PAYABLE

	2016 HK$	2015 HK$
Accounts payable to:		
- Clients	23,338,804,784	16,508,437,801
- Brokers, dealers and clearing house	69,098,712	272,764,648
- Others	140,957,882	448,904,430
	23,548,861,378	17,230,106,879

The majority of the accounts payable balances are repayable on demand except where certain accounts payable to clients represent margin deposits received from clients for their trading activities under normal course of business. Only the excess amounts over the required margin deposits stipulated are repayable on demand.

No ageing analysis is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of these businesses.

The Company has a practice to satisfy all the requests for payments within the credit period.

24. ACCOUNTS PAYABLE - continued

Except for the accounts payable to clients which bear interest at 0.001% as at 31 December 2016 (31 December 2015: 0.001%), all the accounts payable are non-interest bearing.

Accounts payable to clients also include those payables placed in trust accounts with authorised institutions of HK$19,975,758,055 (31 December 2015: HK$15,718,809,299), Hong Kong Futures Exchange Clearing Corporation Limited, Stock Exchange Options Clearing House and other futures dealers totalling HK$181,659,413 (31 December 2015: HK$179,608,848).

25. BANK LOANS

	2016 HK$	2015 HK$
Current liabilities		
- Secured bank loans (Note)	4,667,019,500	6,925,053,000
- Unsecured bank loans	250,000,000	263,465,736
	4,917,019,500	7,188,518,736

Note: Bank loans of HK$4,667 million (31 December 2015: HK$6,925 million) are secured by the listed shares (held by the Company as security for advances to customers in margin financing with the customers' consent) with fair value of HK$15,371 million as at 31 December 2016 (31 December 2015: HK$19,316 million).

As at 31 December 2016, the amounts of approximately HK$4,857 million (31 December 2015: HK$7,169 million) of bank loans are guaranteed by Haitong International Securities Group Company, an intermediate holding company of the Company.

26. SUBORDINATED LOANS

	2016 HK$	2015 HK$
Subordinated loans from		
- the immediate holding company	200,000,000	200,000,000
- an intermediate holding company	3,400,000,000	3,400,000,000
	3,600,000,000	3,600,000,000

The loans are unsecured, bear interest at Hong Kong prime rate minus 1.5% per annum and repayable on demand with a notice period of one month and subject to the approval by the Securities and Futures Commission.

Subject to the overriding provision that, if the Company becomes insolvent or unable to meet the liquid capital requirements set out in the Securities and Futures (Finance Resources) Rules, the repayment of the loans is subordinated to the prior repayment of all other creditors of the Company.

27. SHARE CAPITAL

	2016 Number of shares	2016 HK$	2015 Number of shares	2015 HK$
Issued and fully paid:				
Ordinary shares with no par value at beginning of the year	8,500,000,000	8,500,000,000	4,500,000,000	4,500,000,000
Ordinary share with no par value at end of the year	11,500,000,000	11,500,000,000	8,500,000,000	8,500,000,000

The movements in issued share capital were as follows:

	Number of shares in issue	Share capital HK$
As at 1 January 2015	4,500,000,000	4,500,000,000
New shares issued	4,000,000,000	4,000,000,000
As at 31 December 2015 and 1 January 2016	8,500,000,000	8,500,000,000
New shares issued	3,000,000,000	3,000,000,000
As at 31 December 2016	11,500,000,000	11,500,000,000

During the current year, the directors of the Company resolved to issue and allot 3,000,000,000 new ordinary shares at HK$1 each to Haitong International Finance Company Limited (2015: 4,000,000,000 new ordinary shares at HK$1 each), the immediate holding company of the Company, at a consideration of HK$3,000,000,000 (2015: HK$4,000,000,000) in cash.

These new ordinary shares ranker pari passu with all existing ordinary shares issued.

28. OPERATING LEASE ARRANGEMENT

The Company leases certain of its office properties under operating lease arrangements. Leases for office properties are negotiated for terms ranging from one to three years.

As at 31 December 2016, the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2016 HK$	2015 HK$
Within one year	1,626,969	2,927,605
In the second to third years, inclusive	1,572,648	1,362,095
	3,199,617	4,289,700

29. RELATED PARTY TRANSACTION

In addition to the transactions and balances detailed elsewhere in these financial statements, the Company had the following material transactions and balances with the related parties:

	2016 HK$	2015 HK$
Ultimate holding company:		
- Brokerage fee received (Note a)	1,937,285	1,347,364
- Brokerage expense charged (Note a)	(697,425)	(2,722,967)
Intermediate holding company		
- Management fees charged (Note b)	(373,670,000)	(451,000,000)
- Interest expense (Note c)	(706,189,963)	(382,561,558)
Fellow subsidiaries		
- Management fees charged (Note b)	(51,700,000)	(52,770,000)
- Services fees charged (Note d)	(45,026,304)	(75,551,810)
- Rental expenses charged (note e)	(27,154,791)	(27,857,894)
- Equipment rental charged (note f)	(21,528,694)	(14,860,105)
Immediate holding company:		
- Interest expense (Note c)	(7,019,177)	(12,264,384)

Notes:

(a) Haitong International Securities Group Limited ("Haitong International Securities"), the intermediate holding company of the Company have entered into a master services agreement with Haitong Securities Co., Ltd. ("Haitong Securities"), the ultimate holding company of the Company, which Haitong Securities and Haitong International Securities has each agreed to provide services to Haitong International Securities and its subsidiaries or Haitong Securities and its subsidiaries. Brokerage services pursuant to the agreement provided by the Company relates to brokerage services for trading in Hong Kong and overseas securities while brokerage services pursuant to the agreement provided to the Company relates to brokerage services for trading of B shares in the PRC. The brokerage fee and expenses were charged and received in accordance with terms of the master services agreement.

(b) Management fees were related to general administrative services provided by the intermediate holding company and fellow subsidiaries and were charged on a proportionate basis by reference to revenue of certain group companies for each financial year.

(c) Interest expense of HK$126,000,000 was charged at Hong Kong prime rate minus 1.5% per annum on subordinated loans from the intermediate holding company and immediate holding company and the remaining interest expense of HK$587,209,140 was arising from external funding sources of the intermediate holding company by bank borrowing which were used by the Company and the relevant finance costs were recharged by the intermediate holding company accordingly.

(d) Service fees were determined with reference to the actual expenses incurred by fellow subsidiaries.

(e) Rental expenses charged were determined with reference to office floor areas utilised by the Company.

(f) Equipment rental charged were determined by actual amount incurred.

30. CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to the sole shareholder through the optimisation of the debt and equity balance. The capital structure of the Company consists of issued share capital and retained earnings. The directors review the capital structure by considering the cost of capital and the risks associated with the capital. The Company's overall strategy remains unchanged throughout the year.

The Company is regulated by the Hong Kong Securities and Futures Commission and is required to comply with the financial resources requirements according to the Hong Kong Securities and Futures (Financial Resources) Rules (the "SF(FR)R"). Management closely monitors, on a daily basis, the Company's liquid capital level to ensure compliance with the minimum liquid capital requirements under the SF(FR)R. The Company has complied with the capital requirements imposed by SF(FR)R throughout the year.

31. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2016 HK$	2015 HK$
Financial assets		
Loans and receivables (including cash and cash equivalents)	46,839,173,990	40,719,813,359
Fair value through profit or loss (FVTPL)		
Held for trading	646,982,685	314,489,494
Designated as at FVTPL	673,519,000	137,750,000
Derivative instruments	51,939,872	-
Available-for-sale investments	1,722,325,023	42,894,098
	49,933,940,570	41,214,946,951
Financial liabilities		
Amortised cost	37,077,488,093	31,579,823,238
Fair values as at profit or loss		
Held for trading	3,989,340	-
Derivative instruments	94,527,284	1,288,014
	37,176,004,717	31,581,111,252

31. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies

The Company's major financial instruments are advances to customers in margin financing, accounts receivable, amounts due from fellow subsidiaries, deposits and other receivables, financial assets at fair value through profit or loss, financial assets designated at fair value through profit or loss, available-for-sale investments, cash and cash equivalents, cash held on behalf of customers, accounts payable, amount due to an intermediate holding company, amount due to the immediate holding company, amounts due to fellow subsidiaries, other payables, bank loans, subordinated loans, financial liabilities at fair value through profit or loss and derivative financial instrument. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

Fair value interest rate risk

The Company's fair value interest rate risk relates primarily to investments in debt securities classified as available-for-sale investments and designated at fair value through profit or loss all carried at fixed interest rate. The Company currently does not have a fair value hedging policy.

The Company's fair value interest rate risk exposure is summarised as follows:

	2016 HK$	2015 HK$
Available-for-sale investments	1,690,768,955	-
Financial assets designed at fair value through profit or loss	640,039,000	100,000,000

At 31 December 2016, if market interest rates at that date had been 25 basis points (2015: 25 basis points) higher/lower with all other variables held constant, profit after tax for the year would decrease/increase by HK$1,336,000 (2015: decrease/increase by HK$209,000) and investment revaluation reserve in equity would decrease/increase by HK$4,227,000 (2015: decrease/increase by nil).

In the opinion of the management the sensitivity analysis is unrepresentative of the fair value interest rate risk as the year end exposure does not reflect the exposure during the year.

31. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Market risk - continued

Interest rate risk - continued

Cash flow interest rate

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's advances to customers in margin financing and loans and other borrowings with floating interest rates.

The Company's exposure to cash flow interest rate risk arising from the interest-bearing assets can be offset against the Company's interest-bearing liabilities. Management of the Company actively monitors the Company's net interest rate exposure through setting limits on the level of mismatch of interest rate re-pricing and duration gap and aims at maintaining an interest rate spread, such that the Company is always in a net interest-bearing asset position and derives net interest income. The directors of the Company considered that there is no concentration of interest risk exposure.

At 31 December 2016, if market interest rates at that date had been 25 basis points (2015: 25 basis points) higher/lower with all other variables held constant, profit after tax for the year would increase/decrease by HK$33,186,000 (2015: increase/decrease by HK$24,398,000). In the opinion of the management the sensitivity analysis is unrepresentative of the cash flow interest rate risk as the year end exposure does not reflect the exposure during the year.

In the opinion of the management the sensitivity analysis is unrepresentative of the cash flow interest rate risk as the year end exposure does not reflect the exposure during the year.

Foreign exchange risk

The Company's foreign currency risk arises principally from provision of corporate advisory services denominated in currencies other than Hong Kong dollars ("HKD"). Despite of this foreign exchange exposure, the majority of the Company's assets and liabilities are denominated in HKD, Renminbi ("RMB") and United States dollars ("USD"). The directors do not expect significant foreign exchange risk arising from USD denominated monetary items in view of the Hong Kong dollar pegged system to the USD.

As at 31 December 2016, if RMB strengthened/weakened against HKD by 5% with all other variables including tax rate being constant, profit after tax for the year would have been HK$6,045,000 higher/lower (2015: HK$30,738,000 higher/lower).

Credit risk

As at 31 December 2016 and 31 December 2015, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the statement of financial position.

31. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Credit risk - continued

Apart from the exposure to the concentration of credit risk from bank balances, the Company has no other significant concentration of credit risk. The major sources of credit risk exposure of the Company are as follows:

Amounts due from related companies and bank deposits

In the opinion of the directors, the amounts due from related companies are considered to have minimal credit and default risk. Bank balances are placed in various authorised institutions and the directors consider the credit risk of such authorised institutions is low.

Advances to customers for margin financing

In order to minimise the credit risk, the management has appointed a group of authorised persons who are charged with the responsibility of approving credit limit of each customer and determine any debt recovery action on those delinquent receivables. In addition, the management reviews the recoverable amount of accounts receivable on an individual and collective basis at each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts, if any.

For margin lending, the management is responsible for approval of share acceptable for margin lending, setting stock margin ratio for each approved share. The approved share list is updated bimonthly, and will be revised as and when deemed necessary by the committee. The committee will prescribe from time to time lending limits on individual share or on any individual customer and his/her associates.

The management of the Company is responsible for overall monitoring of the credit risk of its customers and will make margin call to those customers whose trades exceed their respective limits. Any such excess is required to be made good within two days for securities and the next day for futures identified in the deficiency report. The deficiency report will be monitored daily by the management and responsible officers. Failure to meet margin calls may result in the liquidation of the customer's positions. For each individual other loans and advances, the management will closely monitor financial position of the debtors and guarantors, and for the loans with collateral pledged to the Company, the management will ensure sufficient collateral were received and to maintain an acceptable loan to collateral value ratio.

In this regard, the directors consider that the Company's credit risk is significantly reduced.

Accounts receivable

Majority of the settlement terms of accounts receivable attributable to dealing in securities and equity options transactions are two days after the trade date.

Accounts receivable from brokers, dealers and clearing house are attributable to dealing in futures and options transactions which are with the exchange houses and reputable international financial institutions. The risk of default is considered to be minimal.

31. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial instruments. To manage the liquidity risk, the Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Company's operations and mitigate the effects of fluctuations in cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows. The table includes both interest and principal cash flows.

	31 December 2016				31 December 2015			
	On demand HK$	Less than 3 months HK$	Over to 1 year 5 years HK$	Total HK$	On demand HK$	Less than 3 months HK$	Over 1 year to 5 years HK$	Total HK$
Accounts payable	23,346,862,814	201,998,564	-	23,548,861,378	16,508,437,800	721,669,079	-	17,230,106,879
Other payables	-	2,889,388	-	2,889,388	-	858,362	-	858,362
Amounts due to fellow subsidiaries	1,928,272,627	-	-	1,928,272,627	2,131,292,334	-	-	2,131,292,334
Amount due to an intermediate holding company	-	-	2,677,680,726	2,677,680,726	-	-	1,440,562,690	1,440,562,690
Amount due to the immediate holding company	480,607,586	-	-	480,607,586	185,283,336	-	-	185,283,336
Banks loan	4,920,878,388	-	-	4,920,878,388	7,195,751,277	-	-	7,195,751,277
Subordinated loans	-	3,600,000,000	-	3,600,000,000	-	3,600,000,000	-	3,600,000,000
Derivative financial instruments	-	94,527,284	-	94,527,284	-	1,288,014	-	1,288,014
Financial liabilities at fair value through profit or loss	-	3,989,340	-	3,989,340	-	-	-	-
	30,676,621,415	3,903,404,576	2,677,680,726	37,257,706,717	26,020,764,747	4,323,815,455	1,440,562,690	31,785,142,892

Note: Bank loans with a repayment on demand clause are included in the "On demand" band in the maturity analysis. As at 31 December 2016, the aggregate undiscounted principal amounts of these bank loans amounted to HK$4,877 million (31 December 2015: HK$7,189 million) which are with the clause of repayment on demand but with the repayment period over twelve months as at year end. Taking into account the Company's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid based on repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK$4,878 million (31 December 2015: HK$7,195 million).

Price risk

Price risk is the risk that the fair values of equity investments decrease as a result of changes in the levels of equity indices and the values of individual investment.

The Company is mainly exposed to price risk arising from equity investments and exchanged traded funds that are classified as available-for-sale investments, financial assets at fair value through profit or loss. The Haitong International Securities, an intermediate holding company of the Company, has established a risk management mechanism led by the Board and the Executive Committee through its 2 sub-committees, the Risk Management Committee and the Capital Allocation and Investment Committee which is for the purposes of monitoring the positions of its investment trading activities of Haitong International Securities and its subsidiaries.

In addition, the Company's exposures are closely monitored by other relevant internal control units, including Risk Management Department, the Finance Department, the Legal and Compliance Department and the Internal Audit Department.

31. FINANCIAL INSTRUMENTS - continued

Fair value - continued

An analysis of the Company's financial assets and financial liabilities measured at fair value as at 31 December 2016 and 31 December 2015 are as follows:

	Fair value as at 31 December 2016 HK$	Fair value as at 31 December 2015 HK$	Fair value hierarchy	Basis of fair value measurement/ valuation techniques and key inputs
Financial Assets:				
Recurring fair value measurements:				
Available-for-sale investments				
- Listed equity investments	31,556,068	42,894,098	Level 1	Note (a)
- Unlisted debt investments	1,690,768,955	-	Level 2	Note (e)
Financial assets at fair value through profit or loss				
- Listed equity investments	532,621,975	258,176,487	Level 1	Note (a)
- Exchange traded funds	114,360,710	56,313,007	Level 1	Note (a)
Financial assets designated at fair value through profit or loss				
- Unlisted debt investment	97,140,000	100,000,000	Level 2	2015: Note (b)/ 2016: Note (e)
- Unlisted debt investment	542,899,000	-	Level 2	Note (b)
- Unlisted structure products	-	37,750,000	Level 2	Note (c)
- Unlisted preference shares	33,480,000	-	Level 2	Note (b)
Derivatives financial instruments				
- Listed warrants	1,086,310	-	Level 1	Note (a)
- Listed options	50,853,562	-	Level 1	Note (a)
Financial Liabilities:				
Financial liabilities at fair value through profit or loss				
- Listed equity investments	3,989,340	-	Level 1	Note (a)
Derivatives financial instruments				
- Swap contracts	-	1,288,014	Level 2	Note (d)
- Listed warrants	65,553,208	-	Level 1	Note (a)
- Listed callable bull/bear contracts	15,917,011	-	Level 1	Note (a)
- Listed options	13,057,065	-	Level 1	Note (a)

Notes:

(a) Quoted price in active markets.

(b) The fair value was determined with reference to the recent transaction price of the investments.

(c) The fair value was determined with reference to the quoted price of the underlying equities investments.

(d) Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.

(e) Fair value determined based on discounted cash flow. Future cash flows are based on the contracted value as maturity date, discounted at a rate determined by observable market yield.

During the current year, there were no transfers of financial instruments between Level 1 and Level 2. The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of that date of the event or change in circumstances that caused the transfer.

As at 31 December 2016 and 2015, no non-financial assets or liabilities were carried at fair value.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair value.

32. FINANCIAL ASSETS AND FINANCIAL LIABILITIES OFFSETTING

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Company's statement of financial position; or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the Company's statement of financial position.

Under the agreement of continuous net settlement made between the Company and Hong Kong Securities Clearing Company Limited ("HKSCC"), Clearing Participant of China Securities Depository and Clearing Corporation Limited ("CSDC") and brokers, the Company has a legally enforceable right to set off the money obligation receivable and payable with HKSCC, CSDC and brokers on the same settlement date and the Company intends to set off on a net basis.

In addition, the Company has a legally enforceable right to set off the accounts receivable and payable with brokerage clients that are due to be settled on the same date and the Company intends to settle these balances on a net basis.

Except for balances which are due to be settled on the same date which are being offset, amounts due from/to HKSCC, CSDC, brokers and brokerage clients that are not to be settled on the same date, financial collateral including cash and securities received by the Company, deposit placed with HKSCC, CSDC and brokers do not meet the criteria for offsetting in the statement of financial position since the right of set-off of the recognised amounts is only enforceable following an event of default.

As at 31 December 2016

	Gross amounts of recognised financial assets after impairment HK$	Gross amounts of recognised financial liabilities set off in the statement of financial position HK$	Net amounts of financial assets presented in the statement of financial position HK$	Related amounts not set off in the statement of financial position: Financial instruments HK$	Related amounts not set off in the statement of financial position: Collateral received HK$	Net amount HK$
Financial assets						
Accounts receivable from clients, brokers, dealers and clearing house	4,714,775,568	(2,654,995,890)	2,059,779,678	(9,167,013)	(161,961,908)	1,888,650,757
Deposit to clearing house	68,905,805	-	68,905,805	(37,504,490)	-	31,401,315
Advances to customers in margin financing	20,814,536,215	-	20,814,536,215	(147,903,164)	(20,318,242,165)	348,390,886

	Gross amounts of recognised financial liabilities HK$	Gross amounts of recognised financial assets set off in the statement of financial position HK$	Net amount of financial liabilities presented in the statement of financial position HK$	Related amounts not set off in the statement of financial position: Financial instruments HK$	Related amounts not set off in the statement of financial position: Collateral pledged HK$	Net amount HK$
Financial liabilities						
Accounts payable clients, brokers, dealers and clearing house	(26,062,899,386)	2,654,995,890	(23,407,903,496)	194,574,667	-	(23,213,328,829)
Financial liabilities at fair value through profit or loss	(3,989,340)	-	(3,989,340)	-	3,989,340	-

32. FINANCIAL ASSETS AND FINANCIAL LIABILITIES OFFSETTING - continued

As at 31 December 2015

	Gross amounts of recognised financial assets after impairment HK$	Gross amounts of recognised financial liabilities set off in the statement of financial position HK$	Net amounts of financial assets presented in the statement of financial position HK$	Related amounts not set off in the statement of financial position: Financial instruments HK$	Related amounts not set off in the statement of financial position: Collateral received HK$	Net amount HK$
Financial assets						
Accounts receivable from clients, brokers, dealers and clearing house	2,980,796,286	(1,227,104,969)	1,753,691,317	(19,529,063)	(114,997,039)	1,619,165,215
Deposit to clearing house	89,592,816	-	89,592,816	(81,015,284)	-	8,577,532
Advances to customers in margin financing	18,876,269,371	-	18,876,269,371	(28,611,507)	(18,788,596,618)	59,061,246

	Gross amounts of recognised financial liabilities HK$	Gross amounts of recognised financial assets set off in the statement of financial position HK$	Net amount of financial liabilities presented in the statement of financial position HK$	Related amounts not set off in the statement of financial position: Financial instruments HK$	Related amounts not set off in the statement of financial position: Collateral pledged HK$	Net amount HK$
Financial liabilities						
Accounts payable clients, brokers, dealers and clearing house	(18,008,307,418)	1,227,104,969	(16,781,202,449)	129,155,854	-	(16,652,046,595)

33. STOCK BORROWING AND LENDING ARRANGEMENT

Under the normal course of business, the Company may enter into stock borrowing and lending arrangements with other financial institutions and its customers. Equity securities may be borrowed from the other financial institutions and lent to its customers for stock lending business.

During the process, the Company receives cash collateral from the customers and also places cash collateral in other financial institutions as collateral.

As at 31 December 2016, the market value of the equity securities borrowed from external financial institutions and the equity securities lent to customers are HK$3 million (31 December 2015: HK241 million) and HK$3,516 million (31 December 2015: HK$903 million) respectively while the cash collateral held by financial institutions and cash collateral received from customers for the stock borrowing and lending are HK$3 million (31 December 2015: HK$223 million) and HK$3,600 million (31 December 2015: HK$940 million) respectively.

Under the stock borrowing and lending arrangement, the Company is principally liable to repay the borrowed securities in case of any default by the customers.

34. RECLASSIFICATION

Certain comparative figures have been reclassified to conform to the current year presentation.

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