

Supplemental Listing Document

If you are in any doubt as to any aspect of this document, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, accountant or other professional adviser.

Application has been made to the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) for permission to deal in and for quotation of the Certificates (as defined below). The SGX-ST takes no responsibility for the contents of this document, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document. Admission to the Official List of the SGX-ST is not to be taken as an indication of the merits of SG Issuer, Société Générale, the Certificates, or the Company (as defined below).

**A further 28,909,000 European Style Cash Settled Short Certificates
relating to the ordinary shares of Hong Kong Exchanges and Clearing Limited
with a Daily Leverage of -5x**

issued by

SG Issuer

(Incorporated in Luxembourg with limited liability)

unconditionally and irrevocably guaranteed by

Société Générale

Issue Price: S\$2.20 per Certificate

This document is published for the purpose of obtaining a listing of all the above certificates (the “**Certificates**”) to be issued by SG Issuer (the “**Issuer**”) unconditionally and irrevocably guaranteed by Société Générale (the “**Guarantor**”), and is supplemental to and should be read in conjunction with a base listing document dated 19 June 2020 including such further base listing documents as may be issued from time to time (the “**Base Listing Document**”) for the purpose of giving information with regard to the Issuer, the Guarantor and the Certificates. Information relating to the Company (as defined below) is contained in this document.

The Certificates shall be consolidated and form a single series with an existing issue of 1,091,000 European Style Cash Settled Short Certificates relating to the ordinary shares of Hong Kong Exchanges and Clearing Limited (DLC SOCGEN5XSHORT HKEX (DVVW)) issued by the Issuer and listed on the SGX-ST, in which dealings commenced on 26 February 2019 and details of which are contained in the Supplemental Listing Document dated 25 February 2019.

This document does not constitute or form part of any offer, or invitation, to subscribe for or to sell, or solicitation of any offer to subscribe for or to purchase, Certificates or other securities of the Issuer, nor is it calculated to invite, nor does it permit the making of, offers by the public to subscribe for or purchase for cash or other consideration the Certificates or other securities of the Issuer.

Restrictions have been imposed on offers and sales of the Certificates and on distributions of documents relating thereto in Singapore, Hong Kong, the European Economic Area, the United Kingdom and the United States (see “Placing and Sale” contained herein).

The Certificates are complex products. You should exercise caution in relation to them. Investors are warned that the price of the Certificates may fall in value as rapidly as it may rise and holders may sustain a total loss of their investment. The price of the Certificates also depends on the supply and demand for the Certificates in the market and the price at which the Certificates is trading at any time may differ from the underlying valuation of the Certificates because of market inefficiencies. It is not possible to predict the secondary market for the Certificates. Although the Issuer, the Guarantor and/or any of their affiliates may from time to time purchase the Certificates or sell additional Certificates on the market, the Issuer, the Guarantor and/or any of their affiliates are not obliged to do so. Investors should also note that there are leveraged risks because the Certificates integrate an inverse leverage mechanism and the Certificates will amplify the movements in the increase, and in the decrease, of the value of the Underlying Stock (as defined below) and if the investment results in a loss, any such loss will be increased by the leverage factor of the Certificates. As such, investors could lose more than they would if they had invested directly in the Underlying Stock.

The Certificates are classified as capital markets products other than prescribed capital markets products¹ and Specified Investment Products (SIPs)², and may only be sold to retail investors with enhanced safeguards, including an assessment of such investors’ investment knowledge or experience.

The Certificates constitute general unsecured obligations of the Issuer and of no other person, and the guarantee dated 19 June 2020 (the “**Guarantee**”) and entered into by the Guarantor constitutes direct unconditional unsecured senior preferred obligations of the Guarantor and of no other person, and if you purchase the Certificates, you are relying upon the creditworthiness of the Issuer and the Guarantor and have no rights under the Certificates against any other person.

Application has been made to the SGX-ST for permission to deal in and for quotation of the Certificates and the SGX-ST has agreed in principle to grant permission to deal in and for quotation of the Certificates. It is expected that dealings in the Certificates will commence on or about 28 July 2020.

As of the date hereof, the Guarantor’s long term credit rating by S&P Global Ratings is A, and by Moody’s Investors Service, Inc. is A1.

The Issuer is regulated by the Luxembourg Commission de Surveillance du Secteur Financier on a consolidated basis and the Guarantor is regulated by, *inter alia*, the Autorité des Marchés Financiers, the Autorité de Contrôle Prudentiel et de Résolution and the European Central Bank.

27 July 2020

¹ As defined in the Securities and Futures (Capital Markets Products) Regulations 2018.

² As defined in the MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products.

Subject as set out below, the Issuer and the Guarantor accept full responsibility for the accuracy of the information contained in this document and the Base Listing Document in relation to themselves and the Certificates. To the best of the knowledge and belief of the Issuer and the Guarantor (each of which has taken all reasonable care to ensure that such is the case), the information contained in this document and the Base Listing Document for which they accept responsibility (subject as set out below in respect of the information contained herein with regard to the Company) is in accordance with the facts and does not omit anything likely to affect the import of such information. The information with regard to the Company as set out herein is extracted from publicly available information. The Issuer and the Guarantor accept responsibility only for the accurate reproduction of such information. No further or other responsibility or liability in respect of such information is accepted by the Issuer and the Guarantor.

No person has been authorised to give any information or to make any representation other than those contained in this document in connection with the offering of the Certificates, and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer or the Guarantor. Neither the delivery of this document nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Issuer, the Guarantor or their respective subsidiaries and associates since the date hereof.

This document does not constitute an offer or invitation by or on behalf of the Issuer or the Guarantor to purchase or subscribe for any of the Certificates. The distribution of this document and the offering of the Certificates may, in certain jurisdictions, be restricted by law. The Issuer and the Guarantor require persons into whose possession this document comes to inform themselves of and observe all such restrictions. In particular, the Certificates and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended or any state securities law, and trading in the Certificates has not been approved by the United States Commodity Futures Trading Commission (the “CFTC”) under the United States Commodity Exchange Act of 1936, as amended and the Issuer will not be registered as an investment company under the United States Investment Company Act of 1940, as amended, and the rules and regulations thereunder. None of the Securities and Exchange Commission, any state securities commission or regulatory authority or any other United States, French or other regulatory authority has approved or disapproved of the Certificates or the Guarantee or passed upon the accuracy or adequacy of this document. Accordingly, Certificates, or interests therein, may not at any time be offered, sold, resold, traded, pledged, exercised, redeemed, transferred or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, nor may any U.S. person at any time trade, own, hold or maintain a position in the Certificates or any interests therein. In addition, in the absence of relief from the CFTC, offers, sales, re-sales, trades, pledges, exercises, redemptions, transfers or deliveries of Certificates, or interests therein, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, may constitute a violation of United States law governing commodities trading and commodity pools. Consequently, any offer, sale, resale, trade, pledge, exercise, redemption, transfer or delivery made, directly or indirectly, within the United States or to, or for the account or benefit of, a U.S. person will not be recognised. A further description of certain restrictions on offering and sale of the Certificates and distribution of this document is given in the section headed “Placing and Sale” contained herein.

The SGX-ST has made no assessment of, nor taken any responsibility for, the financial soundness of the Issuer or the Guarantor or the merits of investing in the Certificates, nor have they verified the accuracy or the truthfulness of statements made or opinions expressed in this document.

The Issuer, the Guarantor and/or any of their affiliates may repurchase Certificates at any time on or after the date of issue and any Certificates so repurchased may be offered from time to time in one or more transactions in the over-the-counter market or otherwise at prevailing market

prices or in negotiated transactions, at the discretion of the Issuer, the Guarantor and/or any of their affiliates. Investors should not therefore make any assumption as to the number of Certificates in issue at any time.

References in this document to the “**Conditions**” shall mean references to the Terms and Conditions of the European Style Cash Settled Long/Short Certificates on Single Equities contained in the Base Listing Document. Terms not defined herein shall have the meanings ascribed thereto in the Conditions.

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RISK FACTORS

The following are risk factors relating to the Certificates:

- (a) investment in Certificates involves substantial risks including market risk, liquidity risk, and the risk that the Issuer and/or the Guarantor will be unable to satisfy its/their obligations under the Certificates. Investors should ensure that they understand the nature of all these risks before making a decision to invest in the Certificates. You should consider carefully whether Certificates are suitable for you in light of your experience, objectives, financial position and other relevant circumstances. Certificates are not suitable for inexperienced investors;
- (b) the Certificates constitute general unsecured obligations of the Issuer and of no other person, and the Guarantee constitutes direct unconditional unsecured senior preferred obligations of the Guarantor and of no other person. In particular, it should be noted that the Issuer issues a large number of financial instruments, including Certificates, on a global basis and, at any given time, the financial instruments outstanding may be substantial. If you purchase the Certificates, you are relying upon the creditworthiness of the Issuer and the Guarantor and have no rights under the Certificates against any other person;
- (c) since the Certificates relate to the price of the Underlying Stock, certain events relating to the Underlying Stock may cause adverse movements in the value and the price of the Underlying Stock, as a result of which, the Certificate Holders (as defined in the Conditions of the Certificates) may, in extreme circumstances, sustain a significant loss of their investment if the price of the Underlying Stock has risen sharply;
- (d) due to their nature, the Certificates can be volatile instruments and may be subject to considerable fluctuations in value. The price of the Certificates may fall in value as rapidly as it may rise due to, including but not limited to, variations in the frequency and magnitude of the changes in the price of the Underlying Stock, the time remaining to expiry, the currency exchange rates and the creditworthiness of the Issuer and the Guarantor;
- (e) if, whilst any of the Certificates remain unexercised, trading in the Underlying Stock is suspended or halted on the relevant stock exchange, trading in the Certificates may be suspended for a similar period;
- (f) as indicated in the Conditions of the Certificates and herein, a Certificate Holder must tender a specified number of Certificates at any one time in order to exercise. Thus, Certificate Holders with fewer than the specified minimum number of Certificates in a particular series will either have to sell their Certificates or purchase additional Certificates, incurring transactions costs in each case, in order to realise their investment;
- (g) investors should note that in the event of there being a Market Disruption Event (as defined in the Conditions) determination or payment of the Cash Settlement Amount (as defined in the Conditions) may be delayed, all as more fully described in the Conditions;
- (h) certain events relating to the Underlying Stock require or, as the case may be, permit the Issuer to make certain adjustments or amendments to the Conditions. Investors may refer to the Conditions 4 and 6 on pages 29 to 33 and the examples and illustrations of adjustments set out in the "Information relating to the European Style Cash Settled Short Certificates on Single Equities" section of this document for more information;
- (i) the Certificates are only exercisable on the Expiry Date and may not be exercised by Certificate Holders prior to such Expiry Date. Accordingly, if on the Expiry Date the Cash

Settlement Amount is zero, a Certificate Holder will lose the value of his investment;

- (j) the total return on an investment in any Certificate may be affected by the Hedging Fee Factor (as defined below), Management Fee (as defined below) and Gap Premium (as defined below);
- (k) investors holding their position overnight should note that they would be required to bear the annualised cost which consists of the Management Fee and Gap Premium, which are calculated daily and applied to the value of the Certificates, as well as certain costs embedded within the Leverage Inverse Strategy (as described below) including the Stock Borrowing Cost (as defined below) and Rebalancing Cost (as defined below);
- (l) investors should note that there may be an exchange rate risk relating to the Certificates where the Cash Settlement Amount is converted from a foreign currency into Singapore dollars.

Exchange rates between currencies are determined by forces of supply and demand in the foreign exchange markets. These forces are, in turn, affected by factors such as international balances of payments and other economic and financial conditions, government intervention in currency markets and currency trading speculation. Fluctuations in foreign exchange rates, foreign political and economic developments, and the imposition of exchange controls or other foreign governmental laws or restrictions applicable to such investments may affect the foreign currency market price and the exchange rate-adjusted equivalent price of the Certificates. Fluctuations in the exchange rate of any one currency may be offset by fluctuations in the exchange rate of other relevant currencies;

- (m) investors should note that there are leveraged risks because the Certificates integrate an inverse leverage mechanism and the Certificates will amplify the movements in the increase, and in the decrease, of the value of the Underlying Stock and if the investment results in a loss, any such loss will be increased by the leverage factor of the Certificates. As such, investors could lose more than they would if they had invested directly in the Underlying Stock;
- (n) when held for longer than a day, the performance of the Certificates could be more or less than the leverage factor that is embedded within the Certificates. The performance of the Certificates each day is locked in, and any subsequent returns are based on what was achieved the previous day. This process, referred to as compounding, may lead to a performance difference from 5 times the inverse performance of the Underlying Stock over a period longer than one day. This difference may be amplified in a volatile market with a sideways trend, where market movements are not clear in direction, whereby investors may sustain substantial losses;
- (o) investors should note that the Air Bag Mechanism (as defined below) reduces the impact on the Leverage Inverse Strategy if the Underlying Stock rises further, but will also maintain a reduced exposure to the Underlying Stock in the event the Underlying Stock starts to fall after the Air Bag Mechanism is triggered, thereby reducing its ability to recoup losses;
- (p) there is no assurance that the Air Bag Mechanism will prevent investors from losing the entire value of their investment, in the event of (i) an overnight increase in the Underlying Stock, where there is a 20% or greater gap between the previous day closing price and the opening price of the Underlying Stock the following day, as the Air Bag Mechanism will only be triggered when market opens the following day or (ii) a sharp intraday increase in the price of the Underlying Stock of 20% or greater within the 15 minutes Observation Period compared to the reference price, being: (1) if air bag has not been previously triggered on the same day,

the previous closing price of the Underlying Stock, or (2) if one or more air bag have been previously triggered on the same day, the latest New Observed Price. Investors may refer to pages 48 to 49 of this document for more information;

- (q) certain events may, pursuant to the terms and conditions of the Certificates, trigger (i) the implementation of methods of adjustment or (ii) the early termination of the Certificates. The Issuer will give the investors reasonable notice of any early termination. If the Issuer terminates the Certificates early, then the Issuer will, if and to the extent permitted by applicable law, pay an amount to each Certificate Holder in respect of each Certificate held by such holder equal to the fair market value of the Certificate less the cost to the Issuer of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion. The performance of this commitment shall depend on (i) general market conditions and (ii) the liquidity conditions of the underlying instrument(s) and, as the case may be, of any other hedging transactions. Investors should note that the amount repaid by the Issuer may be less than the amount initially invested. Investors may refer to the Condition 13 on pages 35 to 37 of this document for more information;
- (r) there is no assurance that an active trading market for the Certificates will sustain throughout the life of the Certificates, or if it does sustain, it may be due to market making on the part of the Designated Market Maker. The Issuer acting through its Designated Market Maker may be the only market participant buying and selling the Certificates. Therefore, the secondary market for the Certificates may be limited and you may not be able to realise the value of the Certificates. Do note that the bid-ask spread increases with illiquidity;
- (s) in the ordinary course of their business, including without limitation, in connection with the Issuer or its appointed designated market maker's market making activities, the Issuer, the Guarantor and any of their respective subsidiaries and affiliates may effect transactions for their own account or for the account of their customers and hold long or short positions in the Underlying Stock. In addition, in connection with the offering of any Certificates, the Issuer, the Guarantor and any of their respective subsidiaries and affiliates may enter into one or more hedging transactions with respect to the Underlying Stock. In connection with such hedging or market-making activities or with respect to proprietary or other trading activities by the Issuer, the Guarantor and any of their respective subsidiaries and affiliates, the Issuer, the Guarantor and any of their respective subsidiaries and affiliates may enter into transactions in the Underlying Stock which may affect the market price, liquidity or value of the Certificates and which may affect the interests of Certificate Holders;
- (t) various potential and actual conflicts of interest may arise from the overall activities of the Issuer, the Guarantor and/or any of their subsidiaries and affiliates.

The Issuer, the Guarantor and any of their subsidiaries and affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and investment and other activities for their own account or the account of others. In addition, the Issuer, the Guarantor and any of their subsidiaries and affiliates, in connection with their other business activities, may possess or acquire material information about the Underlying Stock. Such activities and information may involve or otherwise affect issuers of the Underlying Stock in a manner that may cause consequences adverse to the Certificate Holders or otherwise create conflicts of interests in connection with the issue of Certificates by the Issuer. Such actions and conflicts may include, without limitation, the exercise of voting power, the purchase and sale of securities, financial advisory relationships and exercise of creditor rights. The Issuer, the Guarantor and any of their subsidiaries and

affiliates have no obligation to disclose such information about the Underlying Stock or such activities. The Issuer, the Guarantor and any of their subsidiaries and affiliates and their officers and directors may engage in any such activities without regard to the issue of Certificates by the Issuer or the effect that such activities may directly or indirectly have on any Certificate;

- (u) legal considerations which may restrict the possibility of certain investments:

Some investors' investment activities are subject to specific laws and regulations or laws and regulations currently being considered by various authorities. All potential investors must consult their own legal advisers to check whether and to what extent (i) they can legally purchase the Certificates (ii) the Certificates can be used as collateral security for various forms of borrowing (iii) if other restrictions apply to the purchase of Certificates or their use as collateral security. Financial institutions must consult their legal advisers or regulators to determine the appropriate treatment of the Certificates under any applicable risk-based capital or similar rules;

- (v) the credit rating of the Guarantor is an assessment of its ability to pay obligations, including those on the Certificates. Consequently, actual or anticipated declines in the credit rating of the Guarantor may affect the market value of the Certificates;

- (w) the Certificates are linked to the Underlying Stock and subject to the risk that the price of the Underlying Stock may rise. The following is a list of some of the significant risks associated with the Underlying Stock:

- Historical performance of the Underlying Stock does not give an indication of future performance of the Underlying Stock. It is impossible to predict whether the price of the Underlying Stock will fall or rise over the term of the Certificates; and
- The price of the Underlying Stock may be affected by the economic, financial and political events in one or more jurisdictions, including the stock exchange(s) or quotation system(s) on which the Underlying Stock may be traded;

- (x) the value of the Certificates depends on the Leverage Inverse Strategy performance built in the Certificate. The Calculation Agent will make the Leverage Inverse Strategy last closing level and a calculation tool available to the investors on a website;

- (y) two or more risk factors may simultaneously have an effect on the value of a Certificate such that the effect of any individual risk factor may not be predicted. No assurance can be given as to the effect any combination of risk factors may have on the value of a Certificate;

- (z) as the Certificates are represented by a global warrant certificate which will be deposited with The Central Depository (Pte) Limited ("**CDP**"):

- (i) investors should note that no definitive certificate will be issued in relation to the Certificates;
- (ii) there will be no register of Certificate Holders and each person who is for the time being shown in the records maintained by CDP as entitled to a particular number of Certificates by way of interest (to the extent of such number) in the global warrant certificate in respect of those Certificates represented thereby shall be treated as the holder of such number of Certificates;
- (iii) investors will need to rely on any statements received from their brokers/custodians as evidence of their interest in the Certificates; and

- (iv) notices to such Certificate Holders will be published on the web-site of the SGX-ST. Investors will need to check the web-site of the SGX-ST regularly and/or rely on their brokers/custodians to obtain such notices;
- (aa) the US Foreign Account Tax Compliance Act ("**FATCA**") withholding risk:

FATCA generally imposes a 30 per cent. withholding tax on certain U.S.-source payments to certain non-US persons that do provide certification of their compliance with IRS rules to disclose the identity of their US owners and account holders (if any) or establish a basis for exemption for such disclosure. The Issuer is subject to FATCA and, as a result, is required to obtain certification from investors that they have complied with FATCA disclosure requirements or have established a basis for exemption from FATCA. If an investor does not provide us with such certification, the Issuer and the Guarantor could be required to withhold U.S. tax on U.S.-source income (if any) paid pursuant to the Certificates. In certain cases, the Issuer could be required to close an account of an investor who does not comply with the FATCA certification procedures.

FATCA IS PARTICULARLY COMPLEX. EACH INVESTOR SHOULD CONSULT ITS OWN TAX ADVISER TO OBTAIN A MORE DETAILED EXPLANATION OF FATCA AND TO DETERMINE HOW THIS LEGISLATION MIGHT AFFECT EACH INVESTOR IN ITS PARTICULAR CIRCUMSTANCES;

- (bb) U.S. withholding tax

The Issuer has determined that this Certificate is not linked to U.S. Underlying Equities within the meaning of applicable regulations under Section 871(m) of the United States Internal Revenue Code, as discussed in the accompanying Base Listing Document under "TAXATION—TAXATION IN THE UNITED STATES OF AMERICA—Section 871(m) of the U.S. Internal Revenue Code of 1986." Accordingly, the Issuer expects that Section 871(m) will not apply to the Certificates. Such determination is not binding on the IRS, and the IRS may disagree with this determination. Section 871(m) is complex and its application may depend on a Certificate Holder's particular circumstances. Certificate Holders should consult with their own tax advisers regarding the potential application of Section 871(m) to the Certificates; and

- (cc) risk factors relating to the BRRD

French and Luxembourg law and European legislation regarding the resolution of financial institutions may require the write-down or conversion to equity of the Certificates or other resolution measures if the Issuer or the Guarantor is deemed to meet the conditions for resolution

Directive 2014/59/EU of the European Parliament and of the Council of the European Union dated 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (the "**BRRD**") entered into force on 2 July 2014. The BRRD has been implemented into Luxembourg law by, among others, the Luxembourg act dated 18 December 2015 on the failure of credit institutions and certain investment firms, as amended (the "**BRR Act 2015**"). Under the BRR Act 2015, the competent authority is the Luxembourg financial sector supervisory authority (*Commission de surveillance du secteur financier*, the CSSF) and the resolution authority is the CSSF acting as resolution council (*conseil de résolution*).

Moreover, Regulation (EU) No. 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit

institutions and certain investment firms in the framework of a Single Resolution Mechanism (“**SRM**”) and a Single Resolution Fund (the “**SRM Regulation**”) has established a centralised power of resolution entrusted to a Single Resolution Board (the “**SRB**”) in cooperation with the national resolution authorities.

Since 2014, the European Central Bank (“**ECB**”) has taken over the prudential supervision of significant credit institutions in the member states of the Eurozone under the Single Supervisory Mechanism (“**SSM**”). In addition, the SRM has been put in place to ensure that the resolution of credit institutions and certain investment firms across the Eurozone is harmonised. As mentioned above, the SRM is managed by the SRB. Under Article 5(1) of the SRM Regulation, the SRM has been granted those responsibilities and powers granted to the EU Member States’ resolution authorities under the BRRD for those credit institutions and certain investment firms subject to direct supervision by the ECB. The ability of the SRB to exercise these powers came into force at the beginning of 2016.

Societe Generale has been designated as a significant supervised entity for the purposes of Article 49(1) of Regulation (EU) No 468/2014 of the ECB of 16 April 2014 establishing the framework for cooperation within the SSM between the ECB and national competent authorities and with national designated authorities (the “**SSM Regulation**”) and is consequently subject to the direct supervision of the ECB in the context of the SSM. This means that Societe Generale and SG Issuer (being covered by the consolidated prudential supervision of Societe Generale) are also subject to the SRM which came into force in 2015. The SRM Regulation mirrors the BRRD and, to a large part, refers to the BRRD so that the SRB is able to apply the same powers that would otherwise be available to the relevant national resolution authority.

The stated aim of the BRRD and the SRM Regulation is to provide for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and certain investment firms. The regime provided for by the BRRD is, among other things, stated to be needed to provide the resolution authority designated by each EU Member State (the “**Resolution Authority**”) with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of the institution’s critical financial and economic functions while minimising the impact of an institution’s failure on the economy and financial system (including taxpayers’ exposure to losses).

Under the SRM Regulation, a centralised power of resolution is established and entrusted to the SRB acting in cooperation with the national resolution authorities. In accordance with the provisions of the SRM Regulation, when applicable, the SRB, has replaced the national resolution authorities designated under the BRRD with respect to all aspects relating to the decision-making process and the national resolution authorities designated under the BRRD continue to carry out activities relating to the implementation of resolution schemes adopted by the SRB. The provisions relating to the cooperation between the SRB and the national resolution authorities for the preparation of the institutions’ resolution plans have applied since 1 January 2015 and the SRM has been fully operational since 1 January 2016.

The SRB is the Resolution Authority for the Issuer and the Guarantor.

The powers provided to the Resolution Authority in the BRRD and the SRM Regulation include write-down/conversion powers to ensure that capital instruments (including subordinated debt instruments) and eligible liabilities (including senior debt instruments if junior instruments prove insufficient to absorb all losses) absorb losses of the issuing institution that is subject to resolution in accordance with a set order of priority (the “**Bail-in Power**”). The conditions for resolution under the SRM Regulation are deemed to be met

when: (i) the Resolution Authority determines that the institution is failing or is likely to fail, (ii) there is no reasonable prospect that any measure other than a resolution measure would prevent the failure within a reasonable timeframe, and (iii) a resolution measure is necessary for the achievement of the resolution objectives (in particular, ensuring the continuity of critical functions, avoiding a significant adverse effect on the financial system, protecting public funds by minimizing reliance on extraordinary public financial support, and protecting client funds and assets) and winding up of the institution under normal insolvency proceedings would not meet those resolution objectives to the same extent.

The Resolution Authority could also, independently of a resolution measure or in combination with a resolution measure, fully or partially write-down or convert capital instruments (including subordinated debt instruments) into equity when it determines that the institution or its group will no longer be viable unless such write-down or conversion power is exercised or when the institution requires extraordinary public financial support (except when extraordinary public financial support is provided in Article 10 of the SRM Regulation). The terms and conditions of the Certificates contain provisions giving effect to the Bail-in Power in the context of resolution and write-down or conversion of capital instruments at the point of non-viability.

The Bail-in Power could result in the full (i.e., to zero) or partial write-down or conversion of the Certificates into ordinary shares or other instruments of ownership, or the variation of the terms of the Certificates (for example, the maturity and/or interest payable may be altered and/or a temporary suspension of payments may be ordered). Extraordinary public financial support should only be used as a last resort after having assessed and applied, to the maximum extent practicable, the resolution measures. No support will be available until a minimum amount of contribution to loss absorption and recapitalization of 8% of total liabilities including own funds has been made by shareholders, holders of capital instruments and other eligible liabilities through write-down, conversion or otherwise.

In addition to the Bail-in Power, the BRRD provides the Resolution Authority with broader powers to implement other resolution measures with respect to institutions that meet the conditions for resolution, which may include (without limitation) the sale of the institution's business, the creation of a bridge institution, the separation of assets, the replacement or substitution of the institution as obligor in respect of debt instruments, modifications to the terms of debt instruments (including altering the maturity and/or the amount of interest payable and/or imposing a temporary suspension on payments), removing management, appointing an interim administrator, and discontinuing the listing and admission to trading of financial instruments.

Before taking a resolution measure, including implementing the Bail-in Power, or exercising the power to write down or convert relevant capital instruments, the Resolution Authority must ensure that a fair, prudent and realistic valuation of the assets and liabilities of the institution is carried out by a person independent from any public authority.

The application of any measure under the BRRD and the SRM Regulation or any suggestion of such application with respect to the Issuer, the Guarantor or the Group could materially adversely affect the rights of Certificate Holders, the price or value of an investment in the Certificates and/or the ability of the Issuer or the Guarantor to satisfy its obligations under any Certificates, and as a result investors may lose their entire investment.

Moreover, if the Issuer's or the Guarantor's financial condition deteriorates, the existence of the Bail-in Power, the exercise of write-down/conversion powers or any other resolution tools by the Resolution Authority independently of a resolution measure or in combination with a

resolution measure when it determines that the Issuer, the Guarantor or the Group will no longer be viable could cause the market price or value of the Certificates to decline more rapidly than would be the case in the absence of such powers.

Since 1 January 2016, EU credit institutions (such as Societe Generale) and certain investment firms have to meet, at all times, a minimum requirement for own funds and eligible liabilities (“**MREL**”) pursuant to Article 12 of the SRM Regulation. MREL, which is expressed as a percentage of the total liabilities and own funds of the institution, aims at preventing institutions from structuring their liabilities in a manner that impedes the effectiveness of the Bail-in Power in order to facilitate resolution.

The current regime will evolve as a result of the changes adopted by the EU legislators. On 7 June 2019, as part of the contemplated amendments to the so-called “EU Banking Package”, the following legislative texts have been published in the Official Journal of the EU 14 May 2019:

- Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending the BRRD as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms (the “**BRRD II**”); and
- Regulation (EU) 2019/877 of the European Parliament and of the Council of 20 May 2019 amending the SRM Regulation as regards the loss-absorbing and recapitalisation capacity (“**TLAC**”) of credit institutions and investment firms (the “**SRM II Regulation**” and, together with the BRRD II, the “**EU Banking Package Reforms**”).

The EU Banking Package Reforms will introduce, among other things, the TLAC standard as implemented by the Financial Stability Board's TLAC Term Sheet (“**FSB TLAC Term Sheet**”), by adapting, among others, the existing regime relating to the specific MREL with aim of reducing risks in the banking sector and further reinforcing institutions’ ability to withstand potential shocks will strengthen the banking union and reduce risks in the financial system.

The TLAC will be implemented in accordance with the FSB TLAC Term Sheet, which impose a level of “Minimum TLAC” that will be determined individually for each global systemically important bank (“**G-SIB**”), such as Societe Generale, in an amount at least equal to (i) 16%, plus applicable buffers, of risk weight assets through January 1, 2022 and 18%, plus applicable buffers, thereafter and (ii) 6% of the Basel III leverage ratio denominator through January 1, 2022 and 6.75% thereafter (each of which could be extended by additional firm-specific requirements).

According to Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (the “**CRR**”), as amended by Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending the CRR as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements (the “**CRR II**”), EU G-SIBs, such as Societe Generale, will have to comply with TLAC requirements, on top of the MREL requirements, as from the entry into force of the CRR II. As such, G-SIBs, such as Societe Generale will have to comply at the same time with TLAC and MREL requirements.

Consequently, criteria for MREL-eligible liabilities will be closely aligned with those laid down in the CRR, as amended by the CRR II for the TLAC-eligible liabilities, but subject to the complementary adjustments and requirements introduced in the BRRD II. In particular, certain

debt instruments with an embedded derivative component, such as certain structured notes, will be eligible, subject to certain conditions, to meet the MREL requirements to the extent that they have a fixed or increasing principal amount repayable at maturity that is known in advance while only an additional return is linked to that derivative component and depends on the performance of a reference asset.

The level of capital and eligible liabilities required under MREL will be set by the SRB for Societe Generale on an individual and/or consolidated basis based on certain criteria including systemic importance any may also be set for SG Issuer. Eligible liabilities may be senior or subordinated, provided, among other requirements, that they have a remaining maturity of at least one year and, if governed by non-EU law, they must be able to be written down or converted under that law (including through contractual provisions).

The scope of liabilities used to meet the MREL will include, in principle, all liabilities resulting from claims arising from ordinary unsecured creditors (non-subordinated liabilities) unless they do not meet specific eligibility criteria set out in the BRRD, as amended by the BRRD II. To enhance the resolvability of institutions and entities through an effective use of the bail-in tool, the SRB should be able to require that the MREL be met with own funds and other subordinated liabilities, in particular where there are clear indications that bailed-in creditors are likely to bear losses in resolution that would exceed the losses that they would incur under normal insolvency proceedings. Moreover the SRB should assess the need to require institutions and entities to meet the MREL with own funds and other subordinated liabilities where the amount of liabilities excluded from the application of the bail-in tool reaches a certain threshold within a class of liabilities that includes MREL-eligible liabilities. Any subordination of debt instruments requested by the SRB for the MREL shall be without prejudice to the possibility to partly meet the TLAC requirements with non-subordinated debt instruments in accordance with the CRR, as amended by the CRR II, as permitted by the TLAC standard. Specific requirements will apply to resolution groups with assets above EUR 100 billion (top-tier banks).

If the SRB finds that there could exist any obstacles to resolvability by the Issuer or the Guarantor and/or the Group, a higher MREL requirement could be imposed. Any failure by the Issuer or the Guarantor, as applicable, and/or the Group to comply with its MREL may have a material adverse effect on the Issuer's business, financial conditions and results of operations.

TERMS AND CONDITIONS OF THE CERTIFICATES

The following are the terms and conditions of the Certificates and should be read in conjunction with, and are qualified by reference to, the other information set out in this document and the Base Listing Document.

The Conditions are set out in the section headed “Terms and Conditions of the European Style Cash Settled Long/Short Certificates on Single Equities” in the Base Listing Document. For the purposes of the Conditions, the following terms shall have the following meanings:

| | |
|---|---|
| Certificates: | A further 28,909,000 European Style Cash Settled Short Certificates relating to the ordinary shares of Hong Kong Exchanges and Clearing Limited (the “ Underlying Stock ”) The Certificates shall be consolidated and form a single series with an existing issue of 1,091,000 European Style Cash Settled Short Certificates relating to the ordinary shares of Hong Kong Exchanges and Clearing Limited issued by the Issuer and listed on the SGX-ST, in which dealings commenced on 26 February 2019. |
| ISIN: | LU1831293250 |
| Company: | Hong Kong Exchanges and Clearing Limited (RIC: 0388.HK) |
| Underlying Price ³ and Source: | HK\$273.8 (Reuters) |
| Calculation Agent: | Société Générale |
| Strike Level: | Zero |
| Daily Leverage: | -5x (within the Leverage Inverse Strategy as described below) |
| Notional Amount per Certificate: | SGD 2.20 |
| Management Fee (p.a.) ⁴ : | 0.40% |
| Gap Premium (p.a.) ⁵ : | 4.60%, is a hedging cost against extreme market movements overnight. |
| Stock Borrowing Cost ⁶ : | The annualised costs for borrowing stocks in order to take an inverse exposure on the Underlying Stock. |
| Rebalancing Cost ⁶ : | The transaction costs (if applicable), computed as a function of |

³ These figures are calculated as at, and based on information available to the Issuer on 25 February 2019. The Issuer is not obliged, and undertakes no responsibility to any person, to update or inform any person of any changes to the figures after 25 February 2019.

⁴ Please note that the Management Fee is calculated on a 360-day basis and may be increased up to a maximum of 3% p.a. on giving one month's notice to investors. Any increase in the Management Fee will be announced on the SGXNET. Please refer to “Fees and Charges” below for further details of the fees and charges payable and the maximum of such fees as well as other ongoing expenses that may be borne by the Certificates.

⁵ Please note that the Gap Premium is calculated on a 360-day basis.

⁶ These costs are embedded within the Leverage Inverse Strategy. Please note that the Stock Borrowing Cost may be changed on giving 5 Business Days' notice to investors. Any change in the Stock Borrowing Cost will be announced on the SGXNET.

leverage and daily inverse performance of the Underlying Stock.

| | |
|-------------------------|---|
| Launch Date: | 23 July 2020 |
| Closing Date: | 27 July 2020 |
| Expected Listing Date: | 28 July 2020 |
| Last Trading Date: | The date falling 5 Business Days immediately preceding the Expiry Date, currently being 18 February 2022 |
| Expiry Date: | 25 February 2022 (if the Expiry Date is not a Business Day, then the Expiry Date shall fall on the preceding Business Day and subject to adjustment of the Valuation Date upon the occurrence of Market Disruption Events as set out in the Conditions of the Certificates) |
| Board Lot: | 100 Certificates |
| Valuation Date: | 24 February 2022 or if such day is not an Exchange Business Day, the immediately preceding Exchange Business Day. |
| Exercise: | <p>The Certificates may only be exercised on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, in a Board Lot or integral multiples thereof. Certificate Holders shall not be required to deliver an exercise notice. Exercise of Certificates shall be determined by whether the Cash Settlement Amount (less any Exercise Expenses) is positive. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates shall be deemed to have been automatically exercised at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day. The Cash Settlement Amount less the Exercise Expenses in respect of the Certificates shall be paid in the manner set out in Condition 4(c) of the Conditions. In the event the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, and Certificate Holders shall not be entitled to receive any payment from the Issuer in respect of the Certificates.</p> |
| Cash Settlement Amount: | <p>In respect of each Certificate, shall be an amount payable in the Settlement Currency equal to:</p> <p>Closing Level multiplied by the Notional Amount per Certificate</p> <p>Please refer to the “Information relating to the European Style Cash Settled Short Certificates on Single Equities” section on pages 40 to 54 of this document for examples and illustrations of the calculation of the Cash Settlement Amount.</p> |
| Hedging Fee Factor: | In respect of each Certificate, shall be an amount calculated as: |

Product (for t from 2 to Valuation Date) of $(1 - \text{Management Fee} \times (\text{ACT}(t-1;t) \div 360)) \times (1 - \text{Gap Premium}(t-1) \times (\text{ACT}(t-1;t) \div 360))$, where:

“t” refers to “**Observation Date**” which means each Underlying Stock Business Day (subject to Market Disruption Event) from (and including) the Underlying Stock Business Day immediately preceding 26 February 2019 to the Valuation Date; and

ACT (t-1;t) means the number of calendar days between the Underlying Stock Business Day immediately preceding the Observation Date (which is “t-1”) (included) and the Observation Date (which is “t”) (excluded).

If the Issuer determines, in its sole discretion, that on any Observation Date a Market Disruption Event has occurred, then that Observation Date shall be postponed until the first succeeding Underlying Stock Business Day on which there is no Market Disruption Event, unless there is a Market Disruption Event on each of the five Underlying Stock Business Days immediately following the original date that, but for the Market Disruption Event, would have been an Observation Date. In that case, that fifth Underlying Stock Business Day shall be deemed to be the Observation Date notwithstanding the Market Disruption Event and the Issuer shall determine, its good faith estimate of the level of the Leverage Inverse Strategy and the value of the Certificate on that fifth Underlying Stock Business Day in accordance with the formula for and method of calculation last in effect prior to the occurrence of the first Market Disruption Event taking into account, inter alia, the exchange traded or quoted price of the Underlying Stock and the potential increased cost of hedging by the Issuer as a result of the occurrence of the Market Disruption Event.

An “**Underlying Stock Business Day**” is a day on which The Stock Exchange of Hong Kong Limited (the “**HKEX**”) is open for dealings in Hong Kong during its normal trading hours and banks are open for business in Hong Kong.

Please refer to the “Information relating to the European Style Cash Settled Short Certificates on Single Equities” section on pages 40 to 54 of this document for examples and illustrations of the calculation of the Hedging Fee Factor.

Closing Level:

In respect of each Certificate, shall be an amount payable in the Settlement Currency equal to:

$$\left(\frac{\text{Final Reference Level} \times \text{Final Exchange Rate}}{\text{Initial Reference Level} \times \text{Initial Exchange Rate}} - \text{Strike Level} \right) \times \text{Hedging Fee Factor}$$

Initial Reference Level:

1,000

Final Reference Level:

The closing level of the Leverage Inverse Strategy (as described below) on the Valuation Date

The calculation of the closing level of the Leverage Inverse Strategy

is set out in the “Specific Definitions relating to the Leverage Inverse Strategy” section on pages 19 to 23 below.

| | |
|---------------------------------------|---|
| Initial Exchange Rate ³ : | 0.1721 |
| Final Exchange Rate: | The rate for the conversion of HKD to SGD as at 5:00pm (Singapore Time) on the Valuation Date as shown on Reuters, provided that if the Reuters service ceases to display such information, as determined by the Issuer by reference to such source(s) as the Issuer may reasonably determine to be appropriate at such a time. |
| Air Bag Mechanism: | <p>The “Air Bag Mechanism” refers to the mechanism built in the Leverage Inverse Strategy and which is designed to reduce the Leverage Inverse Strategy exposure to the Underlying Stock during extreme market conditions. If the Underlying Stock rises by 15% or more (“Air Bag Trigger Price”) during the trading day (which represents approximately 75% loss after a 5 times inverse leverage), the Air Bag Mechanism is triggered and the Leverage Inverse Strategy is adjusted intra-day. The Air Bag Mechanism reduces the impact on the Leverage Inverse Strategy if the Underlying Stock rises further, but will also maintain a reduced exposure to the Underlying Stock in the event the Underlying Stock starts to fall after the Air Bag Mechanism is triggered, thereby reducing its ability to recoup losses.</p> <p>Trading of Certificates is suspended for at least 30 minutes after the Air Bag is triggered.</p> <p>The Leverage Inverse Strategy is floored at 0 and the Certificates cannot be valued below zero.</p> <p>Please refer to the “Extraordinary Strategy Adjustment for Performance Reasons (“Air Bag Mechanism”)” section on pages 21 to 23 below and the “Description of Air Bag Mechanism” section on pages 46 to 47 of this document for further information of the Air Bag Mechanism.</p> |
| Adjustments and Extraordinary Events: | The Issuer has the right to make adjustments to the terms of the Certificates if certain events, including any capitalisation issue, rights issue, extraordinary distributions, merger, delisting, insolvency (as more specifically set out in the terms and conditions of the Certificates) occur in respect of the Underlying Stock. For the avoidance of doubt, no notice will be given if the Issuer determines that adjustments will not be made. |
| Underlying Stock Currency: | Hong Kong Dollar (“ HKD ”) |
| Settlement Currency: | Singapore Dollar (“ SGD ”) |
| Exercise Expenses: | Certificate Holders will be required to pay all charges which are incurred in respect of the exercise of the Certificates. |

Relevant Stock Exchange for the Certificates: The SGX-ST

Relevant Stock Exchange for the Underlying Stock: HKEX

Business Day and Exchange Business Day: A “**Business Day**” is a day on which the SGX-ST is open for dealings in Singapore during its normal trading hours and banks are open for business in Singapore.

An “**Exchange Business Day**” is a day on which the SGX-ST and the HKEX are open for dealings in Singapore and Hong Kong respectively during its normal trading hours and banks are open for business in Singapore and Hong Kong.

Warrant Agent: The Central Depository (Pte) Limited (“**CDP**”)

Clearing System: CDP

Fees and Charges: Normal transaction and brokerage fees shall apply to the trading of the Certificates on the SGX-ST. Investors should note that they may be required to pay stamp taxes or other documentary charges in accordance with the laws and practices of the country where the Certificates are transferred. Investors who are in any doubt as to their tax position should consult their own independent tax advisers. In addition, investors should be aware that tax regulations and their application by the relevant taxation authorities change from time to time. Accordingly, it is not possible to predict the precise tax treatment which will apply at any given time.

Investors holding position overnight would also be required to bear the Management Fee and Gap Premium, which are calculated daily and applied to the value of the Certificates, as well as certain costs embedded within the Leverage Inverse Strategy including the Stock Borrowing Cost and Rebalancing Cost. The Management Fee may be increased up to a maximum of 3% p.a. on giving one month’s notice to investors in accordance with the terms and conditions of the Certificates. Any increase in the Management Fee will be announced on the SGXNET.

Further Information: Please refer to the website at dlc.socgen.com for more information on the theoretical closing price of the Certificates on the previous trading day, the closing price of the Underlying Stock on the previous trading day, the Air Bag Trigger Price for each trading day and the Management Fee and Gap Premium.

Specific Definitions relating to the Leverage Inverse Strategy

Description of the Leverage Inverse Strategy

The Leverage Inverse Strategy is designed to track a 5 times daily leveraged inverse exposure to the Underlying Stock.

At the end of each trading day of the Underlying Stock, the exposure of the Leverage Inverse Strategy to the Underlying Stock is reset within the Leverage Inverse Strategy in order to retain a daily leverage of 5 times the inverse performance of the Underlying Stock (excluding costs) regardless of the performance of the Underlying Stock on the preceding day. This mechanism is referred to as the Daily Reset.

The Leverage Inverse Strategy incorporates an air bag mechanism which is designed to reduce exposure to the Underlying Stock during extreme market conditions, as further described below.

Leverage Inverse Strategy Formula

LSL_t means, for any Observation Date(t), the Leverage Inverse Strategy Closing Level as of such day (t).

Subject to the occurrence of an Intraday Restrike Event, the **Leverage Inverse Strategy Closing Level** as of such Observation Date(t) is calculated in accordance with the following formulae:

On Observation Date(1):

$$LSL_1 = 1000$$

On each subsequent Observation Date(t):

$$LSL_t = \text{Max}[LSL_{t-1} \times (1 + LR_{t-1,t} - FC_{t-1,t} - SB_{t-1,t} - RC_{t-1,t}), 0]$$

LR_{t-1,t} means the Leveraged Return of the Underlying Stock between Observation Date(t-1) and Observation Date(t) closing prices, calculated as follows:

$$LR_{t-1,t} = \text{Leverage} \times \left(\frac{S_t}{S_{t-1} \times Rfactor_t} - 1 \right)$$

FC_{t-1,t} means, the Funding Cost between Observation Date(t-1) (included) and Observation Date(t) (excluded) calculated as follows :

$$FC_{t-1,t} = (\text{Leverage} - 1) \times \frac{\text{Rate}_{t-1} \times \text{ACT}(t-1,t)}{\text{DayCountBasisRate}}$$

SB_{t-1,t} means the Stock Borrowing Cost between Observation Date(t-1) (included) and Observation Date(t) (excluded) calculated as follows :

$$SB_{t-1,t} = -\text{Leverage} \times \frac{\text{CB} \times \text{ACT}(t-1,t)}{\text{DayCountBasisRate}}$$

CB means the Cost of Borrowing applicable that is equal to 2%.

RC_{t-1,t} means the Rebalancing Cost of the Leverage Inverse Strategy on Observation Date (t), calculated as follows :

$$RC_{t-1,t} = \text{Leverage} \times (\text{Leverage} - 1) \times \left(\left| \frac{S_t}{S_{t-1} \times Rfactor_t} - 1 \right| \right) \times \text{TC}$$

TC means the Transaction Costs applicable (including Stamp Duty) that are equal to :
0.10%

Leverage -5

S_t means, in respect of each Observation Date(t), the Closing Price of the Underlying Stock as of such Observation Date(t), subject to the adjustments and provisions of the Conditions.

Rate_t means, in respect of each Observation Date(t), the Overnight HKD Hong Kong Interbank Offered Rate (HIBOR) Fixing, as published on Reuters RIC HIKHDOND= or any successor page, being the rate as of day (t), provided that if any of such rate is not available, then that rate shall be determined by reference to the latest available rate that was published on the relevant Reuters page.

Rfactor_t means, in the event Observation Date (t) is an ex-dividend date of the Underlying Stock, an amount determined by the Calculation Agent, subject to the adjustments and provisions of the Conditions, according to the following formula :

$$Rfactor_t = 1 - \frac{Div_t}{S_{t-1}}$$

where

Div_t is the dividend to be paid out in respect of the Underlying Stock and the relevant ex-dividend date which shall be considered gross of any applicable withholding taxes.

ACT(t-1,t) ACT (t-1;t) means the number of calendar days between the Underlying Stock Business Day immediately preceding the Observation Date (which is “t-1”) (included) and the Observation Date (which is “t”) (excluded).

DayCount 365
BasisRate

Extraordinary Strategy Adjustment for Performance Reasons (“Air Bag Mechanism”)

Extraordinary Strategy Adjustment for Performance Reasons If the Calculation Agent determines that an Intraday Restrike Event has occurred during an Observation Date(t) (the **Intraday Restrike Date**, noted hereafter **IRD**), an adjustment (an **Extraordinary Strategy Adjustment for Performance Reasons**) shall take place during such Observation Date(t) in accordance with the following provisions.

(1) Provided the last Intraday Restrike Observation Period as of such Intraday Restrike Date does not end on the TimeReferenceClosing, the Leverage Inverse Strategy Closing Level on the Intraday Restrike Date (LSL_{IRD}) should be computed as follows :

$$LSL_{IRD} = \text{Max}[ILSL_{IR(n)} \times (1 + ILR_{IR(n),IR(C)} - IRC_{IR(n),IR(C)}), 0]$$

(2) If the last Intraday Restrike Event Observation Period on the relevant Intraday Restrike Date ends on the TimeReferenceClosing:

$$LSL_{IRD} = \text{Max}[ILSL_{IR(n)}, 0]$$

ILSL_{IR(k)} means, in respect of IR(k), the Intraday Leverage Inverse Strategy Level in

accordance with the following provisions :

(1) for $k = 1$:

$$ILSL_{IR(1)} = \text{Max}[LSL_{IRD-1} \times (1 + ILR_{IR(0),IR(1)} - FC_{IRD-1,IRD} - SB_{IRD-1,IRD} - IRC_{IR(0),IR(1)}), 0]$$

(2) for $k > 1$:

$$ILSL_{IR(k)} = \text{Max}[ILSL_{IR(k-1)} \times (1 + ILR_{IR(k-1),IR(k)} - IRC_{IR(k-1),IR(k)}), 0]$$

$ILR_{IR(k-1),IR(k)}$

means the Intraday Leveraged Return between $IR(k-1)$ and $IR(k)$, calculated as follows :

$$ILR_{IR(k-1),IR(k)} = \text{Leverage} \times \left(\frac{IS_{IR(k)}}{IS_{IR(k-1)}} - 1 \right)$$

$IRC_{IR(k-1),IR(k)}$

means the Intraday Rebalancing Cost of the Leverage Inverse Strategy in respect of $IR(k)$ on a given Intraday Restrike Date, calculated as follows :

$$IRC_{IR(k-1),IR(k)} = \text{Leverage} \times (\text{Leverage} - 1) \times \left(\left| \frac{IS_{IR(k)}}{IS_{IR(k-1)} \times R_{\text{factor}_t}} - 1 \right| \right) \times TC$$

$IS_{IR(k)}$

means the Underlying Stock Price in respect of $IR(k)$ computed as follows :

(1) for $k=0$

$$IS_{IR(0)} = S_{IRD-1} \times R_{\text{factor}_{IRD}}$$

(2) for $k=1$ to n

means in respect of $IR(k)$, the highest price of the Underlying Stock during the respective Intraday Restrike Observation Period

(3) with respect to $IR(C)$

$$IS_{IR(C)} = S_{IRD}$$

In each case, subject to the adjustments and provisions of the Conditions.

$IR(k)$

For $k=0$, means the scheduled close for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto) on the Observation Date immediately preceding the relevant Intraday Restrike Date;

For $k=1$ to n , means the k^{th} Intraday Restrike Event on the relevant Intraday Restrike Date.

$IR(C)$

means the scheduled close for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto) on the relevant Intraday Restrike Date.

n

means the number of Intraday Restrike Events that occurred on the relevant Intraday Restrike Date.

Intraday Restrike Event

means in respect of an Observation Date(t) :

(1) provided no Intraday Restrike Event has previously occurred on such Observation Date (t), the increase at any Calculation Time of the Underlying Stock price by 15% or more compared with the relevant Underlying Stock

Price $IS_{IR(0)}$ as of such Calculation Time.

(2) if k Intraday Restrike Events have occurred on the relevant Intraday Restrike Date, the increase at any Calculation Time of the Underlying Stock price by 15% or more compared with the relevant Underlying Stock Price $IS_{IR(k)}$ as of such Calculation Time.

| | |
|---|---|
| Calculation Time | means any time between the TimeReferenceOpening and the TimeReferenceClosing, provided that the relevant data is available to enable the Calculation Agent to determine the Leverage Inverse Strategy Level. |
| TimeReferenceOpening | means the scheduled opening time for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto). |
| TimeReferenceClosing | means the scheduled closing time for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto). |
| Intraday Restrike Event Observation Period | <p>means in respect of an Intraday Restrike Event, the period starting on and excluding the Intraday Restrike Event Time and finishing on and including the sooner between (1) the time falling 15 minutes after the Intraday Restrike Event Time and (2) the TimeReferenceClosing.</p> <p>Where, during such period, the Calculation Agent determines that (1) the trading in the Underlying Stock is disrupted or subject to suspension or limitation or (2) the Relevant Stock Exchange for the Underlying Stock is not open for continuous trading, the Intraday Restrike Event Observation Period will be extended to the extent necessary until (1) the trading in the Underlying Stock is no longer disrupted, suspended or limited and (2) the Relevant Stock Exchange for the Underlying Stock is open for continuous trading.</p> |
| Intraday Restrike Event Time | means in respect of an Intraday Restrike Event, the Calculation Time on which such event occurs. |

The Conditions set out in the section headed “Terms and Conditions of the European Style Cash Settled Long/Short Certificates on Single Equities” in the Base Listing Document are set out below. This section is qualified in its entirety by reference to the detailed information appearing elsewhere in this document which shall, to the extent so specified or to the extent inconsistent with the relevant Conditions set out below, replace or modify the relevant Conditions for the purpose of the Certificates.

TERMS AND CONDITIONS OF THE EUROPEAN STYLE CASH SETTLED LONG/SHORT CERTIFICATES ON SINGLE EQUITIES

1. Form, Status and Guarantee, Transfer and Title

- (a) *Form.* The Certificates (which expression shall, unless the context otherwise requires, include any further certificates issued pursuant to Condition 11) are issued subject to and with the benefit of:-
- (i) a master instrument by way of deed poll (the “**Master Instrument**”) dated 19 June 2020, made by SG Issuer (the “**Issuer**”) and Société Générale (the “**Guarantor**”); and
 - (ii) a warrant agent agreement (the “**Master Warrant Agent Agreement**” or “**Warrant Agent Agreement**”) dated any time before or on the Closing Date, made between the Issuer and the Warrant Agent for the Certificates.

Copies of the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement are available for inspection at the specified office of the Warrant Agent.

The holders of the Certificates (the “**Certificate Holders**”) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement.

- (b) *Status and Guarantee.* The Certificates constitute direct, general and unsecured obligations of the Issuer and rank, and will rank, equally among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer (save for statutorily preferred exceptions). The Certificates provide for cash settlement on exercise. The Certificates do not entitle Certificate Holders to the delivery of any Underlying Stock, are not secured by the Underlying Stock and do not entitle Certificate Holders to any interest in any Underlying Stock.

The due and punctual payment of any amounts due by the Issuer in respect of the Certificates issued by the Issuer is unconditionally and irrevocably guaranteed by the Guarantor as provided in the Guarantee (each such amount payable under the Guarantee, a “**Guarantee Obligation**”).

The Guarantee Obligations will constitute direct, unconditional, unsecured and unsubordinated obligations of the Guarantor ranking as senior preferred obligations as provided for in Article L. 613-30-3 I 3° of the French Code *Monétaire et Financier* (the “**Code**”).

Such Guarantee Obligations rank and will rank equally and rateably without any preference or priority among themselves and:

- (i) *pari passu* with all other direct, unconditional, unsecured and unsubordinated obligations of the Guarantor outstanding as of the date of the entry into force of the law no. 2016-1691 (the “**Law**”) on 11 December 2016;
- (ii) *pari passu* with all other present or future direct, unconditional, unsecured and senior preferred obligations (as provided for in Article L. 613-30-3 I 3° of the Code) of the Guarantor issued after the date of the entry into force of the Law on 11 December 2016;
- (iii) junior to all present or future claims of the Guarantor benefiting from the statutorily preferred exceptions; and
- (iv) senior to all present and future senior non-preferred obligations (as provided for in Article L.613-30-3 I 4° of the Code) of the Guarantor.

In the event of the failure of the Issuer to promptly perform its obligations to any Certificate Holder under the terms of the Certificates, such Certificate Holder may, but is not obliged to, give written notice to the Guarantor at Société Générale, Tour Société Générale, 75886 Paris Cedex 18, France marked for the attention of SEGL/JUR/OMF - Market Transactions & Financing.

- (c) **Transfer.** The Certificates are represented by a global warrant certificate (“**Global Warrant**”) which will be deposited with The Central Depository (Pte) Limited (“**CDP**”). Certificates in definitive form will not be issued. Transfers of Certificates may be effected only in Board Lots or integral multiples thereof. All transactions in (including transfers of) Certificates, in the open market or otherwise, must be effected through a securities account with CDP. Title will pass upon registration of the transfer in the records maintained by CDP.
- (d) **Title.** Each person who is for the time being shown in the records maintained by CDP as entitled to a particular number of Certificates shall be treated by the Issuer, the Guarantor and the Warrant Agent as the holder and absolute owner of such number of Certificates, notwithstanding any notice to the contrary. The expression “**Certificate Holder**” shall be construed accordingly.
- (e) **Bail-In.** By the acquisition of Certificates, each Certificate Holder (which, for the purposes of this Condition, includes any current or future holder of a beneficial interest in the Certificates) acknowledges, accepts, consents and agrees:
 - (i) to be bound by the effect of the exercise of the Bail-In Power (as defined below) by the Relevant Resolution Authority (as defined below) on the Issuer’s liabilities under the Certificates, which may include and result in any of the following, or some combination thereof:
 - (A) the reduction of all, or a portion, of the Amounts Due (as defined below), on a permanent basis;
 - (B) the conversion of all, or a portion, of the Amounts Due into shares, other securities or other obligations of the Issuer or the Guarantor or another person (and the issue to the Certificate Holder of such shares, securities or obligations), including by means of an amendment, modification or variation of the Conditions of the Certificates, in which case the Certificate Holder agrees to accept in lieu of its rights under the Certificates any such shares, other securities or other obligations of the Issuer or the Guarantor or

another person;

- (C) the cancellation of the Certificates; and/or
- (D) the amendment or alteration of the expiration of the Certificates or amendment of the amounts payable on the Certificates, or the date on which the amounts become payable, including by suspending payment for a temporary period; and

that terms of the Certificates are subject to, and may be varied, if necessary, to give effect to the exercise of the Bail-In Power by the Relevant Resolution Authority or the Regulator,

(the “**Statutory Bail-In**”);

- (ii) if the Relevant Resolution Authority exercises its Bail-In Power on liabilities of the Guarantor, pursuant to Article L.613-30-3-I-3 of the French Monetary and Financial Code (the “**M&F Code**”):

- (A) ranking:
 - (1) junior to liabilities of the Guarantor benefitting from statutorily preferred exceptions pursuant to Article L.613-30-3-I 1° and 2 of the M&F Code;
 - (2) *pari passu* with liabilities of the Guarantor as defined in Article L.613-30-3-I-3 of the M&F Code; and
 - (3) senior to liabilities of the Guarantor as defined in Article L.613-30-3-I-4 of the M&F Code; and
- (B) which are not *titres non structurés* as defined under Article R.613-28 of the M&F Code, and
- (C) which are not or are no longer eligible to be taken into account for the purposes of the MREL (as defined below) ratio of the Guarantor

and such exercise of the Bail-In Power results in the write-down or cancellation of all, or a portion of, the principal amount of, or the outstanding amount payable in respect of, and/or interest on, such liabilities, and/or the conversion of all, or a portion, of the principal amount of, or the outstanding amount payable in respect of, or interest on, such liabilities into shares or other securities or other obligations of the Guarantor or another person, including by means of variation to their terms and conditions in order to give effect to such exercise of Bail-In Power, then the Issuer’s obligations under the Certificates will be limited to (i) payment of the amount as reduced or cancelled that would be recoverable by the Certificate Holders and/or (ii) the delivery or the payment of value of the shares or other securities or other obligations of the Guarantor or another person that would be paid or delivered to the Certificate Holders as if, in either case, the Certificates had been directly issued by the Guarantor itself, and as if any Amount Due under the Certificates had accordingly been directly subject to the exercise of the Bail-In Power (the “**Contractual Bail-in**”).

No repayment or payment of the Amounts Due will become due and payable or be paid after the exercise of the Statutory Bail-In with respect to the Issuer or the

Guarantor unless, at the time such repayment or payment, respectively, is scheduled to become due, such repayment or payment would be permitted to be made by the Issuer or the Guarantor under the applicable laws and regulations in effect in France or Luxembourg and the European Union applicable to the Issuer or the Guarantor or other members of its group.

No repayment or payment of the Amounts Due will become due and payable or be paid under the Certificates issued by SG Issuer after implementation of the Contractual Bail-in.

Upon the exercise of the Statutory Bail-in or upon implementation of the Contractual Bail-in with respect to the Certificates, the Issuer or the Guarantor will provide a written notice to the Certificate Holders in accordance with Condition 9 as soon as practicable regarding such exercise of the Statutory Bail-in or implementation of the Contractual Bail-in. Any delay or failure by the Issuer or the Guarantor to give notice shall not affect the validity and enforceability of the Statutory Bail-in or Contractual Bail-in nor the effects on the Certificates described above.

Neither a cancellation of the Certificates, a reduction, in part or in full, of the Amounts Due, the conversion thereof into another security or obligation of the Issuer or the Guarantor or another person, as a result of the exercise of the Statutory Bail-in or the implementation of the Contractual Bail-in with respect to the Certificates will be an event of default or otherwise constitute non-performance of a contractual obligation, or entitle the Certificate Holder to any remedies (including equitable remedies) which are hereby expressly waived.

The matters set forth in this Condition shall be exhaustive on the foregoing matters to the exclusion of any other agreements, arrangements or understandings between the Issuer, the Guarantor and each Certificate Holder. No expenses necessary for the procedures under this Condition, including, but not limited to, those incurred by the Issuer and the Guarantor, shall be borne by any Certificate Holder.

For the purposes of this Condition:

“Amounts Due” means any amounts due by the Issuer under the Certificates.

“Bail-In Power” means any statutory cancellation, write-down and/or conversion power existing from time to time under any laws, regulations, rules or requirements relating to the resolution of banks, banking group companies, credit institutions and/or investment firms, including but not limited to any such laws, regulations, rules or requirements that are implemented, adopted or enacted within the context of a European Union directive or regulation of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms, or any other applicable laws or regulations, as amended, or otherwise, pursuant to which obligations of a bank, banking group company, credit institution or investment firm or any of its affiliates can be reduced, cancelled and/or converted into shares or other securities or obligations of the obligor or any other person.

“MREL” means the Minimum Requirement for own funds and Eligible Liabilities as defined in Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (as amended from time to time).

“Relevant Resolution Authority” means any authority with the ability to exercise the Bail-in Power on Societe Generale or SG Issuer as the case may be.

“Regulator” means the European Central Bank and any successor or replacement thereto, or other authority having primary responsibility for the prudential oversight and supervision of the Issuer.

2. Certificate Rights and Exercise Expenses

- (a) *Certificate Rights.* Every Certificate entitles each Certificate Holder, upon due exercise and on compliance with Condition 4, to payment by the Issuer of the Cash Settlement Amount (as defined below) (if any) in the manner set out in Condition 4.

The **“Cash Settlement Amount”**, in respect of each Certificate, shall be an amount payable in the Settlement Currency equal to the Closing Level multiplied by the Notional Amount per Certificate.

The **“Closing Level”**, in respect of each Certificate, shall be an amount payable in the Settlement Currency equal to:

$$\left(\frac{\text{Final Reference Level} \times \text{Final Exchange Rate}}{\text{Initial Reference Level} \times \text{Initial Exchange Rate}} - \text{Strike Level} \right) \times \text{Hedging Fee Factor}$$

If the Issuer determines, in its sole discretion, that on the Valuation Date or any Observation Date a Market Disruption Event has occurred, then that Valuation Date or Observation Date shall be postponed until the first succeeding Exchange Business Day or Underlying Stock Business Day, as the case may be, on which there is no Market Disruption Event, unless there is a Market Disruption Event on each of the five Exchange Business Days or Underlying Stock Business Days, as the case may be, immediately following the original date that, but for the Market Disruption Event, would have been a Valuation Date or an Observation Date. In that case:-

- (i) that fifth Exchange Business Day or Underlying Stock Business Day, as the case may be, shall be deemed to be the Valuation Date or the Observation Date notwithstanding the Market Disruption Event; and
- (ii) the Issuer shall determine the Final Reference Level or the relevant closing level on the basis of its good faith estimate of the Final Reference Level or the relevant closing level that would have prevailed on that fifth Exchange Business Day or Underlying Stock Business Day, as the case may be, but for the Market Disruption Event.

“Market Disruption Event” means the occurrence or existence of (i) any suspension of trading on the Relevant Stock Exchange of the Underlying Stock requested by the Company if that suspension is, in the determination of the Issuer, material, (ii) any suspension of or limitation imposed on trading (including but not limited to unforeseen circumstances such as by reason of movements in price exceeding limits permitted by the Relevant Stock Exchange or any act of God, war, riot, public disorder, explosion, terrorism or otherwise) on the Relevant Stock Exchange in the Underlying Stock if that suspension or limitation is, in the determination of the Issuer, material, or (iii) the closing of the Relevant Stock Exchange or a disruption to trading on the Relevant Stock Exchange if that disruption is, in the determination of the Issuer, material as a result of the occurrence of any act of God, war, riot, public disorder, explosion or terrorism.

- (b) *Exercise Expenses.* Certificate Holders will be required to pay all charges which are incurred in respect of the exercise of the Certificates (the “**Exercise Expenses**”). An amount equivalent to the Exercise Expenses will be deducted by the Issuer from the Cash Settlement Amount in accordance with Condition 4. Notwithstanding the foregoing, the Certificate Holders shall account to the Issuer on demand for any Exercise Expenses to the extent that they were not or could not be deducted from the Cash Settlement Amount prior to the date of payment of the Cash Settlement Amount to the Certificate Holders in accordance with Condition 4.
- (c) *No Rights.* The purchase of Certificates does not confer on the Certificate Holders any right (whether in respect of voting, dividend or other distributions in respect of the Underlying Stock or otherwise) which the holder of an Underlying Stock may have.

3. **Expiry Date**

Unless automatically exercised in accordance with Condition 4(b), the Certificates shall be deemed to expire at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day (as defined below), the immediately preceding Business Day.

4. **Exercise of Certificates**

- (a) *Exercise.* Certificates may only be exercised on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, in accordance with Condition 4(b).
- (b) *Automatic Exercise.* Certificate Holders shall not be required to deliver an exercise notice. Exercise of Certificates shall be determined by whether the Cash Settlement Amount (less any Exercise Expenses) is positive. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates shall be deemed to have been automatically exercised at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day. The Cash Settlement Amount less the Exercise Expenses in respect of the Certificates shall be paid in the manner set out in Condition 4(c) below. In the event the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, and Certificate Holders shall not be entitled to receive any payment from the Issuer in respect of the Certificates.
- (c) *Settlement.* In respect of Certificates which are automatically exercised in accordance with Condition 4(b), the Issuer will pay to the relevant Certificate Holder the Cash Settlement Amount (if any) in the Settlement Currency. The aggregate Cash Settlement Amount (less any Exercise Expenses) shall be despatched as soon as practicable and no later than five Business Days following the Expiry Date by way of crossed cheque or other payment in immediately available funds drawn in favour of the Certificate Holder only (or, in the case of joint Certificate Holders, the first-named Certificate Holder) appearing in the records maintained by CDP. Any payment made pursuant to this Condition 4(c) shall be delivered at the risk and expense of the Certificate Holder and posted to the Certificate Holder’s address appearing in the records maintained by CDP (or, in the case of joint Certificate Holders, to the address of the first-named Certificate Holder appearing in the records maintained by CDP). If the Cash Settlement Amount is equal to or less than the determined Exercise Expenses, no amount is payable.

- (d) *CDP not liable.* CDP shall not be liable to any Certificate Holder with respect to any action taken or omitted to be taken by the Issuer or the Warrant Agent in connection with the exercise of the Certificates or otherwise pursuant to or in connection with these Conditions.
- (e) *Business Day.* In these Conditions, a “**Business Day**” shall be a day on which the SGX-ST is open for dealings in Singapore during its normal trading hours and banks are open for business in Singapore.

5. Warrant Agent

- (a) *Warrant Agent.* The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Warrant Agent and to appoint another Warrant Agent provided that it will at all times maintain a Warrant Agent which, so long as the Certificates are listed on the SGX-ST, shall be in Singapore. Notice of any such termination or appointment and of any change in the specified office of the Warrant Agent will be given to the Certificate Holders in accordance with Condition 9.
- (b) *Agent of Issuer.* The Warrant Agent will be acting as agent of the Issuer and will not assume any obligation or duty to or any relationship of agency or trust for the Certificate Holders. All determinations and calculations by the Warrant Agent under these Conditions shall (save in the case of manifest error) be final and binding on the Issuer and the Certificate Holders.

6. Adjustments

- (a) *Potential Adjustment Event.* Following the declaration by a Company of the terms of any Potential Adjustment Event (as defined below), the Issuer will determine whether such Potential Adjustment Event has a dilutive or concentrative or other effect on the theoretical value of the Underlying Stock and, if so, will (i) make the corresponding adjustment, if any, to any one or more of the Conditions as the Issuer determines appropriate to account for that dilutive or concentrative or other effect, and (ii) determine the effective date of that adjustment. The Issuer may, but need not, determine the appropriate adjustment by reference to the adjustment in respect of such Potential Adjustment Event made by an exchange on which options or futures contracts on the Underlying Stock are traded.
- (b) *Definitions.* “**Potential Adjustment Event**” means any of the following:
 - (i) a subdivision, consolidation, reclassification or other restructuring of the Underlying Stock (excluding a Merger Event) or a free distribution or dividend of any such Underlying Stock to existing holders by way of bonus, capitalisation or similar issue;
 - (ii) a distribution or dividend to existing holders of the Underlying Stock of (1) such Underlying Stock, or (2) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Company equally or proportionately with such payments to holders of such Underlying Stock, or (3) share capital or other securities of another issuer acquired by the Company as a result of a “spin-off” or other similar transaction, or (4) any other type of securities, rights or warrants or other assets, in any case for payment (in cash or otherwise) at less than the prevailing market price as determined by the Issuer;

- (iii) an extraordinary dividend;
 - (iv) a call by the Company in respect of the Underlying Stock that is not fully paid;
 - (v) a repurchase by the Company of the Underlying Stock whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise;
 - (vi) with respect to a Company an event that results in any shareholder rights pursuant to a shareholder rights agreement or other plan or arrangement of the type commonly referred to as a “poison pill” being distributed, or becoming separated from shares of common stock or other shares of the capital stock of such Company (provided that any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights); or
 - (vii) any other event that may have, in the opinion of the Issuer, a dilutive or concentrative or other effect on the theoretical value of the Underlying Stock.
- (c) *Merger Event, Tender Offer, Nationalisation and Insolvency.* If a Merger Event, Tender Offer, Nationalisation or Insolvency occurs in relation to the Underlying Stock, the Issuer may take any action described below:
- (i) determine the appropriate adjustment, if any, to be made to any one or more of the Conditions to account for the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, and determine the effective date of that adjustment. The Issuer may, but need not, determine the appropriate adjustment by reference to the adjustment in respect of the Merger Event, Tender Offer, Nationalisation or Insolvency made by an options exchange to options on the Underlying Stock traded on that options exchange;
 - (ii) cancel the Certificates by giving notice to the Certificate Holders in accordance with Condition 9. If the Certificates are so cancelled, the Issuer will pay an amount to each Certificate Holder in respect of each Certificate held by such Certificate Holder which amount shall be the fair market value of a Certificate taking into account the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, less the cost to the Issuer and/or any of its affiliates of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its reasonable discretion. Payment will be made in such manner as shall be notified to the Certificate Holders in accordance with Condition 9; or
 - (iii) following any adjustment to the settlement terms of options on the Underlying Stock on such exchange(s) or trading system(s) or quotation system(s) as the Issuer in its reasonable discretion shall select (the “**Option Reference Source**”) make a corresponding adjustment to any one or more of the Conditions, which adjustment will be effective as of the date determined by the Issuer to be the effective date of the corresponding adjustment made by the Option Reference Source. If options on the Underlying Stock are not traded on the Option Reference Source, the Issuer will make such adjustment, if any, to any one or more of the Conditions as the Issuer determines appropriate, with reference to the rules and precedents (if any) set by the Option Reference Source, to account for the Merger Event, Tender

Offer, Nationalisation or Insolvency, as the case may be, that in the determination of the Issuer would have given rise to an adjustment by the Option Reference Source if such options were so traded.

Once the Issuer determines that its proposed course of action in connection with a Merger Event, Tender Offer, Nationalisation or Insolvency, it shall give notice to the Certificate Holders in accordance with Condition 9 stating the occurrence of the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, giving details thereof and the action proposed to be taken in relation thereto. Certificate Holders should be aware that due to the nature of such events, the Issuer will not make an immediate determination of its proposed course of action or adjustment upon the announcement or occurrence of a Merger Event, Tender Offer, Nationalisation or Insolvency.

- (d) *Definitions.* “**Insolvency**” means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting a Company (i) all the Underlying Stock of that Company is required to be transferred to a trustee, liquidator or other similar official or (ii) holders of the Underlying Stock of that Company become legally prohibited from transferring them. “**Merger Date**” means the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Issuer. “**Merger Event**” means, in respect of the Underlying Stock, any (i) reclassification or change of such Underlying Stock that results in a transfer of or an irrevocable commitment to transfer all of such Underlying Stock outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of a Company with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Company is the continuing entity and which does not result in reclassification or change of all of such Underlying Stock outstanding), (iii) takeover offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Underlying Stock of the Company that results in a transfer of or an irrevocable commitment to transfer all such Underlying Stock (other than such Underlying Stock owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of the Company or its subsidiaries with or into another entity in which the Company is the continuing entity and which does not result in a reclassification or change of all such Underlying Stock outstanding but results in the outstanding Underlying Stock (other than Underlying Stock owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding Underlying Stock immediately following such event, in each case if the Merger Date is on or before the Valuation Date. “**Nationalisation**” means that all the Underlying Stock or all or substantially all of the assets of a Company are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof. “**Tender Offer**” means a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10 per cent. and less than 100 per cent. of the outstanding voting shares of the Company, as determined by the Issuer, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Issuer deems relevant.

- (e) *Other Adjustments.* Except as provided in this Condition 6 and Conditions 10 and 12, adjustments will not be made in any other circumstances, subject to the right reserved by the Issuer (such right to be exercised in the Issuer's sole discretion and without any obligation whatsoever) to make such adjustments and amendments as it believes appropriate in circumstances where an event or events occur which it believes in its sole discretion (and notwithstanding any prior adjustment made pursuant to the above) should, in the context of the issue of the Certificates and the obligations of the Issuer, give rise to such adjustment or, as the case may be, amendment provided that such adjustment or, as the case may be, amendment is considered by the Issuer not to be materially prejudicial to the Certificate Holders generally (without considering the circumstances of any individual Certificate Holder or the tax or other consequences of such adjustment or amendment in any particular jurisdiction).
- (f) *Notice of Adjustments.* All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Certificate Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with Condition 9. For the avoidance of doubt, no notice will be given if the Issuer determines that adjustments will not be made.

7. Purchases

The Issuer, the Guarantor or any of their respective subsidiaries may at any time purchase Certificates at any price in the open market or by tender or by private treaty. Any Certificates so purchased may be held or resold or surrendered for cancellation.

8. Meetings of Certificate Holders; Modification

- (a) *Meetings of Certificate Holders.* The Master Warrant Agent Agreement or Warrant Agent Agreement contains provisions for convening meetings of the Certificate Holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Master Warrant Agent Agreement or Warrant Agent Agreement) of a modification of the provisions of the Certificates or of the Master Warrant Agent Agreement or Warrant Agent Agreement.

At least 21 days' notice (exclusive of the day on which the notice is given and of the day on which the meeting is held) specifying the date, time and place of the meeting shall be given to the Certificate Holders.

Such a meeting may be convened by the Issuer or by Certificate Holders holding not less than ten per cent. of the Certificates for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Certificates for the time being remaining unexercised, or at any adjourned meeting, two or more persons being or representing Certificate Holders whatever the number of Certificates so held or represented.

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

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

Resolutions can be passed in writing if passed unanimously.

- (b) *Modification.* The Issuer may, without the consent of the Certificate Holders, effect (i) any modification of the provisions of the Certificates or the Master Instrument which is not materially prejudicial to the interests of the Certificate Holders or (ii) any modification of the provisions of the Certificates or the Master Instrument which is of a formal, minor or technical nature, which is made to correct an obvious error or which is necessary in order to comply with mandatory provisions of Singapore law. Any such modification shall be binding on the Certificate Holders and shall be notified to them by the Warrant Agent before the date such modification becomes effective or as soon as practicable thereafter in accordance with Condition 9.

9. Notices

- (a) *Documents.* All cheques and other documents required or permitted by these Conditions to be sent to a Certificate Holder or to which a Certificate Holder is entitled or which the Issuer shall have agreed to deliver to a Certificate Holder may be delivered by hand or sent by post addressed to the Certificate Holder at his address appearing in the records maintained by CDP or, in the case of joint Certificate Holders, addressed to the joint holder first named at his address appearing in the records maintained by CDP, and airmail post shall be used if that address is not in Singapore. All documents delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of the relevant Certificate Holder.
- (b) *Notices.* All notices to Certificate Holders will be validly given if published in English on the web-site of the SGX-ST. Such notices shall be deemed to have been given on the date of the first such publication. If publication on the web-site of the SGX-ST is not practicable, notice will be given in such other manner as the Issuer may determine. The Issuer shall, at least one month prior to the expiry of any Certificate, give notice of the date of expiry of such Certificate in the manner prescribed above.

10. Liquidation

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator (including a provisional liquidator) or receiver or judicial manager or trustee or administrator or analogous person under Singapore or other applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised Certificates will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator (including a provisional liquidator) or receiver or judicial manager or trustee or administrator or analogous person under Singapore or other applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law. In the event of the voluntary liquidation of the Company, the Issuer shall make such adjustments or amendments as it reasonably believes are appropriate in the circumstances.

11. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Certificate Holders, to create and issue further certificates so as to form a single series with the Certificates, subject to the approval of the SGX-ST.

12. Delisting

- (a) *Delisting.* If at any time, the Underlying Stock ceases to be listed on the Relevant

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

- (b) **Issuer's Determination.** The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Certificate Holders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Certificate Holders in accordance with Condition 9 as soon as practicable after they are determined.

13. Early Termination

- (a) *Early Termination for Illegality and Force Majeure, etc.* If the Issuer determines that a Regulatory Event (as defined below) has occurred and, for reasons beyond its control, the performance of its obligations under the Certificates has become illegal or impractical in whole or in part for any reason, or the Issuer determines that, for reasons beyond its control, it is no longer legal or practical for it to maintain its hedging arrangements with respect to the Certificates for any reason, the Issuer may in its discretion and without obligation terminate the Certificates early in accordance with Condition 13(d).

Should any one or more of the provisions contained in the Conditions be or become invalid, the validity of the remaining provisions shall not in any way be affected thereby.

For the purposes of this Condition:

"Regulatory Event" means, following the occurrence of a Change in Law (as defined below) with respect to the Issuer and/or Société Générale as Guarantor or in any other capacity (including without limitation as hedging counterparty of the Issuer, market maker of the Certificates or direct or indirect shareholder or sponsor of the Issuer) or any of its affiliates involved in the issuer of the Certificates (hereafter the **"Relevant Affiliates"** and each of the Issuer, Société Générale and the Relevant Affiliates, a **"Relevant Entity"**) that, after the Certificates have been issued, (i) any Relevant Entity would incur a materially increased (as compared with circumstances existing prior to such event) amount of tax, duty, liability, penalty, expense, fee, cost or regulatory capital charge however defined or collateral requirements for performing its obligations under the Certificates or hedging the Issuer's obligations under the Certificates, including, without limitation, due to clearing requirements of, or the absence of, clearing of the transactions entered into in connection with the issue of, or hedging the Issuer's obligation under, the Certificates, (ii) it is or will become for any Relevant Entity impracticable, impossible (in each case, after using commercially reasonable efforts), unlawful, illegal or otherwise prohibited or contrary, in whole or in part, under any law, regulation, rule, judgement, order or directive of any governmental, administrative or judicial authority, or power, applicable to such Relevant Entity (a) to hold, acquire, issue, reissue, substitute, maintain, settle, or as the case may be, guarantee, the Certificates, (b) to acquire, hold, sponsor or dispose of any asset(s) (or any interest thereof) of any other transaction(s) such Relevant Entity may use in connection with the issue of the Certificates or to hedge the Issuer's

obligations under the Certificates, (c) to perform obligations in connection with, the Certificates or any contractual arrangement entered into between the Issuer and Société Générale or any Relevant Affiliate (including without limitation to hedge the Issuer's obligations under the Certificates) or (d) to hold, acquire, maintain, increase, substitute or redeem all or a substantial part of its direct or indirect shareholding in the Issuer's capital or the capital of any Relevant Affiliate or to directly or indirectly sponsor the Issuer or any Relevant Affiliate, or (iii) there is or may be a material adverse effect on a Relevant Entity in connection with the issue of the Certificates.

"Change in law" means (i) the adoption, enactment, promulgation, execution or ratification of any applicable new law, regulation or rule (including, without limitation, any applicable tax law, regulation or rule) after the Certificates have been issued, (ii) the implementation or application of any applicable law, regulation or rule (including, without limitation, any applicable tax law, regulation or rule) already in force when the Certificates have been issued but in respect of which the manner of its implementation or application was not known or unclear at the time, or (iii) the change of any applicable law, regulation or rule existing when the Certificates are issued, or the change in the interpretation or application or practice relating thereto, existing when the Certificates are issued of any applicable law, regulation or rule, by any competent court, tribunal, regulatory authority or any other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any additional or alternative court, tribunal, authority or entity, to that existing when the Certificates are issued).

- (b) *Early Termination for Holding Limit Event.* The Issuer may in its discretion and without obligation terminate the Certificates early in accordance with Condition 13(d) where a Holding Limit Event (as defined below) occurs.

For the purposes of this Condition:

"Holding Limit Event" means, assuming the investor is the Issuer and/or any of its affiliates, the Issuer together with its affiliates, in aggregate hold, an interest in the Underlying Stock, constituting or likely to constitute (directly or indirectly) ownership, control or the power to vote a percentage of any class of voting securities of the Underlying Stock, of the Underlying Stock in excess of a percentage permitted or advisable, as determined by the Issuer, for the purpose of its compliance with the Bank Holding Company Act of 1956 as amended by Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Volcker Rule), including any requests, regulations, rules, guidelines or directives made by the relevant governmental authority under, or issued by the relevant governmental authority in connection with, such statutes.

- (c) *Early Termination for other reasons.* The Issuer reserves the right (such right to be exercised in the Issuer's sole and unfettered discretion and without any obligation whatsoever) to terminate the Certificates in accordance with Condition 13(d) where an event or events occur which it believes in its sole discretion should, in the context of the issue of the Certificates and the obligations of the Issuer, give rise to such termination provided that such termination (i) is considered by the Issuer not to be materially prejudicial to the interests of Certificate Holders generally (without considering the circumstances of any individual Certificate Holder or the tax or other consequences of such termination in any particular jurisdiction); or (ii) is otherwise considered by the Issuer to be appropriate and such termination is approved by the

SGX-ST.

- (d) *Termination.* If the Issuer terminates the Certificates early, then the Issuer will give notice to the Certificate Holders in accordance with Condition 9. The Issuer will, if and to the extent permitted by applicable law, pay an amount to each Certificate Holder in respect of each Certificate held by such holder equal to the fair market value of a Certificate notwithstanding such illegality, impracticality or the relevant event less the cost to the Issuer of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion. Payment will be made in such manner as shall be notified to the Certificate Holders in accordance with Condition 9.

14. Governing Law

The Certificates, the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement will be governed by and construed in accordance with Singapore law. The Issuer and the Guarantor and each Certificate Holder (by its purchase of the Certificates) shall be deemed to have submitted for all purposes in connection with the Certificates, the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement to the non-exclusive jurisdiction of the courts of Singapore. The Guarantee shall be governed by and construed in accordance with Singapore law.

15. Prescription

Claims against the Issuer for payment of any amount in respect of the Certificates will become void unless made within six years of the Expiry Date and, thereafter, any sums payable in respect of such Certificates shall be forfeited and shall revert to the Issuer.

16. Contracts (Rights of Third Parties) Act, Chapter 53B of Singapore

Unless otherwise provided in the Global Warrant, the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement, a person who is not a party to any contracts made pursuant to the Global Warrant, the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement has no rights under the Contracts (Rights of Third Parties) Act, Chapter 53B of Singapore to enforce any terms of such contracts. Except as expressly provided herein, the consent of any third party is not required for any subsequent agreement by the parties hereto to amend or vary (including any release or compromise of any liability) or terminate such contracts.

SUMMARY OF THE ISSUE

The following is a summary of the issue and should be read in conjunction with, and is qualified by reference to, the other information set out in this document and the Base Listing Document. Terms used in this Summary are defined in the Conditions.

| | |
|-------------------------|---|
| Issuer: | SG Issuer |
| Company: | Hong Kong Exchanges and Clearing Limited |
| The Certificates: | European Style Cash Settled Short Certificates relating to the Underlying Stock |
| Number: | <p>A further 28,909,000 Certificates</p> <p>The Certificates shall be consolidated and form a single series with an existing issue of 1,091,000 European Style Cash Settled Short Certificates relating to the ordinary shares of Hong Kong Exchanges and Clearing Limited issued by the Issuer and listed on the SGX-ST, in which dealings commenced on 26 February 2019.</p> |
| Form: | The Certificates will be issued subject to, and with the benefit of, a master instrument by way of deed poll dated 19 June 2020 (the “ Master Instrument ”) and executed by the Issuer and the Guarantor and a master warrant agent agreement dated 29 May 2017 (the “ Master Warrant Agent Agreement ”) and made between the Issuer, the Guarantor and the Warrant Agent. |
| Cash Settlement Amount: | <p>In respect of each Certificate, is the amount (if positive) equal to:</p> <p>Notional Amount per Certificate x Closing Level</p> |
| Denominations: | Certificates are represented by a global warrant in respect of all the Certificates. |
| Exercise: | The Certificates may only be exercised on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, in a Board Lot or integral multiples thereof. Certificate Holders will not be required to deliver an exercise notice. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates will be deemed to have been automatically exercised at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day. The Cash Settlement Amount less the Exercise Expenses in respect of the Certificates shall be paid in the manner set out in Condition 4(c) of the Conditions. In the event the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, and Certificate Holders shall not be entitled to receive any payment from the Issuer in respect of the Certificates. |

| | |
|--------------------------------|---|
| Exercise and Trading Currency: | SGD |
| Board Lot: | 100 Certificates |
| Transfers of Certificates: | Certificates may only be transferred in Board Lots (or integral multiples thereof). All transfers in Certificates, in the open market or otherwise, must be effected through a securities account with CDP. Title will pass upon registration of the transfer in the records of CDP. |
| Listing: | Application has been made to the SGX-ST for permission to deal in and for quotation of the Certificates and the SGX-ST has agreed in principle to grant permission to deal in and for quotation of the Certificates. Issue of the Certificates is conditional on such listing being granted. It is expected that dealings in the Certificates on the SGX-ST will commence on or about 28 July 2020. |
| Governing Law: | The laws of Singapore |
| Warrant Agent: | The Central Depository (Pte) Limited 11 North Buona Vista Drive #06-07 The Metropolis Tower 2 Singapore 138589 |
| Further Issues: | Further issues which will form a single series with the Certificates will be permitted, subject to the approval of the SGX-ST. |

The above summary is a qualified in its entirety by reference to the detailed information appearing elsewhere in this document and the Base Listing Document.

INFORMATION RELATING TO THE EUROPEAN STYLE CASH SETTLED SHORT CERTIFICATES ON SINGLE EQUITIES

What are European Style Cash Settled Short Certificates on Single Equities?

European style cash settled short certificates on single equities (the “**Certificates**”) are structured products relating to the Underlying Stock and the return on a Certificate is linked to the performance of the Leverage Inverse Strategy.

A) Cash Settlement Amount Payable upon the Exercise of the Certificates at Expiry

Upon the exercise of the Certificates at expiry, the Certificate Holders would be paid a Cash Settlement Amount in respect of each Certificate.

The Cash Settlement Amount, in respect of each Certificate, shall be an amount payable in the Settlement Currency equal to the Closing Level multiplied by the Notional Amount per Certificate.

The Closing Level, in respect of each Certificate, shall be an amount payable in the Settlement Currency equal to (1) divided by (2) less (3) subject to any adjustments such as (4), where:

- (1) is the Final Reference Level multiplied by the Final Exchange Rate;
- (2) is the Initial Reference Level multiplied by the Initial Exchange Rate;
- (3) is the Strike Level; and
- (4) is the Hedging Fee Factor.

If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates shall be deemed to have been automatically exercised and investors will receive a Cash Settlement Amount. If the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired. Please refer to the section headed “Terms and Conditions of the European Style Cash Settled Long/Short Certificates on Single Equities” for further details on the calculation of the Cash Settlement Amount.

The Certificates are only suitable for investors who believe that the price of the Underlying Stock will decrease and are seeking short-term leveraged inverse exposure to the Underlying Stock.

B) Trading the Certificates before Expiry

If the Certificate Holders want to cash out their investments in the Certificates before the expiry of the Certificates, they may sell the Certificates in the secondary market during the life of the Certificates, and would be subject to the following fees and charges:

- (i) For Certificate Holders who trade the Certificates intraday: shall pay normal transaction and brokerage fees for the trading of the Certificates on the SGX-ST, and may be required to pay stamp taxes or other documentary charges in accordance with the laws and practices of the country where the Certificates are transferred; and
- (ii) For Certificate Holders who hold the Certificates overnight: in addition to the normal transaction and brokerage fees and applicable stamp taxes, would also be required to bear the Management Fee and Gap Premium as well as certain costs embedded within the Leverage Inverse Strategy including the Stock Borrowing Cost and Rebalancing Cost.

Illustration of the Calculation of Hedging Fee Factor

| | | |
|--------------------|---|---------------------------|
| Hedging Fee Factor | = | Product of the Daily Fees |
|--------------------|---|---------------------------|

| | | | |
|------------|---|---|--|
| Daily Fees | = | Daily Management Fee Adjustment | |
| | | 1 – Management Fee x ACT (t-1;t) / 360 | |
| | | x | |
| | | Daily Gap Premium Adjustment | |
| | | 1 – Gap Premium (t-1) x ACT (t-1;t) / 360 | |

Illustration of the Calculation of Cash Settlement Amount

Cash Settlement Amount = Final Value of Certificates – Strike Level (zero)

| Value of Certificates | = | <table border="1"> <tr><th>t'=0</th></tr> <tr><td>Notional Amount</td></tr> </table> | t'=0 | Notional Amount | x | <table border="1"> <tr><th>t=1</th></tr> <tr> <td>Leverage Inverse Strategy daily performance⁸</td> <td>x</td> <td>Daily Fees</td> </tr> </table> | t=1 | Leverage Inverse Strategy daily performance ⁸ | x | Daily Fees | x | <table border="1"> <tr><th>t=2</th></tr> <tr> <td>Leverage Inverse Strategy daily performance</td> <td>x</td> <td>Daily Fees</td> </tr> </table> | t=2 | Leverage Inverse Strategy daily performance | x | Daily Fees | x ... | <table border="1"> <tr><th>t=i</th></tr> <tr> <td>Leverage Inverse Strategy Daily performance</td> <td>x</td> <td>Daily Fees</td> </tr> </table> | t=i | Leverage Inverse Strategy Daily performance | x | Daily Fees |
|--|---|--|------|-----------------|---|--|-----|--|---|------------|---|--|-----|---|---|------------|-------|--|-----|---|---|------------|
| | | | t'=0 | | | | | | | | | | | | | | | | | | | |
| Notional Amount | | | | | | | | | | | | | | | | | | | | | | |
| t=1 | | | | | | | | | | | | | | | | | | | | | | |
| Leverage Inverse Strategy daily performance ⁸ | x | Daily Fees | | | | | | | | | | | | | | | | | | | | |
| t=2 | | | | | | | | | | | | | | | | | | | | | | |
| Leverage Inverse Strategy daily performance | x | Daily Fees | | | | | | | | | | | | | | | | | | | | |
| t=i | | | | | | | | | | | | | | | | | | | | | | |
| Leverage Inverse Strategy Daily performance | x | Daily Fees | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | |

| Value of Certificates | = | <table border="1"> <tr><th>t=0</th></tr> <tr><td>Notional Amount</td></tr> </table> | t=0 | Notional Amount | x | Product of the daily Leverage Inverse Strategy Performance | | x | Product of the Daily Fees (Hedging Fee Factor) | |
|---|---|---|---|---|------------|---|------------|---|---|--|
| | | | t=0 | | | | | | | |
| Notional Amount | | | | | | | | | | |
| <table border="1"> <tr> <td>Leverage Inverse Strategy daily performance</td> <td>x</td> <td>Leverage Inverse Strategy daily performance</td> </tr> </table> | Leverage Inverse Strategy daily performance | x | Leverage Inverse Strategy daily performance | <table border="1"> <tr> <td>Daily Fees</td> <td>x</td> <td>Daily Fees</td> </tr> </table> | Daily Fees | x | Daily Fees | | | |
| Leverage Inverse Strategy daily performance | x | Leverage Inverse Strategy daily performance | | | | | | | | |
| Daily Fees | x | Daily Fees | | | | | | | | |

| Final Value of Certificates | = | <table border="1"> <tr><th>t=0</th></tr> <tr><td>Notional Amount</td></tr> </table> | t=0 | Notional Amount | x | <table border="1"> <tr> <td>Final Reference Level x Final Exchange Rate</td> <td>÷</td> <td>Initial Reference Level x Initial Exchange Rate</td> </tr> </table> | Final Reference Level x Final Exchange Rate | ÷ | Initial Reference Level x Initial Exchange Rate | x | <table border="1"> <tr><td>Hedging Fee Factor</td></tr> </table> | Hedging Fee Factor |
|---|---|---|-----|-----------------|---|---|---|---|---|---|--|--------------------|
| | | | t=0 | | | | | | | | | |
| Notional Amount | | | | | | | | | | | | |
| Final Reference Level x Final Exchange Rate | ÷ | Initial Reference Level x Initial Exchange Rate | | | | | | | | | | |
| Hedging Fee Factor | | | | | | | | | | | | |
| | | | | | | | | | | | | |

Illustration of the applicable fees and charges for an intraday trading scenario

Hedging Fee is implemented overnight in the price of the Certificate. As a consequence, when trading intraday, investors will not bear any Hedging Fee.

Investors will only support bid/ask costs, which are the difference between the price at which the Designated Market Maker purchases (bid) and sells (ask) the Certificate at any point of time.

⁷ "t" refers to "Observation Date" which means each Underlying Stock Business Day (subject to Market Disruption Event) from (and including) the Underlying Stock Business Day immediately preceding the Expected Listing Date to the Valuation Date.

⁸ Leverage Inverse Strategy daily performance is computed as the Leverage Inverse Strategy Closing Level on Business Day (t) divided by the Leverage Inverse Strategy Closing Level on Business Day (t-1).

Example of Calculation of Hedging Fee Factor and Cash Settlement Amount

The example is purely hypothetical. We include the example to illustrate how the Certificates work, and you MUST NOT rely on them as any indication of the actual return or what the payout on the Certificates might actually be. The example also assumes a product which expires 16 days after listing date, to illustrate the daily calculation of price, costs and fees from listing date to expiry date.

Assuming an investor purchases the following Certificates at the Issue Price:

| | |
|----------------------------------|---|
| Underlying Stock: | Ordinary shares of Hong Kong Exchanges and Clearing Limited |
| Expected Listing Date: | 03/07/2018 |
| Expiry Date: | 18/07/2018 |
| Initial Reference Level: | 1,000 |
| Initial Exchange Rate: | 1 |
| Final Reference Level: | 1,200 |
| Final Exchange Rate: | 1 |
| Issue Price: | 2.2 SGD |
| Notional Amount per Certificate: | 2.2 SGD |
| Management Fee (p.a.): | 0.40% |
| Gap Premium (p.a.): | 4.60% |
| Strike Level: | Zero |

Hedging Fee Factor

Hedging Fee Factor on the n^{th} Underlying Stock Business Day after issuance of Certificate ("HFF (n)") is calculated as follows:

$$\text{HFF}(0) = 100\%$$

On Next Calendar Day (assuming it is an Underlying Stock Business Day):

$$\text{HFF}(1) = \text{HFF}(0) \times \left(1 - \text{Management Fee} \times \frac{\text{ACT}(t-1; t)}{360}\right) \times \left(1 - \text{Gap Premium} \times \frac{\text{ACT}(t-1; t)}{360}\right)$$

$$\text{HFF}(1) = 100\% \times \left(1 - 0.40\% \times \frac{1}{360}\right) \times \left(1 - 4.60\% \times \frac{1}{360}\right)$$

$$\text{HFF}(1) = 100\% \times 99.9989\% \times 99.9872\% \approx 99.9861\%$$

Assuming 2nd Underlying Stock Business Day falls 3 Calendar Days after 1st Underlying Stock Business Day:

$$\text{HFF (2)} = \text{HFF (1)} \times \left(1 - \text{Management Fee} \times \frac{\text{ACT (t-1; t)}}{360}\right) \times \left(1 - \text{Gap Premium} \times \frac{\text{ACT (t-1; t)}}{360}\right)$$

$$\text{HFF (2)} = 99.9861\% \times \left(1 - 0.40\% \times \frac{3}{360}\right) \times \left(1 - 4.60\% \times \frac{3}{360}\right)$$

$$\text{HFF (2)} = 99.9861\% \times 99.9967\% \times 99.9617\% \approx 99.9445\%$$

The same principle applies to the following Underlying Stock Business Days:

$$\text{HFF (n)} = \text{HFF (n-1)} \times \left(1 - \text{Management Fee} \times \frac{\text{ACT (t-1; t)}}{360}\right) \times \left(1 - \text{Gap Premium} \times \frac{\text{ACT (t-1; t)}}{360}\right)$$

In this example, the Hedging Fee Factor as of the Valuation Date would be equal to 99.7919% as illustrated below:

| Date | HFF |
|-----------|-----------|
| 3/7/2018 | 100.0000% |
| 4/7/2018 | 99.9861% |
| 5/7/2018 | 99.9722% |
| 6/7/2018 | 99.9583% |
| 9/7/2018 | 99.9167% |
| 10/7/2018 | 99.9028% |
| 11/7/2018 | 99.8889% |
| 12/7/2018 | 99.8751% |
| 13/7/2018 | 99.8612% |
| 16/7/2018 | 99.8196% |
| 17/7/2018 | 99.8057% |
| 18/7/2018 | 99.7919% |

Cash Settlement Amount

In this example, the Closing Level and the Cash Settlement Amount would be computed as follows:

$$\begin{aligned} \text{Closing Level} &= [(\text{Final Reference Level} \times \text{Final Exchange Rate}) / (\text{Initial Reference Level} \times \text{Initial Exchange Rate}) - \text{Strike Level}] \times \text{Hedging Fee Factor} \\ &= [(1200 \times 1) / (1000 \times 1) - 0] \times 99.7919\% \\ &= 119.75\% \end{aligned}$$

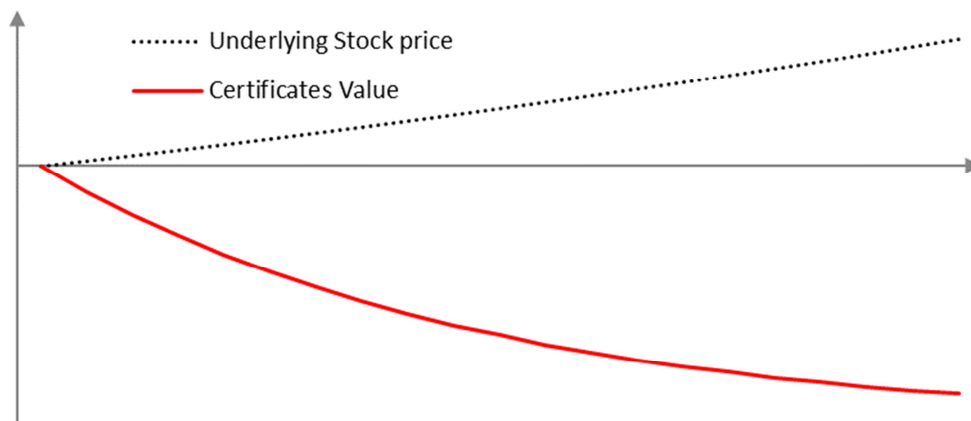
$$\begin{aligned} \text{Cash Settlement Amount} &= \text{Closing Level} \times \text{Notional Amount per Certificate} \\ &= 119.75\% \times 2.20 \text{ SGD} \\ &= \mathbf{2.635 \text{ SGD}} \end{aligned}$$

Illustration on how returns and losses can occur under different scenarios

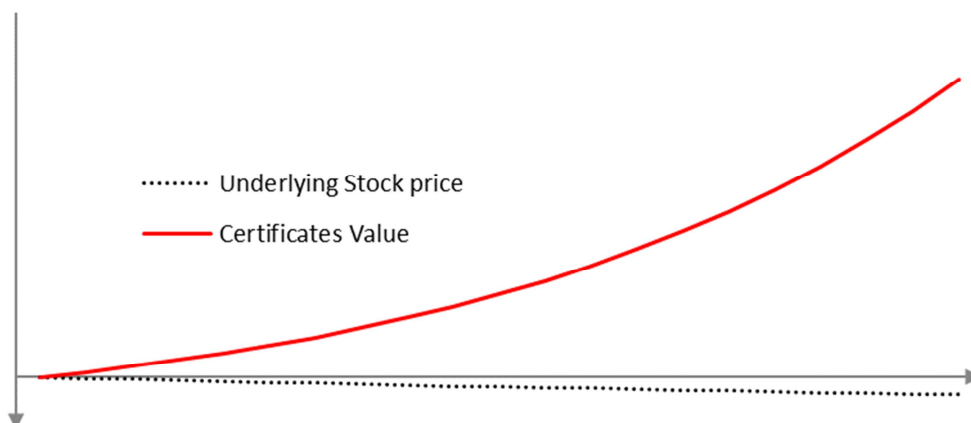
The examples are purely hypothetical and do not take fees and charges payable by investors into consideration. The examples highlight the effect of the Underlying Stock performance on the value of the Certificates and do not take into account the possible influence of fees, exchange rates, dividends, or any other market parameters.

1. Illustrative examples

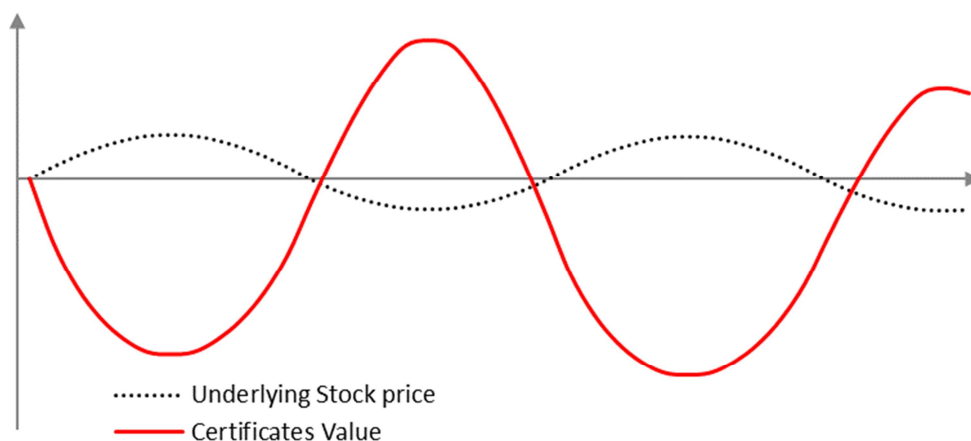
Scenario 1 – Upward Trend



Scenario 2 – Downward Trend



Scenario 3 – Volatile Market



2. Numerical Examples

Scenario 1 – Upward Trend

| Underlying Stock | | | | | | |
|---------------------|----------|----------|----------|----------|----------|----------|
| | Day 0 | Day 1 | Day 2 | Day 3 | Day 4 | Day 5 |
| Daily return | | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% |
| Value at end of day | 10,000.0 | 10,200.0 | 10,404.0 | 10,612.1 | 10,824.3 | 11,040.8 |
| Accumulated Return | | 2.00% | 4.04% | 6.12% | 8.24% | 10.41% |

| Value of the Certificates | | | | | | |
|---------------------------|-------|---------|---------|---------|---------|---------|
| | Day 0 | Day 1 | Day 2 | Day 3 | Day 4 | Day 5 |
| Daily return | | -10.0% | -10.0% | -10.0% | -10.0% | -10.0% |
| Price at end of day | 2.2 | 1.98 | 1.78 | 1.60 | 1.44 | 1.30 |
| Accumulated Return | | -10.00% | -19.00% | -27.10% | -34.39% | -40.95% |

Scenario 2 – Downward Trend

| Underlying Stock | | | | | | |
|---------------------|----------|---------|---------|---------|---------|---------|
| | Day 0 | Day 1 | Day 2 | Day 3 | Day 4 | Day 5 |
| Daily return | | -2.0% | -2.0% | -2.0% | -2.0% | -2.0% |
| Value at end of day | 10,000.0 | 9,800.0 | 9,604.0 | 9,411.9 | 9,223.7 | 9,039.2 |
| Accumulated Return | | -2.00% | -3.96% | -5.88% | -7.76% | -9.61% |

| Value of the Certificates | | | | | | |
|---------------------------|-------|--------|--------|--------|--------|--------|
| | Day 0 | Day 1 | Day 2 | Day 3 | Day 4 | Day 5 |
| Daily return | | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% |
| Price at end of day | 2.2 | 2.42 | 2.66 | 2.93 | 3.22 | 3.54 |
| Accumulated Return | | 10.00% | 21.00% | 33.10% | 46.41% | 61.05% |

Scenario 3 – Volatile Market

| Underlying Stock | | | | | | |
|---------------------|----------|----------|---------|----------|---------|----------|
| | Day 0 | Day 1 | Day 2 | Day 3 | Day 4 | Day 5 |
| Daily return | | 2.0% | -2.0% | 2.0% | -2.0% | 2.0% |
| Value at end of day | 10,000.0 | 10,200.0 | 9,996.0 | 10,195.9 | 9,992.0 | 10,191.8 |
| Accumulated Return | | 2.00% | -0.04% | 1.96% | -0.08% | 1.92% |

| Value of the Certificates | | | | | | |
|---------------------------|-------|---------|--------|---------|--------|---------|
| | Day 0 | Day 1 | Day 2 | Day 3 | Day 4 | Day 5 |
| Daily return | | -10.0% | 10.0% | -10.0% | 10.0% | -10.0% |
| Price at end of day | 2.2 | 1.98 | 2.18 | 1.96 | 2.16 | 1.94 |
| Accumulated Return | | -10.00% | -1.00% | -10.90% | -1.99% | -11.79% |

Description of Air Bag Mechanism

The Certificates integrate an “Air Bag Mechanism” which is designed to reduce exposure to the Underlying Stock during extreme market conditions.

When the Air Bag triggers, a 30-minute period starts. This period is divided into two sub-periods:

- Observation Period : during 15 minutes after the Air Bag trigger, the price of the Underlying Stock is observed and its maximum price is recorded; and
- Reset Period: after 15 minutes, the Leverage Inverse Strategy is reset using the maximum price of the Underlying Stock during the Observation Period as the New Observed Price. The New Observed Price replaces the last closing price of the Underlying Stock in order to compute the performance of the Leverage Inverse Strategy, 30 minutes after the Air Bag trigger.

Trading of Certificates is suspended for at least 30 minutes after the Air Bag is triggered. Investors cannot sell or purchase any Certificates during this period.

The performance of the Leverage Inverse Strategy will be the inverse of the Underlying Stock.

Air Bag Mechanism timeline

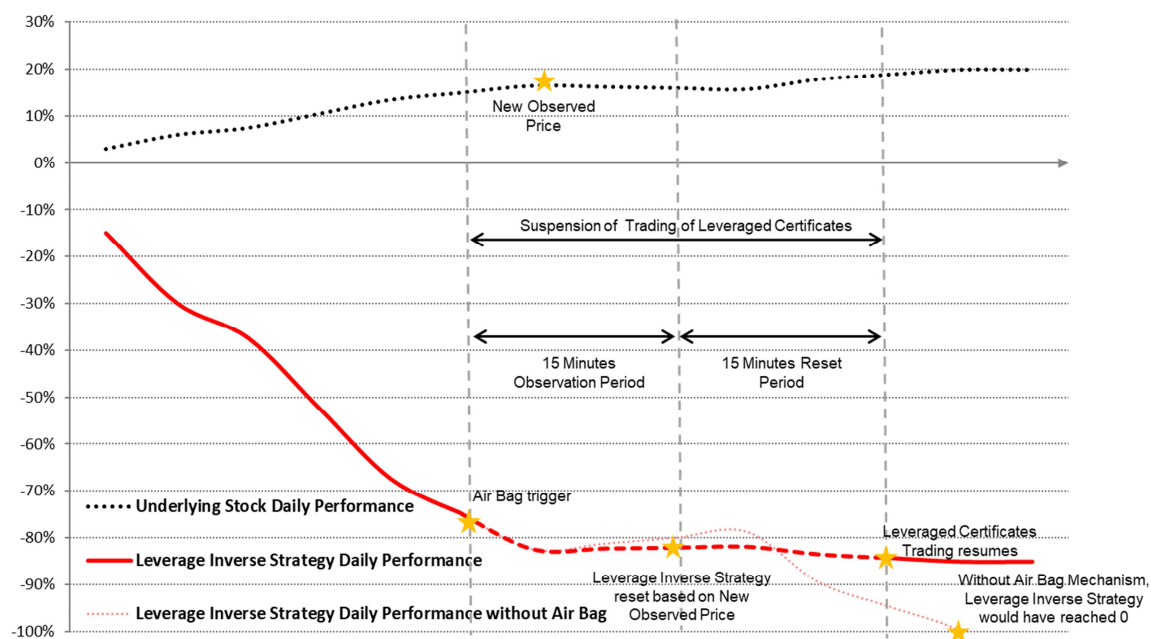
| Air Bag Trigger | Observation Period | Resumption of Trading |
|--|--|--|
| More than 45 minutes before Market Close | First 15 minutes after Air Bag Trigger | Trading resumes the same day between 30 and 45 minutes after Air Bag Trigger |
| 45 minutes before Market Close | | Next trading day at Market Open |
| 30 to 45 minutes before Market Close | | |
| 30 minutes before Market Close | | |
| 15 to 30 minutes before Market Close | | |
| 15 minutes before Market Close | From Air Bag Trigger to Market Close | |
| Less than 15 minutes before Market Close | | |

With **Market Close** defined as:

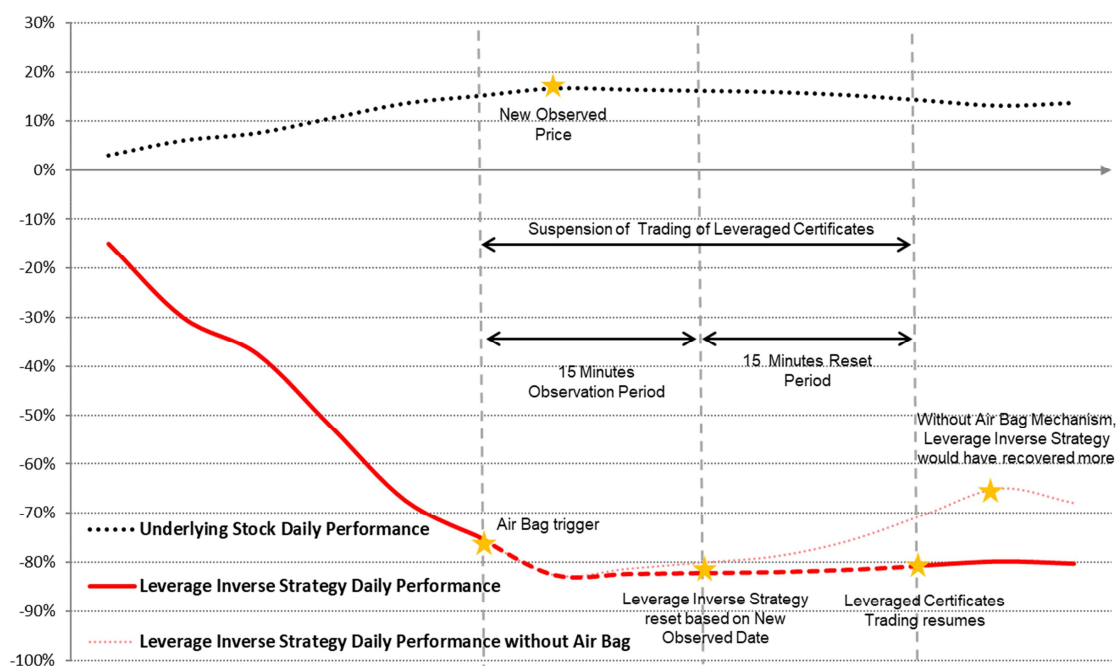
- Underlying Stock closing time with respect to the Observation Period
- The sooner between Underlying Stock closing time and SGX closing time with respect to the Resumption of Trading

Illustrative examples of the Air Bag Mechanism⁹

Scenario 1 – Upward Trend after Air Bag trigger



Scenario 2 – Downward Trend after Air Bag trigger



⁹ The illustrative examples are not exhaustive.

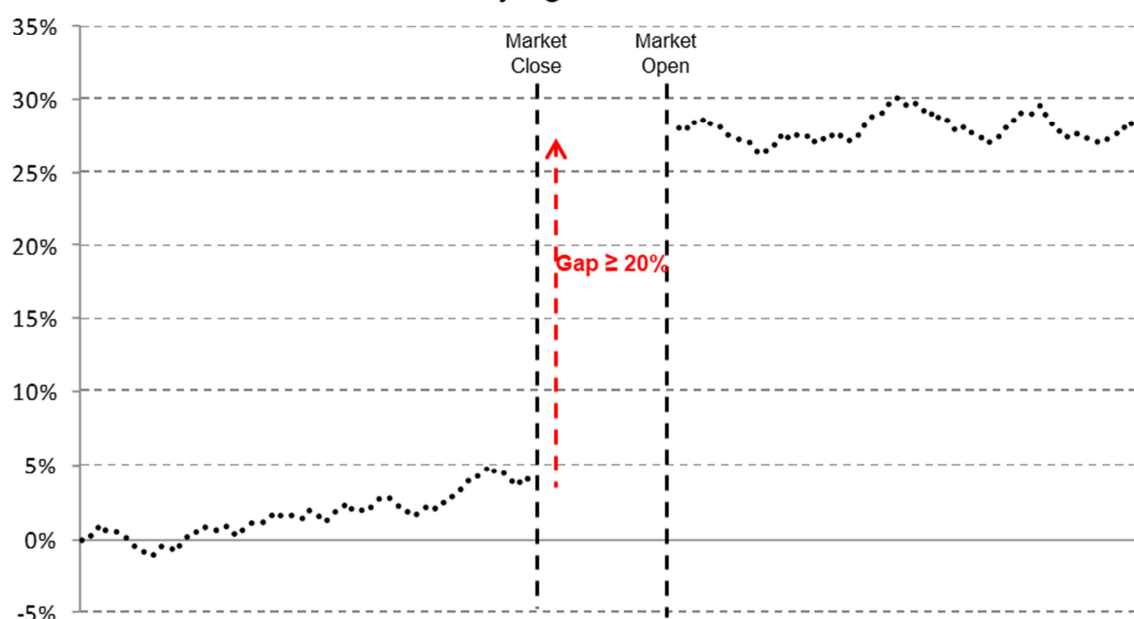
Scenarios where the investor may lose the entire value of the investment

The scenarios below are purely hypothetical and do not take fees and charges payable by investors into consideration. The scenarios highlight cases where the Certificates may lose 100% of their value.

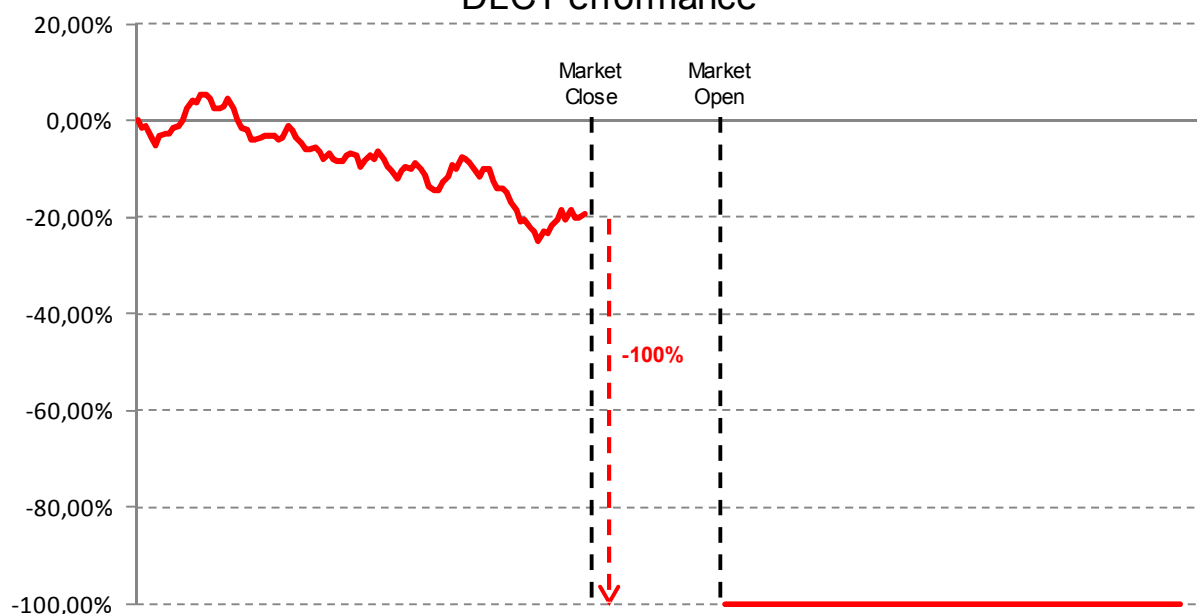
Scenario 1 – Overnight rise of the Underlying Stock

On any business day, the opening price of the Underlying Stock may be higher or lower than the closing price on the previous day. The difference between the previous closing price and the opening price of the Underlying Stock is termed a “gap”. If the opening price of the Underlying Stock is 20% or more above the previous day closing price, the Air Bag Mechanism would only be triggered when the market opens the following day, and the Certificates would lose their entire value in such event.

Underlying Stock Performance

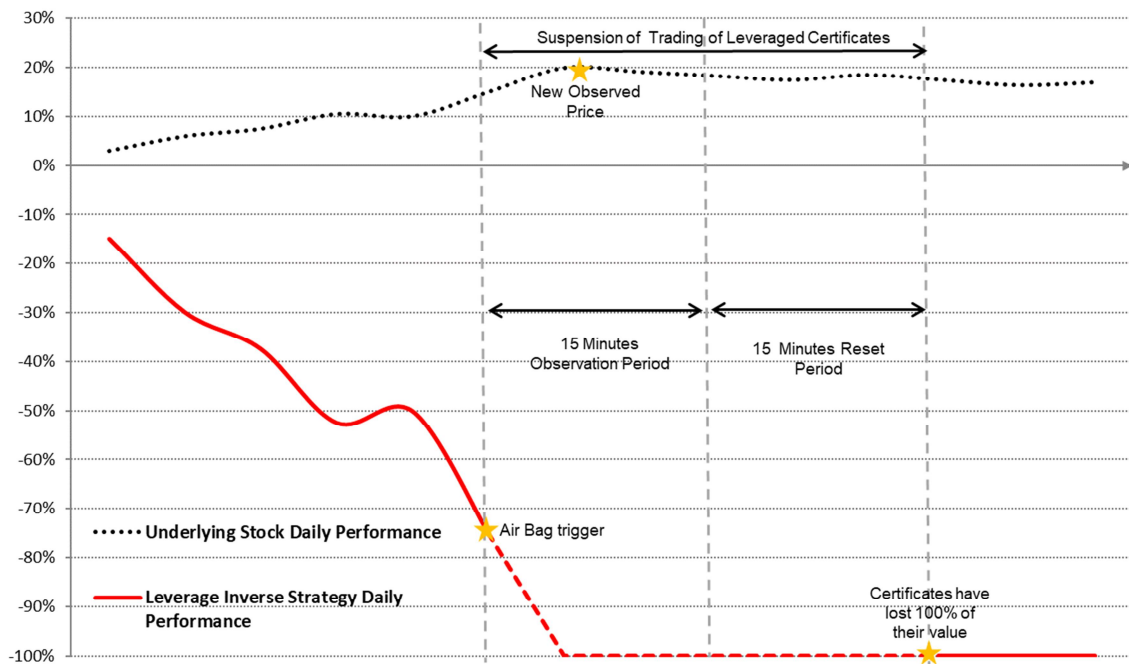


DLC Performance



Scenario 2 – Sharp intraday rise of the Underlying Stock

Although the Air Bag Mechanism is designed to reduce the exposure to the Underlying Stock during extreme market conditions, the Certificate can lose 100% of its value in the event the price of the Underlying Stock rises by 20% or more within the 15 minutes Observation Period compared to the reference price, being: (i) if air bag has not been previously triggered on the same day, the previous closing price of the Underlying Stock, or (ii) if one or more air bag have been previously triggered on the same day, the latest New Observed Price. The Certificates would lose their entire value in such event.



Examples and illustrations of adjustments due to certain corporate actions

The examples are purely hypothetical and do not take fees and charges payable by investors into consideration. The examples highlight the effect of corporate actions on the value of the Certificates and do not take into account the possible influence of fees, exchange rates, or any other market parameters.

In the case of any corporate action on the Underlying Stock, the Calculation Agent will, as soon as reasonably practical after it becomes aware of such event, determine whether such corporate action has a dilutive or concentrative effect on the theoretical value of the Underlying Stock, and if so, will (a) calculate the corresponding adjustment, if any, to be made to the elements relating to the Underlying Stock which are used to determine any settlement or payment terms under the Certificates and/or adjust at its discretion any other terms of the Certificates as it determines appropriate to preserve the economic equivalent of the obligations of the Issuer under the Certificates and (b) determine the effective date of such adjustment.

Notwithstanding the foregoing, in the event Observation Date (t) is an ex-date with respect to a corporate action related to the Underlying Stock, the Calculation Agent may, in its sole and absolute discretion, replace the $Rfactor_t$ with respect to such Observation Date (t) by an amount computed according to the following generic formula :

$$Rfactor_t = \left[1 - \frac{Div_t + DivExc_t - M \times R}{S_{t-1}} \right] \times \frac{1}{1 + M}$$

This formula is provided for indicative purposes and the Calculation Agent may determine that this formula is not appropriate for certain corporate actions and may apply a different formula instead.

Such adjustment of $Rfactor_t$ would affect the Leveraged Return, the Rebalancing Cost, and the Underlying Reference Price used to determine the Intraday Restrike Event. The Air Bag mechanism would not be triggered if the stock price rises by 15% exclusively because of the dilutive effect of a corporate action.

Where:

$DivExc_t$ is the amount received as an Extraordinary Dividend by a holder of existing Shares for each Share held prior to the Extraordinary Dividend, net of any applicable withholding taxes.

M is the number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe or to receive (positive amount) or the number of existing Shares redeemed or canceled per existing Share (negative amount), as the case may be, resulting from the corporate action.

R is the subscription price per Share (positive amount) or the redemption price per Share (negative amount) including any dividends or other benefits forgone to be subscribe to or to receive (as applicable), or to redeem a Share.

1. Stock split

Assuming the Underlying Stock is subject to a 1 to 2 stock split (i.e. 1 new Share for every 1 existing share):

$$S_{t-1} = \$100$$

$$S_t = \$51$$

$$Div_t = \$0$$

$$DivExc_t = \$0$$

M = 1 (i.e. 1 new Shares for 1 existing Share)

R = \$0 (no subscription price / redemption price)

$$Rfactor_t = \left[1 - \frac{0 + 0 - 2 \times 0}{100} \right] \times \frac{1}{1 + 1} = 50\%$$

As a consequence:

$$LR_{t-1,t} = \text{Leverage} \times \left(\frac{S_t}{S_{t-1} \times Rfactor_t} - 1 \right) = -5 \times \left(\frac{51}{100 \times 50\%} - 1 \right) = -10\%$$

| S_{t-1} | $S_{t-1} \times Rfactor_t$ | S_t | Adjusted Underlying Stock Performance |
|-----------|----------------------------|-------|---------------------------------------|
| 100 | 50 | 51 | 2% |

| Value of the Certificate (t-1) | Value of the Certificate (t) | Certificates' performance (excluding any cost and fees) |
|--------------------------------|------------------------------|---|
| 2.2 | 1.98 | -10% |

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to \$57.5, which is 15% above \$50, the Underlying Stock Reference Price.

2. Share Consolidation

Assuming the Underlying Stock is subject to a 2 to 1 share consolidation (i.e. 1 Share canceled for every 2 existing Shares):

$$S_{t-1} = \$100$$

$$S_t = \$202$$

$$\text{Div}_t = \$0$$

$$\text{DivExc}_t = \$0$$

M = -0.5 (i.e. 0.5 Shares canceled for each 1 existing Share)

R = \$0 (no subscription price / redemption price)

$$Rfactor_t = \left[1 - \frac{0 + 0 - (-0.5) \times 0}{100} \right] \times \frac{1}{1 + (-0.5)} = 200\%$$

As a consequence:

$$LR_{t-1,t} = \text{Leverage} \times \left(\frac{S_t}{S_{t-1} \times Rfactor_t} - 1 \right) = -5 \times \left(\frac{202}{100 \times 200\%} - 1 \right) = -5\%$$

| S_{t-1} | $S_{t-1} \times Rfactor_t$ | S_t | Adjusted Underlying |
|-----------|----------------------------|-------|---------------------|
|-----------|----------------------------|-------|---------------------|

| | | | |
|-----|-----|-----|-------------------|
| | | | Stock Performance |
| 100 | 200 | 202 | 1% |

| Value of the Certificate (t-1) | Value of the Certificate (t) | Certificates' performance (excluding any cost and fees) |
|--------------------------------|------------------------------|--|
| 2.2 | 2.09 | -5% |

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to \$230, which is 15% above \$200, the Underlying Stock Reference Price.

3. Rights Issues

Assuming there is a rights issue with respect to the Underlying Stock, with a right to receive 1 new Share for every 2 existing Shares, for a subscription price of \$40.

$$S_{t-1} = \$100$$

$$S_t = \$84$$

$$\text{Div}_t = \$0$$

$$\text{DivExc}_t = \$0$$

$$R = \$40 \text{ (i.e. subscription price of \$40)}$$

$$M = 0.5 \text{ (i.e. 1 new share for every 2 existing shares)}$$

$$Rfactor_t = \left[1 - \frac{0 + 0 - 0.5 \times 40}{100} \right] \times \frac{1}{1 + 0.5} = 80\%$$

As a consequence:

$$LR_{t-1,t} = \text{Leverage} \times \left(\frac{S_t}{S_{t-1} \times Rfactor_t} - 1 \right) = -5 \times \left(\frac{84}{100 \times 80\%} - 1 \right) = -25\%$$

| S_{t-1} | $S_{t-1} \times Rfactor_t$ | S_t | Adjusted Underlying Stock Performance |
|-----------|----------------------------|-------|--|
| 100 | 80 | 84 | 5% |

| Value of the Certificate (t-1) | Value of the Certificate (t) | Certificates' performance (excluding any cost and fees) |
|--------------------------------|------------------------------|--|
| 2.2 | 1.65 | -25% |

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to \$92, which is 15% above \$80, the Underlying Stock Reference Price.

4. Bonus Issues

Assuming there is a bonus issue with respect to the Underlying Stock, where shareholders receive 1 bonus share for 5 existing shares:

$$S_{t-1} = \$100$$

$$S_t = \$85$$

$$\text{Div}_t = \$0$$

$$\text{DivExc}_t = \$0$$

$$R = \$0$$

$$M = 0.2 \text{ (i.e. 1 new share for 5 existing shares)}$$

$$Rfactor_t = \left[1 - \frac{0 + 0 - 0.2 \times 0}{100} \right] \times \frac{1}{1 + 0.2} = 83.33\%$$

As a consequence:

$$LR_{t-1,t} = \text{Leverage} \times \left(\frac{S_t}{S_{t-1} \times Rfactor_t} - 1 \right) = -5 \times \left(\frac{85}{100 \times 83.33\%} - 1 \right) = -10\%$$

| S_{t-1} | $S_{t-1} \times Rfactor_t$ | S_t | Adjusted Underlying Stock Performance |
|-----------|----------------------------|-------|---------------------------------------|
| 100 | 83.33 | 85 | 2% |

| Value of the Certificate (t-1) | Value of the Certificate (t) | Certificates' performance (excluding any cost and fees) |
|--------------------------------|------------------------------|---|
| 2.2 | 1.98 | -10% |

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to \$95.83, which is 15% above \$83.33, the Underlying Stock Reference Price.

5. Extraordinary Dividend

Assuming there is an extraordinary dividend of \$20 (net of taxes) paid in respect of each stock.

$$S_{t-1} = \$100$$

$$S_t = \$84$$

$$\text{Div}_t = \$0$$

$$\text{DivExc}_t = \$20$$

$$R = \$0$$

$$M = 0$$

$$Rfactor_t = \left[1 - \frac{0 + 20 - 0 \times 0}{100} \right] \times \frac{1}{1 + 0} = 80\%$$

As a consequence:

$$LR_{t-1,t} = \text{Leverage} \times \left(\frac{S_t}{S_{t-1} \times Rfactor_t} - 1 \right) = -5 \times \left(\frac{84}{100 \times 80\%} - 1 \right) = -25\%$$

| S_{t-1} | $S_{t-1} \times Rfactor_t$ | S_t | Adjusted Underlying Stock Performance |
|-----------|----------------------------|-------|--|
| 100 | 80 | 84 | 5% |

| Value of the Certificate (t-1) | Value of the Certificate (t) | Certificates' performance (excluding any cost and fees) |
|--------------------------------|------------------------------|--|
| 2.2 | 1.65 | -25% |

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to \$92, which is 15% above \$80, the Underlying Stock Reference Price.

INFORMATION RELATING TO THE COMPANY

All information contained in this document regarding the Company, including, without limitation, its financial information, is derived from publicly available information which appears on the web-site of Hong Kong Exchanges and Clearing Limited (the “HKExCL”) at <http://www.hkex.com.hk>. The Issuer has not independently verified any of such information.

Hong Kong Exchanges and Clearing Limited (the “**Company**”) is principally engaged in the operation of stock exchanges. The Company operates through five business segments. The Cash segment includes various equity products traded on the Cash Market platforms, the Shanghai Stock Exchange and the Shenzhen Stock Exchange. The Equity and Financial Derivatives segment includes derivatives products traded on Hong Kong Futures Exchange Limited (HKFE) and the Stock Exchange of Hong Kong Limited (SEHK) and other related activities. The Commodities segment includes the operations of the London Metal Exchange (LME). The Clearing segment includes the operations of various clearing houses, such as Hong Kong Securities Clearing Company Limited, the SEHK Options Clearing House Limited, HKFE Clearing Corporation Limited, over the counter (OTC) Clearing Hong Kong Limited and LME Clear Limited. The Platform and Infrastructure segment provides users with access to the platform and infrastructure of the Company.

The information set out in the Appendix to this document relates to the unaudited consolidated financial statements of the Company and its subsidiaries for the three months ended 31 March 2020 and has been extracted and reproduced from an announcement by the Company dated 7 May 2020 in relation to the same. Further information relating to the Company may be located on the web-site of the HKExCL at <http://www.hkex.com.hk>.

INFORMATION RELATING TO THE DESIGNATED MARKET MAKER

Société Générale has been appointed the designated market maker (“**DMM**”) for the Certificates. The DMM will provide competitive buy and sell quotes for the Certificates continuously during the trading hours of the SGX-ST on the following basis:

- (a) Maximum bid and offer spread : 10 ticks or S\$0.20 whichever is greater
- (b) Minimum quantity subject to bid and offer spread : 10,000 Certificates
- (c) Last Trading Day for Market Making : The date falling 5 Exchange Business Days immediately preceding the Expiry Date

In addition, the DMM may not provide a quotation in the following circumstances:

- (i) during the pre-market opening and five minutes following the opening of the SGX-ST on any trading day;
- (ii) if the Certificates are valueless (where the Issuer’s bid price is below the minimum bid size for such securities as prescribed by the SGX-ST);
- (iii) before the Relevant Stock Exchange for the Underlying Stock has opened and after the Relevant Stock Exchange for the Underlying Stock has closed on any trading day;
- (iv) when trading in the Underlying Stock is suspended or limited in a material way for any reason, for the avoidance of doubt, the DMM is not obliged to provide quotations for the Certificates at any time when the Underlying Stock is not negotiated/traded for any reason;
- (v) where the Certificates are suspended from trading for any reason;
- (vi) market disruption events, including, without limitation, any suspension of or limitation imposed on trading (including but not limited to unforeseen circumstances such as by reason of movements in price exceeding limits permitted by the SGX-ST or any act of God, war, riot, public disorder, explosion, terrorism or otherwise) in the Underlying Stock;
- (vii) where the Issuer or the DMM faces technical problems affecting the ability of the DMM to provide bids and offer quotations;
- (viii) where the ability of the Issuer to source a hedge or unwind an existing hedge, as determined by the Issuer in good faith, is materially affected by the prevailing market conditions, and the Issuer informs the SGX-ST of its inability to do so as soon as practicable;
- (ix) in cases where the Issuer has no Certificates to sell, then the DMM will only provide the bid price;
- (x) if the stock market experiences exceptional price movement and volatility;
- (xi) when it is a public holiday in Singapore and/or Hong Kong and/or the SGX-ST and/or the HKEX are not open for dealings; and
- (xii) during the suspension of trading of Certificates after an Air Bag Mechanism has been triggered.

The last trading day on which the DMM will provide competitive quotations for the Certificates would be the fifth Exchange Business Day immediately preceding the Expiry Date.

SUPPLEMENTAL GENERAL INFORMATION

The information set out herein is supplemental to, and should be read in conjunction with, the information set out on page 105 of the Base Listing Document.

1. Save as disclosed in this document and the Base Listing Document, neither the Issuer nor the Guarantor is involved in any legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer or the Guarantor is aware) which may have or have had in the previous 12 months a significant effect on the financial position of the Issuer or the Guarantor in the context of the issuance of the Certificates.
2. Settlement of trades done on a normal “ready basis” on the SGX-ST generally take place on the second Business Day following the transaction. Dealing in the Certificates will take place in Board Lots in Singapore dollars. For further details on the transfer of Certificates and their exercise, please refer to the section headed “Summary of the Issue” above.
3. It is not the current intention of the Issuer to apply for a listing of the Certificates on any stock exchange other than the SGX-ST.
4. Save as disclosed in the Base Listing Document and herein, there has been no material adverse change in the financial position or prospects of the Issuer since 31 December 2019 or the Guarantor since 31 March 2020, in the context of the issuance of Certificates hereunder.
5. The following contracts, relating to the issue of the Certificates, have been or will be entered into by the Issuer and/or the Guarantor and may be material to the issue of the Certificates:
 - (a) the Guarantee;
 - (b) the Master Instrument; and
 - (c) the Master Warrant Agent Agreement.

None of the directors of the Issuer and the Guarantor has any direct or indirect interest in any of the above contracts.

6. The Auditors of the Issuer and the Guarantor have given and have not withdrawn their written agreement to the inclusion of the report, included herein, in the form and context in which it is included. Their report was not prepared exclusively for incorporation into this document.

The Auditors of the Issuer and the Guarantor have no shareholding in the Issuer or the Guarantor or any of its subsidiaries, nor do they have the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of the Issuer or the Guarantor or any of its subsidiaries.

7. The Certificates are not fully covered by the Underlying Stock held by Issuer or a trustee for and on behalf of the Issuer. The Issuer has appropriate risk management capabilities to manage the issue of the Certificates.
8. Société Générale, Singapore Branch, currently of 8 Marina Boulevard, #12-01 Marina Bay Financial Centre Tower 1, Singapore 018981, has been authorised to accept, on behalf of the Issuer and the Guarantor, service of process and any other notices required to be served on the Issuer or the Guarantor. Any notices required to be served on the Issuer or the Guarantor should be sent to Société Générale at the above address for the attention of Société Générale Legal Department.

9. Copies of the following documents may be inspected during usual business hours on any weekday (Saturdays, Sundays and holidays excepted) at the offices of Société Générale, Singapore Branch at 8 Marina Boulevard, #12-01 Marina Bay Financial Centre Tower 1, Singapore 018981, during the period of 14 days from the date of this document:
- (a) the Memorandum and Articles of Association of the Issuer and the Constitutional Documents of the Guarantor;
 - (b) the latest financial reports (including the notes thereto) of the Issuer;
 - (c) the latest financial reports (including the notes thereto) of the Guarantor;
 - (d) the consent letters from the Auditors to the Issuer and the Guarantor referred to in paragraph 6 above;
 - (e) the Base Listing Document;
 - (f) this document; and
 - (g) the Guarantee.

PLACING AND SALE

General

No action has been or will be taken by the Issuer that would permit a public offering of the Certificates or possession or distribution of any offering material in relation to the Certificates in any jurisdiction where action for that purpose is required. No offers, sales or deliveries of any Certificates, or distribution of any offering material relating to the Certificates may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws or regulations and will not impose any obligation on the Issuer. In the event that the Issuer contemplates a placing, placing fees may be payable in connection with the issue and the Issuer may at its discretion allow discounts to placees.

Each Certificate Holder undertakes that it will inform any subsequent purchaser of the terms and conditions of the Certificates and all such subsequent purchasers as may purchase such securities from time to time shall be deemed to be a Certificate Holder for the purposes of the Certificates and shall be bound by the terms and conditions of the Certificates.

Singapore

This document has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Certificates may not be circulated or distributed, nor may Certificates be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than pursuant to, and in accordance with the conditions of, any applicable provision of the Securities and Futures Act, Chapter 289 of Singapore.

Hong Kong

Each dealer has represented and agreed, and each further dealer appointed in respect of the Certificates and each other purchaser 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 Certificates (except for Certificates which are a "structured product" as defined in the Securities and Futures Ordinance (Cap.571) of Hong Kong) other than (i) to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance; 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 (CWUMPO) or which do not constitute an offer to the public within the meaning of that Ordinance; 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 Certificates, 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 Certificates which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

European Economic Area and the United Kingdom

Each dealer represents and agrees, and each further dealer appointed in respect of the

Certificates 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 Certificates which are the subject of the offering as contemplated by this document to any retail investor in the European Economic Area or in the United Kingdom. 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 2016/97/EU (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 and superseded, 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 Certificates to be offered so as to enable an investor to decide to purchase or subscribe the Certificates.

In respect of the United Kingdom, each dealer has further represented and agreed, and each further dealer appointed in respect of the Certificates will be required to further represent and agree, that:

- (a) in respect to Certificates having 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 Certificates other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or 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 Certificates would otherwise constitute a contravention of Section 19 of Financial Services and Markets Act, as amended (the “**FSMA**”) by the Issuer;
- (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 Certificates 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 Certificates in, from or otherwise involving the United Kingdom.

United States

The Certificates 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 any state securities law, and trading in the Certificates has not been approved by the United States Commodity Futures Trading Commission (the “**CFTC**”) under the United States Commodity Exchange Act of 1936, as amended (the “**Commodity Exchange Act**”) and the Issuer will not be registered as an investment company under the United States Investment Company Act of 1940, as amended, and the rules and regulations thereunder. None of the Securities and Exchange Commission, any state securities commission or regulatory authority or any other United States, French or other regulatory authority has approved or

disapproved of the Certificates or the Guarantee or passed upon the accuracy or adequacy of this document. Accordingly, Certificates, or interests therein, may not at any time be offered, sold, resold, traded, pledged, exercised, redeemed, transferred or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, nor may any U.S. person at any time trade, own, hold or maintain a position in the Certificates or any interests therein. In addition, in the absence of relief from the CFTC, offers, sales, re-sales, trades, pledges, exercises, redemptions, transfers or deliveries of Certificates, or interests therein, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, may constitute a violation of United States law governing commodities trading and commodity pools. Consequently, any offer, sale, resale, trade, pledge, exercise, redemption, transfer or delivery made, directly or indirectly, within the United States or to, or for the account or benefit of, a U.S. person will not be recognised.

Each dealer has represented and agreed, and each further dealer will be required to represent and agree, that it has not and will not at any time offer, sell, resell, trade, pledge, exercise, redeem, transfer or deliver, directly or indirectly, Certificates in the United States or to, or for the account or benefit of, any U.S. person or to others for offer, sale, resale, trade, pledge, exercise, redeem, transfer or delivery, directly or indirectly, in the United States or to, or for the account or benefit of, any such U.S. person. Any person purchasing Certificates of any tranches must agree with the relevant dealer or the seller of such Certificates that (i) it will not at any time offer, sell, resell, trade, pledge, exercise, redeem, transfer or deliver, directly or indirectly, any Certificates in the United States or to, or for the account or benefit of, any U.S. person or to others for offer, sale, resale, trade, pledge, exercise, redemption, transfer or delivery, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person, and (ii) it is not purchasing any Certificates for the account or benefit of any U.S. person.

Exercise or otherwise redemption of Certificates will be conditional upon certification that each person exercising or otherwise redeeming a Certificate is not a U.S. person or in the United States and that the Certificate is not being exercised or otherwise redeemed on behalf of a U.S. person. No payment will be made to accounts of holders of the Certificates located in the United States.

As used in the preceding paragraphs, the term “**United States**” includes the territories, the possessions and all other areas subject to the jurisdiction of the United States of America, and the term “**U.S. person**” means any person who is (i) a U.S. person as defined under Regulation S under the Securities Act, (ii) a U.S. person as defined in paragraph 7701(a)(30) of the Internal Revenue Code of 1986, or (iii) a person who comes within any definition of U.S. person for the purposes of the United States Commodity Exchange Act of 1936, as amended (the “CEA”) or any rules thereunder of the CFTC (the “**CFTC Rules**”), guidance or order proposed or issued under the CEA (for the avoidance of doubt, any person who is not a “Non-United States person” defined under CFTC Rule 4.7(a)(1)(iv), but excluding, for purposes of subsection (D) thereof, the exception for qualified eligible persons who are not “Non-United States persons”, shall be considered a U.S. person).

APPENDIX

REPRODUCTION OF THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2020 OF HONG KONG EXCHANGES AND CLEARING LIMITED AND ITS SUBSIDIARIES

The information set out below is a reproduction of the unaudited consolidated financial statements of the Company and its subsidiaries for the three months ended 31 March 2020 and has been extracted and reproduced from an announcement by the Company dated 7 May 2020 in relation to the same.

Pursuant to Chapter 38 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Securities and Futures Commission regulates Hong Kong Exchanges and Clearing Limited in relation to the listing of its shares on The Stock Exchange of Hong Kong Limited. The Securities and Futures Commission takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness, and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



香港交易及結算所有限公司
HONG KONG EXCHANGES AND CLEARING LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock Code: 388)

(Financial figures in this announcement are expressed in Hong Kong dollar (HKD) unless otherwise stated)

QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2020

HIGHLIGHTS

Charles Li, Chief Executive said:

“Our focus in these extraordinary times has been on maintaining resilient and fully functioning fair and orderly financial markets. Despite one of the most volatile and uncertain periods in recent times, HKEX core businesses in Cash, Derivatives and Commodities have had a good quarter, reflecting record Stock Connect and Bond Connect quarterly volumes and 39 new company listings, ranking HKEX first in the world for number of IPOs in Q1 2020. We have not been unaffected by the macroeconomic conditions however, with the significant fall in global portfolio valuations impacting our investment income, though we have, and continue to take steps to de-risk our collective investment schemes. We are on track with our Strategic Plan 2019-2021, well-placed to capture future growth opportunities, and fully focused on managing our costs and risks. I am confident that HKEX is well-prepared for the challenges ahead of us.”

Strategic Highlights

- Hong Kong's initial public offering (IPO) market ranked first globally by number of IPOs in Q1¹ 2020 (39 new company listings) and fourth globally by IPO funds raised (\$14.4 billion)
- Southbound Trading Investor Identification Regime was successfully rolled out on 13 January 2020, facilitating enhanced orderly operation and regulation of Stock Connect
- Bond Connect ADT reached a record quarterly high of RMB19.3 billion, more than triple that of Q1 2019
- Cash Market Volatility Control Mechanism (VCM) Phase 1 enhancement, covering expanded VCM stock coverage and tiered triggering thresholds, will be launched on 11 May 2020
- HKEX welcomed its first Iron Ore Futures Exchange Traded Fund (ETF) in March, another important step in building a diverse ETF ecosystem in Hong Kong
- HKEX is working closely with the HKSAR Government to introduce stamp duty waiver on stock transfers paid by ETF Market Makers when creating and redeeming ETF units, as proposed in the 2020-21 Budget delivered by the Hong Kong Financial Secretary in February
- A number of further initiatives and innovations during the quarter were implemented including the introduction of a virtual IPO ceremony option for newly listed issuers; and HKEX's elevation to World Economic Forum Strategic Partner

Business Continuity and Operational Resilience

HKEX as both a listed company, and operator of regulated exchanges and central clearing counterparties, recognises the important role it plays as corporate and in global financial markets. In response to the COVID-19 outbreak, the following measures have been adopted:

- Focused programmes to minimise contagion risk to staff and customers; and full function and continuation of operations. All critical services have remained operational with no material impact to service levels
- Adoption of an established and comprehensive business continuity planning (BCP) and operational framework to ensure service resiliency, availability and stability across HKEX platforms
- The LME successfully transitioned trading on the Ring to electronic pricing platform, temporarily
- Operational processes have remained resilient and robust, responding to increased market volatility, demands on counterparty risk and the smooth execution of settlement activity

1 Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter, 1H = first half, 2H = second half

Financial Highlights

- Q1 2020 revenue and other income was 7 per cent lower than Q1 2019 (7 per cent higher than Q4 2019)
 - Core business revenue was up 19 per cent against Q1 2019, driven by a 20 per cent increase in headline ADT, resulting in an increase in trading and clearing fees
 - Q1 2020 Stock Connect revenue and other income reached a record quarterly high of \$404 million, up 74 per cent on Q1 2019. Northbound and Southbound ADT reached quarterly highs of RMB78.0 billion and \$21.6 billion respectively
 - Net investment loss was \$47 million (Q1 2019: income of \$882 million) due, predominantly to the macro-driven impact on the fair value of collective investment schemes
- Operating expenses were 6 per cent higher than Q1 2019 (11 per cent lower than Q4 2019), attributable to annual payroll adjustments and increased headcount arising from the acquisition of BayConnect Technology Company Limited (BayConnect) in June 2019, and higher professional fees incurred for strategic projects and other business initiatives
- EBITDA² margin was 74 per cent, 3 per cent lower than Q1 2019 (5 per cent higher than Q4 2019)
- Profit attributable to shareholders was \$2,262 million, 13 per cent lower than Q1 2019 (14 per cent higher than Q4 2019)

Key Financials

| | Q1 2020 \$m | Q1 2019 \$m | Change |
|-------------------------------------|----------------|----------------|--------|
| Revenue and other income | | | |
| Core business revenue | 4,056 | 3,406 | 19% |
| Net Investment (loss)/income | (47) | 882 | N/A |
| | 4,009 | 4,288 | (7%) |
| Operating expenses | 1,025 | 970 | 6% |
| EBITDA | 2,984 | 3,318 | (10%) |
| Profit attributable to shareholders | 2,262 | 2,608 | (13%) |
| Basic earnings per share | \$1.80 | \$2.09 | (14%) |

Key Market Statistics

| | Q1 2020 | Q1 2019 | Change |
|---|--------------|---------|--------|
| ADT of equity products traded on the Stock Exchange (\$bn) | 103.4 | 74.3 | 39% |
| ADT of DWs, CBBCs and warrants traded on the Stock Exchange (\$bn) | 17.5 | 26.8 | (35%) |
| ADT traded on the Stock Exchange (Headline ADT) (\$bn) | 120.9 | 101.1 | 20% |
| ADT of Northbound Trading of Stock Connect (RMBbn) | 78.0* | 38.5 | 103% |
| ADV of derivatives contracts traded on the Futures Exchange ('000 contracts) | 761* | 659 | 15% |
| ADV of stock options contracts traded on the Stock Exchange ('000 contracts) | 537 | 528 | 2% |
| Chargeable ADV ³ of metals contracts traded on the LME ('000 lots) | 682 | 611 | 12% |
| ADT of Bond Connect (RMBbn) | 19.3* | 5.9 | 227% |

* New record quarterly high in Q1 2020

² For the purposes of this announcement, EBITDA is defined as earnings before interest expenses and other finance costs, taxation, depreciation and amortisation. It excludes the Group's share of results of the joint ventures.

³ Chargeable ADV excludes administrative trades (Admin Trades) and other non-chargeable trades. Admin Trades were introduced in 2017 to meet requirements resulting from Markets in Financial Instruments Directive (MIFID) II.

BUSINESS REVIEW

Overview

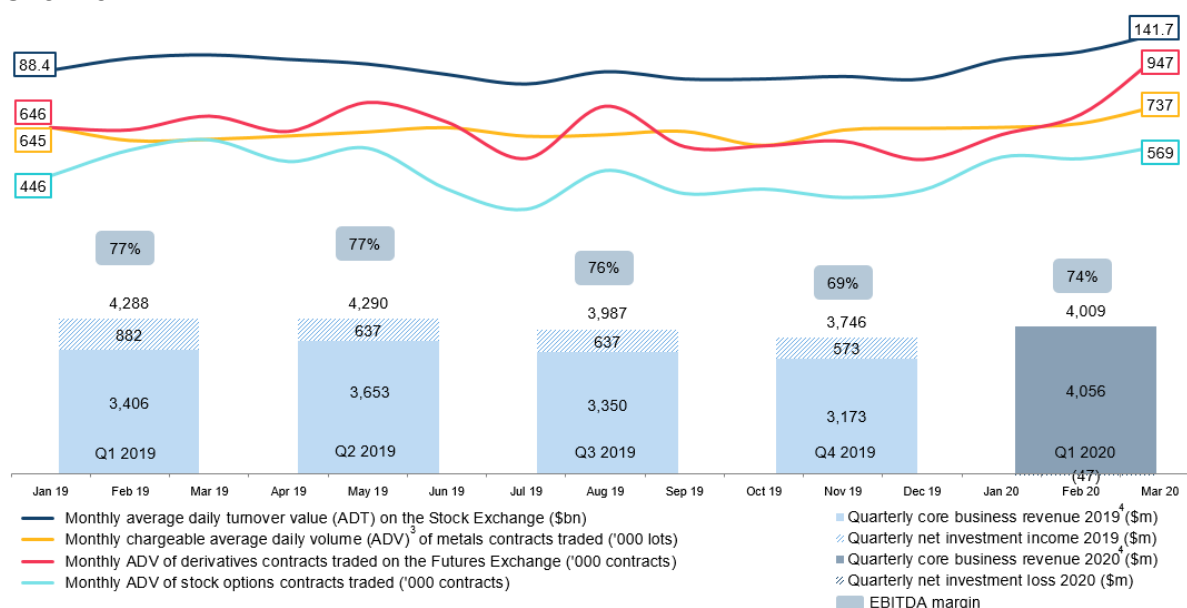


Figure 1 – Market activity and Group's⁵ revenue and other income/(loss)

HKEX's Cash, Derivatives and Commodities businesses demonstrated their robustness and resiliency, performing well in Q1 2020, despite the volatile economic and market conditions, and the global COVID-19 outbreak. Headline ADT⁶ rose to \$120.9 billion, 57 per cent and 20 per cent above Q4 2019 and Q1 2019 respectively. Stock Connect saw record quarterly revenue and other income in Q1 2020, with Northbound and Southbound Trading volumes reaching record quarterly highs. With the increased volatility in global markets, trading volumes in the Derivatives and Commodities Markets also registered moderate growth in Q1 2020 compared with Q1 2019. Despite the market uncertainties, HKEX welcomed 39 new company listings in Q1 2020, leading the global exchanges by number of IPOs.

Notwithstanding the higher trading volumes, revenue and other income for Q1 2020 was 7 per cent lower than Q1 2019, as the increase in trading and clearing fees was more than offset by the fair value losses on collective investment schemes of \$521 million (which saw record gains of \$390 million in Q1 2019) due to the sharp sell-off in both global equities and fixed income markets, especially in the month of March. That said, compared with Q4 2019, revenue and other income in Q1 2020 was strongly up 7 per cent, driven by the stronger trading volumes.

Operating expenses increased by 6 per cent against Q1 2019, but were 11 per cent lower than Q4 2019. Compared with Q1 2019, the increase was attributable to annual payroll adjustments and increased headcount arising from the acquisition of BayConnect in June 2019, and higher professional fees incurred for strategic projects and other business initiatives.

In response to continued uncertainties in market and economic conditions caused by the global COVID-19 outbreak, while the Group is maintaining its focus on pursuing initiatives under the Strategic Plan 2019-2021, a more prudent approach to expenditure control and risk management is being adopted. In addition, de-risking actions have been taken on the collective investment schemes in line with changes in market conditions. These measures will be kept under review and revised as market and economic conditions evolve over the coming months.

⁴ Includes revenue and sundry income

⁵ HKEX and its subsidiaries, which include The Stock Exchange of Hong Kong Limited (SEHK or the Stock Exchange), Hong Kong Futures Exchange Limited (HKFE or the Futures Exchange), Hong Kong Securities Clearing Company Limited (HKSCC), HKFE Clearing Corporation Limited (HKCC), The SEHK Options Clearing House Limited (SECH), OTC Clearing Hong Kong Limited (OTC Clear), The London Metal Exchange (LME), LME Clear Limited (LME Clear) and other subsidiaries

⁶ ADT of equity products, Derivative Warrants (DWs), Callable Bull/Bear Contracts (CBCBs) and warrants traded on the Stock Exchange

Business Update and Analysis of Results by Operating Segment

| | Q1 2020 | | Q1 2019 | |
|----------------------------------|---------------------------------|---------------|---------------------------------|---------------|
| | Revenue and other income \$m | EBITDA \$m | Revenue and other income \$m | EBITDA \$m |
| Results by segment: | | | | |
| Cash | 1,162 | 1,027 | 915 | 767 |
| Equity and Financial Derivatives | 898 | 741 | 862 | 710 |
| Commodities | 403 | 238 | 349 | 189 |
| Post Trade | 1,752 | 1,535 | 1,475 | 1,267 |
| Technology | 212 | 143 | 171 | 121 |
| Corporate Items | (418) | (700) | 516 | 264 |
| | 4,009 | 2,984 | 4,288 | 3,318 |

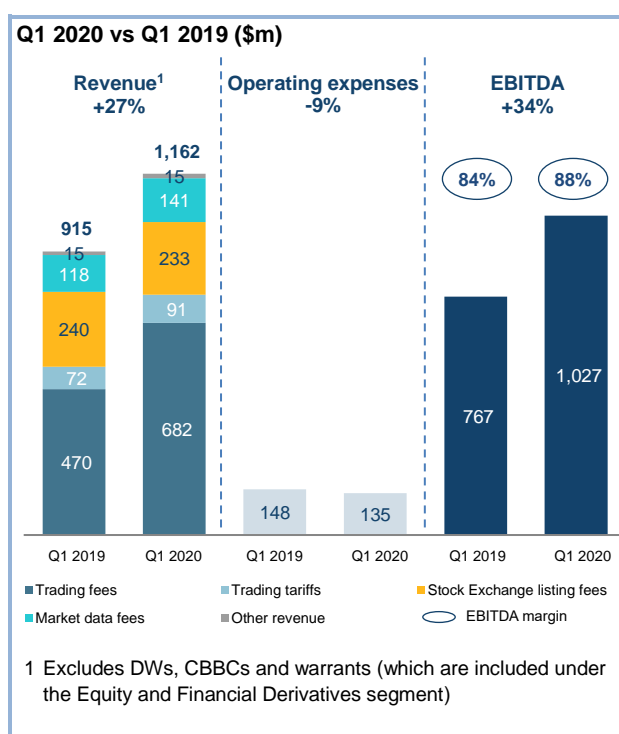
Cash Segment

Analysis of Results

Trading fees increased by \$212 million (45 per cent), more than the 39 per cent rise in equity products ADT. This was primarily due to more trading days and record fees from Stock Connect Northbound Trading. Trading tariffs rose by 26 per cent, in line with the increase in the number of trades of equity products.

Stock Exchange listing fees dropped by \$7 million, attributable to an \$11 million decrease in initial listing fees from fewer forfeitures, partly offset by an increase in annual listing fees of \$4 million from a higher number of listed companies.

Operating expenses decreased by 9 per cent due to lower allocated costs of the Listing Division to this segment. This reflects the decrease in listing fees from equities, compared with the increase in listing fees from DWs and CBBCs, which are under the Equity and Financial Derivatives segment.



Business Update

Financial markets have been significantly impacted by the global COVID-19 outbreak. Nevertheless, amid heightened volatility in the global markets, the Hong Kong Cash Market performed resiliently, with headline ADT reaching \$120.9 billion in Q1 2020, an increase of 57 per cent against Q4 2019 and 20 per cent against Q1 2019.

Stock Connect experienced strong two-way flow in Q1 2020 with record quarterly turnover in both Northbound and Southbound Trading. ADT of Northbound Trading of RMB78.0 billion was 57 per cent higher than the previous record achieved in Q2 2019, and ADT of Southbound Trading of \$21.6 billion was 10 per cent higher than the previous record achieved in Q1 2018. In addition, Northbound Trading turnover reached the second highest daily record at RMB113.4 billion on 28 February 2020, and Southbound Trading turnover reached a daily record high of \$46.3 billion on 19 March 2020. As a result, Stock Connect generated record quarterly revenue and other income of \$404 million (Q1 2019: \$232 million), of which \$319 million (Q1 2019: \$168 million) arose from trading and clearing activities.

On 13 January 2020, the investor identification regime for Southbound Trading was successfully launched, facilitating enhanced market surveillance and orderly operation of Stock Connect.

On 6 March 2020, HKEX announced the proposed implementation details of the enhancements to the Pre-opening Session (POS) and Volatility Control Mechanism (VCM) in the Hong Kong Cash Market. The target launch date of the enhanced POS is Q4 2020. VCM enhancement will adopt a two-phase implementation approach. Phase 1 enhancement, which includes further securities coverage expansion and tiered triggering thresholds, will be launched on 11 May 2020. Phase 2 enhancement, which allows multiple triggers, is subject to market operations' review, to be conducted six months after the launch of Phase 1. To facilitate market participants' understanding of the implementation details of the two initiatives and to prepare for the launch, a designated POS and VCM information centre has been set up in the HKEX website.

ADT of Exchange Traded Products (ETPs), which includes ETFs and Leveraged and Inverse Products (L&I Products), rose to \$7.8 billion in Q1 2020 (Q1 2019: \$4.6 billion), signifying growing market interest in ETPs. In particular, ADT of L&I Products more than quintupled from \$297 million in Q1 2019 to \$1.6 billion in Q1 2020, a quarterly record high since the launch of L&I Products in 2016. On 19 March 2020, L&I Products reached a daily record high turnover of \$4.0 billion. In addition, the first Iron Ore Futures ETF was listed on the Stock Exchange on 27 March 2020.

| Key Market Indicators | Q1 | |
|---|-------------------------|-------|
| | 2020 | 2019 |
| ADT of equity products traded on the Stock Exchange ^{1,2} (\$bn) | 103.4 | 74.3 |
| ADT of Northbound Trading – Shanghai-Hong Kong Stock Connect ² (RMBbn) | 33.9⁴ | 20.7 |
| ADT of Northbound Trading – Shenzhen-Hong Kong Stock Connect ² (RMBbn) | 44.1⁴ | 17.8 |
| ADT of Bond Connect (RMBbn) | 19.3⁴ | 5.9 |
| Average daily number of trades of equity products traded on the Stock Exchange ^{1,2} ('000) | 1,553 | 1,254 |
| Number of newly listed companies on the Main Board ³ | 37 | 38 |
| Number of newly listed companies on GEM | 2 | 5 |
| Total equity funds raised | | |
| - IPOs (\$bn) | 14.4 | 21.2 |
| - Post-IPO (\$bn) | 80.7 | 22.2 |
| Number of companies listed on the Main Board at 31 Mar | 2,096 | 1,959 |
| Number of companies listed on GEM at 31 Mar | 377 | 387 |
| Number of trading days | 62 | 60 |
| ¹ Excludes \$17.5 billion (Q1 2019: \$26.8 billion) of ADT of DWs, CBBs and warrants (which are included under the Equity and Financial Derivatives segment) and includes \$12.9 billion (Q1 2019: \$7.5 billion) of ADT of Southbound Trading under Shanghai-Hong Kong Stock Connect and \$8.7 billion ⁴ (Q1 2019: \$4.3 billion) under Shenzhen-Hong Kong Stock Connect | | |
| ² Includes buy and sell trades under Stock Connect | | |
| ³ Includes 2 transfers from GEM (Q1 2019: 6) | | |
| ⁴ New record quarterly high in Q1 2020 | | |

Hong Kong continues to thrive as a popular destination for issuers. In Q1 2020, HKEX welcomed 39 listed companies (including one new biotech company listed under Chapter 18A), raising a total of \$14.4 billion. Despite the global COVID-19 outbreak, Hong Kong ranked first globally⁷ by number of IPOs and fourth globally⁷ by IPO funds raised.

During Q1 2020, HKEX expanded its outreach and engagement with issuers and market participants through various digital channels, conducting its first “virtual listing ceremony” on 23 March 2020. This innovation received positive market feedback and is now available for new issuers listing on our markets.

In Q1 2020, Bond Connect saw a substantial increase in both trading volumes and the number of investors, partly attributable to the recent inclusion of Chinese government bonds into the JPMorgan Government Bond Index-Emerging Markets indices from 28 February 2020. ADT rose to RMB19.3 billion in Q1 2020, more than triple that of Q1 2019 (RMB5.9 billion), with a new daily record turnover of RMB36.9 billion on 19 March 2020. As of the end of March 2020, Bond Connect had expanded its coverage globally, with a total of 1,818 approved institutional investors, up 14 per cent from 1,601 as of 31 December 2019.

In March 2020, Bond Connect started to support special settlement cycles and recycling settlement. Special settlement cycles allow investors across different regions in the world with different local holiday arrangements to settle trades on T+4 and beyond, mitigating operational risks. Recycling settlement service allows investors to opt for recycling settlement within the next three business days following the original contracted settlement date should a trade fails to settle on schedule.

As part of our commitment to further develop and enhance the fixed income markets, HKEX published a paper in February 2020 on retail bond offerings in Hong Kong, covering details on issuing channels, listing requirements and the post trade settlement process.

On 31 January 2020, the Stock Exchange published a Consultation Paper on Corporate WVR Beneficiaries seeking public feedback on a proposal to allow corporate entities to benefit from weighted voting rights (WVR), subject to additional conditions and investor safeguards. The proposal builds on reforms to the Hong Kong listing regime that were implemented in April 2018, and aims to enhance global competitiveness and encourage the development of innovative businesses.

In light of the global COVID-19 outbreak, on 4 February 2020, the Securities and Futures Commission (SFC) and the Stock Exchange issued a joint statement in relation to listed issuers’ results announcements. This was followed by the issuance of a set of Frequently Asked Questions (FAQs) on 28 February 2020 to provide guidance on the publication of preliminary results announcements due on 31 March 2020. The joint statement encouraged listed issuers to consult with the Stock Exchange on the financial information that an issuer may publish if it is unable to obtain agreement from its auditors on its preliminary results, with a view to minimising disruptions to trading while ensuring that the investing public continues to receive sufficient information to make informed investment decisions. On 16 March 2020, the SFC and the Stock Exchange released further guidance for listed issuers with 31 December financial year-end on the publication of their preliminary results and annual reports.

On 1 April 2020, after consulting with the HKSAR Government, the SFC and the Stock Exchange published a joint statement in relation to general meetings in light of the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation. The statement gave guidance that, as well as annual general meetings, certain extraordinary general meetings and special general meetings of listed issuers were also exempted from the Government’s gathering ban. Despite the exemption, the SFC and the Exchange have determined that it is appropriate for listed issuers to consider the guidelines developed on “adjournment or delay”, “management of physical meetings” and “shareholders communication” when deciding on the timing of their general meetings and the manner in which such meetings are held. The SFC and the Exchange will continue to monitor the situation as it evolves and will issue further guidance if appropriate.

⁷ Source: Dealogic

In addition, the Stock Exchange published the following guidance materials during Q1 2020:

- On Environmental, Social and Governance (ESG) matters: an e-training course “Exchange’s New ESG Requirements”; a new guide for board and directors titled “Leadership role and accountability in ESG”; the step-by-step ESG reporting guidance entitled “How to prepare an ESG report”; and FAQs Series 18. These aim to facilitate listed issuers’ understanding of the new ESG requirements becoming effective in July 2020, and assist directors in carrying out their roles in ESG reporting under the new requirements.
- A new country guide for overseas companies incorporated in Ireland.
- A bi-annual Enforcement Newsletter for the twelve months ended 31 December 2019 outlining 2019 enforcement statistics and providing a regular update of enforcement cases and outcomes.
- A “Review of Issuers’ Annual Report Disclosure – Report 2019” covering findings and recommendations from a review of issuers’ annual reports for the financial year that ended between January and December 2018.
- Three revised guidance letters and eight sets of updated FAQs as part of the Stock Exchange’s continuous effort to streamline its guidance and related materials.

Equity and Financial Derivatives Segment

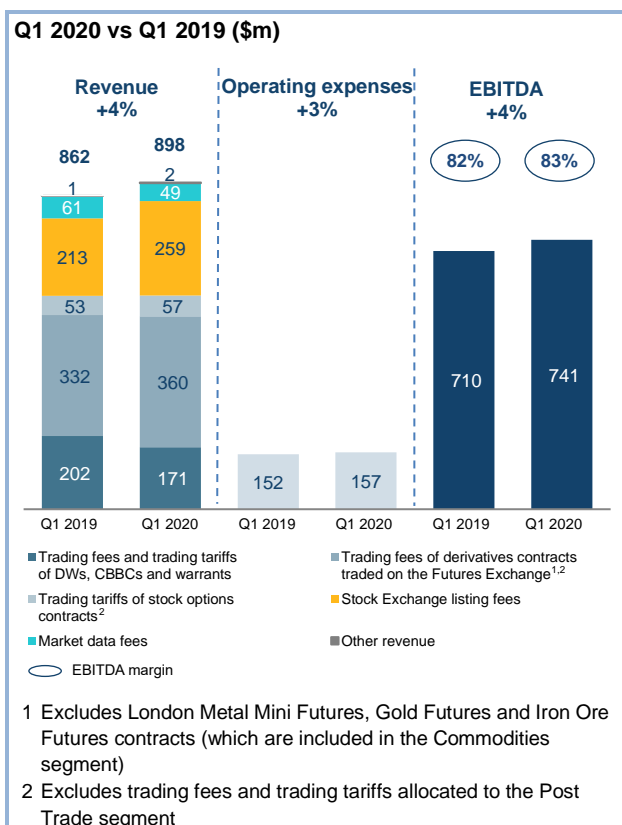
Analysis of Results

ADV of derivatives contracts traded on the Futures Exchange⁸ reached record quarterly high (15 per cent and 37 per cent higher than Q1 2019 and Q4 2019 respectively), driven by increased volatility. Derivatives trading fees of the Futures Exchange increased by 8 per cent, less than the ADV increase, due to a lower proportion of higher fee contracts traded in Q1 2020, including Hang Seng Index (HSI) products.

Trading fees and trading tariffs of DWs, CBBCs and warrants dropped by 15 per cent, less than the 35 per cent decrease in ADT, as higher trading fees were received from new issues of CBBCs.

Stock Exchange listing fees increased by 22 per cent, as the number of newly listed CBBCs increased from 6,467 in Q1 2019 to 10,246 in Q1 2020.

Operating expenses increased by 3 per cent due to higher allocated costs of the Listing Division, reflecting the increase in listing fees from DWs and CBBCs compared to the decrease in listing fees from equities.



⁸ Excludes London Metal Mini Futures, Gold Futures and Iron Ore Futures contracts (which are included in the Commodities segment)

Business Update

Derivatives contracts traded in the After-Hours Trading (T+1) Session continued to grow, with ADV reaching a record quarterly high of 141,939⁸ contracts in Q1 2020, 71 per cent higher than Q1 2019. In addition, the number of equity index futures and options traded in the T+1 Session reached a daily record high of 303,482 contracts on 18 March 2020.

Weekly Index Options also set daily record highs in Q1 2020, with 17,027 contracts of Weekly Hang Seng Index Options traded on 6 February 2020 and 7,166 contracts of Weekly Hang Seng China Enterprises Index Options traded on 30 January 2020. Five new stock options classes (in respect of ANTA Sports, Sino BioPharm, Shenzhou International, Techtronic Industries and WH Group) were introduced to the market on 23 March 2020.

The RMB⁹ currency derivatives market continued to expand in Q1 2020. ADV of USD⁹/CNH⁹ Futures traded were 8,381 contracts, up 41 per cent against Q4 2019. Open interest of USD/CNH Futures contracts at 31 March 2020 also saw a growth of 6 per cent from 31 December 2019, as the contracts were increasingly utilised as capital efficient risk management tools by investors.

The INR⁹/USD Futures contracts established new daily records multiple times in Q1 2020, including the latest daily record high of 5,035 contracts on 2 March 2020. By the end of Q1 2020, a total of 69,047 contracts have been traded since their launch on 4 November 2019.

The structured products market experienced strong momentum from Q4 2019. ADT of DWs, CBBCs and Inline Warrants was \$17.5 billion in Q1 2020, up 39 per cent from Q4 2019. The number of newly listed structured products increased from 8,152 in Q4 2019 to 13,543 in Q1 2020.

HKEX launched an enhancement on Cancel-on-Disconnect service in January 2020, which enables Exchange Participants (EPs) to define their own preferred triggering thresholds for HKEX to cancel their outstanding orders due to a loss of connectivity. The enhancement helps EPs facilitate their order management in the event of a connectivity contingency and has been positively received by the market.

| Key Market Indicators | Q1 | |
|--|----------------------|----------------------|
| | 2020 | 2019 |
| ADT of DWs, CBBCs and warrants traded on the Stock Exchange (\$bn) | 17.5 | 26.8 |
| Average daily number of trades of DWs, CBBCs and warrants traded on the Stock Exchange ('000) | 312 | 391 |
| ADV of derivatives contracts traded on the Futures Exchange ¹ ('000 contracts) | 759 ² | 658 |
| ADV of stock options contracts traded on the Stock Exchange ('000 contracts) | 537 | 528 |
| Number of newly listed DWs | 3,044 | 2,965 |
| Number of newly listed CBBCs | 10,246 ² | 6,467 |
| Number of newly listed Inline Warrants | 253 | - |
| ADV of contracts traded during After-Hours Trading (AHT) ¹ ('000 contracts) | 142 ² | 83 |
| Number of trading days | 62 | 60 |
| | At 31 Mar 2020 | At 31 Mar 2019 |
| Open interest of futures and options contracts ¹ ('000 contracts) | 12,099 | 12,187 |
| 1 Excludes London Metal Mini Futures, Gold Futures and Iron Ore Futures contracts (which are included under the Commodities segment) | | |
| 2 New record quarterly high in Q1 2020 | | |

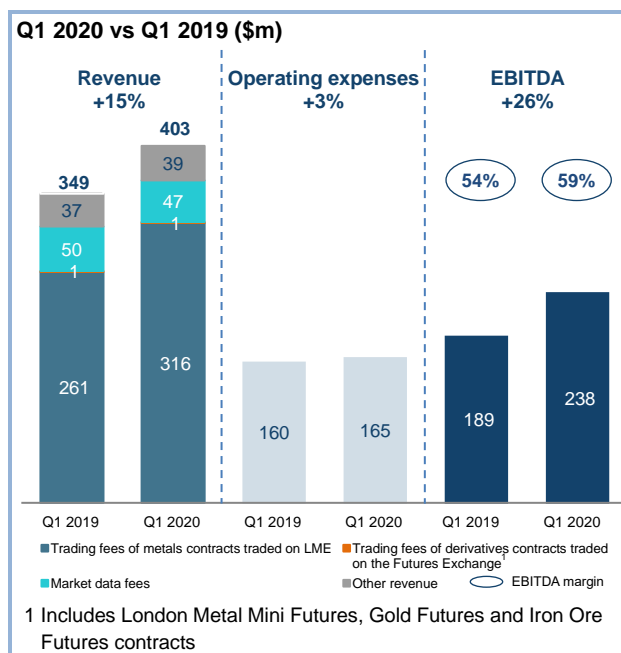
⁹ RMB = Renminbi, USD = United States Dollar, CNH = Offshore RMB traded outside Mainland China, INR = Indian Rupee

Commodities Segment

Analysis of Results

Chargeable ADV of metals contracts traded on the LME in Q1 2020 was 12 per cent higher than Q1 2019. Coupled with the fee increment effective from 1 January 2020, LME trading fees increased by \$55 million (21 per cent).

Operating expenses increased by 3 per cent due to higher staff costs from annual payroll adjustments.



Business Update

Due to the spread of global COVID-19 and guidance from the British Government, the LME suspended trading activity on the Ring and temporarily shifted to electronic pricing, with effect from 23 March 2020. Since then, the LME's metals prices are being generated on the basis of activity on the LME's electronic trading platform, supported by implied pricing functionality. The LME has taken further steps to protect its market (including contingency plans for its warehouse network and depository) to ensure that the LME and LME Clear can continue to operate an orderly market.

Several of the cash-settled futures contracts launched in 2019 have seen active trading volumes. In Q1 2020, 30,326 lots of LME Steel Hot-Rolled Coil (HRC) Free On Board (FOB) China and 2,166 lots of LME Steel HRC North America were traded. The LME intends to introduce additional cash-settled futures contracts later this year.

In March 2020, the LME introduced a speed bump on the LMEprecious market.

This speed bump introduced a fixed minimum delay in processing incoming orders, helping to create a more level playing field that protects liquidity providers from latency arbitrage activity. Bid/offer spreads in the LME's precious metals spot market initially tightened significantly following the introduction of the speed bump before being impacted by stressed conditions observed across the global precious metals market.

Key Market Indicators

| | Q1 | |
|--|----------------|----------------|
| | 2020 | 2019 |
| ADV of metals contracts traded on the LME ('000 lots) | | |
| Aluminium | 276 | 244 |
| Copper | 147 | 135 |
| Zinc | 116 | 108 |
| Nickel | 87 | 76 |
| Lead | 49 | 38 |
| Others | 7 | 10 |
| Total chargeable ADV excluding Admin Trades ¹ | 682 | 611 |
| Chargeable Admin Trades ¹ | 51 | - |
| Non-chargeable Admin Trades ¹ and other non-chargeable trades | 1 | 101 |
| Total ADV | 734 | 712 |
| Number of trading days | 64 | 63 |
| | At 31 Mar 2020 | At 31 Mar 2019 |
| Total futures Market Open Interest ('000 lots) | 2,074 | 2,091 |

¹ Admin Trades were introduced in 2017 to meet requirements resulting from MiFID II. These trades were not chargeable prior to 1 May 2019, but became chargeable at US\$0.04 per contract thereafter.

The LME launched the Proprietary Liquidity Programme on 2 March 2020. This programme, designed exclusively for proprietary trading firms, simplifies previous incentive arrangements and offers fee rebates for trades with liquidity additive characteristics.

New rules aimed at optimising the LME's warehousing network, including off-warrant stock reporting requirements, came into effect on 1 February 2020. These new rules require reporting of metals stored under an agreement stipulating the use of LME-registered sheds and of metals stored under an agreement where the owner has a right to warrant such metals on the LME in the future. The LME received the first reporting from the warehouses on 10 March 2020.

In Hong Kong, a total of 6,773 contracts of CNH Gold Futures and 58,052 contracts of USD Gold Futures were traded in Q1 2020, with 332 contracts settled against futures contracts. For the USD-denominated London Aluminium / Copper / Zinc / Lead / Tin / Nickel Mini Futures, a total of 37,697 contracts were traded.

In March 2020, USD and CNH Silver Futures contracts were approved by the SFC for launch in June 2020. Further research and market consultations are in progress for the enhancement of the existing commodities futures contracts and for the development of other metals derivatives products and metals indices.

The first two months of Q1 2020 witnessed weaker sentiment in physical commodity trading in China largely due to the global COVID-19 outbreak. However, significant rebound in QME's trading volume was observed in March 2020, reaching a monthly record high of RMB460 million as the situation stabilises in the Mainland. QME continued to make progress in enhancing financing solutions for participants, including expanding banking partnership network and preparing to introduce Reliable Warehouse Warrant using blockchain technology. In addition to offering base metals, QME is planning to tap into the energy sector at a later stage, subject to regulatory approval.

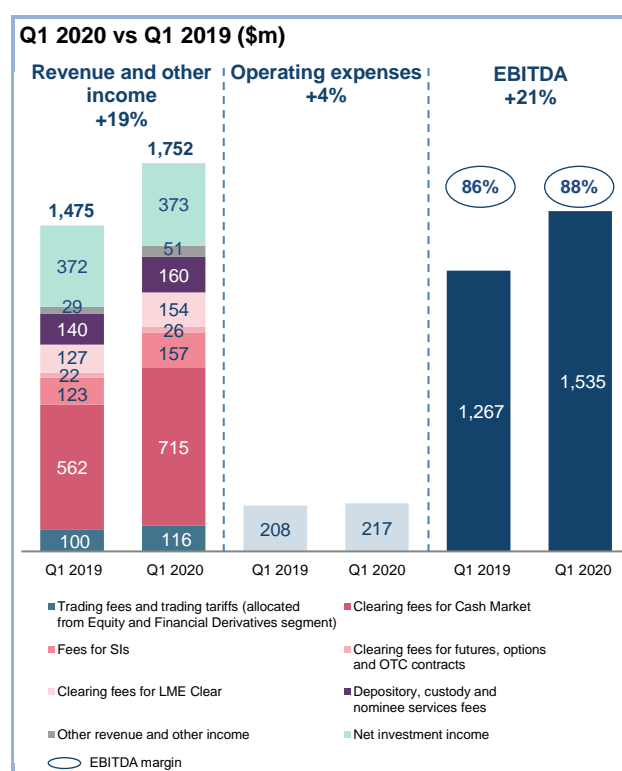
Post Trade Segment

Analysis of Results

Clearing and settlement fees for the Cash Market and for Settlement Instructions (SIs) increased by 27 per cent and 28 per cent respectively. The increases were primarily driven by a higher number of transactions, and a 9 per cent and 11 per cent higher average fee for Cash Market trade and per SI transaction respectively.

Clearing fees for LME Clear rose by 21 per cent, due to the increase in chargeable ADV of metals contracts cleared and the fee increment effective from 1 January 2020.

Net investment income increased by \$1 million mainly due to the increase in average fund sizes of Margin Funds and Clearing House Funds, partly offset by increased interest rebate payable to HKCC and SEOCH Participants for HKD margins collateral effective from 2 September 2019.



The analysis of net investment income is as follows:

| | Q1 2020 | | | Q1 2019 | | |
|----------------------------------|------------------------|-----------------------------------|--------------|------------------------|-----------------------------------|--------------|
| | Margin Funds \$m | Clearing House Funds \$m | Total \$m | Margin Funds \$m | Clearing House Funds \$m | Total \$m |
| Net investment income from: | | | | | | |
| - Cash and bank deposits | 323 | 33 | 356 | 323 | 19 | 342 |
| - Debt securities | 22 | - | 22 | 27 | - | 27 |
| - Exchange (losses)/gains | (5) | - | (5) | 3 | - | 3 |
| Total net investment income | 340 | 33 | 373 | 353 | 19 | 372 |
| Average fund size (\$bn) | 146.8 | 15.7 | 162.5 | 125.5 | 11.7 | 137.2 |
| Annualised net investment return | 0.93% | 0.84% | 0.92% | 1.12% | 0.65% | 1.08% |

Operating expenses increased by 4 per cent reflecting increases in staff costs due to annual payroll adjustments.

Business Update

Q1 2020 witnessed increased China A shares weighting in FTSE Russell Indexes and rebalancing of China A shares in MSCI Indexes. As a result, the usage of Stock Connect clearing facilities continued to grow, with a 52 per cent increase in average daily value of Northbound SIs in Q1 2020 compared with Q4 2019. However, Northbound portfolio value of A shares at 31 March 2020 decreased by 9 per cent to RMB1,298 billion compared with 31 December 2019 as a result of market volatility.

On 20 April 2020, HKSCC further enhanced its Third Party Clearing arrangement to allow a CCASS Clearing Participant (either a Direct Clearing Participant or General Clearing Participant (GCP)) to continue to self-clear its Exchange Trades, while appointing a GCP for clearing its China Connect Securities Trades.

HKEX announced the successful conclusion of the 2019 Annual Attestation and Inspection Programme, which aims to enhance the surveillance and monitoring of participants' compliance with the relevant exchange and clearing house rules and regulations. In 2020, HKEX will continue the Annual Attestation and Inspection Programme, with focus on three areas: (1) client margin requirements; (2) risk management; and (3) China Connect rules. Briefing sessions to introduce this year's Programme were conducted in April 2020.

With heightened global market volatility in Q1 2020, although there was a 12 per cent down on total notional amount (total amount cleared US\$44.9 billion) cleared by OTC Clear as compared with Q1 2019, the clearing volumes of USD/CNH cross currency swaps continued to grow and reached record quarterly high, with US\$12.9 billion cleared, up 69 per cent as compared with Q1 2019. In addition, Barclays Bank PLC was admitted as a new clearing member in January 2020 which further broadens OTC Clear member base.

| Key Market Indicators | Q1 | |
|---|-------|-------|
| | 2020 | 2019 |
| ADT on the Stock Exchange (\$bn) | 120.9 | 101.1 |
| Average daily number of Stock Exchange trades ('000) | 1,865 | 1,645 |
| Average daily value of SIs (\$bn) | 373.2 | 235.5 |
| Average daily number of SIs ('000) | 113 | 101 |
| Chargeable ADV ¹ of metals contracts traded on the LME ('000 lots) | 682 | 611 |
| 1 Chargeable ADV excludes Admin Trades (which became chargeable from May 2019 at a lower clearing fee rate of US\$0.02 per contract) and other non-chargeable trades. | | |

Technology Segment

Analysis of Results

Network fees rose by 18 per cent due to increased usage of the Orion Central Gateway and China Connect Central Gateway by EPs, and additional fees arising from throttle usage.

Hosting services fees increased by 25 per cent due to organic growth from both new customer subscriptions and increased usage by existing customers.

Operating expenses increased due to inclusion of operating expenses of BayConnect, a 51 per cent subsidiary acquired in June 2019.

Business Update

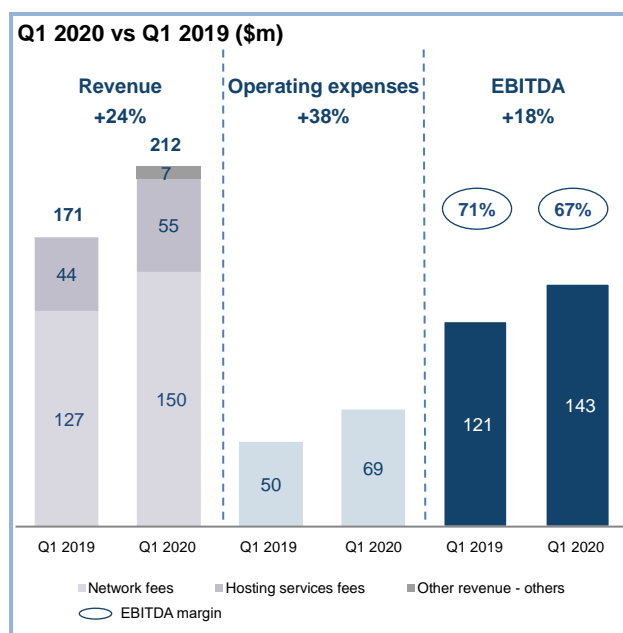
During Q1 2020, all major trading, clearing, settlement and market data dissemination systems for the Cash, Derivatives and Commodities Markets continued to perform reliably.

As a result of the temporary suspension of the Derivatives Market on 5 September 2019, HKEX engaged an external consultant to conduct a review on the Hong Kong Futures Automated Trading System, and has completed most of the critical recommendations in the review report for the prevention, detection, response and recovery of future potential market incidents. HKEX is committed to continuous improvement in operating reliable and efficient markets.

Due to the forthcoming hardware obsolescence for various trading and clearing systems as well as the aging of the Chinachem Exchange Square Secondary Data Centre (CES DC), a data centre relocation and technology obsolescence replacement project was kicked off in early 2020. By Q3 2021, the old CES DC will be relocated to a Tier 3 data centre with higher reliability and lower operating costs.

Aiden, HKEX's first virtual assistant to provide innovative and interactive enquiry service, was launched on the HKEX website (<https://aiden.hkex.com.hk/>) in March 2020. Aiden is a chatbot powered by Artificial Intelligence (AI) to understand natural language enquiries and provide human-like responses to market surveillance and rule enforcement questions on select topics.

In Q1 2020, the HKEX Innovation Lab continued to deploy solutions across the Group. With Q1 being the peak period for financial reporting by listed companies, the Group's AI tool for detecting and handling corporate actions performed reliably and accurately, easing the smooth and timely dissemination of verified data to market participants, and improving scalability in HKEX's operations. The Group is also running its first AI-assisted review of issuers' compliance with certain listing rules, with early trials showing encouraging results. On the business efficiency front, the Group's robotic process automation programme has so far accumulated over 4,400 hours of runtime, helping reduce or eliminate manual intervention across 28 business processes.



Corporate Items

“Corporate Items” is not a business segment but comprises central income (including net investment (loss)/income of Corporate Funds), the cost of central support functions that provide services to all operating segments and other costs not directly related to any operating segments.

Analysis of Results

| | Q1 2020 \$m | Q1 2019 \$m |
|---------------------------------|----------------|----------------|
| Revenue and other income | | |
| Net investment (loss)/income | (420) | 510 |
| Others | 2 | 6 |
| Total | (418) | 516 |
| Operating expenses | 282 | 252 |

The analysis of net investment (loss)/income of Corporate Funds is as follows:

| | Q1 2020 \$m | Q1 2019 \$m |
|---|----------------|----------------|
| Net investment (loss)/income from: | | |
| - Collective investment schemes | (521) | 390 |
| - Cash and bank deposits | 122 | 108 |
| - Debt securities | - | 2 |
| - Exchange (losses)/gains | (21) | 10 |
| Total net investment (loss)/income | (420) | 510 |
| Average fund size (\$bn) | 29.4 | 26.0 |
| Annualised net investment return | (5.71%) | 7.86% |

Net investment loss of the Corporate Funds in Q1 2020 was principally due to fair value losses on collective investment schemes held under the external portfolio, partly offset by investment income from cash and bank deposits. The fair value losses on collective investment schemes in Q1 2020 mainly came from funds invested in public equities asset class and multi-sector fixed income asset class, as opposed to the gains in these two asset classes in Q1 2019 (Public equities - Q1 2020: losses of \$453 million; Q1 2019: gains of \$245 million; Multi-sector fixed income - Q1 2020: losses of \$146 million; Q1 2019: gains of \$56 million).

At 31 March 2020, the fair value of the Group's collective investment schemes by asset class was as follows, reflecting a redemption of \$1.4 billion made during Q1 2020, as well as fair value losses of \$521 million:

| Asset class | At 31 Mar 2020 \$m | At 31 Dec 2019 \$m | Change |
|--|--------------------------|--------------------------|--------------|
| Public Equities | 1,553 | 2,440 | (36%) |
| Absolute Return | 1,581 | 1,604 | (1%) |
| Multi-Sector Fixed Income | 2,437 | 2,583 | (6%) |
| US Government Bonds and Mortgage-backed Securities | 1,889 | 2,716 | (30%) |
| Total | 7,460 | 9,343 | (20%) |

During Q1 2020, as part of the external portfolio de-risking actions to improve downside protection, \$1.4 billion was redeemed from the collective investment schemes. In April 2020, a further \$1.9 billion was redeemed. The redemption proceeds have been maintained in a combination of internally managed cash deposits and investment in money market fund. As the valuation of external portfolio reflects movements in market prices, fair value gains or losses may fluctuate or reverse until the investments are sold.

Operating expenses increased by 12 per cent against Q1 2019 due to higher professional fees incurred for strategic projects and other business initiatives, and increased staff costs from annual payroll adjustments.

FINANCIAL REVIEW

Financial Assets and Financial Liabilities of Margin Funds and Clearing House Funds

Margin Fund deposits of \$176.5 billion at 31 March 2020 were \$33.9 billion higher than at 31 December 2019 due to increased contributions required from HKCC Clearing Participants (CPs) and LME Clear CPs in response to higher margin requirements per contract from heightened volatility, and the increase in Mainland security and settlement deposits from HKSCC CPs attributable to the increase in Northbound Stock Connect Trading. Clearing House Fund contributions increased from \$14.4 billion at 31 December 2019 to \$16.4 billion at 31 March 2020 due to higher contributions required from HKSCC CPs in response to changes in risk exposures. Funds received were invested in cash and cash equivalents and financial assets.

Capital Expenditure and Commitments

During Q1 2020, the Group incurred capital expenditure¹⁰ of \$216 million (Q1 2019: \$145 million) related to the development and upgrade of various trading and clearing systems. The Group's capital expenditure commitments at 31 March 2020, including those authorised by the Board but not yet contracted for, amounted to \$1,201 million (31 December 2019: \$1,217 million). They were mainly related to the development and upgrade of IT systems including the cash, derivatives and commodities trading and clearing systems, and the set up of the new secondary data centre.

Contingent Liabilities

At 31 March 2020, there were no significant changes in the Group's contingent liabilities compared with 31 December 2019.

Pledges on Assets

Securities, gold bullion and warrants were held by LME Clear as non-cash collateral for margins posted by its CPs and collateral in respect of its interest in overnight triparty reverse repurchase agreements, which together amounted to \$89,500 million at 31 March 2020 (31 December 2019: \$83,964 million). This non-cash collateral, which was not recorded on the consolidated statement of financial position of the Group, together with certain financial assets amounting to \$3,781 million at 31 March 2020 (31 December 2019: \$3,692 million) have been repledged to LME Clear's investment agent and custodian banks under first floating charge and security arrangements for the settlement and depository services they provide in respect of the collateral and investments held. The first floating charge could convert to a fixed charge in the event of contract termination, or default or insolvency of LME Clear.

Changes since 31 December 2019

There were no other significant changes in the Group's financial position or from the information disclosed under Management Discussion and Analysis in the annual report of HKEX for the year ended 31 December 2019.

It is the Group's practice to declare a dividend only at the half-year and year-end and no dividend will be proposed for Q1 2020 (Q1 2019: \$Nil).

Review of Financial Statements

The Audit Committee has reviewed the Group's Unaudited Condensed Consolidated Financial Statements for Q1 2020.

¹⁰ Capital expenditure excludes right-of-use assets recognised under HKFRS 16: Leases.

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

| | Note | Three months ended 31 Mar 2020 \$m | Three months ended 31 Mar 2019 \$m |
|--|------|---|---|
| Trading fees and trading tariffs | | 1,794 | 1,491 |
| Stock Exchange listing fees | | 492 | 453 |
| Clearing and settlement fees | | 1,052 | 834 |
| Depository, custody and nominee services fees | | 160 | 140 |
| Market data fees | | 237 | 229 |
| Other revenue | | 320 | 259 |
| REVENUE | | 4,055 | 3,406 |
| Net investment (loss)/income | | (47) | 882 |
| Sundry income | | 1 | - |
| REVENUE AND OTHER INCOME | | 4,009 | 4,288 |
| OPERATING EXPENSES | | | |
| Staff costs and related expenses | | (703) | (669) |
| IT and computer maintenance expenses | | (152) | (143) |
| Premises expenses | | (29) | (31) |
| Product marketing and promotion expenses | | (10) | (11) |
| Professional fees | | (34) | (12) |
| Other operating expenses | | (97) | (104) |
| | | (1,025) | (970) |
| EBITDA | | 2,984 | 3,318 |
| Depreciation and amortisation | | (274) | (248) |
| OPERATING PROFIT | | 2,710 | 3,070 |
| Finance costs | | (49) | (44) |
| Share of profits less losses of joint ventures | | 19 | 3 |
| PROFIT BEFORE TAXATION | | 2,680 | 3,029 |
| TAXATION | (a) | (422) | (422) |
| PROFIT FOR THE PERIOD | | 2,258 | 2,607 |
| PROFIT/(LOSS) ATTRIBUTABLE TO: | | | |
| - Shareholders of HKEX | | 2,262 | 2,608 |
| - Non-controlling interests | | (4) | (1) |
| PROFIT FOR THE PERIOD | | 2,258 | 2,607 |
| Basic earnings per share | | \$1.80 | \$2.09 |
| Diluted earnings per share | | \$1.79 | \$2.09 |

(a) In Q1 2020, there was a one-off deferred tax charge of \$61 million arising from the change of statutory UK tax rate from 17 per cent to 19 per cent.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

| | Three months ended 31 Mar 2020 \$m | Three months ended 31 Mar 2019 \$m |
|---|---|---|
| PROFIT FOR THE PERIOD | 2,258 | 2,607 |
| OTHER COMPREHENSIVE INCOME | | |
| Items that may be reclassified subsequently to profit or loss: | | |
| Currency translation differences of foreign subsidiaries | (92) | 54 |
| Cash flow hedges | (7) | - |
| Changes in fair value of financial assets measured at fair value through other comprehensive income | (5) | 6 |
| OTHER COMPREHENSIVE INCOME | (104) | 60 |
| TOTAL COMPREHENSIVE INCOME | 2,154 | 2,667 |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO: | | |
| - Shareholders of HKEX | 2,161 | 2,668 |
| - Non-controlling interests | (7) | (1) |
| TOTAL COMPREHENSIVE INCOME | 2,154 | 2,667 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

| | At 31 Mar 2020 | | | At 31 Dec 2019 | | |
|--|----------------|--------------------|----------------|----------------|--------------------|----------------|
| | Current \$m | Non-current \$m | Total \$m | Current \$m | Non-current \$m | Total \$m |
| ASSETS | | | | | | |
| Cash and cash equivalents | 161,379 | - | 161,379 | 128,152 | - | 128,152 |
| Financial assets measured at fair value through profit or loss | 77,827 | 650 | 78,477 | 56,729 | 672 | 57,401 |
| Financial assets measured at fair value through other comprehensive income | 4,540 | - | 4,540 | 4,569 | - | 4,569 |
| Financial assets measured at amortised cost | 44,632 | 833 | 45,465 | 39,954 | 718 | 40,672 |
| Accounts receivable, prepayments and deposits | 23,811 | 21 | 23,832 | 25,791 | 21 | 25,812 |
| Interests in joint ventures | - | 114 | 114 | - | 95 | 95 |
| Goodwill and other intangible assets | - | 18,341 | 18,341 | - | 18,378 | 18,378 |
| Fixed assets | - | 1,550 | 1,550 | - | 1,589 | 1,589 |
| Right-of-use assets | - | 2,403 | 2,403 | - | 2,366 | 2,366 |
| Deferred tax assets | - | 19 | 19 | - | 17 | 17 |
| Total assets | 312,189 | 23,931 | 336,120 | 255,195 | 23,856 | 279,051 |
| LIABILITIES AND EQUITY | | | | | | |
| Liabilities | | | | | | |
| Financial liabilities at fair value through profit or loss | 70,946 | - | 70,946 | 48,008 | - | 48,008 |
| Margin deposits, Mainland security and settlement deposits, and cash collateral from CPs | 176,461 | - | 176,461 | 142,536 | - | 142,536 |
| Accounts payable, accruals and other liabilities | 19,851 | - | 19,851 | 22,447 | - | 22,447 |
| Dividend payable | 3,761 | - | 3,761 | - | - | - |
| Deferred revenue | 884 | 390 | 1,274 | 1,033 | 403 | 1,436 |
| Taxation payable | 450 | - | 450 | 1,760 | - | 1,760 |
| Other financial liabilities | 52 | - | 52 | 59 | - | 59 |
| CPs' contributions to Clearing House Funds | 16,350 | - | 16,350 | 14,394 | - | 14,394 |
| Lease liabilities | 291 | 2,246 | 2,537 | 272 | 2,234 | 2,506 |
| Borrowings | 339 | 81 | 420 | 338 | 80 | 418 |
| Provisions | 105 | 106 | 211 | 90 | 104 | 194 |
| Deferred tax liabilities | - | 846 | 846 | - | 792 | 792 |
| Total liabilities | 289,490 | 3,669 | 293,159 | 230,937 | 3,613 | 234,550 |
| Equity | | | | | | |
| Share capital | | 30,449 | | | | 30,449 |
| Shares held for Share Award Scheme | | (755) | | | | (770) |
| Employee share-based compensation reserve | | 304 | | | | 250 |
| Hedging and revaluation reserves | | (9) | | | | 3 |
| Exchange reserve | | (270) | | | | (181) |
| Designated reserves | | 609 | | | | 587 |
| Reserve relating to written put options to non-controlling interests | | (369) | | | | (369) |
| Retained earnings | | 12,681 | | | | 14,204 |
| Equity attributable to shareholders of HKEX | | 42,640 | | | | 44,173 |
| Non-controlling interests | | 321 | | | | 328 |
| Total equity | | 42,961 | | | | 44,501 |
| Total liabilities and equity | | 336,120 | | | | 279,051 |
| Net current assets | | 22,699 | | | | 24,258 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Basis of Preparation and Accounting Policies

Except as described below, the accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2019.

Adoption of new/revised Hong Kong Financial Reporting Standards (HKFRSs)

In 2020, the Group has adopted the following amendments to HKFRSs which are pertinent to the Group's operations and effective for accounting periods beginning on or after 1 January 2020:

| | |
|---------------------------------|--|
| Amendments to HKAS 1 and HKAS 8 | Presentation of Financial Statements and Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material |
| Amendments to HKFRS 3 | Business Combination: Definition of a Business |

The adoption of these amendments did not have any financial impact on the Group.

The financial information relating to the year ended 31 December 2019 that is included in this Quarterly Results Announcement as comparative information does not constitute the statutory annual consolidated financial statements of the Company for that year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Chapter 622) is as follows:

The Company will deliver the consolidated financial statements for the year ended 31 December 2019 to the Registrar of Companies in due course as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Chapter 622).

The Company's auditor has reported on those consolidated financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Chapter 622).

By Order of the Board
Hong Kong Exchanges and Clearing Limited
David Fu
Group Company Secretary

Hong Kong, 7 May 2020

As at the date of this announcement, HKEX's Board of Directors comprises 11 Independent Non-executive Directors, namely Mrs Laura May-Lung CHA (Chairman), Mr Apurv BAGRI, Mr CHAN Tze Ching, Ignatius, Mr CHEAH Cheng Hye, Ms FUNG Yuen Mei, Anita, Mr Rafael GIL-TIENDA, Dr HU Zuli, Fred, Mr HUNG Pi Cheng, Benjamin, Mr LEUNG Pak Hon, Hugo, Mr John Mackay McCulloch WILLIAMSON and Mr YIU Kin Wah, Stephen, and one Executive Director, Mr LI Xiaojia, Charles, who is also HKEX's Chief Executive. In addition, the appointment of Mrs CHOW WOO Mo Fong, Susan as an Independent Non-executive Director of HKEX will take effect from the conclusion of HKEX's 2020 annual general meeting.

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