

Specified Securities Information

CSI MTN Limited

SPECIFIED SECURITIES INFORMATION

Type of Information:	Specified Securities Information
Date of Announcement:	19 January 2024
Issuer Name:	CSI MTN Limited
Name and Title of Representative:	LIU Liang Director
Address of Main Office:	18/F, One Pacific Place, 88 Queensway, Hong Kong
Telephone:	+852 2600 7211
Contact Person:	Attorney-in-Fact: Motoyasu Fujita, Attorney-at-law Kosuke Miyashita, Attorney-at-law Gaikokuho Kyodo-Jigyo Horitsu Jimusho Linklaters Address: Meiji Yasuda Building, 1-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo Telephone: +81 3 6212 1200
Type of Securities:	Notes
Total Issuance Value of Securities or Total Sale Value of Securities:	JPY14,700,000,000
Matters related to Financial Instruments Exchange Market, etc.:	Not applicable
Address of Website for Announcement:	https://www.jpx.co.jp/english/equities/products/tpbm/announcement/index.html
Status of Submission of Annual Securities Reports:	Not applicable

Notes to Investors:

1. TOKYO PRO-BOND Market is a market for specified investors, etc. Bonds listed on the market ("Listed Bonds") may involve high investment risk. Investors should be aware of the listing eligibility and timely disclosure requirements that apply to issuers of Listed Bonds on the TOKYO PRO-BOND Market and associated risks such as the fluctuation of market prices and shall bear responsibility for their investments. Prospective investors should make investment decisions only after having carefully considered the contents of this Specified Securities Information.
2. Where this Specified Securities Information contains (a) any false statement on important matters, or (b) lacks information on: (i) important matters that should be announced or (ii) a material fact that is necessary to avoid misleading content, a person who, at the time of announcement of this Specified Securities Information, is an officer (meaning an officer stipulated in Article 21, Paragraph 1, Item 1 of the Financial Instruments and Exchange Act of Japan (the "Act") (meaning a director of the board (*torishimari-yaku*), accounting advisor (*kaikei-sanyo*), company auditor (*kansa-yaku*) or executive officer (*shikkou-yaku*), or a person equivalent to any of these) of the issuer that announced this Specified Information shall be liable to compensate persons who acquired the securities for any damage or loss arising from the false statement or lack of information in accordance with the provisions of Article 21, Paragraph 1, Item 1 of the Act applied *mutatis mutandis* in Article 27-33 of the Act and Article 22 of the Act applied *mutatis mutandis* in Article 27-34 of the Act. However, this shall not apply to cases where the person who acquired the securities was aware of the existence of the false statement or the lack of information at the time of subscription for acquisition of the securities. Additionally, the officer shall not be required to assume the liability prescribed above, where he/she proves that he /she was not

aware of, and was unable to obtain knowledge of, even with reasonable care, the existence of the false statement or the lack of information.

3. The regulatory framework for TOKYO PRO-BOND Market is different in fundamental aspects from the regulatory framework applicable to other exchange markets in Japan. Investors should be aware of the rules and regulations of the TOKYO PRO-BOND Market, which are available on the Tokyo Stock Exchange website.
4. Tokyo Stock Exchange does not express opinions or issue guarantees regarding the content of the Specified Securities Information (including, but not limited to, whether the Specified Securities Information contains (a) a false statement or (b) lacks information on: (i) important matters that should be announced or (ii) a material fact that is necessary to avoiding misleading content) and shall not be liable for any damage or loss including that described above.
5. The Notes to be issued are expected to be rated BBB+ by S&P, A+ by R&I and A+ by JCR.

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE ADDRESSEES OUTSIDE OF THE UNITED STATES.

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached pricing supplement (the “**Pricing Supplement**”). You are advised to read this disclaimer carefully before accessing, reading or making any other use of the attached Pricing Supplement. In accessing the attached Pricing Supplement, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from CSI MTN Limited (the “**Issuer**”) and CITIC Securities International Company Limited 中信證券國際有限公司 (the “**Guarantor**”) as a result of such access. In order to be eligible to view the attached Pricing Supplement or make an investment decision with respect to the securities, investors must be outside the United States.

Confirmation of Your Representation: The attached Pricing Supplement is being sent to you at your request and by accepting the e-mail and accessing the attached Pricing Supplement, you shall be deemed to represent to the Issuer, the Guarantor and the Managers (each as defined in the attached Pricing Supplement) that (1) you and any customers you represent are outside the United States and that the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories or possessions, and (2) you consent to delivery of the attached Pricing Supplement and any amendments or supplements thereto by electronic transmission.

The attached Pricing Supplement has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and, consequently, none of the Issuer, the Guarantor or the Managers or any of their respective affiliates, directors, officers, employees, representatives, agents, advisers and each person who controls any of them accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version available to you upon request from the Issuer, the Guarantor and the Managers.

Restrictions: The attached Pricing Supplement is being furnished in connection with an offering in offshore transactions to persons outside the United States in compliance with Regulation S under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”) solely for the purpose of enabling a prospective investor to consider the purchase of the securities described herein.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THE OFFERING IS MADE SOLELY OUTSIDE THE UNITED STATES IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S UNDER THE SECURITIES ACT.

Nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of any of the Issuer, the Guarantor or the Managers to subscribe for or purchase any of the securities described herein, and access has been limited so that it shall not constitute, in the United States or elsewhere, directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Managers or any of their

respective affiliates is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by it or such affiliate on behalf of the Issuer and the Guarantor in such jurisdiction.

You are reminded that you have accessed the attached Pricing Supplement on the basis that you are a person into whose possession the attached Pricing Supplement may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the attached Pricing Supplement, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you are not allowed to purchase any of the securities described in the Pricing Supplement.

Actions that You May Not Take: If you receive the attached Pricing Supplement by e-mail, you should not reply by e-mail to the attached Pricing Supplement, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the “**Reply**” function on your e-mail software, will be ignored or rejected.

YOU ARE NOT AUTHORISED TO AND YOU MAY NOT FORWARD OR DELIVER THE ATTACHED PRICING SUPPLEMENT, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH PRICING SUPPLEMENT IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE ATTACHED PRICING SUPPLEMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

You are responsible for protecting against viruses and other destructive items. If you receive the attached Pricing Supplement by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Pricing Supplement dated 18 January 2024

CSI MTN Limited
Legal entity identifier (LEI): 2549008F29JNGIBO2O60

Issue of JPY14,700,000,000 1.00 per cent. Guaranteed Notes due 2027 (the “Notes”)
Guaranteed by CITIC Securities International Company Limited 中信證券國際有限公司
under its U.S.\$3,000,000,000
Guaranteed Medium Term Note Programme

PRIIPs REGULATION - PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

UK PRIIPs REGULATION - PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (“**UK**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “**FSMA**”) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Notification under Section 309B(1)(c) of the Securities and Futures Act 2001 of Singapore – In connection with Section 309B of the Securities and Futures Act 2001 of Singapore (the “**SFA**”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “**CMP Regulations 2018**”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are prescribed capital markets products (as defined in the CMP Regulations 2018) and are Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendation on Investment Products).

Application will be made by the Issuer to Tokyo Stock Exchange, Inc. (“**TSE**”) for the listing and trading of the Notes on the TOKYO PRO-BOND Market. TSE is not responsible for the content of this Pricing Supplement and the Offering Circular (as defined below) and no representation is made by TSE to the accuracy or completeness of this Pricing Supplement and the Offering Circular. TSE expressly disclaims any and all liability for any losses arising from, or as a result of the reliance on, all or part of the contents

of this Pricing Supplement and the Offering Circular. Admission to the listing and trading of the Notes on the TOKYO PRO-BOND Market shall not be taken as an indication of the merits of the Issuer, the Guarantor or the Notes. The Notes may be traded on the TOKYO PRO-BOND Market pursuant to the applicable rules of the TSE.

This document constitutes the Pricing Supplement relating to the issue of Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the “**Conditions**”) set forth in the Offering Circular dated 19 May 2023 (the “**Offering Circular**”). This Pricing Supplement, together with the information set out in the Schedule to this Pricing Supplement, contains the final terms of the Notes and must be read in conjunction with such Offering Circular. Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of the Offering Circular and this Pricing Supplement.

1	(i) Issuer:	CSI MTN Limited
	(ii) Guarantor:	CITIC Securities International Company Limited 中信證券國際有限公司
2	(i) Series Number:	37
	(ii) Tranche Number:	001
	(iii) Date on which the Notes will be consolidated and form a single Series:	Not Applicable
3	Specified Currency or Currencies:	Japanese Yen (“ JPY ”)
4	Aggregate Nominal Amount:	
	(i) Series:	JPY14,700,000,000
	(ii) Tranche:	JPY14,700,000,000
5	(i) Issue Price:	100.00 per cent. of the Aggregate Nominal Amount
	(ii) Gross proceeds:	JPY14,700,000,000
6	(i) Specified Denominations:	JPY100,000,000
	(ii) Calculation Amount:	JPY100,000,000
7	(i) Issue Date:	25 January 2024
	(ii) Interest Commencement Date:	Issue Date
8	Maturity Date:	25 January 2027
9	Interest Basis:	1.00 per cent. Fixed Rate (further particulars specified below)
10	Redemption/Payment Basis:	Redemption at par
11	Change of Interest Basis or Redemption/Payment Basis:	Not Applicable
12	Put/Call Options:	Not Applicable
13	Date of Board / Shareholder approval for issuance of Notes and Guarantee obtained:	Issuer’s Board Resolutions dated 18 May 2023; and

Guarantor's Board Resolutions dated 18 May 2023 and Guarantor's Shareholder Resolutions dated 18 May 2023, respectively

- 14 Listing: Application will be made by the Issuer to TSE for the listing and trading of the Notes on the TOKYO PRO-BOND Market. Admission to trading on the TOKYO PRO-BOND Market is expected to be effective on 26 January 2024.
- 15 Method of distribution: Syndicated

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- 16 Fixed Rate Note Provisions Applicable
- (i) Rate of Interest: 1.00 per cent. per annum payable semi-annually in arrear
- (ii) Interest Payment Date(s): 25 January and 25 July in each year
- (iii) Fixed Coupon Amount(s): JPY500,000 per Calculation Amount
- (iv) Broken Amount(s): Not Applicable
- (v) Day Count Fraction: 30/360
- (vi) Determination Date(s): Not Applicable
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: None

- 17 Floating Rate Note Provisions Not Applicable

- 18 Zero Coupon Note Provisions Not Applicable

- 19 Index Linked Interest Note Provisions Not Applicable

- 20 Dual Currency Interest Note Provisions Not Applicable

PROVISIONS RELATING TO REDEMPTION

- 21 Call Option Not Applicable
- 22 Put Option Not Applicable
- 23 Final Redemption Amount of each Note: JPY100,000,000 per Calculation Amount
- 24 Early Redemption Amount payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions): JPY100,000,000 per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

- 25 Form of Notes: **Registered Notes:**

	Global Certificate exchangeable for Individual Note Certificates in the limited circumstances described in the Global Certificate
26 Financial Centre(s) or other special provisions relating to Payment Dates:	Tokyo and London
27 Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	No
28 Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	Not Applicable
29 Details relating to Instalment Notes:	Not Applicable
30 Redenomination applicable:	Redenomination not applicable
31 Consolidation provisions:	Not Applicable
32 Other terms or special conditions:	Not Applicable

DISTRIBUTION

- 33 (i) If syndicated, names of Managers:
1. CLSA Limited
 2. Hua Xia Bank Co., Limited Hong Kong Branch
 3. Bank of China Limited
 4. Industrial and Commercial Bank of China (Asia) Limited
 5. China Construction Bank (Asia) Corporation Limited
 6. Bank of Communications Co., Ltd. Hong Kong Branch
 7. China CITIC Bank International Limited
 8. Mizuho Securities Asia Limited
 9. Industrial Bank Co., Ltd., Hong Kong Branch
 10. CMBC Securities Company Limited
 11. SMBC Nikko Securities (Hong Kong) Limited
- (collectively, the “Managers”)
- (ii) Stabilisation Manager(s) (if any): Any one of the Managers appointed and acting in its capacity as stabilisation manager, provided that China CITIC Bank International

- Limited shall not be appointed or act as stabilisation manager
- 34 If non-syndicated, name of relevant Dealer: Not Applicable
- 35 U.S. Selling Restrictions: Reg. S Category 1
TEFRA not applicable
- 36 Additional selling restrictions: See attached Schedule to this Pricing Supplement

OPERATIONAL INFORMATION

- 37 Any clearing system(s) other than Euroclear or Clearstream or the CMU and the relevant identification number(s): Not Applicable
- 38 Delivery: Delivery against payment
- 39 Additional Paying Agent(s) (if any): Not Applicable
- 40 (i) ISIN: XS2729757109
(ii) Common Code: 272975710
(iii) *(insert here any other relevant codes such as a CMU instrument number)* Not Applicable

GENERAL

- 41 The aggregate nominal amount of Notes issued has been translated into U.S. dollars at the rate of U.S.\$1.0 to JPY147.0, producing a sum of (for Notes not denominated in U.S. dollars): U.S.\$100,000,000
- 42 Ratings: The Notes to be issued have been rated:
S&P Global Ratings: BBB+
Rating and Investment Information, Inc.: A+
Japan Credit Rating Agency, Ltd.: A+
- 43 Private Bank Rebate/Commission: Not Applicable

HONG KONG SFC CODE OF CONDUCT

- 44 Contact email addresses of the Overall Coordinator where underlying investor information in relation to omnibus orders should be sent: projectUMI@clsa.com
- 45 Marketing and Investor Targeting Strategy: As set out in the Offering Circular

STABILISATION

In connection with the issue of the Notes, one or more of the Managers named as Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in this Pricing Supplement, provided that China CITIC Bank International Limited shall not be appointed or acting as the Stabilisation Manager, may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no

assurance that the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

LISTING APPLICATION

This Pricing Supplement comprises the final terms required for the issue of Notes described herein pursuant to the U.S.\$3,000,000,000 Guaranteed Medium Term Note Programme of CSI MTN Limited.

MATERIAL ADVERSE CHANGE STATEMENT

There has been no material adverse change in the financial position or prospects of the Issuer or of the Group since 31 December 2022.

RESPONSIBILITY

The Issuer and the Guarantor accept responsibility for the information contained in this Pricing Supplement.

SCHEDULE – ADDITIONAL DISCLOSURE

In respect of this series of Notes only, the Offering Circular is hereby supplemented with the following information, which shall be deemed to be incorporated in, and to form part of, the Offering Circular. Save as otherwise defined herein, terms defined in the Offering Circular have the same meaning when used in this Schedule.

1. With respect to the Notes, all references in the Conditions and the Offering Circular to "CITIC Securities International Company Limited 中信証券國際有限公司" shall be replaced with "CITIC Securities International Company Limited 中信證券國際有限公司".
2. The following paragraph shall be inserted in the section "*Description of the Group – Recent Development*" appearing on page 145 of the Offering Circular before the sub-heading "*Impact of COVID-19 pandemic*":

"Change of Chinese name

On 4 August 2023, the Guarantor's Chinese name changed from 中信証券國際有限公司 to 中信證券國際有限公司. The English name of the Guarantor, being CITIC Securities International Company Limited, remains unchanged."

3. The last paragraph under the section "*Taxation – Hong Kong – Stamp Duty*" appearing on page 193 of the Offering Circular shall be deemed to be deleted in its entirety and replaced with:

"From 17 November 2023, if stamp duty is payable in respect of the transfer of Registered Notes it will be payable at the rate of 0.2% (of which 0.1% is payable by the seller and 0.1% is payable by the purchaser) normally by reference to its value or consideration, whichever is higher. If, in the case of either the sale or purchase of such Registered Notes, stamp duty is not paid, both the seller and the purchaser may be liable jointly and severally to pay any unpaid stamp duty and also any penalties for late payment. If stamp duty is not paid on or before the due date (two days after the sale or purchase if effected in Hong Kong or 30 days if effected elsewhere) a penalty of up to 10 times the duty payable may be imposed. In addition, stamp duty is payable at the fixed rate of HK\$5 on each Note of transfer executed in relation to any transfer of the Registered Notes if the relevant transfer is required to be registered in Hong Kong."

4. The section "*Subscription and Sale – Selling Restrictions – Japan*" appearing on page 207 of the Offering Circular shall be deemed to be deleted in its entirety and replaced with:

"Japan

Before this Offering Circular and the Pricing Supplement are posted on the web-site maintained by the TOKYO PRO-BOND Market, no registration pursuant to Article 4, paragraph 1 of the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948) (the "FIEA") has been made or will be made with respect to the solicitation of the application for the acquisition of the Notes as such solicitation falls within a Solicitation Only for Qualified Institutional Investors (as defined in Article 23-13 paragraph 1 of the FIEA). Accordingly, each Dealer has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except in compliance with the requirements for the application of a "Qualified Institutional Investors Private Placement

Exemption” under Article 2, paragraph 3, item 2(a) of the FIEA and the other applicable laws and regulations of Japan.

Pursuant to the Qualified Institutional Investors Private Placement Exemption, the Notes may not be transferred except to (i) a non-resident of Japan or (ii) a Qualified Institutional Investor (as defined in Article 2, paragraph 3, item 1 of the FIEA).

After this Offering Circular and the Pricing Supplement are posted on the website maintained by the TOKYO PRO-BOND Market with connection to the listing of the Notes, the selling restriction will be as follows:

- (1) The Notes may not be sold, transferred or otherwise disposed of to any person other than the Professional Investors, Etc. (*Tokutei Toushika tou*) (the “**Professional Investors, Etc.**”), as defined in Article 2, Paragraph 3, Item 2(b)(2) of the FIEA, except for the transfer of the Notes to the following:
 - (a) the Issuer or the Officer (meaning directors, company auditors, executive officers or persons equivalent thereto) thereof who holds shares or equity pertaining to voting rights exceeding 50 per cent. of all the voting rights in the Issuer which is calculated by excluding treasury shares or any non-voting rights shares (the “**Voting Rights Held by All the Shareholders, Etc.**” (*Sou Kabunushi Tou no Giketsuken*)) (as prescribed in Article 29-4, Paragraph 2 of the FIEA) of the Issuer under his/her own name or another person's name (hereinafter such Officer shall be referred to as the “Specified Officer” (*Tokutei Yakuin*)), or to a juridical person (excluding the Issuer) whose shares or equity pertaining to voting rights exceeding 50 per cent. of the Voting Rights Held by All the Shareholders, Etc. are held by the Specified Officer (the “**Controlled Juridical Person, Etc.**” (*Hi-Shihai Houjin Tou*)) including a juridical person (excluding the Issuer) whose shares or equity pertaining to voting rights exceeding 50 per cent. of the Voting Rights Held by All the Shareholders, Etc. are jointly held by the Specified Officer and the Controlled Juridical Person, Etc. (as prescribed in Article 11-2, Paragraph 2, Item 2 (c) of the Cabinet Office Ordinance on Definitions under Article 2 of the Financial Instruments and Exchange Act (MOF Ordinance No. 14 of 1993, as amended)); or
 - (b) a company that holds shares or equity pertaining to voting rights exceeding 50 per cent. of the Voting Rights Held by All the Shareholders, Etc. of the Issuer in its own name or another person's name.
- (2) When (i) a solicitation of an offer to acquire the Notes or (ii) an offer to sell or a solicitation of an offer to purchase the Notes (collectively, “**Solicitation of the Note Trade**”) is made, the following matters shall be notified from the person who makes such Solicitation of the Note Trade to the person to whom such Solicitation of the Note Trade is made in accordance with the FIEA and regulations thereunder (as amended from time to time):
 - (a) no securities registration statement (pursuant to Article 4, Paragraphs 1 through 3 of the FIEA) has been filed with respect to the Solicitation of the Note Trade;
 - (b) the Notes fall, or will fall, under the Securities for Professional Investors (*Tokutei Toushika Muke Yukashoken*) (as defined in Article 4, Paragraph 3 of the FIEA);
 - (c) any acquisition or purchase of the Notes by such person pursuant to any Solicitation of the Note Trade is conditional upon such person (i) entering into an agreement providing for the restriction on transfer of the Notes as set forth in (1) above (x) with each of the Issuer and the person making such Solicitation

of the Note Trade, or (y) with the person making such Solicitation of the Note Trade (in the case of an offer to sell or a solicitation of an offer to purchase the Notes already issued), or (ii) agreeing to comply with the transfer restriction as set forth in (1) above (in the case of a solicitation of an offer to acquire the Notes to be newly issued);

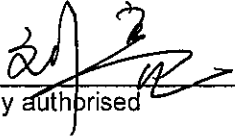
- (d) Article 4, Paragraphs 3, 5 and 6 of the FIEA will be applicable to such certain solicitation, offers and other activities with respect to the Notes as provided in Article 4, Paragraph 2 of the FIEA;
- (e) the Specified Securities Information, Etc. (*Tokutei Shouken Tou Jouhou*) (as defined in Article 27-31 of the FIEA) with respect to the Notes and the Issuer Information, Etc. (*Hakkosha Tou Jouhou*) (as defined in Article 27-32 of the FIEA) with respect to the Issuer have been or will be made available for the Professional Investors, Etc. by way of such information being posted on the web-site maintained by the TOKYO PRO-BOND Market (<https://www.jpx.co.jp/english/equities/products/tpbm/announcement/index.html> or any successor website) in accordance with Articles 210 and 217 of the Special Regulations of Securities Listing Regulations Concerning Specified Listed Securities of Tokyo Stock Exchange, Inc.; and
- (f) the Issuer Information, Etc. will be provided to the holders of the Notes or made public pursuant to Article 27-32 of the FIEA.”

5. The section “*Subscription and Sale – Selling Restrictions – Singapore*” appearing on page 208 of the Offering Circular shall be deemed to be deleted in its entirety and replaced with:

“Each Manager has acknowledged that this Offering Circular and the Pricing Supplement have not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Manager has represented and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular and the Pricing Supplement or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the “SFA”)) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.”

Signed on behalf of the Issuer:

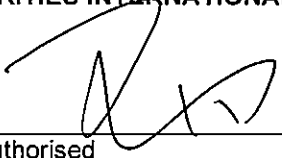
CSI MTN LIMITED

By:  _____
Duly authorised

Signed on behalf of the Guarantor:

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED 中信證券國際有限公司

By:

_____ 
Duly authorised

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE ADDRESSEES OUTSIDE OF THE UNITED STATES AND, IN CERTAIN CIRCUMSTANCES, ARE NOT U.S. PERSONS.

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached offering circular (the “**Offering Circular**”). You are advised to read this disclaimer carefully before accessing, reading or making any other use of the attached Offering Circular. In accessing the attached Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from CSI MTN Limited (the “**Issuer**”), CITIC Securities International Company Limited 中信証券國際有限公司 (the “**Guarantor**”) as a result of such access. In order to be eligible to view the attached Offering Circular or make an investment decision with respect to the securities, investors must be outside the United States.

Confirmation of Your Representation: The attached Offering Circular is being sent to you at your request and by accepting the e-mail and accessing the attached Offering Circular, you shall be deemed to represent to the Issuer, the Guarantor, CLSA Limited (the “**Arranger**”) and CSI Global Markets Limited (together with the Arranger, the “**Dealers**”) that (1) you and any customers you represent are outside the United States and, in certain circumstances, not U.S. persons (as defined in Regulation S under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”)) and that the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories or possessions, and (2) you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission.

The attached Offering Circular has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and, consequently, none of the Issuer, the Guarantor, the Arranger, the Dealers (as defined in the attached Offering Circular), the Trustee or the Agents (each as defined in the attached Offering Circular) or any of their respective affiliates, directors, officers, employees, representatives, agents, advisers and each person who controls any of them accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version available to you upon request from the Issuer, the Guarantor, the Arranger and the Dealers.

Restrictions: The attached Offering Circular is being furnished in connection with an offering in offshore transactions to persons outside the United States or, in certain circumstances, to non-U.S. persons outside the United States in compliance with Regulation S under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described herein.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED, SOLD OR (IN THE CASE OF NOTES IN BEARER FORM) DELIVERED WITHIN THE UNITED STATES, OR IN CERTAIN CIRCUMSTANCES, TO U.S. PERSONS, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THE OFFERING IS MADE SOLELY OUTSIDE THE UNITED STATES IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S UNDER THE SECURITIES ACT.

Nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of any of the Issuer, the Guarantor, the Arranger or the Dealers to subscribe for or purchase any of the securities described herein, and access has been limited so that it shall not constitute, in the United States or elsewhere, directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Arranger or any Dealer or any of their respective affiliates is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by it or such affiliate on behalf of the Issuer and the Guarantor in such jurisdiction.

You are reminded that you have accessed the attached Offering Circular on the basis that you are a person into whose possession the attached Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this document, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you are not allowed to purchase any of the securities described in the attached Offering Circular.

Actions that You May Not Take: If you receive this document by e-mail, you should not reply by e-mail to this document, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the “**Reply**” function on your e-mail software, will be ignored or rejected.

YOU ARE NOT AUTHORISED TO AND YOU MAY NOT FORWARD OR DELIVER THE ATTACHED OFFERING CIRCULAR, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH OFFERING CIRCULAR IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE ATTACHED OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

You are responsible for protecting against viruses and other destructive items. If you receive this document by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

CSI MTN Limited

(Incorporated with limited liability in the British Virgin Islands)

U.S.\$3,000,000,000

Guaranteed Medium Term Note Programme
Unconditionally and Irrevocably Guaranteed by

中信证券国际有限公司

CITIC Securities International Company Limited

(Incorporated in Hong Kong with limited liability)

Under the U.S.\$3,000,000,000 Guaranteed Medium Term Note Programme described in this Offering Circular (the “Programme”), CSI MTN Limited (the “Issuer”), subject to compliance with all relevant laws, regulations and directives, may from time to time issue medium term notes (the “Notes”) which will be unconditionally and irrevocably guaranteed (“Guarantee”) by its parent company, CITIC Securities International Company Limited 中信証券國際有限公司 (the “Guarantor”). The Issuer is a wholly-owned subsidiary of the Guarantor. The aggregate nominal amount of Notes outstanding will not at any time exceed U.S.\$3,000,000,000 (or the equivalent in other currencies), subject to increase as further described in “Summary of the Programme”.

An application has been made to The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) for the listing of the Programme during the 12-month period after the date of this Offering Circular on the Hong Kong Stock Exchange by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) (“Professional Investors”) only. This document is for distribution to Professional Investors only.

Notice to Hong Kong investors: Each of the Issuer and the Guarantor confirms that the Notes to be issued under the Programme are intended for purchase by Professional Investors only and the Programme and the Notes, to the extent that such Notes are to be listed on the Hong Kong Stock Exchange, will be listed on The Stock Exchange of Hong Kong Limited on that basis. Accordingly, each of the Issuer and the Guarantor confirms that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The Hong Kong Stock Exchange has not reviewed the contents of this Offering Circular, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Offering Circular to Professional Investors only have been reproduced in this Offering Circular. Listing of the Programme and the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes, the Issuer, the Guarantor, the Group, or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

Notice of the aggregate nominal amount of the Notes, interest (if any) payable in respect of the Notes, the issue price of the Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined in “Summary of the Programme”) of the Notes will be set out in the relevant pricing supplement each, a “Pricing Supplement”) which, with respect to Notes to be listed on the Hong Kong Stock Exchange, will be delivered to the Hong Kong Stock Exchange, on or before the relevant Issue Date. The relevant Pricing Supplement in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Hong Kong Stock Exchange or listed, traded or quoted on or by any other competent authority, exchange or quotation system.

Notes may be issued in bearer or registered form. The Notes of each Series issued in bearer form (“Bearer Notes”) will be represented on issue by a temporary global note in bearer form (each a “Temporary Global Note”) or a permanent global note in bearer form (each a “Permanent Global Note”) (collectively, the “Global Note”). Bearer Notes that are issued in compliance with rules in substantially the same form as U.S. Treasury Regulations § 1.163-5(c)(2)(i)(D) for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”) (“TEFRA D”) must be initially represented by a Temporary Global Note and interests in a Temporary Global Note will be exchangeable, in whole or in part, for interests in a Permanent Global Note on or after the date 40 days after the later of the commencement of the offering and the relevant Issue Date (the “Exchange Date”), upon certification as to non-U.S. beneficial ownership. Notes in registered form (“Registered Notes”) will be represented by registered certificates (each a “Certificate”), one Certificate being issued in respect of each Noteholder’s entire holding of Registered Notes of one Series. The Notes of each Series in registered form will initially be represented by a global certificate (each a “Global Certificate”). Global Notes and Global Certificates may be deposited on the relevant Issue Date with a common depository on behalf of Euroclear Bank SA/NV (“Euroclear”) and/or Clearstream Banking S.A. (“Clearstream”), or with a sub-custodian for the Central Money Markets Unit Service (the “CMU”) operated by the Hong Kong Monetary Authority. The provisions governing the exchange of interests in Global Notes for other Global Notes and Definitive Notes or Global Certificates for Certificates are described in “Summary of Provisions Relating to the Notes while in Global Form”.

The Notes and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”) or with any securities regulatory authority of any state of the United States and may not be offered or sold or, in case of Bearer Notes, delivered, in the United States or, in certain circumstances, to or for the account or benefit of, U.S. persons (as such term is defined in Regulation S under the Securities Act (“Regulation S”)) except pursuant to an exemption from the registration requirements of the Securities Act. There will be no public offer of securities in the United States. The Notes and the Guarantee are being offered outside the United States in reliance on Regulation S under the Securities Act. Bearer Notes are subject to U.S. tax law requirements. See “Subscription and Sale”.

MiFID II product governance/target market — The Pricing Supplement in respect of any Notes may include a legend entitled “MiFID II Product Governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a “distributor”) should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, “MiFID II”) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the “MiFID Product Governance Rules”), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

UK MiFIR product governance/target market — The Pricing Supplement in respect of any Notes may include a legend entitled “UK MiFIR Product Governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any distributor should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the “UK MiFIR Product Governance Rules”) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

IMPORTANT — EEA RETAIL INVESTORS — The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the “Prospectus Regulation”). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

IMPORTANT — UK RETAIL INVESTORS — The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (“UK”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“EUWA”); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “FSMA”) and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of the Prospectus Regulation as it forms part of domestic law by virtue of the EUWA (the “UK Prospectus Regulation”). Consequently, no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the “UK PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act 2001 of Singapore (the “SFA”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”), unless otherwise specified before an offer of Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are “prescribed capital markets products” (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

The Notes may be issued on a continuing basis to one or more Dealers specified under “Summary of the Programme” and any additional Dealer appointed under the Programme from time to time by the Issuer and the Guarantor (each a “Dealer” and together the “Dealers”), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the “relevant Dealer” shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

The Programme has been assigned a rating of “BBB+” by S&P Global Ratings, a division of S&P Global Inc. (“S&P”). In addition, the Guarantor has been assigned a rating of “BBB+” by S&P with stable outlook. These ratings are only correct as at the date of this Offering Circular. Tranches of Notes to be issued under the Programme may be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the ratings assigned to the Programme. A rating does not constitute a recommendation to buy, sell or hold the Notes and may be subject to suspension, reduction, revision or withdrawal at any time by the assigning rating agency.

Investing in the Notes involves certain risks and may not be suitable for all investors. Investors should have sufficient knowledge and experience in financial and business matters to evaluate the information contained in this Offering Circular and in the applicable Pricing Supplement and the merits and risks of investing in a particular issue of Notes in the context of their financial position and particular circumstances. Investors should also have the financial capacity to bear the risks associated with an investment in Notes. Investors should not purchase Notes unless they understand and are able to bear risks associated with Notes. Prospective investors should have regard to the factors described under the section entitled “Risk Factors” in this Offering Circular.

Arranger and Dealer

CITIC Securities

NOTICE TO INVESTORS

Each of the Issuer and the Guarantor, having made all reasonable enquiries, confirms that (i) this Offering Circular contains all information with respect to the Issuer, the Guarantor and their respective subsidiaries (together, the “**Group**”) and to the Contracts (as defined in the Dealer Agreement (as defined below)) the Guarantee and the Notes which is material in the context of the issue and offering of the Notes (including the information that is required by applicable laws or applicable rules of the Hong Kong Stock Exchange, or is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Group and of the rights attaching to the Notes); (ii) all statements or expressions of opinion or intention (including, without limitation, the statements regarding the future plans, use of proceeds, indebtedness, prospects, dividends, material contracts and litigation) in this Offering Circular are or will remain, in all material respects, fairly and honestly made on reasonable grounds or, where appropriate, based on reasonable assumptions, and such grounds or assumptions are or will remain fairly and honestly held by the Issuer or the Guarantor or their respective directors, and there are or will be no other facts known or which could, upon due and careful inquiry, have been known to the Issuer, the Guarantor or their respective directors the omission of which would make any such statement or expression misleading in any material respect; and (iii) this Offering Circular does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer, the Guarantor and the Group. The Issuer and the Guarantor accept full responsibility for the accuracy of the information contained in this Offering Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Listing of the Programme or the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the merits of the Issuer, the Guarantor or the Notes. In making an investment decision, investors must rely on their own examination of the Issuer, the Guarantor and the terms of the offering, including the merits and risks involved. Please see “**Risk Factors**” for a discussion of certain factors to be considered in connection with an investment in the Notes. Each Tranche of Notes will be issued on the terms set out herein under “**Terms and Conditions of the Notes**” as amended and/or supplemented by a Pricing Supplement. This Offering Circular must be read and construed together with any amendments or supplements hereto and with any information incorporated by reference herein (see “**Information Incorporated by Reference and Financial Information**”) and, in relation to any Tranche of Notes, must be read and construed together with the relevant Pricing Supplement. This Offering Circular shall be read and construed on the basis that such documents are incorporated in and form part of this Offering Circular.

The distribution of this Offering Circular and any Pricing Supplement and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor, CLSA Limited (the “**Arranger**”) and CSI Global Markets Limited (together with the Arranger, the “**Dealers**”), the Trustee and the Agents (as defined in the Terms and Conditions of the Notes) (and each of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them) to inform themselves about and to observe any such restrictions. None of the Issuer, the Guarantor, the Arranger, the Dealers, the Trustee or the Agents (or any of their respective affiliates, directors, officers,

employees, representatives, advisers, agents or any person who controls any of them) represents that this Offering Circular or any Pricing Supplement may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. No action is being taken to permit a public offering of any of the Notes or the distribution of this Offering Circular or any Pricing Supplement in any jurisdiction where action would be required for such purposes. Accordingly, no Notes may be offered or sold, directly or indirectly, and none of this Offering Circular, any Pricing Supplement or any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

MiFID II product governance/target market — The Pricing Supplement in respect of any Notes may include a legend entitled “**MiFID II Product Governance**” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any distributor should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

UK MiFIR product governance/target market — The Pricing Supplement in respect of any Notes may include a legend entitled “**UK MiFIR Product Governance**” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any distributor should take into consideration the target market assessment; however, a distributor subject to UK MiFIR Product Governance Rules is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

PRIIPs REGULATION/PROHIBITION OF SALES TO EEA RETAIL INVESTORS — The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently no key information document required by PRIIPs Regulation for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

UK PRIIPs REGULATION/PROHIBITION OF SALES TO UK RETAIL INVESTORS — The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in the UK Prospectus Regulation. Consequently, no key information document required by the UK PRIIPs Regulation for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B OF THE SECURITIES AND FUTURES ACT 2001 OF SINGAPORE — In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “**CMP Regulations 2018**”), unless otherwise specified before an offer of Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are “**prescribed capital markets products**” (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA -N16: Notice on Recommendations on Investment Products).

There are restrictions on the offer and sale of the Notes, and the circulation of documents relating thereto, in certain jurisdictions including the United States, the EEA, the United Kingdom, Hong Kong, Singapore, Japan, the PRC and the British Virgin Islands, and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Notes and distribution of this Offering Circular and any Pricing Supplement, see “*Subscription and Sale*”.

Important Notice to Prospective Investors

Prospective investors should be aware that certain intermediaries in the context of certain offerings of Notes pursuant to the Programme, each such offering, a “CMI Offering”, including certain Dealers, may be “capital market intermediaries” (“**CMIs**”) subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the “**SFC Code**”). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as “overall coordinators” (“**OCs**”) for a CMI Offering and are subject to additional requirements under the SFC Code. The application of these obligations will depend on the role(s) undertaken by the relevant Dealer(s) in respect of each CMI Offering.

Prospective investors who are the directors, employees or major shareholders of the Issuer, the Guarantor, a CMI or its group companies would be considered under the SFC Code as having an association (“**Association**”) with the Issuer, the Guarantor, the CMI or the relevant group company. Prospective investors associated with the Issuer, the Guarantor or any CMI (including its group companies) should specifically disclose this when placing an order for the relevant Notes and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to the relevant CMI Offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not

disclose that such order may negatively impact the price discovery process in relation to the relevant CMI Offering, such order is hereby deemed not to negatively impact the price discovery process in relation to the relevant CMI Offering.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). A rebate may be offered by the Issuer to all private banks for orders they place (other than in relation to Notes subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing of the relevant CMI Offering based on the principal amount of the Notes distributed by such private banks to investors. Private banks are deemed to be placing an order on a principal basis unless they inform the CMIs otherwise. As a result, private banks placing an order on a principal basis (including those deemed as placing an order as principal) will not be entitled to, and will not be paid, the rebate. Details of any such rebate will be set out in the applicable Pricing Supplement or otherwise notified to prospective investors.

If a prospective investor is an asset management arm affiliated with any relevant Dealer, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the relevant Dealer or its group company has more than 50% interest, in which case it will be classified as a “proprietary order” and subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if such “proprietary order” may negatively impact the price discovery process in relation to the relevant CMI Offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a “proprietary order”. If a prospective investor is otherwise affiliated with any relevant Dealer, such that its order may be considered to be a “proprietary order” (pursuant to the SFC Code), such prospective investor should indicate to the relevant Dealer when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a “proprietary order”. Where prospective investors disclose such information but do not disclose that such “proprietary order” may negatively impact the price discovery process in relation to the relevant CMI Offering, such “proprietary order” is hereby deemed not to negatively impact the price discovery process in relation to the relevant CMI Offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the relevant Dealers and/or any other third parties as may be required by the SFC Code, including to the Issuer, the Guarantor, any OCs, relevant regulators and/or any other third parties as may be required by the SFC Code, it being understood and agreed that such information shall only be used for the purpose of complying with the SFC Code, during the bookbuilding process for the relevant CMI Offering. Failure to provide such information may result in that order being rejected.

No person has been or is authorised to give any information or to make any representation concerning the Group, the Notes or the Guarantee other than as contained in this Offering Circular or any other document entered into in relation to the Programme and the sale of Notes and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor, the Arranger, any Dealer, the Trustee or any Agent (or any of their respective affiliates, directors, officers, employees, representatives, advisers, agents or any person who controls any of them). Neither the delivery of this Offering Circular or any Pricing Supplement nor any offering, sale

or delivery made in connection with the issue of the Notes shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Guarantor, the Group or any of them since the date hereof, or if later, the date upon which this Offering Circular has been most recently amended or supplemented, or create any implication that the information contained herein is correct as at any date subsequent to the date hereof or, as the case may be, the date upon which this Offering Circular has been most recently amended or supplemented, or that any other information supplied in connection with the Programme is correct as at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

Neither this Offering Circular nor any Pricing Supplement constitutes an offer of, or an invitation by or on behalf of the Issuer, the Guarantor, the Arranger, the Dealers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, advisers, agents or any person who controls any of them) to subscribe for or purchase any Notes and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

This Offering Circular is highly confidential and has been prepared by the Issuer and the Guarantor solely for use in connection with the Programme and the proposed offering of the Notes under the Programme as described herein. Neither the Issuer nor the Guarantor has authorised its use for any other purpose. This Offering Circular may not be copied or reproduced in whole or in part. It may be distributed only to and its contents may be disclosed only to the prospective investors to whom it is provided. By accepting delivery of this Offering Circular each investor agrees to these restrictions.

No representation or warranty, express or implied, is made or given by the Arranger, the Dealers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, advisers, agents or any person who controls any of them) as to the accuracy, completeness or sufficiency of the information contained or incorporated in this Offering Circular or any other information provided by the Issuer or the Guarantor in connection with the Programme, and nothing contained or incorporated in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Arranger, the Dealers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, advisers, agents or any person who controls any of them). None of the Arranger, the Dealers, the Trustee and the Agents (nor any of their respective affiliates, directors, officers, employees, representatives, advisers, agents nor any person who controls any of them) has independently verified any of the information contained in this Offering Circular and can give assurance that such information is accurate, truthful or complete.

To the fullest extent permitted by law, each of the Arranger, the Dealers, the Trustee and the Agents (and each of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them) does not accept any responsibility for the contents of this Offering Circular or for any other statement, made or purported to be made by it or on its behalf in connection with the Issuer, the Guarantor, the giving of the Guarantee or the issue and offering of the Notes. Each of the Arranger, the Dealers, the Trustee and the Agents (and each of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them) accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statement. None of the Arranger, the Dealers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, advisers, agents or any person who controls any of them) undertakes to review the financial condition or affairs of the Issuer or the Guarantor during the life of the

arrangements contemplated by this Offering Circular nor to advise any investor or potential investors in the Notes of any information coming to the attention of the Arranger, any Dealer, the Trustee or any Agent (or any of their respective affiliates, directors, officers, employees, representatives, advisers, agents or any person who controls any of them).

This Offering Circular, the Pricing Supplement and any other information supplied in connection with the Programme or any Notes (i) are not intended to provide the basis of any credit or other evaluation and (ii) should not be considered as a recommendation by any of the Issuer, the Guarantor, the Arranger, the Dealers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, advisers, agents and or any person who controls any of them) that any recipient of this Offering Circular should purchase any Notes. Each potential purchaser of the Notes should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Notes should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

THE NOTES AND THE GUARANTEE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND THE NOTES MAY INCLUDE BEARER NOTES THAT ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. SUBJECT TO CERTAIN EXCEPTIONS, THE NOTES MAY NOT BE OFFERED OR SOLD OR, IN THE CASE OF BEARER NOTES, DELIVERED, WITHIN THE UNITED STATES OR, IN CERTAIN CIRCUMSTANCES, TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S OR THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED, AND REGULATIONS THEREUNDER IN CASE OF BEARER NOTES).

In connection with the issue of any Tranche of Notes, one or more Dealers named as stabilisation manager(s) in the applicable Pricing Supplement (“**Stabilisation Manager(s)**”) (or persons acting on behalf of any Stabilisation Manager(s)) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws, regulations and rules.

This Offering Circular does not describe all of the risks and investment considerations (including those relating to each investor’s particular circumstances) of an investment in Notes of a particular issue. Each potential purchaser of Notes should refer to and consider carefully the relevant Pricing Supplement for each particular issue of Notes, which may describe additional risks and investment considerations associated with such Notes. The risks and investment considerations identified in this Offering Circular and the applicable Pricing Supplement are provided as general information only. Investors should consult their own financial and legal advisers as to the risks and investment considerations arising from an investment in an issue of Notes and should possess the appropriate resources to analyse such investment and the suitability of such investment in their particular circumstances. Each person receiving this Offering Circular acknowledges that such person has not relied on the Arranger, the

Dealers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, advisers, agents or any person who controls any of them) in connection with its investigation of the accuracy of such information or its investment decision.

Industry and Market Data

Market data and certain industry forecasts and statistics in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although this information is believed to be reliable, it has not been independently verified by the Issuer, the Guarantor, the Arranger, the Dealers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, advisers, agents or any person who controls any of them), and none of the Issuer, the Guarantor, the Arranger, the Dealers, the Trustee or the Agents (nor any of their respective affiliates, directors, officers, employees, representatives, advisers, agents or any person who controls any of them) makes any representation as to the accuracy or completeness of that information. Such information may not be consistent with other information compiled within or outside the PRC. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified.

Presentation of Financial Information

The audited consolidated financial statements of the Guarantor as at and for the years ended 31 December 2021 and 2022 (the “**Consolidated Financial Statements**”) which are included elsewhere in this Offering Circular, have been audited by PricewaterhouseCoopers (“**PwC**”), the Guarantor’s independent auditor. Such financial statements of the Guarantor were prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRS**”).

Unless otherwise stated, all financial data contained herein which is stated as relating to the Guarantor is referring to the consolidated data of the Guarantor.

Exchange Rate Information

No representation is made that the Renminbi amounts referred to in this Offering Circular could have been or could be converted into U.S. dollars at any particular rate or at all, and vice versa.

Rounding

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding. References to information in billions of units are to the equivalent of a thousand million units.

Certain Definitions and Conventions

We have prepared this offering circular using a number of conventions, which you should consider when reading the information contained herein. When we use the terms “**we**,” “**us**,” “**our**,” the “**Company**,” the “**Group**” and words of similar import, we are referring to the Guarantor itself, or the Guarantor and its consolidated subsidiaries, as the context requires.

In this Offering Circular, unless otherwise specified or the context otherwise requires, references to “China”, “mainland China” or the “PRC” are to the People’s Republic of China and, for the purpose of this Offering Circular only, exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan; references to “Hong Kong” are to the Hong Kong Special Administrative Region of the People’s Republic of China; references to “U.S.” are to the United States of America and references to “EU” are to the European Union.

In this Offering Circular, unless otherwise specified or the context otherwise requires, references to “Renminbi”, “CNY” or “RMB” are to the lawful currency of the PRC; references to “HK\$” and “HKD” are to the lawful currency of Hong Kong; references to “U.S. dollars”, “USD” or “U.S.\$” are to the lawful currency of the United States of America and references to “sterling” or “£” are to the lawful currency of the United Kingdom.

In addition, in this Offering Circular:

“Belt and Road Initiative” refers to the Silk Road Economic Belt and the 21st-century Maritime Silk Road policy of the PRC;

“Board” or “Board of Directors” refers to the board of directors of the Guarantor;

“CITIC Corporation Limited” refers to CITIC Corporation Limited (中國中信有限公司);

“CITIC Limited” refers to CITIC Limited (中國中信股份有限公司);

“CITIC Group” refers to CITIC Group Corporation and its subsidiaries;

“CITIC Group Corporation” refers to CITIC Group Corporation (中國中信集團有限公司);

“CITIC Securities” refers to CITIC Securities Company Limited 中信證券股份有限公司;

“CITIC Securities Group” refers to CITIC Securities and its subsidiaries;

“CITIC Securities (Hong Kong)” refers to CITIC Securities (Hong Kong) Limited 中信證券(香港)有限公司;

“CLSA” refers to CLSA B.V., a private limited company incorporated under the laws of the Netherlands and becoming a wholly-owned subsidiary of the Company on 31 July 2013;

“CLSA Capital Partners” refers to CLSA Capital Partners Limited and its affiliates;

“CLSA Asset Management” refers to CLSA Asset Management Limited 中信里昂資產管理有限公司;

“CLSA Fund Services” refers to CLSA Fund Services (Asia) Limited;

“Company” or “Guarantor” refers to CITIC Securities International Company Limited 中信證券國際有限公司;

“CS Brokerage” refers to CITIC Securities Brokerage (HK) Limited 中信證券經紀(香港)有限公司;

“CS Futures” refers to CITIC Securities Futures (HK) Limited 中信證券期貨(香港)有限公司;

“**CSC**” refers to CSC Financial Co., Ltd. 中信建投證券股份有限公司;

“**CSI Global Markets**” refers to CSI Global Markets Limited;

“**CSRC**” refers to China Securities Regulatory Commission (中國證券監督管理委員會);

“**Group**” refers to the Guarantor and its subsidiaries;

“**Hong Kong Stock Exchange**” refers to The Stock Exchange of Hong Kong Limited;

“**IPO**” refers to initial public offering;

“**Issuer**” refers to CSI MTN Limited;

“**LGFV**” refers to local government financing vehicle companies in the PRC;

“**M&A**” refers to merger and acquisition;

“**MOF**” refers to the Ministry of Finance of the PRC (中華人民共和國財政部);

“**NDRC**” refers to the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會);

“**NDRC Administrative Measures**” refers to the Administrative Measures for the Examination and Registration of Medium and Long-term Foreign Debts of Enterprises (《企業中長期外債審核登記管理辦法》(國家發展和改革委員會令第56號)) issued by the NDRC;

“**NDRC Circular**” refers to the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (NDRC Wai Zi [2015] No. 2044) (國家發改委關於推進企業發行外債備案登記制管理改革的通知) (發改外資[2015]2044號) issued by the NDRC;

“**Northbound Trading**” refers to Hong Kong and overseas investors trading in eligible securities that are listed on the Shanghai Stock Exchange (上海證券交易所) or the Shenzhen Stock Exchange (深圳證券交易所) through Stock Connect;

“**PBOC**” refers to People’s Bank of China (中國人民銀行);

“**PRC Government**” in this Offering Circular means the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local governmental entities) and instrumentalities thereof, or where the context requires, any of them;

“**QDII**” refers to Qualified Domestic Institutional Investor (合格境內機構投資者);

“**SAC**” refers to The Securities Association of China;

“**SFC**” refers to the Securities and Futures Commission of Hong Kong;

“**SOE**” refers to stated-owned enterprises; and

“Southbound Trading” refers to the PRC’s investors trading in eligible securities that are listed on the Hong Kong Stock Exchange through Stock Connect.

For ease of reference, the names of the PRC established companies or entities, laws or regulations have been included in this Offering Circular in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.

INFORMATION INCORPORATED BY REFERENCE AND FINANCIAL INFORMATION

This Offering Circular should be read and construed in conjunction with:

- (i) each relevant Pricing Supplement; and
- (ii) all amendments and supplements from time to time to this Offering Circular; and
- (iii) any audited consolidated annual financial statements or unaudited but reviewed consolidated interim financial statements of the Group, in each case together with any audit or review reports prepared in connection therewith, that are published subsequent to the date of this Offering Circular as amended and supplemented from time to time, if any;

which shall be deemed to be incorporated in, and to form part of, this Offering Circular and which shall be deemed to modify or supersede the contents of this Offering Circular.

Any statement contained in this Offering Circular or in a document incorporated by reference into this Offering Circular will be deemed to be modified or superseded for purposes of this Offering Circular to the extent that a statement contained in any such subsequent document modifies or supersedes that statement. Any statement that is modified or superseded in this manner will no longer be a part of this Offering Circular, except as modified or superseded.

Copies of all such documents which are so deemed to be incorporated in, and to form part of, this Offering Circular will be available (upon prior written request and proof of holding and identity satisfactory to the Issuer) free of charge, during usual business hours (being between 9:00 a.m. and 3:00 p.m., Hong Kong time) on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the principal office of the Issuer set out at the end of this Offering Circular.

SUPPLEMENTAL OFFERING CIRCULAR

Each of the Issuer and the Guarantor has given an undertaking to the Dealers that unless the Issuer or the Guarantor has notified the Permanent Dealers (as defined in the Dealer Agreement (as defined below)) in writing that it does not intend to issue Notes under the Programme for the time being, each of the Issuer and the Guarantor shall prepare and publish an amendment or supplement to the Offering Circular if at any time during the duration of the Programme (1) a significant new factor, material mistake or material inaccuracy arises or is noted relating to the information included in the Offering Circular which is capable of affecting an assessment by investors of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer and/or the Guarantor and/or of the rights attaching to the Notes and/or the Guarantee or (2) the Offering Circular otherwise contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements contained therein not misleading.

FORWARD-LOOKING STATEMENTS

The Issuer and the Guarantor have made forward-looking statements in this Offering Circular regarding, among other things, the Group's financial condition, future expansion plans and business strategies. These forward-looking statements are based on the Group's current expectations about future events. Although the Issuer and the Guarantor believe that these expectations and projections are reasonable, such forward-looking statements are inherently subject to risks, uncertainties and assumptions, including, among other things:

- the Group's business and operating strategies;
- the Group's capital expenditure and development plans;
- the amount and nature of, and potential for, future development of the Group's business;
- future developments, trends and conditions in the industries and markets in which the Group operates;
- various business opportunities that the Group may pursue;
- changes in political, economic, legal and social conditions in the PRC, including the specific policies of the PRC central and local governments affecting the regions where the Group operates;
- changes in the global economic conditions and material volatility in the global financial markets;
- the prospective financial condition and performance regarding the Group's businesses;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and the industries and markets in which the Group operates;
- availability and costs of bank loans and other forms of financing;
- changes in competitive conditions and the Group's ability to compete under these conditions;
- the Group's ability to obtain additional capital on acceptable terms;
- reduction or discontinuance of the government subsidies and other government grants or the mismatch in terms of timing of the availability of the government fiscal support and the Group's cash flow requirement;
- fluctuations in the PRC and general risks incidental to the ownership and management of properties; and
- other risks identified in the section entitled "**Risk Factors**" in this Offering Circular.

The words "**anticipate**", "**believe**", "**estimate**", "**expect**", "**intend**", "**plan**" and similar expressions are intended to identify a number of these forward-looking statements. The Issuer, the Guarantor and each other member of the Group undertake no obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise. In light of these risks,

uncertainties and assumptions, the forward-looking events discussed in this Offering Circular might not occur and the actual results of the Issuer, the Guarantor or the Group could differ materially from those anticipated in these forward-looking statements.

These forward-looking statements speak only as at the date of this Offering Circular. The Issuer and the Guarantor expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Group's expectations with regard thereto or any change of events, conditions or circumstances, on which any such statement was based.

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SUMMARY

The following summary is qualified in its entirety by, and is subject to, the detailed information contained elsewhere and the financial statements incorporated by reference in this Offering Circular. The summary below is only intended to provide a limited overview of information described in more detail elsewhere in this Offering Circular. As it is a summary, it does not contain all of the information that may be important to investors and terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary. Prospective investors should therefore read this Offering Circular in its entirety.

The Group

The Guarantor is a wholly owned subsidiary of CITIC Securities, a leading full service securities firm in China with international reach, and is the principal platform for implementing CITIC Securities' international strategy. Headquartered in Hong Kong, the Group provides comprehensive financial services to institutional and corporate customers, retail and high-net worth individuals, ranging from corporate finance and capital market, securities brokerage, fixed income, currencies & commodities, equity derivatives and prime brokerage to asset management.

Our sole shareholder, CITIC Securities, is the leading full-service securities firm in China. CITIC Securities was one of the first companies approved by the CSRC to be an integrated securities company, and was the first China-based securities firm listed on the Shanghai Stock Exchange. With its IPO completed in January 2003, CITIC Securities was listed and has been traded on the Main Board of the Hong Kong Stock Exchange (stock code: 6030) on 6 October 2011. CITIC Securities' leading position amongst all securities firm in China has been widely recognised. In 2020, amongst other awards, CITIC Securities was named the No. 1 Best Investment Bank, No. 1 Best Local Investment Bank, 2020 Best Securities Company and 2020 Pioneer Investment Bank, by Caixin Media, New Fortune, Financial Times and International Financial News, respectively. In 2021, amongst other awards, CITIC Securities was again named 2021 Best Securities Company by Financial Times, and was named the Golden Bull Securities Company for the 2021 Golden Bull Award in Chinese Securities Industry by China Securities Journal. In 2022, amongst other awards, CITIC Securities was named an "Excellent Trading Partner" in Forex Futures Trading for 2022 by the Singapore Exchange, and the Best Sustainable Financial Institution by Finance Asia. CITIC Securities operates a wide range of businesses, mainly including securities services, wealth management, institutional stock brokerage, financial market, asset management, custody, equity investment and research.

The founders of CITIC Securities were CITIC Group Corporation (under its former name of China International Trust Investment Company), and three other investors. CITIC Securities is the leading full-service securities firm in China. CITIC Securities was one of the first companies approved by the CSRC to be an integrated securities company, and was the first China-based securities firm listed on the Shanghai Stock Exchange. CITIC Group Corporation is one of the largest state-owned conglomerates, with a more than 35-year track record in China. It operates in a wide range of industry sectors including finance, real estate and infrastructure, construction, energy and resources, manufacturing, IT, trading and consumer. CITIC Group Corporation is directly administered by MOF.

For the years ended 31 December 2020, 2021 and 2022, our total operating income was US\$1,052,596,000, US\$1,330,238,000 and US\$1,414,352,000 respectively, and our respective profit/(loss) attributable to equity holders of the Company for the corresponding periods was US\$116,944,000, US\$101,283,000 and US\$126,127,000, respectively. As of 31 December 2020, 2021 and 2022, we had total assets of US\$30,348,982,000, US\$32,588,885,000 and US\$30,940,226,000, respectively, and total equity attributable to equity holders of the Company of US\$1,291,695,000, US\$1,383,607,000 and US\$1,457,595,000, respectively.

Principal Lines of business

The following table sets forth our business lines and the major products and services under each business line.

<u>Corporate finance and capital markets</u>	<u>Securities brokerage</u>	<u>FICC</u>	<u>Equity derivatives and prime brokerage</u>	<u>Asset Management and others</u>
<ul style="list-style-type: none"> ● Corporate finance ● Capital markets 	<ul style="list-style-type: none"> ● Institutional equities ● Research ● Wealth management 	<ul style="list-style-type: none"> ● Fixed income, currencies & commodities (“FICC”) 	<ul style="list-style-type: none"> ● Equity derivatives ● Prime brokerage ● Fund services 	<ul style="list-style-type: none"> ● Asset management ● Alternative investment management ● Others

Corporate Finance and Capital Markets

Our corporate finance and capital markets business consists of the following activities:

- Equity finance, including equity capital markets and equity linked finance;
- Debt and structured finance, including debt capital markets and leveraged and structured finance; and
- M&A and financial advisory services.

We sponsor and underwrite IPOs and follow-on offerings of equity and equity-linked products. We together with CITIC Securities lead-managed 166 equity offerings in 2020, 194 in 2021 and 162 in 2022 as the bookrunner, raising an aggregate of approximately US\$29,858.0 million of capital in 2020, US\$42,512.9 million in 2021 and US\$31,559.68 million in 2022, ranking first in the equity capital markets in Asia Pacific (excluding Australia and Central Asia) in 2020, 2021 and 2022, according to Refinitiv’s market review for 2020, 2021 and 2022.

Our debt and structured finance activities include the structuring and underwriting of fixed income and structured finance products. We underwrite a full range of fixed income products. In 2020, we lead-managed 93 China offshore bonds, raising an aggregate of approximately US\$3,774.47 million of capital, ranking fourth among Chinese securities houses according to Bloomberg’s league table. In 2021, our ranking among Chinese securities houses in the same league table has risen to third and overall ranking went up from 25th to 16th with 127 offerings and US\$4,221.34 million capital raised of the same category. In 2022, we lead-managed 111 China offshore bonds, raising an aggregate of approximately US\$3,429 million of capital, ranking fourth in China offshore bonds and second among Chinese securities houses according to Bloomberg’s league table. We ranked second, first and second in offshore CNY bonds among Chinese securities houses in 2020, 2021 and 2022 respectively.

We provide financial advisory services for various types of transactions, including mergers and acquisitions, joint ventures, corporate restructurings, leveraged buyouts and strategic alliances. Our financial advisory clients include public and private companies, government entities and private equity investors in China and overseas. For example, in 2021, we acted as Joint Financial Adviser of Yue Xiu Enterprises' US\$656 million Privatisation of Chong Hing Bank, which is the largest privatisation transaction so far in the banking and financial industry at Hong Kong Stock Exchange in the last 7 years. In 2022, we acted as the Sole Financial Advisor of the US\$150 million cross-border transfer of equity by Walgreens Boots Alliance, Inc. In 2023, we acted as the Exclusive Financial Advisor of the US\$19 million investment in an Indonesia state-owned healthcare company by Silk Road Fund & Indonesia Investment Authority.

Securities brokerage

Our securities brokerage businesses comprises our institutional equities, research and wealth management services.

We provide brokerage services to customers for their trading of tradable securities, such as warrants, which are not equities or futures that are listed on stock exchanges. We generate commissions from executing and clearing the buy and sell orders of our clients. As of 31 December 2022, we managed approximately 1,700 institutional brokerage clients.

Our outstanding research services in securities brokerage provide clients insights into the issues, trends and companies driving Asia's markets. We have more than 100 research analysts that cover over 1,200 companies in 19 key industry sectors (including amongst others, consumer discretionary, industrials, IT, real estate, financials, consumer staples, communication services and healthcare) across 12 markets, providing deep sector and company insights that inform client's investment strategies.

Our wealth management segment provides a full range of financial services and investment solutions for retail and high net-worth clients, including securities trading, electronic trading, stock margin financing, Hong Kong and global futures trading, over-the-counter transactions over Hong Kong stock, listed company activities and solutions, investment advisory, custodian and nominee services. As of December 2022, the total assets under management or custody amounted to approximately HK\$162.3 billion (US\$20.8 billion), which is comparable in size to regional private banks with an active footprint in Asia.

FICC

We offer a wide range of fixed income, currencies, rates and commodities products and solutions. Through our global network, our FICC business team strives to deliver a full suite of products and services to help clients identify market opportunities, manage their risks and generate returns on their portfolios. We service major global and regional institutions worldwide as well as corporations in the greater China area. Our clientele consists of sovereign wealth funds, global asset managers and hedge funds, global and regional banks and securities firms, insurance companies, private banks and family offices. We are a leading China cross-border trading partner, with more than 900 institutional clients worldwide and more than 1,500 bonds being priced and published on venues daily. We also operate across five trading centres globally.

Equity derivatives and prime brokerage

We are recognised as one of the most competitive providers of A-share derivative products internationally. Our equity derivatives business offers a unique combination of local expertise and global access and has experienced strong growth over the past few years and is recognised as a leading derivatives trading platform. We provide a variety of financial derivative products, including (a) structured products like bespoke notes, OTC options & swaps, (b) quantitative investment strategies and (c) corporate equity derivatives. Our equity derivatives services are highly customised to meet each client's individual needs. Leveraging our financial engineering expertise, we help our clients design sophisticated hedging strategies and trading programs to manage downside risk and minimise costs.

In addition to the equity derivatives business, we also provide prime brokerage services to sophisticated institutional investors. We offer a competitive suite of valued-added solutions to our prime clients including execution, synthetic trading, stock borrowing and lending, custody, clearing, asset financing, and fund administration. We also provide efficient clearing and settlement of securities and cash transactions in major Asian markets and currencies.

In addition, we also provide fund services through CLSA Fund Services (Asia) Limited, which was established to service international asset managers and the growing number of mainland Chinese asset managers that are expanding overseas.

Asset Management and others

We provide asset management and alternative investment management products and services for professional investors, mainly through our subsidiaries CLSA Asset Management and CLSA Capital Partners, both of which hold SFC licensed companies engaged in asset management business. Our asset management business offers a diversified and increasing range of investment strategies, and helps professional investors globally, mainly in the United States, Europe and Asia. As at 31 December 2022, the scale of assets managed by CLSA Asset Management and CLSA Capital Partners amounted to approximately US\$7.0 billion and US\$7.5 billion respectively.

Business strategies

Our vision is to become an internationally leading securities firm trusted by clients around the world. To achieve this goal, we intend to implement the following strategies in our various business lines:

- ***Corporate finance and capital markets.*** We will continue to take a client-centric and full product coverage approach to provide clients with comprehensive corporate finance and capital markets services, strengthen and further leadership of traditional businesses and actively drive innovative business and develop international business, and provide a leading platform for PRC companies going global and foreign investors seeking access to the PRC;
- ***Securities brokerage.*** We will integrate and expand our local and overseas brokerage business to serve international customers including financial institutions, enhance service quality and business coverage. We continue to strive for outstanding services in institutional equities that provide clients insights into issues, trends and companies driving the Asia Pacific markets, and seek out liquidity to execute even the most challenging strategies for our clients. With a strong retail distribution network in greater China area, our dedicated team of wealth management professionals will continue to provide tailor-made financial solutions to clients in China and beyond across a variety of asset classes;

- ***Fixed income, currencies & commodities.*** We plan to continue to build and improve our product matrix and broaden our client base, and promote active risk management and prudent fund allocation. Our FICC business through its global network continually strives to deliver a full suite of products and services across credit, rates, foreign exchange and commodities to help clients identify market opportunities, manage risk and generate returns for their portfolios;
- ***Equity derivatives and prime brokerage.*** Our equity derivatives team will continue to offer a unique combination of local expertise and global access, and to work closely with global clients to create solutions that meet their needs in risk management, yield enhancement, financing, and cross-border market access. Our fund services will also continue to provide comprehensive end-to-end solutions spanning middle and back office and fund administration services by leveraging on industry know-how, first-in-class technology infrastructure and robust IT support; and
- ***Asset management and others.*** We plan to continue to take a client-centric approach to drive product and marketing innovation, leverage the going-global trend and maintain our comprehensive competitiveness in the industry. Our asset management business will serve as a go-to one-stop shop for global investors to tap into the advantageous home market of CITIC Securities, and continue to help our clients invest in industry leaders in the most dynamic sectors.

Competitive Strengths

We believe that the following strengths have contributed to our success and differentiated us from our competitors.

Strategic establishment with solid government support and outstanding shareholder background

CITIC Group Corporation, the largest shareholder of CITIC Securities which wholly owns the Company, is directly administered by MOF. CITIC Group Corporation is a stated-owned company established in Beijing in 1979, being one of China's largest conglomerates covering financial services, resources and energy, manufacturing, engineering contracting and real estate. In 2022, CITIC Group Corporation ranked No. 102 on the Fortune Global 500, marking its fourteenth consecutive year being listed on the Fortune Global 500. CITIC Group Corporation is one of the largest constituent stocks of the Hang Seng Index, with a long-term corporate credit rating of BBB+ and A3 by Standard & Poor's and Moody's, respectively.

CITIC Securities, the sole shareholder of the Company, was one of the first companies approved by the CSRC to be an integrated securities company and has grown into a leading full-service securities group in the PRC with the full support from CITIC Group. Listed on Shanghai Stock Exchange in 2003 and on the Hong Kong Stock Exchange in 2011, CITIC Securities is China's first listed securities company in terms of A share, H share and A+H share IPO. With solid government support, CITIC Securities obtained RMB202.63 million, RMB229.57 million and RMB350.82 million in government grants in 2020, 2021 and 2022, respectively.

Comprehensive support from and business collaboration with the CITIC Securities Group

We have CITIC Securities Group's support in various aspects. See our corporate development milestones set out in "***Overview***" above for the multiple times of capital injections from CITIC Securities, thereby demonstrating to the market its commitment to our business growth. CITIC Securities has also announced in November 2021 that it will further inject capital into the Company by up to US\$1.5 billion in cash, which will be paid up by one-time payment. Further, CITIC Securities completed a rights issuance in March 2022, where up to RMB5 billion of the proceeds would be used for the increase in investments to its subsidiaries, thereby demonstrating CITIC Securities' commitment to support the growth of its subsidiaries. Our funding pool is also fully integrated with CITIC Securities' offshore funding pool, thus enabling CITIC Securities to provide funding support readily.

One-stop service provider offering a wide range of products and access to international platform

The Group fully integrates and utilises the platform resources availed by the Group, CITIC Securities and the CITIC Group to provide its clients with one-stop comprehensive solutions, with the aim to grow the Group's all-rounded securities services into a global and leading multi-asset, multi-strategy, cross market and full-service financial institution. We seek to distinguish ourselves from our competitors with a highly-integrated platform generating cooperation and synergies across business lines and throughout our global operations. We provide securities products and services to Chinese and international clients in Hong Kong and other key overseas markets.

Member of a domestically-leading securities firm franchise with global strategic presence and largest area coverage with respect to the Belt and Road Initiative

Based in Hong Kong and with CITIC Securities' leading presence in mainland China, we have actively expanded our Asia Pacific and global coverage to become a leading international securities firm with an Asia focus. We have expanded our international footprint via both organic growth and acquisitions, accessing overseas markets in Hong Kong and the United States. We acquired CLSA in 2013 as a wholly-owned subsidiary, making CITIC Securities the first Chinese securities firm to successfully acquire a foreign competitor. Since then, we have successfully consolidated overseas securities services platforms and completed the integration of front-desk institutional sales and corporate finance business, further integrated mid-desk and back-desk operations to lay a solid foundation for future overseas business development.

We have been a major wholesale broker in the countries covered by the Belt and Road Initiative, including Singapore, Malaysia, the Philippines, Indonesia, Thailand and Sri Lanka for the past 30 years. This has given us strong brand recognition in those countries among leading companies, investors, regulators, banks and the governments. In the above countries, we have been either the largest foreign broker (measured by value of trades completed), or ranking within the top three, for a number of years. We have more than 10% market share of foreign business in all the above countries and as much as 35% in some of such countries. In April 2022, we acted as a co-manager in the initial public offering of PT GoTo Gojek Tokopedia Tbk, which raised a total of US\$957 million. In April 2022, we also acted as a joint global coordinator and a joint domestic underwriter in the US\$763 million stock rights offering by the Union Bank of the Philippines, demonstrating our on-the-ground presence in the region covered by the Belt and Road Initiative.

SUMMARY OF THE PROGRAMME

The following summary is qualified in its entirety by the remainder of this Offering Circular. This summary must be read as an introduction to this Offering Circular and any decision to invest in the Notes should be based on a consideration of the Offering Circular as a whole, including any information incorporated by reference. Phrases used in this summary and not otherwise defined shall have the meanings given to them in the section entitled “Terms and Conditions of the Notes”.

Issuer CSI MTN Limited (Legal entity identifier (LEI): 2549008F29JNGIBO2O60).

Guarantor CITIC Securities International Company Limited 中信証券國際有限公司.

Description Guaranteed Medium Term Note Programme unconditionally and irrevocably guaranteed by the Guarantor.

Size Up to U.S.\$3,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time. The Issuer and the Guarantor may increase the aggregate nominal amount of the Programme in accordance with the terms of the Dealer Agreement. Please see “*Subscription and Sale*” for a description of the Dealer Agreement.

Risk Factors Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer and the Guarantor to fulfil their respective obligations in respect of the Notes and the Guarantee are discussed under “*Risk Factors*”.

Sole Arranger CLSA Limited.

Dealers CLSA Limited and CSI Global Markets Limited.

The Issuer and the Guarantor may from time to time terminate the appointment of any Dealer under the Programme or appoint Dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Offering Circular to “*Dealers*” are to all persons appointed as a dealer in respect of one or more Tranches or the Programme.

Certain Restrictions Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “*Subscription and Sale*”). Further restrictions may apply in connection with any particular Series or Tranches of Notes.

Trustee	Citicorp International Limited.
Issuing and Paying Agent and Transfer Agent for Notes other than CMU Notes	Citibank, N.A., London Branch.
Registrar	Citicorp International Limited.
CMU Lodging and Paying Agent and Transfer Agent for CMU Notes	Citicorp International Limited.
Method of Issue	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a “ Series ”) having one or more issue dates and on terms otherwise identical in all respects (or in all respects except for the issue date, the issue price and the first payment of interest on them), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a “ Tranche ”) on the same or different issue dates. The Notes of a Tranche will have terms identical in all respects to other Notes of that Tranche. The specific terms of each Tranche will be completed in the Pricing Supplement.
Issue Price	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.
Form of Notes	<p>Notes may be issued in bearer form (“Bearer Notes”) or registered form (“Registered Notes”) as described in “<i>Terms and Conditions of the Notes</i>”. Registered Notes may not be exchangeable for Bearer Notes and vice versa.</p> <p>Each Tranche of Bearer Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Pricing Supplement.</p> <p>Each Tranche of Registered Notes will initially be represented by a Global Certificate.</p> <p>Where TEFRA D (as defined below) is applicable, Bearer Notes must initially be issued in the form of a Temporary Global Note, exchangeable for Permanent Global Notes or Definitive Notes upon certification of non-U.S. beneficial ownership.</p>

Clearing Systems

Clearstream, Euroclear, the CMU and, in relation to any Tranche, such other clearing system as may be designated by the Issuer and the Guarantor and approved in writing by the Issuing and Paying Agent (or the CMU Lodging and Paying Agent, as the case may be), the Trustee and where relevant, the Registrar.

Initial Delivery of Notes

On or before the issue date for each Tranche, the Global Note or Global Certificate representing the Notes may be deposited with a common depositary for Euroclear and Clearstream or deposited with a sub-custodian for the CMU. Global Notes or Global Certificates may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Guarantor, the Trustee, the Issuing and Paying Agent (or the CMU Lodging and Paying Agent, as the case may be) and if applicable, the Registrar and the relevant Dealer(s). Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of, or in the name of nominees or a common nominee for, such clearing systems.

Currencies

Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer, the Guarantor and the relevant Dealer(s).

Maturities

Subject to compliance with all relevant laws, regulations and directives, any maturity as may be agreed between the Issuer, the Guarantor and the relevant Dealer(s).

Specified Denomination

Definitive Notes will be in such denominations as may be specified in the relevant Pricing Supplement, subject to compliance with all relevant laws, regulations and directives. Unless otherwise permitted by the then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the Financial Services and Markets Act 2000 (“FSMA”) will have a minimum denomination of £100,000 (or its equivalent in other currencies).

Interest

Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate or be index-linked and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series.

Fixed Rate Notes

Fixed interest will be payable in arrear on such date or dates as may be agreed between the Issuer, the Guarantor and the relevant Dealer(s) and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer, the Guarantor and the relevant Dealer(s).

Floating Rate Notes

Floating Rate Notes will bear interest determined separately for each Series as follows:

- on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc.), as amended, supplemented or replaced; or
- by reference to EURIBOR, HIBOR or CNH HIBOR (or such other benchmark as may be specified in the relevant Pricing Supplement) as adjusted for any applicable margin;
- on the basis of SOFR reference rates appearing on the agreed screen page of a commercial quotation service (in relation to Screen Rate Determination for Floating Rate Notes where the Reference Rate is specified as SOFR Benchmark, please see Condition 5(b)(iii)(C)) or
- on such other basis as may be agreed between the Issuer, the Guarantor and the relevant Dealer(s).

Interest periods will be specified in the relevant Pricing Supplement. The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each series of Floating Rate Notes.

Zero Coupon Notes

Zero Coupon Notes (as defined in “*Terms and Conditions of the Notes*”) may be issued at their nominal amount or at a discount to it and will not bear interest.

Dual Currency Notes

Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes (as defined in the Terms and Conditions of the Notes) will be made in such currencies, and based on such rates of exchange, as the Issuer, the Guarantor and the relevant Dealer(s) may agree and as may be specified in the relevant Pricing Supplement.

Index Linked Notes

Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in prices of securities or commodities or to such other factors as the Issuer, the Guarantor and the relevant Dealer(s) may agree and as may be specified in the relevant Pricing Supplement.

Interest Periods and Interest Rates

The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Pricing Supplement.

Redemption

The relevant Pricing Supplement will specify the basis for calculating the redemption amounts payable (detailed in a formula, index or otherwise). Unless permitted by then-current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of FSMA must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).

Optional Redemption

Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) and/or the Noteholders to the extent (if at all) specified in the relevant Pricing Supplement as further described in Condition 6(e) and Condition 6(f), respectively, of the Terms and Conditions of the Notes.

Redemption for Change of Control

Following the occurrence of a Change of Control, any Noteholder will have the right, at such Noteholder's option, to require the Issuer to redeem all, but not some only, of such Noteholder's Note at 101 per cent. of their Early Redemption Amount, together with accrued interest, as further described in Condition 6(d) of the Terms and Conditions of the Notes.

Redemption for Taxation Reasons

Notes will be redeemable at the Issuer's option prior to maturity for taxation reasons as further described in Condition 6(c) of the Terms and Conditions of the Notes.

Status of Notes

The Notes and any Receipts and Coupons relating to them will constitute direct, unsubordinated, unconditional and (subject to Condition 4(c) of the Terms and Conditions of the Notes) unsecured obligations of the Issuer and will at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Receipts and the Coupons relating to them shall, save for such exceptions as may be provided by applicable law and subject to Condition 4(c) of the Terms and Conditions of the Notes, at all times rank at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer.

Status of the Guarantee

The payment obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable law and subject to Condition 4(c) of the Terms and Conditions of the Notes, at all times rank at least equally with all other present and future unsecured and unsubordinated obligations of the Guarantor.

Negative Pledge

The Notes will contain a negative pledge provision as further described in Condition 4(c) of the Terms and Conditions of the Notes.

Limitations on the Issuer

The Notes will contain some additional limitations on the Issuer as further described in Condition 4(a) of the Terms and Conditions of the Notes.

Cross-Acceleration

The Terms and Conditions of the Notes will contain a cross-acceleration provision as described in Condition 10(c) of the Terms and Conditions of the Notes.

Withholding Tax

All payments of principal and interest by or on behalf of the Issuer or the Guarantor in respect of the Notes, the Receipts and Coupons or under the Guarantee will be made free and clear of, and without withholding or deduction for or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands, or Hong Kong or, in each case, any political subdivision or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. The Issuer or (as the case may be) the Guarantor will, subject to certain customary exceptions, pay such additional amounts as will result in the receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, as further described in Condition 8 of the Terms and Conditions of the Notes.

Ratings

The Programme has been assigned a rating of “**BBB+**” by S&P. In addition, the Guarantor has been assigned a rating of “**BBB+**” by S&P. These ratings are only correct as at the date of this Offering Circular. Tranches of Notes will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will be specified in the relevant Pricing Supplement and such rating will not necessarily be the same as the ratings assigned to the Programme.

A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction, revision or withdrawal at any time by the assigning rating agency.

Governing Law and Jurisdiction

The Trust Deed, the Notes, the Receipts, the Coupons and the Talons and the Agency Agreement and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law with the submission to the exclusive jurisdiction of Hong Kong courts.

Listing and Admission to Trading

Application has been made to the Hong Kong Stock Exchange for the listing of the Programme by way of debt issues to Professional Investors only, and will be made to the Hong Kong Stock Exchange for permission to deal in and for the listing of Notes issued under the Programme by way of debt issues to Professional Investors only during the 12-month period after the date of this Offering Circular on the Hong Kong Stock Exchange.

However, unlisted Notes and Notes to be listed, traded or quoted on or by any other competent authority, stock exchange or quotation system may be issued pursuant to the Programme. The relevant Pricing Supplement in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Hong Kong Stock Exchange or listed, traded or quoted on or by any other competent authority, exchange or quotation system.

Notes listed on the Hong Kong Stock Exchange will be traded on the Hong Kong Stock Exchange in a board lot size of at least HK\$500,000 (or its equivalent in other currencies).

Selling Restrictions

There will be restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area, the United Kingdom, Hong Kong, Singapore, Japan, the PRC and the British Virgin Islands and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see “*Subscription and Sale*”.

Any Bearer Notes issued under the Programme will be issued in compliance with rules in substantially the same form as U.S. Treasury Regulations §1.163-5(c)(2)(i)(D) for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”) (“TEFRA D”) unless (i) the relevant Pricing Supplement states that the Bearer Notes are issued in compliance with rules in substantially the same form as U.S. Treasury Regulation §1.163-5(c)(2)(i)(C) for purposes of Section 4701 of the Code (“TEFRA C”) or (ii) the Bearer Notes are issued other than in compliance with TEFRA D or TEFRA C. In the case of Bearer Notes, only Notes with a term of 365 days or less (taking into account any unilateral extensions and rollovers) will be issued other than in compliance with TEFRA D or TEFRA C and will be referred to in the relevant Pricing Supplement as a transaction to which the United States Tax Equity and Fiscal Responsibility Act of 1982 (“TEFRA”) is not applicable. Bearer Notes with a term of more than 365 days (taking into account any unilateral extensions and rollovers) that are held through the CMU must be issued in compliance with TEFRA C, unless at the time of issuance the CMU and CMU Lodging and Paying Agent have procedures in place so as to enable the Issuer to comply with the certification requirements under TEFRA D. Where TEFRA D is applicable, Bearer Notes must initially be issued in the form of Temporary Global Notes, exchangeable for Permanent Global Notes or Definitive Notes upon certification of non-U.S. beneficial ownership.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The summary consolidated financial data as of and for the years ended 31 December 2020, 2021 and 2022 has been derived from the Company's Consolidated Financial Statements. The summary financial data below should be read in conjunction with the Consolidated Financial Statements as well as the notes thereto, included elsewhere or incorporated by reference in this Offering Circular. The Company's Consolidated Financial Statements were prepared and presented in accordance with HKFRS.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2022	2021	2020
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Brokerage commission	318,310	416,925	372,435
Research fee income	31,601	27,221	25,261
Net trading income	668,632	542,714	270,291
Underwriting and placing commission and sponsorship income	61,518	156,876	141,224
Corporate advisory and asset management fees	33,189	58,046	50,063
Interest income ⁽¹⁾	129,269	93,950	114,017
Securities lending income ⁽¹⁾	29,064	12,722	763
Other income	142,769	21,784	78,542
Total operating income	1,414,352	1,330,238	1,052,596
Employee benefits expenses	(413,008)	(404,715)	(379,278)
Brokerage commission expenses	(166,218)	(159,453)	(62,506)
Finance costs ⁽¹⁾	(350,278)	(128,258)	(125,092)
Securities borrowing expenses ⁽¹⁾	(28,435)	(9,022)	(1,654)
Rebates and introduction fees	(32,779)	(46,179)	(38,598)
Information services and communication expenses	(68,031)	(59,619)	(59,067)
Net settlement charges	(35,380)	(40,465)	(42,089)
Other operating expenses	(157,370)	(326,027)	(123,434)
Gain on acquisition of subsidiaries	—	—	2,046
Net impairment (losses)/gains	(10,943)	(23,989)	5,744
Total operating expenses	(1,262,442)	(1,197,727)	(823,928)
Operating profit	151,910	132,511	228,668
Share of gains/(losses) of joint ventures	4,104	5,855	(738)
Share of gains/(losses) of associates	15,610	(799)	(8,984)
Profit before tax	171,624	137,567	218,946
Tax expense	(46,395)	(33,642)	(100,187)
Profit/(loss) for the year	125,229	103,925	118,759

	<u>2022</u>	<u>2021</u>	<u>2020</u>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Changes in the fair value of debt instruments at fair value through other comprehensive income	(13,572)	14,359	(186)
Net fair value gain of interest rate swap hedge	—	3,094	1,198
Share of other comprehensive income of associates . . .	—	—	(172)
Foreign exchange translation differences	(43,273)	(16,729)	296
<i>Items that will not be reclassified to profit or loss</i>			
Foreign exchange translation differences	4,295	(5,521)	4,265
Remeasurements of defined benefit plan obligations, net of tax	409	(221)	(358)
Changes in the fair value of equity investments designated at fair value through other comprehensive income	(344)	(4,185)	(4,164)
Total other comprehensive (loss)/income, net of tax	<u>(52,485)</u>	<u>(9,203)</u>	<u>879</u>
Total comprehensive income for the year	<u><u>72,744</u></u>	<u><u>94,722</u></u>	<u><u>119,638</u></u>
Profit/(loss) attributable to:			
Equity holders of the Company	126,127	101,283	116,944
Non-controlling interests	(898)	2,642	1,815
	<u>125,229</u>	<u>103,925</u>	<u>118,759</u>
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company	73,988	92,155	117,891
Non-controlling interests	(1,244)	2,567	1,747
	<u>72,744</u>	<u>94,722</u>	<u>119,638</u>

Note:

(1) In comparison to the Group's consolidated Financial Statements for the year ended 31 December 2021, there are certain changes to the form of presentation on the face of consolidated statement of comprehensive income in the Group's consolidated Financial Statements for the year ended 31 December 2022, including:

- Further breakdown of "interest income" into "interest income" and "securities lending income"; and
- Further breakdown of "finance costs" into "finance costs" and "securities borrowing expenses".

Such further breakdown of line items was for the purposes of better reflecting the underlying nature and allowing a more understandable presentation of the Group's statement of comprehensive income. The comparative figures for the year ended 31 December 2021 have hence been re-presented to conform with the new presentation. The comparative figures for the year ended 31 December 2020 in this table have been re-presented to conform with the new presentation.

CONSOLIDATED BALANCE SHEET

	<u>2022</u>	<u>2021</u>	<u>2020</u>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Assets			
Non-current assets			
Intangible assets	87,455	148,852	395,287
Property, plant and equipment	29,111	23,211	27,773
Right-of-use assets	85,624	86,561	100,577
Investment properties	26,976	32,179	36,539
Investments in joint ventures	1,415	6,101	8,887
Investments in associates	234,846	243,646	272,032
Other assets	43,193	37,855	42,958
Financial assets at fair value through profit or loss.	61,263	81,390	115,586
Financial assets at fair value through other comprehensive income	18,970	21,086	25,272
Reverse repurchase agreements	—	112,748	181,431
Deferred tax assets	45,671	38,733	14,617
	<u>634,524</u>	<u>832,362</u>	<u>1,220,959</u>
Current assets			
Intangible assets	271	271	271
Tax recoverable	96,036	91,331	8,899
Financial assets at fair value through profit or loss.	16,578,092	19,250,116	17,964,127
Financial assets at fair value through other comprehensive income	214,418	185,332	175,124
Derivative financial instruments	2,421,920	2,437,222	1,611,004
Amounts due from clients, brokers and clearing houses	7,191,733	5,293,022	5,916,517
Reverse repurchase agreements	104,073	74,522	433,576
Cash collateral advanced for securities borrowing.	825,939	220,188	14,820
Other debtors, deposits and prepaid expenses	83,303	91,243	97,169
Cash held on behalf of customers	1,296,252	1,676,529	1,661,936
Cash and bank balances	<u>1,493,665</u>	<u>2,436,747</u>	<u>1,244,580</u>
	<u>30,305,702</u>	<u>31,756,523</u>	<u>29,128,023</u>
Total assets	<u>30,940,226</u>	<u>32,588,885</u>	<u>30,348,982</u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	839,059	839,059	839,059
Retained earnings	742,231	615,809	514,455
Other reserves	<u>(123,695)</u>	<u>(71,261)</u>	<u>(61,819)</u>
	1,457,595	1,383,607	1,291,695
Non-controlling interests	<u>53,052</u>	<u>7,635</u>	<u>7,967</u>
TOTAL EQUITY	<u>1,510,647</u>	<u>1,391,242</u>	<u>1,299,662</u>

	<u>2022</u>	<u>2021</u>	<u>2020</u>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	5,719	12,512	79,857
Bonus provision ⁽¹⁾	12,458	21,254	19,422
Creditors and other accruals	9,150	8,876	8,345
Repurchase agreements	220,779	215,358	111,948
Private placement notes issued to the parent company ⁽¹⁾ . .	—	138,478	334,786
Lease liabilities	67,607	61,375	81,323
Long term borrowings from a fellow subsidiary.	498,413	996,583	994,285
Bank borrowings	22,874	—	48,986
Debt instrument issued	<u>299,869</u>	<u>—</u>	<u>—</u>
	<u>1,136,869</u>	<u>1,454,436</u>	<u>1,678,952</u>
Current liabilities			
Financial liabilities at fair value through profit or loss . . .	8,274,078	7,115,823	5,554,833
Derivative financial instruments	1,870,123	2,072,880	4,339,094
Amounts due to the parent company ⁽¹⁾	125	125	126
Amounts due to clients, brokers and clearing houses	9,509,832	11,181,166	9,821,597
Bank borrowings	1,377,532	1,135,542	764,570
Short term borrowings from fellow subsidiaries.	799,995	1,560,160	746,057
Repurchase agreements	4,796,122	5,206,285	4,945,382
Lease liabilities	22,912	30,207	26,433
Private placement notes issued to the parent company ⁽¹⁾ . .	1,058,666	1,115,257	924,016
Creditors and other accruals	97,192	74,258	84,034
Bonus payables	175,770	140,781	111,821
Tax payable	134,959	110,723	52,405
Short-term financing instruments payable	<u>175,404</u>	<u>—</u>	<u>—</u>
	<u>28,292,710</u>	<u>29,743,207</u>	<u>27,370,368</u>
Total liabilities	<u>29,429,579</u>	<u>31,197,643</u>	<u>29,049,320</u>
Total equity and liabilities	<u>30,940,226</u>	<u>32,588,885</u>	<u>30,348,982</u>

Note:

(1) In comparison to the Group's consolidated Financial Statements for the year ended 31 December 2021, there are certain changes to the form of presentation on the face of consolidated balance sheet in the Group's consolidated Financial Statements for the year ended 31 December 2022, including:

- Amendment of the name of the line item from "Bonus payables" to "Bonus provision" under "Non-current liabilities";

- Amendment of the name of the line item from “Amounts due to the ultimate holding company” to “Amounts due to the parent company” under “Current liabilities”; and
- Amendment of the name of the line item from “Private placement notes issued to the ultimate holding company” to “Private placement notes issued to the parent company” under both “Non-current liabilities” and “Current liabilities”.

Such re-naming of line items were for the purposes of better reflecting the underlying nature of the Group’s balance sheet.

RISK FACTORS

An investment in the Notes is subject to a number of risks. Investors should carefully consider all of the information in this Offering Circular and, in particular, the risks described below, before deciding to invest in the Notes. The following describes some of the significant risks that could affect the Issuer, the Guarantor, the Group and the value of the Notes. Some risks may be unknown to the Issuer, the Guarantor and the Group and other risks, currently believed to be immaterial, could in fact be material. Any of these could materially and adversely affect the business, financial condition, results of operations and prospects of the Issuer, the Guarantor and the Group. The market price of the Notes could decline due to any of these risks, and investors may lose all or part of their investment. This Offering Circular also contains forward-looking statements that involve risks and uncertainties. The actual results of the Issuer, the Guarantor or the Group could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks described below and elsewhere in this Offering Circular.

The risks described below are not the only risks that may affect the Group or the Notes. Additional risks and uncertainties of which the Group is not aware or that the Group currently believes are immaterial may also adversely affect the Group's businesses, financial condition and results of operations. If any of the possible events described below occur, the Group's businesses, financial condition and results of operations could be materially and adversely affected. In such case, the Group may not be able to satisfy its obligations under the Notes, and investors could lose all or part of their investment.

1. RISKS RELATING TO OUR BUSINESS

1.1 Unfavourable economic and market conditions in China and other jurisdictions in which we operate could undermine investor confidence, which could affect our businesses, results of operations and prospects.

Our businesses, including our corporate finance and capital markets, securities brokerage, FICC, equity derivatives and prime brokerage and asset management and others businesses, are highly dependent on economic and market conditions in China (including Hong Kong SAR) and other jurisdictions in which we operate. Due to various factors such as a shift in economic development from high-speed growth to high-quality development, stricter financial regulation and a slow recovery in the global economy, all of which have been exacerbated by the effects of the ongoing COVID-19 pandemic which have lasted for the past few years, there has been a significant level of volatility in China's capital markets from 2014 to the present. Market volatility is expected to materially and adversely affect our results of operations and financial condition. In addition, unfavourable global market conditions including the shutdown of business activities in many countries caused by the COVID-19 pandemic, the financial instability in the U.S. (including but not limited to rising target federal funds rates to curb inflation), the European sovereign debt crisis, the US-China trade dispute and the downturn in the China real estate sector, have adversely affected, and may continue to adversely affect, market conditions globally and in China. Volatility in the capital markets in the United States, Europe and other jurisdictions in recent years has had a corresponding effect on Asian financial markets and may persist in the future.

Unfavourable financial or economic conditions, caused in recent years by international events including the crisis faced by the global banking and financial sector caused by the financial difficulties and/or insolvency of certain banks and financial institutions such as Credit Suisse and Silicon Valley Bank, the rising target federal funds rates in the U.S., the relatively high inflation rates in major economies such as the U.S. and Europe, the ongoing COVID-19 pandemic, the downturn in the China real estate sector including certain corporate defaults, the European sovereign debt crisis, the United Kingdom's withdrawal from the European Union, the China-U.S. trade dispute and the imposition of tariffs on imports by both countries, have adversely affected investor confidence. Tensions in political relationships, such as the armed conflicts in Ukraine and instability in Syria and Iraq, may increase asset price volatility and adversely affect investor confidence. On an international level, the sanctions landscape has also become increasingly complex and uncertain, particularly in light of the host of sanctions imposed by the U.S., the European Union, and the United Kingdom on Russia and Russia-related parties following the outbreak of the armed conflicts in Ukraine. In addition, protests, demonstrations or other civil disturbances (such as those which caused disruption to businesses and transportation in Hong Kong in 2019 and 2020) may affect Hong Kong's economy, which in turn may impact investor confidence. Weakening investor confidence has resulted and could continue to result in significant declines in the number and size of transactions for which we provide underwriting and financial advisory services. A significant portion of our investment banking revenue is derived from our participation in high-value transactions, and any decline in the number of these transactions because of unfavourable financial or economic conditions would adversely affect our investment banking business.

Any adverse conditions in Asian financial markets, especially the capital markets in Hong Kong may adversely affect the Group's business. Since February 2018, the Hong Kong stock market has experienced declines following multiple interest hikes by the U.S. Federal Reserve, currency depreciations of emerging markets, escalated trade friction between the U.S. and China and the outbreak of and ongoing COVID-19 pandemic. Geopolitical tensions and falls in the equity capital markets could also contribute to companies postponing or cancelling their listings or other capital market transactions.

Market volatility and adverse financial or economic conditions may adversely affect our sales, trading and brokerage businesses. In particular, changing monetary policies by the PBOC and the Hong Kong Monetary Authority and the subsequent effect on entity financing costs and bond market yield rates could create further market volatility. Given the constant exposure to credit risk, there is an increased risk of defaults by highly leveraged enterprises and private enterprises or contagion effect caused by rising defaults in certain sectors such as the China real estate industry. These conditions tend to reduce the value of our clients' portfolios, decrease investor confidence and reduce investing activities, making it more difficult for us to retain existing clients and attract new clients. These conditions in turn may adversely affect our brokerage revenue and may increase the risk of default in the margin loan financing we provide to our clients through our prime services business. Our FICC and equity derivatives and prime brokerage business may also be adversely affected by the reduction in the value of our trading and investment positions, which in turn would adversely affect our results of operations and financial condition and access to liquidity.

Under adverse financial or economic conditions, the value of our asset management portfolios may be adversely affected, thereby reducing the fees that we earn from our asset management business, and we may face an influx of client redemptions in our asset management portfolios, which in turn could also adversely affect the fee revenue from our asset management business. To the extent that clients do not withdraw their funds, they may switch their funds to other investment products that generate less fee revenue for us.

During periods of adverse financial or economic conditions, our corporate finance, FICC and equity derivatives and prime brokerage business may be adversely affected by reduced opportunities to exit and realise gains on our investments. We may also not be able to find desirable investment targets to effectively deploy capital, which could adversely affect our ability to raise new funds.

1.2 Our businesses are highly regulated in Hong Kong and other jurisdictions in which we operate our businesses and may be adversely affected by changes in the regulatory environment and measures in Hong Kong or these other jurisdictions.

As a participant in the financial services industry, we are subject to extensive regulation and face the risk of significant intervention by regulatory authorities in the jurisdictions in which we operate our businesses, including Hong Kong. The regulatory authorities limit the types of products and services we may offer by imposing capital requirements, and restrict our business activities by specifying the types of securities in which we may invest. Relevant regulatory authorities conduct inspections, examinations and inquiries on a regular basis in respect of our compliance with relevant regulatory requirements.

In recent years, regulatory authorities have regularly promulgated new rules and guidance. These new rules and guidance may directly affect our business strategies, competitiveness and prospects. Changes in the rules and regulations could impose more stringent requirements or additional limitations on the business that we conduct, require us to modify our existing business practices and lead to increased compliance costs or competition. Failure to adapt to the changing regulatory environment and maintain our compliance and competitiveness could have a material and adverse effect on our business, financial condition, operating results and prospects. The introduction and implementation of new rules, regulations or guidance, or changes in the interpretation or enforcement of existing ones, may adversely affect our business, financial condition and results of operations. In addition, new laws or regulations could be imposed on a selected category of financial institutions (either based on size, activities, geography or other criteria), which may adversely affect our ability to compete with other institutions that are not similarly affected.

The Group's business operations are primarily based in Hong Kong and are subject to many applicable laws, regulations and codes of relevant regulatory authorities in Hong Kong. From time to time, the Hong Kong regulatory regime for the financial services industry, including but not limited to the SFO, Listing Rules and the Codes on Takeovers and Mergers and Share Repurchases, has implemented changes in such rules and regulations, some of which have resulted in additional costs to or restrictions on the Group's business activities. If the Group fails to comply with the applicable rules and regulations, it may become subject to enquiries and/or investigations by the relevant regulatory bodies, which may result in fines and/or restrictions on its business activities. If results of any investigations or enquiries are severe or proved to involve serious misconduct, the Group may become subject to penalties including

censure, reprimand and fines. In extreme cases, it may be hampered or prevented from conducting business in a normal manner and some or all of the Group's operation licences may become suspended or revoked. Where penalties are substantial or protracted litigation is involved, the Group's reputation and financial position may be jeopardised. In such cases, there may be material and adverse impacts on its business, financial condition, results of operations and prospects.

In addition, the financial services industry in Hong Kong houses a large number of participants and is highly competitive. The industry is a low-barrier entry industry as new participants are able to enter, provided that they have engaged professionals with the appropriate skills and have obtained the requisite licences and permits to engage in the various types of activities regulated under the SFO. The Group competes on the basis of a number of factors, including price, products and services, innovation, transaction execution capability, reputation, experience and knowledge of staff and employee compensation. Apart from the multinational financial institutions including commercial banks and investment banks with global networks and a local presence in Hong Kong, the Group faces further competition from other financial services firms with similar target clients and offering a similar range of products and services including investment banking, cross-border and structured finance, equity derivatives, equity sales and trading, asset management and private wealth management. Historically, competition in the traditional brokerage business has been fierce. Over the past decade, online securities brokerage and financial information portals have become prevalent, intensifying competition for online business revenues. In recent years, as the brokerage market in Hong Kong has become more saturated, banks and brokerage firms rolled out prolonged commission free concessions or extra-low fixed commissions as incentives to attract customers, thus further intensifying the competition in this sector. The Group expects that competition in securities brokerage will continue to be intense.

There can be no assurance that the Group can compete effectively against its current and future competitors, or that competitive forces in the market will not alter the industry landscape such that the Group's business objectives would become impractical and/or impossible. Under those circumstances, the Group's business and financial performance would be adversely affected.

1.3 We may be subject to administrative or regulatory penalties, restrictions or disciplinary actions resulting from any non-compliance with applicable regulatory requirements.

We operate in a highly regulated industry. Any failure to comply with the applicable regulatory requirements could result in fines, penalties or other disciplinary actions, including, among other things, a downgrade of our regulatory rating and limitations or prohibitions on our existing or future business activities, which may limit our ability to carry out pilot programmes and conduct new businesses and may harm our reputation. In particular, we could be subject to administrative or regulatory penalties and restrictions or conditions on our business activities in Hong Kong or other jurisdictions, due to certain instances of non-compliance in the ordinary course of business, including but not limited to:

- warnings;
- fines;

- forfeiture of illegal proceeds;
- revocation of licences;
- required closure of business;
- limitation on business activities;
- suspension of parts of our business activities;
- suspension of approval of new businesses; and
- required changes of directors, supervisors or senior management or limitation on their rights.

We and our employees have in the past been found to be non-compliant with regulatory requirements and may, from time to time, become the subject of investigations by regulatory authorities overseeing our operation. Please see “*Risk Management and Internal Control — Legal and Regulatory — Regulatory Review and Proceedings*” for certain material incidents of non-compliance of our Group. Material incidents of non-compliance may subject us to penalties or restrictions on our business activities, which could have a material adverse effect on our business, financial conditions or results of operations.

1.4 Our corporate finance and capital markets business is dependent on our ability to identify, execute and complete projects successfully, which is subject to a number of risks, including market and regulatory risks.

As we derive a large portion of our corporate finance and capital markets revenue and other income from sponsor fees and underwriting commissions, our ability to complete the projects we sponsor or underwrite in a timely manner and adverse economic and market conditions (which reduce investor confidence) may materially affect the level of income we derive from our corporate finance and capital markets business.

Adverse economic conditions may lower investor confidence level, resulting in significant industry-wide declines in the size and number of equity and debt securities offerings and M&A, which could result in a decrease in the Group’s revenue from the corporate finance and capital markets business and the Group’s profit margins. Adverse market conditions and capital market volatility may also cause delays to, or termination of, securities offerings underwritten or sponsored by the Group and M&A advised by the Group, which may materially and adversely affect the Group’s revenue from the corporate finance and capital markets business.

We are exposed to transaction-specific execution risks for each project we sponsor or underwrite. We generally receive payment of sponsor fees and underwriting commissions only after we successfully complete a transaction or our client decides to terminate a project. If a project is not completed as scheduled or at all for any reason, including weak investor interest or a failure to obtain regulatory approval, we may not receive payment for our services in a timely manner, or at all, which could materially and adversely affect our results of operations. Further, the Group may be exposed to litigation, reputational and other risks from the securities offerings in which it participates, even after the completion of the

offerings, if controversies, disputes and claims arise from the projects, including but not limited to securities class actions, and regulatory investigations and sanctions about alleged securities fraud and other causes of action.

The Group may also be exposed to investment risk on securities it underwrites on a firm commitment basis and may suffer additional losses as a member of an underwriting syndicate if an offering is not fully subscribed. The performance of the underwriting activities may severely weaken during periods of inactive and unstable market conditions when the securities underwritten by the Group members are undersubscribed and the relevant Group members and other underwriters/sub-underwriters are required to take up unsubscribed securities. If we fail to sell the securities we underwrite, we would suffer reputational damage, and would incur capital expenditure to purchase the underwritten securities and may suffer losses on the value of these securities, thereby materially and adversely affecting our results of operations and financial condition.

Companies that wish to list their securities in Hong Kong are required to have an investment bank to act as sponsor for the transaction. When we act as a sponsor, we are required to fulfil certain due diligence and disclosure requirements in connection with each project that we sponsor. Any failure to satisfy the applicable requirements could subject us to fines and other administrative or regulatory penalties including suspension of our licences, which could materially and adversely affect our business, reputation, results of operations and financial condition. In recent years, the SFC has exercised heightened scrutiny on sponsor activities in connection with Hong Kong IPOs and levied hefty fines and imposed penalties on sponsors that breached the relevant laws, regulations and rules of conduct. The increasingly stringent regulatory environment has increased liabilities for IPO sponsors. It is expected that there could be even more stringent regulatory requirements in the future. Failure to satisfy these requirements could subject the Group to fines and other administrative or regulatory penalties, such as suspension of its licences, or even criminal liability, which may materially and adversely affect the Group's business, financial condition, results of operations and prospects.

1.5 Our business, results of operations or financial condition could be materially and adversely affected by a reduction in brokerage commission rates or trading activities by our clients, or by our failure to grow our brokerage client base.

Revenue from our securities brokerage business is primarily derived from the commissions we charge our clients for their trading activities. Accordingly, revenue from our securities brokerage business depends significantly on the number and size of trades that we execute for our clients, which in turn is influenced by market conditions in Hong Kong and the places our clients operate. In a market downturn, investors, including our clients, may reduce their trading activities, which could adversely affect the commissions we derive from our securities brokerage business.

As of 31 December 2022, we had five branches in Hong Kong. However, there is no assurance that we will be successful in expanding our branch network due to regulatory limitations and other unforeseeable reasons. For example, we may not be able to obtain approvals for our applications to open new branches. In addition, we plan to expand our securities brokerage business by focusing on wealth management and broadening our product offering with more high-value-added products and services. We cannot assure you that this strategy will be successful.

In addition, our securities brokerage business could also be adversely affected by a reduction in our brokerage commissions as a result of increased competition in the brokerage industry or the availability of alternative trading systems. Our retail customers can open accounts with multiple securities firms, which may divert client transactions to other firms. If we are unable to address the needs of our customers by maintaining high-quality customer service, continuing product innovation or providing value-added services, or if we otherwise fail to meet our customers' demands or expectations, we may lose our existing customers to our competitors or fail to attract new customers. Accordingly, we cannot assure you that our revenue derived from the securities brokerage business can be sustained.

1.6 The Group's failure to identify and disclose the risks inherent in the financial products it issues or distributes may have an adverse effect on the Group's reputation, client relationships, business, financial results and prospects.

In addition to the Group's own financial products, the Group distributes financial products developed by third-party financial institutions. These financial products, such as trust schemes and structured products, may have complex structures and involve various risks, including credit, interest, liquidity and other risks. The Group's risk management policies and procedures may not be fully effective in identifying the risks inherent in these financial products, and the Group's sales employees may fail to fully disclose such risks to the Group's customers. These factors may cause the Group's clients to suffer significant losses as a result of their investment in financial products that are too risky for their risk tolerance and investment preferences. This may subject the Group to regulatory actions including censures and financial penalties, client complaints or civil suits, which in turn could harm the Group's reputation, client relationships, business and prospects.

1.7 Our FICC and equity derivatives and prime brokerage businesses may incur substantial losses due to market volatility and fluctuations.

We trade and invest in various types of asset classes and instruments, including equity and fixed income securities, equity-linked, fund-linked and credit-linked securities, interest rate, currencies, commodities, as well as derivatives. Our investment and trading positions in such businesses are subject to market volatility and fluctuation. Losses from such positions may impact the results of our FICC and equity derivatives and prime brokerage businesses. In addition, we engage in derivatives transactions, including but not limited to stock options, treasury futures and stock index futures. We generally use derivative and other instruments to hedge against various risks. Such instruments may not be fully effective in mitigating risk under all market conditions or against all types of risk, which may result in losses.

The performance of our trading businesses relies on our investment judgements and decisions which are, in turn, based on our assessment of current and future market conditions. If our decision-making process fails to effectively minimise losses while capturing gains, or our forecasts do not conform to actual changes in market conditions, our trading businesses may not achieve anticipated investment returns and may even suffer material losses.

In addition, the values of certain classes of our assets, such as our available-for-sale financial assets, are marked to market. A decline in the value of our available-for-sale financial assets can result in the recognition of impairment losses if management determines that such decline in value is not temporary. This impairment recognition is based on evaluation of several factors and involves significant judgement. If we recognise impairment losses, our financial condition and operating results will be adversely affected.

1.8 Our asset management revenue and earnings could decline if the investments we manage perform poorly, our clients withdraw assets we manage on short notice, or if we lose clients.

We charge asset management fees based on the size and the performance of the assets under our management. The investment performance of the assets we manage affects the quantity and type of our assets under management, and is one of the most important factors in retaining clients and competing for new asset management business. Market volatility and limitations in investment options and hedging strategies could limit our ability to provide stable returns for our clients and cause us to lose clients. Poor investment performance could adversely affect our revenue and growth because:

- existing clients may withdraw funds from our asset management business in favour of better performing products provided by our competitors, resulting in a decline in our management fees;
- clients may request that we lower the fees for our asset management services, given the intense competition in the asset management industry;
- existing clients may choose not to participate in the new products or services offered or to be offered by our asset management business;
- our incentive fees, which are based on a percentage of investment returns, may decline; and
- other securities or asset management firms with which we have strategic alliances may terminate these relationships with us, and future strategic alliances may be unavailable.

We may not be able to keep or increase the size of assets under our management due to increased competition from insurance companies, trust companies, banks and other competitors, which would adversely affect our results of operations and financial condition.

1.9 We may fail to realise any profits for our asset management clients if the assets we manage are high-risk, illiquid securities for a considerable period of time or lose some or all of the capital invested.

As part of our asset management business, we may hold investments in securities that are not publicly traded. Our ability to dispose of these types of investments is heavily dependent on the equity capital markets. For example, the ability to realise any value from our investment in a portfolio company depends on the portfolio company's success at executing an IPO, which provides an exit opportunity for our investment. Even if the securities held by us are publicly traded, large holdings of securities can often be disposed of only after a substantial lock-up period, exposing our investment returns to market risks during the intended disposition period. As a result of these factors, under certain conditions, we may be forced to either sell securities at undesirable prices or defer sales, potentially for a considerable period of time. We have made and expect to continue to make significant capital investments in our current and future asset management business. Contributing capital to these asset management products is risky, and we may lose some or all of the nominal amount of our investments.

1.10 Our business is subject to concentration risks due to significant holdings of financial assets or significant commitments of capital.

In the course of our business, we often commit substantial amounts of capital to certain types of businesses or asset classes, including in our investment banking, equity and fixed income sales and trading, private equity, FICC principal investments, structured finance business and margin financing businesses. These commitments of capital expose us to concentration risks, including market risk, in the case of our holdings of concentrated or illiquid positions in a particular asset class as part of our equity and fixed income sales and trading and private equity activities, and credit risk, in the case of our structured finance business and margin financing business. Any decline in the value of these assets may reduce our revenues or result in losses, and our financial condition and results of operations may be adversely affected.

1.11 We face increasing risks as new business initiatives lead us to offer new products and services, transact with a broader array of clients and counterparties, and expose us to new asset classes and new markets.

As we continually expand our business and adjust our business strategies in the changing market environment, our new business initiatives often lead us to offer new products and services and transact with individuals and entities that are not within our traditional client and counterparty base, exposing us to risks related to new asset classes and new markets.

These activities expose us to new and enhanced risks, including reputational concerns arising from dealing with less sophisticated counterparties and investors, greater regulatory scrutiny, and increased credit-related, sovereign, operational and market risks, which could adversely affect our business and results of operations. For example, we may suffer losses on the stock index futures contracts we enter into if stock prices move unfavourably.

1.12 Our business is increasingly subject to the risks associated with international expansion.

We have expanded our operations beyond Hong Kong and we plan to continue to expand our overseas operations. For example, with the acquisition of CLSA in 2013, we have expanded our business network to cover more developed regions such as the United States, United Kingdom, Australia, Europe, and certain Asian markets. We may not be able to attract a sufficient number of clients in these markets due to our limited presence in these markets. Furthermore, we may fail to anticipate competitive conditions in new markets that are different from those in our existing markets. These competitive conditions may make it difficult or impossible for us to effectively operate in these markets. In addition, our expansion into new markets may increasingly subject us to the risks inherent in conducting business internationally, including but not limited to:

- economic instability and recessions;
- approval or licensing requirements;
- obligations to comply with foreign laws and other regulatory requirements;
- potential adverse tax consequences;
- political instability;
- changes in tariffs;
- difficulties in administering foreign operations generally;
- limited protection for intellectual property rights;
- increased risk of exposure to terrorist activities;
- foreign exchange losses;
- inability to effectively enforce contractual or legal rights; and
- difficulties in recruiting and retaining qualified personnel.

In particular, despite our efforts to comply with all applicable regulations of all the jurisdictions in which we operate, we may from time to time fail to comply with the regulations of certain jurisdictions. Overseas regulators may bring administrative or judicial proceedings against us or our employees, representatives, agents and third party service providers. If we are unable to manage the risks resulting from our expansion outside Hong Kong, our business, reputation, financial condition and results of operations may be adversely affected.

1.13 We may pursue acquisitions or joint ventures that could present unforeseen integration obstacles or costs and may not enhance our business as we expect.

We have in the past pursued joint ventures and other transactions aimed at expanding the scope and scale of our operations geographically and otherwise. Acquisitions and joint ventures involve a number of risks and present financial, managerial and operational challenges, including potential disruption of our ongoing business and distraction of management's attention, difficulty with integrating personnel and financial and other systems, hiring additional, or retaining existing, management and other critical personnel and increasing the scope, geographic diversity and complexity of our operations.

We may not be able to realise any anticipated benefits or achieve the synergies we expect from these acquisitions or joint ventures; our clients may react unfavourably to our acquisition and joint venture strategy; and we may be exposed to loss of key personnel or management or additional liabilities of any acquired business or joint venture. Any of these could materially and adversely affect our revenue and results of operations.

1.14 We are exposed to risks associated with divestments or reorganisation of our subsidiaries, businesses, assets or investments.

We are exposed to risks associated with divestments of our subsidiaries, businesses, assets or investments. We may divest subsidiaries, businesses, assets or investments that represent a significant portion of our business. These types of divestments may significantly reduce our total revenue and other income from the relevant business segments. These divestments may also subject us to numerous risks including unanticipated costs, diversion of management's attention and potential adverse effects on our existing business relationships with clients, which could have a material adverse effect on our business, financial condition and results of operations. In addition, we cannot assure you that we will be able to divest our subsidiaries, businesses, assets or investments at an advantageous price or at all. Our failure to realise the anticipated value of our subsidiaries, businesses, assets or investments could adversely affect our business, financial condition and results of operations.

1.15 Our operations may be adversely affected if we fail to obtain or maintain necessary approvals, licences or permits for conducting a particular business or offering specific products.

We operate in the highly regulated financial industry, where many aspects of our business depend upon obtaining and maintaining the necessary approvals, licences or permits from government authorities, such as SFC. We are required to comply with the relevant regulatory requirements prescribed by regulatory authorities when applying for approvals, licences or permits for conducting new businesses or offering new products. If we cannot comply with the regulatory requirements of the various markets in which we operate, we may not be able to obtain or maintain the necessary approvals, licences or permits from the relevant regulatory authorities, which may adversely affect our growth prospects, business, financial condition or results of operations.

1.16 The use of the “CITIC” or “CLSA” brand name by other members of CITIC Group may expose us to reputational risks if these entities take actions that damage the “CITIC” or “CLSA” brand name.

The Guarantor is wholly-owned by CITIC Securities, and CITIC Limited, a shareholder of CITIC Securities, is a majority-owned subsidiary of CITIC Group Corporation, one of China’s largest conglomerates. CITIC Limited has significant interests in various industry sectors, including commercial banking, securities, insurance, investment and other financial services, as well as resources and energy, manufacturing, real estate and infrastructure, and engineering contracting. As the “CITIC” brand name is also used by other members of CITIC Group, if any of these entities takes any action that damages the “CITIC” brand name, or any negative publicity is associated with any of these entities, our reputation, business, growth prospects, financial condition and results of operations may be adversely affected.

1.17 Any negative publicity associated with “CITIC” or “CLSA” or any of its officers or employees or the occurrence of any of the risks set out in this section may result in a loss of clients. As a majority shareholder of the Guarantor, such negative publicity may by association create a material adverse effect on the Group’s reputation, business, financial condition, results of operations and prospects. Our businesses may be adversely affected if we are unable to retain and hire qualified employees.

Customer trust and integrity are of paramount importance in the industry in which the Group operates. Negative market perceptions and negative publicity associated with the Group, which at times could be entirely outside its control, may render the Group vulnerable and result in loss of clients. In addition, considering that the Group’s business operations depend to a large extent on its officers and employees, the actions, misconduct, omissions, failures or breaches of any of such officers or employees, their subsidiaries and/or service providers may, by association, create negative publicity on the Group. Accordingly, any mismanagement, fraud or failure to discharge legal, contractual, regulatory or fiduciary duties, responsibilities, liabilities or obligations, or the negative perception resulting from such activities or any allegation of such activities, could have a material adverse effect on the Group’s business, financial condition, results of operations and prospects.

Our performance is largely dependent on the talents and efforts of highly skilled individual employees, and also the sound trading, product and strategy development, risk control, regulatory, compliance, business development and investment expertise of the Group’s senior management and other key employees. As a result, our continued ability to effectively compete in our industry, manage our businesses and expand into new businesses areas and geographic regions depends on our ability to retain and motivate our existing employees and attract new talented and diverse employees. Factors that affect our ability to retain and attract such employees include our compensation and benefits, and our reputation as a successful business with a culture of fairly hiring, training and promoting qualified employees. There can be no assurance that the Group will be able to attract and retain qualified personnel or that the Group’s senior management or other key personnel will not retire or otherwise leave the Group at any time.

Competition from within and outside the financial services industry for qualified employees has often been intense. This is particularly the case in new markets that we enter into, where we often compete for qualified employees with entities that have a significantly greater presence or more extensive experience in the region. If we are unable to retain our existing employees or attract new employees, our business, financial condition and results of operations may be adversely affected.

1.18 A failure in our operational and IT systems could disrupt our businesses, result in the leakage of confidential information, damage our reputation and cause losses.

Our businesses are highly dependent on our ability to process, on a daily basis, a large number of transactions, some of which are highly complex and time sensitive. Consequently, we rely heavily on our financial, accounting, data processing and other operational systems and facilities. If any of these systems fails to operate properly or becomes compromised, our ability to process the transactions will be adversely affected. The inability of our systems to accommodate an increasing volume of transactions could also constrain our ability to expand our businesses. Although we have invested significant resources into upgrading our systems to reduce the risk of potential failure in our systems and expect to continue to do so, we cannot assure you that such upgrades will be effective in preventing future system failures or that the revenue generated from such upgrades will yield an adequate return on our investment.

Our operations rely on the secure processing, storage and transmission of confidential and other information in our computer systems and networks and may be vulnerable to unauthorised access, computer viruses or other malwares and other events that have an adverse effect on security. If one or more of such events occur, this potentially could jeopardise confidential information processed and stored in and transmitted through our computer systems and networks, or otherwise cause interruptions or malfunctions in our operations, which could result in reputational damage, litigation and/or financial losses.

We routinely transmit and receive personal, confidential and proprietary information through the Internet, by email and other electronic means and may not be able to ensure that our clients, vendors, service providers, counterparties and other third parties have appropriate controls in place to protect the confidentiality of the information. The interception or mishandling of personal, confidential or proprietary information, or such information being sent to or received from these third parties, could result in legal liability, regulatory action and reputational harm, and our efforts to ensure that these third parties have appropriate controls in place may not be successful.

1.19 We may fail to detect or deter employee misconduct which could harm our reputation and business.

Employee misconduct could result in violations of law by us, regulatory penalties and material reputational or financial harm. Employee misconduct could include binding us to a transaction that exceeds authorised limits, hiding unauthorised or unsuccessful activities resulting in unknown and unmanaged risks or losses, improperly using or disclosing confidential information, recommending transactions that are not suitable for us, engaging in fraudulent or otherwise improper activity including insider trading, engaging in unauthorised or excessive trading to the detriment of us or our customers, or otherwise not complying with

laws or our internal control procedures. We have in place policies and measures to identify risks associated with employee misconducts. However, we cannot assure you that future incidents of employee misconduct will not subject us to serious penalties or restrictions on our business activities. It is not always possible to deter all employee misconduct, and the precautions we take to prevent and to detect such activity may not be effective in all cases. Employee misconduct may also expose us to negative publicity, reputational damage or litigation losses, which may have a material adverse effect on our business, financial condition and results of operations.

1.20 Our businesses and prospects may be materially and adversely affected if we fail to maintain our risk management and internal control systems or these systems prove to be ineffective or inadequate.

We have established risk management and internal control systems and procedures consisting of relevant organisational frameworks, policies, procedures and risk management methods in order to manage our risk exposure, primarily including credit risk, market risk, operational risk, liquidity risk, capital risk, strategic risk, model risk, legal risk and compliance risk, IT risk and reputational risk (see “*Description of the Group — Risk Management and Internal Control*”). The Group seeks to continue to improve such risk management and internal control systems from time to time. However, the Group’s risk management and internal control systems may not be fully effective in mitigating its risk exposure in all market environments or against all types of risks, including risks that are unidentified or unanticipated. The Group’s risk management capabilities are limited by the information, tools or technologies available to it. For example, some of the Group’s risk management methods are based upon its use of historical market data and management’s judgment. As a result, these methods may not predict future risk exposure, which could be significantly greater than the exposure that historical measures indicate. If the Group fails to promptly adapt and improve its risk management and internal control systems in response to the development of its business and products, the expansion of its branch network and the changes to regulatory requirements, our business operations and prospects could be materially and adversely affected.

It requires constant monitoring, maintenance and continual improvements by our senior management and staff to promptly adapt and improve our risk management and internal control systems in response to the development of our business and product. The Group cannot provide any assurance that its employees will be able to consistently comply with or correctly apply these policies and procedures. Deficiencies in our risk management and internal control systems and procedures may adversely affect our ability to record, process, summarise and report financial and other data in an accurate and timely manner, as well as adversely impact our ability to identify any reporting errors and non-compliance with rules and regulations.

Our internal control system may contain inherent limitations caused by misjudgement or fault. As a result, there is no assurance that our risk management and internal control systems are adequate or effective notwithstanding our efforts, and our failure to address any internal control matters and other deficiencies may result in investigations and disciplinary actions against us, or even prosecution being initiated against us or our employees, disruption to our risk management system, and material and adverse effects on our financial condition and results of operations.

1.21 The Group's businesses are subject to the credit risks of its clients and the robustness of its credit risk controls.

The Group offers flexible and variable financing options to clients, including margin financing. Margin financing is particularly vulnerable to price volatility and the liquidity of those securities which are charged as security for the relevant margin loans. In a volatile market, if stock price declines, the client may be required to deposit additional cash or other securities to the collateral portfolio to reduce the credit risk exposure or increase the collateral value. Where a client is unable to meet his margin call, the Group is entitled to sell the relevant charged securities and use the sale proceeds toward repayment of the margin loans. As proceeds from forced selling of charged securities may not result in sufficient proceeds to cover the amount of margin loan outstanding, failure of a client to make up for such a shortfall could adversely affect the Group's businesses and financial performance. In respect of the other financing services, there may also be adverse impact on the Group's businesses and financial performance if any borrower fails to repay the amount owed to the Group. Clients of securities transactions are required to settle their transactions before the prescribed period of time. If a client fails to do so, the Group will be required to use its own funds to cover the shortfall. If the Group has insufficient funds to do so, its SFC licences may be suspended. All futures exchanges and leveraged foreign exchanges prescribe the minimum margin deposit for opening of each futures and option contract. Clients of the Group are required to maintain the minimum margin deposit with the Group from time to time as determined by such futures exchanges. When a client is unable to meet a margin call, the Group may close out the futures and/or option contract. In the event that the client's margin deposit with the Group is unable to cover the loss arising from closing out of the futures and/or option contract, the Group would be exposed to the risk of being unable to recover such shortfall, particularly in times of a volatile market.

1.22 Misuse of, or failure to properly control and/or protect customers' personal or financial information could subject the Group to regulatory action or civil claims.

The Group is subject to the Personal Data (Privacy) Ordinance (Cap. 486) of Hong Kong, which regulates "data users" such as finance institutions that use databases of personal information for their businesses and protects the privacy of individuals in relation to personal data. We are also subject to personal data protection laws and regulations in other jurisdictions that we have operations in. The Group acquires a large amount of personal and financial information relating to its customers. In addition, certain third-party vendors provide services to the Group using personal and financial information of the Group's customers that the Group provides to them. In particular, as the Group relies on third party encryption and authentication technology to transmit confidential information over public networks, the security of such confidential information may become jeopardised. Improper use or disclosure of, or a failure to protect or properly control, such information could result in violations of the Personal Data (Privacy) Ordinance (Cap. 486) of Hong Kong and other applicable laws, harming the Group's reputation and business. In the event that the Group is unable to meet its obligations under applicable data protection laws, it may be subject to regulatory action or civil claims. The cost of regulatory or legal action, and any monetary and/or reputational damage suffered as a result of such action, could have a material adverse effect on the Group's financial conditions and results of operations.

1.23 The Group's business is vulnerable to the operational failure of third parties.

The Group faces the risk of operational failure or termination of any of the exchanges, depositaries, clearing agents or other financial intermediaries it uses to facilitate its securities transactions. Any future operational failure or termination of the key third party services that the Group uses could adversely affect its ability to execute transactions, service its customers and manage its exposure to various risks.

In addition, as the Group's interconnectivity with its customers grows, its business also relies heavily on its customers' use of their own systems, such as personal computers, mobile devices and the Internet, and the Group will increasingly face the risk of operational failure in connection with its customers' systems.

1.24 Substantial legal liability or significant regulatory action against us could materially and adversely affect our results of operations and financial condition, or cause us significant reputational harm and seriously harm our business prospects.

We face significant legal risks in our business, and the volume and amount of claims in litigation and regulatory proceedings against financial institutions are high. These risks include potential liabilities under securities or other laws for materially false or misleading statements made in connection with securities or other transactions, potential liabilities for the advice provided to clients in corporate transactions and possible disputes over the terms and conditions of complex trading arrangements. We may also be subject to claims for alleged negligent misconduct, breach of fiduciary duty or breach of contract. These risks may often be difficult to assess or quantify, and their existence and magnitude often remain unknown for substantial periods of time. We may incur significant legal expenses in defending against litigation proceedings or cooperating with the relevant authorities in regulatory investigations. Substantial legal liability or significant regulatory action against us could materially and adversely affect our business, financial condition and results of operations or cause us significant reputational harm and seriously harm our business prospects.

The Group offers a number of financial products directly to retail and institutional investors (including through distributors) and to private investors through intermediaries. If these investors suffer losses on such financial products, they or their advisers may seek compensation from the Group on the basis of allegations that the financial products were mis-sold or that the prospectuses, offering circulars or other marketing materials contained misleading information or failed to disclose material information, the omission of which rendered the content therein misleading or that misleading marketing materials were provided to or supplied by intermediaries. Despite the policies enacted by the Group to guide employees on the appropriate selling procedures, it is possible that the Group has negligent and/or fraudulent employees who do not comply with such policies. A potential legal action undertaken by investors for mis-selling may be successful and this could in turn adversely affect the business, financial condition, results of operations and prospects of the Group. Any claim for mis-selling may also result in a regulatory investigation and censure and may damage the reputation of the Group.

1.25 We may not be able to fully identify money laundering activities or other illegal or improper activities or on a timely basis, which could expose us to additional liability and adversely affect our business.

We are required to comply with applicable anti-money laundering, counter-terrorism financing laws and other regulations in Hong Kong and other jurisdictions in which we operate. These laws and regulations require us, among other things, to adopt and enforce “know your customer” policies and procedures and to report suspicious transactions to the applicable regulatory authorities in different jurisdictions. While we have adopted policies and procedures aimed at detecting and preventing the use of our networks for money-laundering activities or by terrorists and terrorist-related organisations and individuals, these policies and procedures may not completely identify all instances where such parties attempt to use (or succeed in using) our networks to engage in money laundering and other illegal or improper activities due to, in part, the short history of these policies and procedures. To the extent that we may fail to fully comply with applicable laws and regulations, the relevant government agencies to which we report have the power and authority to impose fines and other penalties on us, which may adversely affect our business, financial condition and results of operations.

1.26 Our liquidity, financial results and businesses may be adversely affected by an inability to access the equity and debt capital markets or to sell assets.

Liquidity is essential to our businesses, particularly those businesses that involve investing, lending and market-making. Our liquidity may be impaired by an inability to access the short-term and long-term debt and equity markets, an inability to sell assets at market prices or at all, or unforeseen outflows of cash or collateral. These situations may arise due to circumstances that we may be unable to control, such as a general market disruption or an operational problem that affects our counterparties or us, or even by the perception among market participants that we, or other market participants, are experiencing greater liquidity risk. Furthermore, our ability to sell assets may be impaired if other market participants are seeking to sell similar assets at the same time, as is likely to occur in a liquidity stress or other market crisis. If our available funding is limited or we are forced to fund our operations at a higher cost, these conditions may require us to curtail our business activities and may increase our cost of funding, both of which could reduce our profitability and negatively affect our financial position and results of operations.

1.27 Limitations on access to liquidity and capital resources and failure to meet certain statutory liquidity requirements could adversely affect the Group’s reputation, operations and performance.

The Group may need additional funding in order to respond to unanticipated opportunities, including opportunities to support its expansion, development of new or enhanced services and products, acquisition of complementary business or technologies. The Group may raise additional funding through public or private financing, strategic alliance or other arrangements. There can be no assurance that such additional funding, if required, will be available on terms favourable to the Group, or at all. Furthermore, any additional equity financing may dilute the shareholding interest of the shareholders of the Group. On the other hand, debt financing, if available, may involve restrictive covenants. The Group’s ability to access debt funding sources on acceptable commercial terms over the longer-term is

dependent on a variety of factors, including a number of factors outside of its control, such as general market conditions and confidence in the global finance system. In recent years, global credit markets have tightened significantly with the failure or the nationalisation of a number of large financial institutions in Europe, the United States and other countries. Financial institutions are generally more cautious in lending funds to companies, and as a result, companies may face increased financing costs as they may only be able to procure funds from financial institutions with increased interest rates applied to their funds. If the Group's available funding is limited or it is forced to fund its operations at a higher cost, these conditions may require the Group to curtail its business activities and increase its cost of funding, both of which could reduce its profitability.

A number of the Group's activities are also subject to various statutory liquidity requirements as prescribed by the SFC in accordance with the SFO. Any failure to meet the Group's capital requirements may cause the SFC to take disciplinary actions against the Group, which may adversely affect its operations and performance. On an operational level, the Group may be hindered from developing or maintaining its services, taking advantage of opportunities or responding to competitive pressure, any of which could have a material adverse effect on its business, financial condition, results of operations and prospects.

1.28 We may not be able to successfully manage our risks through the use of derivatives, and derivative transactions could expose us to unexpected risks and potential losses.

We engage in derivatives transactions, including interest rate swaps, to hedge the interest rate exposure that arises from our asset and liability positions. We also use derivative instruments, such as stock index futures, to reduce the impact of price volatility of our investment portfolios. We may not be able to successfully use available derivative instruments to reduce our exposure to fluctuations in interest rates and foreign exchange rates, and the derivatives we utilise as hedges may not be completely effective.

We also engage in derivative transactions as part of our equity and fixed income sales and trading activities. Derivative contracts we enter into expose us to the risks associated with these instruments and their underlying assets, which could result in substantial unexpected losses. Derivative transactions also expose us to the credit risk of transaction counterparties. In addition, the secondary market for derivatives is volatile and we may be inexperienced in dealing with new products or making appropriate judgements in trading derivative products.

We also engage in derivative transactions that require us to deliver to the counterparty the underlying security or other obligation in order to receive payment. In a number of cases, we do not hold the underlying security or other obligation and may have difficulty in obtaining, or be unable to obtain, the underlying security or other obligation through the physical settlement of other transactions. As a result, we are subject to the risk that we may not be able to obtain the security or other obligation within the required contractual time frame for delivery. This could cause us to forfeit the payments due to us under these contracts or result in settlement delays with the attendant credit and operational risk as well as increased costs to us. In addition, derivative contracts and other transactions entered into with third parties are not always confirmed by the counterparties on a timely basis. While the transaction remains unconfirmed, we are subject to heightened credit and operational risk and in the event of a default may find it more difficult to enforce the contract.

1.29 Interest rate fluctuations may adversely affect the Group's businesses.

The Group's business performance is affected by fluctuations in interest rates which could adversely affect financial market conditions. For example, a decrease in interest rates, although reducing the Group's costs of capital, may also limit the Group's interest income from its margin loan and financing and securities lending businesses, thus adversely affecting the Group's business and its financial results. Interest rates volatility may also affect stock market performance and general market sentiment, which may indirectly and adversely impact the Group's business performance.

1.30 Our clients and counterparties may be unable to perform their obligations to us as a result of deterioration in their credit quality or defaults.

We enter into swap and other derivative contracts under which counterparties have obligations to make payments to us. We also extend credit to clients through margin financing and other arrangements that are secured by physical or financial collateral, the value of which may at times be insufficient to fully cover the loan repayment amount. As a result, we are exposed to the risks that third parties may default on their obligations to us because of bankruptcy, lack of liquidity, operational failures or other reasons. Failure of a significant market participant, or even concerns about a default by such an institution, could lead to significant liquidity problems, losses or defaults by other institutions, which in turn could adversely affect us. We are also subject to the risk that our rights against third parties may not be enforceable in all circumstances. While in many cases we are permitted to require additional collateral from counterparties that experience financial difficulties, disputes may arise as to the amount of collateral we are entitled to receive and the value of charged assets. The termination of contracts and the foreclosure on collateral may subject us to claims for the improper exercise of our rights. Default rates, downgrades and disputes with counterparties as to the valuation of collateral increase significantly in times of market stress and illiquidity.

Although we regularly review our credit exposure to specific clients and counterparties and to specific industries that we believe may present credit concerns, default risks may arise from events or circumstances that are difficult to detect or foresee, such as fraud. We may also fail to receive full information with respect to the trading risks of counterparties.

1.31 Conflicts of interest are increasing and our failure to appropriately identify and address conflicts of interest could adversely affect our businesses.

As we expand the scope of our businesses and our client base, it is increasingly important for us to address various potential conflicts of interest. These conflicts include situations where our services to a particular client or our own investments or other areas conflict, or are perceived to conflict, with the interests of another client, as well as situations where one or more of our businesses have access to material non-public information that may not be shared with other businesses within the firm. They also include situations where we may be a counterparty of an entity with which we also have an advisory or other relationship.

We have extensive procedures and controls that are designed to identify and address conflicts of interest, including those designed to prevent the improper sharing of information among our businesses. However, appropriately identifying and dealing with conflicts of interest is complex and difficult, and our reputation, which is one of our most important assets, could

be damaged and the willingness of clients to enter into transactions with us may be affected if we fail, or appear to fail, to identify, disclose and deal appropriately with conflicts of interest. In addition, potential or perceived conflicts could give rise to litigation or regulatory enforcement actions.

1.32 We may incur losses as a result of unforeseen or catastrophic events, including the ongoing COVID-19 pandemic, terrorist attacks or natural disasters.

The occurrence of major natural disasters, serious health pandemics or outbreaks of contagious diseases, wars or terrorist attacks may severely disrupt our business, and materially and adversely affect our financial condition and results of operations. The occurrence of these or any other unforeseen or catastrophic events could create economic and financial disruptions or lead to operational difficulties (including travel limitations) that could impair our ability to manage our businesses and expose our business activities to significant losses.

The COVID-19 outbreak, which was first discovered in Wuhan, PRC in 1999 and has since spread to other parts of the world including Hong Kong, was declared a pandemic by the World Health Organisation on 20 March 2020. Many cities in China have imposed restrictions on travel and movement of people in an effort to curb the spread of COVID-19, and the pandemic also caused a delay in the resumption of business in Asia and other regions. The COVID-19 outbreak has since spread to countries globally, including the discovery of new variant strains such as “Delta” and “Omicron” which has caused a huge disruption in public health efforts to stop the virus from spreading, including vaccination drives. Public health authorities around the world are also intensifying containment efforts, leading to a severe drop in business activities and curtailing global travel and trade. Despite the reduction of transmission and scale of COVID-19 globally and the gradual resumption of global economic activities, COVID-19 may continue to create further negative economic impact on the PRC and Hong Kong markets and result in increased volatility in global markets. It is uncertain when the virus will be eradicated and when the world will fully resume normal trading and business conditions. Any adverse changes in the national and regional economies and the international financial markets may materially and adversely affect our business, financial condition and results of operations.

1.33 The financial services industry is highly competitive. Competitive pressure could adversely affect our businesses and prospects.

Our businesses operate in intensely competitive markets, in particular in the securities markets of Hong Kong. We compete in a number of aspects, including price, products and services, innovation, transaction execution capability, reputation, experience and knowledge of our staff, employee compensation and geographic scope.

We compete principally with other large investment banks and securities firms in Hong Kong. We also face increasing competition from smaller investment banks and securities firms, especially in our investment banking and brokerage businesses. In addition, we compete with commercial banks, insurance companies, fund management companies and private equity funds in particular areas, such as equity and fixed income sales and trading and asset management businesses and any new business areas that they may enter in the future.

We also face increasing competition from international institutions as we have expanded our business internationally. Many of the financial institutions that we compete with are larger in terms of asset size and customer base and have greater financial resources, more specialised capabilities or more extensive distribution capabilities. Some of the international financial institutions that we compete with have been expanding their operations, either setting up their own entities or partnering with existing financial institutions. We also face increasing competition in overseas financial markets due to the expansion of our international operations.

We also compete for clients, professionals and other skilled employees in every aspect of our businesses. If we are unable to compete successfully in any of our principal lines of business, our financial condition and results of operations would be materially and adversely affected.

1.34 We may continue to experience pricing pressures as some of our competitors seek to increase market share by reducing prices.

We have experienced intense price competition in some of our businesses in recent years. There has been considerable pressure on commissions, especially brokerage commissions. The growing trend to execute trades electronically, through the Internet and through other alternative trading systems, has increased the pressure on brokerage commissions. There is also a trend in certain markets (in particular the United States) to make stock trading free, and if such business practice becomes common in China, Hong Kong and other regions in which we operate, our business could be significantly affected. In addition, underwriting fees, financial advisory fees, as well as asset management fees, have also been subject to pricing pressure. We believe that we will continue to experience competitive pressures in these and other areas as some of our competitors seek to obtain market share by reducing prices.

2. RISKS RELATING TO CONDUCTING BUSINESS IN HONG KONG

2.1 The Group is affected by political and economic risks in Hong Kong.

The results of operations and financial condition of the Group may be influenced by the political situation in Hong Kong and by the general state of the Hong Kong economy. On 1 July 1997, sovereignty over Hong Kong was transferred from the United Kingdom to the PRC, and Hong Kong became a Special Administrative Region of the PRC. As provided in the Sino-British Joint Declaration on the Question of Hong Kong and the Basic Law of Hong Kong, Hong Kong has a high degree of autonomy except in foreign and defence affairs. Under the Basic Law, Hong Kong has its own legislative, legal and judicial systems and full economic autonomy for 50 years. Nevertheless, there can be no assurance that such policies will not be significantly altered, especially in the wake of the anti-extradition bill in June 2019. Future economic, political and social developments in the PRC could have significant effects on Hong Kong, which may materially and adversely affect the Group's business, results of operations and financial condition.

2.2 Civil unrest could have an adverse impact on the Group's business, financial condition results of operations.

Civil unrest, protests, demonstrations or rioting causing mass disruption to businesses and transportation may also affect the Group's operations. There can be no assurance that any unforeseeable interruptions to the business and operations can be mitigated or avoided. Moreover, prolonged civil unrest and an uncertain political environment, including any declaration by the Chief Executive of Hong Kong of a state of emergency pursuant to the Emergency Regulations Ordinance (Cap. 241) of Hong Kong which confers on the Chief Executive power to make any regulations whatsoever which he/she may consider desirable in the public interest in an occasion of emergency or public danger, may impact the Hong Kong economy and result in an economic slowdown. Civil unrest and instability may also dampen market confidence and sentiments. Civil unrest is outside the control of the Group. Any demonstrations, protests or riots causing disruption to the city, the authorities' reaction to any such protests or riots if they recur, the Chief Executive's decision to make any declaration of a state of emergency and the instability of the political and economic conditions in the region, could adversely impact the Group's business, financial condition and results of operations and the price of the Notes traded in the secondary market.

2.3 Adverse economic developments in Hong Kong or other countries in the world could have a material adverse effect on the Group's financial condition and the results of its operations.

A majority of the Group's revenues are derived from economic activities in Hong Kong. Due to close business relations between Hong Kong and the PRC and neighbouring Asian countries, Hong Kong's economy is in turn affected, directly and indirectly, by the performance of the economies of these areas and countries. As a result, adverse economic developments in Hong Kong, the PRC or elsewhere in the Asian region, in particular a sustained slowdown in economic activities, could have a material adverse effect on the Group's financial condition and results of operations. A large portion of our business is dependent on the flows from clients and business activities conducted in China. Accordingly, our results of operations, financial condition and prospects are subject to economic, political and legal developments in China. China's economy differs from the economies of developed countries in many respects, including the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. While China's economy has experienced significant growth in the past 40 years, growth has been uneven across different regions and economic sectors, and there is no assurance that such growth can be sustained. China's government has implemented various measures to encourage economic development and guide the allocation of resources. Some of these measures benefit the overall PRC economy, but may negatively affect us. For example, our financial condition and results of operations may be adversely affected by government control over currency exchange or changes in tax regulations or remittance of funds from our clients from within the PRC to offshore. If the business environment in China deteriorates, our business and results may also be materially and adversely affected.

The Hong Kong economy is also affected, to a significant extent, by the economic conditions of the United States, Europe and other world economies. As a result, the Group's financial condition and the results of its operations may be adversely affected by a sustained downturn, if any, and market volatility in the United States, Europe or other world economies.

The global credit markets have experienced significant volatility, such as that caused in recent years by the global financial and economic crisis and events, including the European debt crisis, the potential withdrawal of countries from the Euro-zone, Brexit and volatility in the PRC stock market, which have led to less favourable financial and economic conditions. The COVID-19 pandemic has caused stock markets worldwide to lose significant value since February 2020. Market interest rates have declined significantly, with the 10-year United States Treasury bond falling below 1.00% for the first time on 3 March 2020. Governments and central banks around the globe have introduced or are planning fiscal and monetary stimulus measures including tax cuts, direct subsidies, rate cuts, bond repurchase programmes and suspension or relaxation of prudential bank capital requirements. These measures aim to contain the economic impact of COVID-19, stabilise the markets and provide liquidity easing to the markets. In the United States, the Federal Open Market Committee (“**FOMC**”) reduced the target federal funds rate by 50 basis points to 1.00% to 1.25% on 3 March 2020. Subsequently on 16 March 2020, the FOMC further reduced the target federal funds rate by an additional 100 basis points to 0.00% to 0.25%. From May 2022 onwards, with an aim to curb inflation in the U.S., the target federal funds rate has been steadily increasing to 4.75% to 5.00% in March 2023. Such volatility in interest rates may result in continued significant volatility in global capital markets and adversely affect business and consumer confidence. There can be no assurance that any such measures may be introduced in time or will be sufficient or effective in stabilising markets or mitigating the economic impact of COVID-19.

Any volatility or deterioration in the economic conditions in the United States, Europe, the PRC or elsewhere may have and may continue to have a negative impact on the economies of Hong Kong and other Asia Pacific countries which may in turn materially and adversely affect the Group’s business, financial condition and the results of its operations and its ability to access the capital markets.

2.4 The Financial Institutions (Resolution) Ordinance may adversely affect the Notes.

On 7 July 2017, the Financial Institutions (Resolution) Ordinance (Cap. 628) of Hong Kong (“**FIRO**”) came into operation. The FIRO provides for, among other things, the establishment of a resolution regime for authorised institutions and other financial institutions within FIRO’s scope in Hong Kong that may be designated by the relevant resolution authorities (a “**FIRO Group Entity**”). There can be no assurance that any member of the Group will not be deemed to be a FIRO Group Entity. FIRO seeks to provide the relevant resolution authorities with administrative powers to bring about a timely and orderly resolution in order to stabilise and secure continuity for a failing authorised institution or within-scope financial institution in Hong Kong. In particular, in the context of a resolution of any FIRO Group Entity, if a member of the Group were deemed to be a FIRO Group Entity, the relevant resolution authority may have the ability to resolve other entities within the Group as if each of them were themselves a within-scope financial institution for the purposes of FIRO and take certain actions and make certain directions in relation to such entities. Any such actions could potentially affect contractual and property rights relating to the relevant entity within the Group. In addition, the relevant resolution authority is provided with powers to effect contractual and property rights as well as payments (including in respect of any priority of payment) that creditors would receive in resolution. These may include, but are not limited to, powers to cancel, write off, modify, convert or replace all or a part of the Notes or the nominal amount of, or interest on, the Notes, and powers to amend or alter the contractual provisions of the Notes, all of which may adversely affect the value of

the Notes, and the holders thereof may suffer a loss of some or all of their investment as a result. Noteholders (whether senior or subordinated) may become subject to and bound by FIRO. The implementation of FIRO remains untested and certain details relating FIRO will be set out through secondary legislation and supporting rules. Therefore, the Group is currently unable to assess the full impact of FIRO on the financial system generally, the Guarantor's counterparties, the Guarantor, any of its consolidated subsidiaries or other Group entities, and the Group's operations and/or its financial position.

3. RISKS RELATING TO THE NOTES AND THE GUARANTEE

3.1 The Notes and the Guarantee are unsecured obligations.

The Notes and the Guarantee are unsecured obligations of the Issuer and the Guarantor, respectively. The repayment of the Notes and payment under the Guarantee may be adversely affected if:

- the Issuer or the Guarantor enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;
- there is a default in payment under the Issuer's or the Guarantor's future secured indebtedness or other unsecured indebtedness; or
- there is an acceleration of any of the Issuer's or the Guarantor's indebtedness.

If any of these events were to occur, the Issuer's or the Guarantor's assets may not be sufficient to pay amounts due on the Notes.

3.2 The Notes and the Guarantee will be structurally subordinated to the existing and future indebtedness and other liabilities of the Issuer's and the Guarantor's existing and future subsidiaries, other than the Issuer, and effectively subordinated to the Issuer's and the Guarantor's secured debt to the extent of the value of the collateral securing such indebtedness.

The Notes and the Guarantee will be structurally subordinated to any debt and other liabilities and commitments, including trade payables and lease obligations, of the Issuer's and the Guarantor's existing and future subsidiaries, other than the Issuer, whether or not secured. The Notes will not be guaranteed by any of the Issuer's or the Guarantor's subsidiaries, and the Issuer and the Guarantor may not have direct access to the assets of such subsidiaries unless these assets are transferred by dividend or otherwise to the Issuer or the Guarantor. The ability of such subsidiaries to pay dividends or otherwise transfer assets to the Issuer or the Guarantor is subject to various restrictions under applicable laws.

Each of the Issuer's and the Guarantor's subsidiaries are separate legal entities that have no obligation to pay any amounts due under the Notes or the Guarantee or make any funds available therefore, whether by dividends, loans or other payments. The Issuer's and the Guarantor's right to receive assets of any of the Issuer's and the Guarantor's subsidiaries, respectively, upon that subsidiary's liquidation or reorganisation will be effectively subordinated to the claim of that subsidiary's creditors (except to the extent that the Issuer or the Guarantor are creditors of that subsidiary). Consequently, the Notes and the Guarantee

will be effectively subordinated to all liabilities, including trade payables and lease obligations, of any of the Issuer's and the Guarantor's subsidiaries, other than the Issuer, and any subsidiaries that the Issuer or the Guarantor may in the future acquire or establish.

The Notes and the Guarantee are the Issuer's and the Guarantor's unsecured obligations, respectively, and will (i) rank equally in right of payment with all the Issuer's and the Guarantor's other present and future unsubordinated and unsecured indebtedness; and (ii) be effectively subordinated to all of the Issuer's and the Guarantor's present and future secured indebtedness to the extent of the value of the collateral securing such obligations. Accordingly, claims of secured lenders, whether senior or junior, with respect to assets securing their loans will be prior with respect to those assets. In the event of the Issuer's or the Guarantor's bankruptcy, insolvency, liquidation, reorganisation, dissolution or other winding up, or upon any acceleration of the Notes, these assets will be available to pay obligations on the Notes only after all other debt secured by these assets has been repaid in full. Any remaining assets will be available to the Noteholders rateably with all of the Guarantor's other unsecured and unsubordinated creditors, including trade creditors. If there are not sufficient assets remaining to pay all these creditors, then all or a portion of the Notes then outstanding would remain unpaid.

3.3 The Notes may not be a suitable investment for all investors.

The Notes are complex financial instruments and may be purchased as a way to reduce risk or enhance yield with a measured and appropriate addition of risk to the investor's overall portfolios. A potential investor should not invest in the Notes unless they have the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Additionally, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (a) the Notes are legal investments for it, (b) the Notes can be used as collateral for various types of borrowing and (c) other restrictions apply to its purchase of any Notes. Financial institution investors should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Offering Circular, any applicable supplement to the Offering Circular or any Pricing Supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

3.4 An active trading market for the Notes may not develop and the Notes may be traded at a discount to their initial offering price and/or with limited liquidity.

The Notes are a new issue of securities which may not be widely distributed and for which there is currently no trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes that is already issued). Although an application may be made to the Hong Kong Stock Exchange or any other stock exchange for the listing of, and permission to deal in, the Notes on the Hong Kong Stock Exchange or such other stock exchange, no assurance can be given that such application will be approved, or even if the Notes become so listed, an active trading market for the Notes will develop or be sustained. No assurance can be given as to the ability of holders to sell their Notes or the price at which holders will be able to sell their Notes or that a liquid market will develop. The market for investment grade and crossover grade debt has been subject to disruptions that have caused volatility in prices of securities similar to the Notes that may be issued under the Programme. Accordingly, there is no assurance as to the development or liquidity of any trading market, or that disruptions will not occur, for any particular Tranche of Notes. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity would have an adverse effect on the value of the Notes. Noteholders should note that they may need to hold their Notes until maturity as there may not be an active secondary market for the Notes. None of the Arranger or the Dealers is obligated to make a market in the Notes, and if the Arranger or the Dealers do so, they may discontinue such market making activity at any time at their sole discretion.

In addition, the Notes are being offered pursuant to exemptions from registration under the Securities Act and, as a result, holders will only be able to resell their Notes in transactions that have been registered under the Securities Act or in transactions not subject to, or exempt from, registration under the Securities Act. Even a secondary market is developed for trading of the Notes, trading may be at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer and the Guarantor, in which case investors may not be able as receive a favourable price for their Notes, and in some circumstances investors may not be able to sell their Notes at all or at their fair market value.

3.5 Exchange rate risks and exchange controls may result in a Noteholder receiving less interest or principal than expected.

The Issuer will pay principal and interest on the Notes in the currency specified in the relevant Pricing Supplement (the “Specified Currency”). This presents certain risks relating to currency conversions if a Noteholder’s financial activities are denominated principally in a currency or currency unit (the “Investor’s Currency”) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor’s Currency) and the risk that authorities with jurisdiction over the Investor’s Currency may impose or modify exchange controls. An appreciation in the value of the Investor’s Currency relative to the Specified Currency would decrease (i) the Investor’s Currency equivalent yield on the Notes, (ii) the Investor’s Currency equivalent value of the principal payable on the Notes and (iii) the Investor’s Currency equivalent market value of the Notes.

Governments and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, a Noteholder may receive less interest or principal than expected, or no interest or principal.

3.6 Changes in market interest rates may adversely affect the value of the fixed rate Notes.

The Noteholders of fixed rates Notes may suffer unforeseen losses due to fluctuations in market interest rates. Generally, a rise in interest rates may cause a fall in the prices of the fixed rates Notes, resulting in a capital loss for the Noteholders. However, the Noteholders may reinvest the interest payments at higher prevailing interest rates. Conversely, when interest rates fall, the prices of the fixed rates Notes may rise. The Noteholders may enjoy a capital gain but interest payments received may be reinvested at lower prevailing interest rates. If Noteholders sell the Notes they hold before the maturity of such Notes, they may receive an offer less than their investment.

3.7 The liquidity and price of the Notes following the offering may be volatile.

The price and trading volume of the Notes may be highly volatile. Factors such as variations in the Group’s turnover, earnings and cash flows, proposals for new investments, strategic alliances and/or acquisitions, changes in interest rates, fluctuations in price for comparable companies, changes in government regulations and changes in general economic conditions nationally or internationally could cause the price of the Notes to change. Any such developments may result in large and sudden changes in the trading volume and price of the Notes. There is no assurance that these developments will not occur in the future.

3.8 Developments in other markets may adversely affect the market price of the Notes.

The market price of the Notes may be adversely affected by declines in the international financial markets and world economic conditions. The market for the Notes is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuer in other countries, including the PRC. Since the global financial crisis in 2008 and 2009, the international financial markets have experienced significant volatility, including volatility caused by recent inflationary pressures and interest rate hikes, and bank runs on certain American banks causing a global strain on financial markets. If these events continue or similar developments occur in the international financial markets in the future, the market price of the Notes could be adversely affected.

3.9 The Notes may be represented by Global Notes or Global Certificates and holders of a beneficial interest in a Global Note or Global Certificate must rely on the procedures of the relevant Clearing System(s).

Notes issued under the Programme may be represented by one or more Global Notes (in the case of Bearer Notes) or Global Certificates (in the case of Registered Notes). Such Global Notes and Global Certificates will be deposited with a common depository for Euroclear and Clearstream or lodged with the CMU (each of Euroclear, Clearstream and the CMU, a “**Clearing System**”). Except in the circumstances described in the relevant Global Note or Global Certificate, investors will not be entitled to receive Definitive Notes.

The relevant Clearing System(s) will maintain records of the beneficial interests in the Global Notes or Global Certificates. While the Notes are represented by one or more Global Notes or Global Certificates, investors will be able to trade their beneficial interests only through the Clearing System(s).

While the Notes are represented by one or more Global Notes or Global Certificates, the Issuer, or failing which, the Guarantor will discharge its payment obligations under the Notes by making payments to the relevant Clearing System(s) for distribution to their account holders or in the case of the CMU, to the persons for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in accordance with the CMU Rules (as defined in the Agency Agreement).

A holder of a beneficial interest in a Global Note or Global Certificate must rely on the procedures of the relevant Clearing System(s) to receive payments under the relevant Notes. Neither the Issuer nor the Guarantor has any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes or Global Certificates.

Holders of beneficial interests in the Global Notes or Global Certificates will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System(s) to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Notes or Global Certificates will not have a direct right under the respective Global Notes or Global Certificates to take enforcement action against the Issuer or the Guarantor in the event of a default under the relevant Notes but will have to rely upon their rights under the Trust Deed.

3.10 Noteholders should be aware that Definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

In relation to any issue of Notes which have a denomination consisting of a minimum Specified Denomination plus a higher integral multiple of another smaller amount, it is possible that the Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a Noteholder who, as a result of trading such amounts, holds a nominal amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding (should Definitive Notes be printed) and would need to purchase a nominal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

If Definitive Notes are issued, holders should be aware that Definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

3.11 The Issuer is a special purpose company with no business activities of its own and will be dependent on funds from the Group to make payments under the Notes.

The Issuer will not conduct business or any other activities other than the issue of the Notes or other bonds or notes which are, or are capable of being listed, quoted or traded on any stock exchange or in any securities market outside the PRC and the on-lending of the proceeds thereof to the Guarantor or any of the Guarantor's Subsidiaries (as defined in the Terms and Conditions of the Notes) and affiliates and any other activities reasonably incidental thereto as necessary in connection therewith, and to establish or to allow to exist any Subsidiary of the Issuer which conducts any of the Permitted Activities (as defined in the Terms and Conditions of the Notes) subject to the Terms and Conditions of the Notes. The Issuer does not and will not have any material assets other than amounts due to it from the Guarantor or its subsidiaries, and its ability to make payments under the Notes will depend on its receipt of timely remittances from the Guarantor or its subsidiaries. There is no assurance that the Issuer will receive timely and sufficient funds from the Guarantor and/or the Guarantor's subsidiaries to meet its payment obligations under the Notes.

3.12 The Issuer may not be able to redeem the Notes upon the due date for redemption thereof.

If specified in the relevant Pricing Supplement, the Issuer may, at its option, at maturity, at Noteholders' option or following the occurrence of a Change of Control (as defined in the Terms and Conditions of the Notes), be required to redeem all or some of the Notes. If such an event were to occur, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Notes in time, or on acceptable terms, or at all. The ability to redeem the Notes in such event may also be limited by the terms of other debt instruments. The Issuer's failure to repay, repurchase or redeem tendered Notes could constitute an event of default under the Notes, which may also constitute a default under the terms of the Issuer's or the Group's other indebtedness.

3.13 Notes subject to optional redemption by the Issuer may have a lower market value than Notes that cannot be redeemed.

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period. The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At such times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

3.14 If the Issuer or the Guarantor is unable to comply with the restrictions and covenants in their respective debt agreements (if any), the Notes or the Guarantee, there could be a default under the terms of these agreements, the Notes or the Guarantee, which could cause repayment of the debt of the Issuer or the Guarantor to be accelerated.

If the Issuer or the Guarantor (or even any member of the Group) is unable to comply with the restrictions and covenants in the Notes or the Guarantee (as applicable), or current or future debt obligations and other agreements (if any), there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to the Issuer, the Guarantor or the relevant Group member, accelerate repayment of the debt, declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, those debt agreements may contain cross-acceleration or cross-default provisions. As a result, the default by the Issuer, the Guarantor or the relevant Group member under one debt agreement may cause the acceleration of repayment of debt or result in a default under its other debt agreements, including the Notes. If any of these events occur, there can be no assurance that there would be sufficient assets and cash flows to repay in full all the indebtedness of the Issuer, the Guarantor or the relevant Group member, or that it would be able to find alternative financing. Even if the Issuer, the Guarantor or the relevant Group member could obtain alternative financing, there can be no assurance that it would be on terms that are favourable or acceptable to the Issuer, the Guarantor or the relevant Group member.

3.15 The Notes do not restrict the Group’s ability to incur additional debt or to take other actions that could negatively impact holders of the Notes.

Other than the limitations on the Issuer as described in Condition 4(a) of the Terms and Conditions of the Notes and the negative pledge provision as described in Condition 4(c) of the Terms and Conditions of the Notes, the Group is not restricted under the Conditions from incurring additional debt, including secured debt, or from repurchasing the Notes. In addition, the covenants applicable to the Notes do not require the Group to achieve or maintain any minimum financial results relating to the Group’s financial position or results of operations. The Group’s ability to recapitalise, incur additional debt and take other actions that are not limited by the Conditions could diminish the Group’s ability to make payments on the Notes when due.

The Terms and Conditions of the Notes, however, do not contain restrictions on the payment of dividends or making of other restricted payments. In addition, the Trust Deed does not contain any other covenants or provisions designed to afford holders of the Notes protection in the event of a highly-leveraged transaction involving the Issuer or the Company that could adversely affect such holders. Subject to the terms of the existing debt and credit facilities of the Issuer and the Company, the Issuer and the Company may incur substantial additional indebtedness in the future.

3.16 The ratings of the Programme may be downgraded or withdrawn.

The Programme has been assigned a rating of “**BBB+**” by S&P. The ratings represent the opinions of the rating agencies and their assessment of the ability of the Issuer and the Guarantor to perform their respective obligations under the Notes and the Guarantee and credit risks in determining the likelihood that payments will be made when due under the Notes. The ratings may not reflect the potential impact of all risks related to structure, market and additional factors discussed above, and other factors that may affect the value of the Notes. A rating is not a recommendation to buy, sell or hold the Notes and may be subject to suspension, reduction or withdrawal at any time. A reduction or withdrawal of the ratings may adversely affect the market price of the Notes and the Issuer’s or the Guarantor’s ability to access the debt capital markets. Also, Tranches of Notes to be issued under the Programme may be unrated or assigned with a different rating than that of the Programme.

3.17 Any downgrading of the Guarantor’s corporate ratings, or those of its subsidiaries, by rating agencies could adversely affect the Group’s business and the Group’s liquidity.

The Guarantor has been assigned a rating of “**BBB+**” by S&P as at the date of this Offering Circular. Any adverse revision to the Guarantor’s corporate ratings, or those of its subsidiaries, for domestic and international debt by rating agencies such as S&P may adversely affect the Group’s business, its financial performance and the trading price of the Notes. Further, the Group’s ability to obtain financing or to access to capital markets may also be limited, thereby lowering its liquidity.

3.18 The insolvency laws of British Virgin Islands and Hong Kong and other local insolvency laws may differ from those of another jurisdiction with which the holders of the Notes are familiar.

As the Issuer is incorporated under the laws of the British Virgin Islands and the Guarantor is incorporated under the laws of Hong Kong, any insolvency proceeding relating to the Issuer or the Guarantor would likely involve British Virgin Islands or Hong Kong insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Notes are familiar.

3.19 The Trustee may request the Noteholders to provide an indemnity and/or, security and/or prefunding to its satisfaction.

In certain circumstances, including, without limitation, giving of notice to the Issuer and the Guarantor pursuant to Condition 10 of the Terms and Conditions of the Notes and taking any steps and/or actions and/or instituting any proceedings pursuant to Condition 12 of the Terms and Conditions of the Notes, the Trustee may, at its sole discretion, request the Noteholders to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes any steps and/or actions and/or institutes any proceedings on behalf of the Noteholders. The Trustee shall not be obliged to take any such steps and/or actions and/or to institute any such proceedings if not indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such steps and/or actions can be taken and/or when such proceedings can be instituted. The Trustee may not be able to take such steps and/or actions and/or institute such proceedings, notwithstanding the provision of an indemnity and/or security and/or prefunding to it, in breach of the terms of the Trust Deed or the Terms and Conditions of the Notes and, in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the holders of the Notes to take such steps and/or actions and/or institute such proceedings directly.

3.20 Decisions that may be made on behalf of all holders of the Notes may be adverse to the interests of individual holders of the Notes.

The Terms and Conditions of the Notes contain provisions for calling meetings of holders of the Notes to consider matters affecting their general interests. These provisions permit defined majorities to bind all holders of the Notes, including holders who did not attend and vote at the relevant meeting and holders who voted in a manner contrary to the majority. Furthermore, there is a risk that the decision of the majority of holders of the Notes may be adverse to the interests of the individual Noteholders.

3.21 Modifications and Waivers may be made in respect of the Terms and Conditions of the Notes, the Trust Deed and the Agency Agreement by the Trustee.

The Terms and Conditions of the Notes provide that the Trustee may (but shall not be obliged to), without the consent of Noteholders, Receiptholders or Couponholders, agree to any modification (other than with respect to certain reserved matters) of the Terms and Conditions of the Notes or any of the provisions of the Trust Deed or the Agency Agreement which in the opinion of the Trustee will not be materially prejudicial to the interests of

Noteholders and to any modification of the Trust Deed, the Terms and Conditions of the Notes or the Agency Agreement which in the opinion of the Trustee is of a formal, minor or technical nature or is made to correct a manifest error or is to comply with any mandatory provision of applicable law. In addition, the Trustee may (but shall not be obliged to), without the consent of the Noteholders, authorise or waive any proposed breach or breach (other than a proposed breach or breach relating to the subject of certain reserved matters) of the Terms and Conditions of the Notes or any of the provisions of the Trust Deed or the Agency Agreement.

3.22 Substitutions may be made in respect of the Issuer and/or the Guarantor.

The Terms and Conditions of the Notes provide that the Trustee may but shall not be obliged to, without the consent of the Noteholders, Receiptholders or Couponholders agree to the substitution of the Issuer's successor in business or any Subsidiary of the Issuer or its successor in business or of the Guarantor or its successor in business or any subsidiary of the Guarantor or its successor in business in place of the Issuer or the Guarantor, as the case may be, as principal debtor or guarantor under the Trust Deed and the Notes. In the case of such a substitution, the Trustee may but shall not be obliged to, without the consent of the Noteholders, Receiptholders or Couponholders agree to a change of the governing law of the Notes the Receipts, the Coupons, the Talons and the Trust Deed if such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders.

3.23 A change in English law which governs the Notes may adversely affect Noteholders.

The Trust Deed, the Notes, the Receipts, the Coupons and the Talons and the Agency Agreement and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English Law. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes.

3.24 Additional procedures may be required to be taken to bring English law governed matters or disputes to the Hong Kong courts.

The Trust Deed, the Notes, the Receipts, the Coupons and the Talons and the Agency Agreement and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English Law, while parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters or disputes, Hong Kong courts may require certain additional procedures to be taken.

Compared to other similar debt securities issuances in the international capital markets where the relevant holders of the debt securities are not deemed to have submitted to an exclusive jurisdiction, the Noteholders will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts, and thus the Noteholders' ability to initiate a claim outside of Hong Kong will be limited.

4. RISKS RELATING TO THE STRUCTURE OF A PARTICULAR ISSUE OF NOTES UNDER THE PROGRAMME

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

4.1 Dual Currency Notes have features which are different from single currency issues.

The Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- the market price of such Notes may be volatile;
- they may receive no interest;
- payment of principal or interest may occur at a different time or in a different currency than expected; and
- the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero.

4.2 Failure by an investor to pay a subsequent instalment of partly-paid Notes may result in an investor losing all of its investment.

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalments could result in an investor losing all of its investment.

4.3 The regulation and reform of “benchmarks” may adversely affect the value of Notes linked to or referencing such benchmarks.

Interest rates and indices which are deemed to be “**benchmarks**” (including EURIBOR) are the subject of recent guidance and proposals for reform from the European Union (the “**EU**”) national and international regulatory bodies. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, disappear entirely or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to or referencing such a “**benchmark**”. Regulation (EU) 2016/1011 (the “**EU Benchmarks Regulation**”) applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. Among other things, it (i) requires benchmark administrators to be authorised or registered (or, if non-EU- based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by European Union supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-European Union based, not deemed equivalent or recognised or endorsed). Regulation (EU) 2016/1011 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “**UK Benchmarks Regulation**”) among other things, applies to the provision of benchmarks and the use of a benchmark in the UK. Similarly, it prohibits the use in the UK by UK

supervised entities of benchmarks of administrators that are not authorised by the United Kingdom Financial Conduct Authority (“FCA”) or registered on the FCA register (or, if non-UK based, not deemed equivalent or recognised or endorsed).

The EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable, could have a material impact on any Notes linked to or referencing benchmarks, including EURIBOR, in particular, if the methodology or other terms of the relevant benchmark are changed in order to comply with the requirements of the EU Benchmarks Regulation and/or the UK Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant benchmark.

More broadly, any of the national or international reforms, or the general increased regulatory scrutiny of “**benchmarks**”, could increase the costs and risks of administering or otherwise participating in the setting of a “**benchmark**” and complying with any such regulations or requirements. Such factors may have the following effects on certain “**benchmarks**” (including, but not limited to EURIBOR): (i) discourage market participants from continuing to administer or contribute to the “**benchmark**”; (ii) trigger changes in the rules or methodologies used in the “**benchmark**”; or (iii) lead to the disappearance of the “**benchmark**.”

Any of the above changes or any other consequential changes as a result of national or international reforms or other initiatives or investigations could have a material adverse effect on the value of and return on any Notes linked to or referencing the relevant benchmark. Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the EU Benchmarks Regulation and/or the UK Benchmarks Regulation reforms in making any investment decision with respect to any Notes linked to or referencing the relevant benchmark.

The Terms and Conditions of the Notes provide for certain fallback arrangements in the event that a Benchmark Event occurs (in the case of a benchmark replacement for Floating Rate Notes (other than Floating Rate Notes which specify the reference rate as SOFR)), including but not limited to, if the originally specified benchmark or screen rate used to determine the Rate of Interest on the Notes ceases to be published for a period of at least five business days or ceasing to exist, or it has become unlawful for any Paying Agent, Calculation Agent, the Issuer or other party to calculate any payments on any Notes by reference to such benchmark. Such fallback arrangements include the possibility that the rate of interest could be set by reference to a Successor Rate or an Alternative Rate (both as defined in the Terms and Conditions of the Notes), with or without the application of an Adjustment Spread (as defined in the Terms and Conditions of the Notes) and any Benchmark Amendments (as defined in the Terms and Conditions of the Notes). There is no guarantee that any Adjustment Spread will be determined or applied. If no Adjustment Spread is determined, a Successor Rate or Alternative Rate may nonetheless be used to determine the Rate of Interest.

In the case of a benchmark replacement for Floating Rate Notes (other than Floating Rate Notes which specify the reference rate as SOFR), the use of any such Successor Rate or Alternative Rate or, if applied, Adjustment Spread to determine the Rate of Interest may result in Notes linked to or referencing the initial inter-bank offered rate or other relevant

reference rate performing differently (including paying a lower Rate of Interest) than they would do if the initial inter-bank offered rate or other relevant reference rate (as applicable) were to continue to apply in its current form.

Under these fallback arrangements, the Issuer will use its reasonable endeavours to appoint, as soon as reasonably practicable, an Independent Adviser (as defined in the Terms and Conditions of the Notes) to determine the Successor Rate, failing which an Alternative Rate and, in either case, an Adjustment Spread if any and any Benchmark Amendments. In the event that the Issuer is unable to appoint an Independent Adviser, or such Independent Adviser fails to determine the Successor Rate or, failing which, an Alternative Rate prior to the date which is 10 business days prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Accrual Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the immediately preceding Interest Accrual Period. This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page. Due to the uncertainty concerning the availability of Successor Rates and Alternative Rates, any determinations that may need to be made by the Issuer with the involvement of an Independent Adviser entails a risk that the relevant fallback provisions may not operate as intended at the relevant time. Moreover, any of the above matters or any other significant change to the setting or existence of any relevant reference rate could affect the ability of the Issuer to meet its obligations under the Floating Rate Notes or could have a material adverse effect on the value or liquidity of, and the amount payable under, the Floating Rate Notes.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the EU Benchmarks Regulation, the UK Benchmarks Regulation or any other international or national reforms, in making any investment decision with respect to any Notes linked to or referencing a benchmark.

4.4 The use of Secured Overnight Financing Rate (“SOFR”) as a reference rate is subject to important limitations.

The rate of interest on the Floating Rate Notes may be calculated on the basis of SOFR (as further described under Condition 5(b)(iii)(C) of the Conditions).

In June 2017, the New York Federal Reserve’s Alternative Reference Rates Committee (the “**ARRC**”) announced SOFR as its recommended alternative to U.S. dollar LIBOR. However, the composition and characteristics of SOFR are not the same as those of LIBOR. SOFR is a broad U.S. Treasury repo-financing rate that represents overnight secured funding transactions. This means that SOFR is fundamentally different from LIBOR for two key reasons. First, SOFR is a secured rate, while LIBOR is an unsecured rate. Second, SOFR is an overnight rate, while LIBOR represents interbank funding over different maturities. As a result, there can be no assurance that SOFR will perform in the same way as LIBOR would have at any time, including, without limitation, as a result of changes in interest and yield rates in the market, market volatility or global or regional economic, financial, political, or regulatory events. For example, since publication of SOFR began in April 2018, daily changes in SOFR have, on occasion, been more volatile than daily changes in comparable benchmark or other market rates.

As SOFR is an overnight funding rate, interest on SOFR-based Notes with interest periods longer than overnight will be calculated on the basis of either the arithmetic mean of SOFR over the relevant interest period or compounding SOFR during the relevant interest period. As a consequence of this calculation method, the amount of interest payable on each interest payment date will only be known a short period of time prior to the relevant interest payment date. Noteholders therefore will not know in advance the interest amount which will be payable on such Notes.

Although the Federal Reserve Bank of New York has published historical indicative SOFR information going back to 2014, such prepublication of historical data inherently involves assumptions, estimates and approximations. Noteholders should not rely on any historical changes or trends in the SOFR as an indicator of future changes in the SOFR.

The Federal Reserve Bank of New York (or their successors) as administrators of SOFR (and the Compounded SOFR Index), notes on its publication page for SOFR that use of the SOFR is subject to important limitations and disclaimers, including that the Federal Reserve Bank of New York may alter the methods of calculation, publication schedule, rate revision practices or availability of the SOFR at any time without notice. In addition, SOFR is published by the Federal Reserve Bank of New York based on data received from other sources. The Federal Reserve or the Bank of New York may make methodological or other changes that could change the value of these risk-free rates and/or indices, including changes related to the method by which such risk-free rate is calculated, eligibility criteria applicable to the transactions used to calculate SOFR, or timing related to the publication of SOFR or any related indices. There can be no guarantee that the SOFR will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of the Noteholders. The administrator may alter, discontinue or suspend calculation or dissemination of SOFR or any related index (in which case a fallback method of determining the interest rate on the Notes will apply). The administrator has no obligation to consider the interests of Noteholders when calculating, adjusting, converting, revising or discontinuing any such risk-free rate. If the manner in which the SOFR is calculated is changed or if SOFR is discontinued, that change or discontinuance may result in a reduction or elimination of the amount of interest payable on the Notes and a reduction in the trading prices of the Notes which would negatively impact the Noteholders who could lose part of their investment.

The Terms and Conditions of the Notes provide for certain fallback arrangements in the event that a Benchmark Event (SOFR) occurs, which is based on the ARRC recommended language. There is however no guarantee that the fallback arrangements will operate as intended at the relevant time or operate on terms commercially acceptable to all Noteholders. Investors should consult their own independent advisers and make their own assessment about the potential risks in making any investment decision with respect to any Notes linked to SOFR.

4.5 The market continues to develop in relation to SOFR as a reference rate for Floating Rate Notes.

Investors should be aware that the market continues to develop in relation to SOFR and its adoption as an alternative to U.S. dollar LIBOR. Market participants and relevant working groups are exploring alternative reference rates based on SOFR (which seek to measure the market's forward expectation of a SOFR rate over a designated term). The market or a significant part thereof may adopt an application of SOFR that differs significantly from that set out in the Terms and Conditions of the Notes. In addition, the manner of adoption or application of SOFR in the bond markets may differ materially compared with the application and adoption of SOFR in other markets, such as the derivatives and loan markets. Investors should carefully consider how any mismatch between the adoption of SOFR in the bond, loan and derivatives markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of Notes referencing SOFR. In addition, the development of SOFR as an interest reference rate for the bond markets, as well as continued development of SOFR-based rates, indices and averages for such markets and the market infrastructure for adopting such rates, could result in reduced liquidity or increased volatility or could otherwise affect the market price of Notes referencing SOFR. Similarly, if SOFR do not prove widely used in securities such as the Notes referencing SOFR, investors may not be able to sell such Notes referencing SOFR at all or the trading price of the Notes referencing SOFR may be lower than those of bonds linked to indices that are more widely used.

The use of SOFR as a reference rate for bonds is nascent, and may be subject to change and development, both in terms of the substance of the calculation and in the development and adoption of market infrastructure for the issuance and trading of bonds referencing such rates. In particular, investors should be aware that several different methodologies have been used in risk-free rate notes issued to date. No assurance can be given that any particular methodology, including the compounding formula in the Terms and Conditions of the Notes, will gain widespread market acceptance. In addition, market participants and relevant working groups are still exploring alternative reference rates based on risk-free rates, including various ways to produce term versions of certain risk-free rates (which seek to measure the market's forward expectation of an average of these reference rates over a designated term, as they are overnight rates) or different measures of such risk-free rates. If the relevant risk-free rates do not prove to be widely used in securities like the Notes, the trading price of such Notes linked to such risk-free rates may be lower than those of Notes referencing indices that are more widely used.

Notes referencing SOFR may have no established trading market when issued, and an established trading market may never develop or may not be very liquid which, in turn, may reduce the trading price of such Notes or mean that investors in such Notes may not be able to sell such Notes at all or may not be able to sell such Notes at prices that will provide them with a yield comparable to similar investments that have a developed secondary market, and may consequently suffer from increased pricing volatility and market risk. Investors should consider these matters when making their investment decision with respect to Notes referencing SOFR.

4.6 Notes carrying an interest rate which may be converted from fixed to floating interest rates and vice versa, may have lower market values than other Notes.

Fixed/Floating Rate Notes may bear interest at a rate that the relevant Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The relevant Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the relevant Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the relevant Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the relevant Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

4.7 The market prices of Notes issued at a substantial discount or premium tend to fluctuate more in relation to general changes in interest rates than prices for conventional interest-bearing securities do.

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

4.8 The market price of variable rate Notes with a multiplier or other leverage factor may be volatile.

Notes with variable interest rates can be volatile securities. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include such features.

4.9 Investors may lose part or all of their investment in any Index-Linked Notes issued.

If, in the case of a particular Tranche of Notes, the relevant Pricing Supplement specifies that the Notes are Index-Linked Notes or variable redemption amount Notes, there is a risk that the investor may lose the value of its entire investment or part of it.

4.10 Risks Relating to Renminbi-Denominated Notes.

Notes denominated in Renminbi (“**Renminbi Notes**”) may be issued under the Programme. Renminbi Notes contain particular risks for potential investors.

4.11 Renminbi is not completely freely convertible; there are significant restrictions on the remittance of Renminbi into and outside the PRC which may adversely affect the liquidity of Renminbi Notes.

Renminbi is not completely freely convertible at present. The PRC Government continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar, despite the significant reduction in control by the PRC Government in recent years over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items. However, remittance of Renminbi by foreign investors into the PRC for the purposes of capital account items, such as capital contributions, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities on a case-by-case basis and is subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into the PRC for settlement of capital account items are developing gradually.

Although starting from October 1, 2016, the Renminbi has been added to the Special Drawing Rights basket created by the International Monetary Fund, there can be no assurance that the PRC Government will continue to gradually liberalise control over cross-border Renminbi remittances in the future, that any pilot scheme for Renminbi cross-border utilisation will not be discontinued or that new PRC regulations will not be promulgated in the future which have the effect of restricting the remittance of Renminbi into or outside the PRC. In the event that the Group is not able to repatriate funds outside the PRC in Renminbi, the Issuer or the Guarantor will need to source Renminbi offshore to finance their respective obligations under Renminbi Notes, and its ability to do so will be subject to the overall availability of Renminbi outside the PRC and the ability of the Issuer or the Guarantor to source Renminbi to finance their respective obligations under Notes denominated in Renminbi.

4.12 There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of Renminbi Notes and the Issuer's and the Guarantor's ability to source Renminbi outside the PRC to service such Renminbi Notes.

As a result of the restrictions by the PRC Government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. While PBOC has established Renminbi clearing and settlement mechanisms for participating banks in Hong Kong, Macau, Singapore and Taiwan through settlement agreements on the clearing of Renminbi business with a number of financial institutions in a number of financial centres and cities (the “**Renminbi Clearing Banks**”), and has also established Renminbi clearing and settlement mechanisms in several other countries and regions, the current size of Renminbi denominated financial assets outside the PRC is limited.

The Renminbi Clearing Banks only have access to onshore liquidity support from PBOC for the purpose of squaring open positions of participating banks for limited types of transactions and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In such cases, the participating banks will need to source Renminbi outside the PRC to square such open positions. Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign

exchange. There can be no assurance that new PRC regulations will not be promulgated or the Settlement Agreement will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi offshore. The limited availability of Renminbi outside the PRC may affect the liquidity of Renminbi Notes. To the extent the Issuer is required to source Renminbi in the offshore market to service Renminbi Notes, there can be no assurance that the Issuer will be able to source such Renminbi on satisfactory terms, if at all.

4.13 Investment in Renminbi Notes is subject to exchange rate risks.

The value of the Renminbi against the US dollar and other foreign currencies fluctuates and is affected by changes in the PRC, by international political and economic conditions and by many other factors. All payments of interest and principal will be made with respect to Renminbi Notes in Renminbi. If an investor measures its investment returns by reference to a currency other than Renminbi, an investment in the Renminbi Notes entails foreign exchange related risks, including possible significant changes in the value of Renminbi relative to the currency by reference to which an investor measures its investment returns. Depreciation of the Renminbi against such currency could cause a decrease in the effective yield of the Renminbi Notes below their stated coupon rates and could result in a loss when the return on the Renminbi Notes is translated into such currency. In August 2015, the PBOC changed the way it calculates the mid-point price of the Renminbi against the US dollar, requiring the market-makers who submit reference rates to the PBOC to consider the previous day's closing spot rate, demand and supply of foreign exchange as well as changes in major currency rates. This change, and other changes such as widening the trading band that may be implemented, may increase volatility in the value of the Renminbi against foreign currencies. In addition, there may be tax consequences for investors as a result of any foreign currency gains resulting from any investment in Renminbi Notes.

4.14 Investment in Renminbi Notes is subject to interest rate risks.

The PRC Government has gradually liberalised its regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. In addition, the interest rate for Renminbi in markets outside the PRC may significantly deviate from the interest rate for Renminbi in the PRC as a result of foreign exchange controls imposed by PRC law and regulations and prevailing market conditions.

As Renminbi Notes may carry a fixed interest rate, the trading price of the Renminbi Notes will consequently vary with the fluctuations in the Renminbi interest rates. If holders of the Renminbi Notes propose to sell their Renminbi Notes before their maturity, they may receive an offer lower than the amount they have invested.

4.15 Payments in respect of Renminbi Notes will only be made to investors in the manner specified in such Renminbi Notes.

All payments to investors in respect of Renminbi Notes will be made solely by (i) when Renminbi Notes are represented by Global Notes or Global Certificates held with a common depository for Euroclear and Clearstream, Luxembourg or a sub-custodian for the CMU or any alternative clearing system, transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and procedures of the relevant clearing system, or

(ii) when Renminbi Notes are in definitive form, transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. The Issuer and the Guarantor cannot be required to make payment by any other means (including in any other currency or in bank notes, by cheque or draft or by transfer to a bank account in the PRC).

4.16 Remittance of proceeds into or outside of the PRC in Renminbi is restricted.

In the event that the Group decides to remit some or all of the proceeds into the PRC in Renminbi, its ability to do so will be subject to obtaining all necessary approvals from, and/or registration or filing with, the relevant PRC Government authorities. However, there can be no assurance that the necessary approvals from, and/or registration or filing with, the relevant PRC Government authorities will be obtained at all or, if obtained, they will not be revoked or amended in the future.

There can be no assurance that the PRC Government will continue to gradually liberalise the control over cross-border Renminbi remittances in the future, that the pilot schemes introduced will not be discontinued or that new PRC regulations will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that the some or all of the proceeds are remitted into the PRC in Renminbi and the Issuer or the Guarantor subsequently is not able to repatriate funds outside the PRC in Renminbi, it will need to source Renminbi outside the PRC to finance its obligations under the Renminbi Notes, and its ability to do so will be subject to the overall availability of Renminbi outside the PRC.

5. RISKS RELATING TO FINANCIAL INFORMATION

Historical consolidated financial information of the Group may not be comparable to its previous or subsequent financial information, and may not be indicative of its current or future results of operations.

The historical consolidated financial information of the Group included in this Offering Circular is not indicative of its future financial results and is sometimes adjusted or restated to address subsequent changes in accounting standards, accounting policies or applicable laws and regulations with retrospective impact on the Guarantor's financial reporting or to reflect the comments provided by the Guarantor's independent auditor during the course of their audit or review in subsequent financial periods. In addition, the form of presentation of consolidated financial information is sometimes amended by way of combination, reclassification and/or re-naming of line items for the purposes of better reflecting the underlying nature of, and allowing a more understandable presentation of, the Group's financial information. In addition, the Group's future results of operations may change materially if its future growth does not follow the historical trends for various reasons, including factors beyond its control, such as changes in economic environment, accounting rules and regulations and the domestic and international competitive landscape of the industries in which the Group operates its business. For the reasons stated above, historical consolidated financial information of the Group may not be indicative of its current or future results of operations.

EXCHANGE RATE

HONG KONG

The Hong Kong dollar is freely convertible into the U.S. dollar. Since 1983, the Hong Kong dollar has been linked to the U.S. dollar. Under existing Hong Kong law, there are no foreign exchange controls or other laws, decrees or regulations that affect the remittance of payments to U.S. residents. The Basic Law of the Hong Kong Special Administrative Region of the PRC, which came into effect on 1 July 1997, provides that no foreign exchange control policies may be applied in Hong Kong.

Although the market exchange rate of the Hong Kong dollar against the U.S. dollar was and continues to be determined by forces of supply and demand in the foreign exchange market, between 1983 and May 2005 Hong Kong maintained a fixed rate system which fixed the rate of exchange to HK\$7.80 per U.S. dollar (the “**Linked Exchange Rate System**”). However, in May 2005, the Hong Kong Monetary Authority broadened the 22-year trading band from the original rate of HK\$7.80 per U.S. dollar to a new range varying between HK\$7.75 per U.S. dollar and HK\$7.85 per U.S. dollar. The Hong Kong government has indicated its intention to maintain the Linked Exchange Rate System. The Hong Kong government has also stated that it has no intention of imposing exchange controls and that the Hong Kong dollar will remain freely convertible into other currencies, including the U.S. dollar. However, no assurance can be given that the Hong Kong government will maintain the trading band at HK\$7.75 to HK\$7.85 per U.S. dollar or at all. As a result of the Linked Exchange Rate System, exchange rates between the Hong Kong dollar and other currencies are influenced by the value of the U.S. dollar.

The following table sets forth the noon buying rates as set forth in the H.10 statistical release of the Federal Reserve Board for and as at the periods indicated.

Period	Exchange Rate			
	Period end	Average(1)	High	Low
	<i>(HKD per U.S.\$1.00)</i>			
2015	7.7507	7.7519	7.7686	7.7495
2016	7.7534	7.7619	7.8270	7.7505
2017	7.8128	7.7950	7.8267	7.7540
2018	7.8305	7.8376	7.8499	7.8043
2019	7.7894	7.8335	7.8499	7.7850
2020	7.7534	7.7562	7.7951	7.7498
2021	7.7996	7.7727	7.8034	7.7515
2022	7.8015	7.8324	7.8503	7.7610
2023				
January	7.8384	7.8204	7.8384	7.8042
February	7.8490	7.8471	7.8499	7.8412
March	7.8499	7.8487	7.8499	7.8414
April	7.8498	7.8496	7.8499	7.8475
May (through 12 May 2023)	7.8426	7.8445	7.8499	7.8298

Note:

- (1) Calculated by averaging the rates on the last business day of each month during the relevant year, except for monthly average rates, which were calculated by averaging the daily rates during such month or part thereof.

USE OF PROCEEDS

The net proceeds from each issue of the Notes will be used for our working capital and general corporate purposes or to refinance our existing indebtedness. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Pricing Supplement.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the Company's consolidated capitalisation and indebtedness as of 31 December 2022. The following table should be read in conjunction with the Company's Consolidated Financial Statements and related notes included elsewhere in this Offering Circular.

	As of 31 December 2022 <i>US\$'000</i>
Short-term borrowings	
Private placement notes issued to the parent company	1,058,666
Short term borrowings from fellow subsidiaries	799,995
Bank borrowings	1,377,532
Short-term financing instruments payable	<u>175,404</u>
Total short-term borrowings	<u>3,411,597</u>
Long-term borrowings	
Long term borrowings from a fellow subsidiary	498,413
Bank borrowings	22,874
Debt instrument issued	<u>299,869</u>
Total long-term borrowings	<u>821,156</u>
Total borrowings	<u><u>4,232,753</u></u>
Equity	
Share capital	839,059
Other reserves	(123,695)
Retained earnings	742,231
Non-controlling interests	<u>53,052</u>
Total equity	<u>1,510,647</u>
Total capitalisation⁽¹⁾	<u><u>5,743,400</u></u>

Note:

(1) Equals the sum of total borrowings plus total equity.

There have been no material changes in the Company's consolidated capitalisation or indebtedness since 31 December 2022.

FORM OF PRICING SUPPLEMENT

The Pricing Supplement that will be issued in respect of each Tranche will be substantially in the following form, duly supplemented if (necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Notes and their issue.

[MiFID II product governance/Professional investors and ECPs only target market — Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, “**MiFID II**”); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the manufacturer[‘s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[‘s/s’] target market assessment) and determining appropriate distribution channels.]

[UK MiFIR product governance/Professional investors and ECPs only target market — Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (“**COBS**”), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**UK MiFIR**”); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the manufacturer[‘s/s’] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the “**UK MiFIR Product Governance Rules**”) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[‘s/s’] target market assessment) and determining appropriate distribution channels.]

PRIIPs REGULATION — PROHIBITION OF SALES TO EEA RETAIL INVESTORS — The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; [or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the “**Prospectus Regulation**”)]. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

UK PRIIPs REGULATION — PROHIBITION OF SALES TO UK RETAIL INVESTORS — The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (“**UK**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of

Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“EUWA”); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “FSMA”) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or [(iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA (the “UK Prospectus Regulation”).] Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the “UK PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

[Notification under Section 309B(1)(c) of the Securities and Futures Act 2001 of Singapore — In connection with Section 309B of the Securities and Futures Act 2001 of Singapore (the “SFA”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are [prescribed capital markets products]/[capital markets products other than prescribed capital markets products] (as defined in the CMP Regulations 2018) and [are] [Excluded]/[Specified] Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendation on Investment Products.)]¹

[The following language applies if the Notes are to be listed on The Stock Exchange of Hong Kong Limited.

This document is for distribution to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “HKSE”)) (“Professional Investors”) only.

Notice to Hong Kong Investors: Each of the Issuer and the Guarantor confirms that the Notes are intended for purchase by Professional Investors only and will be listed on the HKSE on that basis. Accordingly, each of the Issuer and the Guarantor confirms that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The HKSE has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Programme and the Notes on the HKSE is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes or the Issuer, the Guarantor or the Group or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the HKSE take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

¹ For any Notes to be offered to Singapore investors, the Issuer to consider whether it needs to re-classify the Notes pursuant to Section 309B of the SFA prior to the launch of the offer.

This document includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer, the Guarantor or the Group. Each of the Issuer and the Guarantor accepts full responsibility for the accuracy of the information contained in this document and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.]

[Date]

CSI MTN Limited
Legal entity identifier (LEI): 2549008F29JNGIBO2O60
Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
Guaranteed by CITIC Securities International Company Limited 中信証券國際有限公司
under its U.S.\$3,000,000,000
Guaranteed Medium Term Note Programme

This document constitutes the Pricing Supplement relating to the issue of Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the “**Conditions**”) set forth in the Offering Circular dated [date] (the “**Offering Circular**”) [and the Supplemental Offering Circular dated [date]]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular [as so supplemented]. Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of the Offering Circular[, the Supplemental Offering Circular dated [date]] and this Pricing Supplement.

[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.]

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the “**Conditions**”) set forth in the Offering Circular dated [original date]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular dated [original date] [and the Supplemental Offering Circular dated [date]], save in respect of the Conditions which are extracted from the Offering Circular dated [original date] and are attached hereto. Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of the Offering Circular[, the Supplemental Offering Circular dated [date]] and this Pricing Supplement]

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Pricing Supplement.]

[If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.]

1. (i) Issuer: CSI MTN Limited
- (ii) Guarantor: CITIC Securities International Company Limited 中信証券國際有限公司
2. (i) Series Number: [●]
- (ii) Tranche Number: [●] (If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)
- (iii) Date on which the Notes will be consolidated and form a single Series: The Notes will be consolidated and form a single Series with [identify earlier Tranches] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 25 below, which is expected to occur on or about [date]]/[Not Applicable]
3. Specified Currency or Currencies: [●]
4. Aggregate Nominal Amount:
 - (i) Series: [●]
 - (ii) Tranche: [●]
5. (i) Issue Price: [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)]
- (ii) [Net proceeds: [●]] [*Delete for unlisted issuances.*]

6. (i) Specified Denominations:^{2, 3}
- (ii) Calculation Amount⁴:
7. (i) Issue Date:
- (ii) Interest Commencement Date: [*specify*/Issue Date/Not Applicable]
8. Maturity Date: [*Fixed rate — specify date/Floating rate — Interest Payment Date falling in or nearest to [specify month]*]⁵
9. Interest Basis: [per cent. Fixed Rate]
 [[*Specify reference rate*] +/- per cent. Floating Rate]
 [Zero Coupon]
 [Index Linked Interest]
 [Dual Currency Interest]
 [*specify other*]
 (further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]
 [Index Linked Redemption]
 [Dual Currency Redemption]
 [Partly Paid]
 [Instalment]
 [specify other]
11. Change of Interest Basis or Redemption/
 Payment Basis: [*Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis*]
 [Not Applicable]

² Notes (including Notes denominated in sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA and which have a maturity of less than one year and must have a minimum redemption value of £100,000 (or its equivalent in other currencies).

³ If the specified denomination is expressed to be €100,000 or its equivalent and multiples of a lower principal amount (for example €1,000), insert the additional wording as follows: €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000. No notes in definitive form will be issued with a denomination above €199,000.

⁴ The applicable Calculation Amount will be (i) if there is only one Specified Denomination, the Specified Denomination of the relevant Notes or (ii) if there are several Specified Denominations or the circumstances referred to in Note 3 apply (e.g. Specified Denominations of €100,000 and multiples of €1,000), the highest common factor of those Specified Denominations (note: there must be a common factor in the case of two or more Specified Denominations).

⁵ Note that for Renminbi and Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification it will be necessary to use the second option here.

12. Put/Call Options: [Call Option]
[Put Option]
[(further particulars specified below)]
13. Date of [Board] approval for issuance of Notes and Guarantee obtained: Issuer’s Board Resolutions dated [●] [and Guarantor’s Board Resolutions dated [●], respectively]
(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee)
14. Listing: [The Stock Exchange of Hong Kong Limited/*specify other/None*] *(For Notes to be listed on the HKSE, insert the expected effective listing date of the Notes)*
15. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16. Fixed Rate Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Rate[(s)] of Interest: [●] per cent. per annum [payable [annually/semi-annually/quarterly/other (specify)] in arrear]
- (ii) Interest Payment Date(s): [●] in each year⁶ [adjusted in accordance with *[specify Business Day Convention and any applicable Business Centre(s) for the definition of “Business Day”]*/not adjusted]
(N.B.: This will need to be amended in the case of long or short coupons)

⁶ Note that for certain Renminbi or Hong Kong dollar denominated Fixed Rate Notes the Interest Payment Dates are subject to modification and the following words should be added: “provided that if any Interest Payment Date falls on a day which is not a Business Day, the Interest Payment Date will be the next succeeding Business Day unless it would thereby fall in the next calendar month in which event the Interest Payment Date shall be brought forward to the immediately preceding Business Day.”

- (iii) Fixed Coupon Amount(s): [●] per Calculation Amount⁷
(Applicable to Notes in definitive form)
- (iv) Broken Amount(s): [●] per Calculation Amount, payable on the
(Applicable to Notes in definitive form) Interest Payment Date falling [in/on] [●]
- (v) Day Count Fraction: [30/360 or Actual/Actual-ISDA or Actual/
Actual-ICMA or Actual/365 (Fixed)⁸ or
[specify other]]
- (vi) Determination Date(s): [●] in each year
*[Insert regular interest payment dates, ignoring
issue date or maturity date in the case of a
long or short first or last coupon]*
*(N.B.: This will need to be amended in the case
of regular interest payment dates which are not
of equal duration)*
*(N.B.: Only relevant where Day Count
Fraction is Actual/Actual-ICMA)*
- (vii) Other terms relating to the method of [None/Give details]
calculating interest for Fixed Rate Notes:
17. Floating Rate Note Provisions [Applicable/Not Applicable]
*(If not applicable, delete the remaining sub-
paragraphs of this paragraph)*
- (i) Interest Period(s): [[●] [, subject to adjustment in accordance with
the Business Day Convention set out in (v)
below/, not subject to any adjustment, as the
Business Day Convention in (v) below is
specified to be Not Applicable]]
- (ii) Specified Interest Payment Dates: [[●] in each year[, subject to adjustment in
accordance with the Business Day Convention
set out in (v) below/, not subject to any
adjustment[, as the Business Day Convention
in (v) below is specified to be Not
Applicable]]]

⁷ For Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification the following alternative wording is appropriate: “Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest CNY0.01, CNY0.005 being rounded upwards in the case of Renminbi denominated Fixed Rate Notes and to the nearest HK\$0.01, HK\$0.005 for the case of Hong Kong dollar denominated Fixed Rate Notes, being rounded upwards.”

⁸ Applicable to Hong Kong dollar denominated Fixed Rate Notes and Renminbi denominated Fixed Rate Notes.

- (iii) Interest Period Date: [As per the Conditions]/[●][in each year [, subject to adjustment in accordance with the Business Day Convention set out in (v) below/, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]] (*Not applicable unless different from Interest Payment Date*)
- (iv) First Interest Payment Date: [●]
- (v) Business Day Convention: [Floating Rate Business Day Convention/ Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[specify other] [Not Applicable]]
- (vi) Business Centre(s): [●]
- (vii) Manner in which the Rate(s) of Interest and Interest Amount is/are to be determined: [Screen Rate Determination/Screen Rate Determination (SOFR)/ISDA Determination/ other (*give details*)]
- (viii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Issuing and Paying Agent): [●]
- (ix) Screen Rate Determination (Condition 5(b)(iii)(B)):
- Reference Rate: [●]
(*EURIBOR, HIBOR, CNH HIBOR or other, although additional information is required if other — including fallback provisions in the Agency Agreement*)
 - Interest Determination Date(s): [●]
 - Relevant Screen Page: [●]
(*In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately*)

(x) Screen Rate Determination (SOFR)
(Condition 5(b)(iii)(C)):

- Reference Rate: SOFR Benchmark — [Simple SOFR Average/
Compounded Daily SOFR/SOFR Compounded
Index]
- Compounded Daily SOFR Method: [Not Applicable/SOFR Observation Lag/SOFR
Observation Shift/SOFR Payment Delay/SOFR
Lockout — *used for Compounded Daily SOFR
only*]
- Interest Determination Date(s): [The [●] U.S. Government Securities Business
Day prior to the last day of each Interest
Accrual Period — *only applicable in the case
of Simple SOFR Average/SOFR Observation
Lag/SOFR Observation Shift/SOFR Lockout/
SOFR Compounded Index*]

[The Interest Period Date at the end of each
Interest Period, provided that the Interest
Determination Date with respect to the final
Interest Accrual Period will be the U.S.
Government Securities Business Day
immediately following the relevant SOFR Rate
Cut-Off Date — *only applicable in the case of
SOFR Payment Delay*]
- Lookback Days: [[●] U.S. Government Securities Business Days
— *used for SOFR Lag only*]/[Not Applicable]
- SOFR Observation Shift Days: [[●] U.S. Government Securities Business Days
— *used for the SOFR Observation Shift or
SOFR Compounded Index only*]/[Not
Applicable]
- SOFR Rate Cut-Off Date: [The date falling [●] Business Days prior to the
end of each Interest Accrual Period, the
Maturity Date or the date fixed for redemption,
as applicable — *used for only Simple SOFR
Average (if applicable), Compounded Daily
SOFR (if applicable) — SOFR Payment Delay
or SOFR Lockout only*]/[Not Applicable]
- Interest Payment Delay Days: [●] Business Days — *used for SOFR Payment
Delay only*]/[Not Applicable]

- (xi) ISDA Determination (Condition 5(b)(iii)(A)):
- Floating Rate Option: [●]
 - Designated Maturity: [●]/[Not Applicable]
 - Reset Date: [●]
 - ISDA Definitions: (if different from those set out in the Conditions) [●]
 - ISDA Benchmarks Supplement: [Applicable/Not Applicable]
- (xii) Linear Interpolation: [Not Applicable/Applicable — the Rate of Interest for the [long/short] [first/last] Interest Accrual Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
- (xiii) Margin(s): [+/-] [●] per cent. per annum
- (xiv) Minimum Rate of Interest: [●] per cent. per annum
- (xv) Maximum Rate of Interest: [●] per cent. per annum
- (xvi) Day Count Fraction: [●]
- (xvii) Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [Benchmark Event/Benchmark Event (SOFR)/ *specify if fallback provisions different from those set out in the Conditions*]
18. Zero Coupon Note Provisions [Applicable/Not Applicable]
(*If not applicable, delete the remaining subparagraphs of this paragraph*)
- (i) Amortisation Yield: [●] per cent. per annum
 - (ii) Day Count Fraction: [●]
 - (iii) Any other formula/basis of determining amount payable: [●]

19. Index Linked Interest Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Index/Formula: [give or annex details]
- (ii) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Issuing and Paying Agent): [●]
- (iii) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: [need to include a description of market disruption or settlement disruption events and adjustment provisions]
- (iv) Interest Period(s) [●]
- (v) Specified Interest Payment Dates: [●]
- (vi) Business Day Convention: [Floating Rate Business Day Convention/ Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/specify other]
- (vii) Business Centre(s): [●]
- (viii) Minimum Rate of Interest: [●] per cent. per annum
- (ix) Maximum Rate of Interest: [●] per cent. per annum
- (x) Day Count Fraction: [●]
20. Dual Currency Interest Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Rate of Exchange/Method of calculating Rate of Exchange: [give or annex details]
- (ii) Party, if any, responsible for calculating the principal and/or interest due (if not the Issuing and Paying Agent): [●]

- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: *[need to include a description of market disruption or settlement disruption events and adjustment provisions]*
- (iv) Person at whose option Specified Currency(ies) is/are payable: [●]

PROVISIONS RELATING TO REDEMPTION

- 21. Call Option [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
 - (i) Optional Redemption Date(s): [●]
 - (ii) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[●] per Calculation Amount/specify other/see Appendix]
 - (iii) If redeemable in part: [●]
 - (a) Minimum Redemption Amount: [●]
 - (b) Maximum Redemption Amount: [●]
 - (iv) Notice period (if other than as set out in the Conditions): [●]
(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Issuing and Paying Agent or the Trustee)

- 22. Put Option [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
 - (i) Optional Redemption Date(s): [●]
 - (ii) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[●] per Calculation Amount/specify other/see Appendix]

- (iii) Notice period (if other than as set out in the Conditions): [●]
(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Issuing and Paying Agent or the Trustee)
23. Final Redemption Amount of each Note: [[●] per Calculation Amount/specify other/see Appendix]
24. Early Redemption Amount payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions): [[●] per Calculation Amount/specify other/see Appendix]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25. Form of Notes:
- [Bearer Notes:**
 [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]
- [Temporary Global Note exchangeable for Definitive Notes on [●] days' notice]
- [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]]
- [Registered Notes:**
 Global Certificate exchangeable for Individual Note Certificates in the limited circumstances described in the Global Certificate]
26. Financial Centre(s) or other special provisions relating to Payment Dates: [Not Applicable/*give details*]
(Note that this paragraph relates to the place of payment and not Interest Period end dates to which sub-paragraphs 16(ii), 17(vi) and 19(vii) relate)

27. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. *If yes, give details*]
28. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/*give details. N.B.: a new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues*]
29. Details relating to Instalment Notes: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Instalment Amount(s): [Not Applicable/*give details*]
- (ii) Instalment Date(s): [Not Applicable/*give details*]
- (iii) Minimum Instalment Amount: [●]
- (iv) Maximum Instalment Amount: [●]
30. Redenomination applicable: Redenomination [not] applicable
[(If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates))]
31. Consolidation provisions: [Not Applicable]/[The provisions annexed to this Pricing Supplement apply]
32. Other terms or special conditions: [Not Applicable/*give details*]

DISTRIBUTION

33. (i) If syndicated, names of Managers: [Not Applicable/*give names*]
- (ii) Stabilisation Manager(s) (if any): [Not Applicable/*give name*]
34. If non-syndicated, name of relevant Dealer: [Not Applicable/*give name*]
35. U.S. Selling Restrictions: [Reg. S Category 1/Category 2; TEFRA D/TEFRA C/TEFRA not applicable]
36. Additional selling restrictions: [Not Applicable/*give details*]

OPERATIONAL INFORMATION

37. Any clearing system(s) other than Euroclear or Clearstream or the CMU and the relevant identification number(s): [Not Applicable/*give name(s) and number(s)*]
38. Delivery: Delivery [against/free of] payment
39. Additional Paying Agent(s) (if any): [●]
40. (i) ISIN: [●]
- (ii) Common Code: [●]
- (iii) *(insert here any other relevant codes such as a CMU instrument number)* [●]

GENERAL

41. The aggregate nominal amount of Notes issued has been translated into U.S. dollars at the rate of [●], producing a sum of (for Notes not denominated in U.S. dollars): [Not applicable/U.S.\$[●]]
42. Ratings: The Notes to be issued have [not] been rated:
[Moody's: [●]]
[Fitch: [●]]
[S&P: [●]]
(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating)

43. Private Bank Rebate/Commission: [A rebate of [●] bps is being offered by the [Issuer] to all private banks for orders they place (other than in relation to Notes subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing of this offering based on the principal amount of the Notes distributed by such private banks to investors. Private banks are deemed to be placing an order on a principal basis unless they inform the CMI otherwise. As a result, private banks placing an order on a principal basis (including those deemed as placing an order as principal) will not be entitled to, and will not be paid, the rebate.]/[Not Applicable]

HONG KONG SFC CODE OF CONDUCT

44. Contact email addresses of the Overall Coordinators where underlying investor information in relation to omnibus orders should be sent: [*Include relevant contact email addresses of the Overall Coordinators where the underlying investor information should be sent — OCs to provide*]/[Not Applicable]
45. Marketing and Investor Targeting Strategy: [*if different from the programme OC*]

[USE OF PROCEEDS

Give details if different from the “Use of Proceeds” section in the [Offering Circular/Supplemental Offering Circular].

[STABILISATION

In connection with the issue of any Tranche of Notes, one or more of the Managers named as Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in this Pricing Supplement [provided that [●] shall not be appointed or acting as the Stabilisation Manager]⁹ may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.]

⁹ Include if requested by relevant Manager.

[LISTING APPLICATION

This Pricing Supplement comprises the final terms required for the issue of Notes described herein pursuant to the U.S.\$3,000,000,000 Guaranteed Medium Term Note Programme of CSI MTN Limited.]

[MATERIAL ADVERSE CHANGE STATEMENT

[Except as disclosed in this document, there/There] has been no significant change in the financial or trading position of the Issuer or of the Group since [insert date of last audited accounts or interim accounts (if later)] and no material adverse change in the financial position or prospects of the Issuer or of the Group since [insert date of last published annual accounts].]

RESPONSIBILITY

The Issuer and the Guarantor accept responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

Signed on behalf of the Guarantor:

By: _____
Duly authorised

By: _____
Duly authorised

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions that, save for the words in italics and subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Pricing Supplement, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) or the Global Certificate(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of the Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the relevant Pricing Supplement or, if not defined in the relevant Pricing Supplement, the Trust Deed. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in these Conditions to “Notes” are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

The Notes are issued by CSI MTN Limited (the “**Issuer**”) and guaranteed by CITIC Securities International Company Limited 中信証券國際有限公司 (the “**Guarantor**”), and are constituted by a trust deed dated 29 March 2022 (as amended, restated and/or supplemented as at the date of issue of the Notes (the “**Issue Date**”), and as the same may be further amended, restated and/or supplemented from time to time thereafter, the “**Trust Deed**”) between the Issuer, the Guarantor and Citicorp International Limited (the “**Trustee**”, which expression shall, where the context so permits, include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). These terms and conditions (the “**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Certificates, Receipts, Coupons and Talons referred to below. An agency agreement dated 29 March 2022 (as amended, restated and/or supplemented as at the Issue Date, and as the same may be further amended, restated and/or supplemented from time to time thereafter, the “**Agency Agreement**”) has been entered into in relation to the Notes between the Issuer, the Guarantor, the Trustee, Citibank, N.A., London Branch as initial issuing and paying agent, Citicorp International Limited as the CMU lodging and paying agent for Notes to be held in the Central Moneymarkets Unit Service operated by the Hong Kong Monetary Authority (the “**CMU**”) and other agents named therein. The issuing and paying agent, the CMU lodging and paying agent, any other paying agents, the registrar, the transfer agent(s) and the calculation agent(s) for the time being are referred to below respectively as the “**Issuing and Paying Agent**”, the “**CMU Lodging and Paying Agent**”, the “**Paying Agents**” (which expression shall include the Issuing and Paying Agent and the CMU Lodging and Paying Agent), the “**Registrar**”, the “**Transfer Agents**” and the “**Calculation Agent(s)**” and collectively, the “**Agents**”. For the purposes of these Conditions, all references to the Issuing and Paying Agent shall, with respect to a Series of Notes to be held in the CMU, be deemed to be a reference to the CMU Lodging and Paying Agent and all such references shall be construed accordingly.

Copies of the Trust Deed and the Agency Agreement are available for inspection at all reasonable times during usual business hours (being between 9: 00 a.m. and 3: 00 p.m., Hong Kong time, Monday to Friday other than public holidays) upon prior written request and proof of holding and identity satisfactory to the Trustee, at the principal office of the Trustee (presently at 20th Floor, Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong).

The Noteholders, the holders of the interest coupons (the “**Coupons**”) relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the “**Talons**”) (the “**Couponholders**”) and the holders of the receipts (the “**Receiptholders**”) for the

payment of instalments of principal (the “**Receipts**”) relating to Notes in bearer form of which the principal is payable in instalments are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

As used in these Conditions, “**Tranche**” means Notes which are identical in all respects, and “**Series**” means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (a) expressed to be consolidated and form a single series with such Tranche of Notes and (b) identical in all respects (or in all respects except for the Issue Date, the issue price and the first payment of interest on them).

All capitalised terms that are not defined in these Conditions will have the meanings given to them in the relevant Pricing Supplement or, if not defined in the relevant Pricing Supplement, the Trust Deed.

1. FORM, DENOMINATION AND TITLE

The Notes are issued in bearer form (“**Bearer Notes**”) or in registered form (“**Registered Notes**”), in each case in the Specified Denomination(s) shown hereon.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, an Index Linked Redemption Note, an Instalment Note, a Dual Currency Note or a Partly Paid Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown hereon.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Notes are issued with one or more Receipts attached.

*Each Tranche of Bearer Notes will be in bearer form and will be initially issued in the form of a temporary Global Note or, if so specified in the relevant Pricing Supplement, a permanent Global Note which, in either case, will be delivered on or prior to the original issue date of the Tranche to either (i) a common depositary (the “**Common Depositary**”) for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking SA (“**Clearstream**”); or (ii) a sub-custodian for the CMU.*

Registered Notes are represented by registered certificates (“**Certificates**”) and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes and the Receipts, Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the “**Register**”). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Receipt, Coupon or Talon shall be deemed to be and shall be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the relevant Certificate) and no person shall be liable for so treating the holder.

*For so long as any of the Notes are represented by a Global Note or a Global Certificate held on behalf of Euroclear and/or Clearstream or a sub-custodian for the CMU, each person (other than Euroclear or Clearstream or the CMU) who is for the time being shown in the records of Euroclear or Clearstream or the CMU as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream or the CMU as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes) shall be treated by the Issuer, the Guarantor, the Trustee and the Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Global Note or the registered holder of the relevant Global Certificate shall be treated by the Issuer, the Guarantor, the Trustee and any Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note or Global Certificate and the expressions “**Noteholder**” and “**holder of Notes**” and related expressions shall be construed accordingly. Notwithstanding the above, if a Note (whether in global or definitive form) is held through the CMU, any payment that is made in respect of such Note shall be made to the person for whose account(s) interests in such Note are credited as being held with the CMU in accordance with the CMU Rules (as defined in the Agency Agreement) at the relevant time and payment made in accordance thereof shall discharge the Issuer’s obligations in respect of that payment. In addition, these Conditions are modified by certain provisions contained in the Global Note or the Global Certificate (as the case may be).*

In these Conditions, “**Noteholder**” means the bearer of any Bearer Note and the Receipts relating to it or the person in whose name a Registered Note is registered (as the case may be), “**holder**” (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Bearer Note, Receipt, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

2. NO EXCHANGE OF NOTES AND TRANSFERS OF REGISTERED NOTES AND CERTIFICATES

- (a) **No Exchange of Notes:** Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes may not be exchanged for Registered Notes.
- (b) **Transfer of Registered Notes:** One or more Registered Notes may, subject to Conditions 2(b) and 2(f), be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or such Transfer Agent may require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. All transfers of Notes and entries on the Register will be made in accordance with the detailed regulations concerning

transfers of Notes scheduled to the Agency Agreement (the “**Regulations**”). The Regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee, or by the Registrar, with the prior written approval of the Trustee. A copy of the current Regulations will be made available by the Registrar to any Noteholder at all reasonable times during usual business hours (being between 9: 00 a.m. and 3: 00 p.m., Hong Kong time, Monday to Friday other than public holidays) upon prior written request and proof of holding and identity satisfactory to the Registrar.

Transfers of interests in the Notes evidenced by Global Certificates will be effected in accordance with the rules of the relevant clearing systems.

- (c) **Exercise of Options or Partial Redemption in Respect of Registered Notes:** In the case of an exercise of an Issuer’s or Noteholders’ option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Registered Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent.
- (d) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Conditions 2(b) or 2(c) shall be available for delivery within seven business days of receipt of a duly completed form of transfer, Put Exercise Notice (as defined in Condition 6(d)) or Exercise Notice (as defined in Condition 6(f)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of any Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Put Exercise Notice, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer, Put Exercise Notice, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate (but free of charge to the holder and at the Issuer’s expense) to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), “**business day**” means a day, other than a Saturday, a Sunday or a public holiday, on which commercial banks are generally open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).
- (e) **Transfers Free of Charge:** Transfers of Registered Notes and Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon (i) payment by the relevant Noteholder of any tax, duties or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security and/or prefunding as the Registrar or the relevant Transfer Agent may require); (ii) the Registrar or the relevant Transfer Agent being satisfied in its absolute discretion with the documents of title or identity of the person making the application and (iii) the Registrar or the relevant Agent being satisfied that the Regulations have been complied with.

- (f) **Closed Periods:** No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on (and including) the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) after the exercise of the put option in Condition 6(d), (iii) after the exercise of the put option in Condition 6(f), (iv) during the period of 15 days prior to any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(c) or Condition 6(e), (v) after any such Note has been called for redemption or (v) during the period of seven days ending on (and including) any Record Date (as defined in Condition 7(c)(ii)).

3. GUARANTEE AND STATUS

- (a) **Status of Notes:** The Notes and any Receipts and Coupons relating to them constitute direct, unsubordinated, unconditional and (subject to Condition 4(c)) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Receipts and the Coupons relating to them shall, save for such exceptions as may be provided by applicable law and subject to Condition 4(c), at all times rank at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer.
- (b) **Guarantee:** The Guarantor has in the Trust Deed unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Trust Deed, the Notes and, if applicable, the Receipts and the Coupons (the “**Guarantee**”). The payment obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable law and subject to Condition 4(c), at all times rank at least equally with all other present and future unsecured and unsubordinated obligations of the Guarantor.

4. NEGATIVE PLEDGE AND OTHER COVENANTS

(a) **Limitations on the Issuer**

So long as any Note remains outstanding (as defined in the Trust Deed), the Issuer undertakes not to, and the Guarantor undertakes to cause the Issuer not to, conduct any business or any activities other than:

- (i) the issue of the Notes or other bonds or notes which are, or are capable of being listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market) outside the People’s Republic of China (for the purposes hereof, not including the Hong Kong and Macau Special Administrative Regions or Taiwan) (the “**PRC**”) (without regard, however, to whether or not such instruments are sold through public offerings or private placements) and the lending of the proceeds thereof to the Guarantor or any of the Guarantor’s Subsidiaries and affiliates and any other activities reasonably incidental thereto as necessary in connection therewith (which shall for the avoidance of doubt include creating or permitting to exist any Security subject to Condition 4(c)(i) below) (the activities described in this Condition 4(a)(i), the “**Permitted Activities**”); and
- (ii) to establish or to allow to exist any Subsidiary of the Issuer which conducts any of the Permitted Activities set out in sub-paragraph (i) above.

So long as any Note remains outstanding (as defined in the Trust Deed), the Issuer will remain 100%, directly or indirectly, owned by the Guarantor and all of the outstanding shares of the Issuer will be free and clear of any security interest claim, lien or encumbrance.

(b) Financial Statements and Compliance Certificate

For so long as any Note or Coupon remains outstanding (as defined in the Trust Deed):

- (i) the Guarantor shall send to the Trustee, as soon as practicable after their date of publication and in any event not more than 180 days after the end of each financial year, a softcopy of the audited annual consolidated financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) (audited by an internationally recognised firm of independent accountants) of the Guarantor and its Subsidiaries (the “**Guarantor Audited Financial Statements**”) and if such statements shall be in the Chinese language, together with an English translation of the same translated by (A) an internationally recognised firm of accountants or (B) a professional translation service provider and checked by an internationally recognised firm of accountants, together in each case with a certificate signed by an Authorised Signatory of the Guarantor certifying that such translation is complete and accurate, *provided* that if at any time the capital stock of the Guarantor is listed for trading on any stock exchange, the Guarantor may deliver to the Trustee, as soon as they are available but in any event not more than 14 calendar days after any financial or other reports of the Guarantor are filed with the relevant stock exchange on which the Guarantor’s capital stock is at such time listed for trading, a true and correct copy of any financial or other report filed with such stock exchange in lieu of the Guarantor Audited Financial Reports and if such financial reports shall be in the Chinese language, together with an English translation of the same translated by (x) an internationally recognised firm of accountants or (y) a professional translation service provider and checked by an internationally recognised firm of accountants; and
- (ii) the Guarantor shall send to the Trustee a Compliance Certificate (on which the Trustee may rely conclusively as to such compliance and shall not be liable to any Noteholder or any other person for such reliance) within (A) 180 days after the end of the Guarantor’s financial year (being 31 December of each year); and (B) 14 days of any request therefor from the Trustee.

(c) Negative Pledge:

So long as any Note or Coupon remains outstanding (as defined in the Trust Deed),

- (i) the Issuer shall not, and shall procure that none of its Subsidiaries will, create or permit to exist any Security upon any of its property or assets, now owned or hereafter acquired, to secure any Relevant Indebtedness or to secure any guarantee or indemnity in respect of such Relevant Indebtedness of any Person, without, in any such case, making effective provision whereby the Notes and the Coupons issued by the Issuer will be secured either (a) at least equally and rateably with such Relevant Indebtedness (or any guarantee or indemnity in respect of such Relevant Indebtedness) or (b) by such other Security as may be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders; and

- (ii) the Guarantor shall not, and shall procure that none of its Subsidiaries (other than any Subsidiary, the common shares of which are listed for trading on any recognised stock exchange, to the extent that the property or assets of such Subsidiary (or any Subsidiary of such Subsidiary) do not secure any Relevant Indebtedness and do not secure any guarantee or indemnity in respect of such Relevant Indebtedness outside the PRC of any Person other than itself or any of its Subsidiaries) will, create or permit to exist any Security upon any of its property or assets, at any time, with a book value exceeding 7.5% of the Consolidated Total Assets in the aggregate, now owned or hereafter acquired, to secure any Relevant Indebtedness (or any guarantee or indemnity in respect of such Relevant Indebtedness) outside the PRC of any Person without, in any such case, making effective provision whereby the Notes and the Coupons issued by the Issuer will be secured either (a) at least equally and rateably with such Relevant Indebtedness (or any guarantee or indemnity in respect of such Relevant Indebtedness) or (b) by such other Security as may be approved by an Extraordinary Resolution of the Noteholders.
- (d) **Trustee Reliance:** The Trustee shall be entitled to conclusively rely on or act in reliance on any certificate, notice or document received by it as contemplated in this Condition 4 as sufficient evidence of the facts and/or matters stated therein and shall not be liable to any Noteholder and/or Couponholder or any other person for so doing.
- (e) In these Conditions:

“**Compliance Certificate**” means a certificate of the Guarantor (on behalf of itself and the Issuer) in English in the form scheduled to the Trust Deed signed by an Authorised Signatory of the Guarantor that, having made all reasonable enquiries, to the best knowledge, information and belief of the Guarantor (on behalf of itself and the Issuer), as at a date (the “**Certification Date**”) not more than five days before the date of the certificate that:

- (i) no Event of Default or Potential Event of Default (as defined in the Trust Deed) had occurred since the Certification Date of the last such certificate or (if none) the date of the Trust Deed or, if such an event had occurred, giving details of it; and
- (ii) each of the Issuer and the Guarantor has complied with all of their respective covenants and obligations under the Trust Deed and the Notes or, if non-compliance had occurred, giving details of it;

“**Consolidated Total Assets**” means, as of any date, the consolidated total assets *less* the sum of (i) cash held on behalf of customers and (ii) customers’ refundable deposits of the Guarantor, each measured in accordance with HKFRS as of the balance sheet date of the most recent Guarantor Audited Financial Statements published by the Guarantor under Condition 4(b)(i);

a “**Person**” means any state-owned enterprise, individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organisation, limited liability company, government or any agency or political subdivision thereof or any other entity;

“**Rating Agency**” means (i) Standard & Poor’s Rating Services, a part of McGraw Hill Financial, and its affiliates; or (ii) Moody’s Investors Service, Inc. and its affiliates;

“**Relevant Indebtedness**” of any Person means any present or future indebtedness that is in the form of, or represented or evidenced by, any bonds, notes, debentures, debenture stocks, loan stock certificates or other securities, which are, or intended to be, quoted, listed or dealt in or traded on any stock exchange or over-the-counter market or other securities market and has a final maturity of one year or more from its date of incurrence or issuance;

“**Security**” means any mortgage, charge, pledge, lien or other security interest; and

“**Subsidiary**” of any Person means (a) any company or other business entity of which that Person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity, or (b) any company or other business entity which at any time has its accounts consolidated with those of that Person or which, under the laws, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such person from time to time, should have its accounts consolidated with those of that Person.

5. INTEREST AND OTHER CALCULATIONS

The amount payable in respect of the aggregate nominal amount of Notes represented by a Global Certificate or a Global Note (as the case may be) shall be made in accordance with the methods of calculation provided for in the Conditions and the relevant Pricing Supplement, save that the calculation is made in respect of the total aggregate amount of the Notes represented by a Global Certificate or a Global Note (as the case may be), together with such other sums and additional amounts (if any) as may be payable under the Conditions.

- (a) **Interest on Fixed Rate Notes:** Each Fixed Rate Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h).
- (b) **Interest on Floating Rate Notes and Index Linked Interest Notes:**
 - (i) **Interest Payment Dates:** Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, “Interest Payment Date” shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

- (ii) **Business Day Convention:** If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.
- (iii) **Rate of Interest for Floating Rate Notes:** The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to any of ISDA Determination, Screen Rate Determination or Linear Interpolation shall apply, depending upon which is specified hereon.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), “**ISDA Rate**” for an Interest Accrual Period means, unless otherwise specified hereon, a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (x) the Floating Rate Option is as specified hereon;
- (y) the Designated Maturity is a period specified hereon; and
- (z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

For the purposes of this sub-paragraph (A), “**Floating Rate**”, “**Calculation Agent**”, “**Floating Rate Option**”, “**Designated Maturity**”, “**Reset Date**” and “**Swap Transaction**” have the meanings given to those terms in the ISDA Definitions.

(B) *Screen Rate Determination for Floating Rate Notes (other than Floating Rate Notes which specify the Reference Rate as SOFR)*

(x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, and unless the Reference Rate in respect of the relevant Series of Floating Rate Notes is specified hereon as being “SOFR”, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (Brussels time in the case of EURIBOR or Hong Kong time in the case of HIBOR) or 11.15 a.m. (Hong Kong time) or if, at or around that time it is notified that the fixing will be published at 2.30 p.m. (Hong Kong time), then as of 2.30 p.m. (in the case of CNH HIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified hereon as being other than EURIBOR or HIBOR or CNH HIBOR, the Rate of Interest in respect of such Notes will be determined as provided hereon.

(y) if the Relevant Screen Page is not available or if, sub-paragraph (x)(1) above applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (x)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall promptly inform the Issuer and the Issuer shall use its best endeavours to appoint an Independent Investment Bank and procure such Independent Investment Bank to request, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks or, if the Reference Rate is HIBOR or CNH HIBOR, the principal Hong Kong office of each of the Reference Banks, each to provide the Independent Investment Bank and the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is HIBOR or CNH HIBOR, at approximately 11.00 a.m. (Hong Kong time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Independent Investment Bank and the

Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and

- (z) if paragraph (y) above applies and the Independent Investment Bank and the Calculation Agent have received quotations from fewer than two Reference Banks, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated at the request of the Independent Investment Bank to the Independent Investment Bank and the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is HIBOR or CNH HIBOR, at approximately 11.00 a.m. (Hong Kong time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market or, if the Reference Rate is HIBOR or CNH HIBOR, the Hong Kong inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Independent Investment Bank and the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is HIBOR or CNH HIBOR, at approximately 11.00 a.m. (Hong Kong time) on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Independent Investment Bank suitable for such purpose) informs the Independent Investment Bank and the Calculation Agent it is quoting to leading banks in, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, or, if the Reference Rate is HIBOR or CNH HIBOR, the Hong Kong inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

For the purposes of this Condition 5(b)(iii)(B), “**Independent Investment Bank**” means an independent financial institution of international repute or an independent financial adviser with appropriate expertise (which shall not be the Calculation Agent unless the Calculation Agent expressly agrees to act as such in relation to a specific issue or Series of Notes) appointed by

(and at the expense of) the Issuer for the purposes of this Condition 5(b)(iii)(B) and notified in writing by the Issuer to the Calculation Agent and the Trustee.

(C) Screen Rate Determination for Floating Rate Notes where the Reference Rate is specified as being SOFR Benchmark

If Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined where the Reference Rate is SOFR Benchmark, the Rate of Interest applicable to the Floating Rate Notes for each Interest Accrual Period will, subject as provided below, be equal to the sum of the relevant SOFR Benchmark plus or minus (as specified hereon) the Margin (if any), all as determined by the Calculation Agent on the relevant Interest Determination Date.

The “**SOFR Benchmark**” will be determined based on Simple SOFR Average, Compounded Daily SOFR or SOFR Compounded Index (as specified hereon), as follows (subject in each case to Condition 5(b)(v)):

- (x) If Simple SOFR Average (“**Simple SOFR Average**”) is specified hereon as the manner in which the SOFR Benchmark will be determined, the SOFR Benchmark for each Interest Accrual Period shall be the arithmetic mean of the SOFR reference rates for each day during such Interest Accrual Period, as calculated by the Calculation Agent, and where, if applicable and as specified hereon, the SOFR reference rate on the SOFR Rate Cut-Off Date shall be used for the days in the relevant Interest Accrual Period from (and including) the SOFR Rate Cut-Off Date to (but excluding) the last day of that Interest Accrual Period.
- (y) If Compounded Daily SOFR (“**Compounded Daily SOFR**”) is specified hereon as the manner in which the SOFR Benchmark will be determined, the SOFR Benchmark for each Interest Accrual Period shall be equal to the compounded average of daily SOFR reference rates for each day during the relevant Interest Accrual Period (where SOFR Observation Lag, SOFR Payment Delay or SOFR Lockout is specified as applicable hereon to determine Compounded Daily SOFR) or the SOFR Observation Period (where SOFR Observation Shift is specified as applicable hereon to determine Compounded Daily SOFR).

Compounded Daily SOFR shall be calculated by the Calculation Agent in accordance with one of the formulas referenced below depending upon which is specified as applicable hereon:

- i. SOFR Observation Lag:

$$\left(\prod_{i=1}^{d_o} \left(1 + \frac{SOFR_{i-\times USBD} \times n_i}{360} \right) - 1 \right) \times \frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded upwards) (e.g., 9.876541 per cent. (or 0.09876541) being rounded down to 9.87654 per cent. (or 0.0987654) and 9.876545 per cent. (or 0.09876545) being rounded up to 9.87655 per cent. (or 0.0987655)) and where:

“**SOFR_{i-xUSBD}**” for any U.S. Government Securities Business Day(i) in the relevant Interest Accrual Period, is equal to the SOFR reference rate for the U.S. Government Securities Business Day falling the number of Lookback Days prior to that U.S. Government Securities Business Day (i);

“**Lookback Days**” means such number of U.S. Government Securities Business Days as specified hereon;

“**d**” means the number of calendar days in the relevant Interest Accrual Period;

“**d₀**” for any Interest Accrual Period, means the number of U.S. Government Securities Business Days in the relevant Interest Accrual Period;

“**i**” means a series of whole numbers ascending from one to do, each representing the relevant U.S. Government Securities Business Day in chronological order from (and including) the first U.S. Government Securities Business Day in the relevant Interest Accrual Period (each, a “**U.S. Government Securities Business Day(i)**”); and

“**n_i**” for any U.S. Government Securities Business Day(i), means the number of calendar days from (and including) such U.S. Government Securities Business Day(i) up to (but excluding) the following U.S. Government Securities Business Day.

ii. SOFR Observation Shift:

$$\left(\prod_{i=1}^{d_0} \left(1 + \frac{SOFR_i \times n_i}{360} \right) - 1 \right) \times \frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded upwards) (e.g., 9.876541 per cent. (or 0.09876541) being rounded down to 9.87654 per cent. (or 0.0987654) and 9.876545 per cent. (or 0.09876545) being rounded up to 9.87655 per cent. (or 0.0987655)) and where:

“**SOFR_i**” for any U.S. Government Securities Business Day(i) in the relevant SOFR Observation Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day(i);

“**SOFR Observation Period**” means, in respect of an Interest Accrual Period, the period from (and including) the date falling the number of SOFR Observation Shift Days prior to the first day of such Interest Accrual Period to (but excluding) the date falling the number of SOFR Observation Shift Days prior to the Interest Period Date of such Interest Accrual Period;

“**SOFR Observation Shift Days**” means the number of U.S. Government Securities Business Days as specified hereon;

“**d**” means the number of calendar days in the relevant SOFR Observation Period;

“**d₀**” for any SOFR Observation Period, means the number of U.S. Government Securities Business Days in the relevant SOFR Observation Period;

“**i**” means a series of whole numbers ascending from one to do, each representing the relevant U.S. Government Securities Business Day in chronological order from (and including) the first U.S. Government Securities Business Day in the relevant SOFR Observation Period (each, a “**U.S. Government Securities Business Day(i)**”); and

“**n_i**” for any U.S. Government Securities Business Day(i), means the number of calendar days from (and including) such U.S. Government Securities Business Day(i) up to (but excluding) the following U.S. Government Securities Business Day.

iii. SOFR Payment Delay:

$$\left(\prod_{i=1}^{d_0} \left(1 + \frac{SOFR_i \times n_i}{360} \right) - 1 \right) \times \frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded upwards) (e.g., 9.876541 per cent. (or 0.09876541) being rounded down to 9.87654 per cent. (or 0.0987654) and 9.876545 per cent. (or 0.09876545) being rounded up to 9.87655 per cent. (or 0.0987655)) and where:

“**SOFR_i**” for any U.S. Government Securities Business Day(i) in the relevant Interest Accrual Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day(i);

“**Interest Payment Date**” shall be the number of Interest Payment Delay Days following each Interest Period Date; provided that the Interest Payment Date with respect to the final Interest Accrual Period will be the Maturity Date or the relevant date for redemption, as applicable;

“**Interest Payment Delay Days**” means the number of Business Days as specified hereon;

“**d**” means the number of calendar days in the relevant Interest Accrual Period;

“**d₀**” for any Interest Accrual Period, means the number of U.S. Government Securities Business Days in the relevant Interest Accrual Period;

“**i**” means a series of whole numbers ascending from one to do, each representing the relevant U.S. Government Securities Business Day in chronological order from (and including) the first U.S. Government Securities Business Day in the relevant Interest Accrual Period (each, a “**U.S. Government Securities Business Day(i)**”); and

“**n_i**” for any U.S. Government Securities Business Day(i), means the number of calendar days from (and including) such U.S. Government Securities Business Day(i) up to (but excluding) the following U.S. Government Securities Business Day.

For the purposes of calculating Compounded Daily SOFR with respect to the final Interest Accrual Period where SOFR Payment Delay is specified hereon, the SOFR reference rate for each U.S. Government Securities Business Day in the period from (and including) the SOFR Rate Cut-Off Date to (but excluding) the Maturity Date or the relevant Optional Redemption Date, as applicable, shall be the SOFR reference rate in respect of such SOFR Rate Cut-Off Date.

iv. SOFR Lockout:

$$\left(\prod_{i=1}^{d_0} \left(1 + \frac{SOFR_i \times n_i}{360} \right) - 1 \right) \times \frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded upwards) (e.g., 9.876541 per cent. (or 0.09876541) being rounded down to 9.87654 per cent. (or 0.0987654) and 9.876545 per cent. (or 0.09876545) being rounded up to 9.87655 per cent. (or 0.0987655)) and where:

“**SOFR_i**” for any U.S. Government Securities Business Day(i) in the relevant Interest Accrual Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day(i) except that the SOFR for any U.S. Government Securities Business Day(i) in respect of the period from (and including) the SOFR Rate Cut-Off Date to (but excluding) the last day of such Interest Accrual Period shall be the SOFR reference rate in respect of such SOFR Rate Cut-Off Date;

“**d**” means the number of calendar days in the relevant Interest Accrual Period;

“**d₀**” for any Interest Accrual Period, means the number of U.S. Government Securities Business Days in the relevant Interest Accrual Period;

“**i**” means a series of whole numbers ascending from one to do, representing each relevant U.S. Government Securities Business Day from (and including) the first U.S. Government Securities Business Day in the relevant Interest Accrual Period (each, a “**U.S. Government Securities Business Day(i)**”); and

“**n_i**” for any U.S. Government Securities Business Day(i), means the number of calendar days from (and including) such U.S. Government Securities Business Day(i) up to (but excluding) the following U.S. Government Securities Business Day.

The following defined terms shall have the meanings set out below for purpose of Conditions 5(b)(iii)(C)(x) and 5(b)(iii)(C)(y):

“**Bloomberg Screen SOFRRATE Page**” means the Bloomberg screen designated “SOFRRATE” or any successor page or service;

“**Reuters Page USDSOFR=**” means the Reuters page designated “USDSOFR=” or any successor page or service;

“**SOFR**” means, with respect to any U.S. Government Securities Business Day, the reference rate determined by the Calculation Agent in accordance with the following provision:

- (i) the Secured Overnight Financing Rate published at the SOFR Determination Time as such reference rate is reported on the Bloomberg Screen SOFRRATE Page; the Secured Overnight Financing Rate published at the SOFR Determination Time as such reference rate is reported on the Reuters Page USDSOFR=; or the Secured Overnight Financing Rate published at the SOFR Determination Time on the SOFR Administrator’s Website and in the event of any inconsistency between any of these published rates, the rate shall be the published rate as selected by the Calculation Agent;
- (ii) if the reference rate specified in (i) above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have not occurred, the SOFR reference rate shall be the reference rate published on the SOFR Administrator’s Website for the first preceding U.S. Government Securities Business Day for which SOFR was published on the SOFR Administrator’s Website; or

- (iii) if the reference rate specified in (i) above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have occurred, the provisions set forth in Condition 5(b)(v) shall apply;

“**SOFR Determination Time**” means approximately 3:00 p.m. (New York City time) on the immediately following the relevant U.S. Government Securities Business Day.

- (z) If SOFR Compounded Index (“**SOFR Compounded Index**”) is specified as applicable hereon, the SOFR Benchmark for each Interest Accrual Period shall be equal to the compounded average of daily SOFR reference rates for each day during the relevant SOFR Observation Period as calculated by the Calculation Agent as follows:

$$\left(\frac{SOFR\ Index_{End}}{SOFR\ Index_{Start}} - 1 \right) \times \left(\frac{360}{d_c} \right)$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded upwards) (e.g., 9.876541 per cent. (or 0.09876541) being rounded down to 9.87654 per cent. (or 0.0987654) and 9.876545 per cent. (or 0.09876545) being rounded up to 9.87655 per cent. (or 0.0987655)) and where:

“**SOFR Index**”, with respect to any U.S. Government Securities Business Day, means the SOFR Index value as published on the SOFR Administrator’s Website at the SOFR Index Determination Time on such U.S. Government Securities Business Day, *provided that* if such SOFR Index value is not available and:

- (i) if a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have not occurred, the “**SOFR Compounded Index**” shall be calculated on any Interest Determination Date with respect to an Interest Accrual Period, in accordance with the Compounded Daily SOFR formula described above in Condition 5(b)(iii)(C)(y)ii (*SOFR Observation Shift*); or
- (ii) if a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have occurred, the provisions set forth in Condition 5(b)(v) shall apply;

“**SOFR IndexEnd**” means, in respect of an Interest Accrual Period, the SOFR Index value on the date that is SOFR Observation Shift Days prior to the Interest Period Date for such Interest Accrual Period (or in the final Interest Accrual Period, the Maturity Date);

“**SOFR IndexStart**” means, in respect of an Interest Accrual Period, the SOFR Index value on the date that is SOFR Observation Shift Days prior to the first date of such Interest Accrual Period;

“**SOFR Index Determination Time**” means, in relation to any U.S. Government Securities Business Day, approximately 3: 00 p.m. (New York City time) on such U.S. Government Securities Business Day;

“**SOFR Observation Period**” means, in respect of an Interest Accrual Period, the period from (and including) the date falling the number of SOFR Observation Shift Days prior to the first day of such Interest Accrual Period to (but excluding) the date falling the number of SOFR Observation Shift Days prior to the Interest Period Date for such Interest Accrual Period;

“**SOFR Observation Shift Days**” means the number of U.S. Government Securities Business Days as specified hereon; and

“**d_c**” means the number of calendar days in the applicable SOFR Observation Period.

If the Notes become due and payable in accordance with Condition 10, the final Interest Determination Date shall, notwithstanding any Interest Determination Date specified hereon, be deemed to be the date on which the Notes became due and payable and the Rate of Interest on the Notes shall, for so long as the Notes remain outstanding, be that determined on such date.

The following defined terms shall have the meanings set out below for purpose of this Condition 5(b)(iii)(C):

“**SOFR Administrator’s Website**” means the website of the Federal Reserve Bank of New York (currently, being <https://www.newyorkfed.org/markets/reference-rates/sofr-averages-and-index>), or any successor source;

“**SOFR Benchmark Replacement Date**” means the date of occurrence of a Benchmark Event with respect to the then-current Benchmark;

“**SOFR Benchmark Transition Event**” means the occurrence of a Benchmark Event with respect to the then-current Benchmark;

“**SOFR Rate Cut-Off Date**” has the meaning given hereon; and

“**U.S. Government Securities Business Day**” or “**USBD**” means any day except for a Saturday, a Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

- (iv) **Benchmark Replacement for Floating Rate Notes (other than Floating Rate Notes which specify the Reference Rate as SOFR):** In addition, notwithstanding the provisions of this Condition 5(b), if the Issuer determines that a Benchmark Event has occurred in relation to the relevant Reference Rate specified hereon when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Reference Rate, then the following provisions shall apply:

(A) *Independent Adviser*

If a Benchmark Event occurs in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 5(b)(iv)(B)) and, in either case, an Adjustment Spread if any (in accordance with Condition 5(b)(iv)(C)) and any Benchmark Amendments (in accordance with Condition 5(b)(iv)(D)). In making such determination, the Independent Adviser appointed pursuant to this Condition 5(b)(iv)(A) shall act in good faith and in a commercially reasonable manner as an expert, and in consultation with the Issuer. In the absence of bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Guarantor, the Trustee, the Paying Agents, the Noteholders, the Receiptholders or the Couponholders for any determination made by it, pursuant to this Condition 5(b)(iv).

If (1) the Issuer is unable to appoint an Independent Adviser; or (2) the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 5(b)(iv) prior to the date which is 10 business days prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Accrual Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the immediately preceding Interest Accrual Period. If there has not been a first Interest Payment Date, the Rate of Interest shall be the initial Rate of Interest determined using the Original Reference Rate last displayed prior to the relevant Interest Determination Date. Where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period shall be substituted in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period. For the avoidance of doubt, this paragraph shall apply to the relevant next succeeding Interest Accrual Period only and any subsequent Interest Accrual Periods are subject to the subsequent operation of, and to adjustment as provided in, the first paragraph of this Condition 5(b)(iv).

(B) *Successor Rate or Alternative Rate*

If the Independent Adviser, determines that:

- (1) there is a Successor Rate, then such Successor Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 5(b)(iv)); or
- (2) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 5(b)(iv)).

(C) *Adjustment Spread*

The Adjustment Spread (or the formula or methodology for determining the Adjustment Spread) shall be applied to the Successor Rate or the Alternative Rate (as the case may be). If the Independent Adviser is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then the Successor Rate or Alternative Rate (as applicable) will apply without an Adjustment Spread.

(D) *Benchmark Amendments*

If any Successor Rate or Alternative Rate and, in either case, the applicable Adjustment Spread is determined in accordance with this Condition 5(b)(iv) and the Independent Adviser, in consultation with the Issuer, determines (1) that amendments to these Conditions, the Trust Deed and/or the Agency Agreement are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and/or (in either case) the applicable Adjustment Spread (such amendments, the “**Benchmark Amendments**”) and (2) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 5(b)(iv)(E), without any requirement for the consent or approval of Noteholders, vary these Conditions, the Trust Deed and/or the Agency Agreement to give effect to such Benchmark Amendments with effect from the date specified in such notice.

At the request of the Issuer, but subject to receipt by the Trustee of a certificate signed by an Authorised Signatory of the Issuer pursuant to Condition 5(b)(iv)(E), the Trustee shall (at the expense of the Issuer, failing whom the Guarantor), without any requirement for the consent or approval of the Noteholders, be obliged to concur with the Issuer in effecting any Benchmark Amendments (including, *inter alia*, by the execution of a deed supplemental to or amending the Trust Deed), provided that the Trustee shall not be obliged so to concur if in the opinion of the Trustee doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend

the protective provisions afforded to the Trustee in these Conditions or the Trust Deed (including, for the avoidance of doubt, any supplemental trust deed) in any way.

Notwithstanding any other provision of this Condition 5(b)(iv), the Calculation Agent or any Paying Agent is not obliged to concur with the Issuer or the Independent Adviser in respect of any changes or amendments as contemplated under this Condition 5(b)(iv) to which, in the sole opinion of the Calculation Agent or the relevant Paying Agent, as the case may be, would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Calculation Agent or the relevant Paying Agent (as applicable) in the Agency Agreement and/or these Conditions.

In connection with any such variation in accordance with this Condition 5(b)(iv), the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

(E) *Notices, etc.*

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments determined under this Condition 5(b)(iv) will be notified at least 10 business days prior to the relevant Interest Determination Date by the Issuer to the Trustee, the Calculation Agent, the Paying Agents and the Noteholders, in accordance with Condition 16. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

No later than notifying the Noteholders of the same, the Issuer shall deliver to the Trustee, the Calculation Agent and the Paying Agents a certificate signed by an Authorised Signatory of the Issuer:

- (1) confirming (i) that a Benchmark Event has occurred, (ii) the Successor Rate or, as the case may be, the Alternative Rate, (iii) the applicable Adjustment Spread and (iv) the specific terms of the Benchmark Amendments (if any), in each case as determined in accordance with the provisions of this Condition 5(b)(iv); and
- (2) certifying that the Benchmark Amendments (if any) are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread.

Each of the Trustee, the Calculation Agent and the Paying Agents shall be entitled to rely on such certificate (without liability to any person) as sufficient evidence thereof. The Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of the Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) and without prejudice to the Trustee's or the Calculation Agent's or the Paying Agents' ability to rely on such certificate as aforesaid) be binding on the Issuer, the Trustee, the Calculation Agent, the Paying Agents and the Noteholders.

Notwithstanding any other provision of this Condition 5(b)(iv), if following the determination of any Successor Rate, Alternative Rate, Adjustment Spread or Benchmark Amendments (if any), in the Calculation Agent's opinion there is any uncertainty between two or more alternative courses of action in making any determination or calculation under this Condition 5(b)(iv), the Calculation Agent shall promptly notify the Issuer thereof and the Issuer shall direct the Calculation Agent in writing as to which alternative course of action to adopt. If the Calculation Agent is not promptly provided with such direction, or is otherwise unable (other than due to its own gross negligence, wilful default or fraud) to make such calculation or determination for any reason, it shall notify the Issuer thereof and the Calculation Agent shall be under no obligation to make such calculation or determination and (in the absence of such gross negligence, wilful default or fraud) shall not incur any liability for not doing so.

(F) *Survival of Original Reference Rate*

Without prejudice to the obligations of the Issuer under Condition 5(b)(iv)(A), (B), (C) and (D), the Original Reference Rate and the fallback provisions provided for in Condition 5(b)(iii) will continue to apply unless and until a Benchmark Event has occurred.

(v) **Benchmark Replacement (SOFR): The following provisions shall apply if Benchmark Event (SOFR) is specified as applicable hereon:**

(A) *Benchmark Replacement*

If the Issuer or its designee determines on or prior to the relevant Reference Time that a Benchmark Event and its related Benchmark Replacement Date have occurred with respect to the then current Benchmark, the Benchmark Replacement will replace the then-current Benchmark for all purposes relating to the Notes in respect of all determinations on such date and for all determinations on all subsequent dates.

(B) *Benchmark Replacement Conforming Changes*

In connection with the implementation of a Benchmark Replacement, the Issuer or its designee will have the right to make Benchmark Replacement Conforming Changes from time to time. For the avoidance of doubt, the Trustee and any of the Agents shall, at the direction and expense of the Issuer, effect such consequential amendments to the Trust Deed, the Agency Agreement and these Conditions as may be required to give effect to this Condition 5(b)(v). Noteholders' consent shall not be required in connection with effecting any such changes, including the execution of any documents or any steps to be taken by the Trustee or any of the Agents (if required). Further, none of the Trustee, the Calculation Agent, the Paying Agents, the Registrar or the Transfer Agents shall be responsible or liable for any determinations, decisions or elections made by the Issuer or its designee with respect to any Benchmark Replacement or any other changes and shall be entitled to rely conclusively on any certifications provided to each of them in this regard.

(C) *Decisions and Determinations*

Any determination, decision or election that may be made by the Issuer or its designee pursuant to this Condition 5(b)(v), including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection (i) will be conclusive and binding absent manifest error, (ii) will be made in the sole discretion of the Issuer or its designee, as applicable, and (iii) notwithstanding anything to the contrary in the documentation relating to the Notes, shall become effective without consent from the holders of the Notes or any other party.

(D) *Definitions*

The following defined terms shall have the meanings set out below for purpose of Conditions 5(b)(iii)(C) and 5(b)(v):

“**Benchmark**” means, initially, the relevant SOFR Benchmark specified hereon; provided that if the Issuer or its designee determines on or prior to the Reference Time that a Benchmark Event and its related Benchmark Replacement Date have occurred with respect to the relevant SOFR Benchmark (including any daily published component used in the calculation thereof) or the then-current Benchmark, then “**Benchmark**” means the applicable Benchmark Replacement;

“**Benchmark Event**” means the occurrence of one or more of the following events with respect to the then-current Benchmark (including any daily published component used in the calculation thereof):

- (I) a public statement or publication of information by or on behalf of the administrator of the Benchmark (or such component) announcing that such administrator has ceased or will cease to provide the Benchmark (or such component), permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or
- (II) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark (or such component), the central bank for the currency of the Benchmark (or such component), an insolvency official with jurisdiction over the administrator for the Benchmark (or such component), a resolution authority with jurisdiction over the administrator for the Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for the Benchmark, which states that the administrator of the Benchmark (or such component) has ceased or will cease to provide the Benchmark (or such component) permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or

(III) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is no longer representative;

“**Benchmark Replacement**” means the first alternative set forth in the order below that can be determined by the Issuer or its designee as of the Benchmark Replacement Date:

- (I) the sum of:
 - (a) the alternate reference rate that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark (including any daily published component used in the calculation thereof); and
 - (b) the Benchmark Replacement Adjustment;
- (II) the sum of:
 - (a) the ISDA Fallback Rate; and
 - (b) the Benchmark Replacement Adjustment; or
- (III) the sum of:
 - (a) the alternate reference rate that has been selected by the Issuer or its designee as the replacement for the then-current Benchmark (including any daily published component used in the calculation thereof) giving due consideration to any industry-accepted reference rate as a replacement for the then-current Benchmark (including any daily published component used in the calculation thereof) for U.S. dollar-denominated Floating Rate Notes at such time; and
 - (b) the Benchmark Replacement Adjustment;

“**Benchmark Replacement Adjustment**” means the first alternative set forth in the order below that can be determined by the Issuer or its designee as of the Benchmark Replacement Date:

- (I) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement;
- (II) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, the ISDA Fallback Adjustment; or
- (III) the spread adjustment (which may be a positive or negative value or zero) that has been selected by the Issuer or its designee giving due consideration to any industry-accepted spread adjustment, or method for calculating or

determining such spread adjustment, for the replacement of the then-current Benchmark (including any daily published component used in the calculation thereof) with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated Floating Rate Notes at such time;

“**Benchmark Replacement Conforming Changes**” means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the timing and frequency of determining rates and making payments of interest, rounding of amounts or tenors, and other administrative matters) that the Issuer or its designee decides may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practice (or, if the Issuer or its designee decides that adoption of any portion of such market practice is not administratively feasible or if the Issuer or its designee determines that no market practice for use of the Benchmark Replacement exists, in such other manner as the Issuer or its designee determines is reasonably necessary);

“**Benchmark Replacement Date**” means the earliest to occur of the following events with respect to the then-current Benchmark (including any daily published component used in the calculation thereof):

- (I) in the case of sub-paragraph (I) or (II) of the definition of “Benchmark Event”, the later of:
 - (a) the date of the public statement or publication of information referenced therein; and
 - (b) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark (or such component); or
- (II) in the case of sub-paragraph (III) of the definition of “Benchmark Event”, the date of the public statement or publication of information referenced therein.

For the avoidance of doubt, if the event giving rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination;

“**designee**” means a designee as selected and separately appointed by the Issuer in writing;

“**ISDA Definitions**” means the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as may be updated, amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time, unless otherwise specified hereon;

“**ISDA Fallback Adjustment**” means the spread adjustment (which may be a positive or negative value or zero) that would apply for derivatives transactions referencing the ISDA Definitions to be determined upon the occurrence of an index cessation event with respect to the Benchmark;

“**ISDA Fallback Rate**” means the rate that would apply for derivatives transactions referencing the ISDA Definitions to be effective upon the occurrence of an index cessation date with respect to the Benchmark (including any daily published component used in the calculation thereof) for the applicable tenor excluding the applicable ISDA Fallback Adjustment;

“**Reference Time**” with respect to any determination of the Benchmark means (1) if the Benchmark is the SOFR Benchmark, the SOFR Determination Time (where Simple SOFR Average or Compounded Daily SOFR is specified hereon) or SOFR Index Determination Time (where SOFR Compounded Index is specified hereon); or (2) if the Benchmark is not the SOFR Benchmark, the time determined by the Issuer or its designee after giving effect to the Benchmark Replacement Conforming Changes;

“**Relevant Governmental Body**” means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto; and

“**Unadjusted Benchmark Replacement**” means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

(E) *Linear Interpolation*

Where Linear Interpolation is specified hereon as applicable in respect of an Interest Accrual Period, the Rate of Interest for such Interest Accrual Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified hereon as applicable) or the relevant Floating Rate Option (where ISDA Determination is specified hereon as applicable), one of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Accrual Period and the other of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Accrual Period provided however that if there is no rate available for the period of time next shorter or, as the case may be, next longer, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

- (vi) **Rate of Interest for Index Linked Interest Notes:** The Rate of Interest in respect of Index Linked Interest Notes for each Interest Accrual Period shall be determined in the manner specified hereon and interest will accrue by reference to an Index or Formula as specified hereon.

- (c) **Zero Coupon Notes:** Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal (which for the avoidance of doubt does not include premium for the purposes of this Condition 5(c)) of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).
- (d) **Dual Currency Notes:** In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified hereon.
- (e) **Partly Paid Notes:** In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified hereon.
- (f) **Accrual of Interest:** Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).
- (g) **Margin, Maximum Rate of Interest/Minimum Rate of Interest, Maximum Instalment Amount/Minimum Instalment Amount and Maximum Redemption Amount/Minimum Redemption Amount and Rounding:**
- (i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 5(b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to the next paragraph.
- (ii) If any Maximum Rate of Interest or Minimum Rate of Interest, Maximum Instalment Amount or Minimum Instalment Amount or Maximum Redemption Amount or Minimum Redemption Amount is specified hereon, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.
- (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 of a percentage point being rounded up), (y) all figures shall be rounded to seven significant figures (provided that if the eighth significant figure is a 5 or greater, the seventh significant figure shall be rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with half a unit

being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes “unit” means the lowest amount of such currency that is available as legal tender in the jurisdiction(s) of such currency.

- (h) **Calculations:** The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.
- (i) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Change of Control Redemption Amounts, Optional Redemption Amounts and Instalment Amounts:** The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Change of Control Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain any quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Change of Control Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Trustee, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition 5 but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. The determination of any rate or amount, the obtaining of quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

- (j) **Definitions:** In these Conditions (other than in Conditions 5(b)(iii)(C) and 5(b)(v)), unless the context otherwise requires, the following defined terms shall have the meanings set out below:

“**Adjustment Spread**” means either (a) a spread (which may be positive, negative or zero) or (b) a formula or methodology for calculating a spread, in each case to be applied to the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

- (i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or (if no such recommendation has been made, or in the case of an Alternative Rate);
- (ii) the Independent Adviser determines, in consultation with the Issuer, is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate; or
- (iii) (if the Independent Adviser determines that no such spread is customarily applied), the Independent Adviser determines, in consultation with the Issuer, is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be).

“**Alternative Rate**” means an alternative benchmark or screen rate which the Independent Adviser determines in accordance with Condition 5(b)(iv)(B) is customarily applied in international debt capital markets transactions for the purposes of determining rates of interest (or the relevant component part thereof) in the same Specified Currency as the Notes.

“**Applicable Maturity**” means: (a) in relation to Screen Rate Determination, the period of time designated in the Reference Rate, and (b) in relation to ISDA Determination, the Designated Maturity.

“**Benchmark Amendments**” has the meaning given to it in Condition 5(b)(iv)(D).

“**Benchmark Event**” means:

- (i) the Original Reference Rate ceasing to be published for a period of at least 5 Business Days or ceasing to exist; or
- (ii) a public statement by the administrator of the Original Reference Rate that it has ceased or that it will cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or
- (iii) a public statement by the supervisor of the administrator of the Original Reference Rate, that the Original Reference Rate has been or will be permanently or indefinitely discontinued; or

- (iv) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be prohibited from being used either generally, or in respect of the Notes; or
- (v) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate is or will be (or is or will be deemed by such supervisor to be) no longer representative of its relevant underlying market; or
- (vi) it has become unlawful for any Paying Agent, the Calculation Agent, the Issuer or other party to calculate any payments due to be made to any Noteholder using the Original Reference Rate;

provided that the Benchmark Event shall be deemed to occur (a) in the case of sub-paragraphs (ii) and (iii) above, on the date of the cessation of publication of the Original Reference Rate or the discontinuation of the Original Reference Rate, as the case may be, (b) in the case of sub-paragraph (iv) above, on the date of the prohibition of use of the Original Reference Rate and (c) in the case of sub-paragraph (v) above, on the date with effect from which the Original Reference Rate will no longer be (or will be deemed by the relevant supervisor to no longer be) representative of its relevant underlying market and which is specified in the relevant public statement, and, in each case, not the date of the relevant public statement.

The occurrence of a Benchmark Event shall be determined by the Issuer and promptly notified to the Trustee, the Calculation Agent and the Paying Agents. For the avoidance of doubt, neither the Trustee, the Calculation Agent nor the Paying Agents shall have any responsibility for making such determination.

“**Business Day**” means:

- (i) in the case of Notes denominated in a currency other than euro or Renminbi, a day (other than a Saturday, a Sunday or a public holiday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency and in each (if any) Additional Business Centre; and/or
- (ii) in the case of Notes denominated in euro, a day on which the TARGET System is operating (a “**TARGET Business Day**”) and in each (if any) Additional Business Centre; and/or
- (iii) in the case of Notes denominated in Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets are open for business and settlement of Renminbi payments in Hong Kong.

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the “**Calculation Period**”):

- (i) if “**Actual/Actual**” or “**Actual/Actual — ISDA**” is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (ii) if “**Actual/365 (Fixed)**” is specified hereon, the actual number of days in the Calculation Period divided by 365;
- (iii) if “**Actual/365 (Sterling)**” is specified hereon, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if “**Actual/360**” is specified hereon, the actual number of days in the Calculation Period divided by 360;
- (v) if “**30/360**”, “**360/360**” or “**Bond Basis**” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30.

- (vi) if “**30E/360**” or “**Eurobond Basis**” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D2 will be 30.

- (vii) if “**30E/360 (ISDA)**” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30.

(viii) if “**Actual/Actual-ICMA**” is specified hereon,

- (a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and
- (b) if the Calculation Period is longer than one Determination Period, the sum of:
 - (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and
 - (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

“**Determination Period**” means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

“**Determination Date**” means the date(s) specified as such hereon or, if none is so specified, the Interest Payment Date(s).

“**euro**” means the lawful currency of member states of the European Union that adopt the single currency introduced in accordance with the Treaty establishing the European Community, as amended.

“**Euro-zone**” means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

“**Independent Adviser**” means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer under Condition 5(b)(iv)(A).

“**Interest Accrual Period**” means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

“Interest Amount” means:

- (i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and
- (ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

“Interest Commencement Date” means the Issue Date or such other date as may be specified hereon.

“Interest Determination Date” means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or Hong Kong dollars or Renminbi other than where the Specified Currency is Renminbi and the Reference Rate is CNH HIBOR or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro nor Hong Kong dollars nor Renminbi or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro or (iv) the day falling two Business Days in Hong Kong prior to the first day of such Interest Accrual Period if the Specified Currency is Renminbi and the Reference Rate is CNH HIBOR.

“Interest Period” means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date unless otherwise specified hereon.

“Interest Period Date” means each Interest Payment Date unless otherwise specified hereon.

“ISDA Definitions” means the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. as may be updated, amended or supplemented from time to time (but excluding any successor definitional booklet for interest rate derivatives published from time to time including without limitation the 2021 ISDA Definitions), unless otherwise specified hereon.

“2021 ISDA Definitions” means the 2021 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time;

“Original Reference Rate” means the originally-specified benchmark or screen rate (as applicable) used to determine the Rate of Interest (or any component part thereof) on the Notes.

“Rate of Interest” means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon.

“Relevant Nominating Body” means, in respect of a benchmark or screen rate (as applicable):

- (i) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or
- (ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof.

“Reference Banks” means, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market and, in the case of a determination of HIBOR, the principal Hong Kong office of four major banks in the Hong Kong inter-bank market and, in the case of a determination of CNH HIBOR, the principal Hong Kong office of four major banks dealing in Renminbi in the Hong Kong inter-bank market, in each case selected by the Calculation Agent or as specified hereon.

“Reference Rate” means the rate specified as such hereon.

“Relevant Screen Page” means such page, section, caption, column or other part of a particular information service as may be specified hereon (or any successor or replacement page, section, caption, column or other part of a particular information service).

“Renminbi” means the lawful currency for the time being of the People’s Republic of China excluding the Hong Kong and Macau Special Administrative Regions of the People’s Republic of China and Taiwan.

“Specified Currency” means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated.

“Successor Rate” means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

“TARGET System” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

“U.S.\$” and **“U.S. dollar(s)”** means the lawful currency for the time being of the United States of America.

- (k) **Calculation Agent:** The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them hereon and for so long as any Note or Coupon is outstanding (as defined in the Trust Deed). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under these Conditions. If the Calculation Agent is unable or unwilling to act as such or if the

Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Change of Control Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall (with the prior written notice to the Trustee) appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

- (1) **Certificates to be final:** All certificates, communications, opinions, determinations, calculations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5, by the Calculation Agent, shall (in the absence of wilful default, gross negligence, fraud or manifest error) be binding on the Issuer, the Guarantor, the Trustee, the Calculation Agent, the other Agents and all Noteholders and/or Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Guarantor, the Noteholders or the Couponholders or any other person shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

6. REDEMPTION, PURCHASE AND OPTIONS

(a) **Redemption by Instalments and Final Redemption:**

- (i) Unless previously redeemed, purchased and cancelled as provided in this Condition 6, each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified hereon. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.
- (ii) Unless previously redeemed or purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided hereon, is its nominal amount) or, in the case of a Note falling within Condition 6(a)(i) above, its final Instalment Amount.

(b) **Early Redemption:**

(i) *Zero Coupon Notes:*

- (A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 6(c), Condition 6(d), Condition 6(e) or Condition 6(f) or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.

- (B) Subject to the provisions of sub-paragraph (C) below of this Condition 6(b)(i), the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.
- (C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c), Condition 6(d), Condition 6(e) or Condition 6(f) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above of this Condition 6(b)(i), except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

- (ii) *Other Notes:* The Early Redemption Amount payable in respect of any Note (other than Notes described in Condition 6(b)(i) above), upon redemption of such Note pursuant to Condition 6(c), Condition 6(d), Condition 6(e) or Condition 6(f) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified hereon.
- (c) **Redemption for Taxation Reasons:** The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Interest Note) or at any time (if this Note is neither a Floating Rate Note nor an Index Linked Interest Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (in accordance with Condition 16) and in writing to the Trustee and the Issuing and Paying Agent (which notice shall be irrevocable) at their Early Redemption Amount (as described in Condition 6(b) above) (together with interest accrued to (but excluding) the date fixed for redemption), if the Issuer (or, if the Guarantee was called, the Guarantor) satisfies the Trustee immediately prior to the giving of such notice that (i) it (or, if the Guarantee were called, the Guarantor) has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands or Hong Kong or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes, and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, provided that no such notice of redemption

shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such Additional Tax Amounts were a payment in respect of the Notes (or the Guarantee, as the case may be) then due.

Prior to the giving of any notice of redemption pursuant to this Condition 6(c), the Issuer (or the Guarantor, as the case may be) shall deliver (or procure to be delivered) to the Trustee a certificate in English signed by an Authorised Signatory of the Issuer (or of the Guarantor, as the case may be) stating that the circumstances referred to in (i) and (ii) above of this Condition 6(c) cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, and the Trustee shall be entitled (but shall not be obliged) to accept and rely upon such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (i) and (ii) above of this Condition 6(c) without further enquiry and without liability to any Noteholder, Receiptholder or Couponholder, in which event it shall be conclusive and binding on the Noteholders, Receiptholders and Couponholders. The Trustee shall be protected and shall have no liability to any Noteholder, any Couponholder, the Issuer, the Guarantor or any other person for so accepting and relying on any such certificate and opinion. All Notes in respect of which any notice of redemption is given under this Condition 6(c) shall be redeemed on the date specified in such notice in accordance with this Condition 6(c).

- (d) **Redemption for Change of Control:** At any time following the occurrence of a Change of Control, the holder of any Note will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that holder's Notes on the Put Settlement Date at 101 per cent. of the Early Redemption Amount (the "**Change of Control Redemption Amount**"), together in each case with accrued interest to (but excluding), such Put Settlement Date. To exercise such right, the holder of the relevant Note must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and (in the case of Fixed Rate Notes other than Dual Currency Notes or Index-Linked Notes) Coupons and unexchanged Talons) with any Paying Agent at its specified office or (in the case of Registered Notes) the Certificates representing such Note(s) with the Registrar or any Transfer Agent at its specified office together with a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent, Transfer Agent or the Registrar (as applicable) (a "**Put Exercise Notice**"), by not later than 30 days following the occurrence of a Change of Control or, if later, 30 days following the date upon which notice thereof is given to Noteholders by the Issuer in accordance with Condition 16. The "**Put Settlement Date**" shall be the 14th day after the expiry of such period of 30 days as referred to above.

A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Notes which are the subject of the Put Exercise Notices delivered as aforesaid on the Put Settlement Date.

The Issuer (failing whom the Guarantor) shall give notice to Noteholders in accordance with Condition 16 and to the Trustee and the Issuing and Paying Agent in writing by not later than 14 days following the first day on which it becomes aware of the occurrence of a Change of Control, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Notes pursuant to this Condition 6(d).

While any Bearer Note that was issued in accordance with TEFRA D is held in the form of a temporary Global Note, the right described in this Condition 6(d) will be available only to the extent that non-U.S. beneficial ownership certification has been received by the relevant Issuer or its agent pursuant to TEFRA D.

In this Condition 6(d), “**Change of Control**” means the occurrence of one or more of the following events:

- (i) the Guarantor ceases to directly or indirectly hold or own 100 per cent. of the issued share capital of the Issuer; or
 - (ii) CITIC Securities Company Limited (the “**Company**”) ceases to directly or indirectly hold or own 50 per cent. of the issued share capital of the Guarantor.
- (e) **Redemption at the Option of the Issuer:** If Call Option is specified hereon, the Issuer may, on giving not less than 15 nor more than 30 days’ irrevocable notice to the Noteholders (in accordance with Condition 16) and in writing to the Trustee and the Issuing and Paying Agent (or such other notice period as may be specified hereon) redeem all or, if so provided, some of the Notes on any Optional Redemption Date specified hereon. Any such redemption of Notes shall be at their Optional Redemption Amount specified hereon (which may be the Early Redemption Amount (as described in Condition 6(b) above)), together with interest accrued to (but excluding) the date fixed for redemption, if applicable. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 6(e).

In the case of a partial redemption the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn in such place and in such manner as determined by the Issuer and notified in writing to the Trustee and the Issuing and Paying Agent, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

- (f) **Redemption at the Option of Noteholders:** If Put Option is specified hereon, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days’ notice to the Issuer (or such other notice period as may be specified hereon) redeem such Note on the Optional Redemption Date(s) specified hereon at its Optional Redemption Amount specified hereon (which may be the Early Redemption Amount (as described in Condition 6(b) above)), together with interest accrued to (but excluding) the date fixed for redemption, if applicable. To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice (an “**Exercise Notice**”) in the form for the time being current, obtainable from any Paying Agent, the

Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

While any Bearer Note that was issued in accordance with TEFRA D is held in the form of a temporary Global Note, the right described in this Condition 6(f) will be available only to the extent that non-U.S. beneficial ownership certification has been received by the relevant Issuer or its agent pursuant to TEFRA D.

- (g) **Partly Paid Notes:** Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition 6 and the provisions specified hereon.
- (h) **Purchases:** The Issuer, the Guarantor and their respective Subsidiaries may at any time purchase Notes (provided that all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price. The Notes so purchased, while held by or on behalf of the Issuer, the Guarantor or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for certain purposes, including for the purpose of calculating quorums at meetings of the Noteholders or for the purposes of Conditions 10, 11(a) and 12.
- (i) **Cancellation:** All Notes purchased by or on behalf of the Issuer, the Guarantor or any of their respective Subsidiaries may be held, reissued, resold or surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Receipts and Coupons and all unexchanged Talons to the Issuing and Paying Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, shall be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and the Guarantor in respect of any such Notes shall be discharged.
- (j) **Trustee Reliance:** The Trustee shall be entitled to conclusively rely on or act in reliance on any certificate, notice or document received by it as contemplated in this Condition 6 as sufficient evidence of the facts and/or matters stated therein and shall not be liable to any Noteholder and/or Couponholder or any other person for so doing.

Neither the Trustee nor any of the Agents shall be under any duty to monitor or take any steps to ascertain whether any event or circumstance has happened, exists or has occurred within this Condition 6 and none of them will be responsible or liable to the Noteholders, the Receiptholders, the Couponholders, the Issuer, the Guarantor or any other person for any loss arising from any failure by it to do so. Unless and until the Trustee has notice in writing of the occurrence of any event or circumstance within this Condition 6, it shall be entitled to assume that no such event or circumstance has occurred or exists.

Neither the Trustee nor any of the Agents shall be responsible for calculating or verifying the calculations of any amount payable under any notice of redemption under this Condition 6, whether from the Issuer or any Noteholder and none of them shall be liable to the Noteholders, the Issuer or any other person for not doing so.

7. PAYMENTS AND TALONS

- (a) **Bearer Notes:** Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relevant Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 7(f)(vi)) or Coupons (in the case of interest, save as specified in Condition 7(f)(ii) and Condition 7(f)(vi)), as the case may be:
- (i) in the case of a currency other than Renminbi, at the specified office of any Paying Agent outside the United States by transfer to an account denominated in such currency with, a Bank; or
 - (ii) in the case of Renminbi, by transfer from the relevant Paying Agent's office outside the United States to a Renminbi account maintained by or on behalf of the Noteholder with a Bank in Hong Kong.

In this Condition 7(a) and Condition 7(c), “**Bank**” means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System.

- (b) **Payments in the United States:** Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.
- (c) **Registered Notes:**
- (i) Payments of principal (which for the purposes of this Condition 7(c) shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in Condition 7(c)(ii).
 - (ii) Interest (which for the purpose of this Condition 7(c) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the

due date for payment thereof or in the case of Renminbi or otherwise specified, on the fifth day before the due date for payment thereof (the “**Record Date**”). Payments of interest on each Registered Note shall be made:

- (A) in the case of a currency other than Renminbi, in the relevant currency by transfer to an account in the relevant currency maintained by the payee with a Bank; and
 - (B) in the case of Renminbi, by transfer to Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong, details of which appear on the Register at the close of business on the fifth business day before the due date for payment.
- (d) **Payments subject to Fiscal Laws:** All payments are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives applicable thereto in the place of payment without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law, regulation or official guidance implementing an intergovernmental approach thereto but no commission or expenses shall be charged to the Noteholders, Receiptholders or Couponholders in respect of such payments.
- (e) **Appointment of Agents:** The Issuing and Paying Agent, the CMU Lodging and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent(s) initially appointed by the Issuer and the Guarantor and their respective specified offices are listed in the Trust Deed. The Issuing and Paying Agent, the CMU Lodging and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Issuer and the Guarantor and do not assume any obligation or relationship of agency or trust for or with any Noteholder, Receiptholders or Couponholder. The Issuer and the Guarantor(s) reserve the right at any time with the prior written approval of the Trustee (where required in accordance with the Agency Agreement) to vary or terminate the appointment of the Issuing and Paying Agent, the CMU Lodging and Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer (failing whom the Guarantor) shall at all times maintain (i) an Issuing and Paying Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) a CMU Lodging and Paying Agent in relation to Notes accepted for clearance through the CMU, (v) one or more Calculation Agent(s) where these Conditions so require, and (vi) such other agents as may be required by any other stock exchange on which the Notes may be listed.

In addition, the Issuer (failing whom the Guarantor) shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in Condition 7(b) above.

Notice of any such termination or appointment or any change of any specified office of an Agent shall promptly be given by the Issuer to the Noteholders in accordance with Condition 16.

(f) **Unmatured Coupons and Receipts and unexchanged Talons:**

- (i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than Dual Currency Notes or Index Linked Notes), such Notes should be surrendered for payment together with all unexpired Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unexpired Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unexpired Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount, Change of Control Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).
 - (ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, Dual Currency Note or Index Linked Note, unexpired Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.
 - (iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
 - (iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.
 - (v) Where any Bearer Note that provides that the relevant unexpired Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unexpired Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
 - (vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.
- (g) **Talons:** On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent on any business day in the location of the specified office of the Issuing and Paying Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).

- (h) **Non-Business Days:** If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this Condition 7, “**business day**” means a day (other than a Saturday, Sunday or public holiday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as “Additional Financial Centres” hereon and:
- (i) (in the case of a payment in a currency other than euro and Renminbi) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or
 - (ii) (in the case of a payment in euro) which is a TARGET Business Day; or
 - (iii) (in the case of a payment in Renminbi) on which banks and foreign exchange markets are open for business and settlement of Renminbi payments in Hong Kong.

8. TAXATION

All payments of principal and interest by or on behalf of the Issuer or the Guarantor in respect of the Notes, the Receipts, the Coupons or under the Guarantee, shall be made free and clear of, and without withholding or deduction for or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands or Hong Kong or, in each case, any political subdivision or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law.

If any Hong Kong or British Virgin Islands deduction or withholding is required in respect of the Notes, the Receipts, the Coupons or under the Guarantee, the Issuer or, as the case may be, the Guarantor shall pay such additional amounts (“**Additional Tax Amounts**”), so that the net amount received by Noteholders, Receiptholders or Couponholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required, except that no such Additional Tax Amounts shall be payable in respect of any Note, Receipt or Coupon:

- (a) to, or to a third party on behalf of, a Noteholder, Receiptholder or Couponholder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon by reason of his having some connection with the British Virgin Islands or Hong Kong other than the mere holding of the Note, Receipt or Coupon; or
- (b) to, or to a third party on behalf of, a Noteholder, Receiptholder or Couponholder who could lawfully avoid (but has not so avoided) such deduction or withholding by complying or procuring that any third party complies with any statutory requirements or by making or procuring that any third party makes a declaration of non-residence or other similar claim for exemption to any tax authority in the place where the Note, Receipt or Coupon is presented for payment; or

- (c) presented (or in respect of which the Certificate representing it is presented) for payment (where presentation is required) more than 30 days after the Relevant Date except to the extent that the Noteholder, Receiptholder or Couponholder would have been entitled to such Additional Tax Amounts on presenting it for payment on the thirtieth day; or
- (d) with respect to such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon that would not have been imposed but for the failure of the Noteholder, Receiptholder or Couponholder to comply with a timely request of the Issuer or the Guarantor, addressed to the holder of such Note, Receipt or Coupon to provide certification or information concerning the nationality, residence or identity of the holder or beneficial owner of such Note, Receipt or Coupon, if compliance is required as a precondition to relief or exemption from such taxes, duties, assessments or governmental charges; or
- (e) with respect to any taxes, withholding or deduction imposed pursuant to the provisions of Sections 1471 through 1474 of the Code (including any successor provisions or amendments thereof), any current or future regulations or agreements thereunder, any official interpretations thereof or any law, regulation or official guidance implementing an intergovernmental approach thereto.

For the avoidance of doubt, the Issuer's or the Guarantor's obligation to pay additional amounts in respect of taxes, duties, assessments and other governmental charges, as provided in these Conditions, will not apply to (a) any estate, inheritance, gift, sales, transfer, personal property or any similar tax, duty, assessment or other governmental charge or (b) any tax, duty, assessment or other governmental charge which is payable otherwise than by deduction or withholding from payments of principal of, or interest on, the Notes.

As used in these Conditions, "**Relevant Date**" in respect of any Note, Receipt or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date falling seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relevant Certificate), Receipt or Coupon being made in accordance with these Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) "**principal**" shall be deemed to include any premium payable in respect of the Notes (unless otherwise provided), all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Change of Control Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) "**principal**" and/or "**interest**" shall be deemed to include any additional amounts that may be payable under this Condition 8 or any undertaking given in addition to or in substitution for it under the Trust Deed.

For the avoidance of doubt, neither the Trustee nor any Agent shall be responsible or liable for paying any tax, duty, charges, withholding or other payment referred to in this Condition 8 or for determining whether such amounts are payable or the amount thereof, and none of the Trustee or any of the Agents shall be responsible or liable for (A) determining whether the Issuer, the Guarantor or any Noteholder, Receiptholder or Couponholder is liable to pay any taxes, duty,

charges, withholding or other payment referred to in this Condition 8; or (B) determining the sufficiency or insufficiency of any amounts so paid. None of the Trustee or the Agents shall be responsible or liable for any failure of the Issuer, the Guarantor, any Noteholder, Receiptholder or Couponholder, or any other third party to pay such tax, duty, charges, withholding or other payment in any jurisdiction or to provide any notice or information to the Trustee or any Agent that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Notes without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

9. PRESCRIPTION

Claims against the Issuer and/or the Guarantor for payment in respect of the Notes, Receipts and Coupons (which, for this purpose, shall not include Talons) shall (subject as provided in Condition 7(f)(i)) be prescribed and become void unless made within 10 years (in the case of principal or premium) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

10. EVENTS OF DEFAULT

If any of the following events (each an “**Event of Default**”) occurs, the Trustee at its discretion may, and if so requested by holders of at least 25 per cent. in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (provided in any case that the Trustee shall first have been indemnified and/or secured and/or pre-funded to its satisfaction in its sole discretion), give written notice to the Issuer and the Guarantor declaring that the Notes are, and they shall immediately become, due and payable at their Early Redemption Amount together (if applicable) with accrued interest:

- (a) **Non-Payment:** there has been a failure to pay the principal (which for the avoidance of doubt does not include premium for the purposes of this Condition 10(a)), premium (if any) or interest on any of the Notes when due and such failure continues for a period of seven days (in the case of principal) or 14 days (in the case of premium or interest); or
- (b) **Breach of Other Obligations:** the Issuer or the Guarantor defaults in the performance or observance of any of its other obligations under or in respect of the Notes or the Trust Deed and such default (i) is in the opinion of the Trustee incapable of remedy or (ii) if in the opinion of the Trustee is capable of remedy remains unremedied for 30 days after the Trustee has given written notice thereof to the Issuer or the Guarantor, as the case may be; or
- (c) **Cross-Acceleration:**
 - (i) any Indebtedness of the Issuer, the Guarantor or any of their respective Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period;
 - (ii) any such Indebtedness becomes due and payable prior to its stated maturity otherwise than at the option of the Issuer, the Guarantor or (as the case may be) the relevant Subsidiary or (provided that no event of default, howsoever described, has occurred) any person entitled to such Indebtedness; or

- (iii) the Issuer, the Guarantor or any of their respective Subsidiaries fails to pay when due any amount payable by it under any guarantee of any Indebtedness;

provided that (x) the amount of Indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii) above and/or the amount payable under any guarantee referred to in sub-paragraph (iii) above individually or in the aggregate exceeds U.S.\$20,000,000 (or its equivalent in any other currency or currencies) and (y) such Indebtedness (other than any such Indebtedness of the Issuer) has an original maturity of more than 365 days; or

- (d) **Unsatisfied judgement:** one or more judgement(s) or order(s) for the payment of an aggregate amount in excess of U.S.\$20,000,000 (or its equivalent in any other currency or currencies) is rendered against the Issuer, the Guarantor or any of their respective Subsidiaries and continue(s) unsatisfied and unstayed for a period of 60 days after the date(s) thereof or, if later, the date therein specified for payment; or
- (e) **Security Enforced:** a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or any material part of the undertaking, assets and revenues of the Issuer, the Guarantor or any Principal Subsidiary and such action is not discharged within 45 days after the date thereof; or
- (f) **Insolvency:** (i) the Issuer, the Guarantor or any Principal Subsidiary becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator of the Issuer, the Guarantor or any Principal Subsidiary or the whole or any material part of the undertaking, assets and revenues of the Issuer, the Guarantor or any Principal Subsidiary is appointed (or application for any such appointment is made), (iii) the Issuer, the Guarantor or any Principal Subsidiary takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Indebtedness or any guarantee of any Indebtedness given by it, or (iv) the Issuer, the Guarantor or any Principal Subsidiary ceases or threatens to cease to carry on all or any substantial part of its business, except (A) in the case of any Principal Subsidiary, where the cessation is for the purpose of and followed by a solvent winding up, dissolution, reconstruction, amalgamation, merger or consolidation whereby the business, undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Issuer, the Guarantor, and/or another Subsidiary, or (b) on terms approved by an Extraordinary Resolution of the Noteholders; or
- (g) **Winding-up etc.:** an order by any court of competent jurisdiction or other authority is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer, the Guarantor or any Principal Subsidiary, except (i) in the case of any Principal Subsidiary, for the purpose of and followed by a solvent winding up, dissolution, reconstruction, merger or consolidation whereby the business, undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Issuer, the Guarantor and/or another Subsidiary or (ii) on terms approved by an Extraordinary Resolution of the Noteholders; or
- (h) **Analogous events:** any event occurs which under the laws of the British Virgin Islands, Hong Kong or the PRC has an analogous effect to any of the events referred to in paragraphs (d) (*Unsatisfied judgement*) to (g) (*Winding-up etc.*) above; or

- (i) **Failure to take action, etc.:** any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Issuer and the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under and in respect of the Notes, the Trust Deed or the Agency Agreement, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Notes, the Trust Deed or the Agency Agreement admissible in evidence in the courts of England is not taken, fulfilled or done; or
- (j) **Unlawfulness:** it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any of its obligations under or in respect of the Notes, the Trust Deed or the Agency Agreement; or
- (k) **Unenforceability of Guarantee:** except as permitted under the Trust Deed, any part of the Guarantee is unenforceable or invalid or shall for any reason cease to be in full force and effect or is claimed to be unenforceable, invalid or not in full force and effect by the Issuer or the Guarantor.

In this Condition 10:

“**Principal Subsidiary**” means a principal subsidiary of the Guarantor as set out in its most recent Guarantor Audited Financial Statements.

A certificate in English in substantially the form scheduled to the Trust Deed prepared and signed by an Authorised Signatory of the Guarantor that, in the opinion of the Guarantor, a Subsidiary is or is not, or was or was not, a Principal Subsidiary of the Guarantor shall be conclusive and binding on the Noteholders and all parties in the absence of manifest error.

“**guarantee**” means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

- (a) any obligation to purchase such Indebtedness;
- (b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;
- (c) any indemnity against the consequences of a default in the payment of such Indebtedness; and
- (d) any other agreement to be responsible for such Indebtedness;

“**Indebtedness**” means any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

- (a) amounts raised by acceptance under any acceptance credit facility;
- (b) amounts raised under any note purchase facility;
- (c) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;

- (d) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 60 days; and
- (e) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

11. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

- (a) **Meetings of Noteholders:** The Trust Deed contains provisions for convening meetings of Noteholders to consider matters affecting their interests, including without limitation the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed and the Agency Agreement. Such a meeting may be convened by the Issuer, the Guarantor or the Trustee and shall be convened by the Trustee if requested to do so in writing by Noteholders holding not less than 10 per cent. in aggregate nominal amount of the Notes for the time being outstanding and subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. in aggregate nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes, any Instalment Date or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any Instalment Amount of, or any Redemption Amount in respect of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum Rate of Interest and/or a Maximum Rate of Interest, Instalment Amount or Redemption Amount is shown hereon, to reduce any such Minimum Rate of Interest and/or Maximum Rate of Interest, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount, Change of Control Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution, or (viii) to modify or cancel the Guarantee otherwise than in accordance with Condition 11(b), in which case the necessary quorum will be two or more persons holding or representing not less than two-thirds or at any adjourned meeting not less than one-quarter in aggregate nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Trust Deed provides that a resolution (x) in writing signed by or on behalf of the holders of not less than 75 per cent. in aggregate nominal amount of the Notes for the time being outstanding, or (y) passed by Electronic Consent shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

These Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the relevant Pricing Supplement in relation to such Series.

- (b) **Modification and Waiver:** The Trustee may (but shall not be obliged to) agree, without the consent of the Noteholders, Receiptholders or Couponholders, to (i) any modification of any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement that is in the opinion of the Trustee of a formal, minor or technical nature or is made to correct a manifest error or is to comply with any mandatory provision of applicable law, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders, Receiptholders and the Couponholders and, unless the Trustee otherwise agrees, such modification, authorisation or waiver shall be notified by the Issuer to the Noteholders as soon as practicable thereafter.
- (c) **Substitution:** The Trust Deed contains provisions permitting (but not obliging) the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require pursuant to the Trust Deed, but without the consent of the Noteholders, Receiptholders or the Couponholders, to the substitution of the Issuer's successor in business or any Subsidiary of the Issuer or its successor in business or of the Guarantor or its successor in business or any Subsidiary of the Guarantor or its successor in business in place of the Issuer or the Guarantor, as the case may be, or of any previous substituted company, as principal debtor or guarantor under the Trust Deed and the Notes. In the case of such a substitution, the Trustee may (but shall not be obliged to) agree, without the consent of the Noteholders, Receiptholders or the Couponholders, to a change of the law governing the Notes, the Receipts, the Coupons, the Talons, and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders.
- (d) **Entitlement of the Trustee:** In connection with the exercise of its functions, rights, powers and discretions (including but not limited to those referred to in this Condition 11) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders, Receiptholders or Couponholders, and the Trustee shall not be entitled to require on behalf of any Noteholder, Receiptholder or Couponholder, nor shall any Noteholder, Receiptholder or Couponholder be entitled to claim, from the Issuer or the Guarantor any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders.

12. ENFORCEMENT

At any time after the Notes become due and payable, the Trustee may (but shall not be obliged to), at its discretion and without further notice, take such steps and/or actions and/or institute such proceedings against the Issuer or the Guarantor as it may think fit to enforce the terms of the Trust Deed, the Notes, the Receipts and the Coupons, but it need not take any such steps and/or actions and/or institute any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least 25 per cent. in aggregate nominal amount of the Notes then outstanding, and (b) it shall first have been indemnified and/or

secured and/or pre-funded to its satisfaction. No Noteholder, Receiptholder and/or Couponholder may proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

13. INDEMNIFICATION OF THE TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including, without limitation, provisions relieving it from taking such steps and/or actions and/or instituting such proceedings to enforce payment unless first indemnified and/or secured and/or pre-funded to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer, the Guarantor, any subsidiary of the Issuer and/or Guarantor and/or any entity related (directly or indirectly) to the Issuer or the Guarantor without accounting for any profit.

None of the Trustee or any of the Agents shall be responsible for the performance by the Issuer, the Guarantor and any other person appointed by the Issuer and/or the Guarantor in relation to the Notes of the duties and obligations on their part expressed in respect of the same and, unless it has written notice from the Issuer or the Guarantor to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed. None of the Trustee or any Agent shall be liable to any Noteholder, Receiptholder or Couponholder or any other person for any action taken by the Trustee or such Agent in accordance with the instructions of the Noteholders. The Trustee shall be entitled to rely on any direction, request or resolution of Noteholders given by holders of the requisite nominal amount of Notes outstanding or passed at a meeting of Noteholders convened and held in accordance with the Trust Deed. Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Agency Agreement or these Conditions to exercise any discretion or power, take any action, make any decision or give any direction, the Trustee is entitled, prior to its exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction, to seek directions from the Noteholders by way of an Extraordinary Resolution, and the Trustee is not responsible for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction where the Trustee is seeking such directions or in the event that no such directions are received. The Trustee and the Agents shall not be under any obligation to ascertain whether any Event of Default, Default or Potential Event of Default (as defined in the Trust Deed), as the case may be, has occurred or may occur or to monitor compliance with the provisions of the Trust Deed, the Agency Agreement or these Conditions.

The Trustee and the Agents may rely without liability to Noteholders, Receiptholders or Couponholders on any report, confirmation, opinion or certificate or any advice of any legal advisers, accountants, financial advisers, financial institution or any other expert, whether or not addressed to them and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee or any Agent may accept and shall be entitled to rely on any such report, confirmation, opinion or certificate or advice and, in such event, such report, confirmation, opinion or certificate or advice shall be binding on the Issuer, the Guarantor, the Noteholders, Receiptholders and the Couponholders.

Each Noteholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer and its Subsidiaries, and the Trustee shall not at any time have any responsibility for the same and each Noteholder shall not rely on the Trustee in respect thereof.

14. REPLACEMENT OF NOTES, CERTIFICATES, RECEIPTS, COUPONS AND TALONS

If a Note, Certificate, Receipt, Coupon or Talon is mutilated or defaced or is alleged to have been lost, stolen or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Issuing and Paying Agent (in the case of Bearer Notes, Receipts, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for that purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity as the Issuer or the relevant Agent may require. Mutilated or defaced Notes, Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

15. FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders, Receiptholders or Couponholders create and issue further securities having the same terms and conditions as the Notes in all respects (or in all respects except for the Issue Date, the issue price and the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with an outstanding Series. References in these Conditions to the Notes include (unless the context requires otherwise) any such other securities issued pursuant to this Condition 15 and consolidated and forming a single series with the Notes. Any further notes consolidated and forming a single series with the outstanding notes of any series (including the Notes) constituted by the Trust Deed or any deed supplemental to it shall, and any other notes may (with the consent of the Trustee), be constituted by the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of notes of other series where the Trustee so decides.

In the case of further Bearer Notes which are issued in accordance with the TEFRA D rules (and therefore must be initially represented by a temporary Global Note exchangeable for interests in a permanent Global Note or Definitive Notes), any consolidation of such further Bearer Notes with outstanding Bearer Notes into a single series can only occur following the exchange of interests in the temporary Global Note for interests in the permanent Global Note or Definitive Notes upon certification of non-U.S. beneficial ownership.

16. NOTICES

Notices to the holders of Registered Notes shall be in English and mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday, a Sunday or a public holiday) after the date of mailing and, so long as the Notes are listed on any stock exchange and the rules of that stock exchange so require, duly published in a manner that complies with the rules and regulations of such stock exchange.

Notices to the holders of Bearer Notes shall be valid if published in English in a daily newspaper of general circulation in Asia and, so long as the Notes are listed on any stock exchange and the rules of that stock exchange so require, duly published in a manner that complies with the rules and regulations of such stock exchange. If any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Asia. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above. Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition 16.

Receiptholders and Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition 16.

For so long as any of the Notes are represented by a Global Note or a Global Certificate and such Global Note or Global Certificate is held on behalf of: (i) Euroclear or Clearstream or any other clearing system, any notice to the holders of the Notes shall be validly given by delivery of the relevant notice to that clearing system for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note or Global Certificate; or (ii) the CMU, any notice to the holders of the Notes may be given by delivery of the relevant notice (A) to the CMU, or (B) to persons shown in a CMU Issue Position Report issued by the CMU on the business day preceding the date of dispatch of such notice as holding interests in the relevant Global Note or Global Certificate, in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note or Global Certificate, and any such notice shall be deemed to have been given to the Noteholders (in the case of (A)) on the day on which such notice is delivered to the CMU and (in the case of (B)) on the second business day on which such notice is delivered to the persons shown in the CMU Issue Position Report.

17. CURRENCY INDEMNITY

Any amount received or recovered in a currency other than the currency in which payment under the relevant Note, Receipt or Coupon is due (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer, the Guarantor or otherwise) by any Noteholder, Receiptholder or Couponholder in respect of any sum expressed to be due to it from the Issuer or the Guarantor shall only constitute a discharge to the Issuer and the Guarantor to the extent of the amount in the currency of payment under the relevant Note, Receipt or Coupon that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If the amount received or recovered is less than the amount expressed to be due to the recipient under any Note, Receipt or Coupon, the Issuer and the Guarantor jointly and severally shall indemnify it against any loss sustained by it as a result. In any event, the Issuer and the Guarantor jointly and severally shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition 17, it shall be sufficient for the Noteholder, Receiptholder or Couponholder, as the case may be, to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the other obligations of the Issuer and the Guarantor, respectively, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted

by any Noteholder, Receiptholder or Couponholder and shall continue to be in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note, Receipt or Coupon or any other judgment or order.

18. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999 except to the extent expressly provided for in these Conditions and in the Trust Deed.

Notwithstanding any term or provision to the contrary, the consent of any person who is not a Noteholder is not required to modify, vary or waive any of these Conditions and the consent of any person who is neither a Noteholder nor a party to the Trust Deed or (as the case may be) the Agency Agreement is not required to modify, vary or waive any provision of the Trust Deed or (as the case may be) the Agency Agreement.

19. GOVERNING LAW AND JURISDICTION

- (a) **Governing Law:** The Trust Deed, the Notes, the Receipts, the Coupons and the Talons and the Agency Agreement and any non-contractual obligations arising out of or in connection with them, are governed by, and shall be construed in accordance with, English law.
- (b) **Jurisdiction:** The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Notes, Receipts, Coupons or Talons, the Agency Agreement and the Trust Deed and accordingly any legal action or proceedings arising out of or in connection with any Notes, Receipts, Coupons or Talons, the Agency Agreement or the Trust Deed (“**Proceedings**”) shall be brought in the courts of Hong Kong. Pursuant to the Trust Deed, each of the Issuer, the Guarantor and the Trustee has irrevocably submitted to the exclusive jurisdiction of the courts of Hong Kong and waived any objection to Proceedings in any such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.
- (c) **Agent for Service of Process:** The Issuer has irrevocably agreed to receive service of process at the Guarantor’s place of business in Hong Kong from time to time, currently at 26th Floor, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong in any Proceedings in Hong Kong.
- (d) **Waiver of Immunity:** Each of the Issuer and the Guarantor hereby waives any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence whether in the Hong Kong courts or in any other courts or tribunals where a judgement or award may be enforced, agrees not to plead or claim any such immunity in any Proceedings or arbitration, and irrevocably consents to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgement made or given in connection with any Proceedings or arbitration and/or any pre-judgement interim relief or post execution judgement.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Terms used in this section that are not otherwise defined shall have the meanings given to them in “Terms and Conditions of the Notes”.

INITIAL ISSUE OF NOTES

Global Notes and Global Certificates may be delivered on or prior to the original issue date of the Tranche to a common depository for Euroclear and Clearstream (the “**Common Depository**”) or a sub-custodian for the CMU.

Upon the initial deposit of a Global Note or a Global Certificate with the Common Depository or with a sub-custodian for the CMU or registration of Registered Notes in the name of (i) any nominee of the Common Depository for Euroclear and Clearstream or (ii) the Hong Kong Monetary Authority as operator of the CMU and delivery of the relevant Global Note or Global Certificate to the Common Depository or the sub-custodian for the CMU (as the case may be), Euroclear or Clearstream or the CMU (as the case may be) will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

Notes that are initially deposited with the Common Depository may also be credited to the accounts of subscribers with (if indicated in the relevant Pricing Supplement) other clearing systems through direct or indirect accounts with Euroclear and Clearstream held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream or other clearing systems.

RELATIONSHIP OF ACCOUNTHOLDERS WITH CLEARING SYSTEMS

Save as provided in the following paragraph each of the persons shown in the records of Euroclear, Clearstream or any other clearing system (an “**Alternative Clearing System**”) as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

If a Global Note or a Global Certificate is lodged with a sub-custodian for or registered with the CMU, the person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in accordance with the CMU Rules (as defined in the Agency Agreement) shall be the only person(s) entitled or in the case of Registered Notes, directed or deemed by the CMU as entitled to receive payments in respect of Notes represented by such Global Note or Global Certificate and the Issuer will be discharged by payment to, or to the order of, such person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in respect of each amount so paid. Each of the persons shown in the records of the CMU as the beneficial holder of a

particular nominal amount of Notes represented by such Global Note or Global Certificate must look solely to the CMU for his share of each payment so made by the Issuer in respect of such Global Note or Global Certificate.

EXCHANGE

Temporary Global Notes

Each Temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

- (i) if the relevant Pricing Supplement indicates that such Global Note is issued in compliance with TEFRA C or in a transaction to which TEFRA is not applicable (as to which, see “*Summary of the Programme — Selling Restrictions*”), in whole, but not in part, for the Definitive Notes defined and described below; and
- (ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a Permanent Global Note or, if so provided in the relevant Pricing Supplement, for Definitive Notes.

The CMU may require that any such exchange for a Permanent Global Note is made in whole and not in part and in such event, no such exchange will be effected until all relevant account holders (as set out in a CMU Issue Position Report (as defined in the rules of the CMU) or any other relevant notification supplied to the CMU Lodging and Paying Agent by the CMU) have so certified.

The holder of a Temporary Global Note issued pursuant to TEFRA D will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement, exchange of the Temporary Global Note for an interest in a Permanent Global Note or for Definitive Notes is improperly withheld or refused. The payments in respect of a Note issued under TEFRA D pursuant to Conditions 6(d) and 6(f) may not be collected without certificate as to non-U.S. beneficial ownership.

In respect of a Note issued under TEFRA D, for the purpose of dealing in Euroclear or Clearstream or the CMU, any further issue of Notes by the Issuer pursuant to Condition 15 may not be consolidated and form a single series with the outstanding securities of any series (including the Notes) until the exchange of interests in a Temporary Global Note for interests in a Permanent Global Note upon the relevant Certification.

Permanent Global Notes

Each Permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided in the paragraph titled “*Partial Exchange of Permanent Global Notes*” below, in part for Definitive Notes if the Permanent Global Note is held on behalf of Euroclear, Clearstream, the CMU or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a nominal amount of less than the minimum Specified Denomination will not receive a Definitive Note in respect of such holding and would need to purchase a nominal amount of Notes such that it holds an aggregate nominal amount equal to one or more Specified Denominations.

Global Certificates

If the Pricing Supplement states that the Notes are to be represented by a Global Certificate on issue following will apply in respect of exchange of Notes held in Euroclear, Clearstream, the CMU or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system. Exchange of the holding of Notes represented by any Global Certificate may only be made in part if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so.

In the event that a Global Certificate is exchanged for a definitive Certificate, such definitive Certificate shall be issued in Specified Denomination(s) only. A Noteholder who holds a nominal amount of less than the minimum Specified Denomination will not receive a definitive Certificate in respect of such holding and would need to purchase a nominal amount of Notes such that it holds an aggregated nominal amount equal to one or more Specified Denominations.

Partial Exchange of Permanent Global Notes

For so long as a Permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such Permanent Global Note will be exchangeable in part on one or more occasions for Definitive Notes (i) if principal, interests and Instalment Amounts in respect of any Notes is not paid when due or (ii) if so provided in, and in accordance with, the Terms and Conditions of the Notes (which will be set out in the relevant Pricing Supplement) relating to Partly Paid Notes.

Delivery of Notes

On or after any due date for exchange, the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Issuing and Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent).

In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a Temporary Global Note exchangeable for a Permanent Global Note, deliver, or procure the delivery of, a Permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a Temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a Permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes. Global Notes, Global Certificates and Definitive Notes will be delivered outside the United States and its possessions. In this Offering Circular, “**Definitive Notes**” means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Note and a Talon).

Definitive Notes will be security printed in accordance with any applicable legal and stock exchange requirements substantially in the form set out in the Schedules to the Trust Deed. On exchange in full of each Permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

Exchange Date

“**Exchange Date**” means, in relation to a Temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to an exchange of a Permanent Global Note for Definitive Notes, a day falling not less than 60 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Issuing and Paying Agent or the CMU Lodging and Paying Agent, as the case maybe, is located and except in the case where the Permanent Global Note is held on behalf of a Clearing System, in the city in which the relevant Clearing System is located.

Amendment to the Terms and Conditions of the Notes

The Temporary Global Notes, Permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the Terms and Conditions of the Notes set out in this Offering Circular. The following is a summary of certain of those provisions:

Payments

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a Permanent Global Note or for Definitive Notes is improperly withheld or refused. Payments on any Temporary Global Note issued in compliance with TEFRA D before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note (except with respect to a Global Note held through the CMU) will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Issuing and Paying Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be enfaced on each Global Note, which endorsement will be prima facie evidence that such payment has been made in respect of the Notes. Conditions 7(f)(vi) and 8(c) of the Terms and Conditions of the Notes will apply to the Definitive Notes only. For the purpose of any payments made in respect of a Global Note, the relevant place of presentation (if applicable) shall be disregarded in the definition of “**business day**” set out in Condition 7(h) of the Terms and Conditions of the Notes.

All payments in respect of Notes represented by a Global Certificate (other than a Global Certificate held through the CMU) will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which shall be the Clearing System Business Day immediately prior to the date for payment, where “**Clearing System Business Day**” means Monday to Friday inclusive except 25 December and 1 January.

In respect of a Global Note or Global Certificate representing Notes held through the CMU, any payments of principal, interest (if any) or any other amounts shall be made to the person(s) for whose account(s) interests in the relevant Global Note or Global Certificate are credited (as set out in the records of the CMU) at the close of business on the Clearing System Business Day immediately prior to

the date for payment and, save in the case of final payment, no presentation of the relevant bearer Global Note or Global Certificate shall be required for such purpose. For the purposes of this paragraph, “**Clearing System Business Day**” means a day on which the CMU is operating and open for business.

Prescription

Claims against the Issuer in respect of Notes that are represented by a Permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8 of the Terms and Conditions of the Notes).

Meetings

The holder of a Permanent Global Note or of the Notes represented by a Global Certificate shall (unless such Permanent Global Note or Global Certificate represents only one Note) be treated as two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a Permanent Global Note or of the Notes represented by a Global Certificate shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes. All holders of Registered Notes are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Notes comprising such Noteholders holding, whether or not represented by a Global Certificate.

Cancellation

Cancellation of any Note represented by a Permanent Global Note that is required by the Terms and Conditions of the Notes to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant Permanent Global Note or its presentation to or to the order of the Issuing and Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent) for endorsement in the relevant schedule of such Permanent Global Note or, in the case of a Global Certificate, by reduction in the aggregate nominal amount of the Certificates in the Register, whereupon the nominal amount thereof shall be reduced for all purposes by the amount so cancelled and endorsed.

Purchase

Notes represented by a Permanent Global Note or by a Global Certificate may only be purchased by the Issuer, the Guarantor or any of their respective subsidiaries if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.

Issuer’s Option

Any option of early redemption of the Issuer provided for in the Terms and Conditions of the Notes of any Notes while such Notes are represented by a Permanent Global Note or by a Global Certificate shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Terms and Conditions of the Notes, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear, Clearstream, the CMU or Alternative Clearing System (as the case may be).

Noteholders' Options

Any option of the Noteholders provided for in the Terms and Conditions of the Notes of any Notes while such Notes are represented by a Permanent Global Note may be exercised by the holder of the Permanent Global Note giving notice to the Issuing and Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent) within the time limits relating to the deposit of Notes with a Paying Agent, a Transfer Agent or the Registrar (as applicable) set out in the Terms and Conditions of the Notes substantially in the form of the notice available from any Paying Agent, any Transfer Agent or the Registrar (as applicable), except that the notice shall not be required to contain the certificate numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time presenting the Permanent Global Note to the Issuing and Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent), for notation accordingly in relevant schedule of such Permanent Global Note. Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a Global Certificate may be exercised in respect of all or some of the Notes represented by the Global Certificate.

Trustee's Powers

In considering the interests of Noteholders while any Global Note is held on behalf of, or Registered Notes are registered in the name of, or in the name of any nominee for, a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Note or Registered Notes and may consider such interest if such accountholders were the holders of the Notes represented by such Global Note or the relevant Global Certificate, as the case may be.

Notices

So long as any Notes are represented by a Global Note or a Global Certificate and such Global Note or Global Certificate is held on behalf of (i) Euroclear and/or Clearstream or Alternative Clearing System (except as provided in (ii) below), notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Terms and Conditions of the Notes or by delivery of the relevant notice to the holder of the Global Note or (ii) the CMU, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to the CMU in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note or Global Certificate, and any such notice shall be deemed to have been given to the Noteholders on the day on which such notice is delivered to the CMU.

PARTLY PAID NOTES

The provisions relating to Partly Paid Notes are not set out in this Offering Circular, but will be contained in the relevant Pricing Supplement and thereby in the Global Notes. While any instalments of the subscription moneys due from the holder of Partly Paid Notes are overdue, no interest in a Global Note representing such Notes may be exchanged for an interest in a Permanent Global Note or for Definitive Notes (as the case may be). If any Noteholder fails to pay any instalment due on any Partly Paid Notes within the time specified, the Issuer may forfeit such Notes and shall have no further obligation to their holders in respect of them.

DESCRIPTION OF THE ISSUER

FORMATION

The Issuer is a BVI business company with limited liability incorporated in the British Virgin Islands on 30 December 2021 with company number 2087199. Its registered office is located at Kingston Chambers, PO Box 173, Road Town, Tortola, British Virgin Islands. The Issuer is an indirect wholly-owned subsidiary of the Company.

BUSINESS ACTIVITY

As of the date of this Offering Circular, the Issuer has not engaged, since its incorporation, in any material activities other than those relating to the establishment of the Programme, the issuance of Notes under the Programme, the on-lending of the proceeds of the Notes to the Company or the Company's Subsidiaries and affiliates, and the authorisation of documents and agreements referred to in this Offering Circular to which it is or will be a party.

DIRECTORS AND OFFICERS

The directors of the Issuer are LIU Liang and ZHENG Ying.

SHAREHOLDING

As of the date of this Offering Circular, the Issuer is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.00 each. As of the date of this Offering Circular, one ordinary share, which is held by the Company indirectly through other wholly-owned subsidiaries, had been issued and credited as fully paid, representing 100% of the issued shares of the Issuer. None of the equity securities of the Issuer was listed or dealt in on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought as of the date of this Offering Circular.

DESCRIPTION OF THE GROUP

OVERVIEW

The Guarantor is a wholly owned subsidiary of CITIC Securities, a leading full service securities firm in China with international reach, and is the principal platform for implementing CITIC Securities' international strategy. Headquartered in Hong Kong, the Group provides comprehensive financial services to institutional and corporate customers, retail and high-net worth individuals, ranging from corporate finance and capital market, securities brokerage, fixed income, currencies & commodities, equity derivatives and prime brokerage to asset management. We are well-equipped to provide one-stop solutions to our clients with the wide range of key SFC licences we have obtained. See “*Risk Management and Internal Control — Licensing Requirement*” for details of our key SFC licences.

Our sole shareholder, CITIC Securities, is the leading full-service securities firm in China. CITIC Securities was one of the first companies approved by the CSRC to be an integrated securities company, and was the first China-based securities firm listed on the Shanghai Stock Exchange. With its IPO completed in January 2003, CITIC Securities was listed and traded on the Main Board of the Hong Kong Stock Exchange (stock code: 6030) on 6 October 2011. CITIC Securities' leading position amongst all securities firm in China has been widely recognised. In 2020, amongst other awards, CITIC Securities was named the No. 1 Best Investment Bank, No. 1 Best Local Investment Bank, 2020 Best Securities Company and 2020 Pioneer Investment Bank, by Caixin Media, New Fortune, Financial Times and International Financial News, respectively. In 2021, amongst other awards, CITIC Securities was again named 2021 Best Securities Company by Financial Times, and was named the Golden Bull Securities Company for the 2021 Golden Bull Award in Chinese Securities Industry by China Securities Journal. In 2022, amongst other awards, CITIC Securities was named an “Excellent Trading Partner” in Forex Futures Trading for 2022 by the Singapore Exchange, and the Best Sustainable Financial Institution by Finance Asia. CITIC Securities operates a wide range of businesses, mainly including securities services, wealth management, institutional stock brokerage, financial market, asset management, custody, equity investment and research. The founders of CITIC Securities were CITIC Group Corporation (under its former name of China International Trust Investment Company), and three other investors. CITIC Group Corporation is one of the largest state-owned conglomerates, with a more than 35-year track record in China. It operates in a wide range of industry sectors including finance, real estate and infrastructure, construction, energy and resources, manufacturing, IT, trading and consumer. CITIC Group Corporation is directly administered by MOF.

The Group has a comprehensive financial service platform covering both primary and secondary markets across multiple products. We are a premium securities company in Hong Kong with businesses spanning corporate finance and capital markets, securities brokerage, FICC, equity derivatives and prime brokerage, asset management and others, with a market leading position in all respective businesses. The Group is fully integrated and utilises the platform resources of the Group, CITIC Securities and the CITIC Group to provide customers with one-stop solutions, with the aim to grow the Group's all-rounded securities services into a global and leading multi-asset, multi-strategy, cross-market and full-service financial institution.

Our principal operations are in Hong Kong. We also operate in mainland China together with our parent company CITIC Securities which has a vast network and strong presence in mainland China, and we believe that we are well positioned to benefit from the strong growth potential of China's economy and the opportunities presented by the development of China's capital markets. The completion of our

acquisition of the entire equity interest in CLSA on 31 July 2013 significantly reinforced our research capabilities and extended our global coverage. Our global network spans across Asia (including Hong Kong and mainland China), Australia, Europe, United Kingdom and the United States.

The Company was established on 9 April 1998. In 2006, CITIC Securities commenced our international operations and acquired the equity business of CITIC Capital Holdings Limited and incorporated it into CITIC Securities (HK) Company Limited, which was the former name of the Company. With the Company's acquisition of the entire equity interest in CLSA, which was completed on 31 July 2013, and the alignment of CLSA and CITIC Securities Group's international business, our business network has been expanded to the United States, the United Kingdom, Australia, Europe, and certain Asian markets. We have extended our services to a diverse clientele in Hong Kong and other jurisdictions. We believe that we are well positioned to capitalise on China's growing cross-border business opportunities arising from the globalisation of China's economy and companies, such as equity offerings by China-related companies in Hong Kong and issuances of RMB-denominated products, as well as the demand for brokerage services arising from the growing financial needs of China's high-net-worth individuals and institutional investors, such as QDIIs and sovereign funds.

The following is a summary of the Group's key corporate development milestones:

- On 9 April 1998, the Company was established, with a registered capital of HK\$10,000.00. The registered capital was later increased to HK\$10,000,000.00 in May 1998;
- From 2005 to 2006, by way of share allotments by the Company, CITIC Securities injected HK\$387,499,998.00 into the Company (in cash and otherwise), resulting in a fully paid capital of HK\$387,500,000.00 of the Company;
- In 2006, CITIC Securities acquired the equity business of CITIC Capital Holdings Limited and incorporated that business into CITIC Securities (HK) Company Limited. This marked the beginning of CITIC Securities Group's global expansion;
- In March 2007, CITIC Securities (HK) Company Limited was renamed CITIC Securities International Company Limited;
- From 2007 to 2012, by way of share allotments by the Company, CITIC Securities injected HK\$6,128,550,000.00 into the Company, resulting in a fully paid capital of HK\$6,516,050,000.00 of the Company; and

In 2013, we completed the acquisition of CLSA to further extend our international operations. In July 2012, we acquired a 19.9% equity interest in CLSA, and on 31 July 2013, we acquired the remaining 80.1% equity interest in CLSA.

For the years ended 31 December 2020, 2021 and 2022, our total operating income was US\$1,052,596,000, US\$1,330,238,000 and US\$1,414,352,000, respectively, and our respective profit/(loss) attributable to equity holders of the Company for the corresponding periods was US\$116,944,000, US\$101,283,000 and US\$126,127,000, respectively. As of 31 December 2020, 2021 and 2022, we had total assets of US\$30,348,982,000, US\$32,588,885,000 and US\$30,940,226,000, respectively, and total equity attributable to equity holders of the Company of US\$1,291,695,000, US\$1,383,607,000 and US\$1,457,595,000, respectively.

RECENT DEVELOPMENT

Impact of COVID-19 pandemic

Since the outbreak of the COVID-19 pandemic in January 2020, the Company has focused on ensuring the safety and welfare of its employees and on implementing the requirements of the COVID-19 related regulations in Hong Kong and in other jurisdictions we operate in. The Group's main countermeasures in response to the COVID-19 pandemic are as follows:

- taking measures to maintain social distancing;
- minimising face-to-face meetings by using conference calls or video conferences;
- taking measures of work-from-home arrangement and flexible working plans;
- avoiding unnecessary travel and outside meetings;
- taking measures of access control to office with temperature screening;
- taking quarantine measures for employees who had contact with any confirmed case of COVID-19 and imposing coronavirus test requirements; and
- providing face masks, hand sanitisers and other hygiene supplies.

As a provider of a broad range of financial services, our business is inherently more able to withstand the economic impact of a public health emergency than companies in many other industries. As of the date of this Offering Circular, the COVID-19 pandemic has not had, and is not expected to have, any material impact on the Company's overall business, financial condition or results of operations.

STRATEGIES

Our vision is to become an internationally leading securities firm trusted by clients around the world. To achieve this goal, we intend to implement the following strategies in our various business lines:

- ***Corporate finance and capital markets.*** We will continue to take a client-centric and full product coverage approach to provide clients with comprehensive corporate finance and capital markets services, strengthen and further leadership of traditional businesses and actively drive innovative business and develop international business, and provide a leading platform for PRC companies going global and foreign investors seeking access to the PRC;
- ***Securities brokerage.*** We will integrate and expand our local and overseas brokerage business to serve international customers including financial institutions, enhance service quality and business coverage. We continue to strive for outstanding services in institutional equities that provide clients insights into issues, trends and companies driving the Asia Pacific markets, and seek out liquidity to execute even the most challenging strategies for our clients. With a strong retail distribution network in greater China area, our dedicated team of wealth management professionals will continue to provide tailor-made financial solutions to clients in China and beyond across a variety of asset classes;

- ***Fixed income, currencies & commodities.*** We plan to continue to build and improve our product matrix and broaden our client base, and promote active risk management and prudent fund allocation. Our FICC business through its global network continually strives to deliver a full suite of products and services across credit, rates, foreign exchange and commodities to help clients identify market opportunities, manage risk and generate returns for their portfolios;
- ***Equity derivatives and prime brokerage:*** Our equity derivatives team will continue to offer a unique combination of local expertise and global access, and to work closely with global clients to create solutions that meet their needs in risk management, yield enhancement, financing, and cross-border market access. Our fund services will also continue to provide comprehensive end-to-end solutions spanning middle and back office and fund administration services by leveraging on industry know-how, first-in-class technology infrastructure and robust IT support; and
- ***Asset management and others.*** We plan to continue to take a client-centric approach to drive product and marketing innovation, leverage the going-global trend and maintain our comprehensive competitiveness in the industry. Our asset management business will serve as a go-to one-stop shop for global investors to tap into the advantageous home market of CITIC Securities, and continue to help our clients invest in industry leaders in the most dynamic sectors.

We believe that there will be better development opportunities for the Asia Pacific and global securities industry. By utilising our China and global networks, capitalising on economic development in Asia and globally and the growing capital markets and seizing available opportunities derived from the Belt and Road Initiative, we will further enlarge our market share, enhance our capabilities in integrated services, strive for the realisation of our vision, and further strengthen our unique position to facilitate cross-border capital flows and to bridge China to the world and world to China.

COMPETITIVE STRENGTHS

We believe that the following strengths have contributed to our success and differentiated us from our competitors.

Strategic establishment with solid government support and outstanding shareholder background

CITIC Group Corporation, the largest shareholder of CITIC Securities which wholly owns the Company, is directly administered by MOF. CITIC Group Corporation is a stated-owned company established in Beijing in 1979, being one of China's largest conglomerates covering financial services, resources and energy, manufacturing, engineering contracting and real estate. As its roots can be traced back to the beginning of China's opening and reform, CITIC Group has grown in step with the country's rapid development and modernisation. In alignment with China's 14th Five-Year Plan, CITIC Group has outlined an updated development strategy that is focused on comprehensive financial services, advanced intelligent manufacturing, advanced materials, new consumption and new-type urbanisation. In 2022, CITIC Group Corporation ranked No. 102 on the Fortune Global 500, marking its fourteenth consecutive year being listed on the Fortune Global 500. CITIC Group Corporation is one of the largest constituent stocks of the Hang Seng Index, with a long-term corporate credit rating of BBB+ and A3 by Standard & Poor's and Moody's, respectively.

Founded in 1995 with an aim to integrating the securities business under CITIC Group, CITIC Securities, the sole shareholder of the Company, was one of the first companies approved by the CSRC to be an integrated securities company and has grown into a leading full-service securities group in the PRC with the full support from CITIC Group. Being an important member of CITIC Group, CITIC

Securities has access to channel and client recourse sharing within CITIC Group. CITIC Securities often acts as the lead underwriter for equity and debt funding for other members of the CITIC Group, and the CITIC Group can provide assistance to CITIC Securities and us with respect to client coverage, business expansion and communications with regulators. CITIC Securities' synergies with CITIC Group's subsidiaries engaging in the provision of financial services such as CITIC Trust Co., Ltd. and CITIC-Prudential Life Insurance Co., Ltd. help CITIC Securities increase its operating efficiency and profitability. Being a key member of the CITIC Group has also benefited CITIC Securities in its public-private-partnerships with central government ministries and local governments as well as enterprises with which the CITIC Group has maintained long-term relationships. Listed on Shanghai Stock Exchange in 2003 and on the Hong Kong Stock Exchange in 2011, CITIC Securities is China's first listed securities company in terms of A share, H share and A+H share IPO. With solid government support, CITIC Securities obtained RMB202.63 million, RMB229.57 million and RMB350.82 million government grants in 2020, 2021 and 2022, respectively.

Comprehensive support from and business collaboration with the CITIC Securities Group

We have CITIC Securities Group's support in various aspects. See our corporate development milestones set out in "**Overview**" above for the multiple times of capital injections from CITIC Securities, thereby demonstrating to the market its commitment to our business growth. CITIC Securities has also announced in November 2021 that it will further inject capital into the Company by up to US\$1.5 billion in cash, which will be paid up by one-time payment. In addition, our senior management team was appointed by CITIC Securities, and has extensive experience working in the CITIC Securities Group and/or the CITIC Group. Further, CITIC Securities completed a rights issuance in March 2022, where up to RMB5 billion of the proceeds would be used for the increase in investments to its subsidiaries, thereby demonstrating CITIC Securities' commitment to support the growth of its subsidiaries. Our funding pool is also fully integrated with CITIC Securities' offshore funding pool, thus enabling CITIC Securities to provide funding support readily.

We have access to CITIC Securities Group's resources across China and worldwide. CITIC Securities Group's vast network extends into many of China's rapidly developing provinces. As of 31 December 2022, it has approximately 25,742 staff members. CITIC Securities has a leading market position in mainland China in the principal businesses it is engaged in. In 2022, the lead underwriting projects that CITIC Securities completed in respect of domestic equity financing amounted to an aggregate lead underwriting amount of RMB376,317 million (cash and asset transactions), representing a year-on-year increase of 13.38%, accounting for a market share of 22.31% and ranking the first in China's domestic market, and CITIC Securities maintained its leadership in the domestic debt financing business with a total underwriting amount of RMB1,578,581 million, representing a year-on-year increase of 0.93%. During the same period, in respect of its financial advisory services, the value of material assets restructuring transactions in A-share market completed by CITIC Securities amounted to RMB107,450 million, with a market share of 34.09%, ranking the first in the market. This strong presence complements the Guarantor's international coverage to create a unique bridge that facilitates investment going in and out of China.

One-stop service provider offering a wide range of products and access to international platform

The Group fully integrates and utilises the platform resources availed by the Group, CITIC Securities and the CITIC Group to provide its clients with one-stop comprehensive solutions, with the aim to grow the Group's all-rounded securities services into a global and leading multi-asset, multi-strategy, cross-market and full-service financial institution.

We have established an integrated global platform to provide comprehensive financial services to our clients covering various stages of their growth in both domestic and overseas markets, and have continued to reduce our reliance on traditional channel-based brokerage services for an increasingly diversified business mix and income sources through the provision of a spectrum of financial products and services, including corporate finance and capital markets, securities brokerage, FICC, equity derivatives and prime brokerage, asset management and others.

We seek to distinguish ourselves from our competitors with a highly-integrated platform generating cooperation and synergies across business lines and throughout our global operations. We provide securities products and services to Chinese and international clients in Hong Kong and other key overseas markets. We value teamwork in every aspect of our business and continually adapt our organisational structure and incentive system to promote collaboration among our business lines. Our coverage professionals assist clients in identifying their multiple needs and tap on our resources across business lines to better achieve clients' objectives. We proactively seek cross-selling opportunities to the extent permitted under relevant laws.

Member of a domestically-leading securities firm franchise with global strategic presence and largest area coverage with respect to the Belt and Road Initiative

Based in Hong Kong and with CITIC Securities' leading presence in mainland China, we have actively expanded our Asia Pacific and global coverage to become a leading international securities firm with an Asia focus. We have expanded our international footprint via both organic growth and acquisitions, accessing overseas markets in Hong Kong and the United States. We acquired CLSA in 2013 as a wholly-owned subsidiary, making CITIC Securities the first Chinese securities firm to successfully acquire a foreign competitor. Since then, we have successfully consolidated overseas securities services platforms and completed the integration of front-desk institutional sales and corporate finance business, further integrated mid-desk and back-desk operations to lay a solid foundation for future overseas business development.

After the acquisition of CLSA in 2013, the Guarantor was integrated with CLSA, and the new platform has since been operating in overseas markets under the brand "CLSA". CLSA Limited commenced its institutional equities business in Hong Kong as early as 1986. Since then, the Guarantor has been committed to providing global institutional investors, corporations, governments and high-net-worth individuals with insights, liquidity and capital to drive their investment strategies. In recent years, we have increasingly become an established brand in the overseas markets in which we operate, as a result of CITIC Securities global branding and in compliance with the brand management of CITIC Group. Leveraging on our award-winning research, extensive Asia network, direct links to China and highly experienced financial professionals, we are uniquely positioned to facilitate cross-border capital flows and bridge China to the world and the world to China.

We operate across 13 countries in Asia, Australia, Europe, United Kingdom and the U.S., with its research services covering more than 1,200 listed companies in 19 key industry sectors across 12 markets (including areas within the Belt and Road Initiative), providing deep sector and company insights that inform client's investment strategies. We are pivotal to our international expansion serving Chinese and global clients across diverse geographies, as well as the "**Belt and Road**" Initiative projects. Chinese domestic institutional, retail and corporate clients benefit from our world class service and direct access to international capital markets. The integrated business offers corporate finance, capital markets, fixed income, asset management, private equity, equity research and institutional and

retail brokerage. The integration of the Guarantor and CLSA has provided an opportunity for growth by bringing together complementary products, services, skills and talents.

We maintain a leading position amongst securities companies with a PRC background in terms of global presence, sales network and liquidation and settlement infrastructure in areas covered by the Belt and Road Initiative. We have been a major wholesale broker in the countries covered by the Belt and Road Initiative, including Singapore, Malaysia, the Philippines, Indonesia, Thailand and Sri Lanka for the past 30 years. This has given us strong brand recognition in those countries among leading companies, investors, regulators, banks and the governments. In the above countries, we have been either the largest foreign broker (measured by value of trades completed), or ranking within the top three, for a number of years. We have more than 10% market share of foreign business in all the above countries and as much as 35% in some of such countries. In April 2022, we acted as a co-manager in the initial public offering of PT GoTo Gojek Tokopedia Tbk, which raised a total of US\$957 million. In April 2022, we also acted as a joint global coordinator and a joint domestic underwriter in the US\$763 million stock rights offering by the Union Bank of the Philippines, demonstrating our on-the-ground presence in the region covered by the Belt and Road Initiative.

Our unique industry position and strength provide enterprises that participate in Belt and Road Initiative projects high-quality and effective services and advice in areas such as cross-border mergers and acquisition in Asia, establishment of joint ventures and an in-depth understanding of local markets.

Enhanced capital and asset-liability management and diversified funding sources that contribute to sound financial flexibility

We believe that the management of our liquidity and capital resources is critical to our success. To ensure the Group's ability to deploy its capitals but at the same time maintain its strong balance sheet performance, we have established a centralised capital and asset management system utilising management policies, decision-making authorities and review procedures. Our assets and liabilities management committee decides and reviews major matters and related systems involving application of our proprietary capital. Our treasury department plays a significant role in achieving financing efficiency and maintaining our overall liquidity through managing the capital structure, funding and liquidity from a day-to-day operation perspective. We also proactively evaluate assets and liabilities of the Group, manage any mismatch, and perform liquidity stress tests on the Group's fund position for liquidity risk control management. Through the collaborative system, the Group formulates its overall capital planning, allocation and adjustments in a proactive and dynamic manner to support its sustainable growth while ensuring its financial liquidity, efficiency and stability. Please see "***Risk Management and Internal Control***" for a detailed description of our risk management governance structure and policies.

The Group's diversified financial sources and abundant credit facilities allow it to maintain a high level of financial flexibility. We maintain good long-term cooperative relationships with many large financial institutions and commercial banks and obtain funds at a competitive interest rate to support our business development. We have also constantly broadened and diversified our funding channels, such as through syndicated loans, revolving loans and fund raising activities in the capital market, to optimise the liability structure.

We also invest in highly liquid assets with low risk to ensure the availability of immediate liquidity and the safety of our capital, while benefiting from the returns on these assets. We manage our cash assets primarily through deposits, repurchase and reverse repurchase agreements and short-term bonds. We also

invest in low-risk fixed income products and engage in arbitrage activities with guaranteed minimum returns. We plan to adopt market-neutral portfolios for our future proprietary investments.

Our sound capital and asset-liability management and diversified funding sources has contributed to our strong balance sheet position. As at 31 December 2020, 2021 and 2022, we had total assets of US\$30,348,982,000, US\$32,588,885,000 and US\$30,940,226,000, respectively.

Prudent risk management and effective internal control

We believe that our prudent risk management and effective internal control will assist us to maintain our robust development and profitability, and help us counter the ups and downs of the market to move through various phases of the securities industry cycle. We are subject to extensive regulation in the jurisdictions that we have operations in. The acquisition of CLSA in 2013 expanded our network to overseas markets such as the United States, the United Kingdom, Australia, Europe, and certain Asian markets, which has exposed us to compliance risks in these markets. We have established comprehensive risk management processes to monitor, evaluate and manage the market, liquidity, credit and operational risks that we are exposed to in our business activities. Our integrated risk management processes comprise established risk management policies and procedures, an integrated risk management system and a three-level organisational structure with well-defined authority and responsibility and clear reporting lines. We are dedicated in trimming down risk exposure through effective risk management. In addition, we have effectively responded to market volatility and various phases of the industry cycle and exhibit robust profitability during the ups and downs of the stock market in recent years. For further information on our risk management and internal control processes, see “***Risk Management and Internal Control***”.

Our financial reporting is in accordance with HKFRS. We believe that comprehensive risk management and internal control processes have contributed significantly to the stability and sustainability of our business through volatile markets and business cycles and will remain fundamental to the growth of our business. Meanwhile, the Group has been rated “**BBB+**” (outlook stable) by the global credit rating agency Standard & Poor’s Global Ratings, which rendered the Group with leading ratings among the Chinese financial institutions in Hong Kong.

A steady team of visionary and experienced senior management

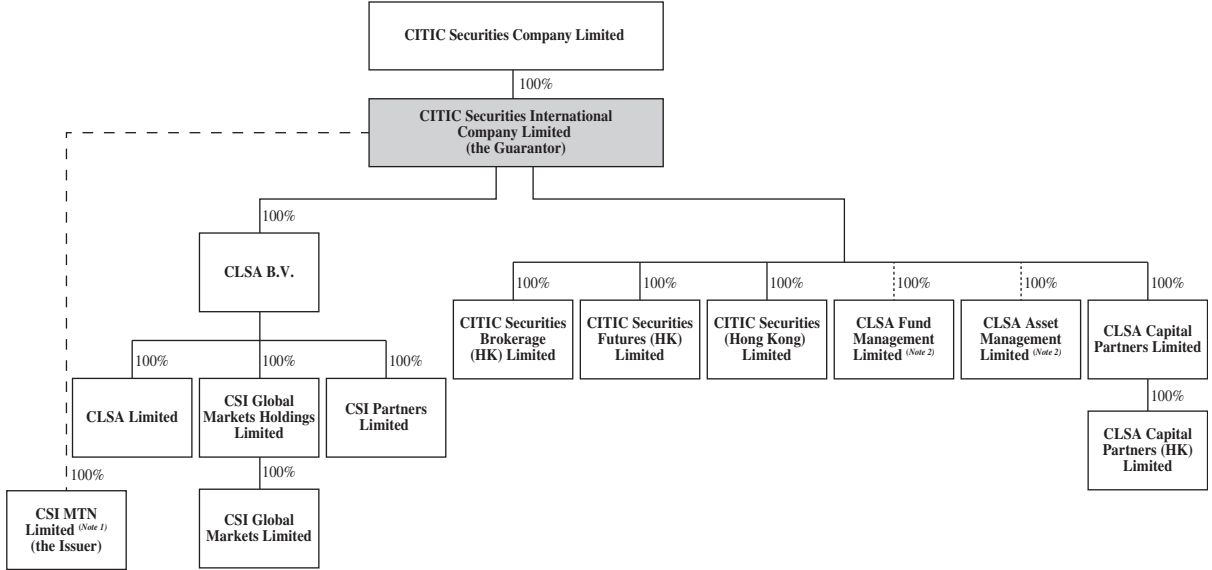
Our management team’s extensive experience in the industry is the key to our outstanding performance and achievement in the highly competitive securities sector, and is also fundamental to ensuring our future development. Our experienced management team has significant experience in the PRC and global financial industry. Our senior management has an average experience of 20 years in our industry. With a global vision, our management has adopted a solid and practical approach to manage our operations with professional management experience, and has successfully leveraged our PRC and international network to expand into the global capital markets. We believe that our management team will remain instrumental to our future growth.

We strive to maintain and enhance our team of highly talented professionals. Focusing on the career development of our employees is one of our key principles. We pride ourselves on having built a people-oriented culture and seek to reinforce our employees’ commitment to our culture through recruitment, talent development and an effective performance review system, with a compensation philosophy that rewards teamwork and excellence. We have been successful in attracting talented professionals, including staff from diverse educational backgrounds and with substantial experience in

the global financial services industry. We also encourage our people to perform and advance rapidly without hierarchical limitations. We believe that our unique corporate culture and cooperative work environment have played and continue to play an important role in employee recruitment and retention and the success of our business.

SIMPLIFIED CORPORATE STRUCTURE

The Company operates as an investment holding company and consolidates cross-border business and companies under one umbrella, offering a seamlessly unified and international business platform. The following chart sets forth a simplified shareholding and group structure of the Company as at 31 December 2022.



Note 1: The Issuer is wholly and indirectly owned by the Guarantor through intermediate subsidiaries.

Note 2: CLSA Fund Management Limited and CLSA Asset Management Limited are wholly and indirectly owned by the Guarantor through its other subsidiaries.

PRINCIPAL LINES OF BUSINESS

The following table sets forth our business lines and the major products and services under each business line.

<u>Corporate finance and capital markets</u>	<u>Securities brokerage</u>	<u>FICC</u>	<u>Equity derivatives and prime brokerage</u>	<u>Asset Management and others</u>
<ul style="list-style-type: none"> • Corporate finance • Capital markets 	<ul style="list-style-type: none"> • Institutional equities • Research • Wealth management 	<ul style="list-style-type: none"> • Fixed income, currencies & commodities (“FICC”) 	<ul style="list-style-type: none"> • Equity derivatives • Prime brokerage • Fund services 	<ul style="list-style-type: none"> • Asset management • Alternative investment management • Others

Our Business Model

Our business model classifies our products and services into three categories based on the nature of their revenue and how we use our capital to generate that revenue, namely, fee-based, flow-based and capital-efficient businesses. Our fee-based businesses focus on traditional client-driven activities where we have a leading market position and generate fees and commissions as a stable revenue source. Our flow-based businesses leverage our capital position to facilitate clients' transactions or to provide liquidity to various types of markets. In our capital-efficient businesses, we strive to capture investment opportunities that optimise our risk and return profile.

Corporate Finance and Capital Markets

Our corporate finance and capital markets business consists of the following activities:

- Equity finance, including equity capital markets and equity linked finance;
- Debt and structured finance, including debt capital markets and leveraged and structured finance; and
- M&A and financial advisory services.

We are one of Asia's leading corporate finance and capital markets groups. With more than 30 years of experience operating across Asia, we have led many of the Asia's most interesting capital raisings and notable debt issuances. We maintain a strong onshore and offshore balance sheet to facilitate various funding options for clients. Through CITIC Securities' vast network of bankers and CITIC Group's breadth of industry coverage, we provides a platform for PRC companies going global and foreign investors seeking access to the PRC. Our key industry sectors include financial institutions & technology, energy, chemicals & new material, infrastructure, real estate & services, industrials & advanced manufacturing, technology, media, and telecom, healthcare, and consumer.

According to Refinitiv's markets review for 2020, we ranked first in the top bookrunners for equity capital markets in Asia Pacific (excluding Australia and Central Asia). We ranked second in the top global coordinators for equity capital markets in Hong Kong in Dealogic's market rankings for 2020. For debt capital markets in Asia (excluding Japan), we ranked second among Chinese securities houses in investment grade China USD bonds according to Bloomberg's league tables. In addition, we together with CITIC Securities (on an aggregation basis) ranked second for announced merger and acquisition deals in Asia markets (excluding Japan) in 2020 according to the league tables published by Mergermarket.

In 2021, we kept our first position among top bookrunners in Asia Pacific (excluding Australia and Central Asia) equity capital markets according to Refinitiv. We ranked second in the top global coordinators for equity capital markets in Hong Kong in Dealogic's market rankings among Chinese investment banks and ranked third overall by deal count. For debt capital markets, we ranked second among Chinese securities houses in investment grade offshore China bonds based on the league table from Bloomberg. Additionally, we together with CITICS Securities ranked second by deal count in the announced merger and acquisition deals in Asia markets (excluding Japan) in 2021 according to Dealogic's market rankings.

According to Dealogic’s market rankings for 2022, we together with CITIC Securities ranked first in the top bookrunners for equity capital markets in Asia Pacific (excluding Asia Australia and Central Asia), and we ranked third in the top global coordinators for equity capital markets in Hong Kong. For debt capital markets, we ranked fourth in China offshore bonds in Asia markets (excluding Japan), and second among Chinese securities houses with a total deal volume of USD 3,429 million, according to Bloomberg’s league table. Additionally, according to Dealogic’s market rankings in 2022, CITIC Securities ranked second by deal count in the announced merger and acquisition deals in Asia markets (excluding Japan) with a total of 84 deals, and second among Chinese securities houses by completed merger and acquisition transaction size.

In addition, our market position in corporate finance and capital markets has been testified by the award wins and industry accolades reaped throughout the past years. The following table sets out the significant awards and market rankings for our corporate finance and capital markets business in 2020, 2021 and 2022:

<u>Issued by</u>	<u>Name of Awards</u>
Agricultural Development Bank of China	Best Cooperative Underwriter Award of Overseas Bonds
Asiamoney	2020 China Outstanding Corporate Finance and Investment Bank Award Best for Cross-border M&A 2020
Finance Asia	Best ECM House in Hong Kong (Chinese FIs) 2021 Country Awards for Achievement 2020 (China) Best Deal in China/Hong Kong 2020: JD.com’s Hong Kong secondary listing (CITIC Securities/CLSA Limited as one of the sponsors) Equity Deal of the Year 2020: JD.com’s Hong Kong secondary listing (CITIC Securities/CLSA Limited as one of the sponsors) Best IPO 2021: JD Logistics’ IPO (CITIC Securities/CLSA Limited as one of the global coordinators) Best Sustainable House 2022 Best IPO in Asia 2022: GoTo’s \$1.1 billion initial public offering (CLSA Limited as one of the underwriters) Best Deal in China 2022: Beigene’s US\$3.5 billion STAR Market initial public offering (CITIC Securities as one of the joint bookrunners)

The Asset Triple A Country Awards 2020 (China)

Triple A Sustainable Capital Markets Country Awards 2021

Triple A Country Awards for Sustainable Finance 2022

Best Equity Deal 2020: JD.com's US\$3.9 billion Hong Kong secondary listing (CITIC Securities/CLSA Limited as one of the sponsors)

Best IPO 2020: Hangzhou Tigermed US\$1.38 billion Hong Kong IPO (CITIC Securities/CLSA Limited as one of the sponsors, global coordinators, bookrunners and lead managers)

Best Privatisation 2020: US\$2 billion privatisation of Huaneng Renewables Corporation (CITIC Securities/CLSA Limited as financial adviser)

Best LGFV Bond 2020: Yunnan Provincial Energy Investment Group Company US\$300 million senior unsecured notes and unsubordinated perpetual securities (CITIC Securities/CLSA Limited as one of the bookrunners and lead managers)

Best Liability Management 2020: Guangzhou R&F Properties Company senior bond issuance (CITIC Securities/CLSA Limited as one of the global coordinators)

Best Bank Capital Bond 2020: Bank of Communications (Hong Kong) Limited US dollar perpetual non-cumulative subordinated additional tier 1 capital instruments (CITIC Securities/CLSA Limited as one of the bookrunners and lead managers)

Best Corporate Bond 2020: China National Travel Service Group Corporation Limited dual-tranche senior secured notes (CITIC Securities/CLSA Limited as one of the bookrunners and lead managers)

Best REIT in Philippines 2021: RL Commercial Reit (CLSA Limited as the international bookrunner)

Best sustainability bond — Real estate 2021: Minmetals Land US\$300 million senior unsecured sustainable bond (CITIC Securities/CLSA Limited as one of the bookrunners and lead managers)

Best green bond — Financial institution 2021: Bank of China (Macau) CNH1 billion biodiversity-themed green bond (CITIC Securities/CLSA Limited as one of the bookrunners and lead managers)

Best green bond — Technology 2021: Xiaomi Corporation US\$400 million senior unsecured green bond (CITIC Securities/CLSA Limited as one of the bookrunners and lead managers)

Most innovative deal 2021: Bank of China (Hong Kong) US\$500 million Sofr FRNs and Bank of China (London) £300 million Sonia FRNs (CITIC Securities/CLSA Limited as one of the global coordinators, bookrunners and lead managers)

Best green bond — Policy bank 2021: China Development Bank (Hong Kong) US\$500 million senior unsecured green notes (CITIC Securities/CLSA Limited as one of the bookrunners and lead managers)

Best IPO (Philippines) 2022: Citicore Energy REIT Corporation PHP6.40 billion initial public offering (CITIC Securities/CLSA Limited as one of the international bookrunners)

Most Innovative Deal 2022: ACEN Corporation PHP17.4 billion energy transition mechanism transaction (CITIC Securities/CLSA as one of the lead arrangers (share placement))

Best Green/Sustainability Bond 2022: Bank of China (Hong Kong) US\$400 million fixed rate sustainability bond (CITIC Securities/CLSA as one of the bookrunners and lead managers)

Best Green/Sustainability Bond 2022: Bank of China (Hungary) US\$300 million two year fixed rate green bond (CITIC Securities/CLSA as one of the bookrunners and lead managers)

Best Green/Sustainability Bond 2022: Bank of China (Johannesburg) US\$300 million three year fixed rate green bond (CITIC Securities/CLSA as one of the bookrunners and lead managers)

Best Sustainability-Linked/Green Bond 2022: Yunnan Provincial Energy Investment Group US\$230 million green bond and sustainability-linked bond (CITIC Securities/CLSA as one of the bookrunners and lead managers)

Best Green Dim Sum Bond — LGFV 2022: People's Government of Shenzhen Municipality RMB3.9 billion green bond (CITIC Securities/CLSA as one of the global coordinators, bookrunners and lead managers)

Best Green Dim Sum Bond — Auto 2022: SAIC-GMAC Automotive Finance Company CNH1 billion green Dim Sum bond (CITIC Securities/CLSA as one of the green structuring advisers, global coordinators, bookrunners and lead managers)

Best Green Bond 2022: China Construction Bank (Macau) US\$500 million SOFR floating rate green bond (CITIC Securities/CLSA as one of the global coordinators, bookrunners and lead managers)

Best IPO (China offshore) 2022: China Tourism Group Duty Free Corporation Limited US\$2.7 billion initial public offering (CITIC Securities/CLSA as one of the global co-operators and bookrunners)

Triple A Sustainable Capital Markets Awards 2022

Best Blue Bond and Sustainability Bond 2022: People's Government of Hainan Province RMB1.2 billion offshore blue bond (CITIC Securities/CLSA as one of the bookrunners and lead managers)

Best Green Bond — Renewable Energy 2022: China Merchants Bank (Sydney Branch) US\$400 million renewable energy-themed green notes (CITIC Securities/CLSA as one of the bookrunners)

Best Green Bond — Biodiversity 2022: Bank of China (Paris Branch) US\$400 million themed green bond (CITIC Securities/CLSA as one of the bookrunners and lead managers)

Best Green Bond — Carbon Neutrality 2022: Industrial and Commercial Bank of China US\$2.68 billion multi-currency carbon neutrality-themed green bond (CITIC Securities/CLSA as one of the bookrunners and lead managers)

Best Green Bond — Transmission 2022: State Grid International Development Company US\$350 million senior unsecured green bond (CITIC Securities/CLSA as one of the bookrunners and lead managers)

Best Renminbi Bond Adviser 2022

Sina Finance Sina Finance Hong Kong Financial Institutions Awards (HKFIA)

The Best IPO Financial Advisor of the Year

We commenced operations in Hong Kong in 2006. With CITIC Securities' networks in China and the acquisition of CLSA in July 2013, we are utilising the synergies generated from our China and international presence to ramp up the cross-border services we provide to our clients.

We provide capital-raising and financial advisory services to a diverse group of corporate and other institutional clients in China and globally. The key industry sectors we cover include consumer & diversified, energy & general industrial group, financial institutions, healthcare, real estate & infrastructure and technology, media and telecom. We maintain contact with thousands of companies,

many of which are leaders in their respective industries. We also aggressively pursue new customer groups, ranging from domestic small to medium sized enterprises to multinational corporations that are seeking business opportunities in China or overseas.

Equity Finance

We sponsor and underwrite IPOs and follow-on offerings of equity and equity-linked products. In the past three years, some of the major IPO transactions we sponsored and underwrote include (i) the secondary listing of Chinese social media giant Weibo on the Hong Kong Stock Exchange, raising HKD1.38 billion, (ii) the dual primary listing of Chinese electric car maker Li Auto Inc. on the Hong Kong Stock Exchange, raising HKD11.8 billion; (iii) the secondary listing of Chinese e-commerce giant JD.COM, Inc. on the Hong Kong Stock Exchange, raising HKD29.8 billion, (iv) the secondary listing of Chinese search engine and artificial intelligence giant Baidu, Inc. on the Hong Kong Stock Exchange, raising HKD23.9 billion and (v) the listing of China Tourism Group Duty Free Corporation Limited on the Hong Kong Stock Exchange, raising US\$2.7 billion. We together with CITIC Securities lead-managed 166 equity offerings in 2020, 194 in 2021 and 162 in 2022 as the bookrunner, raising an aggregate of approximately US\$29,858.0 million of capital in 2020, US\$42,512.9 million in 2021 and US\$31,559.68 million in 2022, ranking first in the equity capital markets in Asia Pacific (excluding Australia and Central Asia) in 2020, 2021 and 2022, according to Refinitiv's market review for 2020, 2021 and 2022. We were named "**Best IPO Financial Advisor of the Year**" by Sina Finance in 2020 and recognised for our roles in multiple "**Best Deals**" awards issued by Finance Asia and The Asset in 2020, 2021 and 2022. For example, we were named "**Best Sustainable House**" by Finance Asia in 2022.

Our corporate finance and capital markets has through its track record demonstrated that it possesses competitive advantages in industries it covers including consumer & diversified, energy & general industrial group, financial institutions, healthcare, real estate & infrastructure and technology, media and telecom. Leveraging our industry-specific expertise and strong execution capabilities, we have been particularly successful in winning mandates for large and complex restructurings and equity offerings from PRC-based companies in various industries. In addition, we are well-recognised for our ability to innovate in the equity underwriting business. We are routinely involved in high-profile equity transactions that are the first of their kind. We believe that our ability to identify market and regulatory trends, structure and execute transactions in an innovative way and provide new equity capital market products has significantly contributed to our leading market position in the equity underwriting business. Moreover, we have a particularly strong track record in underwriting A+H equity offerings, and have lead-managed a number of A+H equity offerings in recent years.

Debt and Structured Finance

Our debt and structured finance activities include the structuring and underwriting of fixed income and structured finance products.

We underwrite a full range of fixed income products. We believe that our deep understanding of the market and regulatory environment and our substantial experience in bond offerings have contributed to the success of our debt underwriting business. We believe that we have differentiated ourselves from our competitors, with our strong pricing, execution and market assessment abilities, broad investor coverage, strong capital position and full-service licences. In 2020, we lead-managed 93 China offshore bonds, raising an aggregate of approximately US\$3,774.47 million of capital, ranking fourth among Chinese securities houses according to Bloomberg's league table. In 2021, our ranking among Chinese securities

houses in the same league table has risen to third and overall ranking went up from 25th to 16th with 127 offerings and US\$4,221.34 million capital raised of the same category. In 2022, we lead-managed 111 China offshore bonds, raising an aggregate of approximately US\$3,429 million of capital, ranking fourth in China offshore bonds and second among Chinese securities houses according to Bloomberg's league table. We ranked second, first and second in offshore CNY bonds among Chinese securities houses in 2020, 2021 and 2022 respectively. We were named "**Best Cooperative Underwriter Award of Overseas Bonds**" by Agricultural Development Bank of China and recognised for its roles in "**Best LGFV Bond**", "**Best Liability Management**", "**Bet Bank Capital Bond**" and "**Best Corporate Bond**" awards issued by The Asset in 2020, and recognised for our roles in multiple "**Best Deals**" awards issued by The Asset in 2021 and 2022. For example, we were named "**Best Renminbi Bond Adviser**" by The Asset in 2022.

Underwriting commission rates vary with the types of fixed income products underwritten. We focus on underwriting fixed income products that could lead to higher returns or greater brand recognition, such as bonds and medium-term notes.

We are one of the first securities firm with a PRC background to participate in Hong Kong's Dim Sum bond market. We have assisted a number of China-based companies in raising capital through offerings of RMB-denominated bonds in Hong Kong since that market opened. In 2007, when Hong Kong's first Dim Sum bond was introduced, we lead-managed the RMB-denominated bond offering for Export-Import Bank of China. In 2009, we lead-managed the first floating rate RMB-denominated bond offering in Hong Kong for HSBC Bank (China) Company Limited. In 2011, we lead-managed the RMB-denominated bond offerings for the subsidiaries of two large state-owned enterprises, Sinochem Hong Kong (Group) Company Limited and COFCO (Hong Kong) Limited, with a combined amount underwritten of RMB6.5 billion. In 2012, we underwrote ten RMB-denominated bond offerings, including the RMB2.0 billion offshore RMB bond issued by Bitronic Limited, a wholly-owned subsidiary of China Cinda Asset Management Co., Ltd. ("**China Cinda AMC**"), which was the first Dim Sum bond offering by a state-owned asset management company, and Shandong Hi-Speed Group's RMB1.0 billion offshore RMB bond, the first offshore RMB secured bond. We have also led numerous milestone USD bond offerings, including Bank of China's USD 6.5 billion offshore preference shares offering in 2014, which was the first offshore additional tier 1 capital offering by a Chinese bank, China Cinda AMC's USD3.2 billion offshore preference shares offering in 2016, which was the first offshore preference shares offering by a Chinese non-banking financial institution, CITIC Limited's USD 1.25 billion dual-tranche bond offerings in 2015 and 2016, and the issuance of sovereign bonds in nominal amount of USD1.5 billion by The Democratic Socialist Republic of Sri Lanka in 2017. More recently, we led the USD2.5 billion, USD1 billion multi-tranche and USD2 billion multi-tranche bond issuance offerings by China Cinda AMC in 2018, 2019, and 2020 and the biggest multi-tranche USD bond issuance offered by Shandong Hi-Speed Group Co., Ltd. with a total issue size of USD1.5 billion in 2019. In 2021, our key China-related bond offering transactions include that we lead-managed (i) the green bonds (including carbon neutrality themed green bonds) denominated in USD issued by the Hong Kong and Singapore branches of Industrial and Commercial Bank of China Limited, respectively, in the total nominal amount of US\$2.05 billion, (ii) the RMB denominated bonds issued by the People's Government of Guangdong Province of the PRC and the People's Government of Shenzhen Municipality of Guangdong Province of the PRC, respectively, in the total nominal amount of RMB2.2 billion and RMB5 billion, respectively, (iii) the first offshore green bond issued by China Development Bank Hong Kong Branch in the nominal amount of US\$5 billion, and (iv) the convertible bonds issued by Li Auto Inc. in the nominal amount of US\$862.5 million which was one of the major convertible bond

transactions linked to the shares of Asian companies that are listed on the stock exchanges of the United States. The high-profile green bond transactions also demonstrated that we have enhanced environmental awareness to support green development.

M&A and Financial Advisory

We provide financial advisory services for various types of transactions, including mergers and acquisitions, joint ventures, corporate restructurings, leveraged buyouts and strategic alliances. Our financial advisory clients include public and private companies, government entities and private equity investors in China and overseas. For example, in 2014, we advised on the purchase of CITIC Corporation Limited by CITIC Group Corporation's H-share listed subsidiary, CITIC Pacific Limited (which has now been renamed CITIC Limited). We have also assisted BY-HEALTH in completing the cross-border acquisition of the entire equity interest in Life-Space Group, an Australian probiotics brand, which further expanded the overseas strategic layout of BY-HEALTH. In 2021, we acted as Joint Financial Adviser of Yue Xiu Enterprises' US\$656 million Privatisation of Chong Hing Bank, which is the largest privatisation transaction so far in the banking and financial industry at Hong Kong Stock Exchange in the last 7 years. In 2022, we acted as the Sole Financial Advisor of the US\$150 million cross-border transfer of equity by Walgreens Boots Alliance, Inc. In 2023, we acted as the Exclusive Financial Advisor of the US\$19 million investment in an Indonesia state-owned healthcare company by Silk Road Fund & Indonesia Investment Authority.

By collaborating CITIC Securities' leading position on the domestic Chinese market with our global experience and networks, we continue to further develop and expand our overseas business presence to cover key regions such as Europe, United States, United Kingdom, Asia and Australia, and to keep building up a worldwide network for merger and acquisition business.

In 2020, we together with CITIC Securities (on an aggregation basis) advised on 58 M&A transactions with an aggregated transaction volume of US\$176,998 million, ranking third for announced merger and acquisition deals in Asia markets (excluding Japan) according to the league tables published by Mergermarket. In 2021, we together with CITIC Securities completed 50 M&A transactions with an aggregated transaction volume of US\$74,956 million, ranked second among Chinese investment banks for announced merger and acquisition deals in Asia markets (excluding Japan) according to the market ranking of Mergermarket. In 2022, we together with CITIC Securities advised on 40 M&A transactions with an aggregated transaction volume of US\$93,234 million, ranked second among Chinese securities houses in the announced merger and acquisition deals in Asia markets (excluding Japan), according to the market rankings of Mergermarket. We believe that our financial advisory services are important to our overall business, particularly with respect to generating cross-selling opportunities for other businesses, such as debt and equity finance. We intend to capitalise on the increasing number of business opportunities arising from the restructuring and globalisation of PRC companies. We are seeking to strengthen our capabilities to execute cross-border mergers and acquisitions by exploring arrangements that will assist Chinese domestic clients in pursuing global expansion and overseas clients in entering into the Chinese market.

Securities Brokerage

Our securities brokerage businesses comprises our institutional equities, research and wealth management services.

Institutional Equities

We provide brokerage services to customers for their trading of tradable securities, such as warrants, which are not equities or futures that are listed on stock exchanges. We generate commissions from executing and clearing the buy and sell orders of our clients. We are committed to developing various new products and services for our brokerage business to improve the commission rates. As of 31 December 2022, we managed approximately 1,700 institutional brokerage clients.

We maintained a leading position in the institutional brokerage business in Asia, ranking top in the industry. In Asiamoney Brokers Poll 2020, we ranked second for each of “**Best overall combined research and sales**” and “**Best overall sales**”, each for Asia (excluding Australia and Japan), and we ranked second and third for “**Overall combined research & sales**” for China (A & B shares) and Australia, respectively. In addition, we ranked first for “**Best overall sales**” for each of Thailand and the Philippines in Asiamoney Brokers Poll 2020. In Asiamoney Brokers Poll 2021, we ranked second for each of “**Best Regional Brokerages**” and “**Best Regional Sales**” for Asia (excluding Australia and Japan). Further, we ranked first for “**Best International Brokerages**” for each of Australia, Indonesia, Malaysia, and the Philippines in Asiamoney Brokers Poll 2021. In 2022, our equity research and sales teams continued to top the annual Asiamoney Brokers Poll in all three markets surveyed in Asia, Australia and Japan for the second consecutive year. The following table sets out the significant awards and market rankings for our institutional equities business in 2020, 2021 and 2022:

<u>Issued by</u>	<u>Name of Awards</u>
Asiamoney	Asiamoney Brokers Poll 2020
	No. 2 Best Research & Sales in Asia (Excluding Australia & Japan) No. 2 Sales in Asia (Excluding Australia & Japan)
	No. 2 Overall Combined Research & Sales in China (A & B Shares)
	No. 2 Best Broker in China (A & B Shares), No. 1 Best Analyst for Banks, No. 2 Best Overall Salesperson
	No. 3 Best Salesperson, No. 2 Best Execution, No. 2 Best CA Servicer
	No. 2 Best Broker in China (H Shares), No. 2 Best Overall Salesperson,
	No. 1 Best Salesperson, No. 2 Best Executive, No. 2 Best CA Servicer
	No. 3 Best Overall Salesperson of Local Stocks, No. 3 Best Salesperson, No. 3 Best Executive, No. 3 Best CA Servicer
	No. 3 Overall Combined Research & Sales in Australia
	Awards in Asia (Excluding Japan)
	No. 1 Best Regional Salesperson

Japan

No. 1 Best Salesperson/No. 3 Best Salesperson/No. 3 Best Sales Trader

Australia

No. 2 Best Overall Sales Services/No. 1 Best Salesperson/No. 2 Best Salesperson/No. 1 Best Sales Trader/No. 2 Best Sales Trader/No. 3 Best Sales Trader/No. 2 Best for Execution

Indonesia

No. 2 Best Overall Sales Services/No. 1 Best Salesperson/No. 1 Best Sales Trader/No. 2 Best for Execution/No. 2 Best CA Servicer

Malaysia

No. 2 Best Overall Sales Services/No. 1 Best Salesperson/No. 2 Best Salesperson/No. 1 Best Sales Trader/No. 3 Best for Execution/No. 3 Best CA Servicer

The Philippines

No. 1 Best Overall Sales Services/No. 1 Best Salesperson/No. 2 Best Salesperson/No. 1 Best Sales Trader/No. 1 Best for Execution/No. 2 Best CA Servicer

Singapore

No. 3 Best Salesperson/No. 3 Best for Execution

Thailand

No. 1 Best Overall Sales Services/No. 1 Best Salesperson/No. 2 Best Salesperson/No. 2 Best Sales Trader/No. 3 Best Sales Trader/No. 2 Best for Execution/No. 1 Best CA Servicer

Asiamoney **Asiamoney Brokers Poll 2021**

Awards in Asia (Excluding Australia & Japan)

No. 2 Best Regional Brokerages No. 2 Best Regional Sales

Australia

No. 1 Best international brokerages/No. 1 Best brokerages for sales/No. 1 Best brokerages for corporate access/No. 1 Best brokerages for execution

China (A&B Shares)

No. 2 Best domestic brokerages/No. 2 Best brokerages for sales/No. 2 Best brokerages for corporate access/No. 2 Best brokerages for execution/No. 2 Best brokerages for Stock Connect Northbound trading

Hong Kong

No. 2 Best brokerages/No. 2 Best brokerages for sales/No. 2 Best brokerages for corporate access/No. 2 Best brokerages for execution/No. 2 Best brokerages for Stock Connect Southbound trading

India

No. 2 Best international brokerages

Indonesia

No. 1 Best international brokerages/No. 2 Best brokerages for sales/No. 2 Best brokerages for corporate access/No. 2 Best brokerages for execution

Japan

No. 3 Best international brokerages

Korea

No. 2 Best international brokerages/No. 3 Best brokerages for execution

Malaysia

No. 1 Best international brokerages/No. 3 Best brokerages for sales/No. 3 Best brokerages for corporate access/No. 3 Best brokerages for execution

Pakistan

No. 2 Best international brokerages

The Philippines

No. 1 Best international brokerages/No. 1 Best brokerages for sales/No. 1 Best brokerages for corporate access/No. 1 Best brokerages for execution

Singapore

No. 3 Best brokerages for execution

Thailand

No. 2 Best international brokerages/No. 2 Best brokerages for sales/No. 3 Best brokerages for corporate access

Asiamoney Asiamoney Brokers Poll 2022

Awards in Asia (Excluding Australia & Japan)

No.2 Best Regional Brokerages

No.2 Best Regional Brokerages for Sales

Australia

No. 1 Best international brokerages/No. 1 Best brokerages for sales/No. 1 Best brokerages for corporate access/No. 1 Best brokerages for execution

China (A&B shares)

No. 2 Best domestic brokerages/No. 2 Best brokerages for corporate access/No. 2 Best brokerages for execution/No. 3 Best brokerages for sales/No. 3 Best brokerages for Stock Connect Northbound trading

Hong Kong

No. 3 Best brokerages for corporate access

India

No. 2 Best international brokerages

Indonesia

No. 1 Best international brokerages/No. 2 Best brokerages for sales/No. 2 Best brokerages for execution/No. 3 Best brokerages for corporate access

Japan

No. 1 Best brokerages for corporate access/No. 1 Best brokerages for execution/No. 2 Best international brokerages/No. 2 Best brokerages for sales

Korea

No. 2 Best international brokerages/No. 2 Best brokerages for sales/No. 2 Best brokerages for corporate access/No. 2 Best brokerages for execution

Malaysia

No. 1 Best international brokerages/No. 2 Best brokerages for sales/No. 3 Best brokerages for corporate access/No. 3 Best brokerages for execution

Pakistan

No. 3 Best international brokerages

The Philippines

No. 1 Best international brokerages/No. 1 Best brokerages for sales/No. 1 Best brokerages for corporate access/No. 2 Best brokerages for execution

Singapore

No. 2 Best international brokerages/No. 3 Best brokerages for sales/No. 3 Best brokerages for execution

Thailand

No. 2 Best international brokerages/No. 2 Best brokerages for sales/No. 3 Best brokerages for execution

Taiwan

No. 2 Best international brokerages

Our dedicated institutional equities execution team provides comprehensive best-execution services across the region. We maintain a team of approximately 130 dealers and traders having access to more than 60 equity exchanges around the world. Our single, integrated trading platform provides clients access to around 95% of global market capitalisation. In terms of high-touch services, we hold the top high-touch market share position in equities brokerage (excluding cash trading) services in Asia. With exchange membership and on-the-ground teams in more than 15 markets, we seek out liquidity to execute even the most challenging strategies for our clients. We provide unparalleled access to Chinese

equities and A-share blocks through our collaboration with CITIC Securities. In terms of low-touch services, we have a purpose-built execution system for trading orders in Asia, and we have a best-in-class algorithmic trading platform that integrates artificial intelligence (“AI”) machine learning. By utilising our proprietary technology and database, we ensure all our client activities are managed with 100% control and discretion. Our traders and dealers are provided with algorithms and adaptive AI technology so that we have a first-mover advantage in the market.

Many of our international institutional clients are renowned investors in the global investment community, including sovereign wealth funds, long-short funds, hedge funds and Hong Kong local ultra-high-net-worth individuals. We believe that our broad client coverage and strong equity sales capabilities allow us to compete effectively in the Hong Kong market and overseas markets that we operate in.

Research

We maintained a leading position in the research business in Asia, ranking top in the industry. Our outstanding research services in securities brokerage provide clients insights into the issues, trends and companies driving Asia’s markets. We have more than 100 research analysts that cover over 1,200 companies in 19 key industry sectors (including amongst others, consumer discretionary, industrials, IT, real estate, financials, consumer staples, communication services and healthcare) across 12 markets, providing deep sector and company insights that inform client’s investment strategies. CLSA U, our value-added executive education programme, gives clients direct access to industry specialists across the globe, in person, via conference call and research. The CLSA U curriculum is tailored to cover the key macro themes impacting markets and portfolios.

The capabilities of our research services have been evidenced by the multiple awards our team received over the past years. We were named “**No.1 Best regional quantitative/technical analyst**” for Asia (excluding Australia and Japan) by Asiamoney in 2019. In Asiamoney Brokers Poll 2020, we ranked second for each of “**Best overall combined research and sales**” and “**Best overall research**”, each for Asia (excluding Australia and Japan), and we ranked second and third for “**Overall combined research & sales**” for China (A & B shares) and Australia, respectively. In addition, we ranked first for “**Best overall research**” for each of Thailand and the Philippines in Asiamoney Brokers Poll 2020. The following table sets out the significant awards and market rankings for our research business in 2020, 2021 and 2022:

Issued by	Name of Awards
Asiamoney	Asiamoney Brokers Poll 2020
	No. 2 Best Research & Sales in Asia (Excluding Australia & Japan)
	No. 2 Research in Asia (Excluding Australia & Japan)
	No. 2 Overall Combined Research & Sales in China (A & B Shares)
	No. 2 Best Research, No. 1 Best Analyst for Banks
	No. 1 Best Analyst for Semiconductors & Semiconductor Equipment

No. 1 Best Analyst for Small/mid Caps Stock in Hong Kong, China

No. 3 Overall Combined Research & Sales in Australia

Awards in Asia (Excluding Japan)

No. 3 Best Economist/No. 1 Best Technical Analyst (Quantitative)/No. 1 Best Analyst for Banks/No. 2 Best Analyst for Consumer Staples/No. 3 Best Analyst for Real Estate/No. 1 Best Analyst for Healthcare/No. 2 Best Analyst for Insurance/No. 1 Best Analyst for Semiconductors & Semiconductor Equipment/No. 2 Best Analyst for Technology Hardware & Equipment/No. 2 Best Analyst for Software & Internet Services/No. 3 Best Analyst for Telecommunication Services

Japan

No. 1 Best Strategist

Australia

No. 1 Best Economist/No. 1 Best Analyst for Small/mid Caps/No. 1 Best Analyst for Banks/No. 1 Best Analyst for Consumer Staples/No. 1 Best Analyst for Energy/No. 1 Best Analyst for Financials (Non-banking)/No. 1 Best Analyst for Healthcare/No. 1 Best Analyst for Industrials/No. 1 Best Analyst for Software & Internet Services/No. 1 Best Analyst for Technology Hardware & Equipment/No. 1 Best Analyst for Transportation & Logistics/No. 1 Best Analyst for Utilities

Indonesia

No. 2 Best for Overall Research/No. 1 Best Analyst for Automobiles & Components/
No. 1 Best Analyst for Consumer Discretionary/No. 1 Best Analyst for Real Estate

Malaysia

No. 3 Best for Overall Research/No. 1 Best Analyst for Construction & Engineering/
No. 1 Best Analyst for Consumer Discretionary/No. 1 Best Analyst for Semiconductors & Semiconductor Equipment/No. 1 Best Analyst for Technology Hardware & Equipment

The Philippines

No. 1 Best for Overall Research/No. 1 Best Strategist/No. 1 Best Economist/No. 1 Best Analyst for Small/mid Caps Stock/No. 1 Best Analyst for Banks/No. 1 Best Analyst for Casinos & Gaming/No. 1 Best Analyst for Construction & Engineering/No. 1 Best Analyst for Consumer Staples/No. 1 Best Analyst for Consumer Discretionary/No. 1 Best Analyst for Energy/No. 1 Best Analyst for Financials (Non-banking)/No. 1 Best Analyst for Industrials/No. 1 Best Analyst for Materials/No. 1 Best Analyst for Real Estate/No. 1 Best Analyst for Software & Internet Services/No.1 Best Analyst for Telecommunication Services/No. 1 Best Analyst for Transportation & Logistics/No. 1 Best Analyst for Utilities

Singapore

No. 1 Best Analyst for Banks/No. 1 Best Analyst for Transportation & Logistics

Thailand

No. 1 Best for Overall Research/No. 1 Best Strategist/No. 1 Best Analyst for Agriculture/No. 1 Best Analyst for Construction & Engineering/No. 1 Best Analyst for Consumer Discretionary/No. 1 Best Analyst for Financials (Non-banking)

Asiamoney Asiamoney Brokers Poll 2021**Awards in Asia (Excluding Australia & Japan)**

No. 2 Best Regional Research

Australia

No. 1 Best brokerages for research

China (A&B Shares)

No. 2 Best brokerages for research

Hong Kong

No. 3 Best brokerages for research

Indonesia

No. 2 Best brokerages for research

Korea

No. 3 Best brokerages for research

Malaysia

No. 2 Best brokerages for research

The Philippines

No. 1 Best brokerages for research

Thailand

No. 2 Best brokerages for research

Asiamoney Asiamoney Brokers Poll 2022**Awards in Asia (Excluding Australia & Japan)**

No. 2 Best Regional Brokerages for Research

No. 2 Best Regional Economist

No. 1 Best Regional Quantitative/Technical Analysts

No. 3 Best Regional Analysts for Banks and Insurance

Australia

No. 3 Best brokerages for research

China (A&B Shares)

No. 3 Best brokerages for research

Indonesia

No. 1 Best brokerages for ESG research

No. 2 Best brokerages for research

Japan

No. 2 Best brokerages for research

Korea

No. 2 Best brokerages for research

Malaysia

No. 2 Best brokerages for research

No. 3 Best brokerages for ESG research

The Philippines

No. 1 Best brokerages for research

Thailand

No. 2 Best brokerages for research

Refinitiv 2020 STARMINE Analyst Awards Asia

No. 1 Stock Selection in Banks/No. 1 Profit Forecast in Equity Real Estate Investment Trusts (REITs)/No. 1 Profit Forecast in Financial Services/No. 3 Stock Selection in Financial Services/No. 2 Profit Forecast in Interactive Media & Services/No. 10 Overall Analyst Awards: Metals & Mining, Energy & Chemicals and Construction & Engineering

China (including Hong Kong)

No. 4 Overall Analyst Awards: Real Estate/No. 1 Stock Selection in Financial Services/No. 2 Profit Forecast in Financial Services/No. 2 Profit Forecast in Interactive Media & Services/No. 2 Stock Selection in Materials/No. 3 Profit Forecast in Materials/No. 2 Stock Selection in Transportation & Industrials/No. 3 Profit Forecast in Transportation & Industrials

Australia and New Zealand

No. 1 Stock Selection in Energy/No. 3 Profit Forecast in Energy/No. 1 Profit Forecast in Food, Beverage and Tobacco/No. 1 Stock Selection in Hotels, Restaurants & Leisure/No. 1 Profit Forecast in Hotels, Restaurants & Leisure/No. 3 Profit Forecast in Interactive Media & Services/No. 2 Profit Forecast in Transportation & Infrastructure/No. 2 Profit Forecast in Real Estate/No. 3 Overall Analyst Awards: Energy and Utilities/No. 10 Overall Analyst Awards: Retail and Consumer Goods, Food, Beverage & Tobacco and Hotels, Restaurants & Leisure

India

No. 2 Stock Selection in Utilities/No. 3 Profit Forecast in Banks/No. 3 Profit Forecast in Energy/No. 3 Profit Forecast in Real Estate/No. 9 Overall Analyst Awards: Banks/No. 10 Overall Analyst Awards: Information Technology

Japan

No. 1 Profit Forecast in Software & IT Services/No. 2 Profit Forecast in Entertainment

Institutional Investor 2021 Asia-Pacific Research Rankings**Australia/New Zealand**

No. 2 broker firm

China

No. 2 broker firm

Hong Kong

No. 2 broker firm

India

No. 3 broker firm

Indonesia

No. 1 broker firm

Malaysia

No. 1 broker firm

The Philippines

No. 1 broker firm

Singapore

No. 2 broker firm

South Korea

No. 2 broker firm

Taiwan

No. 3 broker firm

Thailand

No. 1 broker firm

Institutional Investor All-Asia Research Local Broker Rankings 2022**Australia/New Zealand**

No. 3 broker firm

Indonesia

No. 2 broker firm

Malaysia

No. 1 broker firm

The Philippines

No. 1 broker firm

Singapore

No. 3 broker firm

South Korea

No. 2 broker firm

Thailand

No. 1 broker firm

Wealth Management

Our wealth management segment provides a full range of financial services and investment solutions for retail and high net-worth clients, including securities trading, electronic trading, stock margin financing, Hong Kong and global futures trading, over-the-counter transactions over Hong Kong stock, listed company activities and solutions, investment advisory, custodian and nominee services. Other than commission fees, our wealth management business generates interest income of this segment comprised interest income from advances to customers in margin financing and interest spread from deposits placed by wealth management customers. As of December 2022, the total assets under management or custody amounted to approximately HK\$162.3 billion (US\$20.8 billion), which is comparable in size to regional private banks with an active footprint in Asia.

Through CS Brokerage, our dedicated team of wealth management professionals provide tailor-made financial solutions to clients in China and globally. Our wealth management services are available to individual retail clients, corporate and high net worth individuals, as well as institutional investors. Our clients benefit from our collaboration with CITIC Securities which has a strong retail distribution network in the greater China area. We also offer our services internationally in the United States, United Kingdom, Australia, Europe, and certain Asian markets.

We strive to provide our wealth management customers with value-added products and services, such as fast trading channel, investment advisory, and margin financing and securities lending services. We believe our wealth management services have strong growth potential and could generate cross-selling opportunities for our other businesses.

FICC

We offer a wide range of fixed income, currencies, rates and commodities products and solutions. Through our global network, our FICC business team strives to deliver a full suite of products and services to help clients identify market opportunities, manage their risks and generate returns on their portfolios.

Our FICC business has a diverse and growing client base made up of astute investors in the FICC asset classes and active participants in the global FICC markets. We service major global and regional institutions worldwide as well as corporations in the greater China area. Our clientele consists of sovereign wealth funds, global asset managers and hedge funds, global and regional banks and securities firms, insurance companies, private banks and family offices. We are a leading China cross-border trading partner, with more than 900 institutional clients worldwide and more than 1,500 bonds being priced and published on venues daily. We also operate across five trading centres globally.

We operate through a global team of more than 350 dedicated FICC professionals, consisting of specialised roles in sales, trading, analytics and solution specialists. We have dedicated sales coverage based in major financial centres worldwide and they work around the clock across the Asia, Europe and US continents to maintain client relationships and acquire new clients. In recent years, we have continued to forge ahead our FICC business by adding new product offerings and further strengthened our ability to deliver specialised servicing and solutions to our clients.

Our credit market-making business participates in major bond trading venues trading 24 hours a day, five days a week, offering liquidity in investment grade bonds, high yield bonds, convertible and exchangeable bonds. We publish bond pricing actively onto major electronic trading venues providing

our clients with direct access to liquidity. Our bond sales team specialises in distributing bonds in both primary and secondary markets, providing market flow colour and credit analytics as well as trading ideas to clients.

Our FICC's solutions business advises clients on cross-border investment strategies, hedging solutions and innovation of bespoke yield enhancement products. We have the expertise in providing solutions across all FICC asset classes as well as the ability to help our clients execute the solution through various market channels. We are a leading player in cross-border access solutions into the mainland China. We have experience in providing solutions for yield enhancement products and can offer clients the ability to use fund, note or swap formats.

Our FICC's OTC derivatives business helps clients to access the credit, currencies, rates, alternatives and commodities markets worldwide. Our trading desks enable our clients to trade bilaterally through the use of swap, futures and option contracts. We have also established trading relationships with major global OTC swap dealers to diversify our channels for prudent liquidity and counterparty risk management.

Our FICC's structured finance business provides bespoke offshore structured financing solutions to support the growth and development of our valued corporate clients. These solutions may involve committing our own capital or providing advisory services only.

Our FICC's principal investment business looks for opportunities in the global markets for yield enhancement as well as capital growth. The investment team consists of specialised investment strategists and portfolio managers who adopt a fundamental approach to its investment activities. The team is experienced in using various instruments to capture its risk strategies and accessing global market channels to manage its portfolios.

Equity Derivatives and Prime Brokerage

We are recognised as one of the most competitive providers of A-share derivative products internationally. Our equity derivatives business offers a unique combination of local expertise and global access and has experienced strong growth over the past few years and is recognised as a leading derivatives trading platform. Our sales, trading and structuring teams work closely with global clients to create solutions that meet their needs in risk management, yield enhancement, financing, and cross-border market access. The Group believes its equity derivatives business will further strengthen its leading position in the capital markets business.

We provide a variety of financial derivatives products, including the followings:

- Structured products: bespoke notes, over-the-counter options & swaps
 - Flow derivatives: vanilla options (call, put, call spread, combination of put spread and options), covered call, protective put;
 - Delta-1 derivatives: equity swaps, portfolio swaps, contracts for difference, cross-border total return swaps; and
 - Exotics derivatives: autocallables, barrier options, outperformance, fund-linked derivatives;
- Quantitative investment strategies: multi-asset class offering^{Note 1}; and

- Corporate equity derivatives: bespoke structure of derivatives trades.

Note 1: Our Global Multi Asset Trend Strategy Index (CITICS GMAT) won Euromoney's SRP Most Innovative Index Award in 2019.

Our equity derivatives services are highly customised to meet each client's individual needs. Leveraging our financial engineering expertise, we help our clients design sophisticated hedging strategies and trading programs to manage downside risk and minimise costs. Depending on our clients' return expectations and risk appetite, we offer tailored structured products and investment programs to improve their risk-return status and meet their asset allocation needs. The Group also provides its clients access to high margin opportunities in niche markets, such as cross-border derivatives and exotics derivatives.

We separate our own equity trading activities from those we conduct on behalf of our clients in compliance with applicable rules and regulations. We have implemented strict risk management guidelines for our Equity Derivatives and Prime Brokerage business to mitigate the risks we are exposed to. Please see "*Risk Management and Internal Control*" for a detailed description of our risk management system.

We derive investment income from the trading of equity derivatives in which we act as principal or market-maker. Leveraging our dedicated professional trading and product teams and our innovative services for client facilitation and liquidity supply capabilities, we also profit from the bid/ask spread while enhancing market liquidity, facilitating price discovery and promoting market equilibrium.

In addition to the equity derivatives business, we also provide prime brokerage services to sophisticated institutional investors. We offer a competitive suite of valued-added solutions to our prime clients including execution, synthetic trading, stock borrowing and lending, custody, clearing, asset financing, and fund administration. We also provide efficient clearing and settlement of securities and cash transactions in major Asian markets and currencies. We provide margin financing services to brokerage clients who wish to leverage their investments. We lend securities to our prime brokerage clients, enabling them to capture potential short-selling opportunities. We also provide synthetic financing services with total return swap products. The return of our clients under such swaps is linked with the performance of the underlying assets including stocks indexes and other securities. We charge our clients the pre-determined return rate based on a comprehensive assessment of several factors including the cost of funding, market liquidity, supply and demand of products and the risk return ratio. We bear risks including credit risk, liquidity risk, market risk and operational risk under such transactions. We lend the stocks we own but do not intend to sell immediately to our counterparties and borrow the stocks from our counterparties through our stock borrowing and lending service, which contributes to greater liquidity, narrower spreads and improves risk management. Benefiting from our strong client base of sophisticated investors, and our strong capital resources and broad brokerage network, we have large and steady demand for our stock-based lending service.

In respect of our product matrix, our margin financing services include buying and holding on margin, employee stock ownership plan, initial public offering subscription, and Hong Kong margin and connection. Our stock pledged repo transaction services include stock pledged, private placement subscription, convertible bonds subscription, and cross-border guarantee. Our short selling services include long and short strategies, day trade strategies, quantitative strategies and arbitrage strategies. Further, we offer security lending services to institution lenders, mutual fund lenders, hedge fund lenders, and asset or wealth manager lenders.

In addition, we also provide fund services through CLSA Fund Services (Asia) Limited, which was established to service international asset managers and the growing number of mainland Chinese asset managers that are expanding overseas. We provide tailor-made solutions to hedge funds, private equity, venture capital, real estate, fund of funds, trusts and separately managed accounts, catering to their investment and administration needs with offices in Beijing, Hong Kong, Singapore, Shanghai, Guangzhou and Shenzhen. We provide comprehensive end-to-end solutions spanning middle and back office and fund administration services by leveraging on industry know-how, first-in-class technology infrastructure and robust IT support. The types of fund services we provide include fund accounting services (including reconciliation and break resolution, net asset value computation, performance fee calculation, fund expenses validation, and financial statement & audit assistance), transfer agency services (including transaction processing, investor due diligence, distribution of notices, wire transactions, investor audit confirmation, ongoing anti-money laundering monitoring, and statement and contract note distribution), tax compliance services (including, amongst others, registration for Global Intermediary Identification Numbers and Automatic Exchange of Information, principal point of contact, new investor due diligence and change in circumstances) and middle and back office services (including, amongst others, trade confirmation, daily cash reconciliation, daily position reconciliation, daily profit & loss reconciliation).

Asset Management and Others

We provide asset management and alternative investment management products and services for professional investors, mainly through our subsidiaries CLSA Asset Management and CLSA Capital Partners, both of which hold SFC licensed companies engaged in asset management business. Our asset management business offers a diversified and increasing range of investment strategies, and helps professional investors globally, mainly in the United States, Europe and Asia. We receive management fees based on a percentage of the amount of assets under its management and performance fees (carried interest) based on returns on the assets. With clients' interest as top priority, we design and offer high-quality and innovative asset management products and services to Chinese domestic and overseas clients with a view of steady value appreciation over the long term. As at 31 December 2022, the scale of assets managed by CLSA Asset Management and CLSA Capital Partners amounted to approximately US\$7.0 billion and US\$7.5 billion respectively.

Our asset management invests in a variety of asset classes covering mainstream investment strategies in the private markets, and we help our clients invest in industry leaders in most dynamic sectors such as smart manufacturing, renewables, healthcare, technology, media and telecom, high-end manufacturing and properties, amongst others.

MAJOR CLIENTS

Leveraging synergies between our global network resources and the profound customer resources and extensive network layout of CITIC Securities and CITIC Group, we serve institutional clients across a spectrum of business sectors and a diverse group of high-net-worth individual clients from multiple countries and regions including the United States, Europe and Asia Pacific. We have also accumulated a group of trustworthy strategic clients engaging in key fields of PRC national economy, achieving in-depth coverage of major central SOEs, important local SOEs and influential listed companies. We believe our client base will continue to develop strongly, driven by our philosophy of being client-centric and growing together with clients.

COMPETITION

Competition in the financial services industry in Hong Kong has been and is likely to remain intense. Our competition is based on a number of factors, including price, products and services, innovation, transaction execution capability, reputation, experience and knowledge of our staff, employee compensation and geographic scope.

Our main competitors include other securities firms and fund management companies with a PRC background. We also face competition from commercial banks, insurance companies, private equity funds and trust companies, as well as internet companies that have entered into the payment and microfinance businesses. Some of the financial institutions that we compete with are larger in terms of asset size and client base and have greater financial resources or more specialised capabilities than us. International financial institutions, some of which have greater experience and resources than us, have well-established presence in Hong Kong and will continue to compete with us in providing financial products and services either by themselves or in partnership with other PRC based financial institutions. We also face increasing competition in overseas financial markets due to the expansion of our international operations.

We have experienced intense price competition in some of our businesses in recent years. For example, the securities brokerage industry in Hong Kong is very competitive, which has resulted in considerable pressure on brokerage commissions. The increased popularity of alternative trading platforms, including online discount brokers offering deeply discounted fees, has also contributed to the decline in commission rates. In addition, equity and debt underwriting commission fees, as well as asset management fee rates and prime services commission rates, have also been under pressure. We believe that we will continue to experience competitive pressures in these and other areas in the future as some of our competitors seek to win market share through price reduction. Based on the above we believe that future competition in the securities sector will be even more intense, and innovation will be key for business development in the securities industry.

We also face competition in attracting and retaining qualified employees. The competition among large securities firms for qualified sponsor representatives and other high-quality professionals is substantial. Our ability to continue to compete effectively in our businesses will depend upon our ability to attract new employees and retain and motivate our existing employees.

EMPLOYEES

We believe that a major strength and principal reason for our success is the quality and dedication of our people and the shared sense of being part of a team. We strive to create and maintain a work environment that fosters professionalism, excellence and cooperation among our employees and high standards of business ethics. Instilling our culture in all employees is a continual process, in which training plays an important part.

As of 31 December 2022, the Group had a total of 1,937 employees. Our full-time employees participate in various employee benefit plans such as mandatory pension funds and medical insurance plans, etc. The employment contracts generally specify the employees' responsibilities, remuneration and grounds for termination. Compensation for our full-time employees typically consists of a base salary and a discretionary bonus. The discretionary bonus is usually awarded for the relevant year based on the Group's business results and the employee's performance.

We focus on our employees' career development. We conduct performance evaluations for our employees on an annual basis to provide feedback on their performance. We invest in training programmes tailored for employees in different business lines.

Since the outbreak of COVID-19, we have focused on ensuring the hygiene and safety of our working environment and complying with all applicable labour and social welfare laws and regulations. We had also implemented flexible work arrangements for employees to accommodate the special circumstances that have arisen from the COVID-19 pandemic. To date, the COVID-19 pandemic has not had and is not expected to have a material adverse effect on our employees.

TECHNOLOGY

We are committed to the on-going development, maintenance and use of technology. We expect our technology initiatives to greatly enhance client service through increased connectivity and the provision of value-added and tailored products and services, improve our trading execution and post-trade clearing and settlement capabilities, effectively manage our risks and improve overall efficiency, productivity and control.

Electronic commerce and technology have changed and will continue to change the ways that securities and other financial products are traded, distributed and settled. This creates both opportunities and challenges for our businesses. We remain committed to being at the forefront of technological innovation in the financial services market. Our IT centre has developed several innovative technology systems, such as an securities services knowledge database, a bond sales and trading platform, a brokerage business information service platform for high-net-worth clients, a high performance electronic market-making system, a centralised real-time risk management platform, and a quantitative algorithmic trading strategy platform. We have also developed different trading platforms to address specific needs of different business lines, such as a margin financing and securities lending operating system for our prime services clients, an index futures arbitrage system for our high-end brokerage clients, a trading platform for our FICC and equity derivatives and prime brokerage activities, a centralised trading system for our brokerage clients, an investment and trading system for our asset management clients, and a pricing platform for our fixed income clients.

Business continuity and information security are high priorities for us. We have designed contingency plans to provide reasonable assurance of business continuity in the event of disruptions at our critical facilities. The key elements of the programme are crisis management, business recovery, systems and data recovery, recovery facilities maintenance, and process improvement. We have developed and implemented a framework of information security principles, policies and technology to protect our information assets and those of our clients. Safeguards are applied to maintain the confidentiality, integrity and availability of information resources.

RISK MANAGEMENT AND INTERNAL CONTROL

We believe that effective risk management and internal control is critical to our success. We have established comprehensive risk management and internal control processes through which we monitor, evaluate and manage financial, operational, compliance and legal risks that we are exposed to in our business activities. We implement vertical risk management of our subsidiaries through models such as business guidance, operational support and decision-making management.

Governance Structure

We seek to monitor and control our risk exposure through various reporting systems covering financial, operational, compliance and legal aspects of our business. We have established a three-level risk management and internal control governance structure as follows: (i) the risk management committee under our Board of Directors, (ii) three related professional committees under our operation management and (iii) the relevant divisions and business lines responsible for internal controls and business. Our comprehensive three-level risk management system enables a network of collective decision making among the respective committees. This ensures close cooperation between internal control functions and business departments as well as business lines, and manages risks through a process of review, decision, execution and supervision.

Board of Directors

The risk management committee of the Board of Directors supervises our overall risk management with the aim of controlling risks within an acceptable level and ensures smooth implementation of effective risk management schemes over risks related to our operational activities. The committee also prepares overall risk management policies for the Board's review; formulates strategic structure and resources to be allocated for risk management purposes and keeps them in line with the internal risk management policies. The committee also sets limits for major risk indicators; performs supervision and review on the risk management policies and makes recommendation to the Board of Directors.

Executive Committee (Operation Management)

At the operation management level, we have three committees tasked with reviewing risks specific to particular areas of our operations: the assets and liabilities management committee, the capital commitment committee, and the risk management committee.

- *Assets and Liabilities Management Committee*

Within the authority delegated by the Board of Directors and the operation management, our assets and liabilities management committee decides and reviews major matters and related systems involving application of our proprietary capital. For the purpose of ensuring our capital security, our assets and liabilities management committee optimises asset allocation and improves the efficiency of capital application via a scientific, standardised and prudent approach with strict control and management of risk exposures.

- *Capital Commitment Committee*

Our capital commitment committee performs final risk assessment and reviews the capital commitment of the underwriting business within the authority delegated by the Board of Directors and our operation management. All corporate finance business involving application of capital are subject to the approval of the capital commitment committee to ensure an acceptable level of risk exposure of our corporate finance activities and security of capital.

- *Risk Management Committee*

This risk management committee reports to the risk management committee of the Board of Directors and our executive committee, and is responsible for monitoring and managing our daily risks within its designated authority, and for deciding and approving material matters related to

risk management and the relevant system and setting limits for risks. The risk management committee has established a risk management sub-working group, which is the main body responsible for the daily monitoring and management of the financial risks over the proprietary investment business and facilitating the execution of decisions made by the risk management committee. The risk management sub-working group comprises (i) a credit risk management sub-working group, (ii) a liquidity risk management sub-working group, (iii) an operational risk management sub-working group and (iv) a reputation risk management sub-working group. The credit risk management sub-working group is responsible for supporting and coordinating the execution of decisions regarding daily credit risk monitoring and management. The liquidity risk management sub-working group is responsible for monitoring and managing our liquidity risks, promoting the development of our liquidity risk assessment methodology and management system, coordinating the implementation of specific assessment and management measures, and providing relevant decision-making support. The operational risk management sub-working group is responsible for drafting our operational risk management rules, monitoring the execution of operational processes, collecting information on operational risk events and coordinating and improving our operational risk management mechanism. The reputation risk management sub-working group is the daily management body for reputation risks and is responsible for establishing relevant rules and management mechanisms, preventing and identifying reputation risks, responding to and tackling reputation events in a proactive and effective manner and mitigating any negative effect to the largest extent.

Division/Business Lines

At the division and business line level, we have segregated the roles and responsibilities of the front office, middle office and back office to ensure the establishment of a system of “checks and balances.”

Our front-office business departments are the first line of defence in risk management. These departments have established business management systems and risk management systems to perform supervision, assessment and reporting of the business risks of their respective businesses with a view to controlling business risks within the approved limits.

At the business line level, our risk management department works closely with our legal department, compliance department, audit department, clearing and settlement department, planning and finance department, human resources department and each business unit to implement risk management strategies, policies and procedures.

- Our risk management department:
 - identifies, measures, analyses, monitors, reports and manages the risks that we face;
 - analyses and assesses our overall risks and each of our business lines and recommends optimised allocation of risk resources;
 - assists the risk management committee in the preparation of risk management indicators such as risk limits, as well as supervision and reporting on the execution of risk limits;
 - establishes and improves the timely reporting and feedback mechanism among the front office, the risk management department and the operation management, and regularly reports our general risk portfolios to the operating management and makes recommendations on risk management;

- o establishes a comprehensive stress-test mechanism as a basis for major decision making, daily operational adjustment and fulfilment of regulatory requirements; and
- o performs pre-risk assessments and control over new products and businesses.
- Our audit department has the overall responsibility for internal auditing, organising comprehensive audit of all our departments/business lines and main subsidiaries, monitoring the implementation of internal control systems, preventing various moral and policy risks, and assisting with the investigation of emergency events.
- Our compliance department:
 - o organises the establishment and implementation of our basic compliance policy;
 - o provides compliance advice and consultancy to our management, departments/business lines and branches;
 - o monitors lawful compliance of management and operating activities;
 - o supervises and instructs the business departments/business lines and branches to assess, develop, modify and improve internal management policies, procedures and business processes based on changes in laws, regulations and guidelines;
 - o performs compliance pre-reviews on new internal management policies, important decisions, new products, new businesses and key business activities that we have launched; and
 - o fulfils the regular and non-regular reporting obligations to regulatory authorities.
- Our legal department is responsible for oversight and control of our legal risks and relevant businesses.
- Our information technology centre is responsible for managing the IT risks of the Company.

Other internal control departments exercise their respective risk management functions within the scope of their responsibilities.

We have set up several risk measurement models that perform risk identification, analysis, monitoring, reporting and management for all of our business lines. We also review risks relating to our business regularly in order to identify areas for improvement and enhance our risk management practices. The regular review of our corporate risk profile includes the analysis of current risk exposure, sensitivity analysis and stress tests. The scope of risks covered in the review includes, but is not limited to, the different type of risks discussed below.

Credit risk

Credit risk is the risk in respect of loss arising from a borrower's or counterparty's inability to meet its obligations or whose credit qualifications deteriorate. Our credit risk mostly arises from four aspects: firstly, securities brokerage business in respect of securities dealing and futures trading on behalf of clients, if our Group does not require the clients to pay sufficient margin deposits in advance according to the laws, our Group may have to undertake the settlement responsibility on behalf of clients if the clients do not have sufficient funds to pay for the transaction or face financing gaps due to other factors

on the settlement date, and accordingly resulting in losses; secondly, credit risk arising from the securities financing businesses including margin financing and securities lending, stock repurchase, which refers to our Group's exposure to losses caused by clients' failure to perform the contracts; thirdly, default risk from credit product investment, which refers to the risk of our Group's asset losses and change in yield by reason of default or refusal to pay principal and interest on due dates by the financing parties or the issuers of the credit products our Group invested in; and fourthly, counterparty default risk in over-the-counter derivative transactions such as interest rate swap, equity swap, over-the-counter option and forwards contracts i.e. the risk of counterparties failing to perform their payment obligations in accordance with contracts when the contracts reach the maturity dates.

Overall speaking, we assess the credit ratings of counterparties or issuers through our internal credit rating system, measure our credit risk by means of stress tests and sensitivity analysis, and manage such credit risk based on these results through our credit approval mechanism. Meanwhile, we use our information management system to monitor our credit risk on a real-time basis, keep track of the credit risk of our business products and transaction counterparties, provide analysis and pre-warning reports, and adjust our credit limits in a timely manner.

For the debt securities trading business, we perform screening with a focus on the issuer's credit risk by effectively identifying the risk of default by or downgrade of the issuers, so as to fully estimate expected losses. For the financing and securities lending business such as stock repurchase, the credit risk primarily rests on clients' provision of false information, failure to make full repayment on time, contractual breach of portfolio limits and compositions, violation of regulatory requirements for trading activities, and provision of collateral encumbered resulting in legal disputes. We seek to manage these risks by way of client education, credit reference checks, credit approval, daily mark to market, risk reminders to clients, forced liquidation of clients' positions, judicial recourse and other means, and we also analyse and report on risks arising from declining security performance ratio, untimely enforcement and reinforcement of security and overdue repayments. We also examine as to whether the pre-approval process, pre-warning mechanism on deteriorating market and post-deal management measures for the financing business are well established, and whether they are properly tracked in the duration of each transaction, and whether countermeasures are actively taken to control and resolve risks in a timely manner for riskier projects. Clients to whom we have an aggregate exposure in excess of a certain amount are reported to Group level in detail on a case-by-case basis, and clients with substantial credit risks are specifically identified.

For credit products investment, in respect of private equity investment, we have established entrance levels and investment caps for our products and will manage our credit risk through risk assessment, risk reminders and judicial recourse, and in respect of public offering investments, through the counterparty credit approval policy, we have developed certain investment restrictions based on the counterparty's credit ratings.

With respect to OTC derivatives, we screen counterparty credit risks associated with stock return swaps, interest rate swaps, OTC options, forwards and other OTC derivatives, with the focus on circumstances where (i) the value of the underlying assets or collateral under such derivative products has decreased, adding to the difficulties in closing-out the position or collateral realisation, and resulting in expanded counterparty risk exposure and even counterparty defaults, (ii) the credit portfolio of the counterparty deteriorates, leading to increased risk of default by the counterparty, and (iii) other general red flags, for example, suspension of trading or delisting of listed company, payment default by debt securities issuer and capital chain rupture.

In respect of our capital markets businesses, our focus is to ensure the duties and responsibilities in relation to the due diligence exercise are fully performed in accordance with applicable laws, regulations and regulatory requirements, and whether the relevant transactions have been reviewed and approved pursuant to the regulatory requirements and internal control policies of the Company.

Market risk

Market risk is the risk of potential losses due to movement in market prices of financial positions held, on which our review has a particular focus on equity investments, debt securities trading and OTC derivatives.

Operational risk

Operational risk refers to the risk in respect of losses resulting from arising from the failure of internal workflow management, breakdown of information systems or misconduct of staff, as well as external factors. Since operational risk is embodied in every aspect of activities within the Company, the Company relies on all employees to maintain an effective internal control environment and manage operational risk within their respective roles. Operational risk must be managed by all employees as part of the Company's day-to-day activities.

We have put in place requirements to comprehensively assess whether the trading business and brokerage business are exposed to risk of losses due to defects in internal workflow management, employee's misbehaviour, or other systematic or external factors. Our focus of review is placed on whether our internal workflow management is well-established and sufficient, whether there are detailed processes and control points, whether our staff complies with the relevant operational processes, and whether there are any defects or loopholes in the processes or internal workflow management.

Liquidity risk

Liquidity risk refers to the risk arising in respect of a shortage of funds when fulfilling payment obligations and meeting capital requirements for normal business operations. We have consistently adhered to a well-established liquidity management policy and have set up a liquidity risk management sub-working group responsible for continuously strengthening its liquidity management system. The responsibilities for the centralised management of fund allocation for the Group lies with the Treasury Department. In addition, the Risk Management Department will regularly prepare a liquidity risk report on the status of asset and liabilities, liquidity quota management and other situations.

We also review on a periodic basis in respect of the effectiveness of our liquidity management mechanism and whether such liquidity management rules laid down are strictly implemented. Our liquidity risk review process includes a review on whether we effectively identify, measure, monitor and control liquidity risk by (i) evaluating various assets and liabilities of the Company, estimating future cash flows and any possible funding gaps under different stress scenarios, (ii) collecting and analysing market data in predicting current market conditions and trends, (iii) actively monitoring the Group's Liquidity Coverage Metric, creating designated checking, reporting and remedial process in relation to any ratio or indicator not in compliance with the relevant requirements.

We also set threshold values for liquidity risk indicators, and once exceeded, the Risk Management Department will warn the Risk Management Committee, the management and relevant departments of such risks under relevant systems, and appropriate actions will be taken by the relevant competent

departments to bring the risk level down to an acceptable range as suggested by the indicators. We have also established a liquidity reserve pool system with sufficient high-liquidity assets to meet its emergency liquidity needs.

Capital risk

Our capital management procedures are well established and effectively implemented to access (i) whether requirements on capital management have been taken into account in the Company's business operations, (ii) capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities of the Company, (iii) whether the related risk control indicators meet latest regulatory requirements of our subsidiaries where they operate and whether there is a risk that they will fall short of the capital requirements for the next one to three years, if so, whether relevant countermeasures and plans have been put in place and (iv) whether there is any breach of regulatory requirements and whether effective remedial actions have been taken.

Strategic risk

Strategic risk refers to the inability to determine strategic plans in response to profound changes in domestic and overseas capital markets, and involves factors which may affect the development direction, corporate culture, competitiveness or corporate efficiency of an enterprise as a whole. Such risk is embedded in every operating unit while other key types of risk may also affect strategic risk. The Company manages strategic risk by the following principles: (1) proactively consider strategic risk during the strategic planning process; (2) set strategies within the context of its overall risk appetite; and (3) monitor the performance of its strategic plan and analyse the yearly progress and ensure its ability and flexibility to adjust strategic plans in response to profound changes in domestic and overseas capital markets.

Model risk

Model risk refers to a quantitative method, system or approach that applies statistical, economic, financial, or mathematical theories, techniques, and assumptions to process input data into quantitative estimates. The use of models invariably presents model risk, which is the potential for adverse consequences from decisions based on incorrect or misused model outputs and reports. Model risk can lead to financial loss, poor business and strategic decision-making, or damage to organisation's reputation. As models were increasingly complex and widely used, the Company was also exposed to more significant model risks amid business development and risk management.

The Company was fully aware of the importance of model risk and had developed a corporate model management framework. The Company also strengthened model management step by step, and managed the model life cycle, from the development, validation, use limitation and update, through a series of internal control measures such as approval, review and testing.

Financial/accounting management risk

We review our financial/accounting management risk to monitor whether (i) our financial management system, process, authorisation, supervision and inspection and accountability mechanisms are well established, (ii) the responsibilities of financial positions are clear and reasonable, incompatible positions are effectively separated and such separation are strictly implemented, and whether the management of financial personnel and institutions is sound; and (iii) the authorisation and approval of

fund clearing are sound, and whether there are significant internal control risks in payment authorisation. We also actively review financial accounting and reporting (information disclosure) processes to make sure they are true, timely, accurate, complete and in compliance with accounting standards and laws and regulations. The other aspects of our financial/accounting management risk review include (i) the approval and management of costs and expenses; (ii) the processes relating to budget preparation, approval, execution and adjustment; (iii) timely actions on tax payments in compliance with relevant regulations, any material pending tax disputes and risks of tax penalties; (iv) adequacy of provision for impairment of assets outside the scope of credit risk and any significant risk of impairment; and (v) any risk of significant decline in earnings, or other significant financial risks.

Legal and compliance risk

Legal and compliance risks are potential risks of failure of business management and standards to align in a timely manner with changes in laws, regulations or other requirements that may be imposed by regulatory authorities. Such risks may also come from financial and reputational impact on the Company which may have originated from (i) contractual or legal claims against the Company; (ii) the inability or failure to manage litigation or other dispute proceedings effectively; and (iii) failure to comply with its values and laws and regulations as well as standards relating to specific financial services we provide, which may damage our reputation and lead to legal or regulatory sanctions and/or financial losses.

The Company manages legal and compliance risks through a comprehensive set of control systems and procedures to deal with external and internal risks. The business and operational departments are responsible for the proactive identification and management of legal and compliance risks within the Company. The Legal and Compliance department are responsible for setting policies and procedures for the Company and providing independent supervision on and guidance to business departments. We actively examine from time to time whether our legal management framework for the review of transactions and contracts, and the handling and reporting of major legal disputes is sound. The Group has relevant internal policy which sets out the policies and procedures required to be adhered to by all members of staff to protect the Group from legal liabilities and covers matters such as contractual review, signing authority, documentation and safekeeping, the corporate secretarial function and the engagement of external legal counsel. We also put in place effective review processes to monitor the compliance of operations and management activities, including whether major compliance risks have occurred in the past two years, whether major compliance risks that occurred were reported and rectified in a timely manner, whether anti-money laundering and other types of compliance management are performed in accordance with regulatory requirements.

IT risk

Information technology (“IT”) risk refers to the operational, legal and reputational risks arising from natural disasters, human factors, technology vulnerabilities and management deficiencies in the course of carrying out business activities or providing services by means of information technology.

The Company has adopted the following measures to control and prevent IT risks: (i) establishment of a complete IT organisation structure to ensure stable operation of information systems, (ii) establishment of a sound IT outsourcing management system to ensure the security of sensitive information, and (iii) regular assessment on whether effective measures are in place in terms of network, operating system, terminal, data, application system, business management, security monitoring, etc. to ensure the security of information systems and data.

Reputational risk

Reputational risk refers to negative public opinions or comments in relation to the Company's operations, management and other behaviours or external events, which may cause damage of, and have adverse impact on the Company's reputation and brand image ultimately.

The Company proactively optimise its policies, systems and process of reputational risk management by adhering to the principles of comprehensiveness, transparency, prospectiveness and effectiveness. By inclusion of reputational risk management into its comprehensive risk management system, the Company ensures preventive approach and contingency plan of reputational risk are in place. The Company promptly respond to any potential reputational risk by utilising strategies of accurate identification, prudent assessment and dynamic monitoring, with an aim to prevent any incidents that may affect the reputation of the Company and to control the negative impacts of such incidents.

For more details on the financial risks that the Group's activities exposes us to, and our financial risk management, see also "***Financial risk management***" in the notes to the Consolidated Financial Statements included elsewhere in this Offering Circular. For more details on our financial risk management, see also "***Risk Management and internal Control — Financing/accounting management risk***".

Money Laundering

We have established policies and procedures to flag and prevent money laundering and terrorist financing. Money laundering covers a wide range of activities intended to mask or alter the source of illegally obtained money. Our employees who know, suspect or have a reasonable basis to believe that a client might have engaged in money laundering activities are required to immediately report to the legal and compliance departments, which, in turn, will notify the appropriate regulatory authorities. We also have in place a client screening procedure to profile clients with a higher than average likelihood of engaging in money laundering and terrorist financing activities. When conducting such screening, factors we take into account include the client's background, nature of its business, its origin or place of establishment, associated entities and its ownership structure.

Chinese Walls

As a financial institution providing a wide range of financial services, we consistently face situations where two or more legitimate interests are conflicting in nature. We recognise the importance of managing such conflicts to protect the interests of our clients and our employees. We have implemented Chinese walls to limit conflicts of interest by controlling the flow of material non-public information. A Chinese wall in this context refers to various physical and electronic measures taken to ensure that material non-public information regarding listed companies which is obtained by one department is not released to another department. It is intended to separate those making investment decisions from those in possession of material non-public information. We have developed and implemented policies and procedures to safeguard such information and prevent improper trading. Due to potential conflicts of interest, we have established Chinese walls between our investment banking and research departments, our sales and research departments, as well as our trading and brokerage departments to prevent the flow of material non-public information. To enforce Chinese walls on an administrative level, we have established physical segregation and password-protected access among departments and functional units, including our investment banking, equity sales and trading, asset management, brokerage, research, legal and compliance departments.

As we continually seek to enhance our risk management and internal control functions, we have implemented the following:

- *Firmwide Risk Pooling*

We plan to measure and monitor our overall risk exposure to ensure that our risks fall within a tolerable range.

- *Risk Limits Systems Based on Capital Allocation*

We plan to establish a series of risk limit systems to dynamically control and adjust our risk exposure through risk limits, promote timely communication with the front-office business departments and improve the effectiveness of our risk management.

- *Economic Capital Framework*

We plan to establish an economic capital allocation framework in line with international standards and the capital requirements of the SFC to help us measure the risk adjusted returns of our business units and optimise our resource allocation.

Legal and Regulatory

Licensing Requirements

We operate our business principally in Hong Kong and we are subject to the relevant regulatory requirements in Hong Kong.

Certain members of the Group are licensed under the SFO to carry out regulated activities, including Type 1 (Dealing in securities), Type 2 (Dealing in futures contracts), Type 4 (Advising on securities), Type 6 (Advising on corporate finance), Type 7 (Providing automated trading services) and Type 9 (Asset management).

A member of the Group is an insurance broker company licensed by the Insurance Authority under the Insurance Ordinance (Cap. 41) (the “IO”) to carry out certain specified regulated activities in one or more lines of insurance business, such as Long Term Business (including Linked Long Term Business).

Legal Proceedings

We may be a party to legal proceedings from time to time that arise from the ordinary course of our business. See “***Risk Factors — Risks Relating to our Business — Substantial legal liability or significant regulatory action against us could materially and adversely affect our results of operations and financial condition, or cause us significant reputational harm and seriously harm our business prospects***”. As at the date of this Offering Circular, the Group is not aware of any legal or arbitration proceedings against it, or any pending or threatened proceedings, which are material in the context of the issue of the Notes or the giving of the Guarantee.

Regulatory Review and Proceedings

We are subject to various regulatory requirements and guidelines set forth by the regulatory authorities in Hong Kong (including the SFC) and other jurisdictions that we operate our businesses in.

The Company, its subsidiaries and their respective directors and senior management may be subject to regulatory investigations from time to time, and we and our employees have in the past been found to be non-compliant with regulatory requirements. Material incidents of non-compliance of our Group that occurred or regulatory investigation to which our Group is subject during 2020 to 2022 included the following:

On 29 August 2021, Capital Markets Integrity Corporation issued a written reprimand to CLSA Philippines, Inc. in relation to the violation of trade amendments, general trading operations and conduct regulation of trading participants. A monetary penalty of PHP150,000 (approximately US\$3,000) was levied, which was paid on 13 September 2021. We paid great emphasis on the remedial actions and thus the issues have been adequately addressed and resolved.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS OF THE COMPANY

The Board of Directors is responsible and has general powers for the management and conduct of the Company's business. The following table sets out certain information with respect to the Company's directors as at the date of this Offering Circular:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Mr Li Chunbo	47	Chairman, Director
Mr Shi Benliang	48	Director
Mr Xu Jianqiang	42	Director
Mr Yu Yang	43	Director
Mr Edward Park	47	Director

Mr Li Chunbo, aged 47, is the chairman of the board of directors of the Company. Mr Li is also an executive member of CITIC Securities. Mr Li also serves as a director of China Asset Management Company Limited, a member of the development strategy committee of the Securities Association of China, and a member of the international development committee of Shanghai Stock Exchange. Mr Li joined CITIC Securities in 2001 and previously worked as an analyst of the research consulting department (later renamed as the research department), chief analyst of the research department, as well as the chief executive of the research department and the equity sales and trading department. Mr Li obtained a bachelor's degree in Vehicle Engineering and a master's degree in Management Science and Engineering from Tsinghua University in 1998 and 2001, respectively.

Mr Shi Benliang, aged 48, is a director of the Company. Mr Shi is also the chief financial officer of CITIC Securities and an executive member and director of the wealth management committee of CITIC Securities. Mr Shi joined CITIC Securities in 2000 and had served as a director of the asset management business accountant, joint person and administrative person in charge of the planning and finance department. Mr Shi also serves as the chairman of CITIC Private Equity Funds Management Company Limited and a director of China Asset Management Company Limited, CLSA B.V., CLSA Limited, CITIC GoldStone Fund Management Company Limited, CITIC Buyout Fund Management Company Limited, GoldStone ZeXin Investment Management Co., Ltd. and Anhui Transport Control Jinshi Private Fund Management Co., Ltd.. Mr Shi concurrently serves as a member of the Third Accounting Standards Advisory Committee for Business Enterprises of the Ministry of Finance and a member of the Financial Accounting Committee of the Securities Association of China. Mr Shi obtained a bachelor's degree in Finance from Shanghai University of Finance and Economics in 1997 and a master's degree in Finance from Nankai University in 2000.

Mr Xu Jianqiang, aged 42, is a director of the Company. Mr Xu is also the head of equity derivatives and prime brokerage, the head of asset management, and the chief executive officer of wealth management of the Company. Mr Xu also serves as deputy head of the equity derivative business line of CITIC Securities. Mr Xu was appointed as a director of the Company on 23 April 2019. Mr. Xu is also a director of CLSA, CSI Global Markets Holdings Limited, CLSA Global Investments Management Limited, CSI Capital Management Limited, CSI Financial Products Limited, CLSA Premium Limited, CS Brokerage, CS Futures, CLSA Asset Management, CLSA Fund Services, CSI Global Markets, CLSA Premium International (HK) Limited, CLSA Global Markets Pte. Ltd., LXL Capital I Limited, LXL Capital II Limited, LXL Capital III Limited, LXL Capital IV Limited and LXL Capital V Limited. Mr

Xu joined CITIC Securities in August 2005. Mr Xu obtained a bachelor’s degree in Mathematics and Applied Mathematics from Peking University in 2003 and a master’s degree in Mathematics from the University of British Columbia in 2005.

Mr Yu Yang, aged 43, is a director of the Company. Mr Yu is also the head of investment banking division of the Company. Mr Yu also serves as member of global investment banking management committee of CITIC Securities, a director of CLSA Limited, CLSA, CITIC Securities (Hong Kong), CLSA Exchange Capital, Inc., and CLSA Philippines, Inc.. Mr Yu was appointed as a director of the Company on 2 March 2020. Mr Yu joined CITIC Securities on 4 January 2005. He previously worked for Guoyuan Securities Company Limited. Mr Yu obtained a bachelor’s degree in Economics from University of Science and Technology of China in 2001, and a master’s degree in International Banking and Financial Studies from University of Southampton in 2004, respectively.

Mr Edward Park, aged 47, is a director of the Company. Mr. Park is the chief executive officer of institutional equities, CLSA Limited. Mr Park is also a director of CLSA Australia Holdings Pty Ltd, CLSA Australia Pty Ltd, CLSA Australia Nominees Pty Ltd, CLSA (UK), CLSA Limited, CLSA Capital Limited, CLSA India Private Limited, CLSA Securities Japan Co., Ltd., CLSA Securities Korea Ltd., CLSA Securities Malaysia Sdn. Bhd., CLSA, Alfalah CLSA Securities (Private) Limited, CLSA Philippines, Inc., CLSA Singapore Pte Ltd, SetClear Pte. Ltd., CLSA Singapore Holdings Pte. Ltd., CLSA JV Holdings Pte. Ltd., CLSA Securities (Thailand) Limited and CLSA Americas, LLC. Mr Park is responsible for managing sales, trading and execution and research. Mr Park joined CITIC Securities in 1998 and has over 21 years of experience in institutional equities business. Mr. Park obtained a Bachelor of Science in Finance and Japanese from the University of Pennsylvania, Wharton School Of Business in 1998.

SENIOR MANAGEMENT OF THE COMPANY

The following table sets out certain information with respect to the Company’s senior management as at the date of this Offering Circular:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Mr Li Chunbo	47	Chairman, Director
Mr Shi Benliang	48	Director
Mr Xu Jianqiang	42	Director
Mr Yu Yang	43	Director
Mr Edward Park	47	Director

Mr Li Chunbo

See “*Directors and Senior Management — Directors of the Company*”.

Mr Shi Benliang

See “*Directors and Senior Management — Directors of the Company*”.

Mr Xu Jianqiang

See “*Directors and Senior Management — Directors of the Company*”.

Mr Yu Yang

See “*Directors and Senior Management — Directors of the Company*”.

Mr Edward Park

See “*Directors and Senior Management — Directors of the Company*”.

TAXATION

The following summary of certain British Virgin Islands, Hong Kong, PRC and, EU tax consequences of the purchase, ownership and disposition of Notes is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any Noteholder or any persons acquiring, selling or otherwise dealing in the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes. Persons considering the purchase of the Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Notes. Prospective investors should consult their professional advisers on the possible tax consequences of buying, holding or selling any Notes under the laws of their country of citizenship, residence or domicile.

BRITISH VIRGIN ISLANDS

Under existing British Virgin Islands laws, payments of interest and principal on the Notes will not be subject to taxation in the British Virgin Islands and no withholding will be required on the payment of interest and principal to any holder of the Notes nor will gains derived from the disposal of the Notes be subject to British Virgin Islands income or corporation tax, provided that the payments are made to persons who are not resident in the British Virgin Islands. No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not resident in the British Virgin Islands with respect to the Notes. There are currently no withholding taxes or exchange control regulations in the British Virgin Islands applicable to the Issuer. If neither the Issuer nor any subsidiary holds an interest in real estate in the British Virgin Islands, no stamp duty is payable in respect of the issue of the Notes and the Certificates or on an instrument of transfer in respect of the Notes or Certificates.

HONG KONG

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

- (i) interest on the Notes is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;

- (ii) interest on the Notes is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;
- (iii) interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the “**IRO**”)) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- (iv) interest on the Notes is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Notes will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Notes will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed of.

In addition, the Inland Revenue (Amendment) (Taxation on Specified Foreign-sourced Income) Ordinance 2022 (Cap. 112) of Hong Kong (the “**Amendment Ordinance**”) came into effect on 1 January 2023. Under the Amendment Ordinance, certain foreign-sourced interest on the Notes and gains from the sale, disposal or redemption of Notes accrued to an MNE entity (as defined in the Amendment Ordinance) carrying on a trade, profession or business in Hong Kong are regarded as arising in or derived from Hong Kong and subject to Hong Kong profits tax when they are received in Hong Kong. The Amendment Ordinance also provides for relief against double taxation in respect of certain foreign-sourced income and transitional matters.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisors to ascertain the applicability of any exemptions to their individual position.

Stamp Duty

Stamp duty will not be payable on the issue of Bearer Notes provided that either:

- (i) such Bearer Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or
- (ii) such Bearer Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of Hong Kong (the “**SDO**”)).

If stamp duty is payable, it is payable by the Issuer on the issue of Bearer Notes at a rate of 3% of the market value of the Bearer Notes at the time of issue. No stamp duty will be payable on any subsequent transfer of Bearer Notes.

No stamp duty is payable on the issue of Registered Notes. Stamp duty may be payable on any transfer of Registered Notes if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any transfer of Registered Notes provided that either:

- (i) such Registered Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or
- (ii) such Registered Notes constitute loan capital (as defined in the SDO).

If stamp duty is payable in respect of the transfer of Registered Notes it will be payable at the rate of 0.26% (of which 0.13% is payable by the seller and 0.13% is payable by the purchaser) normally by reference to the consideration or its value, whichever is higher. In addition, stamp duty is payable at the fixed rate of HK\$5 on each instrument of transfer executed in relation to any transfer of the Registered Notes if the relevant transfer is required to be registered in Hong Kong.

The proposed financial transactions tax (“FTT”)

On 14 February 2013, the European Commission published a proposal (the “**Commission’s Proposal**”) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “**participating Member States**”). However, Estonia has since stated that it will not participate.

The Commission’s Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances.

Under the Commission’s Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “**established**” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States, and the scope of any such tax is uncertain. Additional EU Member States may decide to participate.

Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

FATCA WITHHOLDING

Pursuant to certain provisions of U.S. law, commonly known as FATCA, a “**foreign financial institution**” may be required to withhold on certain payments it makes (“**foreign passthru payments**”) to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including Hong Kong and the British Virgin Islands) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“**IGAs**”), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply to foreign passthru payments prior to the date that is two years after the date on which final regulations defining “**foreign passthru payments**” are published in the U.S. Federal Register. In the preamble to the proposed regulations, the U.S. Treasury Department indicated that taxpayers may rely on these proposed regulations until the issuance of final regulations. Additionally, Notes that are characterised as debt (or which are not otherwise treated as equity and have a fixed term) for U.S. federal income tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining “**foreign passthru payments**” are filed with the U.S. Federal Register generally would be “**grandfathered**” for purposes of FATCA withholding unless materially modified after such date. However, if additional Notes (as described under “*Terms and Conditions of the Notes — Further Issues*”) that are not distinguishable from grandfathered Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all the Notes in the series, including grandfathered Notes, as subject to withholding under FATCA. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes.

CLEARANCE AND SETTLEMENT

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear, Clearstream or the CMU (together, the “Clearing Systems”) currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer believes to be reliable, but neither the Issuer, the Guarantor nor any Dealer nor the Arranger takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. Neither the Issuer, the Guarantor nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to, or payments made on account of, such beneficial ownership interests.

The relevant Pricing Supplement will specify the Clearing System(s) applicable for each Series.

THE CLEARING SYSTEMS

Euroclear and Clearstream

Euroclear and Clearstream each holds securities for participating organisations and facilitates the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to Euroclear or Clearstream is also available to others, such as banks, brokers, dealers and trust companies which clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Distributions of principal with respect to book-entry interests in the Notes held through Euroclear or Clearstream will be credited, to the extent received by the Issuing and Paying Agent, to the cash accounts of Euroclear or Clearstream participants in accordance with the relevant system’s rules and procedures.

CMU

The CMU is a central depository service provided by the Central Moneymarkets Unit of the Hong Kong Money Authority (the “**HKMA**”) for the safe custody and electronic trading between the members of this service (“**CMU Members**”) of capital markets instruments (“**CMU Instruments**”) which are specified in the CMU Reference Manual as capable of being held within the CMU.

The CMU is only available to CMU Instruments issued by a CMU Member or by a person for whom a CMU Member acts as agent for the purposes of lodging instruments issued by such persons. Membership of the CMU is open to all financial institutions regulated by the HKMA, Securities and Futures Commission, Insurance Authority or Mandatory Provident Fund Schemes Authority. For further details on the full range of the CMU’ custodial services, please refer to the CMU Reference Manual.

Compared to clearing services provided by Euroclear and Clearstream, the standard custody and clearing service provided by the CMU is limited. In particular, unlike the European Clearing Systems, the HKMA does not as part of this service provide any facilities for the dissemination to the relevant CMU Members of payments (of interest or principal) under, or notices pursuant to the notice provisions of, the CMU Instruments. Instead, the HKMA advises the lodging CMU Member (or a designated paying agent) of the identities of the CMU Members to whose accounts payments in respect of the relevant CMU Instruments are credited, whereupon the lodging CMU Member (or the designated paying agent) will make the necessary payments of interest or principal or send notices directly to the relevant CMU Members. Similarly, the HKMA will not obtain certificates of non-US beneficial ownership from CMU Members or provide any such certificates on behalf of CMU Members. The CMU Lodging and Paying Agent will collect such certificates from the relevant CMU Members identified from an instrument position report obtained by request from the HKMA for this purpose.

An investor holding an interest through an account with either Euroclear or Clearstream, in any Notes held in the CMU will hold that interest through the respective accounts which Euroclear and Clearstream, each have with the CMU.

BOOK-ENTRY OWNERSHIP

Bearer Notes

The Issuer has made applications to Euroclear and Clearstream for acceptance in their respective book-entry systems in respect of any Series of Bearer Notes. The Issuer may also apply to have Bearer Notes accepted for clearance through the CMU. In respect of Bearer Notes, a Temporary Global Note and/or a Permanent Global Note will be deposited with a common depository for Euroclear and Clearstream or a sub-custodian for the CMU. Transfers of interests in a Temporary Global Note or a Permanent Global Note will be made in accordance with the normal market debt securities operating procedures of the CMU, Euroclear and Clearstream. Each Global Note will, where applicable, have an International Securities Identification Number (“ISIN”) and a Common Code and/or a CMU Instrument Number.

Investors in Notes may hold their interest in a Global Note only through a common depository for Euroclear and/or Clearstream or a sub-custodian for CMU.

Registered Notes

The Issuer may make applications to Euroclear and Clearstream for acceptance in their respective book entry systems in respect of the Notes to be represented by a Global Certificate. The Issuer may also apply to have Notes to be represented by a Global Certificate accepted for clearance through the CMU. Each Global Certificate will have an International Securities Identification Number (“ISIN”) and a Common Code or a CMU Instrument Number. Investors in Notes of such Series may hold their interests in a Global Certificate through Euroclear, Clearstream or the CMU (if applicable).

Each Global Certificate will be subject to restrictions on transfer contained in a legend appearing on the front of such Global Certificate, as set out under “*Subscription and Sale.*”

All Registered Notes will initially be in the form of a Global Certificate. Individual Certificates will be available, in the case of Notes initially represented by a Global Certificate, in amounts specified in the applicable Pricing Supplement.

Transfers of Notes Represented by Global Registered Notes

Transfers of any interests in Notes represented by a Global Certificate within Euroclear, Clearstream and CMU will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. Euroclear, Clearstream and CMU have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Global Certificates among accountholders of Euroclear, Clearstream and CMU. However, they are under no obligation to perform or continue to perform such procedures and such procedures may be discontinued or changed at any time. None of the Issuer, the Trustee, the Paying Agents, the Registrar or any Dealer will be responsible for any performance by Euroclear or Clearstream, CMU or their respective accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Global Certificates or for maintaining, supervising or reviewing any records relating to such beneficial interests.

REGULATORY ENVIRONMENT

This section summarises the principal laws and regulations in the PRC and Hong Kong which are relevant to our business. As this is a summary, it does not contain a detailed analysis of the PRC laws and regulations which are relevant to us.

PRC REGULATIONS

Issuance of Foreign Debts

Pursuant to the NDRC Circular, which was promulgated by the NDRC and became effective on 14 September 2015, where domestic enterprises, overseas enterprises controlled by them or their overseas branches issue foreign debts, which are debt instruments of no less than one year of tenor that are denominated in domestic currency or foreign currency with the capital repaid and interest paid as agreed, including notes issued overseas and long and medium term international commercial loans, the enterprises shall apply to the NDRC for dealing with the formalities of record-filing and registration before issuance. The NDRC shall decide to accept it or not within five working days upon the receipt of the application and provide the Registration Certificate of Enterprise Foreign Debt (企業發行外債備案登記證明) within seven working days after acceptance. The enterprises shall submit the issuance information to the NDRC within 10 working days after the issuance each time.

The NDRC published the NDRC Administrative Measures on 5 January 2023, which took effect and replaced the NDRC Circular from 10 February 2023. According to the NDRC Administrative Measures, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities with a maturity of more than one year issued outside the PRC with NDRC prior to the issuance of the securities and file or cause to be filed with the NDRC the requisite information and documents within the prescribed time frame.

HONG KONG REGULATORY ENVIRONMENT

Introduction

The SFO is the principal legislation regulating the securities and futures industry in Hong Kong and it is administered by the SFC which is the statutory regulatory body that governs the securities and futures markets and non-bank retail leveraged foreign exchange market in Hong Kong.

The IO is the principal legislation regulating the insurance industry in Hong Kong and it is administered by the Insurance Authority, which is the statutory body that is responsible for regulating and supervising the insurance industry.

Types of Regulated Activities

The SFO provides a single licensing regime under which a person needs only one licence to carry on the different types of regulated activities as specified in Schedule 5 of the SFO. There are ten types of regulated activities, namely:

Type 1: dealing in securities;

Type 2: dealing in futures contracts;

Type 3: leveraged foreign exchange trading;

Type 4: advising on securities;

Type 5: advising on futures contracts;

Type 6: advising on corporate finance;

Type 7: providing automated trading services;

Type 8: securities margin financing;

Type 9: asset management; and

Type 10: providing credit rating services.

Functions of the IO

The IO sets out the regulatory framework applicable to insurers, designated insurance holding companies and insurance intermediaries in Hong Kong, as well as the requirements for the authorisation, designation, licensing, ongoing compliance and reporting obligations of insurers, designated insurance holding companies and insurance intermediaries.

Anti-money Laundering and Counter-terrorist Financing

Licensed corporations are required to comply with the applicable anti-money laundering and counter-terrorist financing laws and regulation in Hong Kong as well as the Guideline on Anti-Money Laundering and Counter-Financing of Terrorism (For Licensed Corporations) (the “**Guideline**”) published by the SFC.

The Guideline provides practical guidance to assist licensed corporations and their senior management in designing and implementing their own anti-money laundering and counter-terrorist financing policies, procedures and controls in order to meet the relevant legal and regulatory requirements in Hong Kong. Under the Guideline, licensed corporations should, among other things:

- assess the risks of any new products and services before they are introduced and ensure that appropriate additional measures and controls are implemented to mitigate and manage the associated money laundering and terrorist financing risks;
- identify the client and verify the client’s identity using reliable, independent source documents, data or information, and take steps from time to time to ensure that the client information is up-to-date and relevant;
- conduct on-going monitoring of activities of the clients to ensure that they are consistent with the nature of business, the risk profile and source of funds, as well as identify transactions that are complex, large or unusual, or patterns of transactions that have no apparent economic or lawful purpose;
- maintain a database of names and particulars of terrorist suspects and designated parties which consolidates the various lists that have been made known to it, as well as comprehensive on-going screening of the client database; and

- conduct on-going monitoring for identification of suspicious transactions and ensure compliance with their legal obligations of reporting funds or property known or suspected to be proceeds of crime or terrorist property to the Joint Financial Intelligence Unit, a unit jointly run by the Hong Kong Police Force and the Hong Kong Customs & Excise Department to monitor and investigate suspected money laundering.

Financial Institutions Resolution Regime

On July 7, 2017, the Financial Institutions (Resolution) Ordinance (Cap. 628) of Hong Kong (the “**FIRO**”) came into operation. The FIRO provides for, among other things, the establishment of a resolution regime for authorised institutions and other financial institutions in Hong Kong. The resolution regime seeks to provide the relevant resolution authorities with administrative powers to bring about timely and orderly resolution in order to stabilise and secure continuity for a failing authorised institution in Hong Kong. In particular, and subject to certain safeguards, the relevant resolution authority is provided with powers to affect contractual and property rights as well as payments (including in respect of any priority of payment) that creditors would receive in resolution. These may include, but are not limited to, powers to write off or convert all or a part of the nominal amount of, or distributions on, regulatory capital securities of relevant financial institutions in Hong Kong. Certain details relating to FIRO will be set out through secondary legislation and supporting rules.

OECD’s Common Reporting Standard

The Organisation for Economic Co-operation and Development (the “**OECD**”) has developed a draft common reporting standard (“**CRS**”) and model competent authority agreement to enable the multilateral, automatic exchange of financial account information. The CRS does not include a potential withholding element. Under the CRS financial institutions will be required to identify and report the tax residence status of customers in 101 countries that have endorsed the plans, of which 54 (including EU Member States) have committed to implement the CRS with first information exchanges expected in 2017. The remaining 47 countries have committed to implement the CRS on a slower timetable with first information exchanges for these countries expected in 2018.

The adoption of CRS in the PRC and Hong Kong has been effective from 1 January 2017. The PRC and Hong Kong financial institutions may begin collecting tax residency information from their account holders as early as 1 January 2017 and may report information on reportable account holders in 2018. The increased due diligence of customer information and the reporting of information to the tax authorities will increase operational and compliance costs for banks, including the Group. At this time, it is not possible to quantify the full costs of complying with the new legislation as some aspects are still to be determined.

SUBSCRIPTION AND SALE

Pursuant to an amended and restated dealer agreement dated 19 May 2023 and as further amended, restated and/or supplemented from time to time (the “**Dealer Agreement**”), CLSA Limited (the “**Arranger**”) and CSI Global Markets Limited (together with the Arranger, the “**Permanent Dealers**”) agreed with the Issuer and the Guarantor a basis on which they or any of them may from time to time agree to subscribe Notes. In addition, the Issuer and the Guarantor has reserved the right to sell Notes directly on its own behalf to Dealers that is not a Permanent Dealer as at the date of the Dealer Agreement. Any such agreement will extend to those matters stated under “**Terms and Conditions of the Notes**”. Under the terms of the Dealer Agreement, the Issuer, failing whom the Guarantor, will pay each relevant Dealer a commission (if any) agreed between the Issuer, the Guarantor and the relevant Dealer in respect of Notes subscribed by it.

The Issuer and the Guarantor have agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement provides that the obligations of the Dealers are subject to certain conditions precedent and entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

The Arranger, the Dealers and their respective subsidiaries and affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, corporate financing, hedging, financing and brokerage activities (“**Banking Services or Transactions**”). The Arranger, the Dealers and their respective subsidiaries and affiliates may have, from time to time, performed and may in the future perform, various Banking Services or Transactions with the Issuer, the Guarantor or their respective subsidiaries and affiliates, for which they have received, or will receive, customary fees and expenses.

In the ordinary course of their various business activities, the Arranger, the Dealers and their respective subsidiaries and affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of the Issuer, the Guarantor or their respective subsidiaries or affiliates. Certain of the Arranger, the Dealers and their respective subsidiaries and affiliates may from time to time also enter into swap and other derivative transactions with the Issuer, the Guarantor or their respective subsidiaries or affiliates. The Arranger, the Dealers and their respective subsidiaries and affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

In connection with each Tranche of Notes issued under the Programme, the Arranger, the Dealers or certain of their subsidiaries or affiliates, or the Issuer, the Guarantor and/or their respective subsidiaries and affiliates, may act as investors and place orders, purchase and receive allocations and may trade the Notes for their own account and such orders, purchases, allocations or trade of the Notes may be material. Such entities may hold or sell such Notes or purchase further Notes for their own account in the secondary market or deal in any other securities of the Issuer or the Guarantor, and therefore, they may offer or sell the Notes or other securities otherwise than in connection with the offering of the relevant Tranche of Notes. Accordingly, references herein to the Notes being ‘offered’ should be read as including any offering of the Notes to the Arranger, the Dealers and/or their respective subsidiaries, or

to the Issuer, the Guarantor and their respective subsidiaries and affiliates, as investors for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any applicable legal or regulatory requirements. If such transactions occur, the trading price and liquidity of the Notes may be impacted.

Furthermore, it is possible that a significant proportion of the Notes may be initially allocated to, and subsequently held by, a limited number of investors. If this is the case, the trading price and liquidity of trading in the Notes may be constrained. The Issuer, the Guarantor, the Arranger and the Dealers are under no obligation to disclose the extent of the distribution of the Notes amongst individual investors, otherwise than in accordance with any applicable legal or regulatory requirements.

The Arranger, the Dealers or any of their respective affiliates may purchase the Notes for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Notes and/or other securities of the Issuer, the Guarantor or their respective subsidiaries or affiliates at the same time as the offer and sale of the Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Notes to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Notes).

Important Notice to CMIs (including private banks)

This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for the relevant CMI Offering and are subject to additional requirements under the SFC Code. The application of these obligations will depend on the role(s) undertaken by the relevant Dealer(s) in respect of each CMI Offering.

Prospective investors who are the directors, employees or major shareholders of the Issuer, the Guarantor, a CMI or its group companies would be considered under the SFC Code as having an Association with the Issuer, the Guarantor, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the relevant Notes. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Issuer, the Guarantor or any CMI (including its group companies) and inform the relevant Dealers accordingly.

CMIs are informed that, unless otherwise notified, the marketing and investor targeting strategy for the relevant CMI Offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions and any MiFID II product governance language or any UK MiFIR product governance language set out elsewhere in this Offering Circular and/or the applicable Pricing Supplement.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the relevant Notes (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place “X-orders” into the order book.

CMI should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMI (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Issuer and/or the Guarantor. In addition, CMI (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the relevant Notes. CMI are informed that a private bank rebate may be payable as stated above and in the applicable Pricing Supplement, or otherwise notified to prospective investors.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Dealers in control of the order book should consider disclosing order book updates to all CMI.

When placing an order for the relevant Notes, private banks should disclose, at the same time, if such order is placed other than on a “principal” basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a “principal” basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a “principal” basis may require the relevant affiliated Dealer(s) (if any) to categorise it as a proprietary order and apply the “proprietary orders” requirements of the SFC Code to such order and will result in that private bank not being entitled to, and not being paid, any rebate.

In relation to omnibus orders, when submitting such orders, CMI (including private banks) that are subject to the SFC Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- The name of each underlying investor;
- A unique identification number for each investor;
- Whether an underlying investor has any “Associations” (as used in the SFC Code);
- Whether any underlying investor order is a “Proprietary Order” (as used in the SFC Code);
- Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to the Dealers named in the relevant Pricing Supplement.

To the extent information being disclosed by CMI and investors is personal and/or confidential in nature, CMI (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the SFC Code, including to the Issuer, the Guarantor, relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding

process for the relevant CMI Offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in the relevant CMI Offering. The relevant Dealers may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Dealer with such evidence within the timeline requested.

SELLING RESTRICTIONS

General

Each Dealer agrees, and each further Dealer appointed under the Programme will be required to agree, that it will (to the best of its knowledge and belief) comply in all material respects with all applicable securities laws, regulations and directives in force in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Offering Circular, any other offering or publicity material or any Pricing Supplement, in all cases at its own expense.

None of the Issuer, the Guarantor, the Trustee or any of the Dealers represent that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale. With regard to each Tranche, the relevant Dealer(s) will be required to comply with any additional restrictions agreed between the Issuer and the relevant Dealer(s) and set out in the applicable Pricing Supplement.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and any Dealer or any of their respective affiliates is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by it or such affiliate on behalf of the Issuer and the Guarantor in such jurisdiction.

United States

In respect of Notes offered or sold in reliance on Regulation S Category 1 as specified in the applicable Pricing Supplement, the Notes and the Guarantee have not been and will not be registered under the Securities Act, and may not be offered or sold or, in the case of Bearer Notes, delivered within the United States except in accordance with Regulation S or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold or, in the case of Bearer Notes, delivered, and will not offer or sell or, in the case of Bearer Notes, deliver, any Notes and the Guarantee constituting part of its allotment within the United States. The Notes and the Guarantee are being offered and sold outside the United States in reliance on Regulation S.

In respect of Notes offered or sold in reliance on Regulation S Category 2 as specified in the applicable Pricing Supplement, the Notes and the Guarantee have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered and sold or, in the case of Bearer Notes, delivered, and shall not offer and sell or, in the case of Bearer Notes, deliver, the Notes and the Guarantee (i) as part of their

distribution at any time and (ii) otherwise until 40 days after completion of the distribution of the Notes comprising the relevant Tranche, except in accordance with Rule 903 of Regulation S. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes and the Guarantee, and it and they have complied and will comply with the offering restrictions requirement of Regulation S. Each Dealer has agreed to notify the Issuing and Paying Agent or, in the case of a Syndicated Issue, the Lead Manager when it has completed the distribution of its portion of the Notes so that the Issuing and Paying Agent or, in the case of a Syndicated Issue, the Lead Manager may determine the completion of the distribution of all Notes of the relevant Tranche and notify the other Relevant Dealers of the end of the distribution compliance period. Each Dealer and its affiliates also agree that, at or prior to confirmation of sale of Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period a confirmation or notice to substantially the following effect:

“The securities covered hereby have not been and will not be registered under the U.S. Securities Act of 1933 (the “Securities Act”) and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Tranche of securities of which such securities are a part, except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S.”

Terms used in the above provision have the meanings given to them by Regulation S.

In addition, until 40 days after the commencement of the offering of any identifiable tranche of such Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meaning given to them by the U.S. Internal Revenue Code and regulations thereunder.

This Offering Circular has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States. The Issuer and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Offering Circular does not constitute an offer to any person in the United States. Distribution of this Offering Circular by any non-U.S. person outside the United States to any U.S. person or to any other person within the United States, is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States, is prohibited.

Each issuance of Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Pricing Supplement.

Prohibition of Sales to European Economic Area Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by the Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression “**retail investor**” means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or
 - (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the “**Prospectus Regulation**”); and
- (b) the expression “**offer**” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

Prohibition of Sales to UK Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the UK. For the purposes of this provision:

- (a) the expression “**retail investor**” means a person who is one (or more) of the following:
 - (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or
 - (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or
 - (iii) not a qualified investor as defined in Article 2 of the Prospectus Regulation as it forms part of domestic law by virtue of the EUWA (the “**UK Prospectus Regulation**”); and
- (b) the expression “**offer**” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

Other Regulatory Restrictions in the UK

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer or the Guarantor;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the UK.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “**Financial Instruments and Exchange Act**”). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes except for Notes which are a “**structured product**” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “**SFO**”) other than (i) to “**professional investors**” as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a “**prospectus**” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “**C(WUMPO)**”) or which do not constitute an offer to the public within the meaning of the C(WUMPO); and

- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “**professional investors**” as defined in the SFO and any rules made under the SFO.

PRC

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC or Taiwan), except as permitted by the securities laws of the PRC.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the “**SFA**”)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(c)(ii) of the SFA;

- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act 2001 of Singapore (the “SFA”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”), unless otherwise specified before an offer of Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are “prescribed capital markets products” (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

British Virgin Islands

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not made and will not make any invitation directly or indirectly to the public in the British Virgin Islands or a natural person who is a British Virgin Islands resident or citizen to offer or sell the Notes and the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the British Virgin Islands, except as otherwise permitted by British Virgin Islands law.

GENERAL INFORMATION

AUTHORISATIONS

The Issuer has obtained all necessary consents, approvals and authorisations in connection with the update of the Programme and the issue of the Notes thereunder and the performance of its obligations under the Notes, the Trust Deed and the Agency Agreement. The update of the Programme and the issue of the Notes were authorised by the resolutions of the directors of the Issuer dated 18 May 2023.

The Guarantor has obtained all necessary consents, approvals and authorisations in connection with the update of the Programme and the giving and the performance of the Guarantee. The update of the Programme and the giving of the Guarantee were authorised by the resolutions of the directors of the Guarantor dated 18 May 2023 and the resolutions of the sole shareholder of the Guarantor dated 18 May 2023.

LITIGATION

As at the date of this Offering Circular, the Group is not aware of any legal or arbitration proceedings against it, or any pending or threatened proceedings, which are material in the context of the issue of the Notes or the giving of the Guarantee.

NO MATERIAL ADVERSE CHANGE

Since 31 December 2022, there has been no material adverse change, nor any development or event involving a prospective material adverse change, in or affecting the general affairs, financial condition, results of operations or prospects of the Issuer, the Guarantor and any of their respective subsidiaries.

DOCUMENTS AVAILABLE

For so long as Notes may be issued pursuant to this Offering Circular, copies of the following documents will be available (upon prior written request and proof of holding and identity satisfactory to the Trustee), during normal business hours (being between 9:00 a.m. and 3:00 p.m., Hong Kong time) on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the principal office of the Trustee, being at the date of this Offering Circular, at 20th Floor, Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong:

- (i) the Trust Deed (which includes the form of the Global Notes, the Global Certificates, the Notes in definitive form, the Coupons, the Receipts and the Talons); and
- (ii) the Agency Agreement.

For so long as Notes may be issued pursuant to this Offering Circular, copies of the following documents will be available (upon written request and proof of holding and identity satisfactory to the Issuer), during usual business hours (being between 9:00 a.m. and 3:00 p.m., Hong Kong time) on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the principal office of the Issuer, being at the date of this Offering Circular, at 18/F., One Pacific Place, 88 Queensway, Hong Kong:

- (i) the constitutive documents of each of the Issuer and the Guarantor;

- (ii) the audited consolidated financial statements of the Guarantor as at and for the years ended 31 December 2021 and 2022;
- (iii) each Pricing Supplement (save that a Pricing Supplement related to an unlisted Series of Notes will only be available for inspection by a holder of any such Notes and such holder must produce evidence satisfactory to the Issuer or the Trustee as to its holding of Notes and identity); and
- (iv) a copy of this Offering Circular together with any supplement to this Offering Circular and any other documents incorporated herein or therein referenced.

CLEARING OF THE NOTES

Notes have been accepted for clearance through the Euroclear and Clearstream systems. The relevant ISIN and the Common Code will be specified in the applicable Pricing Supplement. The Issuer may also apply to have Notes accepted for clearance through the CMU. The relevant CMU instrument number will be set out in the relevant Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be set out in the relevant Pricing Supplement.

FINANCIAL STATEMENTS

The Consolidated Financial Statements, which are included elsewhere in this Offering Circular, have been audited by PwC, the Guarantor's independent auditor, as stated in their reports appearing herein.

LISTING OF THE PROGRAMME AND THE NOTES

Application has been made to the Hong Kong Stock Exchange for the listing of the Programme, and for the permission to deal in, and for the listing of, Notes issued under the Programme during the 12-month period after the date of this Offering Circular on the Hong Kong Stock Exchange by way of debt issues to Professional Investors only.

The issue price of Notes to be issued under the Programme and listed on the Hong Kong Stock Exchange will be expressed as a percentage of their nominal amount. It is expected that dealings will, if permission is granted to deal in and for the listing of such Notes, commence on or about the next business day following the date of issue of the relevant Notes. Admission to the Hong Kong Stock Exchange and quotation of any Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the merits of the Programme, the Notes, the Guarantee, the Issuer, the Guarantor or the Group. The Hong Kong Stock Exchange assumes no responsibility for the correctness of any of the statements made or opinions or reports contained herein.

TEFRA D LEGEND

Notes issued pursuant to TEFRA D (other than temporary Global Notes) and any Coupons, Receipts and Talons appertaining thereto will bear the following legend: **“Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code”**.

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Note:

- (1) The comparative financial information for the year ended 31 December 2021 included in the 2022 consolidated financial statements has been re-presented to conform to the presentation adopted for the financial year ended 31 December 2022. The comparative financial information for the year ended 31 December 2020 included in the 2021 consolidated financial statements have not been re-presented to conform with the new presentation and accordingly may not be comparable to the consolidated financial information as at and for the years ended 31 December 2021 and 2022 in the 2022 consolidated financial statements.

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2022

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

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CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

REPORT OF THE DIRECTORS

The directors submit their report together with the audited consolidated financial statements of CITIC Securities International Company Limited (the "Company") and its subsidiaries (together, the "Group") for the year ended 31 December 2022.

Principal activities

The principal activities of the Company are investment holding and the provision of general administration and support services to its subsidiaries. The principal activities of the subsidiaries comprise the businesses of investment banking, securities brokerage, asset management, investment and trading of securities and direct investments. The principal activities and other particulars of the principal subsidiaries are set out in Note 20 to the consolidated financial statements.

Results and dividends

The Group's profit for the year ended 31 December 2022 and the state of affairs of the Group and the Company at that date are set out in the consolidated financial statements on pages 8 to 125.

The directors do not recommend the payment of dividend in respect of the year.

Share capital

There were no movements in the Company's share capital during the year.

Charitable contributions

During the year, the Group made charitable contributions totalling US\$9,000 (2021: US\$460,000).

Directors

(a) Directors of the Company

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

Mr. ZHANG Youjun, Chairman	(resigned on 16 September 2022)
Mr. LI Chunbo, Chairman	(appointed on 16 September 2022)
Mr. YU Yang	
Mr. XU Jianqiang	
Mr. SHI Benliang	(appointed on 1 December 2022)
Mr. PARK Edward	(appointed on 1 December 2022)

Mr. ZHANG Youjun resigned on 16 September 2022 as Chairman and director of the Company due to personal reason.

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

REPORT OF THE DIRECTORS (Continued)

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

There being no provision in the Company's Articles of Association for retirement by rotation, all remaining directors continue in office.

(b) Directors of the Company's subsidiaries

The names of Directors who have served on the Boards of the Company's subsidiaries during the year and up to the date of this report were:

Akhilesh GUPTA	Eileen Rosario CORDERO-BATAAC	Liang LIU
Alan Damian DWERRYHOUSE	Eric Louis Serge LALAUZE	Liang SHI
Alexander Eugene DIDENKOWSKI	Feng YUAN	Lianne Gervacio dela Paz*
Alfred O. DY	Fooi Hin LIM	Lim Sutjianto SJARIFUDIN
Angus Hamilton MCGEOCH*	Ganesh Purushottam TAJAVE*	Lin YANG
Ansoon YOO	Geerts Jan HEBELS	Lingying ZHOU
Baifeng HU	Geok Lan TAY	Ma, Martha A. de DIOS
Bao Huynh NGUYEN*	Gregg RIEBER	Marie Rosy Priscilla PATTOO
Bo Eun CHANG*	Hang LI	Megumi KIYOZUKA
Boey XIANJIE	Heng Foo Bernard YONG	Michael FROST
Bradley SCHWARTZ	Jae Min KIM	Morten PAULSEN
Cheuk Fan Marco CHUNG	James David MCINTOSH	Ning SHANG*
Chi Chuen CHAN	Jeremy Dalton D'SLYVA	NSM Limited
Chi Yeung YUNG	Jeremy David COLLARD	Nuntana TAVEERATANASILP*
Chia Huan LEE	Jianfeng WU	Odette Rachelle C. PADRE-ISIP
Chirag KAKARIYA	Jianqiang XU	Oliver MATTHEW
Christopher Wesley SATTERFIELD	Jingwei LYU	OSM Limited
Chun ZHENG*	Jiong LI	Patrick FLATON
Chunbo LI	Jong Min KIM	Peitao SUN
Chung Keat Eric TAN	Kaneyalall HAWABHAY	Peter Jae Sun MIN
Clarissa Oben EVANGELISTA*	Kazunari OHASHI	Philippe BREDEL
CLSACP Holdings Ltd.	Kin Ki CHIU	Ping HU
Daniel Thian Liong OEN	Kit Yng LIM	Ping Lun Alan FAN
Dayu ZHANG	Li Jian TAN	Po Ki LEE
Edward PARK	Li WANG*	Pradeep Venkatraman HEGDE

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

REPORT OF THE DIRECTORS (Continued)

Qi LIANG*	Simon Christopher HEMPEL	Xinguo LIU
Qian QIN	Simon COWEN	Yang YU
Ramon G. Opulencia	SNG Wei Jun Jeremy*	Yao MA
Raymond Hing Luen TAM*	Sonal JAIN	Yeu Liong CHONG*
Richard Eric Marshall FISCHER	Ting WANG	Yi SUN
Richard Owen PYVIS	Vaibhav Vishnudas TOTLA	Ying Yeung HUNG
Richard Paul ZIEGLER	Vijayabalan MURUGESU	Ying ZHENG
Rohit BHATTACHARJEE	Vishal Suryakant PATEL	Yingguang ZOU*
Ruby Margaret Tan LAO	Wai Kit FUNG*	Yiu Wa CHENG
Rui WANG	Wei JIA	Yongjin LI*
Sang-soo HA	Weikang QI	Youjun ZHANG*
Sanjay Premchand SHAH*	Weiwei CHEN	Zhaoxia HU
Sharmila CHAKOWA	William Charles HOLUB	Zheng ZHANG
Shaun Donald COCHRAN*	Wing CHOW*	Zhongkai ZHANG
SHI Benliang	Xiaodong LIN*	YU Shixin
Shu FENG	Xingnong TIAN*	

* He/She has resigned/ceased as a Director of the relevant subsidiary(ies) of the Company.

Business review

No business review is presented for the year ended 31 December 2022 as the Group has been able to claim an exemption under section 388(3) of the Companies Ordinance Cap. 622 since it is a wholly owned subsidiary of CITIC Securities Company Limited.

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

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

Directors' material interests in transactions, arrangements and contracts

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

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

Permitted indemnity provisions

During the financial year and up to the date of this Directors' Report, there was and is, a permitted indemnity provision in the articles of association of the Company being in force for the benefit of the directors of the Company. The Company has also maintained for the directors insurance against certain liabilities in relation to the Company and its associates. The coverage and the sum insured under the policy are reviewed annually.

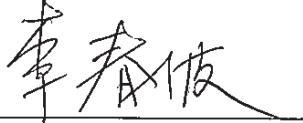
CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

REPORT OF THE DIRECTORS (Continued)

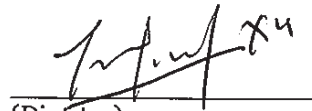
Auditor

The consolidated financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

ON BEHALF OF THE BOARD



(Director)



(Director)

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CITIC SECURITIES INTERNATIONAL COMPANY LIMITED
(incorporated in Hong Kong with limited liability)**

Opinion

What we have audited

The consolidated financial statements of CITIC Securities International Company Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 8 to 125, comprise:

- the consolidated balance sheet as at 31 December 2022;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group 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.

Other Information

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

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

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CITIC SECURITIES INTERNATIONAL COMPANY LIMITED
(CONTINUED)
(incorporated in Hong Kong with limited liability)**

Other Information (Continued)

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

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

Responsibilities of Directors for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group'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 Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CITIC SECURITIES INTERNATIONAL COMPANY LIMITED
(CONTINUED)
(incorporated in Hong Kong with limited liability)**

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
(Continued)**

- 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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



PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 16 March 2023

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 US\$'000	2021 US\$'000
Brokerage commission	5	318,310	416,925
Research fee income		31,601	27,221
Net trading income	6	668,632	542,714
Underwriting and placing commission and Sponsorship income		61,518	156,876
Corporate advisory and asset management fees		33,189	58,046
Interest income	7	129,269	93,950
Securities lending income		29,064	12,722
Other income	8	142,769	21,784
Total operating income		<u>1,414,352</u>	<u>1,330,238</u>
Employee benefits expenses	9	(413,008)	(404,715)
Brokerage commission expenses		(166,218)	(159,453)
Finance costs	10	(350,278)	(128,258)
Securities borrowing expenses		(28,435)	(9,022)
Rebates and introduction fees		(32,779)	(46,179)
Information services and communication expenses		(68,031)	(59,619)
Net settlement charges		(35,380)	(40,465)
Other operating expenses	11	(157,370)	(326,027)
Net impairment losses	3.1(b)(ii)	(10,943)	(23,989)
Total operating expenses		<u>(1,262,442)</u>	<u>(1,197,727)</u>
Operating profit		151,910	132,511
Share of gains of joint ventures	18	4,104	5,855
Share of gains/(losses) of associates	19	15,610	(799)
Profit before tax		<u>171,624</u>	<u>137,567</u>
Tax expense	12	(46,395)	(33,642)
Profit for the year		<u><u>125,229</u></u>	<u><u>103,925</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 US\$'000	2021 US\$'000
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Changes in the fair value of debt instruments at fair value through other comprehensive income	21	(13,572)	14,359
Net fair value gain of interest rate swap hedge		-	3,094
Foreign exchange translation differences		(43,273)	(16,729)
<i>Items that will not be reclassified to profit or loss</i>			
Foreign exchange translation differences	43	4,295	(5,521)
Remeasurements of defined benefit plan obligations, net of tax		409	(221)
Changes in the fair value of equity investments designated at fair value through other comprehensive income	21	(344)	(4,185)
Total other comprehensive loss, net of tax		<u>(52,485)</u>	<u>(9,203)</u>
Total comprehensive income for the year		<u>72,744</u>	<u>94,722</u>
Profit/(loss) attributable to:			
Equity holders of the Company		126,127	101,283
Non-controlling interests		(898)	2,642
		<u>125,229</u>	<u>103,925</u>
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		73,988	92,155
Non-controlling interests		(1,244)	2,567
		<u>72,744</u>	<u>94,722</u>

The accompanying notes are an integral part of these consolidated financial statements.

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

**CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2022**

	Notes	2022 US\$'000	2021 US\$'000
ASSETS			
Non-current assets			
Intangible assets	14	87,455	148,852
Property, plant and equipment	15	29,111	23,211
Right-of-use assets	16	85,624	86,561
Investment properties	17	26,976	32,179
Investments in joint ventures	18	1,415	6,101
Investments in associates	19	234,846	243,646
Other assets		43,193	37,855
Financial assets at fair value through profit or loss	22	61,263	81,390
Financial assets at fair value through other comprehensive income	21	18,970	21,086
Reverse repurchase agreements	30	-	112,748
Deferred tax assets	33	45,671	38,733
		<u>634,524</u>	<u>832,362</u>
Current assets			
Intangible assets	14	271	271
Tax recoverable		96,036	91,331
Financial assets at fair value through profit or loss	22	16,578,092	19,250,116
Financial assets at fair value through other comprehensive income	21	214,418	185,332
Derivative financial instruments	23	2,421,920	2,437,222
Amounts due from clients, brokers and clearing houses	25	7,191,733	5,293,022
Reverse repurchase agreements	30	104,073	74,522
Cash collateral advanced for securities borrowing		825,939	220,188
Other debtors, deposits and prepaid expenses		83,303	91,243
Cash held on behalf of customers	27	1,296,252	1,676,529
Cash and bank balances	26	1,493,665	2,436,747
		<u>30,305,702</u>	<u>31,756,523</u>
Total assets		<u><u>30,940,226</u></u>	<u><u>32,588,885</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

CONSOLIDATED BALANCE SHEET (CONTINUED)
AT 31 DECEMBER 2022

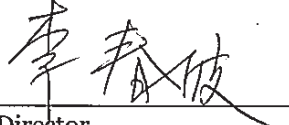
	Notes	2022 US\$'000	2021 US\$'000
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	31	839,059	839,059
Retained earnings		742,231	615,809
Other reserves		(123,695)	(71,261)
		<u>1,457,595</u>	<u>1,383,607</u>
Non-controlling interests		53,052	7,635
		<u>1,510,647</u>	<u>1,391,242</u>
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	33	5,719	12,512
Bonus provision		12,458	21,254
Creditors and other accruals		9,150	8,876
Repurchase agreements	30	220,779	215,358
Private placement notes issued to the parent company	36	-	138,478
Lease liabilities	16	67,607	61,375
Long term borrowings from a fellow subsidiary	29	498,413	996,583
Bank borrowings	28	22,874	-
Debt instrument issued	37	299,869	-
		<u>1,136,869</u>	<u>1,454,436</u>
Current liabilities			
Financial liabilities at fair value through profit or loss	22	8,274,078	7,115,823
Derivative financial instruments	23	1,870,123	2,072,880
Amounts due to the parent company	24	125	125
Amounts due to clients, brokers and clearing houses	25	9,509,832	11,181,166
Bank borrowings	28	1,377,532	1,135,542
Short term borrowings from fellow subsidiaries	29	799,995	1,560,160
Repurchase agreements	30	4,796,122	5,206,285
Lease liabilities	16	22,912	30,207
Private placement notes issued to the parent company	36	1,058,666	1,115,257
Creditors and other accruals		97,192	74,258
Bonus payables		175,770	140,781
Tax payable		134,959	110,723
Short-term financing instruments payable	38	175,404	-
		<u>28,292,710</u>	<u>29,743,207</u>
Total liabilities		<u>29,429,579</u>	<u>31,197,643</u>
Total equity and liabilities		<u>30,940,226</u>	<u>32,588,885</u>

The accompanying notes are an integral part of these consolidated financial statements.

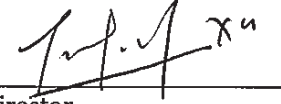
CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

**CONSOLIDATED BALANCE SHEET (CONTINUED)
AT 31 DECEMBER 2022**

The financial statements on pages 8 to 125 were approved by the Board of Directors on 16 March 2023 and were signed on its behalf.



Director



Director

The accompanying notes are an integral part of these consolidated financial statements.

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 US\$'000	2021 US\$'000
Cash flows from operating activities			
Cash (used in)/generated from operations	34.1	(4,529)	247,056
Interest received		158,568	110,978
Interest paid		(371,364)	(132,207)
Taxes paid		(41,460)	(149,814)
		<hr/>	<hr/>
Net cash flow (used in)/generated from operating activities		(258,785)	76,013
		<hr/>	<hr/>
Cash flows from investing activities			
Purchase of intangible assets		(715)	(698)
Purchase of property, plant and equipment		(17,951)	(7,747)
Proceeds from disposal of property, plant and equipment		-	1
Proceeds from disposal of investment properties		-	12,084
Increase in short-term deposit		(48,000)	-
Capital injection in associates		(10,456)	(15,436)
Proceeds from return of capital from associates		3,279	13,681
Proceeds from return of capital from joint ventures		8,844	8,063
Dividends received from associates		13,893	3,905
Proceeds from disposal of an associate		18,070	24,734
Net cash inflow in respect of acquisition of subsidiaries		29,076	-
		<hr/>	<hr/>
Net cash flow (used in)/generated from investing activities		(3,960)	38,587
		<hr/>	<hr/>
Cash flows from financing activities			
Distributions paid to non-controlling shareholders in subsidiaries		(213)	(2,809)
Cash inflow from non-controlling shareholders	34.4	34,706	-
Lease payments			
- Capital elements		(26,947)	(29,660)
- Interest elements		(2,742)	(3,573)
Proceeds from borrowings from fellow subsidiaries		305,138	1,563,330
Repayments of borrowings from fellow subsidiaries		(1,561,032)	(746,048)
Repayments of private placement notes issued to the parent company		(193,743)	-
Proceeds from debt issued		472,346	-
Proceeds from bank borrowings		745,370	791,236
Repayments of bank borrowings		(476,366)	(469,208)
		<hr/>	<hr/>
Net cash flow (used in)/generated from financing activities		(703,483)	1,103,268
		<hr/>	<hr/>

The accompanying notes are an integral part of these consolidated financial statements.

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Notes	2022 US\$'000	2021 US\$'000
Net (decrease)/increase in cash and cash equivalents		(966,228)	1,217,868
Cash and cash equivalents at the beginning of the year		2,436,738	1,244,529
Effect of changes in foreign exchange rates		(42,083)	(25,659)
Cash and cash equivalents at the end of the year		<u>1,428,427</u>	<u>2,436,738</u>

The accompanying notes are an integral part of these consolidated financial statements.

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Attributable to the Group's equity holders							Total US\$'000
	Other reserves						Non- controlling Interest US\$'000	
	Share capital US\$'000	Retained Earnings US\$'000	Regulatory reserves US\$'000	Capital and other reserve US\$'000	Revaluation reserve US\$'000	Foreign exchange translation reserve US\$'000		
Balance at 1 January 2022	839,059	615,809	3,091	10,156	(14,600)	(69,908)	7,635	1,391,242
Profit/(loss) for the year	-	126,127	-	-	-	-	(898)	125,229
Other comprehensive income/(loss)	-	-	-	250	(13,916)	(38,473)	(346)	(52,485)
Total comprehensive income/(loss)	-	126,127	-	250	(13,916)	(38,473)	(1,244)	72,744
Transfer between reserves (Note 32)	-	295	(295)	-	-	-	-	-
Dividends provided for or paid	-	-	-	-	-	-	(213)	(213)
Changes in ownership without change of control	-	-	-	-	-	-	46,874	46,874
Transactions recognised directly in equity	-	295	(295)	-	-	-	46,661	46,661
Balance at 31 December 2022	839,059	742,231	2,796	10,406	(28,516)	(108,381)	53,052	1,510,647

The accompanying notes are an integral part of these consolidated financial statements.

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

	Attributable to the Group's equity holders							Total US\$'000
	Other reserves						Non- controlling Interest US\$'000	
	Share capital US\$'000	Retained Earnings US\$'000	Regulatory reserves US\$'000	Capital and other reserve US\$'000	Revaluation reserve US\$'000	Foreign exchange translation reserve US\$'000		
Balance at 1 January 2021	839,059	514,455	3,162	10,602	(27,868)	(47,715)	7,967	1,299,662
Profit for the year	-	101,283	-	-	-	-	2,642	103,925
Other comprehensive income	-	-	-	(203)	13,268	(22,193)	(75)	(9,203)
Total comprehensive income	-	101,283	-	(203)	13,268	(22,193)	2,567	94,722
Transfer between reserves (Note 32)	-	71	(71)	-	-	-	-	-
Dividends provided for or paid	-	-	-	-	-	-	(2,809)	(2,809)
Changes in ownership without change of control	-	-	-	(243)	-	-	(90)	(333)
Transactions recognised directly in equity	-	71	(71)	(243)	-	-	(2,899)	(3,142)
Balance at 31 December 2021	839,059	615,809	3,091	10,156	(14,600)	(69,908)	7,635	1,391,242

The accompanying notes are an integral part of these consolidated financial statements.

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2022

1 General information

CITIC Securities International Company Limited (the "Company") is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at 26/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") provide equities, futures and derivatives brokerage, research, underwriting, investment banking, advisory services, investment and trading of securities and fund management, principally in the Asia and the U.S. markets.

In the opinion of the directors, the immediate holding company or parent company of the Company is CITIC Securities Company Limited, which is incorporated in the People's Republic of China and is listed on the Shanghai Stock Exchange (Stock code: 600030) and the Hong Kong Stock Exchange (Stock code: 6030).

On 13 April 2022, the parent company received a notification from CITIC Corporation Limited, the parent company's largest shareholder, that the operating performance and financial position of the parent company were consolidated into the financial statements of CITIC Corporation Limited as from the date. CITIC Limited and CITIC Corporation Limited held 2.93% and 15.52% equity interests of the parent company respectively. CITIC Limited is acting in concert with CITIC Corporation Limited and together have a shareholding of 18.45% of the total issued shares of the parent company.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

(a) Compliance with HKFRS and HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and the requirements of the Hong Kong Companies Ordinance Cap.622.

(b) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:

- Certain financial assets and liabilities (including derivative instruments) – measured at fair value or revalued amount
- Assets held for sale – measured at the lower of carrying amount and fair value less cost to sell, and
- Defined benefit pension plans – plan assets measured at fair value.

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2022**

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(c) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2022:

- HKAS 16 (Amendment) Property, Plant and Equipment: Proceeds before Intended Use
- HKAS 37 (Amendment) Onerous Contracts - Cost of Fulfilling a Contract
- HKFRS 3 (Amendment) Reference to the Conceptual Framework
- Annual Improvements to HKFRSs 2018 – 2020 Cycle

The amendments above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(d) New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Certain balances in prior year have been reclassified in conformity with current year's presentation.

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2022

2 Summary of significant accounting policies (Continued)

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

For business combinations that are not under common control, the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill.

If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group using uniform accounting policies for like transactions and other events in similar circumstances.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2022**

2 Summary of significant accounting policies (Continued)

2.2 Consolidation (Continued)

(c) Investments in associates and joint ventures

Associates are all entities over which the group has significant influence but not control or joint control.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures are included in the consolidated statement of comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount to share of profit of investments accounted for using equity method in the consolidated statement of comprehensive income.

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's companies are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is Hong Kong dollar. As the Group operates internationally, management considers that it is more appropriate to use United States dollar ("US dollar"), a globally recognised currency, as the presentation currency for the Group's consolidated financial statements. For the entity whose functional currency is not US dollar, its results and financial position have been translated into US dollar.

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2022**

2 Summary of significant accounting policies (Continued)

2.3 Foreign currency translation (Continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation when items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates are generally recognised in profit or loss, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

All foreign exchange gains and losses are presented in the consolidated statement of comprehensive income on a net basis within other income/(expense).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

(c) Group companies

The results and financial position of all the Group companies (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2022**

2 Summary of significant accounting policies (Continued)

2.4 Property, plant and equipment

Property, plant and equipment, comprising leasehold improvements, computer hardware and software, furniture and fittings, telecommunication equipment and motor vehicles, are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in profit or loss during the financial year in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives, as follows:

Leasehold improvements	Shorter of remaining lease terms and useful lives
Computer hardware and software	3 - 5 years
Furniture and fittings	5 years
Telecommunication equipment	5 years
Motor vehicles	4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.5 Investment properties

Investment properties comprise real estate properties for the purpose of earning rental income and/or for capital appreciation, including buildings that have been leased out.

The Group's investment properties are accounted for using the cost model. The initial recognition and subsequent measurement of buildings and properties that are leased out are calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives of 35 years.

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2022

2 Summary of significant accounting policies (Continued)

2.6 Intangible assets

(a) Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at each reporting date. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating units (or groups of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or groups of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

(b) Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2022

2 Summary of significant accounting policies (Continued)

2.7 Impairment of non-financial assets

Non-financial assets have an indefinite useful life are not subject to amortisation, and are tested for impairment periodically. Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of impairment at each reporting date.

2.8 Financial assets and liabilities

Initial recognition and measurement

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance ("ECL") is recognised for financial assets measured at amortised cost and investments in debt instruments measured at fair value through other comprehensive income, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

Financial assets and financial liabilities are classified as a non-current asset or liability when the amount expected to be recovered or settled is more than 12 months; it is classified as a current asset or liability when the amount expected to be recovered or settled is less than 12 months or does not have rights to defer settlement for at least twelve months.

2.8.1 Financial assets

Classification and subsequent measurement

The Group classifies financial assets on the basis of the Group's business model for managing the assets and the cash flow characteristics of the assets:

- (i) Amortized cost;
- (ii) Fair value through other comprehensive income ("FVOCI"); or
- (iii) Fair value through profit or loss ("FVTPL").

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2022

2 Summary of significant accounting policies (Continued)

2.8 Financial assets and liabilities (Continued)

2.8.1 Financial assets (Continued)

The classification requirements for debt and equity instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability, such as loans, government and corporate bonds.

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payment of principal and interest (“SPPI”), and that are not designated at FVTPL, are measured at amortized cost. The carrying amount of these assets is adjusted by an expected credit loss allowance recognized and measured as described in note 3.1(b).

FVOCI: Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets’ cash flows represent SPPI, and that are not designated at FVTPL, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gain or losses, interest income and foreign exchange gain and losses on the instrument’s amortized cost which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in “net trading income”.

FVTPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. A gain or loss on debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relation is recognized in profit or loss and presented within net trading income in the period in which it arises. Interest income from these financial assets calculated based on coupon rates is presented within net trading income.

The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether either Group’s objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of other business model and measured at FVTPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset’s performance is evaluated and reported to key management personnel, how risks are assessed and managed and how manager are compensated.

Where the business model is to hold assets to collect contractual cash flow or to collect contractual cash flow and sell, the Group assesses whether the financial instruments’ cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial assets is classified and measure at fair value through profit or loss.

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2022

2 Summary of significant accounting policies (Continued)

2.8 Financial assets and liabilities (Continued)

2.8.1 Financial assets (Continued)

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be every infrequent and none occurred during the period.

Equity instruments

Equity instrument are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Group subsequently measures all equity investments at fair value through profit or loss, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment a fair value through other comprehensive income. The Group's policy is to designate an equity investment as FVOCI when those investments are held for purposes other than to generate investment returns. There is no subsequent reclassification of fair value gains and losses to profit or loss following derecognition of equity movements designated at FVOCI. Impairment losses (and reversal of impairment losses) on such investments are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as net trading income when the Group's right to receive payment is established.

Gains and losses on equity investment at FVTPL are recognized in profit or loss and presented in net trading income.

Impairment

The Group assess on a forward-looking basis the ECL associated with its debt instrument assets carried at amortized cost and FVOCI and with the exposure arising from loan commitments. The Group recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current condition and forecasts of future economic conditions

Note 3.1(b) provides more detail of how the expected credit loss allowance is measured.

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2022**

2 Summary of significant accounting policies (Continued)

2.8 Financial assets and liabilities (Continued)

2.8.2 Financial liabilities

Classification and measurement

Financial liabilities are classified as subsequently measured at amortized cost, except for:

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attribute to change in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss;
- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition or when the continuing involvement approach applies. When the transfer of financial assets did not qualify for derecognition, a financial liability is recognized for the consideration received for the transfer. In subsequent period, the Group recognizes any expense incurred on the financial liability when continuing involvement approach applies.

The Group's financial liabilities include creditors and other accruals, amounts due to clients, brokers and clearing houses, derivative financial instruments, borrowing from fellow subsidiaries, amounts due to the parent company, bank borrowings, repurchase agreements, financial liabilities at fair value through profit or loss, interest-bearing bank borrowings, private placement notes issued to the parent company.

CITIC SECURITIES INTERNATIONAL COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2022

2 Summary of significant accounting policies (Continued)

2.9 Derivative financial instruments and hedging activities

Initial recognition and subsequent measurement

The Group uses certain derivative financial instruments to hedge interest rate risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged, where the Group hedges net investment in foreign operations and designates certain derivatives hedges of investments in foreign operations as net investment hedges.

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as current assets or liabilities.

(a) Net investment hedge

The effective portion of changes in the fair value of derivatives that are designated and qualified as net investment hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated statement of comprehensive income.

Gains and losses accumulated in equity are included in the consolidated statement of comprehensive income when the foreign operation is partially disposed of or sold.

(b) Derivatives that do not qualify for hedge accounting

Certain derivative financial instruments do not qualify for hedge accounting and are accounted for at fair value through profit or loss and classified as held for trading. Changes in the fair value of these derivative financial instruments that do not qualify for hedge accounting are recognised immediately in profit or loss.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2022

2 Summary of significant accounting policies (Continued)

2.10 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.11 Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase at a specified future date are not derecognised from the statement of financial position as the Group retains substantially all of the risks and rewards of ownership. The corresponding cash received is recognised in the consolidated balance sheet as an asset with a corresponding obligation to return it, including accrued interest as a liability, reflecting the transaction's economic substance as a loan to the Group.

Conversely, securities purchased under agreements to resell at a specified future date are not recognised in the statement of financial position. The consideration paid, including accrued interest, is recorded in the statement of financial position, reflecting the transaction's economic substance as a loan by the Group.

Repurchase and reverse repurchase agreements are classified as a non-current asset or liability when the amount expected to be recovered or settled is more than 12 months; it is classified as a current asset or liability when the amount expected to be recovered or settled is less than 12 months.

2.12 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalent include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, short-term borrowings including bank overdrafts which are subject to an insignificant risk of changes in value. In the consolidated balance sheet, bank overdrafts are shown within bank borrowings in current liabilities on the consolidated balance sheet.

2.13 Cash collateral advanced for securities borrowing

Cash collateral advanced in respect of securities borrowed is included in current assets. The securities borrowed are treated as off balance sheet items and the underlying commitments are disclosed in note 39 to the consolidated financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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2 Summary of significant accounting policies (Continued)

2.14 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised directly in equity.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Company and its subsidiaries, associates and jointly controlled entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and consider whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred tax is recognised, using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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2 Summary of significant accounting policies (Continued)

2.15 Employee benefits

(a) Bonus plans

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the operating profits of the Group after certain adjustments and any further amounts agreed by the Management.

Deferred bonus expense has been recognised for the period of service the staff rendered in the current year over the vesting period of each committed bonus pool. The deferred cash discretionary bonus is subject to various vesting conditions, including vesting periods of at least 3 years generally.

(b) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the reporting date.

(c) Pension obligations

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations.

The Group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of services and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2022

2 Summary of significant accounting policies (Continued)

2.15 Employee benefits (Continued)

(c) Pension obligations (Continued)

The current service cost of the defined benefit plan, recognised in profit or loss in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation results from employee service in the current year, benefit changes, curtailments and settlements.

Past-service costs are recognised immediately in profit or loss.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in profit or loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service cost.

(d) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer.

2 Summary of significant accounting policies (Continued)

2.16 Provisions

Provisions for legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.17 Revenue recognition

Revenue is recognised in the consolidated statement of comprehensive income on the following basis:

- (i) commission income for dealing in broking, futures and options business is recognised when the underlying transaction is executed;
- (ii) commission income from underwriting and placing of securities within the scope of HKFRS 15 generally consists of one performance obligation and recognised at a point in time when the underwriting and placing arrangements are completed. Sponsorship income within the scope of HKFRS 15 generally consists of one performance obligation and recognised over time as there is enforceable right to payment to the Group for performance of services completed up to date and by stage of completion to the agreements;
- (iii) fees and commission income from research, consultancy and advisory services are recognised in the accounting period in which the services have been rendered, net of an appropriate allowance for related costs, which are customarily associated with the provision of such services;
- (iv) interest income from debt investments measured at amortised costs and FVOCI, is calculated using amortised cost and effective interest rate;;
- (v) dividend income is recognised when the shareholders' right to receive payment has been established;
- (vi) handling income, trade processing fee and other service income are recognised when the services have been rendered;

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2 Summary of significant accounting policies (Continued)

2.17 Revenue recognition (Continued)

Revenue is recognised in the consolidated statement of comprehensive income on the following basis: (Continued)

- (vii) fee income from asset management is recognised when the related services are rendered; carried interest income is recognised only to the extent that it is highly probable that such an inclusion will not result in a significant reversal in the future when the uncertainty associated is subsequently resolved. The measurement of carried interest income is based on the crystallisation of the Group's entitlement to receive such income and an assessment of the likelihood of any "clawback" provisions; and
- (viii) net gains/losses on financial assets and liabilities at fair value through profit or loss include realised gains/losses which are recognised on the trade dates; and unrealised fair value gains/losses which are recognised in the period in which they arise.

2.18 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.