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This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities or an invitation to enter into an agreement to do any such things, nor is it calculated to invite any offer to acquire, purchase or subscribe for any securities. This announcement is not for distribution, directly or indirectly, in or into the United States or to U.S. persons (as defined in the United States Securities Act of 1933, as amended). Moreover, this announcement is not an offer of securities for sale in the United States or to U.S. persons. The DN Notes (as defined below) may not be offered or sold in the United States or to U.S. persons absent registration or an exemption from registration under the United States Securities Act of 1933, as amended. The Issuer (as defined below) does not intend to register any part of the proposed offering in the United States and there will be no public offer of securities in the United States or to U.S. persons. The securities described herein will be sold in accordance with all applicable laws and regulations.

This announcement and the listing documents referred to herein have been published for information purposes only as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and do not constitute an offer to sell nor a solicitation of an offer to buy any securities. Neither this announcement nor anything referred to herein (including the listing documents) forms the basis for any contract or commitment whatsoever. *For the avoidance of doubt, the publication of this announcement and the listing documents referred to herein shall not be deemed to be an offer of securities made pursuant to a prospectus issued by or on behalf of the Issuer for the purposes of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong nor shall it constitute an advertisement, invitation or document containing an invitation to the public to enter into or offer to enter into an agreement to acquire, dispose of, subscribe for or underwrite securities for the purposes of the Securities and Futures Ordinance (Cap. 571) of Hong Kong.*

Notice to Hong Kong investors: The Issuer confirms that the DN Notes are intended for purchase by professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) only and have been listed on The Stock Exchange of Hong Kong Limited on that basis. Accordingly, the Issuer confirms that the DN Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

PUBLICATION OF OFFERING CIRCULAR AND SUPPLEMENTAL OFFERING CIRCULAR ON THE STOCK EXCHANGE OF HONG KONG LIMITED

THE HONG KONG MORTGAGE CORPORATION LIMITED
香港按揭證券有限公司

(Issuer)

(incorporated with limited liability under the laws of Hong Kong)

Issue of:

HK$6,000,000,000 3.355 per cent. Digitally Native Notes due 2028
(Stock Code: 40491)
(the **Series A DN Notes**)
HK$2,500,000,000 3.431 per cent. Digitally Native Notes due 2031
(Stock Code: 40492)
(the **Series B DN Notes**)
and
CNY3,000,000,000 1.700 per cent. Digitally Native Notes due 2029
(Stock Code: 85136)
(the **Series C DN Notes**)
(together, the **DN Notes**)

under the Issuer's U.S.$30,000,000,000 Medium Term Note Programme (Programme)

This announcement is issued pursuant to Rule 37.39A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (**Listing Rules**).

Please refer to the offering circular dated 26 June 2025 in relation to the Programme (**Offering Circular**) and the supplemental offering circular dated 10 June 2026 in relation to the DN Notes (including the pricing supplements each dated 10 June 2026 in relation to the DN Notes) (**Supplemental Offering Circular**), each appended hereto (the Offering Circular and the Supplemental Offering Circular together, the **Listing Documents**, and each a **Listing Document**). As disclosed in the Listing Documents, the DN Notes are intended for purchase by professional investors (as defined in Chapter 37 of the Listing Rules) only and have been listed on The Stock Exchange of Hong Kong Limited on that basis.

None of the Listing Documents constitutes a prospectus, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is any Listing Document an invitation to the public to make offers to subscribe for or purchase any securities, nor is any Listing Document circulated to invite offers by the public to subscribe for or purchase any securities.

None of the Listing Documents should be regarded as an inducement to subscribe for or purchase any DN Notes of the Issuer and no such inducement is intended.

16 June 2026

As at the date of this announcement, the Board of Directors of the Issuer comprises the Hon. CHAN Mo Po, Paul, Mr YUE Wai Man, Eddie, Mr LEE Tat Chi, Howard and Mr POU Hak Wan as Executive Directors, and the Hon. HUI Ching Yu, the Hon. HO Wing Yin, Winnie, the Hon. CHAN Hak Kan, the Hon. NG Wing Ka, Jimmy, the Hon. SHIU Ka Fai, Ms CHAU Suet Fung, Dilys, Mr TSE Wai Chun, Paul, Ms CHEUNG Wing Han, Ivy and Ms KWAN Wing Han, Margaret as Non-Executive Directors.

Website: www.hkmc.com.hk

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IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY U.S. PERSON OR TO ANY PERSON OR ADDRESS IN THE UNITED STATES

Important: You must read the following before continuing. The following applies to the Offering Circular following this page (**Offering Circular**), and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them, each time you receive any information as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE NOTES (AS DEFINED IN THE OFFERING CIRCULAR) HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (**SECURITIES ACT**), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE NOTES MAY NOT BE OFFERED OR SOLD INTO OR WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR TO ANY ADDRESS IN THE UNITED STATES. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. ANY INVESTMENT DECISION SHOULD BE MADE ON THE BASIS OF THE APPLICABLE PRICING SUPPLEMENT AND TERMS AND CONDITIONS OF THE NOTES. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE NOTES DESCRIBED IN THE OFFERING CIRCULAR.

Confirmation of your Representation: In order to be eligible to view the Offering Circular or make an investment decision with respect to the Notes, investors must not be a U.S. person (within the meaning of Regulation S under the Securities Act). The Offering Circular is being sent at your request and by accepting the electronic mail (**e-mail**) and accessing the Offering Circular, you shall be deemed to have represented to us that you are not a U.S. person, the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States and that you consent to delivery of such Offering Circular by electronic transmission.

You are reminded that the Offering Circular has been delivered to you on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Offering Circular to any other person.

The materials relating to any offering of Notes under the Programme (as defined in the Offering Circular) to which the Offering Circular relates do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that such offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, such offering shall be deemed to be made by the underwriters or such affiliate on behalf of The Hong Kong Mortgage Corporation Limited 香港按揭證券有限公司 in such jurisdiction.

The Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Dealers (both as defined in the Offering Circular) or any person who controls the Issuer, any Dealer or any director, officer, employee or agent of either of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from any of the Dealers.

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

OFFERING CIRCULAR

THE HONG KONG MORTGAGE CORPORATION LIMITED
香港按揭證券有限公司

(incorporated with limited liability under the laws of Hong Kong)

U.S.$30,000,000,000
Medium Term Note Programme

*On 27 June 2007, The Hong Kong Mortgage Corporation Limited 香港按揭證券有限公司 (**Issuer**) established a U.S.$3,000,000,000 Medium Term Note Programme (as amended, supplemented or restated, the **Programme**) and prepared an Offering Circular dated 27 June 2007. On 21 July 2011, the Issuer increased the aggregate nominal amount of the Programme from U.S.$3,000,000,000 to U.S.$6,000,000,000, to U.S.$12,000,000,000 on 26 June 2020, to U.S.$20,000,000,000 on 25 June 2021 and to U.S.$30,000,000,000 on 24 June 2022. This Offering Circular updates the Programme and supersedes any previous Offering Circular (including any supplement thereto) describing the Programme. Any Notes (as defined below) issued under the Programme on or after the date of this Offering Circular are issued subject to the provisions described herein. This does not affect any Notes issued before the date of this Offering Circular.*

Under the Programme the Issuer may from time to time issue notes (**Notes**) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

Notes may be issued in bearer or registered form (**Bearer Notes** and **Registered Notes**, respectively). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed U.S.$30,000,000,000 (or its equivalent in other currencies calculated as described herein), subject to increase as described herein.

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

Application has been made to The Stock Exchange of Hong Kong Limited (**SEHK**) for the listing of the Programme under which Notes may be issued by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) (**Professional Investors**) only during the 12-month period after the date of this document on the SEHK. This document is for distribution to Professional Investors only.

Notice to Hong Kong investors: the Issuer confirms that the Notes to be issued under the Programme are intended for purchase by Professional Investors only and the Programme has been, and the Notes, to the extent they are to be listed on the SEHK, will be listed on the SEHK on that basis. Accordingly, the Issuer confirms that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

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

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under "*Terms and Conditions of the Notes*") of Notes will be set out in a pricing supplement (**Pricing Supplement**) which, with respect to Notes to be listed on the SEHK, will be delivered to the SEHK on or before the date of issue of the Notes of such Tranche. The Programme provides that the Notes may be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (**Securities Act**) and, subject to certain exceptions, may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act). See "*Form of the Notes*" for a description of the manner in which Notes will be issued. Registered Notes are subject to certain restrictions on transfer, see "*Subscription and Sale*".

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

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

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

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

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

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

The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the "Terms and Conditions of the Notes" herein, in which event (in the case of Notes intended to be listed on the SEHK) a supplemental offering circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

Investing in Notes issued under the Programme involves certain risks and may not be suitable for all investors. Investors should have sufficient knowledge and experience in financial and business matters to evaluate the information contained in this Offering Circular and in the applicable Pricing Supplement and the merits and risks of investing in a particular issue of Notes in the context of their financial position and particular circumstances. Investors should also have the financial capacity to bear the risks associated with an investment in Notes. Investors should not purchase Notes unless they understand and are able to bear risks associated with Notes. Investors should have regard to the factors described under the section headed "Risk Factors" beginning on page 78 of this Offering Circular.

Notification under Section 309B(1)(c) of the Securities and Futures Act 2001 of Singapore (as modified or amended from time to time) (SFA): Unless otherwise stated in the Pricing Supplement in respect of any Notes, all Notes issued or to be issued under the Programme shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Arrangers

HSBC | **J.P. Morgan**

Dealers

Barclays
Citigroup
HSBC
Standard Chartered Bank

BNP PARIBAS
Goldman Sachs (Asia) L.L.C.
J.P. Morgan
UBS

The date of this Offering Circular is 26 June 2025

The Issuer having made all reasonable enquiries, confirms that this Offering Circular contains or incorporates all information which is material in the context of the issuance and offering of Notes, that the information contained in or incorporated into this Offering Circular is true and accurate in all material respects and is not misleading in any material respect, that the opinions and intentions expressed in this Offering Circular are honestly held and that there are no other facts the omission of which would make this Offering Circular or any such information or the expression of any such opinion or intention misleading and which, in each case, is material in the context of the issuance and offering of the Notes. The Issuer accepts responsibility accordingly.

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

This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*" below). This Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of this Offering Circular.

The Dealers have not independently verified the information contained herein or incorporated by reference in this Offering Circular. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers or any director, officer, employee, agent or affiliate of any such Dealers, as to the accuracy or completeness of the information contained in or incorporated into this Offering Circular or any other information provided by the Issuer in connection with the Programme. To the fullest extent permitted by law, none of the Dealers accepts any liability in relation to the information contained in or incorporated by reference into this Offering Circular, any other information provided by the Issuer in connection with the Programme or for any statement made or purported to be made by the Dealers or on any Dealer's behalf in connection with the Issuer, the Programme or the issue and offering of the Notes. Each Dealer accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statement.

No person is or has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Dealers.

Neither this Offering Circular nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer or any of the Dealers that any recipient of this Offering Circular or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Offering Circular nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer or any of the Dealers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained in it concerning the Issuer is correct at any time subsequent to its date or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor in the Notes of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Offering Circular when deciding whether or not to purchase any Notes.

The Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to U.S. persons, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and Treasury regulations promulgated thereunder.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of the Notes may be restricted by law in certain jurisdictions. None of the Issuer, members of the Issuer and its subsidiaries (collectively, the Group), the Dealers, or any of their respective directors, officers, representatives, employees, advisers, agents, affiliates or any person who controls any of them, represent that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, members of the Group, the Dealers, or any of their respective directors, officers, representatives, employees, advisers, agents, affiliates or any person who controls any of them, which would permit a public offering of any Notes or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of the Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of the Notes in the U.S., the European Economic Area (including, for these purposes, The Netherlands), the United Kingdom, Japan, the Hong Kong Special Administrative Region of the People's Republic of China (Hong Kong), the People's Republic of China (PRC or Mainland China) and Singapore, see the section entitled "*Subscription and Sale*".

Important Notice to Prospective Investors

Notice to prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct

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

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

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). A rebate may be offered by the Issuer to all private banks for orders they place (other than in relation to Notes subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing of the relevant CMI Offering based on the principal amount of the Notes distributed by such private banks to investors. Private banks are deemed to be placing an order on a principal basis unless they inform the CMIs otherwise. As a result, private banks placing an order on a principal basis (including those deemed as placing an order as principal) will not be entitled to, and will not be paid, the rebate. Details of any such rebate will be set out in the applicable Pricing Supplement or otherwise notified to prospective investors. If a prospective investor is an asset management arm affiliated with any relevant Dealer, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the relevant Dealer or its group company has more than 50% interest, in which case it will be classified as a "proprietary order" and subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if such "proprietary order" may negatively impact the price discovery process in relation to the relevant CMI Offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". If a prospective investor is otherwise affiliated with any relevant Dealer, such that its order may be considered to be a "proprietary order" (pursuant to the SFC Code), such prospective investor should indicate to the relevant Dealer when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". Where prospective investors disclose such information but do not disclose that such "proprietary order" may negatively impact the price discovery process in relation to the relevant CMI Offering, such "proprietary order" is hereby deemed not to negatively impact the price discovery process in relation to the relevant CMI Offering.

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

Notification under Section 309B(1)(c) of the Securities and Futures Act 2001 of Singapore (as modified or amended from time to time) (SFA): Unless otherwise stated in the Pricing Supplement in respect of any Notes, all Notes issued or to be issued under the Programme shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

None of the Issuer, members of the Group, the Dealers, or any of their respective directors, officers, representatives, employees, advisers, agents, affiliates or any person who controls any of them, makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of investment in the Notes for an indefinite period of time.

PRESENTATION OF FINANCIAL INFORMATION

The Issuer maintains its financial books and records and prepares its financial statements in Hong Kong dollars in accordance with the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) (Companies Ordinance). Unless otherwise specified, where financial information in relation to the Issuer has been translated into U.S. dollars, it has been so translated, for the convenience of the reader, at an exchange rate of HK$7.8 = U.S.$1.00. No representation is made that Hong Kong dollars have been, could have been, or could be, converted into U.S. dollars at the rate indicated or at any other rate.

CERTAIN DEFINED TERMS AND CONVENTIONS

Capitalised terms which are used but not defined in any particular section of this Offering Circular will have the meaning attributed to them in "*Terms and Conditions of the Notes*" or any other section of this Offering Circular.

All references in this Offering Circular to "Hong Kong" are to the Hong Kong Special Administrative Region of the People's Republic of China, references to "Macau" are to the Macau Special Administrative Region of the People's Republic of China, references to "Mainland China" or "PRC" are to the People's Republic of China, for the purpose of this Offering Circular, excluding Hong Kong, Macau and Taiwan, references to "European Economic Area" include The Netherlands, references to "UK" are to the United Kingdom and references to "U.S." or the "United States" are to the United States of America.

In addition, all references in this Offering Circular to "U.S. dollars" and "U.S.$" refer to the currency of the U.S., to "Hong Kong dollars" and "HK$" refer to the currency of Hong Kong, to "CNH", "CNY", "RMB" and "Renminbi" refer to the currency of the PRC and to "Singapore dollars", "S$" and "SGD" refer to the currency of Singapore. In addition, references to "Sterling" and "£" refer to the currency of the United Kingdom and to "euro" and "€" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended from time to time.

In this Offering Circular, unless the contrary intention appears, a reference to a law or a provision of a law is a reference to that law or provision as extended, amended or re-enacted.

FORWARD-LOOKING STATEMENTS

Certain statements in this Offering Circular may constitute "forward-looking statements". Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Issuer to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Issuer's present and future business strategies and the environment in which the Issuer will operate in the future. Factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "*Risk Factors*" and "*Description of the Issuer*". These forward-looking statements speak only as at the date of this Offering Circular. The Issuer expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Issuer's expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based.

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

DOCUMENTS INCORPORATED BY REFERENCE

The following documents published or issued from time to time shall be deemed to be incorporated into, and form part of, this Offering Circular:

(a) the two most recently published audited annual consolidated financial statements of the Issuer and, if published later, the most recently published unaudited interim consolidated financial results of the Issuer, see "*General Information — Documents Available*" for a description of the financial statements currently published by the Issuer; and

(b) all supplements or amendments to this Offering Circular circulated by the Issuer from time to time,

save that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Circular.

Any unaudited financial statements or results should not be relied upon to provide the same quality of information associated with information that has been subject to an audit nor taken as an indication of the expected financial condition and results of operations of the Issuer for the relevant full financial year. Potential investors must exercise caution when using such data to evaluate the Issuer's financial condition and results of operations.

Copies of this Offering Circular, any or all of the documents deemed to be incorporated herein by reference, unless such documents have been modified or superseded as specified above, are available free of charge for inspection during usual business hours at the specified office of Citibank, N.A., London Branch (or such other Paying Agent (as defined under "*Terms and Conditions of the Notes*") for the time being in Hong Kong).

The Issuer has undertaken to the Dealers in the Programme Agreement (as defined in "*Subscription and Sale*") that, in the event of a change in the condition of the Issuer which is material in the context of the Programme or the issue of any Notes or if this Offering Circular would otherwise come to contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements contained herein not misleading or if it is necessary at any time to amend this Offering Circular to comply with, or reflect changes in, the laws or regulations of Hong Kong, it shall update or amend the relevant content contained in this Offering Circular by setting out such updated or amended content in the applicable Pricing Supplement or by the publication of a supplemental offering circular or a new offering circular.

If the terms of the Programme are modified or amended in a manner which would make this Offering Circular, as so modified or amended, inaccurate or misleading in any material respect, a new offering circular or a supplemental offering circular, or where applicable, a pricing supplement will be prepared.

GENERAL DESCRIPTION OF THE PROGRAMME

Under the Programme, the Issuer may from time to time issue Notes denominated in any currency, save as set out herein. A summary of the terms and conditions of the Programme and the Notes appears below. The applicable terms of any Notes will be agreed between the Issuer and the relevant Dealer(s) prior to the issue of the Notes and will be set out in the Terms and Conditions of the Notes endorsed on, attached to, or incorporated by reference into, the Notes, as modified and supplemented by the applicable Pricing Supplement attached to, or endorsed on, such Notes, as more fully described under "*Form of the Notes*" below.

This Offering Circular and any supplement will only be valid for listing the Notes on the SEHK during the period of 12 months after the date of this Offering Circular in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding of all Notes previously or simultaneously issued under the Programme, does not exceed U.S.$30,000,000,000 or its equivalent in other currencies. For the purpose of calculating the U.S. dollar equivalent of the aggregate nominal amount of Notes issued under the Programme from time to time:

(a) the U.S. dollar equivalent of the Notes denominated in another Specified Currency (as defined under "*Terms and Conditions of the Notes*") shall be determined, at the discretion of the Issuer, either as of the date on which agreement is reached for the issue of the Notes or on the preceding day on which commercial banks and foreign exchange markets are open for business in London and Hong Kong, in each case on the basis of the spot rate for the sale of the U.S. dollar against the purchase of such Specified Currency in the London foreign exchange market quoted by any leading international bank selected by the Issuer on the relevant day of calculation;

(b) the U.S. dollar equivalent of Dual Currency Notes, Index Linked Notes, Instalment Notes and Partly Paid Notes (each as defined under "*Summary of the Programme*") shall be calculated in the manner specified above by reference to the original nominal amount on the issue of such Notes (in the case of Partly Paid Notes regardless of the amount of the subscription price paid); and

(c) the U.S. dollar equivalent of Zero Coupon Notes (as defined under "*Summary of the Programme*") and other Notes issued at a discount or a premium shall be calculated in the manner specified above by reference to the net proceeds received by the Issuer for the relevant issue.

SUMMARY OF THE PROGRAMME

The following summary does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Pricing Supplement. Words and expressions defined in "Form of the Notes" and "Terms and Conditions of the Notes" below shall have the same meanings in this summary.

Issuer:	The Hong Kong Mortgage Corporation Limited 香港按揭證券有限公司
Description:	Medium Term Note Programme
Arrangers:	The Hongkong and Shanghai Banking Corporation Limited J.P. Morgan Securities (Asia Pacific) Limited
Dealers:	Barclays Bank PLC BNP PARIBAS Citigroup Global Markets Limited Goldman Sachs (Asia) L.L.C. The Hongkong and Shanghai Banking Corporation Limited J.P. Morgan Securities (Asia Pacific) Limited Standard Chartered Bank UBS AG Hong Kong Branch and any other Dealers appointed in accordance with the Programme Agreement (as defined in the section entitled "*Subscription and Sale*").
Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see the section entitled "*Subscription and Sale*") including the following restrictions applicable as at the date of this Offering Circular. **Notes having a maturity of less than one year** Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in Section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent in other currencies, see the section entitled "*Subscription and Sale*".
Principal Paying Agent:	Citibank, N.A., London Branch
Transfer Agent:	Citibank, N.A., London Branch
Registrar:	Citicorp International Limited
CMU Lodging Agent:	Citibank, N.A., Hong Kong Branch

Programme Size:	Up to U.S.$30,000,000,000 (or its equivalent in other currencies calculated as described under "*General Description of the Programme*") in aggregate nominal amount of Notes outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Subject to any applicable legal or regulatory restrictions, any currency agreed between the Issuer and the relevant Dealer.
Redenomination:	The applicable Pricing Supplement may provide that certain Notes may be redenominated in euro. The relevant provisions applicable to any such redenomination are contained in Condition 4.
Maturities:	Such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
Issue Price:	Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes:	The Notes will be issued in either bearer or registered form as described in "*Form of the Notes*". Registered Notes will not be exchangeable for Bearer Notes and *vice versa*.
Fixed Rate Notes:	Fixed interest will be payable at such rate or rates in arrear and on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption, and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.
Floating Rate Notes:	Floating Rate Notes will bear interest at a rate determined: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating either the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc. (**ISDA**), and as amended and updated as at the Issue Date of the first Tranche of Notes of the relevant Series), or the latest version of the 2021 ISDA Interest Rate Derivatives Definitions (as published by ISDA on its website (http://www.isda.org), as at the Issue Date of the first Tranche of the Notes of the relevant Series) as specified in the Pricing Supplement;

(ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service (in relation to Screen Rate Determination for Floating Rate Notes where the Reference Rate is specified as being SOFR, please see Condition 5(b)(ii)(E); and in relation to Screen Rate Determination for Floating Rate Notes where the Reference Rate is specified as being SORA, please see Condition 5(b)(ii)(C)); or

(iii) on such other basis as may be agreed between the Issuer and the relevant Dealer.

The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes.

Benchmark Discontinuation: See Conditions 5(b)(vii) (*Benchmark Replacement (other than Floating Rate Notes where the Reference Rate is specified as being SORA or SOFR)*), 5(b)(viii) *(Benchmark Replacement for Floating Rate Notes (SOFR))* and 5(b)(ix) *(Benchmark Replacement for Floating Rate Notes (SORA)*).

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

Other provisions in relation to Floating Rate Notes and Index Linked Interest Notes: Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both.

Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.

Dual Currency Notes: Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer may agree.

Zero Coupon Notes: Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest other than in the case of default interest.

Partly Paid Notes: The Issuer may issue Notes in respect of which the issue price is paid in separate instalments in such amounts and on such dates as the Issuer and the relevant Dealer may agree.

Instalment Notes: The Issuer may issue Notes which may be redeemed in separate instalments in such amounts and on such dates as the Issuer and the relevant Dealer may agree.

Redemption:	The applicable Pricing Supplement will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than (i) in specified instalments, if applicable, (ii) for taxation reasons or (iii) following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer. The applicable Pricing Supplement may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Pricing Supplement.
Denomination of Notes:	Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, see "*Certain Restrictions — Notes having a maturity of less than one year*" above. Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see "*Certain Restrictions — Notes having a maturity of less than one year*" above.
Taxation:	All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction, save as provided in Condition 8. In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 8, be required to pay additional amounts to cover the amounts so deducted. *In making an investment decision, each prospective investor is strongly recommended to consult its own professional advisers in respect of the tax implications of holding the Notes, see the section entitled "Taxation".*
Cross Default:	The terms of the Notes will contain a cross default provision as further described in Condition 10.
Status of the Notes:	The Notes will constitute direct, unconditional, unsubordinated, general and unsecured obligations of the Issuer and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

Listing:	Application has been made to the SEHK for the listing of the Programme under which Notes may be issued by way of debt issues to Professional Investors only during the 12-month period after the date of this document on the SEHK. The Notes may be listed on the SEHK or such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer in relation to each Series. Unlisted Notes may also be issued. The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed and, if so, on which stock exchange(s). Notes listed on the SEHK will be traded on the SEHK in a board lot size of at least HK$500,000 (or its equivalent in other currencies).
Governing Law:	The Notes and any non-contractual obligations arising out of or in connection with the Notes, will be governed by, and construed in accordance with, English law.
Clearing System:	The CMU, Euroclear, Clearstream and/or any other clearing system, as specified in the applicable Pricing Supplement, see the section entitled "*Form of the Notes*".
Legal Entity Identifier Number of the Issuer:	254900W04TBDJ4UBOS04
Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including, for these purposes, The Netherlands), the United Kingdom, Japan, Hong Kong, the PRC and Singapore and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see the section entitled "*Subscription and Sale*".
U.S. Selling Restrictions:	Regulation S, Category 2. TEFRA C or D or TEFRA not applicable, as specified in the applicable Pricing Supplement.

FORM OF THE NOTES

The Notes of each Series (as defined under "*Terms and Conditions of the Notes*") will be in either bearer form, with or without interest coupons (**Coupons**) attached, or registered form, without Coupons attached. Both Bearer Notes and Registered Notes will be issued outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act (**Regulation S**).

Notes to be listed on the SEHK will be accepted for clearance through Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking S.A. (**Clearstream**) and may also be accepted for clearance through the CMU (as defined below).

Bearer Notes

Each Tranche of Bearer Notes will be initially issued in the form of either a temporary bearer global note (a **Temporary Bearer Global Note**) or a permanent bearer global note (a **Permanent Bearer Global Note** and together with a Temporary Bearer Global Note, the **Bearer Global Notes**, and each a **Bearer Global Note**) as indicated in the applicable Pricing Supplement, which, in either case, will be delivered on or prior to the original issue date of the Tranche (as defined under "*Terms and Conditions of the Notes*") to either (i) a common depositary (**Common Depositary**) for Euroclear and Clearstream or (ii) a sub-custodian for the Hong Kong Monetary Authority (**HKMA**), as operator of Central Moneymarkets Unit (**CMU**). Whilst any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Bearer Global Note only to the extent that certification to the effect that the beneficial owners of interests in such Bearer Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream and/or Citibank, N.A., Hong Kong Branch (**CMU Lodging Agent**) and (in the case of a Temporary Bearer Global Note delivered to a Common Depositary for Euroclear and Clearstream) Euroclear and/or Clearstream, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

On and after the date (**Exchange Date**) which, for each Tranche in respect of which a Temporary Bearer Global Note is issued, is 40 days after the Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either (i) for interests in a Permanent Bearer Global Note of the same Series or (ii) for definitive Bearer Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Pricing Supplement and subject, in the case of definitive Bearer Notes, to such notice period as is specified in the applicable Pricing Supplement), in each case against certification of beneficial ownership as described above, unless such certification has already been given, provided that purchasers in the United States and certain U.S. persons will not be able to receive definitive Bearer Notes. The CMU may require that any such exchange for a Permanent Bearer Global Note is made in whole and not in part and in such event, no such exchange will be effected until all relevant accountholders (as set out in a CMU Issue Position Report (as defined in the rules of the CMU) or any other relevant notification supplied to the CMU Lodging Agent by the CMU) have so certified.

The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made through Euroclear and/or Clearstream against presentation or surrender (as the case may be) of the Permanent Bearer Global Note without any requirement for certification.

In respect of a Bearer Global Note held through the CMU, any payments of principal, interest (if any) or any other amounts shall be made to the person(s) for whose account(s) interests in the relevant Bearer Global Note are credited (as set out in a CMU Issue Position Report or any other relevant notification supplied to the CMU Lodging Agent by the CMU) and, save in the case of final payment, no presentation of the relevant Bearer Global Note shall be required for such purpose.

The applicable Pricing Supplement will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where applicable, receipts, interest coupons and talons attached upon either (i) not less than 60 days' written notice (a), in the case of Notes held by a Common Depositary for Euroclear and/or Clearstream, from Euroclear and/or Clearstream (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) to the Principal Paying Agent as described therein and/or (b), in the case of Notes held through the CMU, from the relevant accountholders therein to the CMU Lodging Agent as described therein or (ii) only upon the occurrence of an Exchange Event.

For these purposes, **Exchange Event** means that (i) an Event of Default has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream have, or in the case of Notes cleared through the CMU, the CMU has, been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any case, no successor or alternative clearing system is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Bearer Global Note in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, (a) in the case of Notes held by a Common Depositary for Euroclear and/or Clearstream, Euroclear and/or Clearstream (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) or, (b) in the case of Notes held through the CMU, the relevant accountholders therein, may give notice to the Principal Paying Agent or, as the case may be, the CMU Lodging Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Principal Paying Agent or, as the case may be, the CMU Lodging Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent or, as the case may be, the CMU Lodging Agent.

The following legend will appear on all Bearer Notes (other than Temporary Bearer Global Notes), and on all receipts and interest coupons relating to such Notes where TEFRA D is specified in the applicable Pricing Supplement:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes, receipts or interest coupons and will not be entitled to capital gains treatment in respect of any gain on any sale, disposition, redemption or payment of principal in respect of Bearer Notes, receipts or interest coupons.

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream or the CMU, as the case may be.

Registered Notes

The Registered Notes of each Tranche will initially be represented by a global note in registered form without receipts or Coupons (a **Registered Global Note**) which will be deposited with, and registered in the name of a nominee of, a common depositary for Euroclear and Clearstream. Prior to expiry of the distribution compliance period (as defined in Regulation S) applicable to each Tranche of Notes, beneficial interests in a Registered Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 2 and may not be held otherwise than through Euroclear or Clearstream and such Registered Global Note will bear a legend regarding such restrictions on transfer.

Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 6(d)) as the registered holder of the Registered Global Notes. None of the Issuer, the Principal Paying Agent, other Paying Agents or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 6(d)) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Event of Default has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream have, and in the case of Notes cleared through the CMU, the CMU has, been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any case, no successor or alternative clearing system is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered where the Notes represented by the Registered Global Notes in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, (a) in the case of Notes held by a Common Depositary for Euroclear and/or Clearstream, Euroclear and/or Clearstream (acting on the instructions of any holder of an interest in such Registered Global Note) or, (b) in the case of Notes held through the CMU, the relevant account holders therein, may give notice to the Registrar or, as the case may be, the CMU Lodging Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Registrar or, as the case may be, the CMU Lodging Agent requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar or, as the case may be, the CMU Lodging Agent.

Transfer of Interests

Interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interests in another Registered Global Note. No beneficial owner of interests in a Registered Global Note will be able to transfer such interests, except in accordance with the applicable procedures of Euroclear, Clearstream and the CMU, in each case to the extent applicable.

General

Pursuant to the Agency Agreement (as defined under "*Terms and Conditions of the Notes*"), the Principal Paying Agent or, as the case may be, the CMU Lodging Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes at a point after the issue date of the further Tranche, the Notes of such further Tranche shall be assigned a common code and ISIN and, where applicable, a CMU instrument number which are different from the common code, CMU instrument number and ISIN assigned to Notes of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series, which shall not be prior to the expiry of the distribution compliance period (as defined in Regulation S) applicable to the Notes of such Tranche.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear, Clearstream or the CMU, each person (other than Euroclear, Clearstream or the CMU) who is for the time being shown in the records of Euroclear, Clearstream or the CMU as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear, Clearstream or the CMU as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes (save in the case of manifest error) shall be treated by the Issuer and its agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer and its agents as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly. Notwithstanding the above, if a Note (whether in global or definitive form) is held through the CMU, any payment that is made in respect of such Note shall be made at the direction of the bearer to the person(s) for whose account(s) interests in such Note are credited are being held through the CMU in accordance with the CMU Rules (as defined in the Agency Agreement) at the relevant time, and such payments shall discharge the obligation of the Issuer in respect of that payment under such Note. For these purposes, a notification to the CMU should be conclusive evidence of the records of the CMU (save in the case of manifest error).

Any reference herein to Euroclear and/or Clearstream and/or the CMU shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement or otherwise approved by the Issuer, the Principal Paying Agent and the Registrar.

A Note may be accelerated by the holder of such Notes thereof in certain circumstances described in Condition 10. In such circumstances, where any Note is still represented by a Global Note and such Global Note (or any part thereof) has become due and repayable in accordance with the Terms and Conditions of such Note and payment in full of the amount due has not been made in accordance with the provisions of the Global Note then holders of interests in such Global Note credited to their accounts with Euroclear and/or Clearstream and/or the CMU, as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear, Clearstream and the CMU on and subject to the terms of a deed of covenant (**Deed of Covenant**) dated 19 June 2009 executed by the Issuer.

FORM OF PRICING SUPPLEMENT

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Notes issued under the Programme.

[Date]

The Hong Kong Mortgage Corporation Limited
香港按揭證券有限公司
(the Issuer)

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] (the Notes) under the U.S.$30,000,000,000 Medium Term Note Programme (the Programme)

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

Terms used in this Pricing Supplement shall have the same meaning as the terms defined in the Terms and Conditions of the Notes set out in the Offering Circular dated 26 June 2025 [and the supplement[s] to it dated [●] and [●]] (the **Offering Circular**). This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular.

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

Terms used in this Pricing Supplement shall have the same meaning as the terms defined in the Terms and Conditions of the Notes set out in the Offering Circular dated [*original date*] (**Conditions**). This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular dated [*current date*] (together, the **Offering Circular**), save to the extent that the Terms and Conditions of the Notes set out in the Offering Circular dated [*current date*] shall be replaced by the Conditions (as set out in the Offering Circular dated [*original date*], copies of which are attached hereto).]

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

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

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

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

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

[MiFID II PRODUCT GOVERNANCE / TARGET MARKET — Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, **MiFID II**); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.][(1)]

[UK MiFIR PRODUCT GOVERNANCE / TARGET MARKET — Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (**COBS**), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (**UK MiFIR**); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the **UK MiFIR Product Governance Rules**) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.][(2)]

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

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(1) Legend for issuances involving one or more MiFID Firm manufacturers.

(2) Legend for issuances involving one or more UK MiFIR Firm manufacturers.

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

Notification under Section 309B(1)(c) of the Securities and Futures Act 2001 of Singapore (as modified or amended from time to time) (the **SFA**) — In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the **CMP Regulations 2018**), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are [capital market products other than] prescribed capital markets products (as defined in the CMP Regulations 2018) and [Excluded/Specified] Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).[(3)]

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

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

1.	Issuer:		The Hong Kong Mortgage Corporation Limited 香港按揭證券有限公司
2.	(i)	Series Number:	[●]
	(ii)	Tranche Number:	[●] *(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)*
	(iii)	Date on which the Notes will be consolidated and form a single Series:	[The Notes will be consolidated and form a single Series with the [Series Number] [*identify earlier Tranches*] Notes on [the Issue Date / exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 24 below, which is expected to occur on or about [*date*]] / Not Applicable]

(3) Relevant Dealer(s) to consider whether it has / they have received the necessary product classification from the Issuer prior to the launch of the offer, pursuant to Section 309B of the SFA. If there is a change to product classification for the Notes, from the product classification as specified in the Programme documentation, then this legend is to be included accordingly.

To remove this legend if Notes are offered to Institutional Investors or Accredited Investors only in Singapore.

3.	Specified Currency or Currencies:		[●]
4.	Aggregate Nominal Amount:		
	(i)	Series:	[●]
	(ii)	Tranche:	[●]
5.	[(i)	Issue Price:	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert Date*] *(in the case of fungible issues only, if applicable)*]]
	[(ii)	Net Proceeds: *(Required only for listed issues)*	[●]]
6.	(i)	Specified Denomination(s):	[●] *(Notes must have a minimum denomination of €100,000 (or equivalent) in order to benefit from Transparency Directive exemptions in respect of wholesale securities)* *(Where multiple denominations above U.S.$200,000 or equivalent are being used, the following sample wording should be followed:* "[U.S.$200,000] and integral multiples of [U.S.$1,000] in excess thereof, up to and including [U.S.$399,000]. No Notes in definitive form will be issued with a denomination above [U.S.$399,000]."*)*
	(ii)	Calculation Amount:	[●] *(If only one Specified Denomination, insert the Specified Denomination.* *If more than one Specified Denomination, insert the highest common factor. There must be a common factor in the case of two or more Specified Denominations)* *(In the case of Registered Notes, this means the minimum integral amount in which transfers can be made)*

7.	[(i)	Issue Date [and Interest Commencement Date]:	[●]]
	[(ii)	Interest Commencement Date (if different from the Issue Date):	[*Specify* Issue Date / Not Applicable] *(An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes)*
8.	Maturity Date:		[*Fixed rate — specify date* / *Floating rate* — Interest Payment Date falling in or nearest to [*specify month and year*]][(4)]
9.	Interest Basis:		[[●] per cent. Fixed Rate] [[EURIBOR / HIBOR / CNH HIBOR / SORA / BBSW / SOFR] plus / minus [●] per cent. per annum] [Floating Rate] [Zero Coupon] [Index Linked Interest] [Dual Currency Interest] [*Specify other*] (further particulars specified below)
10.	Redemption / Payment Basis:		[Redemption at par / Index Linked Redemption / Dual Currency Redemption / Partly Paid / Instalment / *Specify other*]
11.	Change of Interest Basis or Redemption / Payment Basis:		[[*Specify details of any provision for change of Notes into another Interest Basis or Redemption* / *Payment Basis*] / Not Applicable]
12.	Put / Call Options:		[Investor Put / Issuer Call / (further particulars specified below) / Not Applicable]
13.	Listing:		[The Stock Exchange of Hong Kong Limited / *Specify other* / None][(5)]
14.	Method of distribution:		[Syndicated / Non-syndicated]

(4) Note that for Fixed Rate Notes denominated in certain currencies, such as in Hong Kong dollar and Renminbi where the Interest Payment Dates are subject to modification, it will be necessary to use the second option here.

(5) If Listing is in Hong Kong, specify the expected listing date.

Provisions Relating to Interest (If Any) Payable

15.	Fixed Rate Note Provisions:		[Applicable / Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Rate(s) of Interest:	[●] per cent. per annum [payable [annually / semi-annually / quarterly / monthly / *Specify other*] in arrear] *(If payable other than annually, consider amending Condition 5)* on each Interest Payment Date
	(ii)	Interest Payment Date(s):	[[●] in each year up to and including the Maturity Date / *Specify other*][(6)] *(Amend appropriately in the case of irregular coupons)*
	(iii)	Fixed Coupon Amount(s) for Notes in definitive form *(and in relation to Notes in global form, see Condition 5(a))*:	[●] per Calculation Amount[(7)]
	(iv)	Broken Amount(s) for Notes in definitive form *(and in relation to Notes in global form, see Condition 5(a))*:	[[●] per Calculation Amount[(8)], payable on the Interest Payment Date falling [in/on] [●] / Not Applicable] *(Insert particulars of any broken interest amount which does not correspond with the Fixed Coupon Amount and Interest Payment Date(s) to which they relate)*

(6) Note that for Fixed Rate Notes denominated in certain currencies, such as in Hong Kong dollar and Renminbi where the Interest Payment Dates are subject to modification, the following words should be added: "provided that if an Interest Payment Date falls on a day which is not a Business Day, such Interest Payment Date will be the next succeeding Business Day unless it would thereby fall in the next calendar month in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day. For these purposes, "Business Day" means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and currency deposits) in Hong Kong [and [●]]."

(7) For Fixed Rate Notes denominated in certain currencies, such as in Hong Kong dollar and Renminbi where the Interest Payment Dates are subject to modification the following wording is appropriate: "Interest shall be calculated by applying the Rate of Interest to (i) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up), or (ii) in the case of Fixed Rate Notes in definitive form, the Calculation Amount, and, in each case, multiplying such sum by the actual number of days in the Accrual Period (as defined in Condition 5(a)) divided by 365 and rounding the resultant figure to the nearest [HK$0.01, HK$0.005/CNY0.01, CNY0.005] being rounded upwards."

(8) For Fixed Rate Notes denominated in certain currencies, such as in Hong Kong dollar and Renminbi where the Broken Amount(s) is applicable, the following wording is appropriate: "The Broken Amount shall be calculated by applying the Rate of Interest to (i) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up), or (ii) in the case of Fixed Rate Notes in definitive form, the Calculation Amount, and, in each case, multiplying such sum by the actual number of days in the Accrual Period (as defined in Condition 5(a)) divided by 365 and rounding the resultant figure to the nearest [HK$0.01, HK$0.005/CNY0.01, CNY0.005] being rounded upwards."

	(v)	Day Count Fraction:	[Actual/Actual (ICMA)] [30/360] [Actual/365 (Fixed)[9]] [Actual/360] [*Specify other*]
	(vi)	Determination Date(s):	[[●] in each year / Not Applicable] *(Insert regular interest payment dates, ignoring the Issue Date or maturity date in the case of a long or short first or last coupon)* *(This will need to be amended in the case of regular interest payment dates which are not of equal duration)* *(Only relevant where Day Count Fraction is Actual/Actual (ICMA))*
	(vii)	Party responsible for calculating the amount of interest payable per Calculation Amount (if not the Principal Paying Agent):	[●]
	(viii)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	[None / *Give details*]
16.	Floating Rate Note Provisions:		[Applicable / Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Specified Period(s) / Specified Interest Payment Dates:	[●]
	(ii)	Business Day Convention:	[Floating Rate Convention / Following Business Day Convention / Modified Following Business Day Convention / Preceding Business Day Convention / *Specify other*]
	(iii)	Additional Business Centre(s):	[●]
	(iv)	Manner in which the Rates of Interest and Interest Amount are to be determined:	[Screen Rate Determination / ISDA Determination / *Specify other*]
	(v)	Party responsible for calculating the Rate(s) of Interest and Interest Amount (if not the Principal Paying Agent):	[[●] / Not Applicable]

(9) Applicable to Fixed Rate Notes denominated in certain currencies, such as in Hong Kong dollar and Renminbi.

(vi) Screen Rate Determination: [Applicable / Not Applicable]

(a) Reference Rate: [●]

(Either EURIBOR, HIBOR, CNH HIBOR, SORA, BBSW, SOFR or other, although additional information is required if other — including fallback provisions in the Agency Agreement)

(b) Index Determination: [Applicable / Not Applicable]

(c) Interest Determination Date(s): [●]

(The first day of each Interest Period if HIBOR, the second day on which T2 is open prior to the start of each Interest Period if EURIBOR, the second Hong Kong business day prior to the start of each Interest Period if CNH HIBOR)

[The [U.S. Government Securities Business Day / Singapore Business Day [immediately following / falling [●] after] the end of [each Observation Period / the Cut-off Date]]

(Only applicable where the Reference Rate is SOFR or SORA. Note that Interest Determination Date should fall at least 5 business days prior to the Interest Payment Date unless otherwise agreed with the Calculation Agent)

(d) Relevant Screen Page: [●]

(In the case of EURIBOR, if not Reuters Page EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)

(e) Observation Method: [Observation Shift / Lag / Lockout / Not Applicable]

(vii) ISDA Determination: [Applicable / Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

(a) ISDA Definitions: [2006 ISDA Definitions] / [2021 ISDA Definitions]

(b) Floating Rate Option: [●]

(If "2021 ISDA Definitions" is selected, ensure this is a Floating Rate Option included in the Floating Rate Matrix (as defined in the 2021 ISDA Definitions))

(c) Designated Maturity: [●] / [Not Applicable]

(A Designated Maturity period is not relevant where the relevant Floating Rate Option is a risk-free rate)

(d) Reset Date: [●]

(In the case of a EURIBOR, HIBOR or CNH HIBOR based option, the first day of the Interest Period)

(e) Compounding: [Applicable/Not Applicable]

(If not applicable, delete the remaining items of this subparagraph)

Compounding Method: [Compounding with Lookback

Lookback: [[●] Applicable Business Days] / [As specified in the Compounding / Averaging Matrix (as defined in the 2021 ISDA Definitions)]]

[Compounding with Observation Period Shift

Observation Period Shift: [[●] Observation Period Shift Business Days] / [As specified in the Compounding / Averaging Matrix (as defined in the 2021 ISDA Definitions)]

Observation Period Shift Additional Business Days: [●] / [Not Applicable]]

[Compounding with Lockout

Lockout: [[●] Lockout Period Business Days] / [As specified in the Compounding / Averaging Matrix (as defined in the 2021 ISDA Definitions)]

Lockout Period Business Days: [●]/ [Applicable Business Days]]

(f) Averaging: [[Applicable / Not Applicable]

(If not applicable, delete the remaining items of this subparagraph)

Averaging Method: [Averaging with Lookback

Lookback: [[●] Applicable Business Days] / [As specified in the Compounding / Averaging Matrix (as defined in the 2021 ISDA Definitions)]]

		[Averaging with Observation Period Shift Observation Period Shift: [[●] Observation Period Shift Business Days] / [As specified in the Compounding / Averaging Matrix (as defined in the 2021 ISDA Definitions)] Observation Period Shift Additional Business Days: [●] / [Not Applicable]] [Averaging with Lockout Lockout: [[●] Lockout Period Business Days] / [As specified in the Compounding / Averaging Matrix (as defined in the 2021 ISDA Definitions)] Lockout Period Business Days: [●] / [Applicable Business Days]]
	(g) Index provisions:	[Applicable / Not Applicable] *(If not applicable, delete the remaining items of this subparagraph)*
	Index Method:	Compounded Index Method with Observation Period Shift Observation Period Shift: [[●] Observation Period Shift Business Days] / [As specified in the Compounding / Averaging Matrix (as defined in the 2021 ISDA Definitions)] Observation Period Shift Additional Business Days: [●] / [Not Applicable]]
(viii)	Margin(s):	[Plus / Minus] [●] per cent. per annum
(ix)	Minimum Rate of Interest:	[●] per cent. per annum / Not Applicable
(x)	Maximum Rate of Interest:	[●] per cent. per annum / Not Applicable
(xi)	Day Count Fraction:	[Actual/Actual (ISDA)] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360, 360/360 or Bond Basis] [30E/360 or Eurobond Basis] [30E/360 (ISDA)] [*Specify other*] *(See Condition 5 for alternatives)*

	(xii)	Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[Benchmark Event / Benchmark Event (SOFR) / Benchmark Event (SORA) / *Specify if fallback provisions different from those set out in the Conditions*]
17.	Zero Coupon Note Provisions:		[Applicable / Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Accrual Yield:	[●] per cent. per annum
	(ii)	Reference Price:	[●]
	(iii)	Any other formula/basis of determining amount payable:	[●] *(Consider applicable day count fraction if euro denominated)*
	(iv)	Day Count Fraction in relation to Early Redemption Amounts and late payment if Conditions 7(e)(iii) and (j) do not apply:	[Conditions 7(e)(iii) and (j) apply / *Specify other*]
18.	Index Linked Interest Note Provisions:		[Applicable / Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Index / Formula:	[*Give details* / See Annex]
	(ii)	Party, if any, responsible for calculating the principal and/or interest due (if not the Agent):	[●]
	(iii)	Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:	[*Need to include a description of market disruption or settlement disruption events and adjustment provisions*]
	(iv)	Specified Period(s) / Specified Interest Payment Dates:	[●]
	(v)	Business Day Convention:	[Floating Rate Convention / Following Business Day Convention / Modified Following Business Day Convention / Preceding Business Day Convention / *Specify other*]

	(vi)	Additional Business Centre(s):	[●]
	(vii)	Minimum Rate of Interest:	[●] per cent. per annum
	(viii)	Maximum Rate of Interest:	[●] per cent. per annum
	(ix)	Day Count Fraction:	[●]
19.	Dual Currency Interest Note Provisions:		[Applicable / Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Rate of Exchange / method of calculating Rate of Exchange:	[*Give details*]
	(ii)	Party, if any, responsible for calculating the principal and/or interest due (if not the Agent):	[●]
	(iii)	Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[*Need to include a description of market disruption or settlement disruption events and adjustment provisions*]
	(iv)	Person at whose option Specified Currency(ies) is/are payable:	[●]

Provisions Relating to Redemption

20.	Issuer Call:		[Applicable / Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Optional Redemption Date(s):	[●]
	(ii)	Optional Redemption Amount(s) and method, if any, of calculation of such amount(s):	[[●] per Calculation Amount / *Specify other* / *See Annex]*
	(iii)	If redeemable in part:	[Applicable / Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
		(a) Minimum Redemption Amount:	[●]
		(b) Maximum Redemption Amount:	[●]

	(iv)	Notice period (if other than as set out in the Conditions):	[●] *(If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)*
21.	Investor Put:		[Applicable / Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Optional Redemption Date(s):	[●]
	(ii)	Optional Redemption Amount(s) and method, if any, of calculation of such amount(s):	[[●] per Calculation Amount / *Specify other* / *See Annex]*
	(iii)	Notice period (if other than that as set out in the Conditions):	[●] *(If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 clearing system business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)*
22.	Final Redemption Amount:		[[●] per Calculation Amount / At par / *Specify other* / See Annex]
23.	Early Redemption Amount(s) payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 7(e)):		[[●] / Not Applicable]

General Provisions Applicable to the Notes

24.	Form of Notes:	[Bearer Notes:

[Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon the occurrence of an Exchange Event][(10)]]

[Temporary Bearer Global Note exchangeable for Definitive Notes on and after the Exchange Date]

[Permanent Bearer Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon the occurrence of an Exchange Event][(10)]]

[Registered Notes:

Registered Global Note ([*currency*] [●] *nominal amount*) registered in the name of [a nominee for a common depositary for Euroclear and Clearstream] / [the Hong Kong Monetary Authority (as operator of CMU)]]

25. Additional Financial Centre(s) or other special provisions relating to Payment Days:

[Not Applicable / *Give details*]

References to "principal financial centre" and "Additional Financial Centre(s)" in the "Payment Day" definition for the purpose of the Notes shall be construed to refer to [*specify the principal financial centre*] as the principal financial centre and [*list out all applicable Additional Financial Centre(s)*] as the Additional Financial Centre(s)

(Note that this paragraph relates to the place of payment and not the end dates of Interest Periods for the purposes of calculating the amount of interest, to which sub-paragraphs 16(iii) and 18(vi) relate)

26. Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes (and dates on which such Talons mature):

[Yes/No. *If yes, give details*]

(10) The Issuer is advised to consider the specific requirements of the relevant clearing system(s), if any. The exchange upon notice option should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: "[U.S.$200,000] and integral multiples of [U.S.$1,000] in excess thereof, up to and including [U.S.$399,000]".

27.	Details relating to Partly Paid Notes (amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment):		[Not Applicable / *Give details*] *(New forms of Global Note may be required for Partly Paid issues)*
28.	Details relating to Instalment Notes:		
	(i)	Instalment Amount(s):	[Not Applicable / *Give details*]
	(ii)	Instalment Date(s):	[Not Applicable / *Give details*]
29.	Redenomination:		[Applicable / Not Applicable] *(If applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates))*
30.	Other terms or special conditions:		[Not Applicable / *Give details*]

Distribution

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

Operational Information

35.	ISIN		[[●] / Not Applicable]
36.	Common Code:		[●]
37.	CMU Instrument Number:		[[●] / Not Applicable]
38.	Any clearing system(s) other than Euroclear or Clearstream or CMU, and the relevant identification number(s):		[Not Applicable / *Give name(s) and number(s)*]

39.	Delivery:	Delivery [against / free of] payment
40.	In the case of Registered Notes, specify the location of the office of the Registrar if other than Hong Kong:	[Not Applicable / *Give location(s)*]
41.	In the case of Bearer Notes, specify the location of the office of the Principal Paying Agent if other than Hong Kong:	[Not Applicable / London]
42.	Additional Paying Agent(s) (if any):	[[●] / Not Applicable]
43.	Legal Entity Identifier:	254900W04TBDJ4UBOS04

Other Information – Hong Kong SFC Code of Conduct

44.	Rebates	[A rebate of [●] bps is being offered by the [Issuer] to all private banks for orders they place (other than in relation to [Bonds/Notes/Securities] subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing of this offering based on the principal amount of the [Bonds/Notes/Securities] distributed by such private banks to investors. Private banks are deemed to be placing an order on a principal basis unless they inform the CMIs otherwise. As a result, private banks placing an order on a principal basis (including those deemed as placing an order as principal) will not be entitled to, and will not be paid, the rebate.] / [Not Applicable]
45.	Contact email addresses of the Overall Coordinators where underlying investor information in relation to omnibus orders should be sent:	[*Include relevant contact email addresses of the Overall Coordinators where the underlying investor information should be sent — OCs to provide*] / [Not Applicable]
46.	Marketing and Investor Targeting Strategy(11)	[*As indicated in the Offering Circular*] / [*Describe if different from the programme OC*]

(11) Deletion to be considered for private placements.

[Use of Proceeds

[*To be specified if different from the use of proceeds set out in the Offering Circular.*]]

[Listing Application

This Pricing Supplement comprises the final terms required to list the issue of the Notes described herein pursuant to the U.S.$30,000,000,000 Medium Term Note Programme of The Hong Kong Mortgage Corporation Limited 香港按揭證券有限公司.]

Investment Considerations

There are significant risks associated with the Notes. Prospective investors should have regard to the factors described under the section headed "Risk Factors" in the Offering Circular before purchasing any Notes. Before entering into any transaction, prospective investors should ensure that they fully understand the potential risks and rewards of that transaction and independently determine that the transaction is appropriate given their objectives, experience, financial and operational resources and other relevant circumstances. Prospective investors should consider consulting with such advisers as they deem necessary to assist them in making these determinations.

Responsibility

The Issuer accepts responsibility for the information contained in this Pricing Supplement which, when read together with the Offering Circular [and the Supplemental Offering Circular] referred to above, contains all information that is material in the context of the issue of the Notes.

Signed on behalf of the Issuer:

By: _____

Duly authorised

If the applicable Pricing Supplement specifies any modification to the Terms and Conditions of the Notes as described herein, it is envisaged that, to the extent that such modification relates only to Conditions 1, 4, 5, 6, 7 (except Condition 7(b)), 11, 12, 13, 14 (insofar as such Notes are not listed or admitted to trading on any stock exchange) or 16, they will not necessitate the preparation of a supplement to this Offering Circular. If the Terms and Conditions of the Notes of any Series are to be modified in any other respect, a supplement to this Offering Circular will be prepared, if appropriate.

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the rules of the relevant stock exchange and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Pricing Supplement in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Pricing Supplement (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Form of Pricing Supplement" for a description of the content of the applicable Pricing Supplement which will specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by The Hong Kong Mortgage Corporation Limited 香港按揭證券有限公司 (**Issuer**) pursuant to the Agency Agreement (as defined below).

References herein to the **Notes** shall be references to the Notes of this Series and shall mean:

(i) in relation to any Notes represented by a global Note (a **Global Note**), units of the lowest Specified Denomination in the Specified Currency;

(ii) any Global Note;

(iii) any definitive Notes in bearer form (**Bearer Notes**) issued in exchange for a Global Note in bearer form; and

(iv) definitive Notes in registered form (**Registered Notes**) (whether or not issued in exchange for a Global Note in registered form).

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an Amended and Restated Agency Agreement (as further amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 24 June 2022 and made between the Issuer, Citibank, N.A., London Branch as principal paying agent (**Principal Paying Agent**, which expression shall include any successor principal paying agent), Citibank, N.A., Hong Kong Branch as CMU lodging agent (**CMU Lodging Agent**, which expression shall include any successor CMU lodging agent) and the other paying agents named therein (together with the Principal Paying Agent and the CMU Lodging Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents) and Citicorp International Limited as registrar (**Registrar**, which expression shall include any successor registrar), and a transfer agent and the other transfer agents named therein (together with the Registrar, the **Transfer Agents**, which expression shall include any additional or successor transfer agents). For the purposes of these Terms and Conditions, all references (other than in relation to the determination of interest and other amounts payable in respect of the Notes) to the Principal Paying Agent shall, with respect to a Series of Notes to be held in the CMU (as defined below), be deemed to be a reference to the CMU Lodging Agent and all such references shall be construed accordingly.

Interest bearing definitive Bearer Notes have interest coupons (**Coupons**) and, if indicated in the applicable Pricing Supplement, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons. Definitive Bearer Notes repayable in instalments have receipts (**Receipts**) for the payment of the instalments of principal (other than the final instalment) attached on issue. Registered Notes and Global Notes do not have Receipts, Coupons or Talons attached on issue.

The Pricing Supplement for this Note (or the relevant provisions thereof) is attached to or endorsed on this Note and supplements these Terms and Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify these Terms and Conditions for the purposes of this Note. References to the **applicable Pricing Supplement** are to the Pricing Supplement (or the relevant provisions thereof) attached to or endorsed on this Note.

Any reference to **Noteholders** or **holders** in relation to any Notes shall mean (in the case of Bearer Notes) the holders of the Notes and (in the case of Registered Notes) the persons in whose name the Notes are registered and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to **Receiptholders** shall mean the holders of the Receipts and any reference herein to **Couponholders** shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, **Tranche** means Notes which are identical in all respects (including as to listing) and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

The Noteholders, the Receiptholders and the Couponholders are entitled to the benefit of the Deed of Covenant (as modified and/or supplemented and/or restated from time to time, **Deed of Covenant**) dated 19 June 2009 and made by the Issuer. The original of the Deed of Covenant is held by the common depositary for Euroclear (as defined below) and Clearstream (as defined below).

Copies of the Agency Agreement and the Deed of Covenant are available for inspection during normal business hours at the specified office of each of the Principal Paying Agent, the Registrar and the other Paying Agents and Transfer Agents (such Agents and the Registrar being together referred to as **Agents**). Copies of the applicable Pricing Supplement are obtainable during normal business hours at the specified office of each of the Agents save that, if this Note is an unlisted Note of any Series, the applicable Pricing Supplement will only be obtainable by a Noteholder holding one or more unlisted Notes of that Series and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Agent as to its holding of such Notes and identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Deed of Covenant and the applicable Pricing Supplement which are applicable to them. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

Words and expressions defined in the Agency Agreement or used in the applicable Pricing Supplement shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

1. Form, Denomination and Title

The Notes are in bearer form or in registered form as specified in the applicable Pricing Supplement and, in the case of definitive Notes, serially numbered, in the currency (**Specified Currency**) and the denominations (**Specified Denomination(s)**) specified in the applicable Pricing Supplement. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination and Bearer Notes may not be exchanged for Registered Notes and *vice versa*.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Pricing Supplement.

This Note may be an Index Linked Redemption Note, an Instalment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Pricing Supplement.

Definitive Bearer Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Terms and Conditions are not applicable.

Subject as set out below, title to the Bearer Notes, Receipts and Coupons will pass by delivery and title to the Registered Notes will pass upon registration of transfers in the register which is kept by the Registrar in accordance with the provisions of the Agency Agreement. The Issuer, and any Agent will (except as otherwise required by law) deem and treat the bearer of any Bearer Note, Receipt or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank SA/NV (**Euroclear**) and/or Clearstream Banking S.A. (**Clearstream)** and/or a sub-custodian for the Hong Kong Monetary Authority, as operator of the Central Moneymarkets Unit Service (**CMU**), each person (other than Euroclear, Clearstream or the CMU) who is for the time being shown in the records of Euroclear, Clearstream or the CMU as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream or the CMU as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer and the Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer and any Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly. Notwithstanding the above, if a Note (whether in global or definitive form) is held through the CMU, any payment that is made in respect of such Note shall be made at the direction of the bearer to the person(s) for whose account(s) interests in such Note are credited are being held through the CMU in accordance with the CMU Rules (as defined in the Agency Agreement) at the relevant time, and such payments shall discharge the obligation of the Issuer in respect of that payment under such Note. For these purposes, a notification to the CMU should be conclusive evidence of the records of the CMU (save in the case of manifest error).

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear, Clearstream and the CMU, as the case may be. References to Euroclear, Clearstream and/or the CMU shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement.

2. Transfers of Registered Notes

(a) Transfers of interests in Registered Global Notes

Transfers of beneficial interests in Registered Global Notes will be effected by Euroclear, Clearstream or the CMU as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Registered Notes in definitive form or for a beneficial interest in another Registered Global Note only in the authorised denominations set out in the applicable Pricing Supplement as Specified Denominations and only in accordance with the rules and operating procedures for the time being of Euroclear, Clearstream or the CMU as the case may be and in accordance with the terms and conditions specified in the Agency Agreement.

(b) Transfers of Registered Notes in definitive form

Upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part (in the authorised denominations set out in the applicable Pricing Supplement as Specified Denominations). In order to effect any such transfer (i) the holder or holders must (a) surrender the Registered Note for registration of the transfer of the Registered Note (or the relevant part of the Registered Note) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (b) complete and deposit such other certifications as may be required by the Registrar or, as the case may be, the relevant Transfer Agent; and (ii) the Registrar or, as the case may be, the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 8 to the Agency Agreement). Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Registered Note in definitive form of a like aggregate nominal amount to the Registered Note (or the relevant part of the Registered Note) transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent by uninsured mail to the transferor.

(c) Registration of transfer upon partial redemption

In the event of a partial redemption of Notes under Condition 7, the Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

(d) Costs of registration

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

(e) Closed Periods

No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) during the period of 15 days before any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 7(c), (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date.

(f) Definitions

In this Condition, the following expressions shall have the following meanings:

Regulation S means Regulation S under the Securities Act;

Registered Global Note means a Registered Global Note representing Notes sold outside the United States in reliance on Regulation S;

Securities Act means the United States Securities Act of 1933, as amended.

3. Status of the Notes

The Notes and any relative Receipts and Coupons are direct, unconditional, unsubordinated, general and unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

4. Redenomination

(a) Redenomination

Where redenomination is specified in the applicable Pricing Supplement as being applicable, the Issuer may, without the consent of the Noteholders, the Receiptholders or the Couponholders, on giving 30 days' prior notice to the Principal Paying Agent, Euroclear, Clearstream and/or as applicable, the CMU and at least 30 days' prior notice to the Noteholders in accordance with Condition 14, elect that, with effect from the Redenomination Date specified in the notice, the Notes shall be redenominated in euro.

The election will have effect as follows:

(i) the Notes and the Receipts shall be deemed to be redenominated into euro in the denomination of 0.01 with a nominal amount in euro for each Note and Receipt equal to the nominal amount of that Note or Receipt in the Specified Currency, converted into euro at the Established Rate, provided that, if the Issuer determines, with the agreement of the Principal Paying Agent, that the then market practice in respect of the redenomination into euro of internationally offered securities is different from the provisions specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, the stock exchange (if any) on which the Notes are for the time being listed and the Agents of such deemed amendments;

(ii) save to the extent that an Exchange Notice has been given in accordance with paragraph (iv) below, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate nominal amount of Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest 0.01;

(iii) if definitive Notes are required to be issued after the Redenomination Date, they shall be issued at the expense of the Issuer in the denominations of 1,000, 10,000, 100,000 and (but only to the extent of any remaining amounts less than 1,000 or such smaller denominations as the Issuer in conjunction with the Principal Paying Agent may determine) 0.01 and such other denominations as the Issuer in conjunction with the Principal Paying Agent shall determine and notify to the Noteholders;

(iv) if issued prior to the Redenomination Date, all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Notes) will become void with effect from the date on which the Issuer gives notice (**Exchange Notice**) that replacement euro-denominated Notes, Receipts and Coupons are available for exchange (provided that such securities are so available) and no payments will be made in respect of them. The payment obligations contained in any Notes and Receipts so issued will also become void on that date although those Notes and Receipts will continue to constitute valid exchange obligations of the Issuer. New euro-denominated Notes, Receipts and Coupons will be issued in exchange for Notes, Receipts and Coupons denominated in the Specified Currency in such manner as the Principal Paying Agent may specify and as shall be notified to the Noteholders in the Exchange Notice. No Exchange Notice may be given less than 15 days prior to any date for payment of principal or interest on the Notes;

(v) after the Redenomination Date, all payments in respect of the Notes, the Receipts and the Coupons, other than payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in euro as though references in the Notes to the Specified Currency were to euro. Payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee;

(vi) if the Notes are Fixed Rate Notes and interest for any period ending on or after the Redenomination Date is required to be calculated for a period ending other than on an Interest Payment Date, it will be calculated:

(i) in the case of the Notes represented by a Global Note, by applying the Rate of Interest to the aggregate outstanding nominal amount of the Notes represented by such Global Note; and

(ii) in the case of definitive Notes, by applying the Rate of Interest to the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding;

(vii) if the Notes are Floating Rate Notes, the applicable Pricing Supplement will specify any relevant changes to the provisions relating to interest; and

(viii) such other changes shall be made to these Conditions as the Issuer may decide, after consultation with the Principal Paying Agent, and as may be specified in the notice, to conform them to conventions then applicable to instruments denominated in euro.

(b) Definitions

In these Conditions, the following expressions have the following meanings:

Established Rate means the rate for the conversion of the Specified Currency (including compliance with rules relating to roundings in accordance with applicable European Union regulations) into euro established by the Council of the European Union pursuant to Article 140 of the Treaty;

euro means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty;

Redenomination Date means (in the case of interest bearing Notes) any date for payment of interest under the Notes or (in the case of Zero Coupon Notes) any date, in each case specified by the Issuer in the notice given to the Noteholders pursuant to paragraph (a) above and which falls on or after the date on which the country of the Specified Currency first participates in the third stage of European economic and monetary union; and

Treaty means the Treaty on the Functioning of the European Union, as amended.

5. Interest

(a) Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

Except as provided in the applicable Pricing Supplement, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Pricing Supplement, amount to the Broken Amount so specified.

As used in these Terms and Conditions, **Fixed Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

If interest is required to be calculated for a period ending other than a Fixed Interest Period, such interest shall be calculated by applying the Rate of Interest to:

(A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such amount by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 5(a):

(i) if "Actual/Actual (ICMA)" is specified in the applicable Pricing Supplement:

(a) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (**Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period

ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; or

(b) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; and

(2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; or

(ii) if "30/360" is specified in the applicable Pricing Supplement, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360;

(iii) if "Actual/365 (Fixed)" is specified in the applicable Pricing Supplement, the actual number of days in the Accrual Period divided by 365; or

(iv) if "Actual/360" is specified in the applicable Pricing Supplement, the actual number of days in the Accrual Period divided by 360.

In these Terms and Conditions:

Determination Period means the period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

sub-unit means with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means one cent.

(b) Interest on Floating Rate Notes and Index Linked Interest Notes

(i) Interest Payment Dates

Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

(A) the Specified Interest Payment Date(s) in each year specified in the applicable Pricing Supplement; or

(B) if no express Specified Interest Payment Date(s) is/are specified in the applicable Pricing Supplement, each date (each such date, together with each Specified Interest Payment Date, an **Interest Payment Date**) which falls the number of months or other period

specified as the Specified Period in the applicable Pricing Supplement after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period. In these Conditions, **Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

(ii) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Index Linked Interest Notes will be determined in the manner specified in the applicable Pricing Supplement.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any). For the purposes of this sub-paragraph (A), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent under an interest rate swap transaction if the Principal Paying Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating (i) if "2006 ISDA Definitions" is specified in the applicable Pricing Supplement, the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. (**ISDA**) and as amended and updated as at the Issue Date of the first Tranche of the Notes; or (ii) if "2021 ISDA Definitions" is specified in the applicable Pricing Supplement, the latest version of the 2021 ISDA Interest Rate Derivatives Definitions as published by ISDA on its website (www.isda.org) as at the Issue Date of the first Tranche of the Notes; (together, **ISDA Definitions**) and under which:

(1) the Floating Rate Option is as specified in the applicable Pricing Supplement;

(2) the Designated Maturity, if applicable, is a period specified in the applicable Pricing Supplement;

(3) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the Secured Overnight Financing Rate (**SOFR**), the Singapore Overnight Rate Average (**SORA**), the euro interbank offered rate (**EURIBOR**), on the Hong Kong interbank offered rate (**HIBOR**) or on the CNH Hong Kong interbank offered rate (**CNH HIBOR**), the first day of that Interest Period or (ii) in any other case, as specified in the applicable Pricing Supplement;

(4) if the Floating Rate Option is an Overnight Floating Rate Option, the Overnight Rate Compounding Method is one of the following as specified in the applicable Pricing Supplement:

(a) Compounding with Lookback;

(b) Compounding with Observation Period Shift; or

(c) Compounding with Lockout;

(5) if the Floating Rate Option is an Overnight Floating Rate Option, Averaging is one of the following as specified in the applicable Pricing Supplement:

(1) Averaging with Lookback;

(2) Averaging with Observation Period Shift; or

(3) Averaging with Lockout; and

(6) if the Floating Rate Option is a Compounded Index Floating Rate Option, the Index Method is Compounded Index Method with Observation Period Shift as specified in the applicable Pricing Supplement.

In connection with the Overnight Rate Compounding Method, references in the ISDA Definitions to numbers or other items specified in the relevant confirmation shall be deemed to be references to the numbers or other items specified for such purpose in the applicable Pricing Supplement.

For the purposes of this sub-paragraph (A), **Floating Rate**, **Calculation Agent**, **Floating Rate Option, Designated Maturity, Reset Date, Overnight Floating Rate Option, Overnight Rate Compounding Method, Compounding with Lookback, Compounding with Observation Period Shift, Compounding with Lockout, Averaging with Lookback, Averaging with Observation Period Shift, Averaging with Lockout, Compounded Index Floating Rate Option, Index Method** and **Compounded Index Method with Observation Period Shift** have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Pricing Supplement, the Minimum Rate of Interest shall be deemed to be zero.

(B) Screen Rate Determination for Floating Rate Notes where the Reference Rate is not specified as being SORA, BBSW or SOFR

Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) at approximately 11:00 a.m. (Central European Time, in the case of a determination of EURIBOR, or Hong Kong time, in the case of a determination of HIBOR or CNH HIBOR), on the Interest Determination Date in question plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any), all as determined by the Principal Paying Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (1) above, no such offered quotation appears or, in the case of (2) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

(C) Screen Rate Determination for Floating Rate Notes where the Reference Rate is specified as being Singapore Overnight Rate Average (SORA) (SORA Notes)

(a) ***Compounded Daily SORA***: For each Floating Rate Note where the Reference Rate is specified as being SORA and Index Determination is specified as "Not Applicable" in the

applicable Pricing Supplement, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be Compounded Daily SORA (as defined below) plus or minus the Margin (if any):

(1) where "Lockout" is specified as the Observation Method in the applicable Pricing Supplement:

Compounded Daily SORA means, with respect to an Interest Accrual Period, the rate of return of a daily compound interest investment during such Interest Accrual Period (with the reference rate for the calculation of interest being the daily Singapore Overnight Rate Average) calculated in accordance with the formula set forth below by the Calculation Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Pricing Supplement) on the Interest Determination Date, with the resulting percentage being rounded, if necessary, to the nearest one ten-thousandth of a percentage point (0.0001 per cent.), with 0.00005 per cent. being rounded upwards:

$$\left[\prod_{i=1}^{d_0}\left(1+\frac{\mathrm{SORA}_i \times \mathrm{n}_i}{365}\right)-1\right]\times\frac{365}{d}$$

where:

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

$\mathbf{d_o}$ means, for the relevant Interest Accrual Period, is the number of Singapore Business Days in such Interest Accrual Period;

i means, for the relevant Interest Accrual Period, a series of whole numbers from one to do, each representing the relevant Singapore Business Days in chronological order from (and including) the first Singapore Business Day in such Interest Accrual Period to the last Singapore Business Day in such Interest Accrual Period;

Interest Determination Date means the Singapore Business Day immediately following the Rate Cut-off Date, unless otherwise specified in the applicable Pricing Supplement;

$\mathbf{n_i}$, for any Singapore Business Day "*i*", is the number of calendar days from (and including) such Singapore Business Day "*i*" up to (but excluding) the following Singapore Business Day;

p means the number of Singapore Business Days specified in the applicable Pricing Supplement;

Rate Cut-Off Date means, with respect to a Rate of Interest and Interest Accrual Period, the date falling "*p*" Singapore Business Days prior to the Interest Payment Date in respect of the relevant Interest Accrual Period (or the date falling "*p*" Singapore Business Days prior to such earlier date, if any, on which the SORA Notes become due and payable);

Singapore Business Days or **SBD** means a day (other than a Saturday, Sunday or gazetted public holiday) on which commercial banks settle payments in Singapore;

SORA means, in respect of any Singapore Business Day "*i*", a reference rate equal to the daily Singapore Overnight Rate Average published by the Monetary Authority of Singapore (or a successor administrator), as the administrator of the benchmark, on

the Monetary Authority of Singapore's website currently at http://www.mas.gov.sg, or any successor website officially designated by the Monetary Authority of Singapore (or as published by its authorised distributors) (the **Relevant Screen Page**) on the Singapore Business Day immediately following such Singapore Business Day "*i*";

SORA$_i$ means, in respect of any Singapore Business Day "*i*" in the relevant Interest Accrual Period:

(A) if such Singapore Business Day is a SORA Reset Date, the reference rate equal to SORA in respect of that Singapore Business Day; and

(B) if such Singapore Business Day is not a SORA Reset Date (being a Singapore Business Day falling in the Suspension Period), the reference rate equal to SORA in respect of the first Singapore Business Day falling in the Suspension Period (the **Suspension Period SORAi**) (such first day of the Suspension Period coinciding with the Rate Cut-Off Date). For the avoidance of doubt, the Suspension Period SORAi shall apply to each day falling in the relevant Suspension Period;

SORA Reset Date means, in relation to any Interest Accrual Period, each Singapore Business Day during such Interest Accrual Period, other than any Singapore Business Day falling in the Suspension Period corresponding with such Interest Accrual Period; and

Suspension Period means, in relation to any Interest Accrual Period, the period from (and including) the date falling "*p*" Singapore Business Days prior to the Interest Payment Date in respect of the relevant Interest Accrual Period or such other date specified in the applicable Pricing Supplement (such Singapore Business Day coinciding with the Rate Cut-Off Date) to (but excluding) the Interest Payment Date of such Interest Accrual Period.

(2) where "Lag" is specified as the Observation Method in the applicable Pricing Supplement:

Compounded Daily SORA means, with respect to an Interest Accrual Period, the rate of return of a daily compound interest investment during the Observation Period corresponding to such Interest Accrual Period (with the reference rate for the calculation of interest being the daily Singapore Overnight Rate Average) calculated in accordance with the formula set forth below by the Calculation Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Pricing Supplement) on the Interest Determination Date, with the resulting percentage being rounded, if necessary, to the nearest one ten-thousandth of a percentage point (0.0001 per cent.), with 0.00005 per cent. being rounded upwards:

$$\left[\prod_{i=1}^{d_o}\left(1+\frac{\text{SORA}_{i-pSBD}\times \text{n}_i}{365}\right)-1\right]\times\frac{365}{d}$$

where:

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

d_o means, for the relevant Interest Accrual Period, the number of Singapore Business Days in such Interest Accrual Period;

i means, for the relevant Interest Accrual Period, a series of whole numbers from one to do, each representing the relevant Singapore Business Days in chronological order from (and including) the first Singapore Business Day in such Interest Accrual Period to the last Singapore Business Day in such Interest Accrual Period;

Interest Determination Date means, with respect to a Rate of Interest and Interest Accrual Period, the date falling one Singapore Business Day after the end of each Observation Period, unless otherwise specified in the applicable Pricing Supplement;

n_i, for any Singapore Business Day "*i*", is the number of calendar days from and including such Singapore Business Day "*i*" up to but excluding the following Singapore Business Day;

Observation Period means, for the relevant Interest Accrual Period, the period from (and including) the date falling "*p*" Singapore Business Days prior to the first day of such Interest Accrual Period (and the first Interest Accrual Period shall begin on and include the Interest Commencement Date) and to (but excluding) the date falling "*p*" Singapore Business Days prior to the Interest Payment Date at the end of such Interest Accrual Period (or the date falling "*p*" Singapore Business Days prior to such earlier date, if any, on which the SORA Notes become due and payable);

p means the number of Singapore Business Days specified in the applicable Pricing Supplement;

Singapore Business Days or **SBD** means a day (other than a Saturday, Sunday or gazetted public holiday) on which commercial banks settle payments in Singapore;

SORA means, in respect of any Singapore Business Day "*i*", a reference rate equal to the daily Singapore Overnight Rate Average published by the Monetary Authority of Singapore (or a successor administrator), as the administrator of the benchmark, on the Monetary Authority of Singapore's website currently at http://www.mas.gov.sg, or any successor website officially designated by the Monetary Authority of Singapore (or as published by its authorised distributors) (the **Relevant Screen Page**) on the Singapore Business Day immediately following such Singapore Business Day "*i*"; and

$\mathbf{SORA}_{i-pSBD}$ means, in respect of any Singapore Business Day "*i*" falling in the relevant Interest Accrual Period, the reference rate equal to SORA in respect of the Singapore Business Day falling "*p*" Singapore Business Days prior to the relevant Singapore Business Day "*i*".

(3) where "Observation Shift" is specified as the Observation Method in the applicable Pricing Supplement:

Compounded Daily SORA means, with respect to an Interest Accrual Period, the rate of return of a daily compound interest investment during the Observation Period corresponding to such Interest Accrual Period (with the reference rate for the calculation of interest being the daily Singapore Overnight Rate Average) calculated in accordance with the formula set forth below by the Calculation Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Pricing Supplement) on the Interest Determination Date, with the resulting percentage being rounded, if necessary, to the nearest one ten-thousandth of a percentage point (0.0001 per cent.), with 0.00005 per cent. being rounded upwards:

$$\left[\prod_{i=1}^{d_0}\left(1+\frac{\mathrm{SORA}_i \times \mathrm{n}_i}{365}\right)-1\right]\times\frac{365}{d}$$

where:

d means the number of calendar days in the relevant Observation Period;

d_o means, for the relevant Interest Accrual Period, the number of Singapore Business Days in such Observation Period;

i, for the relevant Interest Accrual Period, is a series of whole numbers from one to do, each representing the relevant Singapore Business Days in chronological order from (and including) the first Singapore Business Day in such Observation Period to the last Singapore Business Day in such Observation Period;

Interest Determination Date means, with respect to a Rate of Interest and Interest Accrual Period, the date falling one Singapore Business Day after the end of each Observation Period, unless otherwise specified in the applicable Pricing Supplement;

n_i, for any Singapore Business Day "i", is the number of calendar days from and including such Singapore Business Day "i" up to but excluding the following Singapore Business Day;

Observation Period means, for the relevant Interest Accrual Period, the period from (and including) the date falling "*p*" Singapore Business Days prior to the first day of such Interest Accrual Period (and the first Interest Accrual Period shall begin on and include the Interest Commencement Date) and to (but excluding) the date falling "*p*" Singapore Business Days prior to the Interest Payment Date at the end of such Interest Accrual Period (or the date falling "*p*" Singapore Business Days prior to such earlier date, if any, on which the SORA Notes become due and payable);

p means the number of Singapore Business Days specified in the applicable Pricing Supplement;

Singapore Business Days or **SBD** means a day (other than a Saturday, Sunday or gazetted public holiday) on which commercial banks settle payments in Singapore;

SORA means, in respect of any Singapore Business Day "*i*", a reference rate equal to the daily Singapore Overnight Rate Average published by the Monetary Authority of Singapore (or a successor administrator), as the administrator of the benchmark, on the Monetary Authority of Singapore's website currently at http://www.mas.gov.sg, or any successor website officially designated by the Monetary Authority of Singapore (or as published by its authorised distributors) (the **Relevant Screen Page**) on the Singapore Business Day immediately following such Singapore Business Day "*i*"; and

$SORA_i$ means, in respect of any Singapore Business Day "*i*" in the relevant Observation Period, the reference rate equal to SORA in respect of that Singapore Business Day "*i*".

(4) Subject to Condition 5(b)(ix)(i), if, by 5:00 p.m., Singapore time, on the Singapore Business Day immediately following such Singapore Business Day "*i*", SORA in respect of such Singapore Business Day "*i*" has not been published and a Benchmark Event for SORA has not occurred, then SORA for that Singapore Business Day "*i*" will be SORA as published in respect of the first preceding Singapore Business Day for which SORA was published.

(b) ***Compounded Index SORA***: For each Floating Rate Note where the Reference Rate is specified as being SORA and Index Determination is specified as "Applicable" in the applicable Pricing Supplement, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be Compounded Index SORA (as defined below) plus or minus the Margin (if any):

For the purposes of this Condition 5(b)(ii)(C)(b):

Compounded Index SORA means, with respect to an Interest Accrual Period, the rate of return of a daily compound interest investment (with the reference rate for the calculation of interest being the daily Singapore Overnight Rate Average) and will be calculated by the Calculation Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Pricing Supplement) on the Interest Determination Date, as follows, and the resulting percentage will be rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards:

$$\left(\frac{\text{SORA Index}_{end}}{\text{SORA Index}_{start}} - 1\right) \times \frac{365}{d}$$

where:

d means the number of calendar days in the relevant Observation Period;

Observation Period means, for the relevant Interest Accrual Period, the period from (and including) the date falling "*p*" Singapore Business Days prior to the first day of such Interest Accrual Period (and the first Interest Accrual Period shall begin on and include the Interest Commencement Date) to (but excluding) the date falling "*p*" Singapore Business Days prior to the Interest Payment Date at the end of such Interest Accrual Period (or the date falling "*p*" Singapore Business Days prior to such earlier date, if any, on which the SORA Notes become due and payable);

p means the number of Singapore Business Days specified in the applicable Pricing Supplement;

Singapore Business Day means a day (other than a Saturday, Sunday or gazetted public holiday) on which commercial banks settle payments in Singapore;

SORA Index Value means, with respect to any Singapore Business Day:

(A) the value of the index known as the "SORA Index" administered by the Monetary Authority of Singapore (or any successor administrator thereof) as published by the Monetary Authority of Singapore (or any successor administrator) on the Relevant Screen Page on such Singapore Business Day provided, however, that in the event that the value originally published is subsequently corrected and such corrected value is published by the Monetary Authority of Singapore, as the administrator of SORA (or any successor administrator of SORA) on the original date of publication, then such corrected value, instead of the value that was originally published, shall be deemed the SORA Index Value in relation to such Singapore Business Day; or

(B) if the index in sub-paragraph (A) is not published or displayed by the administrator of SORA or other information service on the relevant Interest Determination Date as specified in the applicable Pricing Supplement, the Reference Rate for the applicable Interest Accrual Period for which the index is not available shall be Compounded Daily SORA, and for these purposes, the

Observation Method shall be deemed to be "Observation Shift" and "p" shall be as set out in the applicable Pricing Supplement, as if Index Determination had been specified as being "Not Applicable" and these alternative elections had been made;

SORA Index$_{end}$ means the SORA Index Value on the Singapore Business Day falling "*p*" Singapore Business Days before the Interest Payment Date relating to the relevant Interest Accrual Period (or in the case of the final Interest Accrual Period, the Maturity Date); and

SORA Index$_{start}$ means the SORA Index Value on the Singapore Business Day falling "*p*" Singapore Business Days before the first day of the relevant Interest Accrual Period.

(D) Screen Rate Determination for Floating Rate Notes where the Reference Rate is specified as being BBSW

The Rate of Interest for each Interest Period will, subject as provided below, be the rate for prime bank eligible securities (expressed as a percentage rate per annum), having a tenor closest to the relevant Interest Period, which is displayed (the **BBSW Rate**) on the BBSW Page (rounded if necessary to the fourth decimal place, with 0.00005 being rounded upwards) at or about the BBSW Publication Time in the Relevant Financial Centre on the Interest Determination Date in question plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any), all as determined by the Principal Paying Agent.

If the BBSW Page is not available, or if the BBSW Rate does not appear on the BBSW Page by 11:00 a.m. in the Relevant Financial Centre (or such other time that is 30 minutes after the then prevailing BBSW Publication Time in the Relevant Financial Centre), the Rate of Interest shall be determined in good faith by the Principal Paying Agent on the Interest Determination Date, after consultation with the Issuer, having regard to comparable indices then available.

If the Principal Paying Agent is unable to determine the Rate of Interest in accordance with the preceding paragraph, the Rate of Interest shall be that determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

In these Conditions:

BBSW Page means the Reuters Screen "BBSW" Page, or such other page on the Reuters Monitor Money Rates Service (or a successor service) as may replace such page for the purpose of displaying the Australian Bank Bill Swap Rate;

BBSW Publication Time means 10:30 a.m. (or such other time at which the BBSW Rate customarily appears on the BBSW Page);

Interest Determination Date shall mean the date specified as such in the applicable Pricing Supplement or if none is so specified, the first day of each Interest Period;

Relevant Financial Centre shall mean Sydney or as may otherwise be specified in the applicable Pricing Supplement;

Reference Rate means the rate specified in the applicable Pricing Supplement; and

Relevant Screen Page means such page, section, caption, column or other part of a particular information service as may be specified in the applicable Pricing Supplement or such other page, section, caption, column or other part as may replace it on that information service or such other

information service, in each case, as may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate.

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

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

(1) If Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest applicable to the Floating Rate Notes for each Interest Accrual Period will, subject as provided below, be the SOFR Compounded Index plus or minus (as specified in the applicable Pricing Supplement) the Margin (if any), as calculated by the Calculation Agent on the relevant Interest Determination Date. The Rate of Interest applicable to the Notes for each Interest Period shall apply with effect from the first day of such Interest Accrual Period.

(2) If the Notes become due and payable in accordance with Condition 10, the final Interest Determination Date shall, notwithstanding any Interest Determination Date specified in the applicable Pricing Supplement, be deemed to be the date which is five U.S. Government Securities Business Days preceding the date on which the Notes become due and payable and the Rate of Interest on the Notes shall, for so long as the Notes remain outstanding, be that determined on such date and as if (solely for the purpose of such interest determination) the relevant Interest Period had been shortened accordingly.

For the purposes of this Condition 5(b)(ii)(E):

SOFR Compounded Index means, with respect to an Interest Accrual Period, the compounded average of daily Secured Overnight Financing Rate (**SOFR**) for each day during the relevant Observation Period and will be determined by the Calculation Agent on the relevant Interest Determination Date in accordance with the following formula, and the resulting percentage will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, 0.000005 per cent. being rounded upwards (e.g., 9.876541 per cent. (0.09876541) being rounded down to 9.87654 per cent. (0.0987654) and 9.876545 per cent. (0.09876545) being rounded up to 9.87655 per cent. (0.0987655)):

$$\left(\frac{\text{SORA Index}_{End}}{\text{SORA Index}_{Start}} - 1\right) \times \left(\frac{360}{d_c}\right)$$

where:

SOFR Index, with respect to any U.S. Government Securities Business Day, means:

(a) the SOFR Index value as published on the SOFR Administrator's Website on or about 3:00 p.m. (New York time) on such U.S. Government Securities Business Day (the **SOFR Index Determination Date**); provided that in the event that the value originally published by the SOFR Administrator on or about 3:00 p.m. (New York time) on any U.S. Government Securities Business Day is subsequently corrected and such corrected value is published by the SOFR Administrator on the original date of publication, then such corrected value, instead of the value that was originally published, shall be deemed the SOFR Index value as of the SOFR Index Determination Date in relation to such U.S. Government Securities Business Day; and

(b) if a SOFR Index value does not so appear as specified in (a) above of this definition, then:

(i) if a Benchmark Event (as defined in Condition 5(b)(viii)) and its related Benchmark Replacement Date (as defined in Condition 5(b)(viii) has not occurred with respect to SOFR, then SOFR Compounded Index shall be the rate determined pursuant to the "*SOFR Index Unavailable*" provisions in Condition 5(b)(ii)(F); or

(ii) if a Benchmark Event and its related Benchmark Replacement Date has occurred with respect to SOFR, then SOFR Compounded Index shall be the rate determined pursuant to Condition 5(b)(viii);

SOFR Index$_{Start}$ means, in respect of an Interest Accrual Period, the SOFR Index value on the day which is five U.S. Government Securities Business Days preceding the first date of such Interest Accrual Period;

SOFR Index$_{End}$ means, in respect of an Interest Accrual Period, the SOFR Index value on the day which is five U.S. Government Securities Business Days preceding the Interest Payment Date relating to such Interest Accrual Period (or in the final Interest Accrual Period, the Maturity Date);

d_c is the number of calendar days in the relevant Observation Period;

Observation Period means, in respect of an Interest Accrual Period, the period from (and including) the date which is five U.S. Government Securities Business Days preceding the first date of such Interest Accrual Period (and in respect of the first Interest Accrual Period, five U.S. Government Securities Business Days preceding the Issue Date) to, but excluding, the date which is five U.S. Government Securities Business Days preceding the Interest Period Date for such Interest Accrual Period (or in the final Interest Accrual Period, the Maturity Date);

SOFR Administrator means the Federal Reserve Bank of New York or any successor administrator of the SOFR Index value and Secured Overnight Financing Rate;

SOFR Administrator's Website means the website of the SOFR Administrator (currently being, https://apps.newyorkfed.org/markets/autorates/sofr-avg-ind), or any successor source; and

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

(F) SOFR Index Unavailable

If a SOFR Index value is not published on the relevant Interest Determination Date and a Benchmark Event (as defined in Condition 5(b)(viii)) and its related Benchmark Replacement Date (as defined in Condition 5(b)(viii)) has not occurred with respect to SOFR, then the SOFR Index shall be calculated in accordance with the Compounded SOFR formula and the related definitions as set out below in this Condition 5(b)(ii)(F):

Compounded SOFR means, for the applicable Interest Accrual Period for which the SOFR Index is not available, the rate of return on a daily compounded interest investment during the relevant Observation Period (with the daily SOFR reference rate as the reference rate for the calculation of interest) and calculated by the Calculation Agent in accordance with the following

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

$$\left(\prod_{i=1}^{d_o} \left(1 + \frac{\text{SOFR}_i \times n_i}{360} \right) - 1 \right) \times \left(\frac{360}{d_c} \right)$$

where:

d_c means the number of calendar days in the relevant Observation Period;

d_o means the number of U.S. Government Securities Business Days in the relevant Observation Period;

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

n_i for any U.S. Government Securities Business Day(i) in the relevant Observation Period, means the number of calendar days from (and including) such U.S. Government Securities Business Day(i) up to (but excluding) the following U.S. Government Securities Business Day(i);

SOFR_i for any U.S. Government Securities Business Day(i) in the relevant Observation Period, is equal to SOFR in respect of that U.S. Government Securities Business Day(i);

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

Observation Period means, in respect of each Interest Accrual Period, the period from (and including) the date falling a number of U.S. Government Securities Business Days equal to the Observation Shift Days preceding the first date in such Interest Accrual Period to (but excluding) the date falling a number of U.S. Government Securities Business Days equal to the number of Observation Shift Days preceding the Interest Period Date for such Interest Accrual Period;

Observation Shift Days means five U.S. Government Securities Business Days;

Reuters Page USDSOFR= means the Reuters page designated "**USDSOFR=**" or any successor page or service; and

SOFR means, with respect to any U.S. Government Securities Business Day:

(a) the Secured Overnight Financing Rate published at the SOFR Determination Time, as such rate is reported on the Bloomberg Screen SOFRRATE Page, the Secured Overnight Financing Rate published at the SOFR Determination Time, as such rate is reported on the Reuters Page USDSOFR=, or the Secured Overnight Financing Rate that appears at the SOFR Determination Time on the SOFR Administrator's Website; or

(b) if the rate specified in a. above does not appear, the SOFR published on the SOFR Administrator's Website for the first preceding U.S. Government Securities Business Day for which SOFR was published on the SOFR Administrator's Website.

SOFR Administrator means the Federal Reserve Bank of New York or any successor administrator of the SOFR Index value and Secured Overnight Financing Rate.

SOFR Administrator's Website means the website of the SOFR Administrator (currently being, https://apps.newyorkfed.org/markets/autorates/sofr-avg-ind), or any successor source.

SOFR Determination Time means on or about 3:00 p.m. (New York City time) on the SOFR Administrator's Website on the immediately following U.S. Government Securities Business Day.

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

(iii) Minimum and/or Maximum Rate of Interest

If the applicable Pricing Supplement specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Pricing Supplement specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(iv) Determination of Rate of Interest and calculation of Interest Amounts

The Principal Paying Agent, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Index Linked Interest Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Index Linked Interest Notes, the Calculation Agent will notify the Principal Paying Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Principal Paying Agent will calculate the amount of interest (**Interest Amount**) payable on the Floating Rate Notes or Index Linked Interest Notes for the relevant Interest Period by applying the Rate of Interest to:

(A) in the case of Floating Rate Notes or Index Linked Interest Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(B) in the case of Floating Rate Notes or Index Linked Interest Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note or an Index Linked Interest Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 5(b):

(a) if "Actual/Actual (ISDA)" or "Actual/Actual" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 (or, if any

portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(b) if "Actual/365 (Fixed)" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365;

(c) if "Actual/365 (Sterling)" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(d) if "Actual/360" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 360;

(e) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

(f) if "30E/360" or "Eurobond Basis" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D_2 will be 30;

(g) if "30E/360 (ISDA)" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

where:

"$Y1_1$" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30.

(v) Notification of Rate of Interest and Interest Amounts

The Principal Paying Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and notice thereof to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 14. For the purposes of this paragraph, the expression **London Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London.

(vi) Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5, whether by the Principal Paying Agent or, if applicable, the Calculation Agent, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Principal Paying Agent, the Calculation Agent (if applicable), the other Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Noteholders, the Receiptholders or the Couponholders shall attach to the Principal Paying Agent or the Calculation Agent (if applicable) in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(vii) Benchmark Replacement (other than Floating Rate Notes where the Reference Rate is specified as being SORA or SOFR)

In addition, notwithstanding the provisions above in this Condition 5(b) (*Interest on Floating Rate Notes and Index Linked Interest Notes*), if the Issuer determines that a Benchmark Event (as defined below) has occurred in relation to the relevant Reference Rate specified in the relevant Pricing Supplement when any Rate of Interest (or the relevant component part thereof) remains to be determined by such Reference Rate, then the following provisions shall apply:

(A) the Issuer shall use all reasonable endeavours to appoint, as soon as reasonably practicable, an Independent Adviser (as defined below) to determine (acting in a reasonable manner), no later than five Business Days prior to the relevant Interest Determination Date relating to the next succeeding Interest Period (the **IA Determination Cut-off Date**), a Successor Rate (as defined below) or, alternatively, if there is no Successor Rate, an Alternative Reference Rate (as defined below) for purposes of determining the Rate of Interest (or the relevant component part thereof) applicable to the Notes;

(B) if the Issuer (acting in a reasonable manner) is unable to appoint an Independent Adviser, or the Independent Adviser appointed by it fails to determine a Successor Rate or an Alternative Reference Rate prior to the IA Determination Cut-off Date, the Issuer (acting in a reasonable manner) may determine a Successor Rate or, if there is no Successor Rate, an Alternative Reference Rate;

(C) if a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) is determined in accordance with the preceding provisions, such Successor Rate or, failing which, an Alternative Reference Rate (as applicable) shall be the Reference Rate for each of the future Interest Periods (subject to the subsequent operation of, and to adjustment as provided in, this Condition 5(b)(vii) (*Benchmark Replacement (other than Floating Rate Notes where the Reference Rate is specified as being SORA or SOFR)*); provided, however, that if sub-paragraph (B) applies and the Issuer (acting in a reasonable manner) is unable to or does not determine a Successor Rate or an Alternative Reference Rate prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the preceding Interest Period (or alternatively, if there has not been a first Interest Payment Date, the rate of interest shall be the initial Rate of Interest) (subject, where applicable, to substituting the Margin (as defined below) that applied to such preceding Interest Period for the Margin that is to be applied to the relevant Interest Period); for the avoidance of doubt, the proviso in this sub-paragraph (C) shall apply to the relevant Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, this Condition 5(b)(vii) (*Benchmark Replacement (other than Floating Rate Notes where the Reference Rate is specified as being SORA or SOFR)*);

(D) if the Independent Adviser or the Issuer (acting in a reasonable manner) determines a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) in accordance with the above provisions, the Independent Adviser or the Issuer (acting in good faith and in a commercially reasonable manner) (as applicable), may also specify changes to these Conditions, including but not limited to the Day Count Fraction, Relevant Screen Page, Business Day Convention, Business Days, Interest Determination Date and/or the definition of Reference Rate applicable to the Notes, and the method for determining the fallback rate in relation to the Notes, if such changes are necessary to ensure the proper operation of such Successor Rate, Alternative Reference Rate and/or Adjustment Spread (as defined below) (as applicable). If the Independent Adviser (in consultation with the Issuer) or the Issuer (acting in a reasonable manner) (as applicable), determines that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) and determines the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Reference Rate (as applicable). If the Independent Adviser or the Issuer (acting in a reasonable manner) (as applicable) is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Successor Rate or Alternative Reference Rate (as applicable) will apply without an Adjustment Spread. For the avoidance of doubt, the Principal Paying Agent shall, at the direction and expense of the Issuer, effect such consequential amendments to the Agency Agreement and these Conditions as may be required in order to give effect to this Condition 5(b)(vii) (*Benchmark Replacement (other than Floating Rate Notes where the Reference Rate is specified as being SORA or SOFR)*). Noteholder consent shall not be required in connection with effecting the Successor Rate or Alternative Reference Rate (as applicable) or such other changes, including for the execution of any documents or other steps by the Principal Paying Agent (if required); and

(E) the Issuer shall promptly, following the determination of any Successor Rate or Alternative Reference Rate (as applicable), give notice thereof to the Principal Paying Agent and the Noteholders, which shall specify the effective date(s) for such Successor Rate or Alternative Reference Rate (as applicable) and any consequential changes made to these Conditions,

provided that the determination of any Successor Rate or Alternative Reference Rate, and any other related changes to the Notes, shall be made in accordance with applicable law.

(viii) Benchmark Replacement for Floating Rate Notes (SOFR)

The following provisions shall apply if the Reference Rate is specified as SOFR in the applicable Pricing Supplement:

(i) Benchmark Replacement

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

(ii) Benchmark Replacement Conforming Changes

In connection with the implementation of a Benchmark Replacement, the Issuer or its designee will have the right to make Benchmark Replacement Conforming Changes from time to time. For the avoidance of doubt, any of the Agents shall, at the direction and expense of the Issuer, effect such consequential amendments to the Agency Agreement and these Conditions

as may be required to give effect to this Condition 5(b)(viii). Noteholders' consent shall not be required in connection with effecting any such changes, including the execution of any documents or any steps to be taken by any of the Agents (if required). Further, none of the Agents shall be responsible or liable for any determinations, decisions or elections made by the Issuer or its designee with respect to any Benchmark Replacement, Benchmark Replacement Conforming Changes or any other changes and shall be entitled to rely conclusively on any certifications provided to each of them in this regard. The Principal Paying Agent shall not be bound by or be obliged to give effect to any Benchmark Replacement Conforming Changes, or such other amendments, if in the opinion of the Principal Paying Agent, the same would not be operable or would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the rights and/or the protective provisions afforded to it in these Conditions and/or the Agency Agreement and/or any documents to which it is a party in any way.

(iii) Decisions and Determinations

Any determination, decision or election that may be made by the Issuer or its designee pursuant to this Condition 5(b)(viii), including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection (A) will be conclusive and binding absent manifest error, (B) will be made in the sole discretion of the Issuer or its designee, as applicable, and (C) notwithstanding anything to the contrary in the documentation relating to the Notes, shall become effective without consent from the holders of the Notes or any other party. Neither the Agents nor the Calculation Agent shall be responsible or liable for any determinations, decisions or elections made by the Issuer or its designee pursuant to this Condition 5(b)(viii) or any other changes and shall be entitled to rely conclusively on any certifications provided to it in this regard. The Issuer shall within five Business Days, following the determination made pursuant to this Condition 5(b)(viii), give notice thereof to the Principal Paying Agent, the Calculation Agent and the Noteholders, which shall specify the effective date(s) for such determination.

For the purpose of this Condition 5(b)(viii):

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

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

(a) a public statement or publication of information by or on behalf of the administrator of the Benchmark (or such component) announcing that such administrator has ceased or will cease to provide the Benchmark (or such component), permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or

(b) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark (or such component), the central bank for the currency of the Benchmark (or such component), an insolvency official with jurisdiction over the administrator for the Benchmark (or such component), a resolution authority with jurisdiction over the administrator for the Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for the Benchmark, which states that the administrator of the Benchmark (or such component) has ceased or will cease to provide the Benchmark (or such component) permanently or

indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or

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

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

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

(a) the sum of:

(i) the alternate reference rate that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark (including any daily published component used in the calculation thereof); and

(ii) the Benchmark Replacement Adjustment;

(b) the sum of:

(i) the ISDA Fallback Rate; and

(ii) the Benchmark Replacement Adjustment; or

(c) the sum of:

(i) the alternate reference rate that has been selected by the Issuer or its designee as the replacement for the then-current Benchmark (including any daily published component used in the calculation thereof) giving due consideration to any industry-accepted reference rate as a replacement for the then-current Benchmark (including any daily published component used in the calculation thereof) for U.S. dollar-denominated Floating Rate Notes at such time; and

(ii) the Benchmark Replacement Adjustment;

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

(a) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement;

(b) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, the ISDA Fallback Adjustment; or

(c) the spread adjustment (which may be a positive or negative value or zero) that has been selected by the Issuer or its designee giving due consideration to any industry-accepted spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then-current Benchmark (including any daily published component used in the calculation thereof) with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated Floating Rate Notes at such time;

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

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

(a) in the case of sub-paragraph (a) or (b) of the definition of "Benchmark Event", the later of:

(i) the date of the public statement or publication of information referenced therein; and

(ii) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark (or such component); or

(b) in the case of sub-paragraph (c) of the definition of "Benchmark Event", the date of the public statement or publication of information referenced therein.

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

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

ISDA Definitions means (i) if "2006 ISDA Definitions" is specified in the applicable Pricing Supplement, the 2006 ISDA Definitions, as published by ISDA and as amended and updated as at the Issue Date of the first Tranche of the Notes; or (ii) if "2021 ISDA Definitions" is specified in the applicable Pricing Supplement, the latest version of the 2021 ISDA Interest Rate Derivatives Definitions as published by ISDA on its website (http://www.isda.org), as at the Issue Date of the first Tranche of the Notes;

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

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

Reference Time with respect to any determination of the Benchmark means (i) the SOFR Index Determination Date, or (ii) if the Benchmark is not SOFR Index, the time determined by the Issuer or its designee after giving effect to the Benchmark Replacement Conforming Changes;

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

Unadjusted Benchmark Replacement means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

(ix) Benchmark Replacement for Floating Rate Notes (SORA)

(i) ***Benchmark Replacement – SORA Notes***: If a Benchmark Event has occurred in relation to the Original Reference Rate when any Rate of Interest (or the relevant component part thereof) remains to be determined by the current Reference Rate, then the following provisions shall apply:

(1) Determination by Issuer

The Issuer shall (acting in good faith and in a commercially reasonable manner and by reference to such sources as it deems appropriate, which may include consultation with an Independent Adviser) determine a Successor Rate (in accordance with Condition 5(b)(ix)(i)(2) and, in either case, an Adjustment Spread and any Benchmark Amendments (in accordance with Condition 5(b)(ix)(i)(3) or Condition 5(b)(ix)(i)(4)).

If the Issuer fails to determine a Successor Rate in accordance with this Condition 5(b)(ix)(i)(1) prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Accrual Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the immediately preceding Interest Accrual Period. If there has not been a first Interest Payment Date, the Rate of Interest shall be the initial Rate of Interest which would have been applicable to the Series of Notes for the first Interest Accrual Period had the Notes been in issue for a period equal in duration to the scheduled first Interest Accrual Period but ending on (and excluding) the Interest Commencement Date. Where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Period shall be substituted in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Period. For the avoidance of doubt, this paragraph shall apply to the relevant next succeeding Interest Accrual Period only and any subsequent Interest Accrual Periods are subject to the subsequent operation of, and to adjustment as provided in, the first paragraph of this Condition 5(b)(ix)(i)(1).

(2) Successor Rate

If the Issuer determines that there is a Successor Rate, then such Successor Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of Interest on the Notes (subject to the operation of this Condition 5(b)(ix)(i)).

(3) Adjustment Spread

The Adjustment Spread (or the formula or methodology for determining the Adjustment Spread) shall be applied to the Successor Rate, if the Independent Adviser or the Issuer determines.

(4) Benchmark Amendments

If any Successor Rate and the applicable Adjustment Spread are determined in accordance with this Condition 5(b)(ix)(i) and the Issuer determines:

(aa) that amendments to these Conditions are necessary to ensure the proper operation of such Successor Rate and/or the applicable Adjustment Spread (such amendments, the **Benchmark Amendments**); and

(bb) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 5(b)(ix)(i)(5), without any requirement for the consent or approval of Noteholders or the Agents, vary these Conditions to give effect to such Benchmark Amendments with effect from the date specified in such notice.

For the avoidance of doubt, the Principal Paying Agent shall, at the direction and expense of the Issuer, effect such consequential amendments to the Agency Agreement and these Conditions as may be required in order to give effect to this Condition 5(b)(ix)(i)(4).

Noteholders' consent shall not be required in connection with effecting of the Successor Rate or such other changes, including the execution of any documents or any steps by the Principal Paying Agent (if required).

(5) Notices

Any Successor Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 5(b)(ix)(i) will be notified promptly by the Issuer to the Calculation Agent, the Paying Agents and, in accordance with Condition 14, the Noteholders and the Couponholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

The Successor Rate and the Adjustment Spread and the Benchmark Amendments (if any) specified in such notice will (in the absence of manifest error or bad faith in the determination of the Successor Rate, the Adjustment Spread or the Benchmark Amendments (if any)) be binding on the Issuer, the Calculation Agent, the Paying Agents and the Noteholders.

(6) Definitions:

As used in this Condition 5(b)(ix)(i):

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

(1) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or

(2) (if no such recommendation has been made), the Issuer determines as being customarily applied to the relevant Successor Rate in debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate; or

(3) (if the Issuer determines that no such spread, formula or methodology is customarily applied) the Issuer determines, and which is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate;

(4) (if no such customary market usage is recognised or acknowledged), the Issuer in its discretion determines to be appropriate,

provided that any such determination shall be made by the Issuer acting in good faith and in a commercially reasonable manner, and by reference to such sources as it deems appropriate, which may include consultation with an Independent Adviser;

Benchmark Amendments has the meaning given to it in Condition 5(b)(ix)(i)(4);

Benchmark Event means the earlier to occur of:

(1) the Original Reference Rate ceasing to be published for a period of at least five Singapore Business Days or ceasing to exist; or

(2) a public statement or publication of information by or on behalf of the Monetary Authority of Singapore (or a successor administrator of the Original Reference Rate), the regulatory supervisor for the administrator of the Original Reference Rate, the central bank for the currency of the Original Reference Rate, an insolvency official with jurisdiction over the administrator of the Original Reference Rate, a resolution authority with jurisdiction over the administrator of the Original Reference Rate or a court or an entity with similar insolvency or resolution authority over the administrator of the Original Reference Rate, announcing that the administrator of the Original Reference Rate has ceased or will cease to provide the Original Reference Rate permanently or indefinitely, and such cessation is reasonably expected by the Issuer to occur prior to the Maturity Date, provided that, at the time of the statement or publication, there is no successor administrator has been appointed that will continue to provide the Original Reference Rate; or

(3) a public statement or publication of information by the regulatory supervisor for the administrator of the Original Reference Rate announcing that the Original Reference Rate has been or will, by a specified date within the following six months, be permanently or indefinitely discontinued and such discontinuation is reasonably expected by the Issuer to occur prior to the Maturity Date; or

(4) a public statement or publication of information by or on behalf of the Monetary Authority of Singapore (or the supervisor of a successor administrator of the Original Reference Rate) as a consequence of which the Original Reference Rate will be prohibited from being used or that its use has been subject to restrictions or adverse consequences either generally, or in respect of the Notes, and such prohibition is reasonably expected by the Issuer to occur prior to the Maturity Date; or

(5) a public statement by or on behalf of the Monetary Authority of Singapore (or the supervisor of a successor administrator of the Original Reference Rate) that the Original Reference Rate is or will be (or is or will be deemed by such supervisor to be), by a specified date within the following six months, no longer representative of its relevant underlying market; or

(6) it has or will prior to the next Interest Determination Date become unlawful for the Calculation Agent, any Paying Agent, (if specified in the applicable Pricing Supplement) such other party responsible for the calculation of the Rate of Interest, or the Issuer to determine any Rate of Interest and/or calculate any Interest Amount using the current Reference Rate specified in the applicable Pricing Supplement (including, without limitation, under Regulation (EU) No. 2016/1011, if applicable),

provided that the Benchmark Event shall be deemed to occur (a) in the case of sub-paragraphs (2) and (3) above, on the date of the cessation of publication of the Original Reference Rate or the discontinuation of the Original Reference Rate, as the case may be, (b) in the case of sub-paragraph (4) above, on the date of the prohibition or restriction of use of the Original Reference Rate and (c) in the case of sub-paragraph (5) above, on the date with effect from which the Original Reference Rate will no longer be (or will be deemed by the relevant supervisor to no longer be) representative of its relevant underlying market and which is specified in the relevant public statement, and, in each case, not the date of the relevant public statement.

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

Original Reference Rate means, initially, SORA (being the originally-specified benchmark rate used to determine Compounded Daily SORA and the Rate of Interest (or any component part thereof)), provided that if a Benchmark Event has occurred with respect to SORA or the then-current Original Reference Rate, then "Original Reference Rate" means the applicable Successor Rate;

Relevant Nominating Body means:

(1) the Monetary Authority of Singapore (or any successor administrator of the Original Reference Rate); or

(2) any working group or committee officially sponsored or endorsed by, chaired or co-chaired by or constituted at the request of the Monetary Authority of Singapore (or any successor administrator of the Original Reference Rate); and

Successor Rate means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body as the replacement of the Original Reference Rate (which rate may be produced by the Monetary Authority of Singapore or such other administrator).

(x) Definitions

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

Adjustment Spread means a spread (which may be positive, negative or zero) or formula or methodology for calculating a spread, which the Independent Adviser (in consultation with the Issuer) or the Issuer (acting in a reasonable manner) (as applicable), determines is required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to Noteholders and Couponholders as a result of the replacement of the Reference Rate with the Successor Rate or the Alternative Reference Rate (as applicable) and is the spread, formula or methodology which:

(i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Reference Rate with the Successor Rate by any Relevant Nominating Body; or

(ii) in the case of a Successor Rate for which no such recommendation has been made or in the case of an Alternative Reference Rate, the Independent Adviser (in consultation with the Issuer) or the Issuer (acting in a reasonable manner) (as applicable) determines is recognised or acknowledged as being in customary market usage in international debt capital markets transactions which reference the Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Reference Rate (as applicable); or

(iii) if no such customary market usage is recognised or acknowledged, the Independent Adviser (in consultation with the Issuer) or the Issuer in its discretion (as applicable), determines (acting in a reasonable manner) to be appropriate;

Alternative Reference Rate means the rate that the Independent Adviser or the Issuer (as applicable) determines has replaced the relevant Reference Rate in customary market usage in the international debt capital markets for the purposes of determining rates of interest in respect of bonds denominated in the Specified Currency and of a comparable duration to the relevant Interest Period, or, if the Independent Adviser or the Issuer (as applicable) determines that there is no such rate, such other rate as the Independent Adviser or the Issuer (as applicable) determines in its discretion (acting in a reasonable manner) is most comparable to the relevant Reference Rate;

Benchmark Event means, in respect of a Reference Rate for Notes (other than Notes where the Reference Rate is specified as being SORA or SOFR):

(i) such Reference Rate ceasing be published for a period of at least five Business Days or ceasing to exist;

(ii) a public statement by the administrator of such Reference Rate that it has ceased or that it will, by a specified date within the following six months, cease publishing such Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of such Reference Rate);

(iii) a public statement by the supervisor of the administrator of such Reference Rate that such Reference Rate has been or will, by a specified date within the following six months, be permanently or indefinitely discontinued;

(iv) a public statement by the supervisor of the administrator of such Reference Rate that means such Reference Rate will be prohibited from being used or that its use will be subject to restrictions or adverse consequences, in each case within the following six months;

(v) the making of a public statement by the supervisor of the administrator of such Reference Rate that such Reference Rate is or will be (or is or will be deemed by such supervisor to be) no longer representative of its relevant underlying market; or

(vi) it has become unlawful for any Paying Agent, Calculation Agent, the Issuer or other party to calculate any payments due to be made to any Noteholder using such Reference Rate;

Independent Adviser means an independent financial institution of international repute or other independent financial adviser of recognised standing and with appropriate expertise, in each case appointed by the Issuer at its own expense;

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

Interest Amount means:

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

(ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period;

Interest Commencement Date means the Issue Date or such other date as may be specified hereon;

Interest Determination Date means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or Hong Kong dollars or Renminbi or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro nor Hong Kong dollars nor Renminbi or (iii) the day falling two T2 Business Days (as defined below) prior to the first day of such Interest Accrual Period if the Specified Currency is euro;

Interest Period means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date;

Interest Period Date means each Interest Payment Date unless otherwise specified hereon;

Issue Date has the meaning given in the relevant Pricing Supplement;

Margin has the meaning given in the relevant Pricing Supplement;

Original Reference Rate means the originally-specified Reference Rate used to determine the Rate of Interest (or any component part thereof) on the Notes;

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

Reference Rate has the meaning given in the relevant Pricing Supplement;

Relevant Nominating Body means, in respect of a reference rate:

(i) the central bank for the currency to which the reference rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the reference rate; or

(ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (A) the central bank for the currency to which the reference rate relates, (B) any central bank or other supervisory authority which is responsible for supervising the administrator of the reference rate, (C) a group of the aforementioned central banks or other supervisory authorities, or (D) the Financial Stability Board or any part thereof; and

Successor Rate means the rate that the Independent Adviser or the Issuer (as applicable) determines is a successor to or replacement of the Reference Rate which is formally recommended by any Relevant Nominating Body.

(c) Interest on Dual Currency Interest Notes

The rate or amount of interest payable in respect of Dual Currency Interest Notes shall be determined in the manner specified in the applicable Pricing Supplement.

(d) Interest on Partly Paid Notes

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Pricing Supplement.

(e) Accrual of interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

(1) the date on which all amounts due in respect of such Note have been paid; and

(2) five days after the date on which the full amount of the moneys payable in respect of such Notes has been received by the Principal Paying Agent or the Registrar, as the case may be, and notice to that effect has been given to the Noteholders in accordance with Condition 14.

(f) Business Day Convention

In these Terms and Conditions, if a Business Day Convention is specified in the applicable Pricing Supplement and (x) if there is no numerically corresponding day on the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(1) in any case where Specified Periods are specified in accordance with Condition 5(b)(i)(B) above, the **Floating Rate Convention**, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

(2) the **Following Business Day Convention**, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(3) the **Modified Following Business Day Convention**, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(4) the **Preceding Business Day Convention**, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Terms and Conditions, **Business Day** means a day which is:

(A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and any Additional Business Centre (other than the real time gross settlement system operated by the Eurosystem or any successor or replacement system (**T2**)) specified in the applicable Pricing Supplement;

(B) if T2 is specified as an Additional Business Centre in the applicable Pricing Supplement, a day on which T2 is open (**T2 Business Day**); and

(C) either (1) in relation to any sum payable in a Specified Currency other than euro and Renminbi, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Melbourne and Wellington, respectively), (2) in relation to any sum payable in euro, a day which is a T2 Business Day or (3) in relation to any sum payable in Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets are open for business and settlement of Renminbi payments in Hong Kong.

6. Payments

(a) Method of payment

Subject as provided below:

(i) payments in a Specified Currency other than euro and Renminbi will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Melbourne and Wellington, respectively);

(ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee; and

(iii) payments in Renminbi will be made by transfer to a Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong.

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8, and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (**US Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the US Code, any regulations or agreements thereunder, official

interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto.

(b) Presentation of definitive Bearer Notes, Receipts and Coupons

Payments of principal in respect of definitive Bearer Notes not held in the CMU will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Payments of Instalment Amounts (if any) in respect of definitive Bearer Notes not held in the CMU, other than the final instalment, will (subject as provided below) be made in the manner provided in paragraph (a) above against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Bearer Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Bearer Note to which it appertains. Receipts presented without the definitive Bearer Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive bearer form not held in the CMU (other than Dual Currency Notes, Index Linked Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note, Index Linked Note or Long Maturity Note in definitive bearer form not held in the CMU becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A **Long Maturity Note** is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

In the case of definitive Bearer Notes held in the CMU, payment will be made to the person(s) for whose account(s) interests in the relevant definitive Bearer Note are credited as being held with the CMU in accordance with the CMU Rules at the relevant time, and such payments shall discharge

the obligation of the Issuer in respect of that payment under such Note. For these purposes, a notification to the CMU should be conclusive evidence of the records of the CMU (save in the case of manifest error).

If the due date for redemption of any definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Bearer Note.

(c) Payments in respect of Bearer Global Notes

Payments of principal and interest (if any) in respect of Notes represented by any Bearer Global Note will (subject as provided below) be made in the manner specified above in relation to definitive Bearer Notes and otherwise in the manner specified in the relevant Global Note (i) in the case of a Global Note lodged with the CMU, to the person(s) for whose account(s) interests in the relevant Global Note are credited as being held by the CMU in accordance with the CMU Rules, or (ii) in the case of a Global Note not lodged with the CMU, against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of any Bearer Global Note, distinguishing between any payment of principal and any payment of interest, will be made (in the case of a Global Note not lodged with the CMU) on such Global Note by the Paying Agent to which it was presented or (in the case of a Global Note lodged with the CMU) on withdrawal of the Global Note by the CMU Lodging Agent, and in each such case such record shall be *prima facie* evidence that the payment in question has been made.

(d) Payments in respect of Registered Notes

Payments of principal (other than Instalment Amounts prior to the final instalment) in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (**Register**) (i) where in global form, at the close of the business day (being for this purpose, a day on which Euroclear and Clearstream are open for business) before the relevant due date and (ii) where in definitive form, at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. For these purposes, **Designated Account** means the account (which, in the case of a payment in Japanese Yen to a non-resident of Japan, shall be a non-resident account and, in the case of a payment in Renminbi, means the Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong, details of which appear on the Register at the close of business on the fifth business day before the due date for payment) maintained by a holder with a Designated Bank and identified as such in the Register and **Designated Bank** means (in the case of payment in a Specified Currency other than euro and Renminbi) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Melbourne and Wellington, respectively) and (in the case of a payment in euro) any bank which processes payments in euro and (in the case of a payment in Renminbi) a bank in Hong Kong.

Payments of interest and payments of Instalment Amounts (other than the final instalment) in respect of each Registered Note (whether or not in global form) will be made by transfer on the due date to the Designated Account of the holder (or the first named of joint holders) of the Registered Note appearing in the Register (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream are open for business) before the relevant due date and (ii) where in definitive form, at the close of business on the fifth day (in the case of Renminbi) and on the fifteenth day (in the case of a currency other than Renminbi) (whether or not such fifth day or fifteenth day is a business day) before the relevant due date (**Record Date**). Payment

of the interest due in respect of each Registered Note on redemption and the final instalment of principal will be made in the same manner as payment of the principal amount of such Registered Note.

No commissions or expenses shall be charged to the holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Notes.

None of the Issuer or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

(e) General provisions applicable to payments

The holder of a Global Note (if the Global Note is not lodged with the CMU) or (if the Global Note is lodged with the CMU) the person(s) for whose account(s) interests in such Global Note are credited as being held in the CMU in accordance with the CMU Rules shall be the only person(s) entitled to receive payments in respect of Notes represented by such Global Note. Each of the persons shown in the records of Euroclear, Clearstream or the CMU, as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear, Clearstream or the CMU, as the case may be, for his share of each payment so made by the Issuer in respect of such Global Note. Notwithstanding the above, if a Note (whether in global or definitive form) is held through the CMU, any payment that is made in respect of such Note shall be made at the direction of the bearer to the person(s) for whose account(s) interests in such Note are credited are being held through the CMU in accordance with the CMU Rules (as defined in the Agency Agreement) at the relevant time, and such payments shall discharge the obligation of the Issuer in respect of that payment under such Note. For these purposes, a notification to the CMU should be conclusive evidence of the records of the CMU (save in the case of manifest error). persons shown in the records of Euroclear, Clearstream or the CMU, as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear, Clearstream or the CMU, as the case may be, for his share of each payment so made by the Issuer in respect of such Global Note. Notwithstanding the above, if a Note (whether in global or definitive form) is held through the CMU, any payment that is made in respect of such Note shall be made at the direction of the bearer to the person(s) for whose account(s) interests in such Note are credited are being held through the CMU in accordance with the CMU Rules (as defined in the Agency Agreement) at the relevant time, and such payments shall discharge the obligation of the Issuer in respect of that payment under such Note. For these purposes, a notification to the CMU should be conclusive evidence of the records of the CMU (save in the case of manifest error).

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Bearer Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States only if:

(i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;

(ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and

(iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

(f) Payment Day

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 9) is:

(i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:

(A) in the case of Notes in definitive form only, the relevant place of presentation;

(B) any Additional Financial Centre (other than T2) specified in the applicable Pricing Supplement;

(C) if T2 is specified as an Additional Financial Centre in the applicable Pricing Supplement, a day which is a T2 Business Day; and

(ii) either (1) in relation to any sum payable in a Specified Currency other than euro and Renminbi, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Melbourne and Wellington, respectively), (2) in relation to any sum payable in euro, a day which is a T2 Business Day, or (3) in relation to any sum payable in Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets are open for business and settlement of Renminbi payments in Hong Kong.

(g) Interpretation of principal and interest

Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

(i) any additional amounts which may be payable with respect to principal under Condition 8;

(ii) the Final Redemption Amount of the Notes;

(iii) the Early Redemption Amount of the Notes;

(iv) the Optional Redemption Amount(s) (if any) of the Notes;

(v) in relation to Notes redeemable in instalments, the Instalment Amounts;

(vi) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 7(e)); and

(vii) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8.

7. Redemption and Purchase

(a) Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note (including each Index Linked Redemption Note and Dual Currency Redemption Note) will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Pricing Supplement in the relevant Specified Currency on the Maturity Date.

(b) Redemption for tax reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is neither a Floating Rate Note nor an Index Linked Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Interest Note), on giving not less than 30 nor more than 60 days' notice to the Principal Paying Agent and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable), if:

(i) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 8) or any political subdivision of, or any authority in, or of, a Tax Jurisdiction having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and

(ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Principal Paying Agent (1) a certificate signed by two authorised persons of the Issuer that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and (2) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

Notes redeemed pursuant to this Condition 7(b) will be redeemed at their Early Redemption Amount referred to in paragraph (e) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(c) Redemption at the option of the Issuer (Issuer Call)

If Issuer Call is specified in the applicable Pricing Supplement, the Issuer may, having given:

(i) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 14; and

(ii) not less than 4 days before the giving of the notice referred to in (i), notice to:

(a) the Principal Paying Agent; and

(b) in the case of a redemption of Registered Notes, the Registrar,

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date(s) and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and/or not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Pricing Supplement. In the case of a partial redemption of Notes, the Notes to be redeemed (**Redeemed Notes**) will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream and/or the CMU, (as appropriate) in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the **Selection Date**). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Notes represented by definitive Notes or represented by a Global Note shall in each case bear the same proportion to the aggregate nominal amount of all Redeemed Notes as the aggregate nominal amount of definitive Notes outstanding and Notes outstanding represented by such Global Note, respectively, bears to the aggregate nominal amount of the Notes outstanding, in each case on the Selection Date, provided that, if necessary, appropriate adjustments shall be made to such nominal amounts to ensure that each represents an integral multiple of the Specified Denomination. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this paragraph (c) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 14 at least five days prior to the Selection Date.

(d) Redemption at the option of the Noteholders (Investor Put)

(A) If Investor Put is specified in the applicable Pricing Supplement

If Investor Put is specified in the applicable Pricing Supplement, upon the holder of any Note giving to the Issuer in accordance with Condition 14 not less than 15 nor more than 30 days' notice the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Pricing Supplement, such Note on the Optional Redemption Date(s) and at the Optional Redemption Amount(s) together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date.

(B) Put Option Exercise Procedures

If this Note is in definitive form, to exercise the right to require redemption of this Note the holder of this Note must deliver such Note at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the notice period, accompanied by a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (a **Put Notice**) and in which the holder must specify a bank account to which payment is to be made under this Condition accompanied by, if this Note is in definitive form, this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2(b). Registered Notes may be redeemed under this Condition 7(d) in any multiple of their lowest Specified Denomination.

Any Put Notice given by a holder of any Note pursuant to this paragraph shall be irrevocable except where prior to the due date of redemption an Event of Default (as defined in Condition 10 below) shall have occurred and be continuing in which event such holder, at its option, may elect by

notice to the Issuer to withdraw the notice given pursuant to this paragraph and instead to declare such Note forthwith due and payable pursuant to Condition 10.

(e) Early Redemption Amounts

For the purpose of paragraph (b) above and Condition 10, each Note will be redeemed at its Early Redemption Amount calculated as follows:

(i) in the case of a Note (other than a Zero Coupon Note, an Instalment Note and a Partly Paid Note) with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;

(ii) in the case of a Note (other than a Zero Coupon Note but including an Instalment Note and Partly Paid Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in, or determined in the manner specified in, the applicable Pricing Supplement or, if no such amount or manner is so specified in the applicable Pricing Supplement, at its nominal amount; or

(iii) in the case of a Zero Coupon Note, at an amount (**Amortised Face Amount**) calculated in accordance with the following formula:

Early Redemption Amount = $RP \times (1 + AY)^{y}$

where:

RP means the Reference Price; and

AY means the Accrual Yield; and

y is the Day Count Fraction specified in the applicable Pricing Supplement which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365).

(f) Instalments

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to paragraph (e) above.

(g) Partly Paid Notes

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Pricing Supplement.

(h) Purchases

The Issuer or any Subsidiary of the Issuer may at any time purchase Notes (provided that, in the case of definitive Bearer Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. If purchases are made by tender, tenders must be available to all Noteholders alike. All Notes so purchased will be surrendered to any Paying Agent and/or the Registrar for cancellation.

(i) Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and the Notes purchased and cancelled pursuant to paragraph (h) above (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and may not be reissued or resold.

(j) Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (a), (b), (c) or (d) above or upon its becoming due and repayable as provided in Condition 10 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (e)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

(i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and

(ii) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Principal Paying Agent or the Registrar and notice to that effect has been given to the Noteholders in accordance with Condition 14.

8. Taxation

All payments of principal and interest in respect of the Notes, Receipts and Coupons by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

(a) presented for payment by or on behalf of a holder who is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note, Receipt or Coupon; or

(b) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 6(f)); or

(c) presented for payment for or on behalf of a holder who is able to avoid such withholding or deduction by making a declaration of non-residence or other similar claim for exemption and does not make such declaration or claim.

As used herein:

(i) **Tax Jurisdiction** means Hong Kong or any political subdivision or any authority thereof or therein having power to tax; and

(ii) the **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Paying Agent or the Registrar, as the case may be, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 14.

9. Prescription

The Notes (whether in bearer or registered form), Receipts and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 6(b) or any Talon which would be void pursuant to Condition 6(b).

10. Events of Default

If any one or more of the following events (each, an **Event of Default**) occurs and is continuing:

(i) there is a default for more than seven days in the payment of any principal, interest or other amount due in respect of any Note; or

(ii) (a) the Issuer shall default in the payment of any principal of or interest on any Borrowed Money beyond any period of grace provided in respect thereof, or (b) the Issuer shall fail to honour when due and called upon any guarantee of any Borrowed Money, or (c) any Borrowed Money of the Issuer shall become due and payable prior to its specified maturity by reason of any default or event of default (howsoever described), in each case in an aggregate principal amount of at least HK$100,000,000 or the equivalent thereof in another currency or currencies, or (d) a general moratorium shall be declared on the payment of the debts of the Issuer; or

(iii) the Issuer shall default in the performance or observance of any other obligation contained in the Notes, (or to the extent it relates to the Notes) the Agency Agreement and such default shall not have been remedied within 30 days; or

(iv) an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer; or

(v) a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or a substantial part of the undertaking, assets and revenues of the Issuer; or

(vi) as a result of any action on the part of the Issuer or the Government of the Hong Kong Special Administrative Region of the People's Republic of China (**Hong Kong Government**), the Hong Kong Government ceases to hold, directly or indirectly, more than half in nominal value of the voting share capital of the Issuer,

then any holder of a Note may, by written notice addressed to the Issuer delivered to the Issuer and to the specified office of the Principal Paying Agent, effective upon the date of receipt thereof by the Principal Paying Agent, declare any Notes held by the holder to be forthwith due and payable whereupon the same shall become forthwith due and payable at the Early Redemption Amount (as described in Condition 7(e)), together with accrued interest (if any) to the date of repayment, without presentation, demand, protest or other notice of any kind.

For the purposes of this Condition, **Borrowed Money** means indebtedness for borrowed money, acceptances and the principal amount of any notes (including, for the avoidance of doubt, Notes of any other Series), debentures, bonds, bills of exchange, promissory notes or similar instruments drawn, made, accepted, issued, endorsed or guaranteed by the Issuer for the purpose of raising money but shall not include bills of exchange drawn under or in respect of letters of credit or contracts for the provision of goods or services for the purpose of effecting payment and not in connection with the raising of money.

11. Replacement of Notes, Receipts, Coupons and Talons

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent or the Paying Agent in Hong Kong (in the case of Bearer Notes, Receipts or Coupons) or the Registrar or the Transfer Agent in Hong Kong (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer, the Principal Paying Agent and the Registrar (as the case may be) may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

12. Agents

The names of the initial Agents and their initial specified offices are set out below.

The Issuer is entitled to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, provided that:

(a) there will at all times be a Principal Paying Agent and a Registrar; and

(b) so long as the Notes are listed on any stock exchange, there will at all times be a Paying Agent (in the case of Bearer Notes) and a Transfer Agent (in the case of Registered Notes) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange (or any other relevant authority).

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6(e). Notice of any variation, termination, appointment or change in Paying Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 14.

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any Noteholders, Receiptholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

13. Exchange of Talons

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent or any other Paying Agent in exchange for a further

Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9.

14. Notices

All notices regarding the Bearer Notes will be deemed to be validly given if published in a leading daily newspaper of general circulation in Hong Kong. It is expected that such publication will be made in the *South China Morning Post* in Hong Kong. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange (or any other relevant authority) on which the Bearer Notes are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

All notices regarding the Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered Notes are listed on a stock exchange and the rules of that stock exchange so require, such notice will be published in a daily newspaper of general circulation in the place or places required by the rules of that stock exchange.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream and/or the CMU, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream and/or the CMU for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange and the rules of that stock exchange (or any other relevant authority) so require, such notice will be published in a daily newspaper of general circulation in the place or places required by that stock exchange (or any other relevant authority). Any such notice shall be deemed to have been given to the holders of the Notes on the day on which the said notice was given to Euroclear and/or Clearstream and/or the CMU.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Principal Paying Agent or the Registrar through Euroclear and/or Clearstream and/or, in the case of Notes lodged with the CMU, by delivery by such holder of such notice to the CMU Lodging Agent in Hong Kong, as the case may be, in such manner as the Principal Paying Agent, the Registrar, the CMU Lodging Agent and Euroclear and/or Clearstream and/or the CMU, as the case may be, may approve for this purpose.

Receiptholders and Couponholders will be deemed for all purposes to have notice of the contents of any notice given to Noteholders in accordance with this Condition 14.

15. Meetings of Noteholders, Modification and Waiver

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer or Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders

whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts or the Coupons (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, the Receipts or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

The Principal Paying Agent and the Issuer may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to any modification (except as mentioned above) of the Notes, the Receipts, the Coupons or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law.

Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

16. Further Issues

The Issuer shall be at liberty from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

17. Currency Indemnity

The currency in which the Notes are denominated or, if different, payable, as specified in the applicable Pricing Supplement (**Contractual Currency**), is the sole currency of account and payment for all sums payable by the Issuer in respect of the Notes, the Receipts, the Coupons and the Deed of Covenant, including damages. Any amount received or recovered in a currency other than the Contractual Currency (whether as a result of, or of the enforcement of, a judgement or order of a court of any jurisdiction or otherwise) by any Noteholder, Receiptholder or Couponholder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the amount in the Contractual Currency which such Noteholder, Receiptholder or Couponholder is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that amount is less than the amount in the Contractual Currency expressed to be due to any Noteholder, Receiptholder or Couponholder in respect of such Note, Receipt or Coupon, the Issuer shall indemnify such Noteholder, Receiptholder or Couponholder against any loss sustained by such Noteholder, Receiptholder or Couponholder as a result. In any event, the Issuer shall indemnify each such Noteholder, Receiptholder or Couponholder against any cost of making such purchase which is reasonably incurred. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder, Receiptholder or Couponholder and shall continue in full force and effect despite any judgement, order, claim or proof for a liquidated amount in respect of any sum due in respect of the Notes or any judgement or order. Any such loss aforesaid shall be deemed to constitute a loss suffered by the relevant Noteholder, Receiptholder or Couponholder and no proof or evidence of any actual loss will be required by the Issuer.

18. Contracts (Rights of Third Parties) Act 1999

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

19. Governing Law and Submission to Jurisdiction

(a) Governing law

The Agency Agreement, the Deed of Covenant, the Notes, the Receipts, the Coupons and any non-contractual obligations arising out of or in connection with the Agency Agreement, the Deed of Covenant, the Notes, the Receipts and the Coupons are governed by, and shall be construed in accordance with, English law.

(b) Submission to jurisdiction

The Issuer agrees, for the exclusive benefit of the Noteholders, the Receiptholders and the Couponholders, that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Notes, the Receipts and/or the Coupons (including a dispute relating to any non-contractual obligations arising out of or in connection with the Notes, the Receipts and/or the Coupons) and that accordingly any suit, action or proceedings (together referred to as **Proceedings**) arising out of or in connection with the Notes, the Receipts and the Coupons (including any Proceedings relating to any non-contractual obligations arising out of or in connection with the Notes, the Receipts and the Coupons) may be brought in such courts.

The Issuer hereby irrevocably waives any objection which it may have now or hereafter to the laying of the venue of any such Proceedings in any such court and any claim that any such Proceedings have been brought in an inconvenient forum and hereby further irrevocably agrees that a judgment in any such Proceedings brought in the English courts shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction.

Nothing contained in this Condition shall limit any right to take Proceedings against the Issuer in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.

(c) Appointment of Process Agent

The Issuer appoints Law Debenture Corporate Services Limited at its registered office at 8th Floor, 100 Bishopsgate, London, EC2N 4AG as its agent for service of process, and undertakes that, in the event of Law Debenture Corporate Services Limited ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any Proceedings. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

(d) Waiver of immunity

The Issuer hereby irrevocably and unconditionally waives with respect to the Notes, the Receipts and the Coupons any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence and irrevocably and unconditionally consents to the giving of any relief or the issue of any process, including without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings.

(e) Other documents

The Issuer has in the Agency Agreement and the Deed of Covenant submitted to the jurisdiction of the English courts and appointed an agent for service of process in terms substantially similar to those set out above.

RISKS RELATING TO THE ISSUER

Loan purchase activities in Hong Kong

One of the business activities of the Issuer is to purchase loan assets from the Approved Sellers (as defined under the section entitled "*Description of the Issuer — Business Strategies*") in Hong Kong. The willingness of the Approved Sellers to sell their loan assets to the Issuer depends on a number of factors, including the Approved Sellers' loan portfolio size, their balance sheet management and the interest rate applicable to the loan assets at the relevant time. The decision as to whether or not to sell their loan assets to the Issuer lies with the Approved Sellers. There can be no assurance that the Approved Sellers will continue to make available suitable loan assets for purchase by the Issuer.

Exposure to the Hong Kong property market

The Issuer is exposed to the Hong Kong property market due to its portfolio of mortgage loans relating to properties in Hong Kong. The Hong Kong property market is highly cyclical and property prices in general have been volatile. Property prices are affected by a number of factors, including the supply of, and demand for, comparable properties, changes to interest rate, policies of the Government of the Hong Kong Special Administrative Region of the People's Republic of China (**Hong Kong Government**), the rate of economic growth in Hong Kong, political and economic developments in the PRC and the relationship of the PRC and Hong Kong with other countries. Accordingly, any significant drop in property prices and/or liquidity in the Hong Kong property market could adversely affect the Issuer's business, financial condition and results of operations.

Exposure to the risk of default by borrowers and/or sellers/servicers in its loan asset portfolio

The quality of the Issuer's loan asset portfolio depends on both the careful selection of loan assets to be purchased and the rate of default by borrowers. The Issuer cannot offer any assurance that it will continue to be able to purchase loan assets of adequate credit quality to maintain the current credit performance of its loan asset portfolio or that the credit quality of its loan asset portfolio will not deteriorate. The Issuer can offer no assurance that the default rate of borrowers will remain at a low level. The allowance for loan impairment set aside by the Issuer may be insufficient to cover all future losses arising from its loan asset portfolio, which could have an adverse impact on the Issuer's results of operations.

The Approved Seller / Approved Servicer (as defined under the section entitled "*Description of the Issuer — Business Strategies*") of an acquired loan portfolio is obliged to remit scheduled payments generated from the acquired loan portfolio to the Issuer in a timely and accurate manner. The Issuer can offer no assurance that its Approved Sellers / Approved Servicers will make scheduled payments in a timely or accurate manner, or will not default on their payment obligations.

Exposure to the risks under the Microfinance Scheme

The Issuer is exposed to risk of default by borrowers under the Microfinance Scheme (**MFS**), under which loans are offered to borrowers through participating lenders that are "authorized institutions" (**AIs**) (as defined in Section 2 of the Banking Ordinance (Cap. 155 of the Laws of Hong Kong) (**Banking Ordinance**)) with funding participation provided by one of the Issuer's wholly-owned subsidiaries, HKMC Mortgage Management Limited (**HMML**) (for more information, see the section entitled "*Description of the Issuer — Business Overview — Microfinance Scheme*"). Although the acceptance of loan applications under the MFS has ceased in 2019, the Issuer can offer no assurance as to the repayment capabilities of the borrowers under the MFS.

Exposure to the risks under the Infrastructure Financing and Securitisation business

The Issuer primarily purchases and co-finances infrastructure loans with a view to securitising those loans in the capital markets. The Issuer's Infrastructure Financing and Securitisation (**IFS**)

business may expose the Issuer to risks inherent in cross border infrastructure projects, including delay risk, construction risk, performance risk, operational risk, commercial risk, financial risk, counterparty risk, concentration risk, legal and compliance risk, regulatory risk, political risk, currency risk, interest rate risk and environmental and social risk.

On 11 September 2024, the Issuer, via Bauhinia ILBS 2 Limited (a special purpose vehicle established for the Issuer's Infrastructure Loan-Backed Securities (**ILBS**) issuance), completed a publicly rated securitisation transaction which consists of multiple classes of U.S. dollar-denominated senior secured notes (**ILBS Notes**) backed by the cash flows from a diversified portfolio of projects and infrastructure loans across multiple geographies and sectors, with an issuance size of U.S.$423.3 million. Similar to the pilot ILBS issuance in May 2023, the Issuer has multiple roles in this transaction, including acting as the sponsor, retention holder of the subordinated notes of the ILBS Notes, as well as acting as collateral manager providing certain collateral management services to the issuer of the ILBS Notes. In addition, the Issuer continues to hold a portion of the ILBS Notes issued by Bauhinia ILBS 1 Limited and Bauhinia ILBS 2 Limited. The involvement of the Issuer in its various capacities, in particular as sponsor and collateral manager, may result in conflicts of interest in the administration of the ILBS Notes. As a result, the Issuer has established the Infrastructure Financing and Securitisation Collateral Manager Committee as the governing forum of the Issuer's collateral management business for the ILBS Notes.

Although the Issuer has adopted a prudent risk management framework for its IFS business (for more information, see the section entitled "*Description of the Issuer — Risk Management — Infrastructure Loans*") as well as internal governance measures to manage any potential conflicts of interest, there is no assurance that such risk management measures and internal governance measures will adequately mitigate the relevant risks associated with the IFS business of the Issuer, failure of which could adversely affect the Issuer's business, financial condition and results of operations.

Exposure to the risks under the Fixed Rate Mortgage Scheme

Under the Issuer's Fixed Rate Mortgage Scheme, the Issuer provides an alternative financing option to homebuyers with fixed-rate mortgages for 10, 15 and 20 years to mitigate risks arising from interest rate volatility (for more information, see the section entitled "*Description of the Issuer — Business Overview — Fixed Rate Mortgage Scheme*"). The Issuer is exposed to risk of default by borrowers and/or sellers/servicers in their respective loan asset portfolios. In addition, the Issuer is exposed to interest rate risk as well as asymmetrical prepayment risk. Although the Issuer has diversified sources of funding and adopts prudent risk management measures to mitigate such risks, there is no assurance as to the effectiveness of such measures.

The Issuer and the Group may not maintain an operating profit

For the year ended 31 December 2024, the Group reported a net loss of HK$418 million (2023: a net loss of HK$260 million). The increase in accounting loss was primarily attributable to the negative impact of property price drop on fast-growing reverse mortgage business which was partly mitigated by the increase in the net interest income together with the return from placements with the Exchange Fund. There is no assurance that the Issuer will not continue to report a loss (of a similar or greater amount) in the future, which may adversely affect its financial condition and results of operations.

Exposure to liquidity risk, interest rate risk and asset-liability maturity mismatch risk

The Issuer has various funding sources at various interest rates and maturities, and acquires loan assets at various interest rates and maturities. In the event of the underlying borrowers or obligors failing to fulfil their payment obligations as scheduled, the Issuer may be exposed to cash flow and net interest income risks. Although the Issuer has sound credit ratings, diversified funding sources and prudently uses cash and derivative instruments for hedging purposes, the Issuer may still

be exposed to liquidity risk outside the control of the Issuer as a result of the prevailing market conditions and availability of funds to fulfil its payment obligations. The Issuer cannot offer any assurance as to the effectiveness of its funding strategy, risk management measures and hedging techniques to adequately mitigate any adverse changes in market conditions or the availability of such instruments in the future, or the failure of the underlying borrowers or obligors to fulfil their payment obligations as scheduled, which could adversely affect the Issuer's business, financial condition and results of operations.

Exposure to currency risk

The majority of the Issuer's revenues are generated in Hong Kong dollar and U.S. dollar. Hong Kong dollar has been linked to U.S. dollar since 1983 under the Linked Exchange Rate System which ensures that the Hong Kong dollar exchange rate remains stable within a band of HK$7.75 to HK$7.85 to U.S.$1, but there can be no assurance that the Linked Exchange Rate System will be maintained in the future, despite the fact that the Hong Kong Government has, from time to time, expressed a commitment to maintain exchange rate stability under the Linked Exchange Rate System. The Issuer can offer no assurance that its business, financial condition and results of operations would not be adversely affected by the impact on the Hong Kong economy arising from any devaluation or revaluation of Hong Kong dollar or if the link of Hong Kong dollar to U.S. dollar is discontinued or changed in any way.

Exposure to treasury counterparty risk

The Issuer enters into treasury instruments with a number of treasury counterparties (such as international banks) for its hedging and other treasury activities. Potential losses could be incurred as a result of delay or failure in the payments by a treasury counterparty in respect of the underlying treasury instruments. The Issuer can offer no assurance that its treasury counterparties will make payments in a timely or accurate manner, or will not default on their payment obligations.

No government guarantee in respect of the Issuer's debts

Although the Issuer is wholly-owned by the Hong Kong Government, the Hong Kong Government does not provide any form of guarantee in respect of the Issuer's borrowings or other obligations, including the Notes to be issued under the Programme. The repayment obligations of any Notes issued under this Programme remain the sole obligation of the Issuer. The ownership or control which may be exerted by the Hong Kong Government on the Issuer does not necessarily correlate to, or provide any assurance as to the Issuer's financial condition.

In addition, and notwithstanding the above, if the Issuer is partly or fully privatised, its credit standing could be adversely affected.

Guarantee relating to the Issuer's subsidiaries

The general insurance business of the Issuer is carried out by one of its wholly-owned subsidiaries, HKMC Insurance Limited (**HKMCI**). The Issuer has issued a parental guarantee in favour of the participating lenders for the HKMCI's due performance of its obligations under the insurance programmes and schemes operated by the HKMCI (for more information, see the section entitled "*Description of the Issuer — Business Overview*"). If such guarantee is called upon, the Issuer is required to discharge the HKMCI's liabilities under the relevant programmes and schemes and the Issuer's business, financial condition and results of operations may be adversely affected.

The Issuer issued a parental guarantee to the HKMC Annuity Limited (**HKMCA**) in 2024 which aimed to lower the capital charge required by the HKMCA's partner insurers in respect of the HKMCA's reinsurance assets, thereby encouraging potential partner insurers to collaborate with the HKMCA in developing the local annuities market. If such guarantee is called upon, the Issuer is required to discharge the HKMCA's liabilities under the relevant programmes and schemes and the Issuer's business, financial condition and results of operations may be adversely affected.

Exposure to legal, regulatory, litigation and compliance risks

The Group is subject to laws, rules and regulations that regulate all aspects of its business. Some of the laws, rules and regulations are relatively new and their interpretation and application remain uncertain. The Group is exposed to risks of legal, regulatory, litigation and administrative proceedings. Management of these risks requires, among other things, policies and procedures to prohibit or report certain transactions, properly record and monitor large number of transactions and events, as applicable. Failure to comply with any of the applicable laws, rules and regulations, including as a result of changes to rules and regulations or the changing interpretation thereof by relevant regulators, could result in administrative sanctions, fines, increase in expenses or capital to achieve compliance or arising from any disputes, proceedings and litigations, each of which may have a material adverse effect on the Group's reputation, business, financial condition and results of operations. In addition, failure to implement and maintain effective internal controls or proper records could bring an impact on the reliability of the Group's financial statements and the Group's ability to comply with applicable laws, rules and regulations.

Furthermore, investigations, administrative actions or litigation could commence in relation to violation of any applicable laws, rules and regulations, which may result in penalties, damages, costs and expenses and possible damage to the reputation of the Group. Any adverse judgments or rulings that are delivered against the Group could have a material adverse effect on the Group's reputation, business, financial condition and results of operations.

Exposure to failure of full compliance with applicable anti-money laundering laws, anti-terrorism laws, anti-bribery laws and other regulations

The Group is required to comply with applicable anti-money laundering laws, counter-terrorist financing laws, anti-bribery laws and other relevant regulations in Hong Kong and elsewhere. Such laws and regulations require the Group, among other things, to formulate "know your customer" policies and procedures and to report suspicious transactions to the applicable regulatory authorities or law enforcement agencies. Additionally, regulators in recent years have globally increased their scrutiny of corporate internal controls and have correspondingly increased the penalties for any non-compliance, particularly in the areas of economic sanctions, anti-money laundering, anti-terrorism and anti-bribery.

While the Group has adopted policies and procedures aimed at detecting and preventing money laundering activities and transactions with or by terrorists and terrorist-related organisations and individuals or individuals subject to economic sanctions or involved in corruption generally, such policies and procedures may not completely eliminate instances where the Group may be used by other parties to engage in money laundering or other illegal or improper activities. To the extent that the Group fails to comply with any applicable laws or regulation, the relevant law enforcement agencies may have the power and authority to impose fines and other penalties on the Group, which may materially and adversely affect the Group's reputation, business, financial condition and results of operations.

Exposure to the risk of change in credit rating or outlook of the Issuer

On 28 May 2025, Moody's Investors Service (**Moody's**) announced to change to stable from negative the outlook on the Issuer following the agency's rating action on affirmation of the Hong Kong Government's issuer rating at Aa3 with an outlook revision to stable from negative. Investors should be aware that there is no assurance that the rating of the Issuer will not be downgraded or revised in the future, which may materially and adversely affect the Group's reputation, business, financial condition and results of operations, as well as the trading price of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be suspended, reduced or withdrawn by the rating agency at any time.

RISKS RELATING TO THE ISSUER'S SUBSIDIARIES

Exposure to the risk of default by borrowers and/or reinsurers under the Mortgage Insurance Programme

Borrowers may default under the Mortgage Insurance Programme (**MIP**) operated by the HKMCI (for more information, see the section entitled "*Description of the Issuer — Business Overview — Mortgage Insurance Programme*"). The HKMCI's exposure to such default risk depends on the quality of the mortgage loans under the insurance cover provided by the HKMCI and the careful screening of mortgage loans eligible under the MIP. To reduce its exposure, the HKMCI obtains reinsurance from approved mortgage reinsurers (**Approved Reinsurers**) for the whole or a part of the insurance cover amount so that the risk of borrower default is mitigated by risk sharing with the relevant Approved Reinsurers. Neither the Issuer nor the HKMCI can offer any assurance that the HKMCI will continue to be able to maintain the current overall credit quality of its mortgage insurance portfolio, or that the HKMCI will continue to be able to reinsure its mortgage insurance cover effectively, or that its Approved Reinsurers will not default on their reinsurance obligations.

In late 2024, the U.S. Federal Reserve implemented a series of interest rate cuts in view of the developments on inflation and on balance of risks. Local banks in Hong Kong also lowered the mortgage rates. Notwithstanding that, the economic growth and interest rate movement are uncertain due to the U.S. tariff measures and potential inflationary pressures brought by the new U.S. administration. A rise in interest rates may increase the cost of mortgage financing and worsening of economic conditions in Hong Kong may adversely impact the affordability and repayment ability of the borrowers. These factors may heighten the default risk of the mortgages and may have an adverse effect on HKMCI's business, financial condition and results of operations.

Exposure to the risks under the SME Financing Guarantee Scheme

Under the SME Financing Guarantee Scheme (**SFGS**), the HKMCI provides loan guarantees for credit facilities advanced by the participating AIs to eligible local non-listed enterprises, including small and medium-sized enterprises (**SMEs**) and businesses with less operating history (for more information, see the section entitled "*Description of the Issuer — Business Overview — SME Financing Guarantee Scheme*"). The HKMCI is the scheme administrator of the SFGS and the participating AIs are responsible for conducting customer due diligence and verification of borrower's eligibility using their professional skill, judgement and care. Although the HKMCI has in place prudent eligibility criteria for the SFGS, the HKMCI is exposed to risk of default by borrowers and its exposure is dependent on the repayment ability of the borrowers and the quality of underwriting of such credit facilities by the participating AIs. Neither the Issuer nor the HKMCI can offer any assurance as to the effectiveness of the participating AIs' underwriting standards with respect to the credit facilities or the economic conditions which may have an impact on the repayment ability of the relevant borrowers.

The time-limited 80 per cent. guarantee product (**80% SFGS**), the 90 per cent. guarantee product (**90% SFGS**) and the special 100 per cent. guarantee product (**Special 100% SFGS**) under the SFGS, launched by the HKMCI on behalf of the Hong Kong Government in May 2012, December 2019 and April 2020 respectively, are backed by the Hong Kong Government's guarantee commitment up to 80 per cent., 90 per cent. and 100 per cent. of eligible credit facilities granted by participating AIs. The application period for the Special 100% SFGS closed end of March 2024, and in respect of loans drawn down under the Special 100% SFGS, the Issuer, with its own funds, purchased such loans from the participating AIs on a without recourse basis. The Hong Kong Government has paid, via the HKMCI, a one-off origination fee and ongoing servicing fee to the participating AIs for the origination and servicing of the loans under the Special 100% SFGS, and reimburses necessary enforcement and debt recovery expenses incurred by the participating AIs on defaulted credit facilities under the SFGS. The Hong Kong Government also pays ongoing administrative fees to the HKMCI for administering the Special 100% SFGS. Neither the Issuer nor the HKMCI can offer any assurance that the Hong Kong Government will not default on its loan guarantee and reimbursement obligations.

Exposure to the risks under the 100% Personal Loan Guarantee Scheme

The time-limited 100% Personal Loan Guarantee Scheme (**PLGS**) is fully backed by the Hong Kong Government's 100% financial commitment for loans approved by participating AIs in accordance with the eligibility criteria for PLGS (for more information, see the section entitled "*Description of the Issuer — Business Overview — 100% Personal Loan Guarantee Scheme*") and the application period closed on 30 April 2023. The HKMCI is the scheme administrator of the PLGS and the participating AIs were responsible for conducting customer due diligence and verification of borrower's eligibility using their professional skill, judgement and care. Although the HKMCI has in place prudent eligibility criteria for the PLGS, the risk of default by borrowers is dependent on the repayment ability of the borrowers and the quality of underwriting such loans by the participating AIs. Neither the Issuer nor the HKMCI can offer any assurance as to the effectiveness of the participating AIs' underwriting standards with respect to the loans or the economic conditions which may have an impact on the repayment ability of the relevant borrowers.

In respect of loans drawn down under the PLGS, the Issuer, with funding provided by the Hong Kong Government, purchased such loans from the participating AIs on a without recourse basis. The Hong Kong Government has paid, via the HKMCI, a one-off origination fee and ongoing servicing fee to the participating AIs for the origination and servicing of the loans, and reimburses necessary enforcement and debt recovery expenses incurred by the participating AIs on defaulted loans. The Hong Kong Government also pays ongoing administrative fees to the HKMCI for administering the PLGS. Neither the Issuer nor the HKMCI can offer any assurance that the Hong Kong Government will not default on its financial commitment and reimbursement obligations.

Exposure to the risks under the Dedicated 100% Loan Guarantee Schemes for Specified Sectors

The Dedicated 100% Loan Guarantee Schemes for specified sectors **(DLGS)** are fully backed by the Hong Kong Government's 100% guarantees for loans approved by the participating AIs in accordance with the eligibility criteria for DLGS for eligible licensed travel agents, registered owners of local tour coaches and cross-boundary coaches and hire cars, registered owners and operators of cross-boundary ferries as well as the eligible taxi owners who intend to purchase battery electric taxis to replace their liquefied petroleum gas, petrol or hybrid taxis in Hong Kong (for more information, see the section entitled "*Description of the Issuer — Business Overview — Dedicated 100% Loan Guarantee Schemes for Specified Sectors*"). The HKMCI is the scheme administrator of the DLGS and the participating AIs are responsible for conducting customer due diligence and verification of the borrower's eligibility using their professional skill, judgement and care. Although the HKMCI has in place prudent eligibility criteria for the DLGS, the HKMCI is exposed to risk of default by the borrowers and its exposure is dependent on the repayment ability of the borrowers and the quality of underwriting of such loans by the participating AIs. Neither the Issuer nor the HKMCI can offer any assurance as to the effectiveness of the participating AIs' underwriting standards with respect to the loans or the economic conditions which may have an impact on the repayment ability of the relevant borrowers.

In respect of loans drawn down under the DLGS, the Issuer, with its own funds, purchases such loans from the participating AIs on a without recourse basis. The Hong Kong Government pays, via the HKMCI, a one-off origination fee and ongoing servicing fee to the participating AIs for the origination and servicing of the loans under the DLGS, and reimburses necessary enforcement and debt recovery expenses incurred by the participating AIs on defaulted loans under the DLGS. The Hong Kong Government also pays ongoing administrative fees to the HKMCI for administering the DLGS. Neither the Issuer nor the HKMCI can offer any assurance that the Hong Kong Government will not default on its loan guarantee and reimbursement obligations or the Issuer will continue to have sufficient funding available to purchase loans drawn down under the DLGS from the participating AIs.

Exposure to the risks under the Reverse Mortgage Programme

Under the Reverse Mortgage Programme (**RMP**), the HKMCI provides insurance cover on reverse mortgage loans provided to elderly borrowers by participating lenders (for more information, see the section entitled "*Description of the Issuer — Business Overview — Reverse Mortgage Programme*"). The insurance cover is provided by the HKMCI for the purpose of covering shortfalls incurred by the participating lenders in the event that after the occurrence of a maturity event when proceeds recovered from the repossessed property are insufficient to cover the outstanding loan balance and the associated expenses. Any volatility in the property market or drop in property prices may also have an adverse impact on the proceeds recovered from the repossessed property after the occurrence of a maturity event. Although the HKMCI has adopted a prudent set of actuarial assumptions regarding mortality rates, interest rates and property price movements to model the payout amount to borrowers, and that the HKMCI obtains reinsurance from one or more Approved Reinsurers for the whole or a part of the insurance cover amount, neither the Issuer nor the HKMCI can offer any assurance as to the effectiveness and accuracy of such assumptions, or that the HKMCI will continue to be able to reinsure its insurance cover effectively, or that its Approved Reinsurers will not default on their reinsurance obligations.

Exposure to the risks under the Policy Reverse Mortgage Programme

Under the Policy Reverse Mortgage Programme (**PRMP**), the HKMCI provides insurance cover on loans provided to elderly borrowers by participating lenders (for more information, see the section entitled "*Description of the Issuer — Business Overview — Policy Reverse Mortgage Programme*"). The insurance cover is provided by the HKMCI for the purpose of covering shortfalls incurred by the participating lenders in the event that the money paid under the life insurance policy assigned as collateral of a loan is insufficient to cover the outstanding loan balance and the associated recovery expenses upon the occurrence of a maturity event. Although the HKMCI has adopted a prudent set of actuarial assumptions regarding mortality rates, interest rates and fulfilment ratios of life insurance policies to model the payout amount to borrowers, neither the Issuer nor the HKMCI can offer any assurance as to the effectiveness and accuracy of such assumptions, or that the insurance companies of the assigned life insurance policies will not default on their claim payment obligations.

Exposure to the risks under the life annuity business

The HKMCA is a wholly-owned subsidiary of the Issuer which operates life annuity business (for more information, see the section entitled "*Description of the Issuer — Business Overview — Life Annuity Business of the HKMCA*"). The HKMCA is exposed to investment risk and various insurance risks, primarily longevity risk which arises from the possibility that the life expectancy of annuitants being longer than expected. Although the HKMCA has adopted a prudent set of actuarial and investment assumptions for pricing, neither the Issuer nor the HKMCA can offer any assurance as to the effectiveness and accuracy of such assumptions. Moreover, the Issuer and the HKMCA may have to report negative earnings under its life annuity business subject to movement in market conditions and actual experience deviated from the assumptions including investment, mortality, lapsation and expense. The Insurance Authority of Hong Kong has implemented a new risk-based capital regime since 1 July 2024 and the HKMCA has established an internal capital framework to manage and operate under the new risk-based capital regime (for more information, see the section entitled "*Risk Factor — Risk Relating to the Issuer's Subsidiaries — Exposure to the risks relating to the risk-based capital regime implemented by the Insurance Authority of Hong Kong*").

Further, a significant portion of the assets of the HKMCA is invested in illiquid assets. Owing to asset volatility and uncertain annuity liabilities, the HKMCA is exposed to asset-liability mismatch risk and liquidity risk. The HKMCA minimises such risks through monitoring the investment performance and maintaining a number of funding sources. However, neither the Issuer nor the HKMCA can offer any assurance as to the effectiveness of such risk mitigation measures.

The HKMCA issues life annuity policies to a group of vulnerable customers (e.g. persons over 65 years of age). The sale of these life annuity policies to such customers is subject to additional regulatory requirements. Thus, the HKMCA is exposed to the risk of financial loss and/or reputational damage from potential mis-selling and customer complaints. Although the HKMCA has carried out a thorough analysis to ensure the product meets customers' needs and provided sufficient training to personnel involved in the distribution channels of its life annuity business to mitigate such risks, neither the Issuer nor the HKMCA can offer any assurance that legal disputes, regulatory proceedings or investigations as a result of any allegation of misconduct of the personnel involved in the distribution of its life annuity business can be avoided, which may have a material and adverse effect on the reputation, business, financial condition and results of operations of the Issuer and the HKMCA.

Exposure to the risks relating to the risk-based capital regime implemented by the Insurance Authority of Hong Kong

The Insurance Authority of Hong Kong has implemented a new risk-based capital regime since 1 July 2024. Although the HKMCI and the HKMCA compute their solvency ratios in accordance with the risk-based capital regime and monitor the levels of their solvency ratios regularly, none of the Issuer, the HKMCI and the HKMCA can offer any assurance that the solvency ratios will be maintained above the regulatory required level at all times. The compliance with the risk-based capital regime may have a material impact on the Issuer, the HKMCI and the HKMCA. Any failure by the HKMCI or the HKMCA to meet the regulatory capital requirements could adversely affect the businesses, financial conditions and results of operations of the Issuer, the HKMCI and the HKMCA.

RISKS RELATING TO HONG KONG, THE PRC AND OTHER COUNTRIES

Issuer's business is affected by the political and economic situation in Hong Kong, the PRC and other countries

Although Hong Kong has thus far enjoyed legislative, judicial and economic autonomy since becoming a special administrative region of the PRC, there can be no assurance that there will not be any change in regulatory oversight as a consequence of the political and economic situation in Hong Kong, the PRC and other countries. Should such change occur, the Issuer's business, financial condition and results of operations may be adversely affected.

The Issuer's revenue is generated from its operations and businesses primarily in Hong Kong. Accordingly, the Issuer's operations and performance may be affected by the general political and economic circumstances of Hong Kong. As Hong Kong is a small and open economy that is highly dependent on international trade and finance and having close business relations with the PRC and Asia-Pacific countries, the Hong Kong economy is affected to a significant extent, directly or indirectly, by the economies of the PRC, countries in the Asia-Pacific and elsewhere.

Any significant or sudden economic slowdown, recession or other adverse changes or developments in the local social and economic environment or political arrangements in Hong Kong may adversely affect the Group's business, financial condition and results of operations.

Future political or economic instability or a sustained slowdown in local economic activities, especially in relation to the property market, will adversely affect the Issuer's business if it leads to an increase in loan payment defaults.

No assurance that the Issuer's business will not be affected by geopolitical tensions and disputes or sanctions or other measures imposed on Hong Kong by foreign governments

The economy of Hong Kong is highly dependent on international trade and finance as well as close business relations with the PRC and other countries. The economic growth of Hong Kong and its stability may be adversely affected by geopolitical developments and tensions, including trade disputes.

In recent years, the U.S. government imposed a series of economic sanctions or restrictive measures on a number of officials of the Hong Kong Government or relating to the Hong Kong economy in the form of executive orders issued by the U.S. administration and statutes passed by the U.S. Congress. Such measures included, among others, the withdrawal of the privileges granted to Hong Kong pursuant to the Hong Kong Policy Act of 1992. In April 2025, the United States introduced sweeping new tariffs on certain imports, causing significant volatility in the global markets. Other countries have or may implement retaliatory tariffs or other measures on United States goods, which may prompt further tariffs, export controls or measures from the United States. Any prolongation or escalation of international trade disputes could result in further volatility, reduced trade volumes, and dampened investment and economic activities between major international economies. Continued volatility in the global markets may contribute to a slowdown in the global economy. Overall, U.S. tariffs, restrictions on technology transfer and investment imposed on the PRC (including Hong Kong) as well as continued trade and geopolitical tensions and disputes may continue to affect the economic outlook globally as well as the Hong Kong economy.

There is no assurance that the Hong Kong economy and its prospect will not be adversely affected by geopolitical developments and tensions or there will be no additional economic sanction orders or restrictive measures imposed on the PRC, other officials of the Hong Kong Government or additional tariffs imposed on Hong Kong. The occurrence of any such events may adversely affect the business, financial condition and results of operations of the Group, and there is no assurance that the Issuer will be able to accurately assess the impact of such events, or implement remedial measure to adequately mitigate any adverse effect as a result, on the business, financial condition and results of operations of the Group.

No assurance that the Issuer's business will not be affected by the outbreak of severe communicable disease

The outbreak of a novel strain of coronavirus (**COVID-19**) had a severe impact on the global economy. There is no assurance that there will not be resurgences of the COVID-19 pandemic, which may adversely affect the global economic outlook, including that of Hong Kong.

From time to time, there have been media reports regarding occurrences of various epidemics such as swine influenza, spread of avian influenza among birds and poultry and, in some isolated cases, from animals to human beings. There can be no assurance that there will not be another significant outbreak of a highly contagious disease and any such further outbreak, which may also lead to continued market weakness, may have a material adverse impact on the business, financial condition and results of operations of the Group and its ability to access the capital markets.

RISKS RELATING TO THE NOTES AND THE COUPONS

An active trading market for the Notes may not develop

There can be no assurance as to the liquidity of the Notes or that an active trading market will develop. If such a market were to develop, the Notes may trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Issuer's operations and the market for similar securities. The Dealers are not obliged to make a market in the Notes and any such market making, if commenced, may be discontinued at any time at the sole discretion of the relevant Dealers. No assurance can be given as to the liquidity of, or trading market for, the Notes.

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

Unless the relevant Pricing Supplement specifies otherwise in the case of any particular Tranche of Notes, the Notes will be redeemable at the Issuer's opinion prior to maturity for certain tax reasons as described in Condition 7(b). The Notes may also be redeemable before their stated maturity at the option of the Issuer (either in whole or in part) to the extent specified in the relevant Pricing Supplement.

An optional redemption feature is likely to limit the market value of the Notes. During any period when the Issuer may elect to redeem the Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period.

The Issuer may be expected to redeem the Notes when its cost of borrowing is lower than the interest rate on the Notes. At that time, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed, and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in the light of other investments available at that time.

The regulation and reform of "benchmarks" may adversely affect the value of Notes linked to or referencing such "benchmarks"

Interest rates and indices which are deemed to be "benchmarks" (including the Euro Interbank Offered Rate (**EURIBOR**) and the Hong Kong Interbank Offered Rate (**HIBOR**)) are the subject of ongoing national and international regulatory guidance and reform aimed at supporting the transition to robust benchmarks. Most reforms have now reached their planned conclusion (including the transition away from London Interbank Offered Rate (**LIBOR**)), and "benchmarks" remain subject to ongoing monitoring and/or reforms. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes referencing such a benchmark.

Regulation (EU) 2016/1011 (the **EU Benchmarks Regulation**) was published in the Official Journal of the EU on 29 June 2016 and mostly applies, subject to certain transitional provisions, from 1 January 2018. The EU Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. Among other things, it (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by EU supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed). The EU Benchmarks Regulation, as it forms part of domestic law by virtue of the EUWA (the **UK Benchmarks Regulation**) among other things, applies to the provision of benchmarks and the use of a benchmark in the UK. Similarly, it prohibits the use in the UK by UK supervised entities of benchmarks of administrators that are not authorised by the FCA or registered on the FCA register (or, if non-UK based, not deemed equivalent or recognised or endorsed).

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

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements.

Such factors may have (without limitation) the following effects on certain benchmarks: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark and/or (iii) leading to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to, referencing, or otherwise dependent (in whole or in part) upon, a benchmark.

The Terms and Conditions of the Notes provide for certain fallback arrangements in the event that a Benchmark Event (as defined in "*Terms and Conditions of the Notes*") occurs in respect of an Original Reference Rate (as defined in the "*Terms and Conditions of the Notes*") or other relevant reference rate and/or any page on which such benchmark may be published (or any other successor service) becomes unavailable. Such fallback arrangements include the possibility that the Rate of Interest (as defined in the "*Terms and Conditions of the Notes*") could be set by reference to a Successor Rate or an Alternative Reference Rate (both as defined in the "*Terms and Conditions of the Notes*"), with the application of an adjustment spread (which could be positive, negative or zero), and may include amendments to the Terms and Conditions of the Notes to ensure the proper operation of the new benchmark, all as determined by the Issuer (acting in good faith and in consultation with an Independent Adviser) and as more fully described at Condition 5(b)(vii), (viii) and (ix) in the "*Terms and Conditions of the Notes*". It is possible that the adoption of a Successor Rate or Alternative Reference Rate, including any adjustment spread, may result in any Notes linked to or referencing an Original Reference Rate performing differently (which may include payment of a lower Rate of Interest) than they would if the Original Reference Rate were to continue to apply in its current form. There is also a risk that the relevant fallback provisions may not operate as expected or intended at the relevant time.

Furthermore, in certain circumstances, the ultimate fallback for the purposes of calculation of the Rate of Interest for a particular Interest Period (as defined in the "*Terms and Conditions of the Notes*") may result in the Rate of Interest for the last preceding Interest Period being used. This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page (as defined in the "*Terms and Conditions of the Notes*").

SOFR and SORA are recently reformed and/or are newly established risk-free rates. SOFR is published by the Federal Reserve Bank of New York and is intended to be a broad measure of the cost of borrowing cash overnight collateralised by Treasury securities. SORA is published by the Monetary Authority of Singapore and is the volume-weighted average rate of borrowing transactions in the unsecured overnight interbank SGD cash market. SORA is part of an industry-wide interest rate benchmark transition away from the use of Singapore Swap Offer Rate (**SOR**) and Singapore Interbank Offered Rate (**SIBOR**) to the use of SORA as the main interest rate benchmark for SGD financial markets.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable, or any of the international or national reforms and the possible application of the benchmark replacement provisions of Notes in making any investment decision with respect to any Notes referencing a benchmark.

The use of SOFR as a reference rate is subject to important limitations.

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

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

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

Risk-free rates offered as alternatives to interbank offered rates also have a limited history. For that reason, future performance of such rates may be difficult to predict based on their limited historical performance. The level of such rates during the term of the Notes may bear little or no relation to historical levels. Although the Federal Reserve Bank of New York has published historical indicative SOFR information going back to 2014, such prepublication of historical data inherently involves assumptions, estimates and approximations. Noteholders should not rely on any historical changes or trends in SOFR as an indicator of future changes in SOFR.

The Federal Reserve Bank of New York notes on its publication page for SOFR that use of SOFR is subject to important limitations and disclaimers, including that the Federal Reserve Bank of New York may alter the methods of calculation, publication schedule, rate revision practices or availability of SOFR at any time without notice. In addition, SOFR is published by the Federal Reserve Bank of New York based on data received from other sources. The Issuer has no control over its determination, calculation or publication. There can be no guarantee that SOFR will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of the Noteholders. The Federal Reserve Bank of New York has no obligation to consider the interests of Noteholders when calculating, adjusting, converting, revising or discontinuing any such risk-free rate. If the manner in which SOFR is calculated is changed or if SOFR is discontinued, that change or discontinuance may result in a reduction or elimination of the amount of interest payable on the Notes and a reduction in the trading prices of the Notes which would negatively impact the Noteholders who could lose part of their investment.

The Terms and Conditions of the Notes provide for certain fallback arrangements in the event that a SOFR Benchmark Event occurs, which is based on the ARRC recommended language. There is however no guarantee that the fallback arrangements will operate as intended at the relevant time or operate on terms commercially acceptable to all Noteholders. Any of the fallbacks may result in interest payments that are lower than, or do not otherwise correlate over time with, the payments that would have been made on the Notes if SOFR had been provided by the Federal Reserve Bank of New York in its current form. Investors should consult their own independent advisers and make their own assessment about the potential risks in making any investment decision with respect to any Notes linked to SOFR.

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

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

prove widely used in securities such as the Notes referencing SOFR, investors may not be able to sell such Notes referencing SOFR at all or the trading price of the Notes referencing SOFR may be lower than those of bonds linked to indices that are more widely used.

The use of SOFR as a reference rate for bonds is nascent, and may be subject to change and development, both in terms of the substance of the calculation and in the development and adoption of market infrastructure for the issuance and trading of bonds referencing such rates. Notes referencing SOFR may have no established trading market when issued, and an established trading market may never develop or may not be very liquid which, in turn, may reduce the trading price of such Notes or mean that investors in such Notes may not be able to sell such Notes at all or may not be able to sell such Notes at prices that will provide them with a yield comparable to similar investments that have a developed secondary market, and may consequently suffer from increased pricing volatility and market risk. Investors should consider these matters when making their investment decision with respect to Notes referencing SOFR.

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

The Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated.

Potential investors should be aware that:

- the market price of such Notes may be volatile;
- payment of principal or interest may occur at a different time or in a different currency than expected; and
- the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero.

Failure by an investor to pay a subsequent instalment of Partly Paid Notes may result in an investor losing all of its investment

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

Certain Notes, the interest rate of which may be converted from fixed to floating interest rates and vice-versa, may have lower market values than other Notes

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing.

If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

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

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

Exchange rate risks and exchange controls may result in investors receiving less interest or principal than expected

The Issuer will pay principal and interest on the Notes in the currency specified. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than the currency in which the Notes are denominated. These include the risk that exchange rates may significantly change (including changes due to devaluation of the currency in which the Notes are denominated or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the currency in which the Notes are denominated would decrease:

- the Investor's Currency equivalent yield on the Notes;
- the Investor's Currency equivalent value of the principal payable on the Notes; and
- the Investor's Currency equivalent market value of the Notes.

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

Decisions that may be made on behalf of all holders of the Notes may be adverse to the interests of individual holders of the Notes. Modifications and waivers may be made in respect of the Terms and Conditions of the Notes, the Agency Agreement by the Principal Paying Agent and the Issuer or less than all of the holders of the Notes

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority, and the recourse available to such minority Noteholders may be limited.

The Terms and Conditions of the Notes also provide that the Principal Paying Agent and the Issuer may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to any modification of the Notes, the Receipts, the Coupons or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law. Any such modifications or decisions made by the Principal Paying Agent and the Issuer may be considered to be adverse to the interests of individual and/or minority Noteholders and in such circumstances, the recourse available to the minority Noteholders may be limited.

Inability to comply with the restrictions and covenants contained in the Issuer's debt agreements

If the Issuer is unable to comply with the restrictions and covenants in its current or future debt and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to the Issuer, accelerate the debt and declare all amounts borrowed due and payable or terminate the agreements, whichever the case may be. Such actions may result in an Event of Default under the Terms and Conditions of the Notes.

RISKS RELATING TO RMB-DENOMINATED NOTES

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

RMB is not freely convertible; there are regulations on remittance of RMB into and outside the PRC, which may adversely affect the liquidity of RMB Notes

RMB is not freely convertible at present. The PRC government continues to regulate conversion between RMB and foreign currencies despite significant reduction over the years by the PRC government of control over routine foreign exchange transactions under current accounts. However, remittance of RMB by foreign investors into the PRC for the purposes of capital account items, such as capital contributions, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities on a case-by-case basis and is subject to a strict monitoring system. Regulations in the PRC on remittance of RMB into the PRC for settlement of capital account items are developing gradually.

Although from 1 October 2016, RMB was added to the Special Drawing Rights basket created by the International Monetary Fund, there is no assurance that the PRC government will continue to liberalise control over cross-border RMB remittances in the future, that any pilot schemes for RMB cross-border utilisation will not be discontinued, or that new PRC regulations will not be promulgated in the future to regulate or eliminate the remittance of RMB into or outside the PRC. In the event that funds cannot be repatriated outside the PRC in RMB, this may affect the overall availability of RMB outside the PRC and the ability of the Issuer to source RMB to finance its obligations under the RMB Notes.

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

As a result of the regulations imposed by the PRC government on cross-border RMB fund flows, the availability of RMB outside the PRC is limited. The People's Bank of China (**PBOC**) has entered into agreements on the clearing of RMB business with financial institutions in a number of financial centres and cities (each an **RMB Clearing Bank**), including Hong Kong, and is in the process of establishing RMB clearing and settlement mechanisms in several other jurisdictions.

However, the current size of RMB-denominated financial assets outside the PRC is limited. There are regulations imposed by the PBOC on the RMB-business participating banks in respect of cross-border RMB settlement, such as those relating to direct transactions with the PRC enterprises. Furthermore, RMB-business participating banks do not have direct RMB liquidity support from the PBOC. The RMB Clearing Bank only has access to onshore liquidity support from the PBOC for the purpose of squaring open positions of RMB-business participating banks for limited types of transactions. It is not obliged to square for RMB-business participating banks any open positions as a result of other foreign exchange transactions or conversion services, and RMB-business participating banks will need to source RMB from outside the PRC to square such open positions.

The offshore RMB market is subject to many constraints as a result of the PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the settlement agreements will not be terminated or amended in the future, to restrict the availability of RMB outside the PRC. The limited availability of RMB outside the PRC may affect the liquidity of the RMB Notes. To the extent the Issuer is required to source RMB outside the PRC to service the RMB Notes, there is no assurance that the Issuer will be able to source such RMB or to do so on satisfactory terms.

Investment in RMB Notes is subject to exchange rate risks

The value of RMB against Hong Kong dollar and other foreign currencies fluctuates and is affected by changes in the PRC and international political and economic conditions and by many other factors. All payments of interest and principal with respect to the RMB Notes will be made in RMB unless otherwise specified. As a result, the value of these RMB payments in Hong Kong dollar or other foreign currency terms may vary with the prevailing exchange rates in the marketplace. If the value of RMB depreciates against Hong Kong dollar or other foreign currencies, the value of RMB Notes investments in Hong Kong dollar or other applicable foreign currency terms will decline.

Investment in RMB Notes is subject to interest rate risk

The PRC government has gradually liberalised its regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. RMB Notes may carry a fixed interest rate. Consequently, the trading price of such RMB Notes will vary with the fluctuations in interest rates. If a holder of RMB Notes tries to sell any RMB Notes before their maturity, they may receive an offer less than the amount invested.

Payments in respect of RMB Notes will only be made to investors in the manner specified in the terms and conditions of the relevant Notes

Investors may be required to provide certifications and other information (including RMB account information) in order to be allowed to receive payments in RMB in accordance with the RMB clearing and settlement mechanism for RMB-business participating banks in Hong Kong. All payments to investors in respect of RMB Notes will be made solely by: (i) when RMB Notes are represented by global certificates held with the common depositary for Euroclear and Clearstream or a sub-custodian for the CMU or a common depository for any alternative clearing system, transfer to an RMB bank account maintained in Hong Kong in accordance with the prevailing rules and procedures of Euroclear or Clearstream or the CMU or the alternative clearing system, or (ii) when RMB Notes are in definitive form, transfer to an RMB bank account maintained in Hong Kong in accordance with the prevailing rules and regulations. The Issuer cannot be required to make payment by any other means (including, but not limited to, in any other currency, by bank notes, by cheques or drafts or by transferring to a bank account in the PRC).

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the Issuer to meet part of its general financing requirements.

CAPITALISATION AND INDEBTEDNESS OF THE ISSUER

The following table sets out the capitalisation of the Issuer and its subsidiaries as at 31 December 2024:

	HK$'000
Short-Term Liabilities	
Medium Term Note Programme Notes due within 1 year	62,373,776
Long-Term Liabilities	
Medium Term Note Programme Notes due after 1 year	85,925,860
Total Loan Capital	148,299,636
Shareholder's Equity	
Share capital 2,000,000,000 shares issued and fully paid	26,500,000
Reserves	12,366,735
Total Shareholder's Equity	38,866,735
Total Capitalisation[1]	187,166,371

Note:

1 For the purpose of this Offering Circular, total capitalisation includes total loan capital and shareholder's equity.

As at 31 May 2025, total capitalisation of the Issuer has decreased compared to that as at 31 December 2024 mainly due to repayment of matured debt issued.

Save as disclosed in this Offering Circular, there has been no material adverse change in the capitalisation of the Issuer and its subsidiaries since 31 December 2024.

DESCRIPTION OF THE ISSUER

History and Corporate Structure

The Issuer was incorporated in March 1997 as a public company with limited liability under the Companies Ordinance. The Issuer is wholly owned by the Hong Kong Government for the account of the Exchange Fund (**Exchange Fund**), a fund under the control of the Financial Secretary as provided under the Exchange Fund Ordinance (Cap. 66 of the Laws of Hong Kong).

For the purpose of operating the life annuity business of the HKMCA and in compliance with the requirements of the Insurance Authority of Hong Kong, the Issuer in 2017 underwent a corporate reorganisation and established two wholly-owned subsidiaries, the HKMCI and the HKMCA, to take up the Issuer's general insurance business (including the MIP, the RMP, the PRMP and the SFGS) and to operate the life annuity business respectively.

The Issuer has issued 2 billion shares, fully subscribed and paid up, amounting to HK$2 billion as at 31 December 2017. On 16 April 2018, the Issuer increased its share capital without allotment of new shares, by HK$5 billion, fully paid up, to HK$7 billion. On 28 June 2021, the Issuer increased its share capital without allotment of new shares, by HK$2.5 billion, fully paid up, to HK$9.5 billion. On 27 June 2022, the Issuer increased its share capital without allotment of new shares, by HK$2.5 billion, fully paid up, to HK$12 billion. On 27 June 2023, the Issuer increased its share capital without allotment of new shares, by HK$2.5 billion, fully paid up, to HK$14.5 billion. On 16 December 2024, the Issuer increased its share capital without allotment of new shares, by HK$12 billion, fully paid up, to HK$26.5 billion. On 24 February 2025, the Issuer increased its share capital without allotment of new shares, by HK$5 billion, fully paid up, to HK$31.5 billion. On 23 June 2025, the Issuer increased its share capital without allotment of new shares, by HK$5 billion, fully paid up, to HK$36.5 billion.

The Issuer is specified as a "domestic public sector entity" under the Banking (Capital) Rules (Cap. 155L of the Laws of Hong Kong) (**Banking (Capital) Rules**). Accordingly, debt securities issued or guaranteed by the Issuer carry a 20 per cent. risk weighting for the purposes of calculating the capital adequacy ratio (**CAR**) of AIs under the standardised (credit risk) approach of the Banking (Capital) Rules. In addition, debt securities issued by the Issuer qualify as "high quality liquid assets" or "liquefiable assets" for the purposes of the Banking (Liquidity) Rules (Cap. 155Q of the Laws of Hong Kong) (**Banking (Liquidity) Rules**) subject to satisfaction of the relevant conditions.

The following timeline shows the major events in the history of the Issuer:

1994	Informal Group on Secondary Mortgage Market was convened by the HKMA in February to study secondary mortgage market in Hong Kong
1996	The HKMA put forward a proposal for the establishment of a mortgage corporation in Hong Kong
1997	The Issuer was established in March and commenced operations in October
1998	The Issuer established its Debt Issuance Programme in June
1999	The Mortgage Insurance Programme was launched in March
	The Guaranteed Mortgage-backed Pass-through Securitisation Programme was launched in October
2001	The Issuer obtained credit ratings from both Moody's and S&P Global Ratings in July
	The Issuer launched its retail bonds through appointed placing banks in October

	The Bauhinia MBS Programme was established in December
2003	Purchase of Civil Servant Housing Loans by the Issuer from the Hong Kong Government in May
	Purchase of Home Starter Loans and Sandwich Class Housing Loans by the Issuer from the Hong Kong Government in December
2004	The Retail Bond Issuance Programme was launched in May
	The 10-year fixed-rate mortgage scheme was launched in November
2007	The Medium Term Note Programme was established in June
2008	The revolving credit facility provided by the Exchange Fund through the Hong Kong Monetary Authority was increased from HK$10 billion to HK$30 billion in December
2009	Debut public benchmark issuance of U.S.$500 million fixed rate notes under the Medium Term Note Programme
2011	The SME Financing Guarantee Scheme was launched in January
	The Reverse Mortgage Programme was launched in July
2012	Special concessionary measures, i.e. the 80 per cent. guarantee product was launched under the SME Financing Guarantee Scheme in May
2017	The Issuer established two wholly-owned subsidiaries, the HKMCI and the HKMCA, to operate the general insurance business and the life annuity business, respectively
2018	The Mortgage Insurance Programme, the Reverse Mortgage Programme, and the SME Financing Guarantee Scheme, were transferred to the HKMCI in May
	The HKMCA launched its life annuity business in July
2019	The Infrastructure Financing and Securitisation business was launched in January
	The Policy Reverse Mortgage Programme was launched in May
	The 90 per cent. guarantee product under the SME Financing Guarantee Scheme was launched in December
2020	The special 100% loan guarantee under the SME Financing Guarantee Scheme was launched in April
	The Fixed-rate Mortgage Pilot Scheme was launched in May
	The revolving credit facility provided by the Exchange Fund through the HKMA was increased from HK$30 billion to HK$80 billion in October
2021	The 100% Personal Loan Guarantee Scheme was launched in April
	The Fixed Rate Mortgage Scheme was converted from a pilot programme into a permanent product in November

2022	The Social, Green and Sustainability Financing Framework of the Issuer was established in September
	Inaugural issuance of dual-tranche HK$8 billion 2-year and CNY 3 billion 3-year social bonds in October
2023	The Dedicated 100% Loan Guarantee Schemes for specified sectors were launched in April and September
	The Pilot Infrastructure Loan-Backed Securities were issued in May (including a sustainability tranche issued in accordance with the Social, Green and Sustainability Financing Framework of the Issuer)

Relationship with Principal Subsidiaries

HKMCI

The HKMCI, a wholly-owned subsidiary of the Issuer, was incorporated in June 2017. HKMCI initially had a share capital of HK$3 billion injected by the Issuer. The HKMCI is an "authorized insurer" under the Insurance Ordinance (Cap. 41 of the Laws of Hong Kong) (**Insurance Ordinance**) carrying on general insurance business, including the MIP, the RMP, the PRMP and the SFGS. Like the Issuer, the HKMCI is specified as a "domestic public sector entity" under the Banking (Capital) Rules.

In 2018, the Issuer and the HKMCI entered into a facility letter pursuant to which the Issuer agreed to provide a credit facility of up to HK$2 billion to assist the HKMCI in funding its operations in relation to its general insurance business. In the same year, the Issuer issued a parental guarantee in favour of the participating lenders for the HKMCI's due performance of its obligations under the MIP, the RMP and the SFGS. The Issuer injected an additional share capital of HK$12 billion into the HKMCI in 2024, which was provided by the Hong Kong Government for the account of the Exchange Fund as the sole shareholder of the Issuer. As at the date of this Offering Circular, the HKMCI had a total share capital of HK$15 billion as a result.

HKMCA

The HKMCA, a wholly-owned subsidiary of the Issuer, was incorporated in June 2017. HKMCA initially had a share capital of HK$5 billion injected by the Issuer, which was provided by the Hong Kong Government for the account of the Exchange Fund as the sole shareholder of the Issuer. The HKMCA is an "authorized insurer" under the Insurance Ordinance carrying on long term insurance business. Like the Issuer, the HKMCA is specified as a "domestic public sector entity" under the Banking (Capital) Rules.

In 2018, the Issuer and the HKMCA entered into a facility letter pursuant to which the Issuer agreed to provide a credit facility of up to HK$10 billion to assist the HKMCA in funding its operations in relation to its life annuity business. In the same year, the Issuer, the Monetary Authority and the HKMCA entered into a tripartite capital commitment letter pursuant to which an amount up to HK$20 billion will be injected into the HKMCA as equity by the Issuer or the Monetary Authority (through capital injection into the Issuer as equity for the purpose of financing the Issuer's additional capital injection into the HKMCA). As at the date of this Offering Circular, the HKMCA had a total share capital of HK$22.5 billion as a result of a number of such additional capital injections. The Issuer will also inject such additional funds into the HKMCA as equity if the solvency ratio of the HKMCA falls below a certain percentage.

Relationship with the Hong Kong Government

The Issuer is wholly-owned by the Hong Kong Government for the account of the Exchange Fund. The Financial Secretary currently serves as the Chairman of the Issuer and the Chief Executive of the HKMA is the Deputy Chairman of the Issuer. The posts of Executive Directors and Chief Executive Officer (**CEO**) of the Issuer are occupied by the Financial Secretary or officials of the HKMA.

The Hong Kong Government, for the account of the Exchange Fund, provides the Issuer with a revolving credit facility (**RCF**) of HK$80 billion as a contingency liquidity tool, of which the facility amount was increased in October 2020 from the original amount of HK$30 billion. Such move demonstrates the Hong Kong Government's recognition of the importance of, and its commitment to provide further support to, the Issuer. In addition to the RCF, the Issuer is entitled to call upon its shareholder for the injection of additional capital of up to HK$1 billion through the Exchange Fund (if and when needed) pursuant to an arrangement agreed by the shareholder.

Missions

The missions of the Group are to promote the following in Hong Kong:

- stability of the banking sector;
- wider home ownership;
- development of the local debt market; and
- development of retirement planning market.

Principal Business Activities of the Group

The major business activities of the Issuer are:

- to purchase portfolios of mortgages or loans secured on properties or other collateral situated in Hong Kong and to acquire debentures, receivables, financial assets and choses in action of all kinds from their originators, issuers, owners or vendors;
- to acquire, by purchase or otherwise, any assets from government bodies and agencies and related organisations, statutory bodies and public bodies, and to hold, sell, transfer, dispose of and deal in any such assets so acquired;
- to issue debt securities to investors;
- to offer long-term fixed-rate mortgages to homebuyers through participating AIs; and
- to purchase and co-finance infrastructure loans or debt obligations and to securitise them under appropriate market conditions.

The major business activities of the HKMCI are:

- to provide mortgage insurance cover to participating lenders in respect of mortgage loans and reverse mortgage loans secured on residential properties, life insurance policies or other assets (if applicable);
- to administer for the Hong Kong Government the 80% SFGS and the 90% SFGS to provide loan guarantee to participating AIs in respect of credit facilities advanced to eligible local non-listed enterprises, including SMEs and businesses with relatively short operating history;
- to administer for the Hong Kong Government the PLGS and the Special 100% SFGS for loans advanced by participating AIs to eligible individuals and eligible local enterprises who have suffered from loss of main recurrent income from employment in Hong Kong or otherwise adversely affected by the outbreak of the COVID-19 pandemic, respectively; and

- to administer for the Hong Kong Government the DLGS for loans advanced by participating AIs to eligible licensed travel agents, registered owners of local tour coaches and cross-boundary passenger transport vehicles, registered owners and operators of cross-boundary ferries as well as eligible taxi owners who intend to purchase battery electric taxis to replace their liquefied petroleum gas, petrol or hybrid taxis.

The major business activity of the HKMCA is to operate its life annuity business.

Business Strategies

The Group adopts the following business strategies in a prudent commercial manner:

- fulfil its strategic roles by reinforcing its business focus in Hong Kong;

- purchase loan assets from various sources such as banks, the Hong Kong Government and related organisations, statutory bodies and public bodies (including their affiliated credit unions) and other sellers (**Approved Sellers** and, if also appointed by the Issuer to provide servicing and other administrative functions in respect of the Issuer's acquired loan portfolio, **Approved Servicers**) from time to time approved by its board of directors (**Board of Directors** or **Board**);

- purchase residential mortgages indexed on fixed adjustable rate and various floating rates such as the Prime Rate, HIBOR (for various reference periods) and the composite interest rate;

- provide mortgage insurance to homebuyers through participating AIs;

- offer fixed-rate mortgages to homebuyers through participating AIs;

- purchase and co-finance infrastructure loans or debt obligations, and securitise them under appropriate market conditions after accumulating a diversified asset portfolio;

- adopt sustainability and ESG strategies in major funding, investment, business and operational activities based on international standard and market practice; and

- expand business scope and reinforce delivery of strategic policy roles through the establishment and enhancements of various schemes and programmes.

Business Environment

Overview of Hong Kong

The Hong Kong Special Administrative Region of the People's Republic of China was established on 1 July 1997. The Basic Law of Hong Kong came into effect on the same day. The Basic Law prescribes the economic, legal and other systems to be practised in Hong Kong.

Under the Basic Law, Hong Kong enjoys a high degree of autonomy except in those matters relating to defence and foreign affairs and other matters outside the limits of Hong Kong's autonomy. Hong Kong exercises executive, legislative and independent judicial power, including that of final adjudication. Hong Kong's executive authorities and legislature are composed of permanent residents of Hong Kong. Hong Kong remains a free port, a separate customs territory and an international financial centre. It may, on its own, using the name "Hong Kong, China", maintain and develop relations, and conclude and implement agreements, with foreign countries and regions as well as international organisations in the appropriate fields, including the economic, trade, financial and monetary, shipping, communications, tourism, cultural and sports fields.

The Basic Law provides that Hong Kong dollar, as the legal tender of Hong Kong, shall continue to circulate. It also provides that no foreign exchange control shall be applied in Hong Kong and that Hong Kong dollar shall remain freely convertible.

Hong Kong as an International Financial Centre

Under the "One Country, Two Systems" principle, the PRC government outlined in the National 14th Five-Year Plan (2021–2025) (**14th Five-Year Plan**) to support Hong Kong in enhancing its status as a centre of international finance, shipping, trade and world aviation; strengthening its function as a global offshore Renminbi business hub, an international asset management centre and a risk management centre; establishing itself as a centre for international technological innovation, international legal and dispute resolution services in the Asia-Pacific region, and regional intellectual property right trading; endorsing service industries in high-end and high value-added development; and promoting Hong Kong into a hub for arts and cultural interflow between China and the rest of the world. In relation to the development of the Guangdong-Hong Kong-Macao Greater Bay Area (**GBA**), the 14th Five-Year Plan mentioned the deepening and widening of mutual access between the financial markets of Hong Kong and Mainland China as well as strengthening exchanges and co-operation on different fronts, and, for the first time, included the Shenzhen-Hong Kong Loop as a major platform of co-operation in the GBA.

The geographic location of Hong Kong together with its emphasis on the rule of law and on the maintenance of a level playing field for market participants and a sound regulatory regime has contributed to shaping it into both a major international financial centre in the region and an important capital formation centre for Mainland China. The absence of exchange control allows free fund flows and also enhances Hong Kong's competitiveness.

Hong Kong's financial markets are characterised by a high degree of liquidity. They operate under effective and transparent regulations in line with international standards. An educated workforce and the ease of entry for foreign professionals also contribute to the development of Hong Kong's financial markets. International financial institutions maintain a strong presence in Hong Kong.

Hong Kong has a mature and active foreign exchange market which forms an integral part of the global market. The Hong Kong stock market is one of the largest in the world and is an important fund-raising platform in the region, especially for Mainland Chinese enterprises.

The Hong Kong asset management industry is characterised by its international flavour, in terms of the presence of both global fund managers and authorised funds. Hong Kong is also a renowned insurance centre with authorised insurers coming from over 20 overseas countries, including Mainland China.

Hong Kong has an interbank payment system which operates through the Real Time Gross Settlement (**RTGS**) system. All RTGS payments in Hong Kong dollar/U.S. dollar/euro/Renminbi foreign exchange transactions can be settled on a payment-versus-payment basis without any time gap. The CMU is operated by the HKMA, started as a clearing and custodian system for Exchange Fund Bills and Notes (which are Hong Kong dollar debt securities issued by the Hong Kong Government for the account of the Exchange Fund) and has been extended to include other Hong Kong dollar and non-Hong Kong dollar debt securities. It has been fully integrated with interbank payment systems and the RTGS system in Hong Kong enabling settlement in Hong Kong dollar, U.S. dollar, euro and Renminbi-denominated securities on a delivery-versus-payment basis, and is linked up with other international securities depositories like Euroclear and Clearstream to enable overseas investors to trade CMU-settled securities.

As an international financial centre located at the heart of Asia with global connections, Hong Kong provides an established platform for Mainland Chinese enterprises to access international capital through its banking, equity and debt markets. Located in the southern coast of Mainland China, Hong Kong is one of the strategic gateways for global enterprises and investors to explore

potential opportunities in Mainland China. Various leading banking and financial institutions of Hong Kong have invested and maintained a strong presence in Mainland China, while correspondingly an increasing number of Mainland Chinese enterprises have sought and obtained listings of their securities in Hong Kong. Over time, demand for a wide range of financial support services provided by Hong Kong would increase with larger trade and investment flows between Mainland China and the rest of the world. In the national development strategy of "Belt and Road Initiative" unveiled in 2013, aiming at the construction of trade and infrastructure networks connecting Asia with different parts of the world, Hong Kong's strategic position is running a functional platform to facilitate the implementation of the Belt and Road Initiative via its pillar industries financial services, trade and logistics, high-end services and tourism, to complement the national strategies to "go global" and "attract foreign investment". In the Outline Development Plan for the GBA introduced by the PRC government in 2019, Hong Kong was given an important role to facilitate and support the economic development of the region and the industries in which Hong Kong's strengths lie in the GBA, capitalising on Hong Kong's strengths to serve the country's needs. As part of the 14th Five-Year Plan, Hong Kong will proactively participate in the domestic circulation and facilitate the international circulation under the "dual circulation" development strategy of the country.

The Hong Kong economy staged a recovery in 2023 in the aftermath of the pandemic. Economic activities revived following the removal of anti-epidemic measures and resumption of normal travel, though the challenging external environment amid heightened geopolitical tensions and tightened financial conditions constrained the pace of recovery. Following the resumption of growth of 3.2% in 2023, the real GDP of Hong Kong recorded an increase of 2.5% in 2024, mainly supported by the external sector – export of goods reverted to growth and export of services continued to increase – as well as further expansion in investment expenditure. In the first quarter of 2025, the Hong Kong economy reported to grow by 3.1% year-on-year, mainly supported by visible increases in export of goods and services, as well as resumption of moderate growth in overall investment expenditure. Hong Kong's near-term economic outlook remains challenging, hinging upon a number of risks and uncertainties, in particular global trade tensions which may dampen international trade flows and investment sentiment, and also the U.S. Federal Reserve's interest rate policies.

Hong Kong Residential Property Market

The following tables and charts relating to the Hong Kong property market are taken from reports published by the Census and Statistics Department (**C&SD**), the Rating and Valuation Department (**RVD**), the Housing Bureau (**HB**) of the Hong Kong Government and the Hong Kong Housing Authority (**HA**). Accordingly, the Issuer accepts no responsibility for the accuracy or completeness of the information contained therein save that the Issuer accepts responsibility for the correct and fair reproduction and presentation of such information.

Housing Market

There were over 3 million permanent housing units in Hong Kong as at the end of September 2024, of which private permanent housing and public permanent housing accounted for 56.8 per cent. and 43.2 per cent., respectively. The Hong Kong Government promulgated the Long Term Housing Strategy in December 2014 with three major directions: (1) provide more public rental housing units and ensure the rational use of existing resources; (2) provide more subsidised sale flats, expand the forms of subsidised home ownership and facilitate the market circulation of existing stock; and (3) stabilise the residential property market through steady land supply and appropriate demand-side management measures, and promote good sales and tenancy practices for private residential properties. According to the "Long Term Housing Strategy Annual Progress Report 2024" published by the HB, the Hong Kong Government, based on the latest projection of housing demand, has adopted a housing supply target of 438,000 units (rounded to 440,000 units) for the ten-year period from 2025-26 to 2034-35, with a public-private split of 70:30. Accordingly, the public housing supply target is 308,000 units, comprising 185,000 units for public rental housing/Green Form Subsidised Home Ownership Scheme and 123,000 units for other subsidised sale flats, whereas the private housing supply target is 132,000 units.

According to the latest figures published by the HA as at the date of this Offering Circular, the number of permanent residential flats in Hong Kong as at the dates indicated are as follows:

	As at 31 March				
	2020	2021	2022	2023	2024
			Thousands		
Public permanent housing[1]	1,256	1,272	1,287	1,303	1,311
Rental housing	*834*	*844*	*851*	*856*	*860*
Subsidised sale flats	*421*	*428*	*437*	*447*	*450*
Private permanent housing[2]	1,613	1,641	1,662	1,683	1,695
Overall	2,868	2,913	2,949	2,986	3,005

Notes:

(1) Figures on stock of flats in public permanent housing are based on the administrative records of the HA and the Hong Kong Housing Society (**HS**). They cover rental flats and subsidised sale flats of the HA and the HS, but do not include the subsidised sale flats provided by the Urban Renewal Authority (**URA**).

(2) Figures on stock of flats in private permanent housing are based on the frame of quarters maintained by the C&SD.

Source: HA

According to the latest figures published by the HA as at the date of this Offering Circular, the number of permanent residential flats built for the periods indicated are as follows:

	For the year ended 31 March				
	2019	2020	2021	2022	2023
			Thousands		
Public permanent housing	16	14	16	19	10
Rental housing	*10*	*7*	*13*	*12*	*4*
Subsidised sale flats[1]	*7*	*8*	*3*	*7*	*6*
Private permanent housing (excluding village houses)[2]	14	21	14	21	14
Overall	30	35	31	40	23

Notes:

(1) Figures do not include the subsidised sale flats provided by the URA in 2015/16 and 2020/21.

(2) Figures are based on data maintained by the RVD.

Source: HA

Private Housing

The private permanent housing has an important role to play in meeting the housing needs of the community. As at the end of September 2024, private residential property supply amounted to over 1.7 million units. The Hong Kong Government is the sole supplier of land for private housing development.

Although the Hong Kong Government has no direct control over the supply of private housing, it indirectly affects the housing supply through disposals of new development sites.

The following table sets out the number of private housing units completed (by saleable area in square metres) for the calendar years from 2020 to 2024.

	Number of Private Housing Units Completed (Classified by Saleable Area in Square Metres) for the year ended 31 December					
Year	**0–39.9**	**40–69.9**	**70–99.9**	**100–159.9**	**160 & above**	**Total**
2020	9,230	7,742	2,779	759	378	20,888
2021	5,251	6,624	2,141	249	121	14.386
2022	9,881	7,668	2,046	1,052	521	21,168
2023	7,806	4,667	1,060	157	162	13,852
2024	10,794	10,705	1,284	913	565	24,261

Note: Village houses are excluded from the above table.

Source: Hong Kong Property Review 2025 published by the RVD

Home Ownership

Taking into account both the public and private housing, the home ownership rate in terms of the owner-occupier rate (as defined below) has been recorded at 50.4 per cent. in 2024.

The following table sets out the respective owner-occupier rates for the calendar years from 2020 to 2024.

Year	**2020**	**2021**	**2022**	**2023**	**2024**
Owner-Occupier Rate	51.8%	51.0%	51.5%	50.4%	50.4%

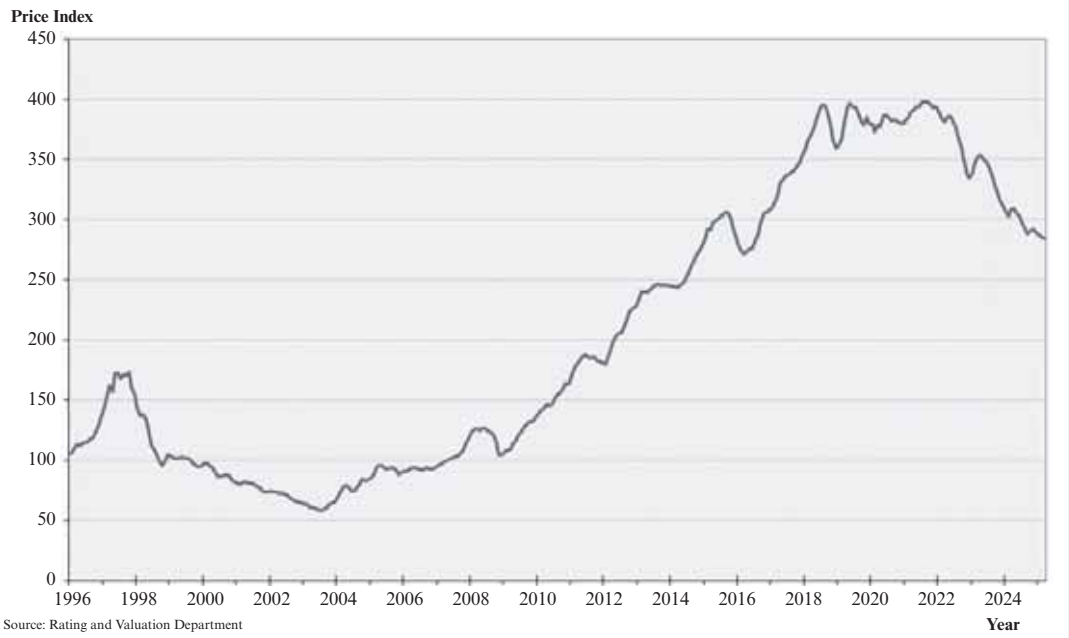
Note: Owner-occupier rate refers to the proportion of domestic households owning the quarters that they occupy.

Source: C&SD

Residential Property Prices

The residential property market was subdued in the third quarter of 2024, before regaining momentum after the initiation of the interest rate cut cycle in September 2024. Average monthly housing transactions saw a significant increase, rising from 3,408 units in the third quarter to 5,033 units in the fourth quarter of 2024. Moving into 2025, sentiments of the residential property market in Hong Kong showed volatility in the first quarter. The overall number of residential property transactions decreased by 11.6% and 11.7% month-on-month to 3,626 and 3,200 in January and February 2025 respectively, but rebounded by 67.7% and 6.1% month-on-month to 5,367 and 5,694 in March and April 2025 respectively. According to the latest reports published by the RVD, the following chart shows the private residential property price index from 1996 to March 2025:

Private Residential Property Price Index (1999 = 100)



Source: Rating and Valuation Department

Hong Kong Mortgage Market

The following chart and data relating to the Hong Kong mortgage market is taken from reports published by the HKMA. Accordingly, the Issuer accepts no responsibility for the accuracy or completeness of the information contained therein save that the Issuer accepts responsibility for the correct and fair reproduction and presentation of such information.

The residential mortgages in Hong Kong have the following characteristics:

- floating rate, with a Gross Mortgage Rate set at an agreed spread to the Prime Rate;
- fully amortised over the term of the mortgage;
- secured by a first legal charge on the underlying property; and
- maximum term to maturity not exceeding 30 years.

Other than the Prime Rate (also called the Best Lending Rate (**BLR**)) product, banks offer floating rate mortgages using HIBOR or a composite interest rate as the reference rate. The HKMA publishes the composite interest rate on a monthly basis, which is a weighted average interest rate of all Hong Kong dollar interest-bearing liabilities (including deposits from customers, amounts due to banks, negotiable certificates of deposit and other debt instruments) and Hong Kong dollar non-interest bearing demand deposits on the books of banks. Data from retail banks accounting for about 90 per cent. of the total customers' deposits in the banking sector, are used in the calculation.

As an alternative to floating rate mortgages, some banks would offer fixed rates mortgages to the homebuyers. The Issuer introduced Fixed Adjustable Rate Mortgages to the Hong Kong market in 1998, with the objective of assisting potential homebuyers to hedge against the risk of rising interest rates. To provide an alternative financing option to homebuyers for mitigating their risks arising from interest rate volatility, the Issuer launched a scheme of fixed-rate mortgages for 10, 15 and 20 years in May 2020 (see "*Description of the Issuer — Business Overview — Fixed Rate Mortgage Scheme*").

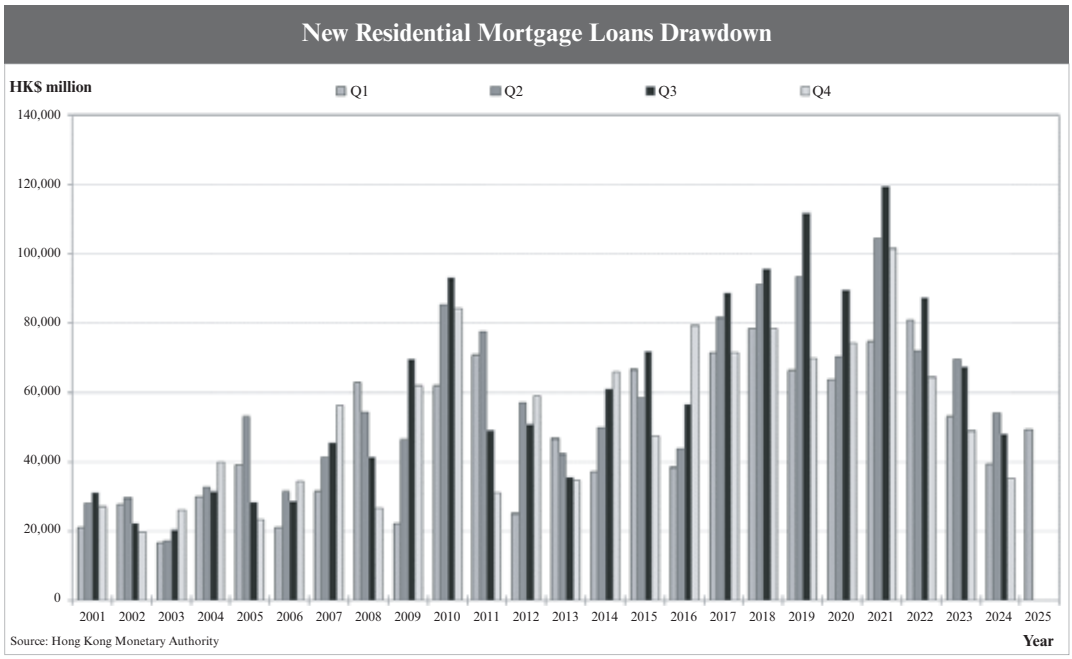
According to the latest figures published by the HKMA, by April 2025, 91.8 per cent. of new mortgage loans were priced with reference to HIBOR while BLR and fixed-rate plans accounted for 2.3 per cent. and 1.8 per cent. respectively.

AIs under the supervision of the HKMA are the major mortgage providers in Hong Kong. The HKMA as the regulator has issued guidelines to AIs concerning the origination of residential mortgage loans. The objective was to ensure that the mortgage business of AIs was conducted in accordance with prudent lending criteria, with sufficient emphasis placed on proper risk management. The HKMA would conduct on-site examinations from time to time in order to ensure compliance by AIs with applicable guidelines. Lending policies, underwriting practices, procedures in compliance with guidelines concerning the maximum loan-to-value ratio, as well as the quality of risk management arrangements, would be assessed.

Given the relatively good performance of mortgage loans compared to the other assets in the banking sector, AIs are keen to provide mortgage financing to homebuyers. Traditionally, the mortgage market in Hong Kong has been dominated by several major players.

Based on the HKMA's quarterly statistics, the total outstanding value of mortgage loans as at 31 March 2025 amounted to around HK$2,018.67 billion, representing about 26 per cent. of the total loans drawn (from which loans for trade financing are excluded), which comprised HK$138.08 billion in loans to finance the purchase of public subsidised sale flats and HK$1,880.59 billion to finance the purchase of private residential properties. The gross new mortgage loans originated in 2024 and the first quarter of 2025 amounted to HK$176 billion and HK$49 billion respectively.

The following chart shows the new residential mortgage loans (by quarter) for years 2001 to 2024 and the first quarter of 2025.



Business Overview

Financial Performance

For the year ended 31 December 2024, the Group reported a net loss of HK$418 million (2023: a net loss of HK$260 million). The increase in accounting loss was primarily attributable to the negative accounting impact of property price drop on the fast-growing reverse mortgage business which was partly mitigated by the increase in the net interest income together with the return from placements with the Exchange Fund, see "*Directors' Report — Business Review — Financial Performance*" of the Directors' Report and Audited Financial Statements of the Issuer as at and for the year ended 31 December 2024 on page F-7 for further information.

Business Areas

Purchase Activities

The Issuer may buy loans from the Approved Sellers under the Mortgage Purchase Programme (**MPP**). The Issuer has a list of 34 Approved Sellers as at 30 April 2025. To pay for these assets, the Issuer uses funding obtained primarily through the issuance of debt securities. The Issuer earns the difference between the interest paid to it on the loans and the funding costs.

The Issuer assesses each asset portfolio submitted by an Approved Seller on a case-by-case basis. The Issuer adheres to a four-pronged approach to maintain the quality of its loan assets:

- careful selection of Approved Sellers;
- prudent eligibility criteria for asset purchase;
- effective due diligence review process; and
- enhanced protection for higher-risk transactions (See "*Description of the Issuer — Risk Management — Credit Risk*").

A risk-based pricing model is adopted to determine the pricing terms and the deal may be closed at par or at a discount or premium.

When an Approved Seller has determined that its mortgage loans fulfil the relevant purchasing criteria laid down by the Issuer (for example, owner occupancy, debt-to-income ratio, delinquency record, etc.), it can offer those loans for sale to the Issuer. It normally takes approximately 15 business days to complete a loan purchase, starting from the submission of an offer by an Approved Seller to the settlement of the loan purchase. When submitting its offer, an Approved Seller will be required to provide information such as the aggregate outstanding principal balance of the loan and the total number of loans offered. The Issuer will make use of the particulars of loans as one of the tools in identifying non-compliance with some purchasing criteria. The Issuer will either accept or reject the offer by issuing an acceptance notice or rejection notice to the relevant Approved Seller.

In fulfilling its role as a liquidity provider, the Issuer has since 2006 purchased non-residential mortgage assets and non-mortgage assets such as hire-purchase assets in Hong Kong, which also serves to broaden the Issuer's sources of asset acquisition.

In 2024, the Issuer purchased approximately HK$5.1 billion of loans under the Special 100% SFGS and HK$0.1 billion of loans from DLGS, in addition to infrastructure loans and financial assets of approximately HK$3.5 billion and residential mortgages of approximately HK$0.4 billion. As at 31 December 2024, the size of the Issuer's loan/asset portfolio, net of impairment allowances and before taking into account loans with 100% guarantee from the Hong Kong Government of HK$82.8 billion, amounted to HK$12.7 billion. The Issuer has not purchased any sub-prime mortgages.

Fixed Rate Mortgage Scheme

To provide an alternative financing option to homebuyers for mitigating their risks arising from interest rate volatility, the Issuer has introduced a scheme for fixed-rate mortgages for 10, 15 and 20 years in May 2020. Under the scheme, the mortgage loans would be purchased by the Issuer from the participating AIs after their origination and in some cases, HMML would be the servicer of such loans.

Microfinance Scheme

To provide a sustainable microfinance scheme in Hong Kong and at the direction of the Financial Secretary in the 2011–2012 Budget Speech and the 2012–2013 Budget Speech, the Issuer introduced the MFS in 2012 in collaboration with banks and non-governmental organisations.

Under the MFS, loans were offered by participating banks themselves and/or funded by HMML to applicants who wished to start their own businesses, become self-employed or achieve self enhancement through training, upgrading of skills or obtaining professional certification. The MFS provided supporting services including mentorship and entrepreneurial training to business starters and self-employed persons as required in order to enhance their ability to run businesses.

The acceptance of loan applications under the MFS has ceased since the end of 2019 and for the duration of the MFS, a total of 223 loans with a total loan amount of HK$56.1 million has been approved.

Infrastructure Financing and Securitisation

The Issuer launched the IFS business in 2019 to accumulate infrastructure loans or debt obligations and develop the IFS brand of the Issuer. In the early stage, the Issuer purchases and accumulates infrastructure loans from the secondary loan market, as well as co-finances infrastructure projects with multilateral development banks and commercial banks in the primary market. The Issuer continues to participate in a step-by-step manner in the infrastructure financing market on commercially viable and financially sustainable terms, while observing prudent

commercial principles and risk management policies. In response to the rapidly changing macro-economic environment, the Issuer has taken a prudent approach with corresponding adjustment in its asset acquisition strategy and will remain vigilant on their development.

Since the launch of the IFS business to 31 December 2024, the amount of infrastructure loan/financial assets committed under the Issuer's infrastructure loan/asset portfolio amounted to U.S.$2.1 billion. Infrastructure projects financed by the Issuer are located in the Asia Pacific, Middle East and Latin America regions. The Issuer continues to team up with industry players to facilitate the development of commercially viable infrastructure projects globally, leveraging on the master cooperation agreement with International Finance Corporation, and memoranda of understanding with China Export & Credit Insurance Corporation and 20 other investment and commercial banks.

On 11 September 2024, the Issuer, via Bauhinia ILBS 2 Limited (a special purpose vehicle established for the ILBS issuance), completed a publicly rated securitisation transaction which consists of multiple classes of U.S. dollar-denominated ILBS Notes backed by the cash flows from a diversified portfolio of projects and infrastructure loans across multiple geographies and sectors, with an issuance size of U.S.$423.3 million. The ILBS Notes (except for the subordinated notes) are listed on The Stock Exchange of Hong Kong Limited and offered to professional investors only. Similar to the pilot ILBS issuance in May 2023, the Issuer has multiple roles in this transaction, including acting as the sponsor, retention holder of the subordinated notes of the ILBS Notes and collateral manager. In addition, the Issuer continues to hold a portion of the ILBS Notes issued by Bauhinia ILBS 1 Limited and Bauhinia ILBS 2 Limited.

Mortgage Insurance Programme

To meet public demand for mortgage loans in excess of the mortgage lending limit imposed by the HKMA, the MIP was introduced by the Issuer in March 1999. Since 1 May 2018, the HKMCI is the insurer under the MIP (**MIP Insurer**) and provides mortgage insurance cover for a fee on loans advanced by participating AIs secured by a first legal charge on residential property or equitable mortgage loans secured on residential properties under construction.

Generally, participating AIs conduct their credit assessments for each application prior to its submission to the MIP Insurer. The MIP Insurer, at its sole discretion, approves the applications in accordance with the relevant eligibility criteria. To reduce its risk exposure under the MIP portfolio, the MIP Insurer transfers a portion of the risk-in-force in its MIP portfolio to its Approved Reinsurers by way of a quota sharing reinsurance arrangement.

In 2024, the HKMCI has made consequential changes to the MIP to accommodate HKMA's adjustments on the Countercyclical Macroprudential Measures for Property Mortgage Loans including fixing maximum loan-to-value ratio at 70% regardless of the property value and maximum debt-to-income ratios. Furthermore, in August 2024, a new arrangement was put in place under the MIP to approve on a case-by-case basis for MIP users to rent out their self-occupied properties, so as to meet their special needs arising from changes in personal or family circumstances. The granting of exceptional approval is subject to undertakings that so long as the arrangement is in effect, the MIP users should primarily reside in Hong Kong and should not purchase any additional properties in Hong Kong.

Since inception up to the end of 2024, the MIP facilitated home purchases of about 235,000 families. The aggregate loans drawn down under the MIP was HK$869.8 billion. The volume of loans drawn down under the MIP decreased to HK$47.9 billion in 2024 from HK$83.1 billion in 2023. In the first five months of 2025, the volume of loans drawn down was HK$14.2 billion.

SME Financing Guarantee Scheme

In response to proposals from stakeholders for a sustainable, market-oriented platform to provide guarantees for SME loans, the Issuer launched the SFGS on 1 January 2011, dovetailing the expiry of the Special Loan Guarantee Scheme which was introduced in December 2008 in the midst of the financial tsunami and administered by the Hong Kong Government until the end of 2010. The SFGS lowers banks' credit risks when lending to SMEs, and, in line with the mission of the Group, help maintain the stability of the banking sector. The SFGS offers guarantee products with different guarantee protection coverages (50 per cent., 60 per cent. and 70 per cent.) at commercial guarantee fees, providing flexibilities for SMEs to meet their funding needs.

To help tide SMEs and business with less operating history over financing difficulties as a result of the uncertain global economic environment, the Hong Kong Government entrusted the HKMCI to launch the time-limited 80% SFGS and 90% SFGS in May 2012 and December 2019 respectively. The time-limited Special 100% SFGS launched in April 2020 and with the application period having closed end of March 2024, was specifically aimed to ease the cash flow problem of eligible enterprises adversely affected by the outbreak of the COVID-19 pandemic with a view to alleviating the financial burden of paying employee wages and rents by eligible enterprises which are suffering from reduced income, and to help minimise businesses shutting down and layoffs.

The 80% SFGS, 90% SFGS and the Special 100% SFGS are backed by the Hong Kong Government's guarantee commitment of 80 per cent., 90 per cent. and 100 per cent. of eligible credit facilities granted by participating AIs. The HKMCI is the scheme administrator of the SFGS and the participating AIs are responsible for conducting customer due diligence and verification of the borrower's eligibility using their professional skill, judgement and care. In respect of loans drawn down under the Special 100% SFGS, the Issuer, with its own funds, purchases such loans from the participating AIs on a without recourse basis. The Hong Kong Government pays, via the HKMCI, a one-off origination fee and ongoing servicing fee to the participating AIs for the origination and servicing of the loans under the Special 100% SFGS, and reimburses necessary enforcement and debt recovery expenses incurred by the participating AIs on defaulted credit facilities under the SFGS. The Hong Kong Government also pays ongoing administrative fees to the HKMCI for administering the Special 100% SFGS.

The HKMCI administers the SFGS on prudent commercial principles and at concessionary guarantee fees, except for the Special 100% SFGS which is offered free of any guarantee fees. All guarantee fees received are set aside to pay related default claims and out-of-pocket expenses of the HKMCI in administrating the SFGS.

To help SMEs manage their cash flow amidst economic uncertainties, the principal moratorium arrangement, being a time-limited special relief measure, was first introduced in September 2019 for the 80% SFGS. Since then, it has been extended several times for a maximum period of 42 months. Having regard to the COVID-19 epidemic, the principal moratorium arrangement was made available to the 90% SFGS and the Special 100% SFGS. With the Hong Kong economy recovering steadily as the COVID-19 epidemic subsided, such special relief measure had fulfilled its purpose and its application period expired in end-September 2023. Borrowing enterprises in need may apply for one or more partial repayment options so that normal repayment could be resumed gradually.

During the 2023 Policy Address in October 2023, the Chief Executive of Hong Kong announced more flexible partial principal repayment options under the SFGS. Borrowing enterprises may apply for repaying only 10%, 20% or 50% of the original principal repayment amount each month during a specified period, enabling them to have more time to gradually switch from principal moratorium to normal repayments.

In the Hong Kong Government's 2024-25 Budget Speech, it was announced that the application period of the 80% SFGS and 90% SFGS be extended to the end of March 2026. The application period of the Special 100% SFGS expired end-March 2024.

To alleviate the repayment pressure and address the challenges encountered during Hong Kong's economic recovery, it was announced in the 2024 Policy Address that borrowing enterprises

could apply for principal moratorium for up to 12 months for both existing and new loans; the maximum loan guarantee period of the 80% SFGS and 90% SFGS would be extended to ten years and eight years respectively; and partial principal repayment options would be offered to new loans under the 80% SFGS and 90% SFGS, thus enabling borrowers to gradually resume normal loan repayments.

As at 30 April 2025, the HKMCI approved a total loan amount of around HK$293 billion under the SFGS, benefiting more than 23,000 SMEs and 385,000 related employees[1] under the 80% SFGS and 90% SFGS, as well as around 40,000 local SMEs and 400,000 related employees under the Special 100% SFGS. The application period of the Special 100% SFGS expired end-March 2024. Since the launch of the Special 100% SFGS until its expiry, 67,200 applications and around HK$143.9 billion of loans have been approved.

100% Personal Loan Guarantee Scheme

Following the Hong Kong Government's announcement in the 2021-22 Budget Speech, the HKMCI, backed by the Hong Kong Government's 100% financial commitment, launched the time-limited PLGS in April 2021. The PLGS aims at providing a supplementary source of financing option to eligible individuals who are suffering from loss of main recurrent income from employment in Hong Kong to tide over the interim difficulties during the COVID-19 pandemic.

Loans under the PLGS are originated by participating AIs in accordance with the eligibility criteria for the PLGS. The HKMCI is the scheme administrator of the PLGS and the participating AIs are responsible for conducting customer due diligence and verification of the borrower's eligibility using their professional skill, judgement and care. In respect of loans drawn down under the PLGS, the Issuer, with funding provided by the Hong Kong Government, purchases such loans from the participating AIs on a without recourse basis.

The Hong Kong Government pays, via the HKMCI, a one-off origination fee and ongoing servicing fee to the participating AIs for the origination and servicing of the loans respectively, and reimburses necessary enforcement and debt recovery expenses incurred by the participating AIs on defaulted loans. The Hong Kong Government also pays ongoing administrative fees to the HKMCI for administering the PLGS.

The PLGS application period ended on 30 April 2023. Since the launch of the PLGS until its expiry, the HKMCI has approved more than 66,900 applications for a total loan amount of around HK$4.66 billion, benefiting more than 59,000 borrowers.

Dedicated 100% Loan Guarantee Schemes for Specified Sectors

Following the Hong Kong Government's announcement in the 2023-24 Budget Speech, the HKMCI, backed by the Hong Kong Government's 100% guarantee commitment, launched the time-limited DLGS for the cross-boundary passenger transport trade and travel sector on 29 April 2023. The DLGS aims to provide 100% guaranteed loans to eligible borrowers who are licensed travel agents, registered owners of local tour coaches and cross-boundary coaches and hire cars and registered owners and operators of cross-boundary ferries in Hong Kong with a view to resolving their short-term funding difficulties, hiring staff, accelerating operational capability (including any necessary vehicle or ferry repair and maintenance), in order for them to resume services as soon as possible in anticipation of the resumption of inbound and outbound tourism activities in Hong Kong. The Hong Kong Government extended the application period of the DLGS for the cross-boundary passenger transport trade and the travel sector for a six-month period until 28 October 2024.

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1 The numbers of enterprises and employees benefitted have been adjusted to avoid double counting of enterprises using both the 80% SFGS and 90% SFGS.

The DLGS for battery electric taxis was launched on 4 September 2023. It aims to provide 100% guaranteed loans to eligible taxi owners who intend to purchase battery electric taxis to replace their liquefied petroleum gas, petrol or hybrid taxis in order to encourage taxi owners to replace their existing taxis with battery electric taxis. The application period is five years until 3 September 2028.

Loans under the DLGS are originated by the participating AIs in accordance with the eligibility criteria for the DLGS for the relevant sectors. The HKMCI is the scheme administrator of the DLGS and the participating AIs are responsible for conducting customer due diligence and verification of the borrower's eligibility using their professional skill, judgement and care. In respect of loans drawn down under the DLGS, the Issuer, with its own funds, purchases such loans from the participating AIs on a without recourse basis.

The Hong Kong Government pays, via the HKMCI, a one-off origination fee and ongoing servicing fee to the participating AIs for the origination and servicing of the loans under the DLGS, and reimburses necessary enforcement and debt recovery expenses incurred by the participating AIs on defaulted loans under the DLGS. The Hong Kong Government also pays ongoing administrative fees to the HKMCI for administering the DLGS.

Under the DLGS for the cross-boundary passenger transport trade and travel sector, the HKMCI has approved 227 applications for a total loan amount of HK$224.4 million until the application period expired on 28 October 2024.

Since the launch of the DLGS for battery electric taxi up to 30 April 2025, the HKMCI has approved 183 applications for a total loan amount of HK$61.3 million.

Reverse Mortgage Programme

Given the ageing population in Hong Kong, the Issuer launched the RMP in July 2011. A reverse mortgage under the RMP is a loan arrangement which enables elderly people to use their residential properties as collateral to borrow a stream of monthly payouts from a lender. The RMP provides an alternative cash flow for the elderly to improve their quality of life while staying in their own homes. Under the RMP, a borrower may opt to receive the monthly payouts over a fixed payment term or over his lifetime, and may also borrow lump-sum loan(s) to suit the personal needs of the relevant borrower. In October 2016, the Issuer extended the RMP to cover the subsidised sale flats with unpaid land premium for eligible borrowers aged 60 or above. The RMP has been operated by the HKMCI since 1 May 2018.

In general, the borrower does not need to repay the reverse mortgage loan during his lifetime unless the reverse mortgage loan becomes due and payable upon the death of the borrower or the occurrence of certain maturity events. When a reverse mortgage becomes due and payable, the lender is entitled to sell the property to recover the outstanding loan amount. If the sale proceeds from the property exceed the outstanding loan amount, the lender will return the surplus to the borrower or his inheritors. If there is any shortfall, such shortfall will be borne by the HKMCI under an insurance arrangement between the lender and the HKMCI. HMML is a lender under the RMP.

By the end of 2024, 7,924 RMP applications have been approved, with an average property value of about HK$5.7 million and an average monthly payout amount of HK$16,600.

Policy Reverse Mortgage Programme

To provide elderly people in Hong Kong with an alternative option of retirement planning product, the HKMCI launched the PRMP in May 2019 by replicating the business model of the RMP. A policy reverse mortgage under the PRMP is a loan arrangement which enables borrowers aged 55 or above to use their life insurance policy as collateral to borrow a stable stream of monthly payouts from a lender. Under the PRMP, a borrower may choose to receive the monthly payouts over a fixed period of time or throughout his entire life (but no later than the maturity of the life insurance policy) and may also borrow lump-sum loans to suit the needs of the borrower.

In general, the borrower does not need to repay the policy reverse mortgage loan during his lifetime unless the policy reverse mortgage loan is terminated under certain specific circumstances, such as the death of the borrower. When a policy reverse mortgage has become due and payable, the lender is entitled to enforce the relevant life insurance policy assignment to repay the outstanding loan amount by using the money received under the life insurance policy, such as the death benefit. If there is any surplus after such repayment, the lender will pass such surplus to the borrower or his inheritors. If there is any shortfall, such shortfall will be borne by the HKMCI under an insurance arrangement between the lender and the HKMCI. HMML is a lender under the PRMP.

Life Annuity Business of the HKMCA

Owing to the rapidly ageing population of Hong Kong, enhancing the quality of living of the elderly after their retirement is one of the key policy focuses of the Hong Kong Government. In light of the elderly's increasing demand for retirement financial planning support, the Financial Secretary announced in the 2017-18 Budget Speech in February 2017 that the Issuer had started studying the design and feasibility of a public annuity scheme.

In June 2017, the Issuer established the HKMCA, a wholly-owned subsidiary of the Issuer, to carry on long term insurance business and operate life annuity business which provides lifetime guaranteed monthly payout to the elderly annuitants with a lump-sum premium. Placements are made to the Exchange Fund as capital and premium investments of the HKMCA.

The HKMCA launched its life annuity business in July 2018. As at the end of 2024, a total of 30,569 policies were taken under its life annuity business with a total premium receipt of around HK$18.4 billion and an average premium receipt of around HK$603,000 for each policy.

Audit Committee

The Audit Committee is responsible for reviewing the Issuer's financial statements, the composition and accounting principles adopted in such statements, the results of the financial audits and the Issuer's management procedures to ensure the adequacy or effectiveness of its internal control system.

The Audit Committee holds regular meetings with the management, the Chief Internal Auditor and the external auditor of the Issuer. Special meetings may also be called to review significant control or financial issues.

Environmental, Social and Governance Committee

The Issuer established the Environmental, Social and Governance Committee (**ESGC**) in 2021 to lead the Group's sustainability efforts and oversee environmental, social and governance (**ESG**) management as part of the Group's overall business strategy.

The ESGC is responsible for reviewing, approving and updating the Group's ESG strategy, policies and plans, monitoring the ESG trends and issues that are material to the Group and overseeing the implementation of the Group's ESG strategy. It will also evaluate the performance of the Group in achieving its ESG-related goals and targets. Regular reports will be made to keep the Board of the Issuer informed of the Group's progress on ESG matters.

The ESGC is chaired by the CEO of the Issuer and its members include the CEOs of the HKMCA and the HKMCI and senior staff from the relevant functional departments of the Group. The ESGC holds regular meetings to discuss and formulate major directions on ESG matters, and is supported and advised by a number of working groups at staff level covering various ESG-related matters.

In 2021, the ESGC approved the adoption of the Group's ESG Statement and ESG Guiding Principles which guide the Issuer's approach to incorporating ESG factors into its operations. Both the ESG Statement and ESG Guiding Principles will be subject to regular review to keep pace with ESG developments globally and in Hong Kong.

Environmental

The Issuer believes that by integrating ESG considerations, including climate-related factors, in its investment, lending and business decision-making, it can help create sustainable value for the Group in the long-term and contribute to the development of a more sustainable world and reduce its ESG-related risks.

In 2021, the Issuer adopted the Responsible Investment, Lending and Business Decision-making Principles which set out the framework for the Issuer's implementation of responsible investment, lending and business decision-making strategies. Through ESG integration, the Group identifies and evaluates ESG factors in its decision-making processes which include standard risk assessment and thematic investment, lending and business activities.

In addition, the Issuer also supports and implements various green measures to create a more environmentally-friendly office and is committed to raising staff awareness of methods of waste reduction and energy conservation by adopting measures to reduce waste, paper and energy consumption for a greener earth.

Social

The Issuer is committed to creating, promoting and maintaining an environment which provides equal opportunities for staff in all areas of human resources management, including recruitment, terms and conditions of employment, promotion, compensation and benefits, and training as well as corporate-sponsored social and recreational programmes. As an equal opportunities employer, the Issuer maintains an Equal Opportunities Policy and provides various facilities to cater for the needs of different staff. The Group also implements gender-neutral and disability-inclusive recruitment and promotion practices which are underpinned by competency-based assessments and evaluations.

The Issuer attracts and grooms talent to ensure the efficient performance of its core missions of promoting stability of the banking sector, wider home ownership, development of the local debt market and development of the retirement planning market. The Issuer recognises the importance of ongoing training and well-being of its staff and devotes appropriate resources to establish and arrange programmes to enhance its staff 's professional knowledge and skills, health and safety, well-being, job satisfaction and healthy work-life balance to promote an enriching working environment.

Governance

The Issuer consistently practises strong governance in the pursuit of its core missions and business objectives and maintains a high standard of corporate governance to assure stakeholders that their rights and interests are well protected.

The Issuer has in place internal policies as well as arrangement of regular compliance testing for its staff in the areas of anti-corruption, anti-money laundering, counter-terrorist financing and economic sanctions, privacy and information security, anti-fraud and whistleblowing and competition matters to ensure it conducts its business and operations with high standards of ethics, honesty and integrity and in accordance with applicable laws and regulations. It also arranges for and supports compliance training for its staff in these areas.

Corporate Governance

The Issuer's corporate governance practices are set out in the "Corporate Governance Code" (**Corporate Governance Code**) approved by the Board of Directors. Annual assessments are conducted internally by the Issuer to ensure its compliance with the Corporate Governance Code, and a Corporate Governance Report is published in the Issuer's Annual Report. The Corporate Governance Code and the Corporate Governance Report are available on the website of the Issuer and accessible by the public.

Human Resources

The Issuer devotes considerable training resources to equip its employees with professional knowledge and skills. It has also established various channels to enhance communication within the corporation. In general, the Issuer considers its relationship with its employees to be good. The Group had a total of 427 permanent establishment as at 31 December 2024, among which 230 were staff employed by the Issuer.

Legal Proceedings

The Issuer is not involved in any legal proceedings which may have or have had in the 12 months preceding the date of this Offering Circular a significant effect on the financial position of the Issuer.

Regulatory Status

The Issuer is not a bank and therefore neither requires nor holds a banking licence under the Banking Ordinance. Nevertheless, the Issuer is specified as a "domestic public sector entity" under the Banking (Capital) Rules. Accordingly, debt securities issued or guaranteed by the Issuer carry a 20 per cent. risk weighting for the purposes of calculating the CAR of AIs under the standardised (credit risk) approach of the Banking (Capital) Rules. In addition, debt securities issued by the Issuer also qualify as "high quality liquid assets" or "liquefiable assets" for the purposes of the Banking (Liquidity) Rules subject to satisfaction of the relevant conditions. Furthermore, the Issuer is subject to guidelines issued by the Financial Secretary in respect of maintaining a minimum CAR of 8 per cent. in connection with its business (**Guidelines on CAR**).

Each of the HKMCI and the HKMCA is an "authorized insurer" under the Insurance Ordinance. Accordingly, their insurance and loan guarantee businesses are subject to the regulatory requirements of the Insurance Ordinance and the supervision of the Insurance Authority of Hong Kong.

Each of the Issuer, the HKMCI and the HKMCA is designated as a "public body" under the Prevention of Bribery Ordinance (Cap. 201 of the Laws of Hong Kong). As such, their employees are subject to certain standards of behaviour specifically required for public servants.

Assets and Liabilities

Asset Composition

Loan Types

The following table sets out the Issuer's loan portfolio by type as at the dates indicated.

	As at 31 December	
	2024	**2023**
	HK$'000	**HK$'000**
Loan portfolio at Fair Value through Profit or Loss (**FVPL**)		
Residential mortgage portfolio	2,572,791	1,892,572
Others loan portfolio	24,067	14,473
	2,596,858	1,907,045
Loan portfolio at amortised cost		
Residential mortgage portfolio	2,816,547	2,804,860
Infrastructure loans	7,290,487	7,361,398
Others	71,725	90,379
	10,178,759	10,256,637
Allowance for loan impairment		
Residential mortgage portfolio	(6,849)	(2,134)
Infrastructure loans	(52,940)	(22,555)
Others	(1,853)	(1,531)
	(61,642)	(26,220)
	10,117,117	10,230,417

Asset Quality

The Issuer endeavours to maintain its asset quality by adopting the approach described under "*Description of the Issuer — Business Overview — Business Areas — Purchase Activities*".

The following table sets out details of the Issuer's loan portfolio as at the dates indicated.

	As at 31 December	
	2024	**2023**
Overall Portfolio[1]		
Delinquency ratio[2]	0.03%	0.01%
Combined delinquency and rescheduled loan ratio[3]	0.04%	0.04%
Hong Kong Residential Mortgage Portfolio^		
Delinquency ratio[2]	0.16%	0.03%
Combined delinquency and rescheduled loan ratio[3]	0.24%	0.16%
Loan-to-value ratio at origination (weighted average)[4]	75.4%	75.4%
Debt-to-income ratio at origination (weighted average)[4]	36.4%	36.1%
Hong Kong Non-Residential Mortgage Portfolio and Non-Mortgage Assets		
Delinquency ratio[2]	0.0001%	0.00%
Combined delinquency and rescheduled loan ratio[3]	0.0001%	0.00%
MIP Portfolio		
Delinquency ratio[2]	0.05%	0.02%
Combined delinquency and rescheduled loan ratio[3]	0.05%	0.02%

Notes:

(1) The Issuer's Overall Portfolio includes the Issuer's Hong Kong Residential Mortgage Portfolio, Hong Kong Non-residential Mortgage Portfolio and Non-Mortgage Assets only.

(2) Delinquency ratio in relation to a portfolio refers to the ratio of the total outstanding principal amount* of loans overdue for more than 90 days in such portfolio (excluding loans with credit enhancement in the case of the Issuer's Hong Kong Residential Mortgage Portfolio, Hong Kong Non-residential Mortgage Portfolio and Non-Mortgage Assets) to the total outstanding amount of loans* in such portfolio.

(3) Combined delinquency and rescheduled loan ratio in relation to a portfolio is the sum of delinquency ratio and rescheduled loan ratio of such portfolio. Rescheduled loan ratio in relation to a portfolio refers to the ratio of the total outstanding principal amount* of loans (excluding loans with credit enhancement) in such portfolio (which have been restructured and re-negotiated with borrowers because of deterioration in the financial position of the borrower or the inability of the borrower to meet the original repayment schedule, and for which the revised repayment terms, either of interest or the repayment period, are non-commercial) to the total outstanding principal amount of loans* in such portfolio.

(4) Including first mortgage loans purchased from banks only.

^ Excluding reverse mortgages.

* HKMC's participation amount for loans under the MFS.

Impaired Loans and Allowance for Loan Impairment

The following table sets out details of the Issuer's impaired loans as at the dates indicated.

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
Gross impaired loan portfolio	2,221	2,441
Allowance for loan impairment	(1,594)	(1,347)
	627	1,094
Allowance for loan impairment as a percentage of gross impaired loan portfolio	72%	55%
Gross impaired loan portfolio as a percentage of gross loan portfolio	0.02%	0.02%

The following table sets out details of the Issuer's allowance for loan impairment as at the dates indicated.

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
As at 1 January	26,220	14,674
Loans purchased and repayment	27,402	10,033
Net measurement of impairment arising from transfer of stage	22	(5)
Movement due to changes in credit risk	8,037	1,835
Recoveries of loans not written off	(39)	(32)
	35,422	11,831
Write-offs	–	(285)
As at 31 December	61,642	26,220

	As at 31 December	
	2024	2023
Total allowance for loan impairment as a percentage of the gross loan portfolio	0.61%	0.26%

Credit Management Policies

Credit risk is the primary risk exposure for the Issuer. It represents the risk of default of loan borrowers or other counterparties which could lead to potential losses for the Issuer.

As at 31 December 2024, the combined delinquency (payments overdue for over 90 days) and rescheduled loan ratio of the Issuer's overall portfolio was 0.04 per cent. and the combined delinquency and rescheduled loan ratio for the Hong Kong residential mortgage portfolio of the Issuer was 0.24 per cent.

The Issuer's credit risk management framework comprises two committees, the Credit Committee and the Transaction Approval Committee (see "*Description of the Issuer — Risk Management — Credit Risk*" below).

Funding and Liquidity

The Issuer's primary funding strategy is to secure sufficient, stable, diverse and cost-effective funding sources from both local and overseas markets and to achieve an optimal funding mix. The Issuer adopts a proactive strategy to minimise funding and hedging costs in compliance with prudent risk limits set by its Asset and Liability Committee (**ALCO**).

The Issuer obtains funding mainly through issuance of debt securities. The Issuer has adopted a systematic approach to develop its debt issuance capability for financing loan asset purchases and other working capital requirements.

In September 2022, the Issuer established its Social, Green and Sustainability Financing Framework (**SGS Framework**) as part of its extended effort to expand and implement its sustainability strategy as an integral part of its business strategy. The SGS Framework focuses on the sustainable initiatives of the Issuer and its subsidiaries and demonstrates how the Issuer and its subsidiaries support, and are aligned with, Hong Kong's long-term sustainability visions. The Issuer intends to use the SGS Framework as the basis to structure and issue social, green and/or sustainability bond(s) and asset-backed securities. Net proceeds will be allocated to support projects falling within one or more of the eligible social asset categories or eligible green asset categories.

Debt Issuance Programme

In 1998, the Issuer established the Debt Issuance Programme (**DIP**) to raise Hong Kong dollar funds. The DIP is targeted at institutional investors in the Hong Kong dollar debt market. It was set up with an initial programme size of HK$20 billion which was subsequently increased to HK$40 billion in 2003. The DIP provides a flexible and efficient platform for the Issuer to issue debts with tenors up to 15 years.

All debts issued under the DIP had been redeemed as at June 2023.

Retail Bond Issuance Programme

The Issuer introduced a new fund-raising channel by accessing the retail public with a bond issue in November 2001. The Issuer established the HK$20 billion Retail Bond Issuance Programme (**RBIP**) and made its debut issue in June 2004.

Under the RBIP, the banks acting as the placing banks use their retail branch networks to place debt securities issued by the Issuer to retail investors in denomination of HK$50,000 or as specified from time to time.

Since 2001, the Issuer has issued retail bonds totalling HK$13.7 billion. All retail bonds had been redeemed by September 2016.

Medium Term Note Programme

The Issuer established the multi-currency Programme in June 2007 with an initial programme size of U.S.$3 billion to raise funds in the international capital markets and to broaden its investor base and funding sources. The Programme was gradually increased to U.S.$20 billion in June 2021, and to U.S.$30 billion in June 2022.

The multi-currency feature of the Programme enables the Issuer to issue notes in major currencies to meet the demands of both domestic and overseas investors.

In 2024, the Issuer had 154 note issuances under the Programme with a total issuance amount of HK$103.5 billion. These included a triple-tranche Hong Kong dollar benchmark bond issuance totalling HK$12 billion in February 2024 and the third social bond issuance of approximately HK$23.8 billion equivalent, which was a triple-currency issuance with four tranches comprising

HK$7 billion 2-year, HK$8 billion 5-year, CNY2 billion 7-year and U.S.$850 million 3-year bonds pursuant to the SGS Framework in October 2024. Out of the total issuances of notes under the Programme in 2024, 123 issues with an aggregate principal amount of HK$88.4 billion were of one year or longer maturity, the remaining 31 issues with an aggregate principal amount of HK$15.1 billion were of less than one year maturity. As at 31 December 2024, the total outstanding amount of notes issued under the Programme was in the equivalent of HK$148.3 billion.

Revolving Credit Facility provided by the Exchange Fund

During the Asian financial crisis in 1997, the Exchange Fund extended a HK$10 billion RCF to the Issuer in January 1998. In the light of the global financial crisis in 2008, the RCF size was increased to HK$30 billion in December 2008 and further increased to HK$80 billion in October 2020. Such increases demonstrated the Hong Kong Government's recognition of the importance of, and its commitment to provide further support to, the Issuer.

The RCF is granted to the Issuer to ensure its smooth operation under exceptional circumstances so that the Issuer can better fulfil its missions of promoting banking and financial stability of Hong Kong. The RCF stands as an important liquidity fallback for the Issuer.

The drawing of the RCF in 2008 was used to partially fund the acquisition of Hong Kong residential mortgage assets from local banks amid the distorted capital market. During 2009, the Issuer fully repaid the amount drawn under the RCF with funds raised from its cost-effective debt issuance.

The breakdown of the Issuer's funding by type and maturity is as follows:

Debt securities issued

The following table sets out details of the Issuer's outstanding debt securities (all under the Medium Term Note Programme) by category as at the dates indicated.

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
Debt securities carried at amortised cost	5,799,769	11,548,631
Debt securities designated as hedged items under fair value hedge	142,499,867	147,428,447
Debt securities designated as hedged items under cash flow hedge	–	2,741,419
Total debt securities issued	148,299,636	161,718,497

The following table sets out the projected contractual undiscounted cash flows including future interest payments on the basis of their earliest possible contractual maturity of the Issuer's outstanding debt securities by maturity as at the dates indicated.

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
Up to 1 month	(4,111,252)	(1,960,998)
Over 1 month to 3 months	(25,320,904)	(48,703,037)
Over 3 months to 1 year	(38,523,997)	(60,944,732)
Over 1 year to 5 years	(86,514,368)	(55,503,012)
Over 5 years	(8,326,159)	(5,221,906)
	(162,796,680)	(172,333,685)

Investment Portfolio

Investment Policy

The Issuer's investment policies and strategies are formulated by the ALCO. The investment portfolio comprises bank deposits, short-term commercial paper, certificates of deposit, bonds, yield-based government bond funds and real estate investment trust. The bond investment of the portfolio includes debt securities issued by governments, agencies, supranationals, highly-rated financial institutions and corporations that can be readily convertible into cash.

The objectives of the investment portfolio include:

- enhancing liquidity, prepayment and surplus cash management;
- generating cash to meet liquidity needs if access to the capital market is impaired or issuance costs are temporarily distorted;
- providing temporary asset alternative when loan asset purchases are scarce or to buffer intermittent settlement of purchase commitments;
- hedging the negative endowment effect arising from non-interest bearing funds such as shareholder's funds and mortgage insurance premium; and
- securing a stable capital return under various interest rate cycles.

Investment Guidelines

The Issuer's investment guidelines are approved by the Board of Directors. The guidelines set out the relevant risk parameters for investment activities. These parameters include eligible product types, credit rating requirements, maximum tenor, allowable currency, investment exposure and portfolio concentration of investments undertaken by the Issuer. By adopting prudent investment guidelines, the Issuer has not invested in any debt securities issued by any financial institution which has, up to the date of this Offering Circular, failed to honour its payment obligations thereunder.

The breakdown of the Issuer's listed and unlisted investment securities are as follows:

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
Investment securities at Fair Value Through Other Comprehensive Income (FVOCI)		
Debt securities at fair value		
Listed in Hong Kong	1,846,255	1,067,317
Listed outside Hong Kong	1,758,951	1,442,220
Unlisted	116,615	–
Total FVOCI securities	3,721,821	2,509,537
Investment securities at FVPL		
Exchange-traded funds and real estate investment trusts at fair value Listed in Hong Kong	9,774	9,870
Total FVPL securities	9,774	9,870
Investment securities at amortised cost		
Debt securities		
Listed in Hong Kong	5,715,799	6,631,315
Listed outside Hong Kong	6,190,447	4,172,749
Unlisted	3,204,074	3,774,592
	15,110,320	14,578,656
Impairment allowance	(4,850)	(4,671)
Total amortised costs securities	15,105,470	14,573,985

The breakdown of the Issuer's investment securities by issuer type is as follows:

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
Investment securities at FVOCI		
Banks and other financial institutions	971,385	711,499
Corporate entities	837,460	931,689
Public sector entities	1,044,727	361,587
Central governments	868,249	504,762
	3,721,821	2,509,537
Debt securities at amortised cost		
Banks and other financial institutions	4,520,414	6,077,582
Corporate entities	6,149,201	5,794,619
Public sector entities	1,936,527	1,070,127
Central governments	2,002,795	1,636,328
Others (infrastructure-related bonds)	501,383	–
	15,110,320	14,578,656

In addition to the above investment securities, the Issuer has classified the placements of HKMCA and HKMCI with the Exchange Fund as financial assets at FVPL. As at 31 December 2024, the balance of the placements with the Exchange Fund amounted to HK$49.2 billion (2023: HK$34.1 billion), comprising a total principal sum of HK$42.5 billion (2023: HK$28.7 billion) plus income earned and accrued but not yet withdrawn as at the reporting date, which represented the premium and capital placements made by the HKMCA and the HKMCI.

The placements with the Exchange Fund are invested in the Investment Portfolio (**IP**) and Long-Term Growth Portfolio (**LTGP**) of the Exchange Fund, subject to a lock-up period. The rate of return on the placements with the Exchange Fund is determined annually. For IP, the rate of return is calculated on the basis of the average annual rate of return on the portfolio over the past six years or the average annual yield of three-year Government Bond in the previous year (subject to a minimum of zero per cent.), whichever is the higher. With respect to the LTGP, the rate of return is determined based on the current year time-weighted rate of return.

Capital Adequacy Ratio

The CAR is calculated as the ratio, expressed in a percentage, of the Issuer's capital base to the sum of the risk-weighted amount for its credit risk, market risk and operational risk exposures. The capital base is substantially represented by the shareholder's equity. The typical components are share capital, retained profits and fair value reserve, with certain adjustments as required under the Guidelines on CAR which are largely developed with reference to the Basel II risk-based capital adequacy framework. In accordance with the Guidelines on CAR, the calculation of the CAR follows the basis of consolidation for financial reporting with the exclusion of regulated subsidiaries which are subject to separate requirements on the maintenance of adequate capital (i.e., the HKMCI and the HKMCA, as regulated by the Insurance Authority of Hong Kong). The investment cost of these unconsolidated regulated financial entities is deducted from the capital base whilst the corresponding related exposures are also excluded from the calculation of risk-weighted assets.

The Issuer is required to maintain the minimum CAR of 8 per cent. under the Guidelines on CAR. Any breach or likely breach by the Issuer of the Guidelines on CAR must be reported to the Financial Secretary.

	As at 31 December	
	2024	2023
CAR	19.9%	21.6%

Risk Management

The Issuer operates on prudent commercial principles. The principle of "prudence before profitability" guides the design of the overall risk management framework, disciplines as well as day-to-day business execution. Over the years, the Issuer has continuously made refinements to its risk management framework to reflect changes in the markets and its business strategies.

The Board is the highest decision-making authority of the Issuer and holds ultimate responsibility for risk management. The Board, with the assistance of the Corporate Risk Management Committee (**CRC**), has the primary responsibility of formulating risk management strategies in the risk appetite statement and of ensuring that the Issuer has an effective risk management system to implement these strategies. The risk appetite statement defines the constraints for all risk-taking activities, and these constraints are incorporated into risk limits, risk policies and control procedures that the Issuer follows to ensure risks are managed properly.

The CRC is responsible for overseeing the Issuer's various types of risks, reviewing and approving high-level risk-related policies, overseeing their implementation, and monitoring improvement efforts in governance, policies and tools. Regular stress tests are reviewed by the CRC to evaluate the Issuer's financial capability to weather extreme stress scenarios.

The CRC is chaired by an Executive Director, with members including the CEO, Senior Vice Presidents, General Counsel and senior staff from the Risk Management Department of the Issuer.

Under the steer of the CRC, the Issuer manages primarily credit risk, market risk, longevity risk, property price risk, operational risk, legal and compliance risk, leveraging risk and ESG risk arising from its businesses through various management committees such as the Infrastructure Financing and Securitisation Investment Committee (**IFSIC**), the IFS Collateral Manager Committee (**IFSCMC**), the Credit Committee (**CC**), the Transaction Approval Committee (**TAC**), the ALCO, the Operational Risk Committee (**ORC**), the Longevity Risk Committee (**LRC**) and the ESGC. Other than the IFSIC, which is chaired by an Executive Director, all of these management committees are chaired by the CEO with members including the relevant Senior Vice Presidents, General Counsel, and senior staff from the relevant functional departments of the Issuer.

The insurance subsidiaries of the Issuer also have their own Risk Committee (**RC**) to monitor insurance risk and other relevant risks. Each RC is chaired by an Executive Director of the relevant subsidiary, with members including the Chief Executive Officer and the relevant senior staff of the subsidiary. The RC of the HKMCA includes independent and non-executive directors to provide independent risk oversight of its operation.

(a) Credit Risk

Loan Assets and Guarantee Portfolio

The Issuer and the HKMCI maintains loan and guarantee portfolios of retail and commercial loan assets, which primarily comprise mortgage loans. Credit risk is the Issuer's and the HKMCI's primary risk exposure. It is the default risk presented by loan borrowers and counterparties.

(i) Default risk

The Issuer and the HKMCI adopt a four-pronged approach to safeguard and maintain the credit quality of its assets, MIP and SME guarantee portfolios:

- careful selection of counterparties, including Approved Sellers, Approved Servicers, Approved Reinsurers and other lenders who are participating AIs;
- prudent eligibility criteria for asset purchase, insurance and guarantee applications;
- effective due diligence processes for mortgage purchase, default loss, insurance and guarantee claims; and
- enhanced protection for higher-risk transactions.

Losses may arise from the recovery shortfalls of defaulted loans under the MPP. To mitigate this risk, the Issuer establishes prudent loan purchasing criteria and conducts due diligence reviews as part of the loan purchase process to maintain the credit quality of loans. In addition, depending on the projected risk exposure of each underlying loan portfolio, credit enhancement arrangements are agreed upon with Approved Sellers on a deal-by-deal basis to reduce potential default losses.

Losses may also arise from a default on loans under the MIP's insurance coverage. To mitigate these risks, each MIP application is underwritten by the HKMCI in accordance with a set of eligibility criteria and each claim from a participating bank is reviewed by the HKMCI to ensure the fulfilment of all MIP coverage conditions. To reduce the risk of possible concentration of this default risk, the HKMCI transfers a portion of the risk-in-force to Approved Reinsurers through reinsurance arrangements.

Similarly, losses may arise from a borrower's default on loans in the 80% SFGS and 90% SFGS guarantee portfolios. The borrower's default risk of each guarantee application is assessed by the lender in accordance with their credit policies. In addition, the HKMCI adopts prudent eligibility criteria, conducts administrative vetting and credit reviews to better understand the credit quality of the applications, and carries out a due diligence review on each default claim to ensure the loan's compliance with the HKMCI's eligibility criteria and the lenders' internal credit policies.

Credit performances of the loan and guarantee portfolios are tracked and reported on a regular basis to closely monitor any emerging risks, and to implement risk-mitigating measures in a timely way.

(ii) Seller/Servicer counterparty risk

Counterparty risks may arise from the failure of an Approved Seller/Approved Servicer of an acquired portfolio to remit scheduled payments to the Issuer in a timely and accurate manner.

The Approved Sellers/Approved Servicers are subject to a risk-based eligibility review and ongoing monitoring of their loan servicing quality and credit standing.

(iii) Reinsurer counterparty risk

Reinsurer counterparty risk refers to the failure of an Approved Reinsurer to make claim payments to the HKMCI. To mitigate reinsurer counterparty risk effectively, the HKMCI has a framework in place for the assessment of mortgage reinsurers' eligibility and requested collateral on the risk exposures.

The HKMCI performs annual and ad-hoc reviews of each Approved Reinsurer to determine the eligibility for ongoing business allocation and risk-sharing portions.

(iv) Treasury counterparty risk

Treasury counterparty risk arises when there is a delay or failure from treasury counterparties to make payments with respect to treasury instruments transacted with the Issuer. Treasury counterparties are managed by a rating-based counterparty assessment framework and a risk-based counterparty limit mechanism. The treasury counterparties are continually monitored and the counterparty limits are adjusted based on the assessment results. Furthermore, the Issuer has set up bilateral collateral arrangements with major swap counterparties to mitigate treasury counterparty risk.

(v) Lender risk

The HKMCI is exposed to lender risk in SME lending that arises from: (a) a lender's underwriting being non-compliant with its credit policy; (b) a lender's loosely formulated credit policy that is not specific enough or sufficiently defined for compliance; and (c) the moral hazard of a lender being less prudent in underwriting a guarantee protected application. The HKMCI manages lender risk through the review of the lenders' credit policies and the due diligence reviews on claims.

(vi) Insurer counterparty risk

Insurer counterparty risk arises when there is a delay or failure from the life insurer in meeting its obligations under the life insurance policy assigned to the HKMCI under the PRMP. To mitigate insurer counterparty risk, the life insurance policy to be assigned to the HKMCI must be issued by an insurer authorized under the Insurance Ordinance. Furthermore, the insurers are subject to ongoing monitoring.

The CC or RC, as appropriate, is responsible for setting the credit policies and eligibility criteria and is the approval authority for accepting applications to become Approved Sellers/Servicers under the MPP, Approved Reinsurers under the MIP and the RMP, Approved Lenders under the SFGS and eligible treasury counterparties. It is also responsible for setting risk exposure limits for counterparties. The CC and RC monitor the operating environment closely and put in place timely risk mitigating measures to manage the credit risk.

The TAC or RC, as appropriate, conducts in-depth analyses of pricing economics and associated credit risks for business transactions, while taking into consideration the latest market conditions and business strategies approved by the Board.

Infrastructure Loans

Credit risk arises when the counterparty to a financial instrument fails to meet its contractual obligations, leading to potential or actual financial losses to the Issuer. The credit risk related to the IFS business is managed through prudent underwriting criteria, in-depth due diligence reviews conducted by in-house experts and independent consultants, exposure management through divestment or other risk sharing arrangement. All investments have taken into consideration the transaction structures with appropriate risks and returns, acceptable project risks and mitigation measures, including delay risk, construction risk, performance risk, operational risk, commercial risk, financial risk, counterparty risk, concentration risk, legal and compliance risk, regulatory risk, political risk, currency risk, interest rate risk and environmental and social risks, subject to ongoing monitoring and a review mechanism. The Issuer also adopts a robust internal credit rating methodology and a loss given default methodology to evaluate expected losses arising from an infrastructure loan default.

In terms of the risk governance structure, a dedicated division, inclusive of a risk control unit, performs the credit assessment, day-to-day monitoring, reporting and risk management of infrastructure investments. The IFSIC is the governing forum to manage the infrastructure investments and is responsible for overseeing compliance with applicable rules, guidelines and policies, and for approving and monitoring the infrastructure investments and issuance of the ILBS Notes.

(b) Market Risk

Market risk arises when the Issuer's income or the value of its portfolios decreases due to adverse movements in market prices. Market risk consists of interest rate risk, asset-liability maturity mismatch risk, liquidity risk and currency risk.

(i) Interest rate risk

Interest rate risk arises when changes in market interest rates affect the interest income associated with the assets and/or interest expenses associated with the liabilities.

The primary objective of interest rate risk management is to limit the potential adverse effects of interest rate movements. The interest rate risk faced by the Issuer is two-fold, namely interest rate mismatch risk and basis risk. The Issuer makes prudent use of a range of financial instruments, mainly interest rate swaps, to manage interest rate mismatch risk.

The Issuer also uses the duration gap (i.e. the difference in interest rate re-pricing intervals between assets and liabilities) as an indicator to monitor, measure and manage interest rate mismatch risk.

Depending on the prevailing interest rate outlook and market conditions, the Issuer proactively re-balances the duration gap of its asset-liability portfolio under the guidance and supervision of the ALCO.

Basis risk represents the difference in benchmark rates between the Issuer's Prime-based interest-earning assets and its HIBOR-based interest-bearing liabilities.

Over the past few years, the Issuer has consciously adopted a strategy that acquires more HIBOR-based assets. As a result, the Prime-HIBOR basis risk for the Issuer has been substantially reduced.

(ii) Asset-liability maturity mismatch risk

Asset-liability maturity mismatch risk can be more specifically characterised as reinvestment risk and refinancing risk. Reinvestment risk refers to the risk of a lower return from the reinvestment of proceeds that the Issuer receives from prepayments and repayments of its loan portfolio. Refinancing risk is the risk of refinancing liabilities at a higher level of interest rate or credit spread.

Reinvestment risk is managed through the ongoing purchase of loan assets to replenish the rundown in the retained portfolios, and through the investment of surplus cash in debt securities and cash deposits, to fine-tune the average life of the overall asset pool.

The Issuer manages its refinancing risk through flexible debt issuance with a broad spectrum of maturities. This serves to adjust the average life of the overall liability portfolio in a dynamic fashion. In addition, refinancing risk can be mitigated by adjusting the maturities of assets in the investment portfolio, or off-loading loan assets through securitisation.

The Issuer uses the asset-liability maturity gap ratio to measure, monitor and manage asset-liability maturity mismatch risk to ensure a proper balance between the average life of the Issuer's assets and liabilities.

(iii) Liquidity risk

Liquidity risk represents the risk of the Issuer not being able to repay its obligations such as the redemption of maturing debt, or to fund committed purchases of loan portfolios.

Liquidity risk is managed by monitoring the daily inflow and outflow of funds, and by projecting the longer-term inflows and outflows of funds across the full maturity spectrum and under different market conditions.

Given its strong background as a wholly government-owned entity and its solid credit rating, the Issuer is efficient in raising funds from debt markets with both institutional and retail funding

bases. This advantage is supplemented by the Issuer's portfolio of highly liquid investments, which is held to enable a swift and smooth response to unforeseen liquidity requirements. The HK$80 billion RCF from the Exchange Fund further provides the Issuer with a liquidity fallback even if exceptional market strains last for a prolonged period.

The Issuer manages pre-funding prudently through well-diversified funding sources. Such diversification allows the Issuer to pursue a pre-funding strategy at the lowest possible cost, while offering safeguards against the difficulty of raising funds in distorted market conditions. The current funding sources include:

- U.S.$30 Billion Medium Term Note Programme: An extensive dealer group is appointed to underwrite and distribute local and foreign currency debt to international institutional investors under the Programme;

- HK$40 Billion DIP: Primary dealers and selling group members underwrite and distribute debts to institutional investors under the DIP. The transferable loan certificate sub-programme under the DIP provides further diversification of its funding sources and broadening of its investor base;

- HK$20 Billion RBIP: Placing banks use their branch networks and telephone and electronic banking facilities to assist the Issuer in offering retail bonds to investors;

- Investment Portfolio: This portfolio comprises mainly cash and bank deposits, commercial paper, high-quality certificates of deposit and notes that are readily convertible into cash;

- Money Market Lines: The Issuer has procured money market lines from a large number of local and international banks for short-term financing; and

- HK$80 Billion RCF: The Exchange Fund commits to providing the Issuer with HK$80 billion in revolving credit.

(iv) Currency risk

Currency risk arises from the impact of foreign exchange rate fluctuations on the Issuer's financial position and foreign currency-denominated cash flows. The Issuer manages its currency risk strictly in accordance with the investment guidelines approved by the Board and under the supervision of the ALCO, which sets daily monitoring limits on currency exposure.

To ensure adequate checks and balances, transaction execution is segregated among the front, middle and back offices which are assumed by the Treasury Department, the Risk Management Department, and the Operations Department, respectively.

The ALCO is responsible for the overall management of market risk. It follows the prudent risk management principles and investment guidelines approved by the Board. Regular meetings are held to review the latest financial market developments and formulate relevant asset-liability management strategies.

(v) Placements with the Exchange Fund

The HKMCA places its annuity premium receipts in the IP and LTGP of the Exchange Fund to earn an investment return. Furthermore, the HKMCA and the HKMCI have been placing their paid-up capital and retained earnings to the IP to manage the return on capital. The Issuer is exposed to market risk when the investment return falls short of the expected level. The risk of loss could result from adverse movements in interest rates, equity prices, property prices and foreign exchange rates. The Issuer actively monitors and reviews the investment portfolio to determine the strategic asset allocation between IP and LTGP.

The RCs of the HKMCA and the HKMCI are the governing forums for managing all risks arising from their placements with the Exchange Fund.

(c) Longevity Risk

Longevity risk under the RMP and the PRMP refers to the heightening risk of longer payouts. The longer the payout and loan period, the larger the loan balance will accrue over time, and the lesser the buffer will be from the enforcement of collateral to cover the outstanding loan balance. A loss may arise if there is a shortfall in the recovery amount after the disposal of the property under the RMP or the claim of death benefits of the life insurance policy under the PRMP.

Longevity risk under the life annuity business of the HKMCA is the risk that the actual life expectancies of annuitants are longer than expected, resulting in a longer stream of monthly payouts, which in turn could materially impact the long-term sustainability of the life annuity business.

The Issuer takes on longevity risk through setting prudent actuarial assumptions in mortality rates as well as future improvement in life expectancy. An annual risk analysis is conducted to assess the potential financial impact of longevity risk, as well as the interaction among the various risk factors under the RMP, the PRMP and the life annuity business of the HKMCA. The mortality assumptions are reviewed on a regular basis.

The LRC is the governing forum that manages the longevity risk of the Issuer. Its duties include approving longevity risk management policies, hedging transactions and reviewing longevity experiences and exposures of the Issuer. It also monitors and analyses the general trend, technological changes and their implications for human longevity.

(d) Property Price Risk

Property price risk arises from fluctuation in the value of property that acts as collateral for the Issuer's loan and guarantee portfolios under the MPP, MIP and RMP. The Issuer manages property price risk by soliciting valuations from professional surveyors on each property securing a loan purchase or loan application, setting prudent assumptions in the recoverable value of the collateralised property, restricting maximum loan-to-value ratios of the loans under the relevant programmes and conducting stress tests to examine the impact of adverse market conditions.

The CC and RC are the governing forums that manage the property price risk of the Issuer.

(e) Operational Risk

Operational risk represents the risk of losses arising from inadequacies, or the failure of internal processes, people or systems, or external interruptions.

The Issuer actively manages operational risk with its well-established internal controls, authentication structures and operational procedures. The operational infrastructure is well designed to support the launch of new products in different business areas. Rigorous reviews are conducted before the implementation of operational or system infrastructure to ensure adequate internal controls are in place to mitigate operational risks.

To ensure an efficient and effective discharge of daily operations, the Issuer pursues advanced technological solutions alongside robust business logistics and controls to carry out its operational activities and business processes. The Issuer also implements prudent measures to institute appropriate checks and balances, thereby ensuring its operations are properly controlled. Effective internal controls help minimise financial risk and safeguard assets against unauthorised use or loss, including the prevention and detection of fraud, as well as cybersecurity threats.

In relation to cybersecurity and information risk, which represents the loss of confidentiality, integrity or availability of information and systems that may have an adverse impact to the Issuer, the following specific measures have been implemented to mitigate such risks:

- preventive security architecture design and awareness programs;
- detective measures to identify abnormal system activities in pre-empting cybersecurity threats;
- continuous collection and analysis of external cybersecurity threats for ongoing control enhancement; and
- establishment of structural response to minimise the impact of potential security events.

To ensure all line functions in the Issuer maintain an effective operational risk and internal control framework, the ORC establishes key risk indicators to track the key operational risk items and monitor the effectiveness of the risk mitigating measures. Operational risk incidents are also reported for operational risk management. In addition, the ORC provides directions and resolves issues related to policies, controls and the management of operational issues, as well as ensuring prompt and appropriate corrective actions in response to audit findings related to operational risks and internal controls.

(f) Legal and Compliance Risk

Legal and compliance risk arises from the failure to comply with statutory or regulatory obligations and any unenforceability of legal documents in safeguarding the interests of the Group.

The Issuer manages such risk through its Legal Office, which includes the Compliance Function.

The Legal Office, headed by the General Counsel, advises the Group on various legal matters relating to the Group's businesses. When new products or business activities are considered, the Legal Office will advise on the relevant laws and the necessary legal documentation. Where appropriate, external counsel will be engaged to assist the Legal Office in providing legal support to the Group.

The Compliance Function is part of the Legal Office and is led by the Chief Compliance Officer (Counsel) who reports to the CEO through the General Counsel. Where appropriate, the Compliance Function will engage external counsel to advise on compliance matters.

The ORC is the governance committee for legal and compliance risk of the Issuer.

(g) Leveraging Risk

To ensure the Issuer would not incur excessive risk when expanding its business and balance sheet in proportion to its capital base, the Financial Secretary acted as the regulator of the Issuer, issued the Guidelines on CAR taking reference principally from the Basel II risk-based capital adequacy framework. The minimum CAR is set at 8 per cent. As at 31 December 2024, the Issuer's CAR was 19.9 per cent.

The prudent use of regulatory capital is monitored closely in accordance with the capital guidelines. The CEO reports the CAR and the daily minimum ratio to the Board of Directors on a quarterly basis. An early warning system is also in place. If the CAR drops to the threshold level of 14 per cent., the CEO will alert the Executive Directors and consider appropriate remedial actions. If the CAR falls to 12 per cent. or below, the Board of Directors will be informed and appropriate remedial actions will be taken.

The capital requirements of the insurance subsidiaries are subject to the regulatory requirements of the Insurance Authority of Hong Kong. As calculated in accordance with the Insurance (Valuation and Capital) Rules (Cap. 41R of the Laws of Hong Kong) under the new risk-based capital regime effective from 1 July 2024, the respective solvency ratios of HKMCI and HKMCA were about 4.0 times and 1.7 times as at 31 December 2024.

(h) Environmental, Social and Governance Risk

ESG issues pose a potential risk to the Group's operations, reputation and performance. The Issuer manages the ESG risk under the ESG risk management framework, which mainly includes determining its ESG risk appetite, conducting ESG risk assessment, performing climate risk stress testing and monitoring risk levels by ESG risk metrics. The ESGC is the governance committee for managing the ESG risk of the Issuer.

Board of Directors and Senior Management

Board of Directors of the Issuer

In order to give a broad representation of the views and interests of different sectors, the Issuer has since its incorporation maintained a diverse composition of the Board of Directors which currently includes officials from the Hong Kong Government, representatives from political parties, the banking sector, and the accounting and the legal professions.

The Financial Secretary currently serves as the Chairman of the Board of Directors of the Issuer.

Members of the Board of Directors as at the date of this Offering Circular are:

The Hon. Paul CHAN Mo-po, GBM, GBS, MH, JP
Chairman and Executive Director
Financial Secretary

Mr Eddie YUE Wai-man, JP
Deputy Chairman and Executive Director
Chief Executive
Hong Kong Monetary Authority

Mr Howard LEE Tat-chi, JP
Executive Director
Deputy Chief Executive
Hong Kong Monetary Authority

Mr Colin POU Hak-wan, JP
Executive Director and Chief Executive Officer
Executive Director
Hong Kong Monetary Authority

The Hon. Christopher HUI Ching-yu, GBS, JP
Non-Executive Director
Secretary for Financial Services and the Treasury

The Hon. Winnie HO Wing-yin, JP
Non-Executive Director
Secretary for Housing

The Hon. CHAN Hak-kan, SBS, JP
Non-Executive Director
Member of Executive Council
Member of Legislative Council

The Hon. Paul TSE Wai-chun, JP
Non-Executive Director
Member of Legislative Council
Founder & Senior Partner, Paul W. Tse, Solicitors

The Hon. Jimmy NG Wing-ka, BBS, JP
Non-Executive Director
Member of Legislative Council

The Hon. SHIU Ka-fai, BBS, JP
Non-Executive Director
Member of Legislative Council

Ms Dilys CHAU Suet-fung, JP
Non-Executive Director
Partner
Ernst & Young

Ms Ivy CHEUNG Wing-han
Non-Executive Director
Vice Chairman, KPMG China
Senior Partner, KPMG in Hong Kong

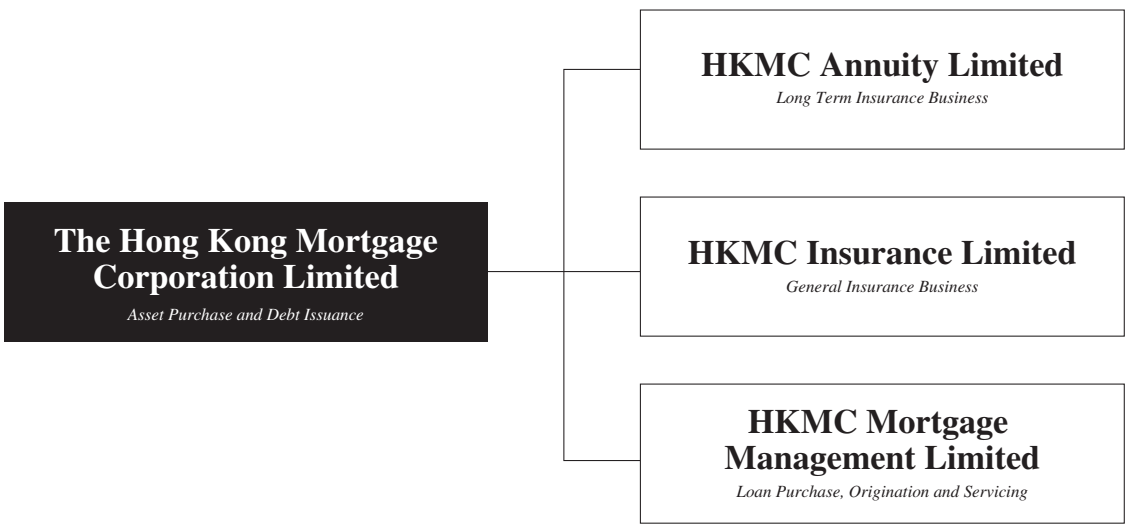
Ms Margaret KWAN Wing-han
Non-Executive Director

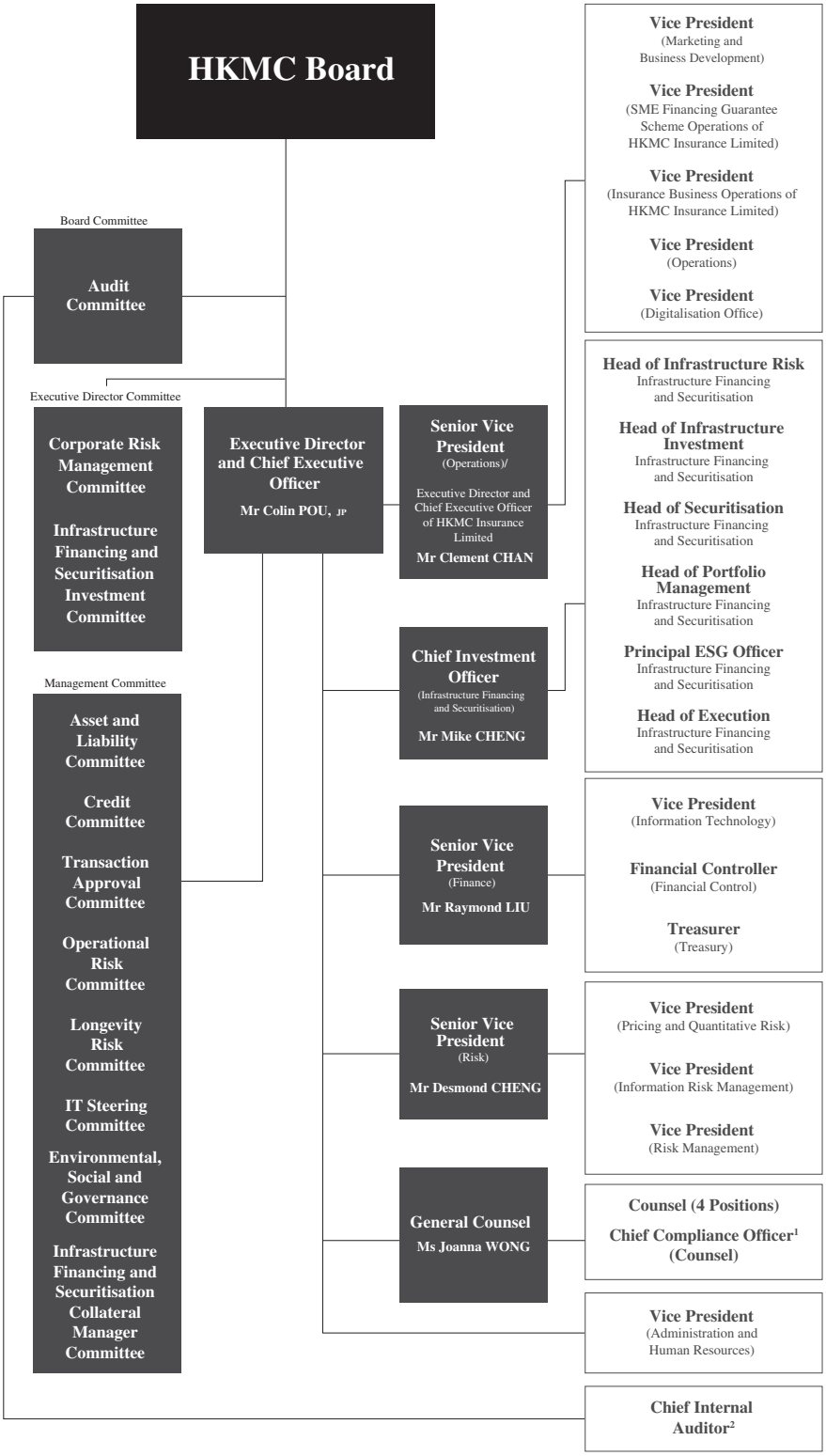
Senior Management of the Issuer

Members of the Issuer's senior management are:

Executive Director and Chief Executive Officer	POU Hak Wan (Colin POU) JP
Senior Vice President (Operations)	CHAN Ling Hang (Clement CHAN)
Senior Vice President (Finance)	LIU Chi Keung (Raymond LIU)
Senior Vice President (Risk)	CHENG Kam Chuen, Desmond
Chief Investment Officer (Infrastructure Financing and Securitisation)	CHENG Man Shun, Mansion (Mike CHENG)
General Counsel	WONG Man Sze, Joanna

Organisation Chart





1 Reporting to the Chief Executive Officer through the General Counsel

2 Reporting to the Chief Executive Officer on daily administrative function

BOOK-ENTRY CLEARANCE SYSTEMS

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear, Clearstream or the CMU (together, the Clearing Systems) currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer believes to be reliable, but neither the Issuer nor any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. Neither the Issuer nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to, or payments made on account of, such beneficial ownership interests.

Book-entry Systems

Euroclear and Clearstream

Euroclear and Clearstream each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective accountholders. Euroclear and Clearstream provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream is available to other institutions that clear through or maintain a custodial relationship with an accountholder of either system.

CMU

The CMU is a central depositary service provided by the Central Moneymarkets Unit of the HKMA for the safe custody and electronic trading between the members of this service (**CMU Members**) of capital markets instruments (**CMU Instruments**) which are specified in the reference manual relating to the operation of the CMU issued by the HKMA, as amended and/or supplemented from time to time (the **CMU Reference Manual**) as capable of being held within the CMU.

The CMU is only available to CMU Instruments issued by a CMU Member or by a person for whom a CMU Member acts as agent for the purposes of lodging instruments issued by such persons. Membership of the services is open to all financial institutions regulated by the HKMA, the Securities and Futures Commission, the Insurance Authority of Hong Kong or Mandatory Provident Fund Schemes Authority. For further details on the full range of the CMU's custodial services, please refer to the CMU Reference Manual.

The CMU has an income distribution service which is a service offered by the CMU to facilitate the distribution of interest, coupon or redemption proceeds (collectively, the **income proceeds**) by CMU Members who are paying agents to the legal title holders of CMU Instruments via the CMU system. Furthermore, the CMU has a corporate action platform which allows an issuer (or its agent) to make an announcement/notification of a corporate action and noteholders to submit the relevant certification. For further details, please refer to the CMU Reference Manual.

An investor holding an interest in the Notes through an account with either Euroclear or Clearstream will hold that interest through the respective accounts which Euroclear and Clearstream each have with the CMU.

Transfers of Notes Represented by Registered Global Notes

Transfers of any interests in Notes represented by a Registered Global Note within Euroclear, Clearstream and the CMU will be effected in accordance with the customary rules and operating procedures of the relevant Clearing System.

Euroclear, Clearstream and the CMU have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Notes among accountholders of Euroclear, Clearstream and the CMU. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Paying Agents, the Registrar and the Dealers will be responsible for any performance by Euroclear, Clearstream or the CMU or their respective accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

TAXATION

The following is a general description of certain tax considerations relating to the Notes and is based on law and relevant interpretations thereof in effect as at the date of this Offering Circular, all of which are subject to change, and does not constitute legal or taxation advice. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective holders of Notes who are in any doubt as to their tax position or who may be subject to tax in any jurisdiction are advised to consult their own professional advisers.

Hong Kong

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Under the Inland Revenue Ordinance (Cap. 112 of the Laws of Hong Kong) (**Inland Revenue Ordinance**), as it is currently applied in the Inland Revenue Department, interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

(i) interest on the Notes is derived from Hong Kong and is received by or accrues to a corporation, other than a financial institution, carrying on a trade, profession or business in Hong Kong;

(ii) interest on the Notes is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;

(iii) interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

(iv) interest on the Notes is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the Inland Revenue Ordinance).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Notes will be subject to profits tax.

Sums derived from the sale, disposal or redemption of the Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed of. Sums received by or accrued to a corporation (other than a financial institution) by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (as defined in section 16(3) of the Inland Revenue Ordinance) from the sale, disposal or redemption of the Notes will be subject to profits tax. In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available to certain qualifying investors. Investors are advised to consult their own tax advisors to ascertain the applicability of any exemptions to their individual positions.

Specified Foreign-sourced Income

With effect from 1 January 2024, pursuant to various foreign-sourced income exemption legislation in Hong Kong (the **FSIE Amendments**), certain specified foreign-sourced income (including interest, dividend, disposal gain or intellectual property income, in each case, arising in or derived from a territory outside Hong Kong) accrued to an MNE entity (as defined in the **FSIE Amendments**) carrying on a trade, profession or business in Hong Kong is to be regarded as arising in or derived from Hong Kong and chargeable to profits tax when it is received in Hong Kong. The FSIE Amendments also provide for relief against double taxation in respect of certain foreign-sourced income and transitional matters.

Stamp Duty

Stamp duty will not be payable on the issue of Bearer Notes provided either:

(i) such Bearer Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(ii) such Bearer Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117 of the Laws of Hong Kong) (**Stamp Duty Ordinance**)).

If stamp duty is payable, it is payable by the Issuer on issue of Bearer Notes at a rate of 3 per cent. of the market value of the Bearer Notes at the time of issue.

No stamp duty will be payable on any subsequent transfer of Bearer Notes.

No stamp duty is payable on the issue of Registered Notes. Stamp duty may be payable on any transfer of Registered Notes if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any transfers of Registered Notes provided that either:

(i) the Registered Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(ii) the Registered Notes constitute loan capital (as defined in the Stamp Duty Ordinance).

At present, if stamp duty is payable in respect of the transfer of Registered Notes it will be payable at the rate of 0.20 per cent. (of which 0.10 per cent. is payable by the seller and 0.10 per cent. is payable by the purchaser) normally by reference to the consideration or its value, whichever is higher. In addition, stamp duty is payable at the fixed rate of HK$5 on each instrument of transfer executed in relation to any transfer of the Registered Notes if the relevant transfer is required to be registered in Hong Kong.

FATCA Withholding

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a foreign financial institution (as defined by FATCA) may be required to withhold certain payments it makes (**foreign passthru payments**) to persons that fail to meet certain certification, reporting or related requirements. A number of jurisdictions (including Hong Kong) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (**IGAs**), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and the IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for the purposes of FATCA withholding unless materially modified after such date. However, if additional Notes (as described under "*Terms and Conditions of the Notes — Further Issues*") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all the Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes.

The proposed financial transactions tax (FTT)

On 14 February 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**). However, Estonia has since stated that it will not participate. The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt. Under the Commission's Proposal, FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State. However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

The Dealers have, in an amended and restated programme agreement dated 26 June 2025 (as further amended and/or supplemented and/or restated from time to time, **Programme Agreement**), agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*". In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

The Dealers and certain of their affiliates may have performed certain investment banking and advisor services for the Issuer and/or its affiliates from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform services for the Issuer and/or its affiliates in the ordinary course of their business. The Dealers or certain of their affiliates may purchase Notes and be allocated Notes for asset management and/or proprietary purposes but not with a view to distribution.

The Dealers or their respective affiliates may purchase Notes for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Notes and/or other securities of the Issuer or its subsidiaries or associates at the same time as the offer and sale of Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of Notes to which this Offering Circular (as supplemented, amended and/or restated) relates (notwithstanding that such selected counterparties may also be purchasers of Notes).

Important Notice to CMIs (including private banks)

Notice to CMIs pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct

This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for the relevant CMI Offering and are subject to additional requirements under the SFC Code. The application of these obligations will depend on the role(s) undertaken by the relevant Dealer(s) in respect of each CMI Offering.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the SFC Code as having an Association with the Issuer, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the relevant Notes. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Issuer or any CMI (including its group companies) and inform the relevant Dealers accordingly.

CMIs are informed that, unless otherwise notified, the marketing and investor targeting strategy for the relevant CMI Offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions and any MiFID II product governance language or any UK MiFIR product governance language set out elsewhere in this Offering Circular and/or the applicable Pricing Supplement.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the relevant Notes (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place "X-orders" into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Issuer. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the relevant Notes. CMIs are informed that a private bank rebate may be payable as stated above and in the applicable Pricing Supplement, or otherwise notified to prospective investors.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Dealers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the relevant Notes, private banks should disclose, at the same time, if such order is placed other than on a "principal" basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a "principal" basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a "principal" basis may require the relevant affiliated Dealer(s) (if any) to categorise it as a proprietary order and apply the "proprietary orders" requirements of the SFC Code to such order and will result in that private bank not being entitled to, and not being paid, any rebate.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- the name of each underlying investor;
- a unique identification number for each investor;
- whether an underlying investor has any "Associations" (as used in the SFC Code);
- whether any underlying investor order is a "Proprietary Order" (as used in the SFC Code); and
- whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to the Dealers named in the relevant Pricing Supplement.

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By

submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the SFC Code, including to the Issuer, relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for the relevant CMI Offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in the relevant CMI Offering. The relevant Dealers may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Dealer with such evidence within the timeline requested.

Selling Restrictions

United States

The Notes have not been and will not be registered under the Securities Act, or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold within the U.S. or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from or not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Notes in bearer form having a maturity of more than one year are subject to U.S. tax law requirements and may not be offered, sold or delivered within the U.S. or its possessions or to a U.S. person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder. The applicable Pricing Supplement will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is not applicable.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the U.S. or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S of the Securities Act. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes are being offered and sold only outside the United States to non-US persons in reliance on Regulation S.

Until 40 days after the commencement of the offering of any Tranche of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Each issuance of Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Pricing Supplement.

Prohibition of Sales to EEA Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

(i) the expression "retail investor" means a person who is one (or more) of the following:

(a) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or

(b) a customer within the meaning of Directive (EU) 2016/97 (as amended, **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

(c) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, **Prospectus Regulation**); and

(ii) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

United Kingdom

Prohibition of sales to UK Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision:

(i) the expression "retail investor" means a person who is one (or more) of the following:

(a) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (**EUWA**); or

(b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or

(c) not a qualified investor as defined in Article 2 of the Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA; and

(ii) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

Other regulatory restrictions

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

(i) in relation to any Notes having a maturity of less than one year, (a) 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 (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

The Netherlands

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that any Notes will only be offered in The Netherlands to Qualified Investors (as defined in the Prospectus Regulation).

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; **FIEA**) and each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Hong Kong

In relation to each Tranche of Notes issued by the Issuer, each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes (except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the **SFO**)) other than (a) to "professional investors" as defined in the SFO and any rules made under the SFO; or (b) 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 the Laws of Hong Kong) (the **C(WUMP)O**) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

The People's Republic of China

In relation to each Tranche of Notes issued by the Issuer, each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that neither it nor any of its affiliates will offer or sell any of the Notes in the People's Republic of China (excluding Hong Kong, Macau and Taiwan) as part of the initial distribution of the Notes.

Singapore

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

General

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries, and neither the Issuer nor any of the other Dealers shall have any responsibility therefor. If a jurisdiction requires that an offering of Notes be made by a licensed broker or dealer and the Dealers or any affiliate of the Dealers is a licensed broker or dealer in that jurisdiction, such offering shall be deemed to be made by the Dealers or such affiliate on behalf of the Issuer in such jurisdiction.

None of the Issuer and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as the Issuer and the relevant Dealer shall agree and as shall be set out in the applicable Pricing Supplement.

Authorisation

The establishment of the Programme and the issue of Notes have been duly authorised by resolutions of the Board of Directors of the Issuer dated 12 December 2006. The increase in the aggregate nominal amount of the Programme from U.S.$20,000,000,000 to U.S.$30,000,000,000 has been duly authorised by the relevant Executive Directors of the Issuer on 30 May 2022 through the power and authority delegated to them by the Board of Directors.

Listing of Notes on the SEHK

Application has been made to the SEHK for the listing of the Programme under which Notes may be issued by way of debt issues to Professional Investors only during the 12-month period after the date of this document on the SEHK. The issue price of Notes listed on the SEHK will be expressed as a percentage of their nominal amount. Transactions will normally be effected for settlement in the relevant specified currency and for delivery by the end of the second trading day after the date of the transaction. It is expected that dealings will, if permission is granted to deal in and for the listing of such Notes, commence on or about the date of listing of the relevant Notes. Notes to be listed on the SEHK are required to be traded with a board lot size of at least HK$500,000 (or equivalent in other currencies).

Documents Available

So long as Notes are capable of being issued under the Programme, copies of the following documents will be available from the specified office of the Paying Agent for the time being in Hong Kong:

(i) the Articles of Association of the Issuer;

(ii) the audited consolidated financial statements of the Issuer as at and for the years ended 31 December 2023 and 31 December 2024;

(iii) the two most recently published audited annual consolidated financial statements of the Issuer and the most recently published unaudited interim consolidated financial results of the Issuer from time to time. The Issuer currently prepares unaudited interim consolidated financial results as at and for six months ended 30 June on a yearly basis;

(iv) the Programme Agreement, the Agency Agreement, the Deed of Covenant, the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;

(v) a copy of this Offering Circular;

(vi) any future offering circulars, prospectuses, information memoranda and supplements including Pricing Supplements (save that a Pricing Supplement relating to an unlisted Series of Notes will only be available for inspection by a holder of any such Notes and such holder must produce evidence satisfactory to the Issuer and the relevant Paying Agent as to its holding of the Notes and identity) to this Offering Circular and any other documents incorporated herein or therein by reference; and

(vii) in the case of each issue of listed Notes subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream. The appropriate common code and ISIN for each Tranche of Bearer Notes allocated by Euroclear and Clearstream will be specified in the applicable Pricing Supplement. The Issuer may also apply to have Notes accepted for clearance through the CMU. The relevant CMU instrument number will be specified in the applicable Pricing Supplement. The relevant ISIN and common code for each Tranche of Registered Notes will be specified in the applicable Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system, the appropriate information will be specified in the applicable Pricing Supplement.

Significant or Material Change

Save as disclosed in this Offering Circular, there has been no significant or material adverse change in the financial or trading position of the Issuer since 31 December 2024.

Litigation

Each of the Issuer, the HKMCI, the HKMCA and the HMML is not or has not been involved in any legal or arbitration proceedings (including any pending or threatened proceedings of which the Issuer is aware) which may have or have had in the 12 months preceding the date of this document a significant effect on the financial position of the Issuer, the HKMCI, the HKMCA or the HMML.

Auditor

The auditor of the Issuer is PricewaterhouseCoopers, independent Certified Public Accountants, who have audited the Issuer's annual consolidated financial statements without qualification in accordance with Hong Kong Standards on Auditing for the financial years ended 31 December 2023 and 31 December 2024. The address of PricewaterhouseCoopers is 22/F, Prince's Building, Central, Hong Kong.

Legal Entity Identifier Number of the Issuer

The Legal Entity Identifier Number of the Issuer is 254900W04TBDJ4UBOS04.

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SUMMARY OF THE DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS

The information on pages F-4 to F-123 has been extracted from the Directors' Report and Audited Financial Statements of the Issuer as at and for the year ended 31 December 2024. Reference to page numbers on pages F-4 to F-123 are references to pages of such document. The page numbers of that document appear at the bottom of pages F-4 to F-123.

THE HONG KONG MORTGAGE CORPORATION LIMITED

DIRECTORS' REPORT AND

AUDITED FINANCIAL STATEMENTS

31 DECEMBER 2024

DIRECTORS' REPORT

Directors (**Directors**) of The Hong Kong Mortgage Corporation Limited (**Company**) have pleasure in presenting their report together with the audited consolidated financial statements of the Company (for the purpose of this report, together with its subsidiaries, **Group**) for the year ended 31 December 2024 (**Financial Statements**).

PRINCIPAL ACTIVITIES

The principal activities of the Group in the course of the year ended 31 December 2024 were:

(a) to purchase portfolios of mortgages or loans secured on properties or other collateral situated in Hong Kong and to acquire debentures, receivables, financial assets and choses in action of all kinds from their originators, issuers, owners or vendors;

(b) to acquire, by purchase or otherwise, any assets from government bodies and agencies and related organisations, statutory bodies and public bodies and to hold, sell, transfer, dispose of and deal in any such assets so acquired;

(c) to issue debt securities to investors;

(d) to carry on the infrastructure financing and securitisation business;

(e) to operate loan guarantee schemes for the Government of the Hong Kong Special Administrative Region (**Government**) providing guarantees on loans advanced or originated by participating lenders (including loans that are fully guaranteed by the Government via the Group and acquired by the Group from participating lenders) for local enterprises (including small and medium-sized enterprises (**SMEs**)), the travel sector, the cross-boundary passenger transport trade, the taxi trade, as well as for individuals who suffered from cessation of main recurrent incomes during the COVID-19;

(f) to provide mortgage insurance cover in respect of mortgage loans, reverse mortgage loans and policy reverse mortgage loans originated by participating lenders and secured on residential properties, life insurance policies and, if applicable, other assets;

(g) to provide fixed-rate mortgages through banks; and

(h) to offer life annuity products in or from Hong Kong.

Details of subsidiaries of the Company as at 31 December 2024 are set out in Note 23 to the Financial Statements.

BUSINESS REVIEW

1. Business Segments

In the pursuit of its missions and social objectives, during the year, the Group operated on prudent commercial principles and mainly engaged in business activities of loan guarantee, origination and acquisition, mortgage insurance and life annuity through the operation of programmes, schemes and businesses below.

Mortgage Purchase Programme (**MPP**)

One of the missions of the Group is to enhance banking stability in Hong Kong by offering a reliable source of liquidity. To this end, the Group stands ready to purchase mortgage loans and other assets from approved sellers as and when they have the need to offload. During the year, ample liquidity in the market dampened banks' appetite for offloading their assets.

Mortgage Insurance Programme (**MIP**)

MIP is launched with the aim of promoting home ownership in Hong Kong by enabling high loan-to-value financing for homebuyers to reduce their down payment burden. Under the MIP, the Group acts as an insurer to provide mortgage insurance cover for a premium on mortgage loans advanced by participating lenders in excess of the lending limits imposed by the Hong Kong Monetary Authority. Since its inception in 1999, the MIP has helped around 235,000 families achieve home ownership, with an aggregate loan drawdown of HK$869.8 billion. The total amount of loan drawn down in 2024 was HK$47.9 billion (2023: HK$83.1 billion).

Fixed Rate Mortgage Scheme

Fixed Rate Mortgage Scheme is launched with the aim of providing an alternative financing option to homebuyers for mitigating their risks arising from interest rate volatility, thereby enhancing banking stability in the long run. The scheme offers through banks, fixed-rate mortgages with a tenor of 10, 15 or 20 years. The Group will then purchase these mortgages from their originators under the Fixed Adjustable Rate Mortgage Programme. The maximum loan amount of each residential mortgage is HK$10 million. To continue filling the market gap in respect of fixed-rate mortgage products, the scheme was made permanent in November 2021. Starting from February 2022, the Group determines and announces the fixed interest rates from time to time in accordance with factors such as cost of funds, business and market conditions.

Reverse Mortgage Programme (**RMP**)

RMP is launched with the aim of providing homeowners with a new retirement planning option to enhance their quality of life on retirement. Through reverse mortgage, homeowners can use their residential properties as collateral in return for lump-sum payouts and/or a stream of monthly payouts from participating lenders over a payment term. Under the RMP, the Group mainly acts as an insurer to provide mortgage insurance cover for a premium on reverse mortgage loans advanced by participating lenders. With the Group's ongoing and focused educational initiatives, market receptiveness to the RMP has been growing progressively.

Policy Reverse Mortgage Programme (**PRMP**)

PRMP is launched with the aim of providing retirees with a new retirement planning option to enhance their quality of life on retirement. Replicating the business model of the RMP, policy reverse mortgage enables borrowers to use the death benefits of their life policies as collateral in return for lump-sum payouts and/or a stream of monthly payouts from participating lenders over a payment term. Under the PRMP, the Group mainly acts as an insurer to provide mortgage insurance cover for a premium on policy reverse mortgage loans advanced by participating lenders. The Group continued to explore customer referral opportunities with business partners and to expand the number of eligible life insurance policies under the PRMP. Promotions and educational initiatives were also undertaken.

100% Personal Loan Guarantee Scheme (**PLGS**)

The Group launched the PLGS in April 2021 to provide a supplementary financing option to individuals suffering from cessation of main recurrent incomes from employment in Hong Kong amid the COVID-19. With the Hong Kong economy recovering steadily as the epidemic subsided, the application period of the PLGS expired at the end of April 2023. A total loan amount of HK$4.66 billion has been approved under the scheme, benefiting more than 59,000 borrowers.

Dedicated 100% Loan Guarantee Schemes (**DLGS**) for Specified Sectors

Entrusted by the Government, the Group launched the DLGS for the travel sector and the cross-boundary passenger transport trade in April 2023 to support resumption of their business and services, and introduced the DLGS for the taxi trade in September 2023 to encourage taxi owners to replace their liquefied petroleum gas, petrol or hybrid taxis with battery electric taxis. As at the end of 2024, around HK$220 million of loans had been approved under the DLGS for the travel sector and the cross-boundary passenger transport trade, and about HK$36 million of loans had been approved for purchase of battery electric taxis. The application period of the DLGS for the travel sector and the cross-boundary passenger transport trade ended on 28 October 2024 while the application period for battery electric taxis is for five years expiring on 3 September 2028.

SME Financing Guarantee Scheme (**SFGS**)

The application period of the Special 100% Loan Guarantee under the SFGS (**100% SFGS**) ended at the end of March 2024. The application period of the 80% and 90% guarantee products will be until the end of March 2026. As announced by the Chief Executive in the 2024 Policy Address on 16 October 2024, borrowing enterprises for both existing and new loans under the SFGS are allowed to apply for principal moratorium for up to 12 months while the maximum loan guarantee periods of the 80% and 90% guarantee products are extended to 10 years and eight years respectively. In addition, partial principal repayment options are offered to new loans under the 80% and 90% guarantee products. These new measures, which aim to alleviate the repayment pressure on borrowing enterprises and help them address challenges encountered during economic restructuring, came into effect on 18 November 2024. As at the end of the year, the Group had approved more than 67,100 applications involving a total loan amount of HK$143.7 billion under the 100% SFGS, and around 42,300 applications involving a total loan amount of HK$144.9 billion under the 80% and 90% guarantee products.

Life Annuity Business

The HKMC Annuity Plan (**Annuity Plan**) was introduced to provide senior citizens with a reliable retirement financial solution, assisting them in converting their savings into an immediate, stable and lifelong income stream. The Group launched an enhanced payout and premium discount campaign (**Campaign**) during the year to further promote the Annuity Plan among senior citizens. Responses to the Campaign been overwhelming. As at the end of the year, the life annuity business achieved a growth of around 170% year-on-year with total premium amounting to HK$4.4 billion. Meanwhile, the Group had continued to partner with the insurance industry through reinsurance and referral arrangements to further diversify its distribution channels for accessing a more diversified spectrum of customers.

Infrastructure Financing and Securitisation (**IFS**)

Leveraging on its strong credit standing and medium-to-long term funding capability, the Group furthered its mandates of promoting banking stability and debt market development by facilitating infrastructure investment and financing flows. Since the launch of the IFS business in 2019, the Group had committed over US$2.2 billion of infrastructure loans spreading across Asia Pacific, Middle East and Latin America. The Group operates its IFS business on prudent commercial principles under a robust risk management framework.

On 11 September 2024, the Group, via Bauhinia ILBS 2 Limited (the special purpose vehicle established for the second infrastructure loan-backed securities (**ILBS**) issuance), successfully closed its second publicly rated securitisation transaction which was comprised of multiple classes of US dollar-denominated senior secured notes backed by the cash flows from a diversified portfolio of projects and infrastructure loans across multiple geographies and sectors, with an issuance size of US$423.3 million. Within the capital structure of such issuance, there was an US$107 million sustainability tranche backed by sustainable, green and social assets. The sustainability tranche was issued in accordance with the Company's Social, Green and Sustainability Financing Framework (**SGS Framework**), which aligned with the Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines released by the International Capital Market Association. The notes (except for the subordinated notes) were listed on The Stock Exchange of Hong Kong Limited and offered to a diversified group of professional investors. The Group has multiple roles in such issuance, including the Sponsor, Retention Holder of the subordinated notes and Collateral Manager.

The ILBS issuances were widely recognised by industry players and professional investors. During the year, the Group's pilot ILBS issuance via Bauhinia ILBS 1 Limited was awarded "The Asset Triple A Awards 2024 - Most Innovative Deal of the Year" by The Asset whilst the second ILBS issuance via Bauhinia ILBS 2 Limited was awarded the "Outstanding Award for Green and Sustainable Bond Issuer (Infrastructure Financing and Securitisation) – Largest Single Sustainability Bond" by Hong Kong Quality Assurance Agency, "Best Bond Deal", "Best Infrastructure Deal" in Hong Kong and "Best Structured Finance Deal" in Hong Kong and APAC by FinanceAsia. The issuances aim at enriching the local debt capital market and promoting the securitisation market in Hong Kong.

2. Financial Performance

The Group reported a net loss of HK$418 million for the year (2023: a net loss of HK$260 million. The increase in accounting loss was primarily attributable to the negative accounting impact of property price drop on the fast-growing reverse mortgage business which were partly mitigated by the increase in net interest income together with the return from placements with the Exchange Fund.

After adjustments to exclude (i) the accounting results of the annuity business; (ii) the impact of property price change on reverse mortgage business; and (iii) effect of valuation and corresponding adjustments in respect of certain loan portfolios with insurance cover provided by the HKMC Insurance Limited (**HKMCI**), a wholly-owned subsidiary of the Company, driven by the aforementioned financial reporting standard at consolidation level, the adjusted profit of the Group for the year would be HK$787 million and return on equity would be 4.8%. The embedded value of the annuity business was about HK$12.4 billion, indicating a solid financial position to develop the business in the long term.

	2024	2023
Net loss (HK$ million)	(418)[4]	(260)[4]
Return on equity[1]	(1.5%)[4]	(1.0%)[4]
Cost-to-income ratio[2]	(232.9%)[4]	(471.0%)[4]
Capital adequacy ratio[3]	19.9%[4]	21.6%[4]

[1] Return on equity is calculated by dividing the net loss or net profit by the average of 12 month-end balances of capital and reserves attributable to equity holder.

[2] Cost-to-income ratio is calculated by dividing operating expenses by operating income.

[3] Capital adequacy ratio is calculated as the ratio of the capital base to the sum of the risk-weighted amount for credit risk, market risk and operational risk exposures.

[4] After adjustments to exclude (a) the accounting results of the HKMC Annuity Limited (**HKMCA**), a wholly-owned subsidiary of the Company; (b) the impact of property price change on the insurance result of the RMP; and (c) the valuation and corresponding adjustments after adoption of Hong Kong Financial Reporting Standard

17 "Insurance Contracts" (**HKFRS 17**) in respect of certain loan portfolios with insurance cover provided by the HKMCI, the adjusted profit, return on equity and cost-to-income ratio of the Group for 2024 would be HK$787 million, 4.8% and 27.6% respectively (2023: HK$724 million, 5.3% and 28.1% respectively).

Key items in the Group's income statement for 2024 are highlighted as follows:

(a) net interest income for the year increased by HK$221 million to HK$618 million, mainly due to the increase in debt investment portfolio with yield enhancement;

(b) insurance service result, which reflects the insurance revenue less insurance service expenses taking into account the impact of reinsurance contracts held, was a loss of HK$1,627 million for 2024 (2023: a loss of HK$179 million). Insurance revenue mainly reflects the consideration to which the Company expects to be entitled in exchange for the provision of insurance contract services in the form of contractual service margin release, while insurance service expenses comprise the incurred claims and other incurred insurance service expenses and losses on onerous groups of contracts and reversals of such losses. The increase of loss in insurance service results was mainly due to higher losses on new annuity policies written, driven by lower discount rates adopted in 2024 and an increase in policies written upon the launch of the Campaign, and increase in loss on onerous contracts of reverse mortgage business due to the drop in property price in 2024;

(c) insurance finance expenses, net amounted to HK$405 million for 2024 (2023: HK$1,698 million). The above change in insurance finance expenses, was mainly attributable to the favourable change in insurance contract liabilities driven by the general increase in discount rates adopted at the end of 2024 as compared to that of 2023;

(d) other income was HK$1,258 million (2023: HK$1,411 million), mainly representing investment income of HK$1,374 million (2023: HK$1,268 million) from placements with the Exchange Fund, loss of HK$211 million (2023: gain of HK$52 million) arising from fair valuation adjustments at consolidation level for the loans with insurance cover provided by the HKMCI, a gain of HK$79 million (2023: HK$43 million) from change in fair value of financial instruments which largely represented the mark-to-market gain of derivatives for the purpose of hedging interest rate risk, and an exchange loss of HK$28 million (2023: gain of HK$7 million) arising primarily from revaluation of US dollar and offshore renminbi exposures in cash and debt investments. The above exchange gain represented the net results of the exchange difference from the financial assets and the mark-to-market revaluation on corresponding hedging derivatives for managing their foreign currency exposures; and

(e) operating expenses (net of recovery of operating expenses from the 100% SFGS and expenses directly attributable to the insurance acquisition and maintenance cash flows incorporated in the insurance service result) were HK$362 million (2023: HK$324 million), less than budget, to support the Group's missions and certain policy initiatives of the Government. The recovery of operating expenses from the 100% SFGS and DLGS and the expenses incorporated in the insurance service result for 2024 were HK$166 million (2023: HK$162 million) and HK$286 million (2023: HK$261 million) respectively.

3. Financial Position

As at 31 December 2024, total assets of the Group amounted to HK$221.8 billion. Key changes in the Group's financial position are as follows:

(a) cash and short-term funds slightly increased by HK$0.8 billion to HK$52.6 billion;

(b) loan portfolio was HK$95.5 billion (2023: HK$109.5 billion), comprising mainly 100% SFGS and DLGS loans, infrastructure loans, and residential mortgage and other loans at amortised cost of HK$82.8 billion, HK$7.2 billion and HK$2.9 billion respectively, and residential mortgage portfolio at fair value through profit or loss of HK$2.6 billion;

(c) investment portfolio was HK$18.8 billion (2023: HK$17.1 billion), comprising mainly debt investments of HK$15.1 billion classified as amortised cost investments and of HK$3.7 billion classified as investments at fair value through other comprehensive income;

(d) placements with the Exchange Fund amounted to HK$49.2 billion (2023: HK$34.1 billion), which comprised capital investments of the Company's wholly-owned subsidiaries, HKMCI and HKMCA, and premium investments of the HKMCA;

(e) outstanding balance of debt securities issued under prudent pre-funding decreased by HK$13.4 billion to HK$148.3 billion amid the rundown of loan portfolio;

(f) insurance contract liabilities were HK$25.0 billion (2023: HK$19.4 billion), of which HK$19.0 billion (2023: HK$14.4 billion) were from the annuity business and HK$6.0 billion (2023: HK$5.0 billion) were from the general insurance business; and

(g) capital and reserves attributable to equity holder were HK$38.9 billion (2023: HK$27.1 billion), largely reflecting the capital injection of HK$12.0 billion by the Exchange Fund during the year to capitalise the HKMCI for maintaining its solid solvency position.

4. Capital Management

During the year, to ensure that the Group would not incur excess risk when expanding its business and balance sheet in proportion to its capital base, the Group closely monitored its capital adequacy and use of capital, and complied with the Guidelines on Capital Adequacy Ratio (**Guidelines**) issued by the Financial Secretary with reference to Basel II risk-based capital adequacy framework.

In accordance with the Guidelines, the calculation of capital adequacy ratio (**CAR**) follows the basis of consolidation for financial reporting with the exclusion of regulated subsidiaries of the Company (i.e. the HKMCI and the HKMCA, both being authorized insurers regulated by the Insurance Authority (**IA**) and subject to respective statutory requirements of maintaining adequate capital).

Excluding the investment cost of these two unconsolidated regulated subsidiaries, the CAR of the Group remained solid at 19.9% as at 31 December 2024 (31 December 2023: 21.6%), well above the minimum ratio of 8% stipulated in the Guidelines. The solvency ratios for the HKMCI and the HKMCA were about 4 times and 1.7 times respectively as at 31 December 2024, both well above the minimum statutory requirements stipulated by the IA.

5. Principal Risks and Uncertainties facing the Group

The Group is exposed to credit risk through loan purchase, mortgage insurance, infrastructure financing and capital investment. The Group is also exposed to interest rate, property price and longevity risks under reverse mortgage-related business, and takes on longevity, market and liquidity risks under its annuity business. Furthermore, the Group assumes market risk, mainly the interest rate risk and the asset-liability maturity mismatch risk, for facilitating the business operation. In respect of environmental, social and governance (**ESG**) issues, the Group is exposed to potential ESG risks on the Company's operations, reputation and performances, with climate risk mainly related to treasury investment, IFS portfolio and mortgage businesses.

The risk exposures and the financial risk management during the year are set out in Note 3 to the Financial Statements.

6. The Group's Environmental Policies and Performance

The Group is committed to operating and carrying on business in a responsible and sustainable manner. As part of that commitment, the Group integrates ESG considerations, including climate-related factors, in its investment, lending and business decision-making process in line with its ESG Statement and ESG Guiding Principles and its Responsible Investment, Lending and Business Decision-making Principles which set out the Group's overall strategies and objectives in regard to ESG issues. For example, the Product Development ESG Guidelines and ESG Product Checklist have been developed to facilitate the Group's evaluation of the ESG impact of its products and their alignment with the Group's ESG strategy and objectives. The Group has been engaged in the implementation of its ESG strategy based on its core missions and worked on enhancing its ESG integration under the direction of its ESG Committee.

During the year, as regards the environmental aspects, the Group continued to support and implement various green measures to create and maintain an environmentally-friendly office (including agile office design and reuse of office furniture and equipment) and to raise employees' awareness of methods of waste reduction (including clothes and electronics recycling and book donation programmes) and energy conservation. Employees were encouraged to adopt paperless working practices by using more electronic communication and digitalisation measures in the office. Suggestions from employees on green office ideas were welcomed and the Group had incorporated ESG considerations into its procurement practices which include conducting ESG supplier due diligence and encouraging its suppliers to use and offer more environmentally-friendly products whenever practicable. The Group also formulated the Green Operations Guidelines to provide guidelines on green office practices in support of the Government's carbon neutrality commitments and Hong Kong's Climate Action Plan 2050. In addition, the Group adopted the Anti-Greenwashing Guidance for Marketing Materials to provide guidance to employees on potential greenwashing risks facing the Group and how such risks can be mitigated.

7. The Group's Compliance with Relevant Laws and Regulations that have a Significant Impact on the Group

During the year, there were no relevant laws and regulations relating to the environment that had a significant impact on the Group.

8. Indication of Likely Future Developments in the Group's Business

The Group will continue with its existing multi-faceted businesses and develop new enhancements, products and schemes as commissioned by the Government to attain its missions and social objectives. In addition, the Group will continue to maintain its prudent pre-funding strategy to stand ready to provide liquidity to the local banking sector when needed.

9. **The Group's Key Relationships with Its Employees and Counterparties that have a Significant Impact on the Group and on which the Group's Success Depends**

Employees

During the year, the Group continued to provide employees with competitive remuneration packages and fringe benefits, promising career paths and development opportunities, and a healthy and safe working environment. Through system automation and process re-engineering, the Group maintained a lean and efficient workforce, despite an increase in the scope of operations and the complexity of the products it offered. During the year, the Group introduced marriage leave and enhanced its work-from-home policy and compassionate leave policy.

The Group recognised the importance of continuous staff training and had devoted appropriate resources to the enhancement of its employees' professional knowledge and skills. During the year, the Group arranged training and e-learning to support staff development. In-house training of "Climate Fresk Workshop" was organised to raise awareness of the impact of climate change on society and economy. The Group also sponsored employees for external job-related training and development courses.

As at 31 December 2024, the permanent staff establishment of the Group was 427 (2023: 404) and the staff turnover rate was 8.14% (2023: 9.6%).

Counterparties

With respect to its loan and insurance portfolios, as at 31 December 2024, the Group maintained a panel of 34 approved sellers and 32 approved servicers under the MPP, 9 approved reinsurers under the MIP and 1 approved reinsurer under the RMP. In addition, there were 20 participating banks and lenders under the MIP, 9 under the Fixed Rate Mortgage Scheme, 14 under the PLGS, 20 and 35 under the 100% SFGS and the 80% and 90% guarantee products of the SFGS respectively, 12 under the DLGS for the travel sector and the cross-boundary passenger transport trade, 5 under the DLGS for battery electric taxis, and there were 12 and 7 participating institutions under the RMP and PRMP respectively. In relation to the life annuity business, there were 4 agent banks, 3 insurance brokers and 115 insurance agents for business referral and 1 ceding insurer for reinsurance under the Annuity Plan as at the end of the year.

DEBT SECURITIES

During the year ended 31 December 2024, the Company issued notes with a total nominal value of HK$103.5 billion under its multi-currency US$30 Billion Medium Term Note Programme for a consideration of around HK$103.1 billion. In 2024, the Company issued a triple-tranche Hong Kong dollar benchmark issuance comprising HK$8 billion 2-year, HK$3 billion 5-year and HK$1 billion 10-year bonds, and launched its third social bonds with triple-currency issuance of HK$7 billion 2-year, HK$8 billion 5-year, CNH2 billion 7-year and US$850 million 3-year tranches pursuant to the SGS Framework. The third social bonds marked the largest social bond issuance in Asia Pacific and was awarded the "Outstanding Award for Green and Sustainable Bond Issuer (Public Sector) – Largest Amount of Social Bonds" by the Hong Kong Quality Assurance Agency. The proceeds of the social bonds were used exclusively to finance and /or refinance projects that fall under one or more of the "Eligible Social Asset Categories" under the SGS Framework, while the proceeds of the rest of the notes issued during the year were used as general working capital of the Group.

A summary of debt securities issuance and redemption activities of the Group is set out in Note 29 to the Financial Statements.

DIVIDEND

Having considered the capital requirements for the business development, Directors recommended that no dividend be declared for the year ended 31 December 2024 (2023: nil).

DIRECTORS

Persons who served as Directors of the Company during the year or during the period beginning with the end of the year and ending on the date of this report are as follows:

The Hon. Paul CHAN Mo-po, GBM, GBS, MH, JP
Chairman and Executive Director

Mr Eddie YUE Wai-man, JP
Deputy Chairman and Executive Director

Mr Howard LEE Tat-chi, JP
Executive Director

Mr POU Hak-wan, JP
Executive Director and Chief Executive Officer (appointed on 26 December 2024)

The Hon. Christopher HUI Ching-yu, GBS, JP
Non-Executive Director

The Hon. Winnie HO Wing-yin, JP
Non-Executive Director

The Hon. CHAN Hak-kan, SBS, JP
Non-Executive Director

The Hon. Paul TSE Wai-chun, JP
Non-Executive Director

The Hon. Jimmy NG Wing-ka, BBS, JP
Non-Executive Director

The Hon. SHIU Ka-fai, BBS, JP
Non-Executive Director

Mr Clement CHAN Kam-wing, BBS, MH, JP
Non-Executive Director

Ms Margaret KWAN Wing-han
Non-Executive Director

Mr Raymond LI Ling-cheung
Executive Director and Chief Executive Officer (resigned on 26 December 2024)

In accordance with Article 109 of the Company's Articles of Association, all those Directors who are not Executive Directors shall retire but shall be eligible for re-election at the forthcoming annual general meeting.

The list of directors who served on the boards (or as the case may be, as the sole director) of the subsidiaries of the Company during the year or during the period beginning with the end of the year and ending on the date of this report is kept at the registered office of the Company and available for inspection by the sole shareholder during office hours.

PERMITTED INDEMNITY

A permitted indemnity provision (as defined in the Companies Ordinance) for the benefit of the Directors was in force during the year and is in force as at the date of this report.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Apart from the above and those disclosed in Note 31 to the Financial Statements on material related party transactions, there was no other transaction, arrangement or contract of significance in relation to the Company's business, to which any member of the Group was a party, and in which any person who was a Director at any time during the year or a connected entity (as defined in the Companies Ordinance) of any such person had, directly or indirectly, a material interest, which subsisted at the end of the year or at any time during the year.

AUDITOR

The Financial Statements have been audited by PricewaterhouseCoopers who will retire, and, being eligible, will offer themselves for reappointment, at the forthcoming annual general meeting of the Company.

On behalf of the Board of Directors

(Sd.)
CHAN Mo-po, Paul
Chairman and Executive Director

Hong Kong
26 May 2025

pwc 羅兵咸永道

Independent Auditor's Report

To the Sole Member of The Hong Kong Mortgage Corporation Limited
(incorporated in Hong Kong with limited liability)

Opinion

What we have audited

The consolidated financial statements of The Hong Kong Mortgage Corporation Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 16 to 120, comprise:

- the consolidated statement of financial position as at 31 December 2024;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Valuation of insurance contracts
- Impairment allowance for infrastructure loan portfolio

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of insurance contracts Refer to Note 28 to the consolidated financial statements. The issuance of the policies under the HKMC Annuity Limited and HKMC Insurance Limited (wholly-owned subsidiaries of the Company) have given rise to the recognition of insurance contracts on the consolidated statement of financial position of the Group in accordance with HKFRS 17 Insurance Contracts. The insurance contract liabilities recognised amounted to HK$24,851 million (2023: HK$19,288 million), being approximately 14% of the total consolidated liabilities of the Group as at 31 December 2024 (2023: 10%). The insurance contracts are measured as the total of the fulfilment cash flows ("FCF") and the contractual service margin ("CSM"), the determination of which requires judgement about uncertain future outcomes. The application of the measurement requirements under HKFRS 17 includes the use of methodologies that are applied in models. The methodologies applied in models use various assumptions. These assumptions are subject to estimation uncertainty.	We have performed our planned audit procedures using an integrated team of assurance and actuarial resources, including our understanding and evaluating the key internal controls over the actuarial process of the valuation of insurance contracts. With the involvement of our PwC actuarial experts, we have carried out the following procedures in relation to the FCF and CSM of the insurance contracts: • Assessing the appropriateness of the methodologies adopted and reviewed material changes as applicable; • Assessing the reasonableness of the key assumptions used including discount rates, mortality, property prices, and expenses, and management's rationale for the judgement applied; and • Evaluating the overall reasonableness of the insurance contracts. We found that management's judgements used in measuring insurance contracts were supported by the evidence obtained.
Impairment allowance for infrastructure loan portfolio Refer to Note 20 to the consolidated financial statements. As at 31 December 2024, the Group recorded an impairment allowance of HK$53 million (2023: HK$23 million) for its infrastructure loan portfolio	We have performed our planned audit procedures in relation to the assessment of impairment allowance for the infrastructure loan portfolio which include the following: • Understanding, evaluating and testing the governance processes over the impairment assessment, which included the ECL methodology, selection of forward-looking

Key Audit Matter	How our audit addressed the Key Audit Matter
amounted to HK$7,290 million (2023: HK$7,361 million). The Group developed an expected credit loss ("ECL") model with a forward-looking view, for estimating the impairment allowance for its infrastructure loan portfolio. The Group also established the governance processes and controls over the impairment assessment of its infrastructure loan portfolio. As part of the governance processes and controls, management assessed the overall ECL model and determined that it continues to remain appropriate. Management determines the staging classification of individual infrastructure loan based on (i) whether there is a change in the credit quality, particularly whether there is evidence which indicates a significant increase in credit risk ("SICR") since origination; and (ii) whether there are default indicators which might trigger migrations to credit impaired loans as detailed in Note 3.2. These indicators are quantitative and qualitative in nature. The assessment of these indicators involve significant management judgement, which affects the staging classification and the impairment allowance. In determining the impairment allowance, the Group considers historical loss rates, and adjusts for forward-looking factors. Forward-looking adjustments are detailed in Note 3.2. The Group selected a forward-looking view based on the outlook of global economy, relevant regional economic indicators, and specific industry sector data, taking into consideration of any relevant events. The loans are then rated under various scenarios and the probability is assigned to each scenario which affects the probability of default and the impairment allowance. Our audit focused on the determination of the staging classification as detailed in Note 4.1 and forward-looking scenarios, both of which are inherently subject to significant judgement by management.	scenarios and probability assigned to these scenarios, and management's assessment of the overall impairment allowance (which included the results of the annual back-testing procedures); • Understanding, evaluating and testing key internal controls over management's staging classification via their assessment of quantitative and qualitative credit indicators (including default indicators) that would drive the assignment of internal loan rating which in turn determines staging classification; • Assessing management's credit reviews of the infrastructure loans on a sampling basis to evaluate the appropriateness of the staging classification as at the year end; • Assessing the reasonableness and supporting documentation of the forward-looking scenarios and probability assigned to these scenarios with support of our credit experts; and • Assessing the overall reasonableness of the impairment allowance for the infrastructure loan portfolio, including performing sensitivity testing and stand-back procedures, made as at 31 December 2024. We found that management's judgements used in calculating the impairment allowance were supported by the evidence obtained.

Other Information

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

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

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

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

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. a We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Tam Man Kit, James.

Pricewaterhousecoopers

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 26 May 2025

THE HONG KONG MORTGAGE CORPORATION LIMITED

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	2024 HK$'000	2023 HK$'000
Interest income	6	**8,146,214**	7,901,337
Interest expense	7	**(7,528,253)**	(7,504,428)
Net interest income		**617,961**	396,909
Insurance revenue	8	**1,320,030**	1,128,783
Insurance service expenses	12, 28	**(3,299,828)**	(1,586,402)
Net income from reinsurance contracts held	10	**352,922**	278,699
Insurance service result		**(1,626,876)**	(178,920)
Net finance expenses from insurance contracts issued	9	**(414,920)**	(1,700,443)
Net finance income from reinsurance contracts held	9	**10,268**	2,932
Insurance finance expenses, net		**(404,652)**	(1,697,511)
Other income	11	**1,258,034**	1,410,775
Total operating loss		**(155,533)**	(68,747)
Operating expenses	12	**(362,166)**	(323,822)
Operating loss before impairment		**(517,699)**	(392,569)
Change in impairment allowances	14	**(34,911)**	(19,987)
Loss before taxation		**(552,610)**	(412,556)
Taxation	15(a)	**134,570**	153,054
Loss for the year		**(418,040)**	(259,502)

The notes on pages 21 to 120 are an integral part of these consolidated financial statements.

THE HONG KONG MORTGAGE CORPORATION LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	2024	2023
		HK$'000	HK$'000
Loss for the year		**(418,040)**	(259,502)
Other comprehensive income / (loss):			
Items that are or may be reclassified subsequently to profit or loss:			
Debt instruments at fair value through other comprehensive income:			
- change in the fair value, net		**15,213**	8,698
- change in the loss allowance, net	14	**147**	477
Cash flow hedges recognised in other comprehensive income:			
- change in the fair value, net		**(20,022)**	(120,247)
Finance income from insurance contracts issued	9	**339,509**	68,493
Finance expenses from reinsurance contract held	9	**(124,574)**	(60,393)
Deferred taxes	15(b)	**(52,454)**	(13,759)
Other comprehensive income / (loss) for the year, net of tax		**157,819**	(116,731)
Total comprehensive loss for the year		**(260,221)**	(376,233)

The notes on pages 21 to 120 are an integral part of these consolidated financial statements.

THE HONG KONG MORTGAGE CORPORATION LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2024

	Notes	**2024**	2023
		HK'000	HK$'000
ASSETS			
Cash and short-term funds	16	**52,647,182**	51,821,051
Interest and remittance receivables	17	**3,221,379**	3,370,378
Derivative financial instruments	18	**664,618**	828,542
Loans with 100% guarantee from the Government	19	**82,782,698**	97,362,356
Loan portfolio, net:			
- fair value through profit or loss	20(a)	**2,596,858**	1,907,045
- amortised cost	20(b)	**10,117,117**	10,230,417
Investment securities:			
- fair value through other comprehensive income	21(a)	**3,721,821**	2,509,537
- fair value through profit or loss	21(b)	**9,774**	9,870
- amortised cost	21(c)	**15,105,470**	14,573,985
Placements with the Exchange Fund	22	**49,244,684**	34,070,393
Prepayments, deposits and other assets	24	**385,987**	1,582,032
Reinsurance contract assets	28	**1,081,689**	761,043
Fixed assets	25	**246,899**	276,160
Total assets		**221,826,176**	219,302,809
LIABILITIES			
Interest payable	26	**3,342,324**	3,684,415
Accounts payable, accrued expenses and other liabilities	27	**4,132,666**	4,107,469
Derivative financial instruments	18	**1,740,649**	2,825,522
Current tax liabilities	15(b)	**223,782**	156,851
Insurance contract liabilities	28	**24,850,887**	19,288,197
Reinsurance contract liabilities	28	**195,009**	87,648
Debt securities issued	29	**148,299,636**	161,718,497
Deferred tax liabilities	15(b)	**174,488**	307,254
Total liabilities		**182,959,441**	192,175,853
EQUITY			
Capital and reserves attributable to the equity holder:			
Share capital	30	**26,500,000**	14,500,000
Retained profits		**8,397,399**	9,358,885
Contingency reserve		**3,560,638**	3,017,192
Insurance finance reserve		**386,483**	224,002
Fair value reserve		**23,518**	8,158
Hedging reserve		**(1,303)**	18,719
Total equity		**38,866,735**	27,126,956
Total liabilities and equity		**221,826,176**	219,302,809

Approved and authorised for issue by the Board of Directors on 26 May 2025.

(Sd.) (Sd.)

YUE Wai Man, Eddie
Deputy Chairman and Executive Director

POU Hak Wan
Executive Director and Chief Executive Officer

The notes on pages 21 to 120 are an integral part of these consolidated financial statements.

THE HONG KONG MORTGAGE CORPORATION LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2024

	Share capital	Retained profits	Contingency reserve	Insurance finance reserve	Fair value reserve	Hedging reserve	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance as at 1 January 2023	12,000,000	10,142,109	2,493,470	229,661	(1,017)	138,966	25,003,189
Loss for the year	-	(259,502)	-	-	-	-	(259,502)
Other comprehensive (loss) / income	-	-	-	(5,659)	9,175	(120,247)	(116,731)
Total comprehensive (loss) / income for the year	-	(259,502)	-	(5,659)	9,175	(120,247)	(376,233)
Capital injection (Note 30)	2,500,000	-	-	-	-	-	2,500,000
Transfer of 50% or 75% of relevant premium earned from retained profits to contingency reserve	-	(701,073)	701,073	-	-	-	-
Release of contingency reserve to retained profits	-	177,351	(177,351)	-	-	-	-
Balance as at 31 December 2023	14,500,000	9,358,885	3,017,192	224,002	8,158	18,719	27,126,956
Loss for the year	-	**(418,040)**	-	-	-	-	**(418,040)**
Other comprehensive income / (loss)	-	-	-	**162,481**	**15,360**	**(20,022)**	**157,819**
Total comprehensive income / (loss) for the year	-	**(418,040)**	-	**162,481**	**15,360**	**(20,022)**	**(260,221)**
Capital injection (Note 30)	**12,000,000**	-	-	-	-	-	**12,000,000**
Transfer of 50% or 75% of relevant premium earned from retained profits to contingency reserve	-	**(733,164)**	**733,164**	-	-	-	-
Release of contingency reserve to retained profits	-	**189,718**	**(189,718)**	-	-	-	-
Balance as at 31 December 2024	**26,500,000**	**8,397,399**	**3,560,638**	**386,483**	**23,518**	**(1,303)**	**38,866,735**

The notes on pages 21 to 120 are an integral part of these consolidated financial statements.

THE HONG KONG MORTGAGE CORPORATION LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	2024	2023
		HK$'000	HK$'000
Cash flows from operating activities			
Loss before taxation for the year		**(552,610)**	(412,556)
Adjustments for:			
Interest income	6	**(8,146,214)**	(7,901,337)
Interest expense	7	**7,528,253**	7,504,428
Dividend income	11	**(289)**	(265)
Income from placements with the Exchange Fund	11	**(1,374,291)**	(1,267,546)
Net loss / (gain) on investments at fair value through profit or loss	11	**48**	(238)
Net gain on disposal of investments at FVOCI	11	**(400)**	-
Net change in fair value of loan portfolio	11	**210,636**	(51,532)
Depreciation	12	**89,748**	82,158
Change in impairment allowances	14	**34,911**	19,987
Change in fair value of financial instruments		**(420,384)**	114,773
Interest received		**7,983,911**	7,701,804
Interest paid		**(7,345,111)**	(7,120,070)
Cash flows used in operating activities before changes in operating assets and liabilities		**(1,991,792)**	(1,330,394)
Change in time deposits with original maturity of more than three months		**(9,480,000)**	3,948,172
Change in remittance receivables		**53,591**	26,446
Change in prepayments, deposits and other assets		**1,196,045**	2,943,872
Change in loans with 100% guarantee from the Government		**14,579,658**	(7,200,121)
Change in loan portfolio		**(820,232)**	(79,732)
Change in accounts payable, accrued expenses and other liabilities		**43,352**	(8,697,735)
Change in insurance contract liabilities, net of reinsurance		**5,564,340**	3,225,962
Exchange differences		**432,959**	(364)
Cash generated from / (used in) operation		**9,577,921**	(7,163,894)
Taxation refunded / (paid)		**16,281**	(74,017)
Net cash generated from / (used in) operating activities		**9,594,202**	(7,237,911)
Cash flows from investing activities			
Purchase of fixed assets		**(38,734)**	(39,557)
Purchase of investment securities at fair value through other comprehensive income	21(a)	**(1,512,090)**	(1,440,325)
Purchase of investment securities at amortised cost	21(c)	**(6,434,043)**	(3,945,347)
Proceeds from sale and redemption of investment securities		**6,130,939**	2,703,685
Placements with the Exchange Fund		**(13,800,000)**	(3,395,000)
Withdrawals from the Exchange Fund		-	3,449,524
Dividend received from listed investments		**289**	265
Net cash used in investing activities		**(15,653,639)**	(2,666,755)
Net cash outflows before financing		**(6,059,437)**	(9,904,666)
Cash flows from financing activities			
Proceeds from bank borrowings		**22,143,958**	64,455,326
Repayments of bank borrowings		**(22,143,958)**	(64,455,326)
Proceeds from issue of debt securities	29	**103,114,200**	98,146,625
Redemption of debt securities issued	29	**(117,658,640)**	(69,456,323)
Principal elements of lease payments	25(b)	**(39,908)**	(35,182)
Proceeds from capital injection	30	**12,000,000**	2,500,000
Net cash (used in) / generated from financing activities		**(2,584,348)**	31,155,120
Net (decrease) / increase in cash and cash equivalents		**(8,643,785)**	21,250,454
Beginning cash and cash equivalents		**51,128,198**	29,883,316
Effect of exchange rates on cash and cash equivalents		**(8,582)**	(5,572)
Ending cash and cash equivalents	16	**42,475,831**	51,128,198

The notes on pages 21 to 120 are an integral part of these consolidated financial statements.

1. Basis of preparation

The consolidated financial statements of The Hong Kong Mortgage Corporation Limited (**Company**) and its subsidiaries (collectively the **Group**) have been prepared in accordance with Hong Kong Financial Reporting Standards ((**HKFRSs**) which is a collective term and includes all applicable individual Hong Kong Financial Reporting Standards (**HKFRS**), Hong Kong Accounting Standards (**HKASs**) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (**HKICPA**), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) carried at fair value.

The accounting policies and the methods of computation used in the preparation of these consolidated financial statements are consistently applied to all the years presented, unless otherwise stated.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

2. Summary of material accounting policies

2.1. Adoption of HKFRSs

(a) New and amended standards effective on 1 January 2024

The Group has adopted the following amendments to HKFRSs which are effective for accounting periods beginning on or after 1 January 2024:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (the "2020 Amendments")
Amendments to HKAS 1	Non-current Liabilities with Covenants (the "2022 Amendments")
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The nature and impact of the new and revised HKFRSs that are applicable to the Group are described below:

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transaction with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the

likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's consolidated financial statements.

Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the consolidated financial information of the Group.

(b) New standards and amendments issued but not yet effective

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these consolidated financial statements. The Group intends to apply these revised HKFRSs, if applicable, when they become effective.

HKFRS 18	Presentation and Disclosure in Financial Statements[3]
HKFRS 19	Subsidiaries without Public Accountability: Disclosures[3]
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 21	Lack of Exchangeability[1]
Annual improvements to HKFRS Accounting Standards – Volume 11	Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7[2]

1 Effective for annual periods beginning on or after 1 January 2025
2 Effective for annual periods beginning on or after 1 January 2026
3 Effective for annual / reporting periods beginning on or after 1 January 2027
4 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

HKFRS 18 replaces HKAS 1 "Presentation of Financial Statements". While a number of sections have been brought forward from HKAS 1 with limited changes, HKFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations, and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some

requirements previously included in HKAS 1 are moved to HKAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", which is renamed as HKAS 8 "Basis of Preparation of Financial Statements". As a consequence of the issuance of HKFRS 18, limited, but widely applicable, amendments are made to HKAS 7 "Statement of Cash Flows", HKAS 33 "Earnings Per Share" and HKAS 34 "Interim Financial Reporting". In addition, there are minor consequential amendments to other HKFRSs. HKFRS 18 and the consequential amendments to other HKFRSs will be effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Group is currently analysing the new requirements and assessing the impact of HKFRS 18 on the presentation and disclosure of the Group's consolidated financial statements.

HKFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other HKFRSs. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in HKFRS 10 "Consolidated Financial Statements", cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use in compliance with HKFRSs. Earlier application is permitted. As the Group has public accountability, it is not eligible to elect to apply HKFRS 19.

Amendments to HKFRS 9 and HKFRS 7 clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosure requirements for investments in equity instruments designated at FVOCI and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKICPA. However, the amendments are available for adoption now. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the

amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

"Annual Improvements to HKFRS Accounting Standards – Volume 11" set out amendments to HKFRS 1, HKFRS 7 (and the accompanying Guidance on implementing HKFRS 7), HKFRS 9, HKFRS 10 and HKAS 7. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 7 "Financial Instruments: Disclosures": The amendments have updated certain wordings in paragraph B38 of HKFRS 7 and paragraphs IG1, IG14 and IG20B of the Guidance on implementing HKFRS 7 for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the Guidance on implementing HKFRS 7 does not necessarily illustrate all the requirements in the referenced paragraphs of HKFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

- HKFRS 9 "Financial Instruments": The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with HKFRS 9, the lessee is required to apply paragraph 3.3.3 of HKFRS 9 and recognise any resulting gain or loss in profit or loss. In addition, the amendments have updated certain wordings in paragraph 5.1.3 of HKFRS 9 and Appendix A of HKFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

- HKFRS 10 "Consolidated Financial Statements": The amendments clarify that the relationship described in paragraph B74 of HKFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes inconsistency with the requirement in paragraph B73 of HKFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

- HKAS 7 "Statement of Cash Flows": The amendments replace the term "cost method" with "at cost" in paragraph 37 of HKAS 7 following the prior deletion of the definition of "cost method". Earlier application is permitted. The amendments are not expected to have any impact on the Group's consolidated financial statements.

2.2. Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December 2024.

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of

impairment of the asset transferred. Accounting policies of the subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interests in that subsidiary, with a resulting gain or loss being recognised in profit or loss.

In the Company's statement of financial position, the investment in the subsidiaries is stated at cost less provision for impairment allowances. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

2.3. Interest income and expense

Interest income and expense are recognised in the income statement for all interest-bearing financial instruments using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the gross carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider expected credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.4. Other income

(a) Fee income

Fees are generally recognised on an accrual basis when the service has been provided. Upfront arrangement fees that are an integral part of the effective interest rate are recognised as an adjustment to the effective interest rate in determining interest income on the loans.

(b) Dividend income

Dividend income is recognised when the right to receive payment is established.

(c) Income from placements with the Exchange Fund

Changes in fair value of the placements with the Exchange Fund classified as "financial assets at fair value through profit or loss" is recognised as income or loss in the year in which they arise.

2.5. Financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss); and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI.

The Group has classified the placements with the Exchange Fund as financial asset at fair value through profit or loss.

(b) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of the Group's financial assets are classified into the following categories, depending on the Group's business model for managing the asset and the cash flow characteristics of the asset:

- amortised cost: assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired.

- fair value through other comprehensive income (**FVOCI**): assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other income / (loss).

- fair value through profit or loss (**FVPL**): assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on investment that is subsequently measured at FVPL and is not part of a hedging relationship is recognised in profit or loss and presented net in the income statement within other income / (loss) in the period in which it arises.

(c) Impairment

The Group assesses on a forward-looking basis the expected credit losses (**ECLs**) associated with its assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.2 provides more details of how the ECLs is measured.

2.6. Equity securities and investment funds

Equity securities are measured at FVPL unless an election is made to designate them at FVOCI upon initial recognition.

For equity securities at FVPL, changes in fair value are recognised in profit or loss in the period in which they arise.

The election of FVOCI is made upon initial recognition on an instrument-by-instrument basis and once made is irrevocable. Gains and losses on these equity securities are recognised in OCI, which are not reclassified subsequently to profit or loss, including when they are derecognised.

Investment funds are measured at FVPL. Changes in fair value of these funds are recognised in profit or loss in the period in which they arise.

2.7. Financial liabilities

Financial liabilities are classified into two categories: financial liabilities at fair value through profit or loss and financial liabilities measured at amortised cost. All the financial liabilities are classified at inception and recognised initially at fair value.

Debt securities issued in the statement of financial position represent notes issued under the Medium Term Note (**MTN**) Programme.

These notes are initially designated as either (i) financial liabilities at fair value through profit or loss; or (ii) financial liabilities at amortised cost.

The notes classified as financial liabilities at amortised cost are initially recognised at fair value, which is the fair value of the consideration received, net of transaction costs incurred. The notes are subsequently stated at amortised costs; any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the debt securities using the effective interest method.

On redemption / repurchase of the notes, the resulting gains or losses, being the difference between the redemption / repurchase amount and the carrying amount, are recognised in the income statement in the period in which the redemption / repurchase takes place.

2.8. Recognition and de-recognition of financial instruments

Purchases and sales of investment securities are recognised on the trade date, the date on which the Group purchases or sells the assets. Loan portfolio and receivables are recognised when cash is advanced to the borrowers. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership. When the Group neither transfers or retains substantially all the risks and reward of ownership of a financial asset and retains control of the transferred asset, it is required to recognise the financial asset to the extent of the Group's continuing involvement in the financial

asset. Under the continuing involvement approach, the Group continues to recognise part of the transferred asset. The Group also recognises continuing involvement asset and liability, which represents the extent of the Group's continuing exposure to the risks and reward of the transferred asset.

Financial liabilities at fair value through profit or loss and debt securities issued are recognised on the trade date. Other financial liabilities are recognised when such obligations arise. Financial liabilities are derecognised from the statement of financial position when and only when the obligation specified in the contract is discharged, cancelled or expired.

The Group does not recognise an asset and a liability, when the Group enters into an arrangement to pass through cash flows from an asset and that arrangement meets specified conditions. In these cases, the Group acts more as an agent of the eventual recipients of the cash flows than as an owner of the asset. Accordingly, to the extent that those conditions are met the arrangement is treated as a transfer and considered for derecognition even though the entity may continue to collect cash flows from the asset. Conversely, to the extent the conditions are not met, the entity acts more as an owner of the asset with the result that the asset should continue to be recognised.

2.9. Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Interest receivables and payables arising from derivatives are separately presented in the statement of financial position.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received).

Certain derivatives embedded in financial liabilities are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (i) hedges of the fair value of recognised assets or liabilities or firm commitments (**fair value hedge**); or (ii) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecast transaction (**cash flow hedge**). Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

At the inception of the hedging, the Group documents the economic relationship between hedging instruments and hedged items, including whether changes in cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualified as fair value hedges

are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used, is amortised to income statement over the period to maturity.

(b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges are recognised in OCI and accumulated in equity as hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item will affect income statement.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(c) Derivatives not qualified as hedges for accounting purposes

Derivative instruments entered into as economic hedges that do not qualify for hedge accounting are held at fair value through profit or loss. Changes in the fair value of any derivative instrument are recognised immediately in the income statement.

2.10. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.11. Repossessed assets

Repossessed collateral assets are accounted as assets held for sale and reported in "Other assets" and the relevant loans are derecognised. The repossessed collateral assets are measured at lower of carrying amount and fair value less costs to sell.

2.12. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the Chief Executive Officer as its chief operating decision maker.

2.13. Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (**functional currency**). The consolidated financial statements are presented in thousands of units of Hong Kong dollars (**HK$'000**) which is the Company's functional and the Company's and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Monetary items denominated in foreign currency are translated with the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

In the case of changes in the fair value of monetary assets denominated in foreign currency classified as FVOCI, a distinction is made between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount, except impairment, are recognised in OCI.

Translation differences on non-monetary financial instruments held at FVPL are reported as part of the fair value gain or loss. Translation differences on non-monetary financial instruments classified as FVOCI, are included in the fair value reserve in equity.

2.14. Fixed assets

Fixed assets are stated at historical cost less accumulated depreciation and impairment losses.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives.

Right-of-use assets on leased properties for own use	shorter of the end of the useful life of the right-of-use asset or the end of the lease term
Leasehold improvements	over the unexpired period of the lease
Furniture and fixtures	over the unexpired period of the lease
Computer	three years
Office equipment	three years
Motor vehicle	four years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

2.15. Impairment of investment in subsidiaries

Impairment testing of the investment in a subsidiary is required upon receiving a dividend from that subsidiary if the dividend exceeds the total comprehensive income of the subsidiary concerned in the period the dividend is declared or if the carrying amount of the subsidiary in the Company's statement of financial position exceeds the carrying amount of the subsidiary's net assets including goodwill in the consolidated statement of financial position.

2.16. Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in OCI or directly in equity. In this case, the tax is also recognised in OCI or directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined using tax rates that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised where it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax is provided on temporary differences arising from investment in the subsidiary, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the difference will not be reversed in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.17. Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the end of each reporting period.

Employee entitlements to sick leave, maternity or paternity leave are recognised when the absence occurs.

(b) Bonus plans

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created constructive obligations.

(c) Pension obligations

The Group offers a mandatory provident fund scheme and a defined contribution scheme, the assets of which are generally held in separate trustee-administered funds. These pension plans are generally funded by payments from employees and by the Group.

The Group's contributions to the mandatory provident fund scheme and defined contribution scheme are expensed as incurred.

2.18. Leases

(a) As a lessee

(i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Right-of-use assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds it recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

(ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification.

(iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition to leases of assets that are considered as low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

2.19. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with original maturities of three months or less, including cash and balances with banks that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value.

2.20. Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.21. Insurance and reinsurance contracts classification

The Group issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. In general, the Group determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event had not occurred. Insurance contracts can also transfer financial risk.

In the normal course of business, the Group uses reinsurance to mitigate its risk exposures. A reinsurance contract transfers significant risk if it transfers substantially all of the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss.

The Group issues reinsurance contracts in the normal course of business to compensate other entities for claims arising from one or more insurance contracts issued by those entities.

2.22. Insurance and reinsurance contracts accounting treatment

(a) Level of aggregation

HKFRS 17 requires an entity to determine the level of aggregation for applying its requirements. The level of aggregation for the Group is determined firstly by dividing the insurance contracts written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of becoming onerous, and the remainder. This means that, for determining the level of aggregation, the Group identifies a contract as the smallest 'unit', i.e., the lowest common denominator. The Group then makes an evaluation of whether a series of contracts can be treated together in making the profitability assessment based on reasonable and supportable information, or whether a single contract contains components that need to be separated and treated as if they were stand-alone contracts. HKFRS 17 also requires that no group for level of aggregation purposes may contain contracts issued more than one year apart. Accordingly,

each portfolio is disaggregated into groups of contracts that are issued within a calendar year (annual cohorts).

The Group has defined portfolios of insurance and reinsurance contracts issued based on its product lines due to the fact that the products are subject to similar risks and managed together. The expected profitability of these portfolios at inception is determined based on the existing actuarial valuation models which take into consideration existing and new business.

The groups of contracts for which the fair value approach has been adopted on transition include contracts issued more than one year apart.

The insurance contracts portfolios are divided into:

- a group of contracts that are onerous at initial recognition;
- a group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently; and
- a group of the remaining contracts in the portfolio.

The reinsurance contracts held portfolios are divided into:

- a group of contracts on which there is a net gain on initial recognition;
- a group of contracts that have no significant possibility of a net gain arising subsequent to initial recognition; and
- a group of the remaining contracts in the portfolio.

(b) Recognition

The Group recognises groups of insurance contracts that it issues from the earliest of the following:

- the beginning of the coverage period of the group of contracts;
- the date when the first payment from a policyholder in the group is due, or when the first payment is received if there is no due date; or
- for a group of onerous contracts, as soon as facts and circumstances indicate that the group is onerous.

The Group recognises a group of reinsurance contracts held it has entered into from the earliest of the following:

- the beginning of the coverage period of the group of reinsurance contracts held. However, the Group delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date when any underlying insurance contract is initially recognised, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held; and
- the date the Group recognises an onerous group of underlying insurance contracts if the

Group entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

Only contracts that individually meet the recognition criteria by the end of the reporting period are included in the groups. When contracts are identified to meet the recognition criteria in the groups after reporting date, they are added to the groups in the reporting period in which they are identified to meet the recognition criteria. The Group adds new contracts to the group in the reporting period in which that contract meets one of the criteria set out above.

(c) Onerous groups of contracts

The Group has determined whether any contracts issued form a group of onerous contracts before the earlier of the beginning of the coverage period and the date when the first payment from a policyholder in the group is due. The Group looks at facts and circumstances to identify if a group of contracts are onerous based on:

- pricing information;
- results of similar contracts it has recognised; and
- environmental factors, e.g., a change in market experience or regulations.

(d) Contract boundary

The Group includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay the premiums, or in which the Group has a substantive obligation to provide the policyholder with services. A substantive obligation to provide services ends when:

- the Group has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks; or
- the Group has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio; and
- the pricing of the premiums for coverage up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract are not recognised. Such amounts relate to future insurance contracts.

(e) Insurance contracts – initial measurement

The Group measures a group of insurance contracts as the total of:

- fulfilment cash flows; and
- a CSM representing the unearned profit the Group will recognise as it provides service under the insurance contracts in the group.

Fulfilment cash flows comprise unbiased and probability-weighted estimates of future cash flows, discounted to present value to reflect the time value of money and financial risks, plus a risk adjustment for non-financial risk.

The Group's objective in estimating future cash flows is to determine the expected value, or the probability-weighted mean, of the full range of possible outcomes, considering all reasonable and supportable information available at the reporting date without undue cost or effort. The Group estimates future cash flows considering a range of scenarios which have commercial substance and give a good representation of possible outcomes. The cash flows from each scenario are probability-weighted and apply the current discount rates to reflect the time value of money and the financial risks related to those cash flows.

When estimating future cash flows, the Group includes all cash flows that are within the contract boundary including:

- premiums and related cash flows;
- claims and benefits, including reported claims not yet paid, incurred claims not yet reported and expected future claims;
- an allocation of insurance acquisition cash flows attributable to the portfolio to which the contract belongs;
- claims handling costs;
- policy administration and maintenance costs, including recurring commissions that are expected to be paid to intermediaries; and
- an allocation of fixed and variable overheads directly attributable to fulfilling insurance contracts.

The Group does not provide investment-return services in respect of contracts that it issues, nor does it perform investment activities for the benefit of policyholders.

The Group incorporates, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows. The Group estimates the probabilities and amounts of future payments under existing contracts based on information obtained, including:

- information about claims already reported by policyholders;
- other information about the known or estimated characteristics of the insurance contracts;
- historical data about the Group's own experience, supplemented when necessary with data from other sources. Historical data is adjusted to reflect current conditions; and
- current pricing information, when available.

The measurement of fulfilment cash flows includes insurance acquisition cash flows which are allocated as a portion of premium to profit or loss (through insurance revenue) over the

period of the contract in a systematic and rational way on the basis of the passage of time. The Group does not elect to accrete interest on insurance acquisition cash flows to be allocated to profit or loss.

The Group's CSM is a component of the insurance asset or liability for the group of insurance contracts that results in no income at initial recognition. The level of aggregation for CSM is on a group of contracts basis consistent with the level of aggregation specified above. If the fulfilment cash flows allocated to the group of insurance contracts, together with any previously recognised insurance acquisition cash flows and any cash flows arising from the contracts at the date of initial recognition in total are a net outflow, the group of contracts is considered to be onerous. A loss from onerous insurance contracts is recognised in profit and loss immediately.

For reinsurance contracts, the Group recognises any net gain or net cost as a CSM at initial recognition. If any net cost of obtaining reinsurance coverage relates to an insured event that occurred before the purchase of the group of reinsurance contracts held, it is recognised immediately in profit or loss. In addition, if the underlying insurance contracts are in an onerous position, the Group is allowed to recognise a reinsurance gain immediately in profit or loss for the portion of claims that the Group expects to recover from the reinsurance, if the reinsurance held was entered into prior to or at the same time as the onerous contract. Consequently, a loss-recovery component is created and adjusted for the group of reinsurance contracts. This determines the amounts that are subsequently presented in profit or loss as reversals of recoveries of losses from the reinsurance contracts and are excluded from the allocation of reinsurance premiums paid. The Group adjusts the loss-recovery component to reflect changes in the loss of an onerous group of underlying insurance contracts. The carrying amount of the loss-recovery component must not exceed the portion of the carrying amount of the loss of the onerous group of underlying insurance contracts that the Group expects to recover from the group of reinsurance contracts.

Measurement of reinsurance contract cash flows is consistent with the underlying insurance contracts, but with an adjustment for any risk of non-performance by the reinsurer.

(f) Insurance contracts – subsequent measurement

The CSM at the end of the reporting period represents the profit in the group of insurance contracts that has not yet been recognised in profit or loss, because it relates to future service to be provided.

For each profitability group of insurance contracts, the carrying amount of the CSM of the group at the end of the reporting period is adjusted by the Group to reflect the effect of the following changes:

- the effect of any new contracts added to the group;
- interest accreted on the carrying amount of the CSM during the reporting period, measured at the discount rates at initial recognition;
- the changes in fulfilment cash flows relating to future service, except to the extent that: (i) such increases in the fulfilment cash flows exceed the carrying amount of the CSM, giving rise to a loss; or (ii) such decreases in the fulfilment cash flows are allocated to the loss component of the liability for remaining coverage (**LRC**); and
- the amount recognised as insurance revenue because of the transfer of services in the

period, determined by the allocation of the CSM remaining at the end of the reporting period (before any allocation) over the current and remaining coverage period.

The discount rate is determined periodically and only the set of locked-in discount rates for a group of contracts in each period will be applied for subsequent measured. The discount rate used for accretion of interest on the CSM is determined using the bottom-up approach (Note 4.4(b)).

The CSM is recognised into insurance revenue over the duration of the group of insurance contracts based on the respective coverage units. The locked-in discount rate is the rate applicable at the date of initial recognition of contracts that joined a group for each annual cohort.

The changes in fulfilment cash flows relating to future service that adjust the CSM comprise:

- experience adjustments that arise from the difference between the premium receipts (and any related cash flows such as insurance acquisition cash flows) and the estimate, at the beginning of the period, of the amounts expected. Differences related to premiums received (or due) related to current or past services are recognised immediately in profit or loss while differences related to premiums received (or due) for future services are adjusted against the CSM;

- changes in estimates of the present value of future cash flows in the liability for remaining coverage, except those relating to the time value of money and changes in financial risk (recognised in the consolidated income statement and consolidated statement of comprehensive income rather than adjusting the CSM);

- differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period; and

- changes in the risk adjustment for non-financial risk that relate to future service.

Except for changes in the risk adjustment, adjustments to the CSM noted above are measured at discount rates that reflect the characteristics of the cash flows of the group of insurance contracts at initial recognition.

Where, during the coverage period, a loss is created for a group of insurance contracts becoming onerous when there is an increase in fulfilment cash flows that exceeds the carrying amount of the CSM. Once a change in fulfilment cash flows reduces CSM to nil, the excess establishes a loss which is recognised in profit and loss immediately for the net cash outflow. A loss component is established by the Group for the liability for remaining coverage for such onerous group depicting the losses recognised. Any subsequent decrease in the fulfilment cash flows will reverse the losses previously recognised in profit and loss. Any remaining loss will be released based on a systematic allocation of subsequent changes relating to future service in the fulfilment cash flows.

The Group measures the carrying amount of a group of insurance contracts at the end of each reporting period as the sum of (i) the liability for remaining coverage comprising fulfilment cash flows related to future service allocated to the group at that date and the CSM of the group at that date; and (ii) the liability for incurred claims (**LIC**) for the Group comprising the fulfilment cash flows related to past service allocated to the group at that date. The fulfilment cash flows at the reporting dates are measured using the current estimates of expected cash flows and current discount rates.

For reinsurance contracts, the carrying amount represents the sum of the asset for remaining coverage and the asset for incurred claims. The asset for remaining coverage comprises: (a) the fulfilment cash flows that relate to services that will be received under the contracts in future periods; and (b) any remaining CSM at that date.

(g) Insurance contracts – modification and derecognition

The Group derecognises insurance contracts when:

- the rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired); or

- the contract is modified such that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract, or the modified contract would have had a substantially different contract boundary, or the modified contract would have been included in a different group of contracts. In such cases, the Group derecognises the initial contract and recognises the modified contract as a new contract.

(h) Insurance acquisition cash flows

Insurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs.

(i) Presentation

The Group has presented separately in the statement of financial position the carrying amount of portfolios of insurance contracts issued that are assets, portfolios of insurance contracts issued that are liabilities, portfolios of reinsurance contracts held that are assets and portfolios of reinsurance contracts held that are liabilities.

The Group disaggregates the amounts recognised in the consolidated income statement and consolidated statement of comprehensive income into insurance service result, comprising insurance revenue and insurance service expenses from investment results, which comprises insurance finance income or expenses.

The Group does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and includes the entire change as part of the insurance service result.

The Group separately presents income or expenses from reinsurance contracts held and from insurance contracts issued.

(i) Insurance revenue

The Group's insurance revenue depicts the performance of insurance services through provision of coverage and other services arising from a group of insurance contracts at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. Insurance revenue from a group of insurance contracts is therefore the relevant portion for the period of the total consideration for the contracts, (i.e., the amount of premiums paid to the Group

adjusted for financing effect (the time value of money) and excluding investment components). The total consideration for a group of contracts covers amounts related to the provision of services and is comprised of:

- expected insurance service expenses for claims and other insurance expenses, excluding any amounts allocated to the loss component of the liability for remaining coverage;
- the risk adjustment for non-financial risk, excluding any amounts allocated to the loss component of the liability for remaining coverage;
- the CSM release; and
- amounts related to recovery of insurance acquisition cash flows.

For management judgement applied to the amortisation of CSM, please refer to Note 4.4(d).

(ii) Insurance services expenses

The insurance service expenses arising from insurance contracts are recognised in profit or loss as they are incurred. The insurance service expenses comprise: (a) incurred claims and other insurance expenses; (b) losses on onerous contracts and reversal of such losses; (c) adjustments to liability for incurred claims; and (d) related to amortising of insurance acquisition cash flows.

(iii) Loss components

The Group has grouped contracts that are onerous at initial recognition separately from contracts in the same portfolio that are not onerous at initial recognition. Groups that were not onerous at initial recognition can also subsequently become onerous if assumptions and experience changes. The Group has established a loss component of the liability for remaining coverage for any onerous group depicting the future losses recognised.

A loss component represents a notional record of the losses attributable to each group of onerous insurance contracts (or contracts profitable at inception that have become onerous). The loss component is released based on a systematic allocation of the subsequent changes in the fulfilment cash flows to: (i) the loss component; and (ii) the liability for remaining coverage excluding the loss component. The loss component is also updated for subsequent changes in estimates of the fulfilment cash flows related to future service. The systematic allocation of subsequent changes to the loss component results in the total amounts allocated to the loss component being equal to zero by the end of the coverage period of a group of contracts (since the loss component will have been materialised in the form of incurred claims).

(iv) Loss-recovery components

When the Group recognises a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the Group establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses.

Where a loss component has been set up subsequent to initial recognition of a group of underlying insurance contracts, the portion of income that has been recognised from related reinsurance contracts held is disclosed as a loss-recovery component.

Where a loss-recovery component has been set up at initial recognition or subsequently, the Group adjusts the loss-recovery component to reflect changes in the loss component of an onerous group of underlying insurance contracts.

The carrying amount of the loss-recovery component must not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the Group expects to recover from the group of reinsurance contracts held. On this basis, the loss-recovery component recognised at initial recognition is reduced to zero in line with reductions in the onerous group of underlying insurance contracts and is nil when loss component of the onerous group of underlying insurance contracts is nil.

(v) Insurance finance income and expense

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

- the effect of the time value of money and changes in the time value of money; and

- the effect of financial risk and changes in financial risk.

The Group disaggregates insurance finance income or expenses on insurance and reinsurance contracts issued between profit or loss and OCI for general insurance business. The impact of changes in market interest rates on the value of the insurance and related reinsurance assets and liabilities are reflected in OCI in order to minimise accounting mismatches between the accounting for financial assets and insurance assets and liabilities. The impacts from differences between current period rates and locked-in rates are presented in OCI.

For general insurance business, the Group's invested assets which are deposits and debt securities investments backing the groups of insurance contracts measured under the GMM are measured at amortised costs. As a result, the effect of the time value of money for the groups of insurance contracts are reflected in profit or loss and the effect of financial risk and changes in financial risk is reflected in OCI.

The Group systematically allocates expected total insurance finance income or expenses over the duration of the group of contracts to profit or loss using discount rates determined on initial recognition of the group of contracts for which changes in assumptions that relate to financial risk do not have a substantial effect on the amounts paid to the policyholder.

In the event of transfer of a group of insurance contracts or derecognition of an insurance contract, the Group reclassifies the insurance finance income or expenses to profit or loss as a reclassification adjustment of any remaining amounts for the group (or contract) that were previously recognised in OCI.

With respect to the annuity business, insurance finance income or expenses on the issued insurance contracts is not disaggregated because the related financial assets are managed on a fair value basis and measured at fair value through profit or loss.

(vi) Net income or expense from reinsurance contracts held

The Group presents on the face of the consolidated income statement and consolidated statement of comprehensive income the net amounts of expected recovery from reinsurers and an allocation of the reinsurance premiums paid. The Group treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held. Amounts relating to the recovery of losses from reinsurance of onerous direct contracts are included as amounts recoverable from the reinsurer. For reinsurance cash flows that are not contingent on claims on the underlying contracts (for example, some types of ceding commissions), they are treated as reduction in reinsurance premiums paid. The allocation of reinsurance premiums paid represents the total of the changes in the asset for remaining coverage that relate to services for which the Group expects to pay consideration.

2.23. Loans that transfer significant insurance risk

There are contracts issued by the Group with a feature combining a loan component with an agreement to compensate the borrowers by waving the borrowers' outstanding debt (for example, repayment of the loan balance and payment of interest) if a specified uncertain future event adversely affects the borrowers (for example, death). The insurance risk transferred by these contracts arises primarily from guarantees provided to the borrowers of the maximum amount of outstanding debt that is repayable if specified uncertain future events occur. Following the adoption of HKFRS 17, the loan component is no longer allowed to account separately from an insurance contract. On the other hand, it is allowed to apply HKFRS 9 to account for both components of such contracts in entirety. The Group has applied HKFRS 9 to such contracts. The objective of the Group's business model is to hold relevant loans with insurance cover to collect contractual cash flows until maturity rather than to sell. However, the cash flows of these contracts fail to meet the "solely for payments of principal and interest" test in view of the non-recourse feature as the credit risk of the Group is exchanged for the performance of underlying collateral value for repayment of loan balance and payment of interest. Accordingly, such contracts (with both loan and insurance components in entirety) are measured as fair value through profit or loss under HKFRS 9. The determination of the fair value of these loans is based on income approach by discounting future cash flows (including annuity payout, premium and interest income, loan prepayment, collateral property value and so on) to present value at a rate that market participant would use when pricing the similar asset.

2.24. Contingency reserve

For general insurance business, 50% or 75% of the relevant premiums or insurance premium earned, depending on the respective product, under Insurance Ordinance basis is set aside as a contingency reserve for a period of time in accordance with relevant regulatory guidelines and as considered appropriate by the directors. Withdrawals from the contingency reserve can be made to meet excess claims at any time during the period. At the end of the reporting period, the unutilised balance of the contingency reserve can be released to retained profits.

3. Financial risk management

3.1. Strategy in using financial instruments

The major activities of the Group are (i) to purchase portfolios of mortgages or loans; (ii) to raise financing for its purchase of assets through issuance of debt securities; (iii) to develop infrastructure financing business; (iv) to provide mortgage insurance cover in respect of mortgage loans and reverse mortgage loans originated by participating lenders and secured on residential properties in Hong Kong, life insurance policies and other assets, if applicable; (v) to operate a scheme for the Government of the Hong Kong Special Administrative Region (**Government**) providing guarantee on loans advanced by participating lenders for local small and medium enterprises (**SMEs**) and to operate a scheme for the Government providing 100% guarantee on loans advanced by participating lenders for unemployed individuals; and (vi) to offer life annuity products in or from Hong Kong. By their nature, the Group's activities are principally related to the use of financial instruments including cash, loans, debts, investments, and derivatives.

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. The Group manages the risks in a prudent manner in sustaining the Group's financial performance.

The Corporate Risk Management Committee is set up at group level to provide oversight of the enterprise-wide risk matters including financial and non-financial risks. The policies and limits for various risks are monitored and reviewed regularly by various management committees of the Company, including Infrastructure Financing and Securitisation Investment Committee (**IFSIC**), Credit Committee, Asset and Liability Committee (**ALCO**), Transaction Approval Committee (**TAC**), Environmental, Social and Governance (**ESG**) Committee, and Operational Risk Committee (**ORC**) which report to the Corporate Risk Management Committee.

The IFSIC executes oversight and approval authority over all investments in infrastructure loans. The Credit Committee oversees the credit policies and standards for asset acquisition. The ALCO oversees the implementation of market risk management and investment guidelines approved by the Board of Directors. The TAC conducts an in-depth analysis of pricing economics and associated risks for business transactions, whilst taking into consideration the latest market conditions and business strategies approved by the Board. The ESG Committee is established to direct and oversee the development and implementation of ESG strategy having regard to the relevant requirements and guidelines. The ORC is responsible for ensuring that all business entities and line functions maintain an effective operational risk and internal control framework. The ORC is also responsible for providing directions and resolving issues related to policies, controls and management of operational issues referred to by line functions, as well as ensuring prompt and appropriate corrective action in response to audit findings related to operational risks or internal controls. In addition, Group Internal Audit Department is responsible for the independent review of the internal control systems of the Group.

The Group established Longevity Risk Committee to manage longevity risk of the Group. Its duties include approving longevity risk management policies and hedging transactions and reviewing longevity experiences and exposures of the Group. It also monitors and analyses the general trend, technological changes and their implications for human longevity.

In respect of general insurance business, a Risk Committee is established by HKMC Insurance Limited (**HKMCI**) as an independent oversight committee to assist its Board to oversee implementation of risk management framework and manage all risks faced by the HKMCI. For HKMC Annuity Limited (**HKMCA**), a Risk Committee is established to manage the enterprise-wide risk matters, including financial and non-financial risks.

The most important types of risks are credit risk, market risk which includes currency risk, interest rate risk and equity price risk, liquidity risk and insurance risk.

3.2. Credit risk

The Group's principal financial assets are its cash and short-term funds, investment securities, placements with the Exchange Fund, loan portfolio and loans with 100% guarantee from the Government under the SME Financing Guarantee Scheme (**SFGS**) and Dedicated 100% Loan Guarantee Schemes (**DLGS**). The credit risk on liquid funds and investment securities is limited because the credit ratings of the counterparties, mainly sovereigns, quasi-sovereign agencies, banks and companies, should meet the minimum requirement in accordance with the investment guidelines approved by the Board of Directors. The capital of the HKMCA and the HKMCI as well as premium receipts of the HKMCA are placed with the Exchange Fund managed by the Hong Kong Monetary Authority (**HKMA**). The credit risk on the placements with the Exchange Fund is very limited as it is exposure to the Government. Regarding loans with 100% guarantee from the Government, the credit default risk of the loans is fully guaranteed by the Government.

The Group's credit risk is primarily attributable to its loan portfolio, which is the risk that a loan borrower will be unable to pay amounts in full when due. The Group therefore has a prudent policy for managing its exposure to credit risk.

To maintain the quality of the loan portfolios, the Group adheres to a prudent risk management framework to (i) select Approved Sellers with established criteria; (ii) adopt prudent asset purchasing criteria; (iii) conduct effective and in-depth due diligence reviews; (iv) implement robust project structures and financing documentation; (v) perform an ongoing monitoring and reviewing mechanism; and (vi) ensure adequate protection for higher-risk assets or transactions.

The Group undertakes ongoing credit review with special attention paid to problem loans. Business units will monitor these loans and take recovery action such as establishing relief plan with borrowers in order to maximise recoveries. Loan impairment assessment is performed regularly and impairment allowance is charged to income statement in accordance with the guidelines approved by the Credit Committee.

Collateral and other credit enhancements

The Group has implemented guidelines on the acceptability of specific classes of collateral on credit risk mitigation, which are subject to regular review.

Loan portfolio and loans with 100% guarantee from the Government

The principal collateral types for residential mortgage portfolio mainly consist of properties located in Hong Kong. For hire purchase receivable, the collateral types include taxi and public light bus licenses. Residential mortgage portfolio and hire purchase receivable are generally fully secured by collateral. The current collateral value of properties is determined with the use of public indices on a portfolio basis. The principal collateral types for infrastructure loan portfolio mainly consist of security interests in the assets of the borrowers and assignment of key project documents and / or charge over bank accounts but the actual security varies projects to projects.

Regarding loans with 100% guarantee from the Government, no collateral is sought as the credit default risk of the loans is fully guaranteed by the Government. Please refer to Note 19 for more details.

Time deposits with banks, investment securities and placements with the Exchange Fund

Collaterals are generally not sought for time deposits with banks as the exposures are considered to be low risk due to the nature of the counterparties and short-term maturity. Investment securities and placements with the Exchange Fund are generally unsecured.

Derivative financial instruments

The Group enters into ISDA master agreement with all counterparties for derivative transactions where each party will be able to settle all outstanding amounts on a net basis in the event of default of the other party. The Group also executed Credit Support Annex (**CSA**) with all counterparties in conjunction with the master agreement. Under CSA, collateral is passed between the parties to mitigate the counterparty risk inherent in outstanding positions.

For financial instruments such as derivatives, exposures are monitored against counterparty risk limits established in accordance with the investment guidelines and credit risk policy of the Group. These counterparty risk limits are subject to regular review by the Credit Committee on an annual basis. At any one time, the amount subject to counterparty risk is limited to the current fair value of instruments favourable to the Group (i.e. assets with positive fair value), which in relation to derivatives is only a small fraction of the contract, or notional values used to express the volume of instruments outstanding. This counterparty risk exposure is managed as part of the overall credit limits with counterparties, together with potential exposures from market movements.

Mortgage insurance contracts, other guarantee and insurance contracts

The details are disclosed in Note 3.5.

Settlement risk arises in any situation where a payment in cash, securities or equities is made in the expectation of a corresponding receipt in cash, securities or equities. Daily settlement limits are established for each counterparty to cover the aggregate of all settlement risk arising from the Group's market transactions on any single day.

Expected credit loss (ECL) measurement

For financial assets, the following credit risk modelling applies:

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information with the following indicators incorporated:

- external credit rating (as far as available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- significant increases in credit risk on other financial instruments of the same borrower;
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements; and

- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the financial conditions of the borrower.

A three-stage approach to measuring ECLs is applied on loan portfolio, cash and short-term funds and investment securities accounted for at amortised cost and FVOCI. Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

Stage 1: 12-month ECLs

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.

Stage 2: Lifetime ECLs – not credit impaired

For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.

Stage 3: Lifetime ECLs – credit impaired

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that have become credit impaired, a lifetime ECL is recognised and interest income is calculated by applying the effective interest rate to the amortised cost (net of impairment provision) rather than the gross carrying amount.

ECLs are derived from unbiased and probability-weighted estimates of expected loss. The amount of the ECLs is recognised using an impairment allowance account with the movement in this account charged to income statement.

At initial recognition, impairment allowance is required for ECLs resulting from default events that are possible within the next 12 months (**12-month ECLs**). At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. In the event of a significant increase in credit risk, impairment allowance is required from all possible default events over the expected life of the financial assets (**Lifetime ECLs**). If, in a subsequent period, credit quality improves and reverses any previously assessed significant increase in credit risk since origination, then the impairment allowance reverts from Lifetime ECLs to 12-month ECLs.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Loans are written off after all the necessary procedures have substantially been completed and the amount of the loss has been determined. Where loans have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

No impairment allowance was made on interest and remittance receivables, deposits and other assets as the amount was immaterial.

The Group uses three categories for loans which reflect their credit risk and how the loan loss provision is determined for each of those categories.

(a) Loans with 100% guarantee from the Government

These loans are fully guaranteed by the Government as detailed in Note 19. The Group uses three categories for loans which reflect their credit risk:

Stage 1: It represents performing loans with low risk of default and the borrower has a strong capacity to meet contractual cash flows.

Stage 2: It represents loans with significant increase in credit risk since the moment of acquisition, for example there is interest or principal payment overdue between 30 days and 60 days.

Stage 3: It represents loans with significant increase in credit risk with interest or principal payment overdue for over 60 days, or loans with default notice submitted by banks.

Given the default loss of these loans are fully guaranteed, no impairment allowance is recognised in view of the minimal default risk of the Government.

	Stage 1	**Stage 2**	**Stage 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
As at 31 December 2024				
Gross carrying amount	**74,154,028**	**1,754,591**	**6,874,079**	**82,782,698**
Impairment allowance	-	-	-	-
Carrying amount	**74,154,028**	**1,754,591**	**6,874,079**	**82,782,698**

	Stage 1	Stage 2	Stage 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2023				
Gross carrying amount	92,050,026	2,015,090	3,297,240	97,362,356
Impairment allowance	-	-	-	-
Carrying amount	92,050,026	2,015,090	3,297,240	97,362,356

(b) Loan portfolio

A summary of the assumptions underpinning the Group's ECL model on loans is as follows:

Category	**Definition of category**	**Basis for recognition of ECL provision**
Stage 1	Borrowers have a low risk of default and a strong capacity to meet contractual cash flows.	12-month ECLs (Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.)
Stage 2	Loans for which there is a significant increase in credit risk; a significant increase in credit risk is presumed if interest and / or principal repayments are more than 30 days past due.	Lifetime ECLs – not credit impaired
Stage 3	Interest and / or principal repayments are 90 days past due, borrowers with bankruptcy or properties repossessed.	Lifetime ECLs – credit impaired

Category	Definition of category	Basis for recognition of ECL provision
Write-off	There is no reasonable expectation of recovery on the delinquent interest and / or principal repayments.	Asset is written off

However, in certain cases, the Group will also consider a loan to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any enhancements held by the Group.

Over the term of the loans, the Group accounts for its credit risk by appropriately providing for ECLs on a timely basis. In calculating the ECL rates, the Group considers historical loss rates for each category of loan portfolio, and adjusts for forward-looking macroeconomic data.

Loan portfolio at amortised cost consists of residential mortgage portfolio, infrastructure loans and others which are hire purchase receivable and microfinance loans.

The Group have adopted a range of economic cycle stages for the assessment of mortgage loans and hire purchase receivable by portfolio basis. Probabilities are assigned to different economic cycle stages for the assessment. Based on market outlook, Credit Committee members form a view on the likelihood of each economic cycle stage. The default probability is based on the weighted average of likelihood of different economic cycle stage and the corresponding default probability.

For infrastructure loans assessed by individual project basis, the Group has selected a forward-looking view based on outlook of global economy, relevant regional economic indicators, specific industry data, and taking into consideration of the impact of any special events. Infrastructure loans are rated under various scenarios. The probability table is set up to determine the probability of each scenario under each forward-looking view.

The following table contains an analysis of the credit risk exposure of loan portfolio at amortised cost.

	Stage 1	Stage 2	Stage 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2024				
Loan portfolio at amortised cost				
Gross carrying amount				
Residential mortgage portfolio	2,807,202	3,844	5,501	2,816,547
Infrastructure loans	7,290,487	-	-	7,290,487
Others	69,504	-	2,221	71,725
	10,167,193	3,844	7,722	10,178,759
Impairment allowance				
Residential mortgage portfolio	(6,849)	-	-	(6,849)
Infrastructure loans	(52,940)	-	-	(52,940)
Others	(259)	-	(1,594)	(1,853)
	(60,048)	-	(1,594)	(61,642)
Carrying amount	10,107,145	3,844	6,128	10,117,117

	Stage 1	Stage 2	Stage 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2023				
Loan portfolio at amortised cost				
Gross carrying amount				
Residential mortgage portfolio	2,795,317	5,042	4,501	2,804,860
Infrastructure loans	7,361,398	-	-	7,361,398
Others	87,938	-	2,441	90,379
	10,244,653	5,042	6,942	10,256,637
Impairment allowance				
Residential mortgage portfolio	(2,134)	-	-	(2,134)
Infrastructure loans	(22,555)	-	-	(22,555)
Others	(184)	-	(1,347)	(1,531)
	(24,873)	-	(1,347)	(26,220)
Carrying amount	10,219,780	5,042	5,595	10,230,417

The impairment allowance for loan portfolio as at 31 December 2024 reconciles to the opening impairment allowance as follows:

	Stage 1	**Stage 2**	**Stage 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Impairment allowance as at 1 January 2023	13,222	5	1,447	14,674
Loans purchased and repayment	10,033	-	-	10,033
Net measurement of impairment arising from changes of stage	-	(5)	-	(5)
Movement due to changes in credit risk	1,618	-	217	1,835
Recoveries of loans not written-off	-	-	(32)	(32)
	11,651	(5)	185	11,831
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Write-offs	-	-	(285)	(285)
Impairment allowance as at 31 December 2023 (Note 20)	24,873	-	1,347	26,220
Loans purchased and repayment	**27,402**	-	-	**27,402**
Net measurement of impairment arising from changes of stage	-	**22**	-	**22**
Movement due to changes in credit risk	**7,773**	-	**264**	**8,037**
Recoveries of loans not written-off	-	-	**(39)**	**(39)**
	35,175	**22**	**225**	**35,422**
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	**(22)**	**22**	-
Write-offs	-	-	-	-
Impairment allowance as at 31 December 2024 (Note 20)	**60,048**	-	**1,594**	**61,642**
Change in loan impairment allowance	**35,175**	**22**	**225**	**35,422**
Net change in loan commitment impairment allowance	**(2,211)**	-	-	**(2,211)**
Recoveries of loans previously written-off	-	-	**(128)**	**(128)**

	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Total HK$'000
Total change in impairment allowance recognised in profit or loss for year ended 31 December 2024(Note 14)	**32,964**	**22**	**97**	**33,083**
Total change in impairment allowance recognised in profit or loss for year ended 31 December 2023 (Note 14)	18,710	(5)	(327)	18,378

(c) Cash and short-term funds

The impairment allowance for cash and short-term funds as at 31 December 2024 reconciles to the opening impairment allowance as follows:

	HK$'000
Impairment allowance as at 1 January 2023	3,104
Change in the impairment allowance recognised in profit or loss during the period (Note 14)	1,043
Impairment allowance as at 31 December 2023 (Note 16)	4,147
Change in the impairment allowance recognised in profit or loss during the period (Note 14)	**1,502**
Impairment allowance as at 31 December 2024 (Note 16)	**5,649**

According to the approved investment guidelines, the Group can only place deposits with note-issuing banks or banks with a certain minimum credit rating.

The Group has established a provision matrix that is based on the external credit rating of each counterparty and the corresponding historical credit loss experience, adjusted for forward-looking macroeconomic data to determine the ECLs for impairment allowance. The Group has selected a range of possible economic outcomes, based on outlook of global economy and relevant economic indicators, taking into consideration the impact of any special events, as the most suitable views to the portfolio. A probability rate table is set up to determine the probability rate for the forward-looking views.

All of these financial assets are considered to be low risk in view of all deposit banks are rated at investment grade by rating agencies, and thus the impairment allowance recognised during the period was limited to 12-month ECLs for stage 1. During the year, the increase in the impairment allowance was mainly due to the increase in deposits with banks and there was no transfer to stages 2 and 3.

As at 31 December 2024 and 31 December 2023, the minimum acceptable short-term credit ratings are A-2 (Standard and Poor's), P-2 (Moody's) and F-2 (Fitch's).

(d) Investment securities

Investment securities are composed of debt securities and investment funds, while debt securities comprise conventional debt securities and infrastructure-related bonds.

According to the approved investment guidelines, conventional debt securities can only be invested with a certain minimum credit rating. The proportion of investments according to rating categories is monitored and reviewed by ALCO. Investment in infrastructure-related

bonds which are secured by project assets and other typical security package for infrastructure financing, is governed and monitored by IFSIC.

The table below presents an analysis of debt securities by rating classification as at the end of the reporting period, based on external credit rating agency's ratings (Standard and Poor's, Moody's and Fitch's) or internal ratings based on the rating models provided by external credit rating agency. In the absence of issue-specific ratings, the ratings for the issuers are reported.

	Investment securities at FVOCI	**Investment securities at amortised cost**	**Total**
	HK$'000	**HK$'000**	**HK$'000**
As at 31 December 2024			
AAA / Aaa	**182,621**	**665,399**	**848,020**
AA- to AA+ / Aa3 to Aa1	**2,745,410**	**6,790,367**	**9,535,777**
A- to A+ / A3 to A1	**793,790**	**7,153,171**	**7,946,961**
BBB*	**-**	**501,383**	**501,383**
Total	**3,721,821**	**15,110,320**	**18,832,141**

* Infrastructure-related bonds

	Investment securities at FVOCI	Investment securities at amortised cost	Total
	HK$'000	HK$'000	HK$'000
As at 31 December 2023			
AAA / Aaa	-	395,913	395,913
AA- to AA+ / Aa3 to Aa1	1,622,326	3,878,862	5,501,188
A- to A+ / A3 to A1	887,211	10,303,881	11,191,092
Total	2,509,537	14,578,656	17,088,193

The following table contains an analysis of the credit risk exposure of investment securities for which impairment allowance is recognised. There was no transfer to stages 2 and 3 during the period.

	Stage 1	**Stage 2**	**Stage 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
As at 31 December 2024				
Gross carrying amount				
- FVOCI	**3,721,821**	**-**	**-**	**3,721,821**
- amortised cost	**15,110,320**	**-**	**-**	**15,110,320**
Impairment allowance				
- amortised cost	**(4,850)**	**-**	**-**	**(4,850)**
Carrying amount				
- FVOCI	**3,721,821**	**-**	**-**	**3,721,821**
- amortised cost	**15,105,470**	**-**	**-**	**15,105,470**
	18,827,291	**-**	**-**	**18,827,291**

	Stage 1	Stage 2	Stage 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2023				
Gross carrying amount				
- FVOCI	2,509,537	-	-	2,509,537
- amortised cost	14,578,656	-	-	14,578,656
Impairment allowance				
- amortised cost	(4,671)	-	-	(4,671)
Carrying amount				
- FVOCI	2,509,537	-	-	2,509,537
- amortised cost	14,573,985	-	-	14,573,985
	17,083,522	-	-	17,083,522

The impairment allowance for investment securities as at 31 December 2024 reconciles to the opening impairment allowance as follows:

	Stage 1	**Stage 2**	**Stage 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Impairment allowance as at 1 January 2023				
- FVOCI	398	-	-	398
- amortised cost	4,582	-	-	4,582
Change in the impairment allowance recognised in profit or loss during the period				
- FVOCI (Note 14)	477	-	-	477
- amortised cost (Note 14)	89	-	-	89
Impairment allowance as at 31 December 2023				
- FVOCI	875	-	-	875
- amortised cost (Note 21(c))	4,671	-	-	4,671
Change in the impairment allowance recognised in profit or loss during the period				
- FVOCI (Note 14)	**147**	-	-	**147**
- amortised cost (Note 14)	**179**	-	-	**179**
Impairment allowance as at 31 December 2024				
- **FVOCI**	**1,022**	-	-	**1,022**
- **amortised cost (Note 21(c))**	**4,850**	-	-	**4,850**

(i) Investment securities at amortised cost

Investment securities at amortised cost include listed and unlisted debt securities. The impairment allowance on investment securities at amortised cost as at 31 December 2024 reconciles to the opening impairment allowance as follows:

	HK$'000
Impairment allowance as at 1 January 2023	4,582
Change in the impairment allowance recognised in profit or loss during the period (Note 14)	89
Impairment allowance as at 31 December 2023 (Note 21(c))	4,671
Change in the impairment allowance recognised in profit or loss during the period (Note 14)	**179**
Impairment allowance as at 31 December 2024 (Note 21(c))	**4,850**

The Group has established a provision matrix that is based on the external credit rating or internal credit rating (based on rating model provided by external credit rating agency) of each counterparty and the corresponding historical credit loss experience, adjusted for forward-looking macroeconomic data to determine the ECLs for impairment allowance. The Group has selected a range of possible economic outcomes, based on outlook of global economy and relevant economic indicators, taking into consideration the impact of any special events, as the most suitable views to the portfolio. A probability rate table is set up to determine the probability rate for the forward-looking views.

All of these investment securities carried at amortised cost are considered with no significant increase in credit risk as at 31 December 2024, and thus the impairment allowance recognised for the year ended 31 December 2024 was limited to 12-month ECLs under Stage 1. During the year, the increase in the impairment allowance was mainly due to the increase in investment securities at amortised cost.

(ii) Investment securities at FVOCI

Investment securities at FVOCI include listed and unlisted debt securities. The impairment allowance on investment securities at FVOCI as at 31 December 2024 reconciles to the opening impairment allowance as follows:

	HK$'000
Impairment allowance recognised in OCI as at 1 January 2023	398
Change in the impairment allowance recognised in profit or loss during the period (Note 14)	477
Impairment allowance recognised in OCI as at 31 December 2023	875
Change in the impairment allowance recognised in profit or loss during the period (Note 14)	**147**
Impairment allowance recognised in OCI as at 31 December 2024	**1,022**

The Group has established a provision matrix that is based on the external credit rating of each counterparty and the corresponding historical credit loss experience, adjusted for forward-looking macroeconomic data to determine the ECLs for impairment allowance. The Group has selected a range of possible economic outcomes, based on outlook of global economy and relevant economic indicators, taking into consideration the impact of any special events, as the most suitable views to the portfolio. A probability rate table is set up to determine the probability rate for the forward-looking views.

All of these financial assets are considered to be low risk in view of all investment securities at FVOCI are rated at investment grade by rating agencies, and thus the impairment allowance recognised for the year ended 31 December 2024 was limited to 12-month ECLs under Stage 1. During the year, the increase in the impairment allowance was mainly due to the increase in investment securities at FVOCI.

In preparing the ECL, Credit Committee had formed three forward-looking views (that is good, normal and bad) based on market conditions, real economies and a designated period of historical macroeconomic variables to formulate the probability rating for three scenarios (that is optimistic, base and pessimistic) under each forward-looking view. The good view assumed a high probability of optimistic scenario outcome whereas the bad view assumed a high probability of pessimistic scenario outcome. A designated period of historical data that covers peaks and troughs of economic cycles were selected to ensure the selection of scenarios stays unbiased.

The weightings assigned to each economic scenario, base, pessimistic and optimistic as at 31 December 2024, were maintained at the same weightings as at 31 December 2023 in view of market conditions, for the Group's infrastructure loans, deposits and debt investments, of which the impairment allowance is provided based on credit ratings (either external or internal) and forms the majority of total impairment allowance.

(e) Sensitivity analysis of ECL

The Group applies three alternative macro-economic scenarios (base, pessimistic and optimistic scenarios) on the forward-looking views to reflect probability-weighted range of possible future outcomes in estimating ECL. The table below provides approximate levels of provisions of impairment under the normal, bad and good forward-looking views for the infrastructure loans, deposits and debt investment portfolio of the Group:

	2024 **Amount change from the reported ECL**	2023 Amount change from the reported ECL
	HK$'000 **Increase / (decrease)**	HK$'000 Increase / (decrease)
ECL:		
- normal view	**(32,965)**	(16,541)
- bad view	**-**	-
- good view	**(39,200)**	(20,078)

(f) Maximum exposures to credit risk of the financial assets of the Group before taking into account of collateral held or other credit enhancements are equal to their gross carrying amounts.

(g) Credit-impaired loans

	2024	2023
	HK$'000	HK$'000
Gross impaired loan portfolio	**2,221**	2,441
Allowance for loan impairment in respect of such advances - Stage 3	**(1,594)**	(1,347)
	627	1,094

There were no credit-impaired loans for the residential mortgage portfolio as at 31 December 2024 and 31 December 2023. Allowance for loan impairment is assessed after taking into account of collateral held for impaired loans.

(h) Repossessed properties

The Group obtained assets by taking possession of collateral held as security.

Repossessed properties are sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness and are classified in the statement of financial position within "Other assets". If excess funds arise after repayment of the outstanding indebtedness, they are distributed to the beneficiaries of the assets under the applicable laws.

3.3. Market risk

The Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices. The Group's exposures to market risk primarily arise from the interest rate management of the entity's financial instruments of different repricing characteristics, or from the net exposure of the foreign currency denominated financial instruments. The Group hedges a major proportion of its existing interest rate risk of the fixed-rate bond issuance using fair value hedges in the form of interest rate swaps by swapping into floating-rate funding to better match the floating-rate assets. The Group also hedges the net exposure of the foreign-currency denominated debts issued and assets by the use of cross-currency swaps as fair value hedges and economic hedges respectively.

The management of market risk is principally undertaken by the Treasury Department using risk limits approved by the Board of Directors. Strategies on interest rate risk management, financing, hedging, investments are formulated by ALCO. Regular meetings are held to review the latest conditions in the financial markets and the asset-liability portfolio mix. The Treasury Department is responsible for monitoring financial market movements and executing transactions in the cash, derivatives, debt and investment markets in accordance with the strategies laid down by ALCO. The middle office monitors the compliance of risk limits and performs stress tests to assess the potential size of losses that could arise in extreme conditions. The results of the stress tests are reviewed by ALCO.

A principal part of the interest rate risk management is to monitor the sensitivity of projected net interest income under different interest rate scenarios and to mitigate the negative impact through hedging operations. A 20 basis points parallel downward shift of the interest rate curve as at 31 December 2024 would increase the future net interest income for the next twelve months by less than HK$1 million (2023: less than HK$1 million) and decrease by less than HK$1 million (2023: less than HK$1 million) for a similar upward parallel shift.

As at 31 December 2024, if interest rates at that date had experienced a 20 basis points parallel shift downwards, profit for the year would have been higher by around HK$30 million (2023: HK$39 million) and the fair value reserve would have been higher by around HK$20 million (2023: HK$14 million) as at 31 December 2024. If interest rates had experienced a 20 basis points parallel shift upwards, profit for the year would have been lower by HK$30 million (2023: HK$39 million) and the fair value reserve would have been lower by around HK$19 million (2023: HK$14 million).

As at 31 December 2024, with all other variables held constant, if the Hong Kong dollars had weakened by 100 price interest points against the US dollars, profit for the year would have been around HK$14 million higher (2023: HK$10 million). Conversely, if the Hong Kong dollars had strengthened by 100 price interest points against the US dollars, profit for the year would have been around HK$14 million lower (2023: HK$10 million).

As at 31 December 2024, with all other variables held constant, if the Hong Kong dollars had weakened by 100 price interest points against foreign currencies other than US dollars, profit for the year would have been higher by HK$0.2 million (2023: HK$0.5 million). Conversely, if the Hong Kong dollars had strengthened by 100 price interest points against foreign currencies other than US dollars, profit for the year would have been lower by HK$0.2 million (2023: HK$0.5 million).

The Group is exposed to financial risk arising from changes in the rate of return on the placements with the Exchange Fund, which is set annually (the placements include Investment Portfolio which rate of return will reset in January while the return of Long-Term Growth Portfolio will only be available in March in the following year). As at 31 December 2024, if there were an increase / decrease of 0.1% in the current year rate of return, it is estimated that, with all other variables held constant, the Group's income from the placements with the Exchange Fund would have increased / decreased by approximately HK$38 million (2023: HK$34 million).

As at 31 December 2024, with all other variables held constant, if the price of exchange-traded funds had decreased by 1%, profit for the year would have been around HK$0.1 million lower (2023: HK$0.1 million). Conversely, if the price of exchange-traded funds had increased by 1%, profit for the year would have been around HK$0.1 million higher (2023: HK$0.1 million).

The increase or decrease represents management's assessment of a reasonably possible change in interest rates, exchange rates and equity prices for a 12-month period.

An analysis showing the impact of interest rate curve movement on profit before tax and equity driven by insurance and reinsurance contracts is included in Note 3.3(c).

(a) Foreign currency exposure

The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rate on its financial position and cash flows. The Board sets allowable currencies for investment purposes. The ALCO sets limits on the currency exposure that may be undertaken, which is monitored daily. At funding side, the multi-currency feature of the MTN programme enables the Group to issue notes in major currencies, including US dollars,

renminbi, Singapore dollars, British pounds, Australian dollars, Euro and Japanese yen. All foreign currency-denominated debts are hedged into Hong Kong dollars or US dollars.

The tables below summarise the Group's exposure to foreign currency exchange rate risk. Included in the tables are the assets and liabilities at carrying amounts, categorised by currency.

	HKD	USD	Other foreign currencies	Total
	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2024				
Financial assets				
Cash and short-term funds	51,641,868	992,467	12,847^	52,647,182
Interest and remittance receivables	2,200,462	741,030	279,887	3,221,379
Derivative financial instruments	664,618	-	-	664,618
Loans with 100% guarantee from the Government	82,782,698	-	-	82,782,698
Loan portfolio, net				
- FVPL	2,596,858	-	-	2,596,858
- amortised cost	3,539,734	5,511,228	1,066,155^^	10,117,117
Investment securities:				
- FVOCI	494,313	2,159,566	1,067,942^^^	3,721,821
- FVPL	1,318	8,456	-	9,774
- amortised cost	1,846,188	12,277,696	981,586^^^^	15,105,470
Placements with the Exchange Fund	49,244,684	-	-	49,244,684
Deposits and other assets	71,423	308,900	88	380,411
Total financial assets	195,084,164	21,999,343	3,408,505	220,492,012
Financial liabilities				
Interest payable	2,454,023	612,558	275,743	3,342,324
Accounts payable, accrued expenses and other liabilities	2,210,375	1,922,291	-	4,132,666
Derivative financial instruments	1,740,649	-	-	1,740,649
Debt securities issued	103,576,603	26,302,558*	18,420,475**	148,299,636
Total financial liabilities	109,981,650	28,837,407	18,696,218	157,515,275
Net position#	60,992,512	(6,838,064)	(15,287,713)	38,866,735
Off-balance sheet net notional position##	(34,136,902)	18,058,822	15,241,661	(836,419)

^ Amounts included cash and short-term funds in Australian dollars of HK$12 million and renminbi of HK$0.4 million.

^^ Amounts included loan portfolio, net at amortised cost in Australian dollars of HK$1.1 billion.

^^^ Amounts included investment securities at FVOCI in renminbi of HK$1.1 billion.

^^^^ Amounts included investment securities at amortised cost in renminbi of HK$0.5 billion and Euro of HK$0.4 billion.

* Fully hedged into Hong Kong dollars.

** Amounts included debt securities issued in Australian dollars of HK$0.6 billion and renminbi of HK$17.6 billion, fully hedged into Hong Kong dollars.

"Net position" represents the difference between total assets and total liabilities.

"Off-balance sheet net notional position" represents the difference between the notional amounts of foreign currency derivative financial instruments, which are principally used to reduce the Group's exposure to currency movements and their fair values.

	HKD	USD	Other foreign currencies	Total
	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2023				
Financial assets				
Cash and short-term funds	49,456,858	2,326,572	37,621^	51,821,051
Interest and remittance receivables	1,756,009	1,123,738	490,631	3,370,378
Derivative financial instruments	828,542	-	-	828,542
Loans with 100% guarantee from the Government	97,362,356	-	-	97,362,356
Loan portfolio, net				
- FVPL	1,907,045	-	-	1,907,045
- amortised cost	3,523,735	5,520,608	1,186,074^^	10,230,417
Investment securities:				
- FVOCI	-	1,785,727	723,810	2,509,537
- FVPL	1,308	8,562	-	9,870
- amortised cost	3,709,195	9,378,134	1,486,656^^^	14,573,985
Placements with the Exchange Fund	34,070,393	-	-	34,070,393
Deposits and other assets	1,050,545	523,531	91	1,574,167
Total financial assets	193,665,986	20,666,872	3,924,883	218,257,741
Financial liabilities				
Interest payable	2,153,898	1,057,906	472,611	3,684,415
Accounts payable, accrued expenses and other liabilities	3,067,433	1,040,036	-	4,107,469
Derivative financial instruments	2,825,522	-	-	2,825,522
Debt securities issued	105,581,434	30,424,259*	25,712,804**	161,718,497
Total financial liabilities	113,628,287	32,522,201	26,185,415	172,335,903
Net position#	61,242,817	(11,855,329)	(22,260,532)	27,126,956
Off-balance sheet net notional position##	(44,000,532)	20,124,483	22,221,762	(1,654,287)

^ Amounts included cash and short-term funds in Australian dollars of HK$34 million and renminbi of HK$4 million.

^^ Amounts included loan portfolio, net at amortised cost in Australian dollars of HK$1.2 billion.

^^^ Amounts included investment securities at amortised cost in renminbi of HK$1.5 billion.

* Fully hedged into Hong Kong dollars.

** Amounts included debt securities issued in Australian dollars of HK$1.2 billion and renminbi of HK$24.3 billion, fully hedged into Hong Kong dollars.

"Net position" represents the difference between total assets and total liabilities.

"Off-balance sheet net notional position" represents the difference between the notional amounts of foreign currency derivative financial instruments, which are principally used to reduce the Group's exposure to currency movements and their fair values.

(b) Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected

movements arise. The ALCO sets limits on the level of interest rate mismatch that may be undertaken, which is monitored regularly.

The tables below summarise the Group's exposure to interest rate risks. Included in the tables are the assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The carrying amounts of derivative financial instruments, which are principally used to reduce the Group's exposure to interest rate movements, are included under the heading "Non-interest bearing".

	Up to 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Non-interest bearing	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2024							
Financial assets							
Cash and short-term funds	24,421,783	27,881,330	-	-	-	344,069	52,647,182
Interest and remittance receivables	-	-	-	-	-	3,221,379	3,221,379
Derivative financial instruments	-	-	-	-	-	664,618	664,618
Loans with 100% guarantee from the Government	82,782,698	-	-	-	-	-	82,782,698
Loan portfolio, net							
- FVPL	225,843	-	-	33,034	2,337,981	-	2,596,858
- amortised cost	5,383,365	2,077,927	2,062,443	340	593,042	-	10,117,117
Investment securities:							
- FVOCI	272,175	233,278	592,321	2,526,782	97,265	-	3,721,821
- FVPL	-	-	-	-	-	9,774	9,774
- amortised cost	504,668	1,285,373	2,169,752	8,698,347	2,447,330	-	15,105,470
Placements with the Exchange Fund	-	-	-	-	-	49,244,684	49,244,684
Deposits and other assets	308,854	-	-	-	-	71,557	380,411
Total financial assets	113,899,386	31,477,908	4,824,516	11,258,503	5,475,618	53,556,081	220,492,012
Financial liabilities							
Interest payable	-	-	-	-	-	3,342,324	3,342,324
Accounts payable, accrued expenses and other liabilities	2,530,790	-	-	-	-	1,601,876	4,132,666
Derivative financial instruments	-	-	-	-	-	1,740,649	1,740,649
Debt securities issued	4,209,731	25,292,645	34,290,741	77,962,455	6,544,064	-	148,299,636
Total financial liabilities	6,740,521	25,292,645	34,290,741	77,962,455	6,544,064	6,684,849	157,515,275
Total interest sensitivity gap*	107,158,865	6,185,263	(29,466,225)	(66,703,952)	(1,068,446)		
Interest rate derivatives (notional amounts of net position)	(9,833,311)	(12,905,912)	8,088,484	11,677,601	2,136,719		

* Before the repricing effect of derivative financial instruments on the debt securities issued.

	Up to 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Non-interest bearing	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2023							
Financial assets							
Cash and short-term funds	16,105,303	35,279,605	-	-	-	436,143	51,821,051
Interest and remittance receivables	-	-	-	-	-	3,370,378	3,370,378
Derivative financial instruments	-	-	-	-	-	828,542	828,542
Loans with 100% guarantee from the Government	97,362,356	-	-	-	-	-	97,362,356
Loan portfolio, net							
- FVPL	123,942	-	-	10,478	1,772,625	-	1,907,045
- amortised cost	5,760,482	2,745,732	1,150,741	443	573,019	-	10,230,417
Investment securities:							
- FVOCI	-	93,768	86,418	2,054,381	274,970	-	2,509,537
- FVPL	-	-	-	-	-	9,870	9,870
- amortised cost	78,081	651,720	5,165,533	5,504,348	3,174,303	-	14,573,985
Placements with the Exchange Fund	-	-	-	-	-	34,070,393	34,070,393
Deposits and other assets	523,485	-	-	-	-	1,050,682	1,574,167
Total financial assets	119,953,649	38,770,825	6,402,692	7,569,650	5,794,917	39,766,008	218,257,741
Financial liabilities							
Interest payable	-	-	-	-	-	3,684,415	3,684,415
Accounts payable, accrued expenses and other liabilities	2,761,647	-	-	-	-	1,345,822	4,107,469
Derivative financial instruments	-	-	-	-	-	2,825,522	2,825,522
Debt securities issued	2,833,208	50,261,710	55,784,241	49,158,797	3,680,541	-	161,718,497
Total financial liabilities	5,594,855	50,261,710	55,784,241	49,158,797	3,680,541	7,855,759	172,335,903
Total interest sensitivity gap*	114,358,794	(11,490,885)	(49,381,549)	(41,589,147)	2,114,376		
Interest rate derivatives (notional amounts of net position)	(6,499,036)	(15,610,349)	5,057,665	15,596,706	(199,273)		

* Before the repricing effect of derivative financial instruments on the debt securities issued.

(c) Interest rate risk on insurance and reinsurance contracts

The following analysis is performed for reasonably possible movements in interest rate curve with all other variables held constant, showing the impact on profit before tax and equity driven by insurance and reinsurance contracts.

	2024			
Parallel upward / (downward) shift of interest rate curve:	**Impact on profit before tax**	**Impact on profit before tax net of reinsurance**	**Impact on equity gross of reinsurance**	**Impact on equity net of reinsurance**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
25 bp	**511,664**	**432,302**	**659,888**	**432,302**
(25) bp	**(534,788)**	**(450,211)**	**(695,738)**	**(450,211)**

	2023			
Parallel upward / (downward) shift of interest rate curve:	Impact on profit before tax	Impact on profit before tax net of reinsurance	Impact on equity gross of reinsurance	Impact on equity net of reinsurance
	HK$'000	HK$'000	HK$'000	HK$'000
25 bp	410,267	326,945	502,231	326,945
(25) bp	(429,464)	(340,548)	(530,681)	(340,548)

The impact shown in the above table covers entire insurance portfolio, part of which, mainly reverse mortgage loans, are held in the loan portfolio of the Group at fair value.

3.4. Liquidity risk

Liquidity risk represents the risk of the Group not being able to repay its payment obligations or to fund committed purchases of loans. Liquidity risk is managed by monitoring the actual inflows and outflows of funds on a daily basis and projecting longer-term inflows and outflows of funds across a full maturity spectrum. The Group has established diversified funding sources to support the growth of its business and the maintenance of a balanced portfolio of liabilities. Sources of liquidity are regularly reviewed by ALCO.

(a) Undiscounted cash flows analysis

The tables below present cash flows payable by the Group under non-derivative financial liabilities, derivative financial liabilities that will be settled on a net basis, derivative financial instruments that will be settled on gross basis, and insurance liabilities by remaining contractual maturities as at the end of the reporting period. The amounts disclosed in the tables are the projected contractual undiscounted cash flows including future interest, claims and benefits payments as appropriate on the basis of their earliest possible contractual maturity. The Group's derivatives include interest rate swaps that will be settled on net basis; cross currency swaps and currency forwards that will be settled on gross basis.

(i) Non-derivative cash inflows / (outflows)

	Up to 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2024						
Liabilities						
Accounts payable, accrued expenses and other liabilities						
- lease liabilities	(4,648)	(9,297)	(41,837)	(131,327)	(5,757)	(192,866)
Insurance contract liabilities	(132,437)	(244,006)	(1,112,028)	(5,645,880)	(27,442,513)	(34,576,864)
Reinsurance contract liabilities	(1,115)	(2,233)	(6,256)	(54,156)	(275,869)	(339,629)
Debt securities issued						
- principal portion	(3,912,281)	(23,421,321)	(35,032,647)	(79,729,622)	(6,697,163)	(148,793,034)
- interest portion	(198,971)	(1,899,583)	(3,491,350)	(6,784,746)	(1,628,996)	(14,003,646)
	(4,249,452)	(25,576,440)	(39,684,118)	(92,345,731)	(36,050,298)	(197,906,039)

	Up to 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2023						
Liabilities						
Accounts payable, accrued expenses and other liabilities						
- lease liabilities	(2,358)	(4,716)	(34,671)	(147,456)	(28,783)	(217,984)
Insurance contract liabilities	1,209	(272,887)	(745,731)	(4,109,907)	(20,584,627)	(25,711,943)
Reinsurance contract liabilities	4,570	(987)	(4,380)	(21,693)	(65,158)	(87,648)
Debt securities issued						
- principal portion	(1,834,661)	(46,322,548)	(57,514,499)	(51,818,468)	(3,870,511)	(161,360,687)
- interest portion	(126,337)	(2,380,489)	(3,430,233)	(3,684,544)	(1,351,395)	(10,972,998)
	(1,957,577)	(48,981,627)	(61,729,514)	(59,782,068)	(25,900,474)	(198,351,260)

(ii) Derivative cash inflows / (outflows)

	Up to 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2024						
Derivative financial instrument settled:						
- on net basis	(193,100)	(3,649)	68,577	(205,674)	(18,883)	(352,729)
- on gross basis						
Total outflow	(2,612,157)	(9,358,072)	(14,355,600)	(37,833,127)	(4,442,210)	(68,601,166)
Total inflow	2,399,452	9,241,245	14,218,156	37,971,719	4,323,924	68,154,496
	(405,805)	(120,476)	(68,867)	(67,082)	(137,169)	(799,399)

	Up to 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2023						
Derivative financial instrument settled:						
- on net basis	(160,101)	(8,970)	386,224	(57,049)	(35,299)	124,805
- on gross basis						
Total outflow	(980,472)	(30,720,341)	(11,389,820)	(32,812,102)	(2,870,885)	(78,773,620)
Total inflow	892,614	30,301,411	11,047,507	32,766,483	2,883,774	77,891,789
	(247,959)	(427,900)	43,911	(102,668)	(22,410)	(757,026)

(b) Maturity analysis

The table below analyses the assets and liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date.

	Repayable on demand	**Up to 1 month**	**Over 1 month to 3 months**	**Over 3 months to 1 year**	**Over 1 year to 5 years**	**Over 5 years**	**Undated**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
As at 31 December 2024								
Assets								
Cash and short-term funds (gross)	**913,754**	**23,854,077**	**27,885,000**	-	-	-	-	**52,652,831**
Loans with 100% guarantee from the Government	**42,060**	**1,179,226**	**1,803,777**	**8,549,097**	**41,141,100**	**30,067,438**	-	**82,782,698**
Loan portfolio								
- FVPL	-	-	-	-	-	-	**2,596,858**	**2,596,858**
- amortised cost (gross)	**312**	**126,069**	**118,207**	**632,746**	**3,811,014**	**5,490,076**	**335**	**10,178,759**
Investment securities								
- FVOCI	-	**155,098**	-	**592,321**	**2,877,137**	**97,265**	-	**3,721,821**
- FVPL	-	-	-	-	-	-	**9,774**	**9,774**
- amortised cost (gross)	-	**232,882**	**8,584**	**2,292,098**	**9,823,178**	**2,753,578**	-	**15,110,320**
Placements with the Exchange Fund	-	-	-	**3,771,157**	**14,743,389**	**30,730,138**	-	**49,244,684**
	956,126	**25,547,352**	**29,815,568**	**15,837,419**	**72,395,818**	**69,138,495**	**2,606,967**	**216,297,745**
Liabilities								
Debt securities issued	-	**3,909,800**	**23,373,275**	**35,090,701**	**79,381,796**	**6,544,064**	-	**148,299,636**
	-	**3,909,800**	**23,373,275**	**35,090,701**	**79,381,796**	**6,544,064**	-	**148,299,636**

	Repayable on demand	Up to 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Undated	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2023								
Assets								
Cash and short-term funds (gross)	1,128,772	15,413,817	35,282,609	-	-	-	-	51,825,198
Loans with 100% guarantee from the Government	46,102	1,075,873	1,816,511	9,651,688	49,444,714	35,327,468	-	97,362,356
Loan portfolio								
- FVPL	-	-	-	-	-	-	1,907,045	1,907,045
- amortised cost (gross)	919	116,963	159,081	507,763	4,066,023	5,405,626	262	10,256,637
Investment securities								
- FVOCI	-	-	93,768	86,418	2,054,381	274,970	-	2,509,537
- FVPL	-	-	-	-	-	-	9,870	9,870
- amortised cost (gross)	-	78,083	558,082	5,166,848	5,600,134	3,175,509	-	14,578,656
Placements with the Exchange Fund	-	-	-	6,190,546	12,958,372	14,921,475	-	34,070,393
	1,175,793	16,684,736	37,910,051	21,603,263	74,123,624	59,105,048	1,917,177	212,519,692
Liabilities								
Debt securities issued	-	2,833,208	46,240,752	57,084,223	51,879,773	3,680,541	-	161,718,497
	-	2,833,208	46,240,752	57,084,223	51,879,773	3,680,541	-	161,718,497

Apart from the above, interest and remittance receivables, prepayments and other assets, interest payable, accounts payable, accrued expenses and current tax liabilities are expected to be recovered or settled within twelve months from the reporting date. Other assets and liabilities included in the consolidated statement of financial position are expected to be recovered or settled in a period more than twelve months after the reporting date.

In addition, the Exchange Fund has committed to providing the Group with a HK$80 billion revolving credit under the Revolving Credit Facility since 2020, which enables the Group to maintain smooth operation under exceptional circumstances, so that it can better fulfil its mandate to promote banking and financial stability in Hong Kong.

3.5. Risks arising from insurance contracts

(a) Insurance contracts and reinsurance contracts

Through its general insurance subsidiary, the Group provides mortgage insurance cover to participating lenders for first credit losses, in general, of up to 50% of the property value of a residential mortgage loan in Hong Kong with loan-to-value ratio 90% or below at origination, or other thresholds as specified from time to time. The general insurance subsidiary also provides insurance cover in respect of reverse mortgage loans originated by participating lenders and secured on residential properties and, if applicable, other assets, and in respect of policy reverse mortgage loans originated by participating lenders and secured on life insurance policies. Through its life subsidiary, the Group offers annuity product to personal customers.

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

Accordingly, the main risks that the Group is exposed to are, as follows:

- property price risk – risk of outstanding loan is higher than value of collateral;
- mortality risk – risk of loss arising from the incidence of policyholder death being later than expectation;
- expense risk – risk of loss arising from expense experience being different from expectation;
- loan default risk – risk of default of repayment to mortgage loan; and
- policyholder decision risk (non-death termination) – risk of loss arising due to policyholder experiences (lapses and surrenders) being different from expectation.

The Group aims to ensure that sufficient reserves are available to cover the liabilities associated with the insurance that it issues. The risk exposure is mitigated by diversification across the portfolios of insurance contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of outwards reinsurance arrangements. In addition, the assumptions are reviewed regularly with regular experience studies conducted.

The Group purchases reinsurance as part of its risk mitigation measures. The reinsurance contract is quota share reinsurance which is taken out to reduce the overall exposure of the Group to certain classes of business. Amounts recoverable from reinsurers are estimated in a manner consistent with the underlying insurance contract liabilities and in accordance with the reinsurance contracts.

The Group's placement of reinsurance is diversified as far as practicable to avoid being dependent on a single reinsurer or a single reinsurance contract. The Group conducts comprehensive assessment including the financial strength and credit ratings of the reinsurers in accordance with the reinsurance policy under the Risk Management Framework. The approved reinsurers are subject to periodic reviews.

The Group monitors closely and review regularly on the exposure to key insurance risks. The nature of the Group's exposure to insurance risks and its objectives, policies and processes used to manage and measure the risks have not changed from the previous period.

(b) Sensitivities

The following sensitivity analysis shows the impact (gross and net of reinsurance held) on CSM, profit before tax and equity for reasonably possible movements in key assumptions with all other assumptions held constant. The correlation of assumptions will have a significant effect in determining the ultimate impacts, but to demonstrate the impact due to changes in each assumption, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions.

Insurance contracts issued		**2024**			
	Change in assumptions*	**Impact on profit before tax net of reinsurance**	**Impact on profit before tax gross of reinsurance**	**Impact on equity net of reinsurance**	**Impact on equity gross of reinsurance**
		HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Property price growth percentage	**-0.5%**	**(1,747,881)**	**(1,795,057)**	**(1,486,789)**	**(1,426,673)**
Mortality rates	**-10.0%**	**(784,932)**	**(785,090)**	**(706,880)**	**(678,761)**
Expenses	**+10.0%**	**(101,587)**	**(101,587)**	**(96,653)**	**(96,653)**
Default rates	**+10.0%**	**(2,988)**	**(3,371)**	**(2,907)**	**(3,281)**
Non-death termination rates	**+10.0%**	**13,254**	**13,238**	**11,259**	**10,287**

Insurance contracts issued		2023			
	Change in assumptions*	Impact on profit before tax net of reinsurance	Impact on profit before tax gross of reinsurance	Impact on equity net of reinsurance	Impact on equity gross of reinsurance
		HK$'000	HK$'000	HK$'000	HK$'000
Property price growth percentage	-0.5%	(1,701,190)	(1,703,495)	(1,470,814)	(1,377,094)
Mortality rates	-10.0%	(674,531)	(674,797)	(619,132)	(599,680)
Expenses	+10.0%	(62,465)	(62,528)	(58,079)	(58,143)
Default rates	+10.0%	(2,654)	(2,953)	(2,484)	(2,765)
Non-death termination rates	+10.0%	11,592	11,581	10,292	9,708

The impact on change in the assumptions shown in the above table covers entire insurance portfolio, part of which, mainly reverse mortgage loans, are held in the loan portfolio of the Group at fair value.

3.6. Fair values of financial assets and liabilities

(a) Fair value estimation

The following table shows financial instruments recognised at fair value, by valuation method.

	2024				2023			
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
Assets								
Derivative financial instruments	-	**664,618**	-	**664,618**	-	828,542	-	828,542
Loan portfolio, net - FVPL	-	-	**2,596,858**	**2,596,858**	-	-	1,907,045	1,907,045
Investment securities - FVOCI	**3,605,206**	**116,615**	-	**3,721,821**	2,509,537	-	-	2,509,537
- FVPL	**9,774**	-	-	**9,774**	9,870	-	-	9,870
Placements with the Exchange Fund	-	-	**49,244,684**	**49,244,684**	-	-	34,070,393	34,070,393
	3,614,980	**781,233**	**51,841,542**	**56,237,755**	2,519,407	828,542	35,977,438	39,325,387
Liabilities								
Derivative financial instruments	-	**1,740,649**	-	**1,740,649**	-	2,825,522	-	2,825,522

There was no transfer between Level 1 and Level 2 nor transfers into or out of Level 3 during the year.

(i) Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If an asset or a liability measured at fair value has a bid price and an ask price, the price within the bid-ask spread that is most representative of fair value in the circumstances shall be used to measure fair value. These instruments are included in Level 1.

(ii) Financial instruments in Level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Level 2 derivatives comprise interest rate swaps, currency swaps and currency forwards. These derivatives are fair valued using forward interest rates and forward exchange rates, if applicable, from observable yield curves.

Level 2 debt securities are fair valued using quoted market prices in less active markets, or if not available, a discounted cash flow approach, which discounts the contractual cash flows using discount rates derived from observable market prices of other quoted debt instruments of the counterparties.

(iii) Financial instruments in Level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Loan portfolio at FVPL

Certain loan portfolio accounted for at fair value through profit or loss at consolidation level is included in Level 3 with fair value determined by using an internal model based on income approach by discounting future cash flows which are dependent on the expected terms of the loans, annuity payout, premium and interest income, loan repayment and the value of collaterals (for example, the residential properties or insurance policies securing the loans). The Group is exposed mainly to collateral risk arising from drop in residential property price. The information of sensitivity to long term property price growth assumption is included in Note 3.5(b).

Placements with the Exchange Fund

The placements with the Exchange Fund, accounted under fair value through profit or loss, are included in Level 3 with fair value determined by reference to the principal amount and the estimated rates of investment return.

Movement in Level 3 fair value measurement as follows:

	2024		2023	
	Loan portfolio at FVPL	**Placements with the Exchange Fund**	Loan portfolio at FVPL	Placements with the Exchange Fund
	HK$'000	**HK$'000**	HK$'000	HK$'000
As at 1 January	**1,907,045**	**34,070,393**	1,225,736	32,798,933*
Gains and losses recognised in				
- profit or loss (Note 11)	**(210,636)**	**1,374,291**	51,532	1,267,546
- other liabilities	**-**	**-**	-	58,438
Placement	**-**	**13,800,000**	-	3,395,000
Withdrawal	**-**	**-**	-	(3,449,524)*
Drawdown	**942,198**	**-**	642,650	-
Repayment	**(40,403)**	**-**	(12,066)	-
Amortisation	**(1,346)**	**-**	(807)	-
As at 31 December	**2,596,858**	**49,244,684**	1,907,045	34,070,393

* Since 2021, the Group has placed on behalf of the Government HK$6 billion with respect to the advance payment received from the Government for purchasing loans under 100% Personal Loan Guarantee Scheme (**PLGS**), of which HK$3 billion has been withdrawn to purchase of loans under PLGS for the Government and HK$3.4 billion was withdrawn by the Government in 2023. As at 31 December 2024 and 31 December 2023, there is no outstanding balance of the advance payment placed with the Exchange Fund or accrued interest.

(b) Fair values of financial assets and liabilities not measured at fair value

The carrying amounts of the Group's financial instruments not presented on the Group's statement of financial position at their fair values are not materially different from their fair values as at 31 December 2024 and 31 December 2023 except for the following financial instruments, for which their carrying amounts and fair values and the level of fair value hierarchy are disclosed below:

	2024				2023			
	Carrying amount	**Fair value**	**Level 1**	**Level 2**	Carrying amount	Fair value	Level 1	Level 2
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets								
Investment securities - amortised cost	**15,105,470**	**14,820,124**	**11,614,626**	**3,205,498**	14,573,985	14,261,730	10,493,866	3,767,864
Financial liabilities								
Debt securities issued	**148,299,636**	**148,086,035**	**-**	**148,086,035**	161,718,497	161,602,374	-	161,602,374

The following methods and significant assumptions have been used to estimate the fair values of financial instruments:

(i) Cash and short-term funds

Cash and short-term funds include bank deposits and are stated net of impairment allowance. The fair value of floating-rate deposits is the carrying amount. The estimated fair value of fixed-rate deposits, which are normally less than six months, is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity. Therefore, the fair value of the deposits is approximately equal to their carrying value.

(ii) Loans with 100% guarantee from the Government

Loan portfolio is stated net of impairment allowance. With the 100% guarantee provided by the Government to cover the default loss of the loans, no impairment allowance is provided. Therefore, the carrying value of loan portfolio is a reasonable estimate of the fair value.

(iii) Loan portfolio, net

Loan portfolio is stated net of impairment allowance. An insignificant portion of loan portfolio bears interest at fixed rate. Therefore, the carrying value of loan portfolio is a reasonable estimate of the fair value.

(iv) Investment securities at amortised cost

Investment securities are stated net of impairment allowance. Fair value for investment securities at amortised cost is based on market prices or broker / dealer price quotations, which are the clean prices. Where this information is not available, fair value has been estimated using quoted market prices for securities with similar credit, maturity and yield characteristics, or valuation techniques which maximise the use of observable market data.

(v) Other assets

These mainly represent receivables from debt securities issued for settlement after the reporting date with the fair value approximating the carrying amount.

(vi) Debt securities issued

The aggregate fair values are calculated based on quoted market prices, which are the clean prices. For those notes where quoted market prices are not available, a discounted cash flow model is used based on a current yield curve appropriate for the remaining term to maturity.

(vii) Other liabilities

These mainly represented the guarantee fee and fund received (net of claims and related expenses) under the special concessionary measures of the SFGS (Note 33) and the PLGS, with the fair value approximating the carrying amount.

(viii) Interest and remittance receivables and interest payable

Accrued interest is recognised separately with the fair value approximating the carrying amount as it is expected to be recovered or settled within twelve months from the reporting date. Remittance receivables are expected to be recovered within one month from the reporting date with the fair value approximating the carrying amount.

3.7. Capital management

The Group's objectives when managing capital, which is a broader concept than the equity on the face of the statement of financial position, are:

- to comply with the capital requirements set by the Financial Secretary of the Government (**Financial Secretary**) and the Insurance Authority for its insurance subsidiaries;
- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholder;
- to support the Group's stability and growth;
- to allocate capital in an efficient and risk-based approach to optimise risk adjusted return to the shareholder; and
- to maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the management in accordance with the Guidelines on Capital Adequacy Ratio (**Guidelines**) issued by the Financial Secretary, by reference largely to Basel II risk-based capital adequacy framework. The minimum Capital Adequacy Ratio (**CAR**) stipulated in the Guidelines is 8%.

The Chief Executive Officer is required to submit a report to the Board of Directors on a quarterly basis by reference to the Guidelines issued by the Financial Secretary. If the CAR drops to the threshold level of 14%, the Chief Executive Officer will alert the Executive Directors. If the CAR falls to 12% or below, the Board of Directors will be informed and appropriate remedial actions will

be taken. During the period, the Group complied with all of the capital requirement set out in the Guidelines by the Financial Secretary.

Pursuant to the Guidelines on the CAR, the calculation basis of capital ratio follows the basis of consolidation for financial reporting with the exclusion of subsidiaries which are "regulated financial entities" (e.g. insurance companies). It is because these entities are supervised by a regulator and are subject to the maintenance of adequate capital (e.g. solvency ratio) to support business activities comparable to those prescribed for banks. The investment cost of these unconsolidated regulated financial entities is deducted from the capital base whilst the corresponding related exposures are also excluded from the calculation of risk-weighted assets.

The table below summarises the composition of capital base and the CAR as at the end of the reporting period.

	2024	2023
	HK$'000	HK$'000
Share capital (Note 30)	**26,500,000**	14,500,000
Reserves	**9,032,222**	8,931,860
Impairment allowance	**71,803**	34,837
Deductions:		
- investment in regulated subsidiaries	**(27,500,000)**	(15,500,000)
- others	**(640,826)**	(329,703)
Total capital base	**7,463,199**	7,636,994
Capital Adequacy Ratio	**19.9%**	21.6%

3.8. Offsetting financial assets and financial liabilities

The disclosures set out in the tables below pertain to financial assets and financial liabilities that are not offset in the Group's consolidated statement of financial position but are subject to enforceable master netting arrangements or similar agreements that cover similar financial instruments. The disclosures enable the understanding of both the gross and net amounts, as well as provide additional information on how such credit risk is mitigated.

	2024				2023			
	Carrying amounts on the consolidated statement of financial position	**Related amount not set off in the consolidated statement of financial position#**			Carrying amounts on the consolidated statement of financial position	Related amount not set off in the consolidated statement of financial position#		
		Derivative financial instruments	**Cash collateral**	**Net amount***		Derivative financial instruments	Cash collateral	Net amount*
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets								
Positive fair values for derivative financial instruments	**664,618**	**(646,152)**	**(17,552)**	**914**	828,542	(828,542)	-	-
Financial liabilities								
Negative fair values for derivative financial instruments	**1,740,649**	**(646,152)**	**(297,386)**	**797,111**	2,825,522	(828,542)	(496,847)	1,500,133

Amounts under "Related amount not set off in the consolidated statement of financial position" represent the amounts of financial liabilities / assets position that are subject to netting arrangements or similar agreements including CSA.

* Net amount represents financial assets / liabilities that are subject to netting arrangements or similar agreements but the Group's counterparty does not have equivalent financial liabilities / assets position with the Group to offset upon default.

4. Critical accounting estimates and assumptions

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Impairment allowances on loan portfolio

The Group reviews its loan portfolio to assess ECLs on a regular basis. In determining ECLs, the Group makes judgements as to whether there is any significant increase in credit risk since initial recognition and where appropriate, default and impairment indicators. It is required to exercise judgements in making assumptions and estimates to incorporate relevant information about past events, current conditions and forecast of economic conditions. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The carrying amount of loan portfolio as at 31 December 2024 is disclosed in Note 20.

4.2 Fair value of financial instruments

The majority of valuation techniques employ only observable market data. However, the placements with the Exchange Fund are valued on the basis of valuation techniques which are determined by reference to the estimated rates of investment return, approximate the carrying value. Details of the fair value measurement of financial instruments are set out in Note 3.6.

4.3 Securitisation of infrastructure loans

For the securitisation of infrastructure loans, the Group transfers a portfolio of loans to the special purpose entity (**SPE**). On consolidation basis, the Group assesses whether it controls the SPE, and the Group controls the SPE if and only if the Group has (a) power over the SPE; (b) exposure or rights to variable returns from its involvement with the SPE; and (c) the ability to use its power over the SPE to affect the amount of the Group's returns. If the Group has existing rights to give the current ability to direct the relevant activities of the SPE, is exposed to variable returns from its involvement with the SPE and has the ability to affect SPE's returns through its power over the SPE, consolidation of the SPE is required.

When performing the consolidation assessment of SPE, the Group considers its role as collateral manager to act for the SPE that has a decision-making power which may impact the returns of SPE. In addition, the Group prepares a quantitative test to assess whether its exposure to the variability of returns that would be deemed to have control over the SPE. Whether the Group has a control over the SPE and is therefore required to consolidate the SPE depends on whether the Group has the ability to use its power to affect the SPE's returns as a "principal" or an "agent". Based on the above analysis, the Group is not required to consolidate the SPE.

The Group also considers whether the securitised loans could meet the necessary requirements for derecognition. Loans are derecognised when the rights to receive cash flows from the loans have expired or where the Group has transferred substantially all risks and rewards of ownership. When the Group neither transfers or retains substantially all the risks and reward of ownership of a loan and retains control of the transferred loan, it is required to recognise the loan to the extent of the Group's continuing involvement in the loan. Under the continuing involvement approach, the Group continues to recognise part of the transferred loan. The Group also recognises continuing involvement asset and liability, which represents the extent of the Group's continuing exposure to the risks and reward of the transferred loan.

4.4 Insurance and reinsurance contracts

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) The methods used to measure insurance contracts

The Group primarily uses deterministic projections to estimate the present value of future cash flows.

The following assumptions were used when estimating future cash flows:

Mortality

Assumptions are based on standard industry table, according to the type of contract written. They reflect historical experience and are adjusted when appropriate to reflect the Group's own experiences. An appropriate, but not excessive, allowance is made for adverse selection and mortality improvements. Assumptions are differentiated by policyholder gender and age.

A decrease in expected mortality rates will increase the expected claim cost which will reduce future expected profits of the Group.

Property price

Assumption are determined based on historical market performance and long-term projection. A decrease in the expected level of property price will reduce future expected profits of the Group.

For Mortgage Insurance Programme, a drop in property prices, where the collateral value falls below the outstanding balance of the mortgage loan, will increase the severity of claims.

For Reverse Mortgage Programme, future property prices would affect the cash flow projections of the in-force insurance contracts.

Loan default rate

Loan default rate is according to the best estimate to the default rate of mortgage loan. They reflect historical experience and are adjusted when appropriate to reflect the Group's own experiences.

An increase in the expected level of loan default rate will reduce future expected profits of the Group.

Expenses

Operating expenses assumptions reflect the projected costs of maintaining and servicing in-force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate.

An increase in the expected level of expenses will reduce future expected profits of the Group.

Non-death termination

Lapses relate to the termination of policies due to non-payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on the Group's experience and vary by product type and policy duration.

The cash flows within the contract boundary include an allocation of overheads directly attributable to fulfilling insurance contracts. Such overheads are allocated to groups of contracts using methods that are systematic and rational, and are consistently applied to all costs that have similar characteristics.

(b) Discount rate

Insurance contract liabilities are calculated by discounting expected future cash flows at a risk-free rate, plus an illiquidity premium where applicable. Risk-free rates are determined by reference to those inferred from either swap rates or zero-coupon government bond yields of that currency (whichever of higher liquidity / market depth). This method is comparable to the risk-free rate generation methodology adopted under Hong Kong Risk-Based Capital (**HKRBC**) regime. The illiquidity premium is determined by reference to observable market rates including corporate debt rates.

Discount rates (forward rates) applied for discounting of future cash flows are listed below:

	Portfolio duration									
	As at 31 December 2024					As at 31 December 2023				
	1 year	**5 years**	**10 years**	**20 years**	**30 years**	1 year	5 years	10 years	20 years	30 years
Insurance contracts issued	4.37%	4.32%	4.95%	4.36%	4.86%	4.78%	3.81%	4.99%	3.53%	4.61%

(c) Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that is required for bearing the uncertainty about the amount and timing of cash flows that arises from non-financial risk as the insurance contract is fulfilled. Because the risk adjustment represents compensation for uncertainty, estimates are made on the degree of diversification benefits and expected favourable and unfavourable outcomes in a way that reflects the Group's degree of risk aversion. The Group estimates an adjustment for non-financial risk separately from all other estimates. The Group does not consider the effect of reinsurance in the risk adjustment for non-financial risk of the underlying insurance contracts.

The risk adjustment was calculated at Group level and then allocated down to each group of contracts in accordance with their risk profiles. The Group determines the risk adjustment for non-financial risk based on Margin Over Current Estimate (**MOCE**) calculation methodology under HKRBC regime.

The MOCE reflects the uncertainty of liability cash flows related to non-hedgeable risks, and is calibrated to reflect the 75th percentile confidence level.

The methods and assumptions used to determine the risk adjustment for non-financial risk were not changed in 2023 and 2024.

(d) Amortisation of the CSM

The CSM is a component of the asset or liability for the group of insurance contracts that represents the unearned profit the Group will recognise as it provides services in the future. An amount of the CSM for a group of insurance contracts is recognised in profit or loss as insurance revenue in each period to reflect the insurance contract services provided under the group of insurance contracts in that period. The amount is determined by:

- identifying the coverage units in the group;
- allocating the CSM at the end of the period (before recognising any amounts in profit or loss to reflect the insurance contract services provided in the period) equally to each

coverage unit provided in the current period and expected to be provided in the future; and

- recognising in profit or loss the amount allocated to coverage units provided in the period.

The number of coverage units in a group is the quantity of insurance contract services provided by the contracts in the group, determined by considering the quantity of the benefits provided and the expected coverage period. Contractual payments under different scenarios and the respective probabilities are considered when determining the quantity of benefit provided. The total coverage units of each group of insurance contracts are reassessed at the end of each reporting period to adjust for the reduction of remaining coverage for claims paid and cancellation of contracts in the period. For the MIP insurance contracts, the quantity of benefits is the contractually agreed risk-in-force insured over the period of the contracts while the quantity of benefits for the RMP and the PRMP contracts is the contractually agreed outstanding balance at death insured over the period of the contracts. With respect to annuity product, the coverage unit for amortisation will be the maximum of (a) expected annuity payment; and (b) expected death payment if there is a CSM.

For reinsurance contracts held, the CSM amortisation reflects the expected pattern of underwriting of the underlying contracts because the level of service provided depends on the quantity of benefits provided by the underlying contracts in-force.

4.5 100% guarantee under the SME Financing Guarantee Scheme (100% SFGS) and DLGS

As refer to Note 19, under 100% SFGS and DLGS, eligible loans originated by the participating lenders are sold to the Group, and the Government provides a financial guarantee to the Group on these loans. The loans are classified as financial assets measured at amortised cost under HKFRS 9.

In formulating the accounting treatment of 100% SFGS and DLGS, the Group applied judgement on whether the loans purchased from the participating lenders as recognised on the Group's consolidated statement of financial position should be de-recognised as a result of the arrangement with the Government; whether the contracts between the participating banks and the Group and the contract between the Government and the Group should be considered together in the determination of accounting treatments; and whether the contractual cash flow of the loans represent "solely payments of the principal and interest" (**SPPI**).

When performing this assessment, the Group considers several factors including, whether the Group has transferred the contractual rights to receive the cash flows of the loans, whether the contracts between the Government and Group are considered together and whether the contractual cash flows met the SPPI criteria etc.

5. Segment information

The Group is principally engaged in asset purchase and servicing, general insurance and life insurance businesses in Hong Kong. Other activities such as debt issuance to fund the loan purchase and investment to reinvest the surplus funds from loan receipt are considered ancillary to asset purchase business.

General insurance includes mainly mortgage insurance, reverse mortgage and SME financing guarantee businesses. Life insurance includes annuity business. Asset purchase and servicing include loan acquisition business and other activities such as debt issuance.

The following tables represent revenue, profit and other information for operating segments of the Group.

	Asset purchase and servicing	**General insurance**	**Life insurance**	**Inter-segment elimination**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Year ended 31 December 2024					
Net interest income	**432,744**	**331,252**	**(146,035)**	**-**	**617,961**
Net insurance business results	**-**	**(647,213)**	**(1,594,263)**	**209,948**	**(2,031,528)**
Other income	**308,886**	**162,772**	**1,221,874**	**(435,498)**	**1,258,034**
Operating income / (loss)	**741,630**	**(153,189)**	**(518,424)**	**(225,550)**	**(155,533)**
Operating expenses	**(566,343)**	**(20,685)**	**-**	**224,862**	**(362,166)**
Operating profit / (loss) before impairment	**175,287**	**(173,874)**	**(518,424)**	**(688)**	**(517,699)**
Change in impairment allowances	**(34,454)**	**(227)**	**(230)**	**-**	**(34,911)**
Profit / (loss) before taxation	**140,833**	**(174,101)**	**(518,654)**	**(688)**	**(552,610)**

	Asset purchase and servicing	General insurance	Life insurance	Inter-segment elimination	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2023					
Net interest income	225,059	309,548	(137,698)	-	396,909
Net insurance business results	-	(296,301)	(1,805,804)	225,674	(1,876,431)
Other income	271,896	138,533	1,139,374	(139,028)	1,410,775
Operating income / (loss)	496,955	151,780	(804,128)	86,646	(68,747)
Operating expenses	(510,889)	(3,492)	-	190,559	(323,822)
Operating (loss) / profit before impairment	(13,934)	148,288	(804,128)	277,205	(392,569)
Change in impairment allowances	(20,106)	62	57	-	(19,987)
(Loss) / profit before taxation	(34,040)	148,350	(804,071)	277,205	(412,556)

	Asset purchase and servicing	General insurance	Life insurance	Inter-segment elimination	Total
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
As at 31 December 2024					
Segment assets	**165,630,756**	**24,736,861**	**34,361,081**	**(2,902,522)**	**221,826,176**
Segment liabilities	**157,586,492**	**6,984,385**	**22,112,903**	**(3,724,339)**	**182,959,441**

	Asset purchase and servicing	General insurance	Life insurance	Inter-segment elimination	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2023					
Segment assets	180,014,995	11,662,145	30,648,507	(3,022,838)	219,302,809
Segment liabilities	172,060,725	6,075,852	17,987,590	(3,948,314)	192,175,853

6. Interest income

	2024	2023
	HK$'000	HK$'000
Loan portfolio	**757,120**	643,081
Loans with 100% guarantee from the Government	**4,533,483**	4,231,367
Cash and short-term funds	**2,048,875**	2,434,607
Investment securities	**806,736**	592,282
	8,146,214	7,901,337

7. Interest expense

	2024	2023
	HK$'000	HK$'000
Bank loans and debt securities issued	**7,363,943**	7,314,481
Lease liabilities	**8,338**	2,591
Others	**155,972**	187,356
	7,528,253	7,504,428

All interest expenses are for financial liabilities that are not at fair value through profit or loss.

8. Insurance revenue

The table below presents an analysis of the total insurance revenue recognised in the year:

	Notes	2024 Insurance contracts issued	2024 Reinsurance contracts issued	2024 Total	2023 Insurance contracts issued	2023 Reinsurance contracts issued	2023 Total
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Amounts relating to the changes in the liability for remaining coverage							
Expected insurance service expenses incurred in the period	a	449,877	4,743	454,620	371,710	835	372,545
Change in the risk adjustment for non-financial risk	b	(66,511)	19	(66,492)	(21,841)	1	(21,840)
Amount of CSM recognised in profit or loss	c	677,693	-	677,693	584,290	-	584,290
Other amounts including experience adjustments for premium receipts	d	-	-	-	45	-	45
Amounts relating to recovery of insurance acquisition cash flows							
Allocation of the portion of premiums that relate to the recovery of insurance acquisition cash flows	e	254,209	-	254,209	193,743	-	193,743
Insurance revenue		1,315,268	4,762	1,320,030	1,127,947	836	1,128,783

Notes:

a. Expected insurance service expenses incurred in the period comprise claims and other expenses which the Group expects to pay on insured events that occurred during the period. Refer to Note 2.22(f) for the full list of the cash flows included.
b. Change in risk adjustment shows amount of risk which expired during the period. Refer to Note 2.22 for the details of accounting policy.
c. The CSM is recognised in profit or loss over the coverage period of the corresponding group of contracts based on coverage units. Refer to Note 4.4(d).
d. Such adjustments exclude those that relate to future service which adjust the CSM.
e. Acquisition cash flows are allocated in a systematic way on the basis of the passage of time over the coverage period of the group of contracts. Refer to Note 2.22(e) for details of accounting policy.

9. Net finance (expenses) / income from insurance contracts issued / reinsurance contracts issued / reinsurance contracts held

The table below presents an analysis of net insurance finance result recognised in profit or loss and OCI in the year:

	2024	2023
	HK$'000	HK$'000
Insurance finance income / (expenses) from insurance contracts issued		
Interest accreted	**(885,204)**	(721,952)
Effect of changes in interest rates and other financial assumptions	**429,217**	(1,041,004)
Effect of measuring changes in estimates at current rates and adjusting the CSM at the rates on initial recognition	**382,457**	139,395
Net finance expenses from insurance contracts issued	**(73,530)**	(1,623,561)
Represented by:		
Amounts recognised in profit or loss	**(413,039)**	(1,692,054)
Amounts recognised in OCI	**339,509**	68,493
Insurance finance income / (expenses) from reinsurance contracts issued		
Interest accreted	**(7,282)**	(1,421)
Effect of changes in interest rates and other financial assumptions	**3,601**	(7,009)
Effect of measuring changes in estimates at current rates and adjusting the CSM at the rates on initial recognition	**1,800**	41
Changes in non-performance risk of reinsurer	**-**	-
Net finance expenses from reinsurance contracts issued	**(1,881)**	(8,389)
Represented by:		
Amounts recognised in profit or loss	**(1,881)**	(8,389)
Amounts recognised in OCI	**-**	-
Reinsurance finance income / (expenses) from reinsurance contracts held		
Interest accreted	**16,118**	(96)
Effect of changes in interest rates and other financial assumptions	**(25,026)**	2,150
Effect of measuring changes in estimates at current rates and adjusting the CSM at the rates on initial recognition	**(100,854)**	(54,790)
Changes in non-performance risk of reinsurer	**(4,544)**	(4,725)
Net finance expenses from reinsurance contracts held	**(114,306)**	(57,461)
Represented by:		
Amounts recognised in profit or loss	**10,268**	2,932
Amounts recognised in OCI	**(124,574)**	(60,393)

10. Net income from reinsurance contracts held

	2024	2023
	HK$'000	HK$'000
Expected recovery for insurance service expenses incurred in the period	**(6,476)**	(78,716)
Change in the risk adjustment for non-financial risk	**13,159**	13,158
CSM recognised in profit or loss	**(75,073)**	(67,383)
Amount relating to the changes in the assets for remaining coverage	**(68,390)**	(132,941)
Amounts recoverable for claims and other expenses incurred in the period	**25,335**	74,054
Changes in amounts recoverable arising from changes in liability for incurred claims	**1,584**	792
Changes in amounts recoverable arising from changes in risk adjustment for non-financial risk	**5,802**	513
Changes in fulfilment cash flows which relate to onerous underlying contracts	**388,591**	336,281
Amount recoverable from reinsurers	**421,312**	411,640
Net income from reinsurance contracts held	**352,922**	278,699

11. Other income

	2024	2023
	HK$'000	HK$'000
Income from placements with the Exchange Fund	**1,374,291**	1,267,546
Exchange difference	**(187,457)**	(12,336)
Gain from derivatives and hedging*	**238,006**	62,005
Net (loss) / gain on investments at fair value through profit or loss	**(48)**	238
Net gain on disposal of investments at FVOCI	**400**	-
Net change in fair value of loan portfolio (Note 3.6(a)(iii))	**(210,636)**	51,532
Dividend income from listed investments	**289**	265
Administrative fee income	**9,042**	8,972
Others	**34,147**	32,553
	1,258,034	1,410,775

* Gain from derivatives and hedging represented the aggregate of (i) HK$631 million fair value gain on hedging instruments designated as fair value hedge (2023: HK$1,996 million) and HK$531 million fair value loss on the hedged items (2023: HK$1,851 million); and (ii) HK$138 million fair value gain on derivatives mainly for hedging foreign currency exposures which are not qualified as hedges for accounting purposes (2023: HK$83 million loss).

12. Expenses by nature

An analysis of the expenses incurred by the Group in the reporting period is included in the table below:

	2024	2023
	HK$'000	HK$'000
Staff costs:		
- salaries and benefits	**458,385**	408,110
- pension costs - defined contribution plans	**26,280**	23,165
Directors' fees	**-**	-
Emoluments in respect of directors' other services in connection with the management of the affairs of the Company:		
- salaries, allowances and bonus	**8,065**	7,135
- retirement scheme contributions	**726**	703
Depreciation (Note 25)	**89,748**	82,158
Financial information services	**16,201**	16,065
Consultancy fees	**97,741**	94,260
Marketing and advertising expenses	**40,813**	47,087
Premises	**17,602**	14,556
Other operating expenses	**59,282**	52,966
Recovery of operating expenses from 100% SFGS and DLGS (Note 31(a))	**(166,388)**	(161,609)
	648,455	584,596
Amounts attributed to insurance acquisition cash flows and other directly attributable expenses	**(286,289)**	(260,774)
Other operating expenses	**362,166**	323,822
Claims and benefits	**787,624**	614,310
Losses on onerous insurance contracts	**2,257,995**	778,349
Amortisation of insurance acquisition cash flows	**254,209**	193,743
Insurance service expenses	**3,299,828**	1,586,402
	3,661,994	1,910,224

13. Auditor's remuneration

	2024	2023
	HK$'000	HK$'000
Audit services	**4,605**	6,472
Other services	**4,382**	4,228
	8,987	10,700

14. Change in impairment allowances

	2024	2023
	HK$'000	HK$'000
Cash and short-term funds (Note 3.2(c))	**1,502**	1,043
Investment securities:		
- amortised cost (Note 3.2(d)(i))	**179**	89
- FVOCI (Note 3.2(d)(ii))	**147**	477
Loan portfolio, including loan commitments (Note 3.2(b))	**33,083**	18,378
	34,911	19,987

15. Taxation

(a) Taxation in the consolidated income statement represents:

	2024	2023
	HK$'000	HK$'000
Hong Kong profits tax:		
- current tax	**50,650**	140,723
- adjusted in respect of past years	**-**	(2,416)
Deferred taxation:		
- credit for current year	**(185,220)**	(291,361)
	(134,570)	(153,054)

Hong Kong profits tax has been provided at the rate of 16.5% (2023: 16.5%) on the estimated assessable profit for the year. Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2023: 16.5%).

The taxation on the Group's loss before taxation differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	2024	2023
	HK$'000	HK$'000
Loss before taxation	**(552,610)**	(412,556)
Calculated at a taxation rate of 16.5% (2023: 16.5%)	**(91,181)**	(68,072)
Tax effect of:		
- income not subject to taxation	**(443,699)**	(451,919)
- expenses not deductible for taxation purposes	**415,517**	322,794
- tax losses not recognised	**5,060**	83,600
- adjustment in respect of prior years	**-**	(2,416)
- others	**(20,267)**	(37,041)
Taxation credit	**(134,570)**	(153,054)

(b) Provision for taxation in the statement of financial position represents:

	2024	2023
	HK$'000	HK$'000
Current tax assets (included in "Other assets")	**38**	38
Current tax liabilities	**223,782**	156,851
Deferred tax liabilities	**174,488**	307,254
	398,270	464,105

The major components of deferred tax (assets) / liabilities and the movements during the year are as follows:

	Accelerated tax depreciation	Impairment allowances and other provisions	Tax losses	Insurance contract liabilities	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 1 January 2023	8,208	(3,774)	(148,905)	729,327	584,856
Charged / (credited) to income statement	165	(3,355)	5,028	(293,199)	(291,361)
Charged to OCI	-	-	-	13,759	13,759
As at 31 December 2023	8,373	(7,129)	(143,877)	449,887	307,254
Charged / (credited) to income statement	**268**	**(6,077)**	**(26,244)**	**(153,167)**	**(185,220)**
Charged to OCI	-	-	-	**52,454**	**52,454**
As at 31 December 2024	**8,641**	**(13,206)**	**(170,121)**	**349,174**	**174,488**

There was no significant unprovided deferred taxation as at 31 December 2024 and 31 December 2023. Deferred tax assets are recognised to the extent that sufficient future taxable profits will be available for realisation. The unused tax losses can be carried forward indefinitely.

There is no significant amount of deferred tax assets / liabilities to be settled within twelve months.

16. Cash and short-term funds

	2024	2023
	HK$'000	HK$'000
Cash at banks	**913,754**	1,128,772
Time deposits with banks	**51,739,077**	50,696,426
Gross cash and short-term funds	**52,652,831**	51,825,198
Impairment allowance on cash and short-term funds (Note 3.2(c))	**(5,649)**	(4,147)
	52,647,182	51,821,051

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following balances with original maturities of three months or less.

	2024	2023
	HK$'000	HK$'000
Cash at banks	**913,754**	1,128,772
Time deposits with banks	**41,562,077**	49,999,426
Cash and cash equivalents	**42,475,831**	51,128,198

17. Interest and remittance receivables

	2024	2023
	HK$'000	HK$'000
Interest receivables from:		
- interest rate swap contracts	**2,575,665**	2,767,783
- investment securities	**191,886**	154,657
- time deposits with banks	**297,330**	250,373
Interest receivables and instalments, in transit from loan portfolio	**156,498**	197,565
	3,221,379	3,370,378

18. Derivative financial instruments

(a) Use of derivatives

The Group uses the following derivative instruments to hedge the Group's financial risks.

Currency forwards are commitment to purchase or sell foreign currency at a pre-specified exchange rate on a future date. Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an exchange of currencies or interest rates or a combination of all these. No exchange of principal takes place except for certain currency swaps. The Group's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligations. This risk is monitored on an ongoing basis under a prudent treasury counterparty risk management framework.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the consolidated statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amounts of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time. The fair values of derivative instruments held are set out below.

	2024			2023		
	Contract / notional amounts	**Fair values**		Contract / notional amounts	Fair values	
	Assets	**Liabilities**		Assets	Liabilities	
	HK$'000	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000
Derivatives not qualified as hedges for accounting purposes						
- interest rate swaps	**4,601,054**	**35,329**	**(2,802)**	6,771,769	55,587	(4,779)
- currency swaps	**8,109,388**	**152,812**	**(8,338)**	7,322,928	34,270	(39,197)
- currency forwards	**2,878,363**	**5,204**	**(3,024)**	2,715,097	669	(5,897)
		193,345	**(14,164)**		90,526	(49,873)
Fair value hedge derivatives						
- interest rate swaps	**110,629,191**	**212,397**	**(596,795)**	99,654,192	283,590	(737,144)
- currency swaps	**52,465,683**	**258,420**	**(1,127,930)**	61,158,725	454,426	(1,800,484)
		470,817	**(1,724,725)**		738,016	(2,537,628)
Cash flow hedge derivatives						
- currency swaps	**388,397**	**456**	**(1,760)**	2,998,250	-	(238,021)
		456	**(1,760)**		-	(238,021)
Total recognised derivative assets / (liabilities)		**664,618**	**(1,740,649)**		828,542	(2,825,522)

(b) Hedging activities

Derivatives may qualify as hedges for accounting purposes if they are fair value hedges or cash flow hedges.

(i) Fair value hedges

The Group's fair value hedge principally consists of interest rate and currency swaps that are used to protect interest rate risk and foreign currency risk resulting from any potential change in fair value of underlying debt securities issued.

(ii) Cash flow hedges

The Group hedged the portion of foreign exchange risks arising from variability of cash flows from foreign currency denominated financial instruments using currency swaps under cash flow hedge.

19. Loans with 100% guarantee from the Government

100% SFGS

The Group introduced special 100% SFGS in 2020. This measure aims to alleviate the burden of paying employee wages and rents by small and medium-sized enterprises which are suffering from reduced income, thereby help minimise enterprise shutting down and layoffs.

Under this scheme, loans are originated by participating lenders. Upon origination, these participating lenders would sell the loans to the Group without recourse. These loans are fully guaranteed by the Hong Kong Government.

An interest rate of the Prime Rate minus 2.5% per annum is charged to the borrowers. These loan interest, net of the funding costs and relevant general operating and administrative expenses incurred by the Group, are passed to the Government.

The maximum repayment period of the loan under the guarantee is 10 years, with an option of principal moratorium for up to forty-two months.

DLGS

The Group introduced DLGS in 2023. This measure aims to assist eligible operators, registered vehicle or ferry owners of cross-boundary passenger transport, licensed travel agents, local tour bus operators and registered owners to support their business resumption, and to encourage taxi owners to replace their liquefied petroleum gas, petrol or hybrid taxis with electric taxis.

Under this scheme, loans are originated by participating lenders. Upon origination, these participating lenders would sell the loans to the Group without recourse. These loans are fully guaranteed by the Hong Kong Government.

An interest rate of the Prime Rate minus 2.5% per annum is charged to the borrowers. These loan interest, net of the funding costs and relevant general operating and administrative expenses incurred by the Group, are passed to the Government.

The maximum repayment period of the loan under the guarantee is 10 years, with an option of principal moratorium for up to twelve months.

Accordingly, loan default losses are covered by the Government's guarantee in relation to loans with special 100% SFGS and DLGS, and no impairment allowance is recognised in view of the minimal default risk of the Government. All loan interest received is set aside to meet the funding costs, general operating and administrative expenses in relation to the purchase and servicing of the loans of the Group. The remaining balance of the interest received, if any, will be passed to the Government. The Group is responsible for the operation of the product.

	2024	2023
	HK$'000	HK$'000
Loans with 100% guarantee from the Government under:		
- 100% SFGS	**82,555,165**	97,172,516
- DLGS	**227,533**	189,840
	82,782,698	97,362,356

20. Loan portfolio, net

(a) Loan portfolio at FVPL

	2024	2023
	HK$'000	HK$'000
Residential mortgage portfolio	**2,572,791**	1,892,572
Other loan portfolio	**24,067**	14,473
	2,596,858	1,907,045

(b) Loan portfolio at amortised cost

	2024	2023
	HK$'000	HK$'000
Residential mortgage portfolio	**2,816,547**	2,804,860
Infrastructure loans	**7,290,487**	7,361,398
Others	**71,725**	90,379
	10,178,759	10,256,637
Allowance for loan impairment (Note 3.2(b))		
- residential mortgage portfolio	**(6,849)**	(2,134)
- infrastructure loans	**(52,940)**	(22,555)
- others	**(1,853)**	(1,531)
	(61,642)	(26,220)
	10,117,117	10,230,417

(c) Total allowance for loan impairment as a percentage of the outstanding principal balances of the loan portfolio

	2024	2023
Total allowance for loan impairment as a percentage of the gross loan portfolio	**0.61%**	0.26%

Allowance for loan impairment has been made after taking into account the current market value of the collateral.

	2024	2023
Gross impaired loan portfolio as a percentage of gross loan portfolio (Note 3.2(g))	**0.02%**	0.02%

21. Investment securities

(a) Investment securities at FVOCI

	2024	2023
	HK$'000	HK$'000
Debt securities at fair value:		
- listed in Hong Kong	**1,846,255**	1,067,317
- listed outside Hong Kong	**1,758,951**	1,442,220
	3,605,206	2,509,537
- unlisted	**116,615**	-
Total FVOCI securities	**3,721,821**	2,509,537

FVOCI securities comprise debt securities where the contractual cash flows are solely principal and interest and the objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets.

FVOCI securities are analysed by categories of issuers as follows:

	2024	2023
	HK$'000	HK$'000
Banks and other financial institutions	**971,385**	711,499
Corporate entities	**837,460**	931,689
Public sector entities	**1,044,727**	361,587
Central governments	**868,249**	504,762
	3,721,821	2,509,537

The movement in FVOCI securities is summarised as follows:

	2024	2023
	HK$'000	HK$'000
As at 1 January	**2,509,537**	1,244,974
Additions	**1,512,090**	1,440,325
Sales and redemption	**(281,942)**	(195,990)
Amortisation	**1,746**	1,442
Change in fair value	**25,687**	33,396
Exchange difference	**(45,297)**	(14,610)
As at 31 December	**3,721,821**	2,509,537

Information on the impairment, credit quality and the Group's exposure to credit risk are disclosed in Note 3.2(d).

(b) Investment securities at FVPL

	2024	2023
	HK$'000	HK$'000
Exchange-traded funds at fair value:		
- listed in Hong Kong	**9,774**	9,870
Total FVPL securities	**9,774**	9,870

The Group classifies investment securities in exchange-traded funds at FVPL, which do not quality for measurement at either amortised cost or FVOCI.

The movement in FVPL securities is summarised as follows:

	2024	2023
	HK$'000	HK$'000
As at 1 January	**9,870**	9,628
Change in fair value	**(48)**	238
Exchange difference	**(48)**	4
As at 31 December	**9,774**	9,870

(c) Investment securities at amortised cost

	2024	2023
	HK$'000	HK$'000
Debt securities at amortised cost:		
- listed in Hong Kong	**5,715,799**	6,631,315
- listed outside Hong Kong	**6,190,447**	4,172,749
	11,906,246	10,804,064
- unlisted	**3,204,074**	3,774,592
Gross investment securities at amortised cost	**15,110,320**	14,578,656
Impairment allowance on investment securities at amortised cost (Note 3.2(d))	**(4,850)**	(4,671)
Total amortised cost securities	**15,105,470**	14,573,985

The Group classifies investment securities at amortised cost only if both of the following criteria are met:

- the asset is held within a business model with the objective of collecting the contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Amortised cost securities before impairment are analysed by categories of issuers as follows:

	2024	2023
	HK$'000	HK$'000
Banks and other financial institutions	**4,520,414**	6,077,582
Corporate entities	**6,149,201**	5,794,619
Public sector entities	**1,936,527**	1,070,127
Central governments	**2,002,795**	1,636,328
Others (infrastructure-related bond)	**501,383**	-
	15,110,320	14,578,656

The movement in amortised cost securities before impairment is summarised as follows:

	2024	2023
	HK$'000	HK$'000
As at 1 January	**14,578,656**	13,147,658
Additions	**6,434,043**	3,945,347
Sales and redemption	**(5,848,597)**	(2,507,695)
Amortisation	**68,635**	51,452
Exchange difference	**(122,417)**	(58,106)
As at 31 December	**15,110,320**	14,578,656

22. Placements with the Exchange Fund

The Group has classified the placements of the HKMCA and the HKMCI with the Exchange Fund as financial assets at fair value through profit or loss. As at 31 December 2024, the balance of the placements with the Exchange Fund amounted to HK$49.2 billion (2023: HK$34.1 billion) (Note 31(a)), comprising a total principal sum of HK$42.5 billion (2023: HK$28.7 billion) plus income earned and accrued but not yet withdrawn as at the reporting date, which represented the premium and capital placements made by the HKMCA and the HKMCI.

The placements with the Exchange Fund are invested in the Investment Portfolio and Long-Term Growth Portfolio of the Exchange Fund, subject to a lock-up period. The rate of return on the placements with the Exchange Fund is determined annually. For Investment Portfolio, the rate of return is calculated on the basis of the average annual rate of return on the portfolio over the past six years or the average annual yield of three-year Government Bond in the previous year (subject to a minimum of zero percent), whichever is the higher. With respect to the Long-Term Growth Portfolio, the rate of return is determined based on the current year time-weighted rate of return.

23. Interests in subsidiaries

Details of the principal subsidiaries of the Company as at 31 December 2024 are as follows:

Name	Place of incorporation	Principal activities	Particulars of issued and fully paid up share capital (Class of shares)	Percentage of shares held by the Company (or its nominee)	Percentage of shares held by the Company's subsidiary (or its nominee)
HKMC Mortgage Management Limited	Hong Kong	Mortgage purchase and servicing, servicing of outstanding microfinance loans, and origination of reverse mortgage loans and policy reverse mortgage loans, all for the Group	HK$1,000,000 (Ordinary)	100%	N/A
HKMC Insurance Limited	Hong Kong	General insurance business	HK$15,000,000,000 (Ordinary)	100%	N/A
HKMC Annuity Limited	Hong Kong	Long term insurance business	HK$12,500,000,000 (Ordinary)	100%	N/A
HKMC Premier Solutions Limited	Hong Kong	Provision of marketing and business development services and related facilities to the Group	HK$100 (Ordinary)	N/A	100%

24. Prepayments, deposits and other assets

	2024	2023
	HK$'000	HK$'000
Corporate club debentures	**910**	910
CSA receivables	**308,854**	523,485
Receivables from securities issued for settlement after the reporting date	**-**	1,000,000
Other assets	**76,223**	57,637
	385,987	1,582,032

25. Fixed assets

(a) Movement in fixed assets

	Right-of-use assets on leased properties for own use	Leasehold improvement	Office equipment, furniture and fixtures	Computers	Motor vehicle	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost as at 1 January 2023	201,418	60,792	19,509	332,557	1,154	615,430
Additions	132,726	4,798	1,867	30,586	565	170,542
Written-off / disposals	(41,293)	(3,186)	(707)	(7,619)	-	(52,805)
Cost as at 31 December 2023	292,851	62,404	20,669	355,524	1,719	733,167
Additions	**24,705**	**3,185**	**3,606**	**28,991**	-	**60,487**
Written-off / disposals	**(23,589)**	**(284)**	**(5)**	**(7,772)**	-	**(31,650)**
Cost as at 31 December 2024	**293,967**	**65,305**	**24,270**	**376,743**	**1,719**	**762,004**
Accumulated depreciation as at 1 January 2023	(93,749)	(32,385)	(13,063)	(287,564)	(893)	(427,654)
Depreciation charge (Note 12)	(39,527)	(10,096)	(2,920)	(29,473)	(142)	(82,158)
Written-off / disposals	41,293	3,186	707	7,619	-	52,805
Accumulated depreciation as at 31 December 2023	(91,983)	(39,295)	(15,276)	(309,418)	(1,035)	(457,007)
Depreciation charge (Note 12)	**(50,797)**	**(7,952)**	**(2,766)**	**(27,997)**	**(236)**	**(89,748)**
Written-off / disposals	**23,589**	**284**	**5**	**7,772**	-	**31,650**
Accumulated depreciation as at 31 December 2024	**(119,191)**	**(46,963)**	**(18,037)**	**(329,643)**	**(1,271)**	**(515,105)**
As at 31 December 2024						
Cost	**293,967**	**65,305**	**24,270**	**376,743**	**1,719**	**762,004**
Accumulated depreciation	**(119,191)**	**(46,963)**	**(18,037)**	**(329,643)**	**(1,271)**	**(515,105)**
Net book amount	**174,776**	**18,342**	**6,233**	**47,100**	**448**	**246,899**
As at 31 December 2023						
Cost	292,851	62,404	20,669	355,524	1,719	733,167
Accumulated depreciation	(91,983)	(39,295)	(15,276)	(309,418)	(1,035)	(457,007)
Net book amount	200,868	23,109	5,393	46,106	684	276,160

(b) Leases

The statement of financial position shows the following amounts relating to leases:

	2024	2023
	HK$'000	HK$'000
Right-of-use assets - buildings	**174,776**	200,868
Lease liabilities:		
- within 1 year	**49,262**	34,049
- over 1 year	**127,707**	161,075
	176,969	195,124

The movement in lease liabilities is summarised as follows:

	2024	2023
	HK$'000	HK$'000
As at 1 January	**195,124**	109,781
Addition	**21,753**	120,525
Amortisation	**8,338**	2,591
Interest portion of lease payments	**(8,338)**	(2,591)
Principal portion of lease payments	**(39,908)**	(35,182)
As at 31 December 2024	**176,969**	195,124

The total cash outflow for leases for the year ended 31 December 2024 was HK$50,828,000 (2023: HK$39,514,000).

Additions to the right-of-use assets for the year ended 31 December 2024 were HK$24,705,000 (2023: HK$132,726,000).

The consolidated income statement shows the following amounts relating to leases:

	2024	2023
	HK$'000	HK$'000
Depreciation charge of right-of-use assets - buildings	**50,797**	39,527
Interest expense	**8,338**	2,591

The Group leases various offices and rental contracts are mainly made for fixed periods of six years but may have extension options as described below.

Extension and termination options are included in property leases of the Group for operational flexibility. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

26. Interest payable

	2024	2023
	HK$'000	HK$'000
Interest payable from:		
- debt securities issued	**2,907,719**	3,182,932
- interest rate swap contracts	**429,198**	499,175
- other liabilities	**5,407**	2,308
	3,342,324	3,684,415

27. Accounts payable, accrued expenses and other liabilities

	2024	2023
	HK$'000	HK$'000
Accounts payable and accrued expenses	**2,988,126**	1,937,813
Other liabilities	**894,445**	1,901,803
Lease liabilities (Note 25(b))	**176,969**	195,124
Other provision	**73,126**	72,729
	4,132,666	4,107,469

Other liabilities represented mainly the guarantee fee and fund received (net of claims and related expenses) of HK$894,445,000 (2023: HK$1,901,803,000) under the special concessionary measures of the SFGS (Note 33) and the PLGS (Note 31(a)).

28. Insurance liabilities and reinsurance assets

The breakdown of portfolios of reinsurance contracts held, insurance contracts issued and reinsurance contacts issued, that are in an asset and those in a liability position is set out in the table below:

	2024			2023		
	Assets	Liabilities	Net	Assets	Liabilities	Net
	HK$'000	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000
Reinsurance contracts held						
- general insurance	**1,081,689**	**-**	**1,081,689**	761,043	-	761,043
Insurance contracts issued						
- general insurance	**-**	**6,017,192**	**6,017,192**	-	4,991,968	4,991,968
- life insurance	**-**	**18,833,695**	**18,833,695**	-	14,296,229	14,296,229
	-	**24,850,887**	**24,850,887**	-	19,288,197	19,288,197
Reinsurance contracts issued						
- life insurance	**-**	**195,009**	**195,009**	-	87,648	87,648

28.1 Reinsurance contracts held, insurance contracts issued and reinsurance contract issued

(a) Roll-forward of net asset or liability for reinsurance contracts held, insurance contracts issued and reinsurance contracts issued showing the liability for remaining coverage and the liability for incurred claims

(i) Reinsurance contracts held – general insurance

The roll-forward of the net asset or liability for reinsurance contracts held, showing assets for remaining coverage and amounts recoverable on incurred claims arising business ceded to reinsurers is disclosed in the table below:

		2024			
		Assets for remaining coverage		Amounts recoverable	Total
	Notes	Excluding loss-recovery component	Loss-recovery component	Incurred claims	
		HK$'000	HK$'000	HK$'000	HK$'000
Reinsurance contract assets as at 1 January		249,002	506,104	5,937	761,043
Changes in the consolidated income statement and consolidated statement of comprehensive income					
Allocation of reinsurance premiums					
Amounts relating to the changes in the assets for remaining coverage	a	(68,390)	-	-	(68,390)
Amounts recoverable for claims and other expenses incurred in the period		-	-	25,335	25,335
Changes in amounts recoverable arising from changes in liability for incurred claims		-	-	7,386	7,386
Changes in fulfilment cash flows which relate to onerous underlying contracts	b	-	388,591	-	388,591
Net (expenses) / income from reinsurance contracts held		(68,390)	388,591	32,721	352,922
Net finance (expenses) / income from reinsurance contracts	c	(119,542)	9,780	-	(109,762)
Effect of changes in non-performance risk of reinsurers		(4,544)	-	-	(4,544)
		(124,086)	9,780	-	(114,306)
Total changes in the consolidated income statement and consolidated statement of comprehensive income		(192,476)	398,371	32,721	238,616
Cash flows					
Premiums and similar expenses paid		96,082	-	-	96,082
Amounts received		-	-	(21,099)	(21,099)
Total cash flows		96,082	-	(21,099)	74,983
Other reclassification		7,132	-	(85)	7,047
Reinsurance contract assets as at 31 December		159,740	904,475	17,474	1,081,689

Notes:

a. Included within the allocation of reinsurance premiums are non-recoverable expenses incurred by the Group, directly attributable to fulfilment of reinsurance contracts held.

b. Changes in the expected fulfilment cash flows on reinsurance contracts held which relate to groups of underlying insurance contracts are recognised in profit and loss if the changes in expected fulfilment cash flows from the group of underlying insurance contracts issued was also recognised in profit and loss.

c. The Group disaggregates net reinsurance finance income between profit or loss and other comprehensive income. Please refer to Note 2.22(i)(v) for details.

		2023			
		Assets for remaining coverage		Amounts recoverable	Total
	Notes	Excluding loss-recovery component	Loss-recovery component	Incurred claims	
		HK$'000	HK$'000	HK$'000	HK$'000
Reinsurance contract assets as at 1 January		204,413	167,408	4,552	376,373
Changes in the consolidated income statement and consolidated statement of comprehensive income					
Allocation of reinsurance premiums					
Amounts relating to the changes in the assets for remaining coverage	a	(132,941)	-	-	(132,941)
Amounts recoverable for claims and other expenses incurred in the period		-	-	74,054	74,054
Changes in amounts recoverable arising from changes in liability for incurred claims		-	-	1,305	1,305
Changes in fulfilment cash flows which relate to onerous underlying contracts	b	-	336,281	-	336,281
Net (expenses) / income from reinsurance contracts held		(132,941)	336,281	75,359	278,699
Net finance (expenses) / income from reinsurance contracts	c	(55,151)	2,415	-	(52,736)
Effect of changes in non-performance risk of reinsurers		(4,725)	-	-	(4,725)
		(59,876)	2,415	-	(57,461)
Total changes in the consolidated income statement and consolidated statement of comprehensive income		(192,817)	338,696	75,359	221,238
Cash flows					
Premiums and similar expenses paid		264,877	-	-	264,877
Amounts received		-	-	(73,960)	(73,960)
Total cash flows		264,877	-	(73,960)	190,917
Other reclassification		(27,471)	-	(14)	(27,485)
Reinsurance contract assets as at 31 December		249,002	506,104	5,937	761,043

Notes:

a. Included within the allocation of reinsurance premiums are non-recoverable expenses incurred by the Group, directly attributable to fulfilment of reinsurance contracts held.

b. Changes in the expected fulfilment cash flows on reinsurance contracts held which relate to groups of underlying insurance contracts are recognised in profit and loss if the changes in expected fulfilment cash flows from the group of underlying insurance contracts issued was also recognised in profit and loss.

c. The Group disaggregates net reinsurance finance income between profit or loss and other comprehensive income. Please refer to Note 2.22(i)(v) for details.

(ii) Insurance contracts issued – general insurance

The roll-forward of the net asset or liability for insurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims for portfolios, is disclosed in the table below:

	Notes	2024 LRC Excluding loss component	2024 LRC Loss component	2024 LIC	2024 Total
		HK$'000	HK$'000	HK$'000	HK$'000
Insurance contract liabilities as at 1 January		3,408,458	1,526,940	56,570	4,991,968
Changes in the consolidated income statement and consolidated statement of comprehensive income					
Insurance revenue					
Contracts under fair value approach		(194,924)	-	-	(194,924)
Other contracts		(723,591)	-	-	(723,591)
		(918,515)	-	-	(918,515)
Insurance service expenses					
Incurred claims and other expenses		-	(72,033)	140,670	68,637
Amortisation of insurance acquisition cash flows	a	238,000	-	-	238,000
Losses on onerous contracts and reversals of those losses		-	1,258,773	-	1,258,773
Changes to liability for incurred claims		-	-	23,405	23,405
		238,000	1,186,740	164,075	1,588,815
Insurance service result		(680,515)	1,186,740	164,075	670,300
Insurance finance (income) / expenses	b	(239,808)	30,454	-	(209,354)
Total changes in the consolidated income statement and consolidated statement of comprehensive income		(920,323)	1,217,194	164,075	460,946
Cash flows					
Premium received		934,886	-	-	934,886
Claims and other directly attributable expenses paid		-	-	(106,370)	(106,370)
Insurance acquisition cash flows	c	(272,291)	-	-	(272,291)
Total cash flows		662,595	-	(106,370)	556,225
Other reclassification	d	10,276	1,551	(3,774)	8,053
Insurance contract liabilities as at 31 December		3,161,006	2,745,685	110,501	6,017,192

Notes:

a. Acquisition cash flows were allocated on straight-line basis during the coverage period of the respective group of contracts. Please refer to Note 2.22(e).

b. The Group made an accounting policy choice to disaggregate insurance finance expense between profit or loss and other comprehensive income. The Group does not disaggregate changes in the risk adjustment for non-financial risk between insurance service result and insurance finance expenses.

c. Insurance acquisition cash flows paid after the related group is initially recognised are adjusted to the liability for remaining coverage.

d. Other reclassification relates to where the accounting treatment of some overheads included with the cash flows within the boundary of an insurance contract are grouped under other financial statement line items in the statement of financial position. A reclassification is made with a corresponding adjustment to such other financial statement line items in the statement of financial position.

	Notes	2023 LRC Excluding loss component	2023 LRC Loss component	2023 LIC	2023 Total
		HK$'000	HK$'000	HK$'000	HK$'000
Insurance contract liabilities as at 1 January		2,908,854	735,890	31,712	3,676,456
Changes in the consolidated income statement and consolidated statement of comprehensive income					
Insurance revenue					
Contracts under fair value approach		(265,247)	-	-	(265,247)
Other contracts		(522,289)	-	-	(522,289)
		(787,536)	-	-	(787,536)
Insurance service expenses					
Incurred claims and other expenses		-	(35,817)	58,652	22,835
Amortisation of insurance acquisition cash flows	a	184,190	-	-	184,190
Losses on onerous contracts and reversals of those losses		-	818,615	-	818,615
Changes to liability for incurred claims		-	-	17,211	17,211
		184,190	782,798	75,863	1,042,851
Insurance service result		(603,346)	782,798	75,863	255,315
Insurance finance expenses	b	22,734	5,715	-	28,449
Total changes in the consolidated income statement and consolidated statement of comprehensive income		(580,612)	788,513	75,863	283,764
Cash flows					
Premium received		1,917,867	-	-	1,917,867
Claims and other directly attributable expenses paid		-	-	(59,943)	(59,943)
Insurance acquisition cash flows	c	(651,800)	-	-	(651,800)
Total cash flows		1,266,067	-	(59,943)	1,206,124
Other reclassification	d	(185,851)	2,537	8,938	(174,376)
Insurance contract liabilities as at 31 December		3,408,458	1,526,940	56,570	4,991,968

Notes:

a. Acquisition cash flows were allocated on straight-line basis during the coverage period of the respective group of contracts. Please refer to Note 2.22(e).

b. The Group made an accounting policy choice to disaggregate insurance finance expense between profit or loss and other comprehensive income. The Group does not disaggregate changes in the risk adjustment for non-financial risk between insurance service result and insurance finance expenses.

c. Insurance acquisition cash flows paid after the related group is initially recognised are adjusted to the liability for remaining coverage.

d. Other reclassification relates to where the accounting treatment of some overheads included with the cash flows within the boundary of an insurance contract are grouped under other financial statement line items in the statement of financial position. A reclassification is made with a corresponding adjustment to such other financial statement line items in the statement of financial position.

(iii) Insurance contracts issued – life insurance

The roll-forward of the net asset or liability for insurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims for portfolios, is disclosed in the table below:

		2024			
		LRC		LIC	Total
	Notes	Excluding loss component	Loss component		
		HK$'000	HK$'000	HK$'000	HK$'000
Insurance contract liabilities as at 1 January		10,549,149	3,692,363	54,717	14,296,229
Changes in the consolidated income statement and consolidated statement of comprehensive income					
Insurance revenue					
Contracts under fair value approach		(211,375)	-	-	(211,375)
Other contracts		(185,378)	-	-	(185,378)
		(396,753)	-	-	(396,753)
Insurance service expenses					
Incurred claims and other expenses		-	(269,562)	617,506	347,944
Amortisation of insurance acquisition cash flows	a	16,209	-	-	16,209
Losses on onerous contracts and reversals of those losses		-	1,322,103	-	1,322,103
		16,209	1,052,541	617,506	1,686,256
Investment components		(569,450)	-	569,450	-
Insurance service result		(949,994)	1,052,541	1,186,956	1,289,503
Insurance finance expenses	b	184,971	97,014	899	282,884
Total changes in the consolidated income statement and consolidated statement of comprehensive income		(765,023)	1,149,555	1,187,855	1,572,387
Cash flows					
Premium received		4,259,102	-	-	4,259,102
Claims and other directly attributable expenses paid		-	-	(1,180,048)	(1,180,048)
Insurance acquisition cash flows	c	(113,975)	-	-	(113,975)
Total cash flows		4,145,127	-	(1,180,048)	2,965,079
Insurance contract liabilities as at 31 December		13,929,253	4,841,918	62,524	18,833,695

Notes:

a. Acquisition cash flows were allocated on straight-line basis during the coverage period of the respective group of contracts. Please refer to Note 2.22(e).

b. The Group made an accounting policy choice to disaggregate insurance finance expense between profit or loss and other comprehensive income. The Group does not disaggregate changes in the risk adjustment for non-financial risk between insurance service result and insurance finance expenses.

c. Insurance acquisition cash flows paid after the related group is initially recognised are adjusted to the liability for remaining coverage.

		2023			
		LRC		LIC	Total
	Notes	Excluding loss component	Loss component		
		HK$'000	HK$'000	HK$'000	HK$'000
Insurance contract liabilities as at 1 January		8,406,988	3,653,860	36,009	12,096,857
Changes in the consolidated income statement and consolidated statement of comprehensive income					
Insurance revenue					
Contracts under fair value approach		(238,983)	-	-	(238,983)
Other contracts		(101,428)	-	-	(101,428)
		(340,411)	-	-	(340,411)
Insurance service expenses					
Incurred claims and other expenses		-	(235,276)	535,392	300,116
Amortisation of insurance acquisition cash flows	a	9,553	-	-	9,553
Losses on onerous contracts and reversals of those losses		-	223,017	-	223,017
		9,553	(12,259)	535,392	532,686
Investment component		(476,891)	-	476,891	-
Insurance service result		(807,749)	(12,259)	1,012,283	192,275
Insurance finance expenses	b	1,544,047	50,762	303	1,595,112
Total changes in the consolidated income statement and consolidated statement of comprehensive income		736,298	38,503	1,012,586	1,787,387
Cash flows					
Premium received		1,523,810	-	-	1,523,810
Claims and other directly attributable expenses paid		-	-	(993,878)	(993,878)
Insurance acquisition cash flows	c	(117,947)	-	-	(117,947)
Total cash flows		1,405,863	-	(993,878)	411,985
Insurance contract liabilities as at 31 December		10,549,149	3,692,363	54,717	14,296,229

Notes:

a. Acquisition cash flows were allocated on straight-line basis during the coverage period of the respective group of contracts. Please refer to Note 2.22(e).

b. The Group made an accounting policy choice to disaggregate insurance finance expense between profit or loss and other comprehensive income. The Group does not disaggregate changes in the risk adjustment for non-financial risk between insurance service result and insurance finance expenses.

c. Insurance acquisition cash flows paid after the related group is initially recognised are adjusted to the liability for remaining coverage.

(iv) Reinsurance contracts issued – life insurance

The roll-forward of the net asset or liability for reinsurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims for portfolios, is disclosed in the table below:

		2024			
		LRC		LIC	Total
	Note	Excluding loss component	Loss component		
		HK$'000	HK$'000	HK$'000	HK$'000
Insurance contract liabilities as at 1 January		79,310	7,938	400	87,648
Changes in the consolidated income statement and consolidated statement of comprehensive income					
Insurance revenue					
Contracts under fair value approach		-	-	-	-
Other contracts		(4,762)	-	-	(4,762)
		(4,762)	-	-	(4,762)
Insurance service expenses					
Incurred claims and other expenses		-	(1,241)	6,043	4,802
Losses on onerous contracts and reversals of those losses		-	19,955	-	19,955
		-	18,714	6,043	24,757
Investment components		(3,659)	-	3,659	-
Insurance service result		(8,421)	18,714	9,702	19,995
Insurance finance expenses	a	938	943	-	1,881
Total changes in the consolidated income statement and consolidated statement of comprehensive income		(7,483)	19,657	9,702	21,876
Cash flows					
Premium received		94,659	-	-	94,659
Claims and other directly attributable expenses paid		-	-	(9,174)	(9,174)
Total cash flows		94,659	-	(9,174)	85,485
Insurance contract liabilities as at 31 December		166,486	27,595	928	195,009

Note:

a. The Group does not disaggregate insurance finance expense between profit or loss and other comprehensive income and does not disaggregate changes in the risk adjustment for non-financial risk between insurance service result and insurance finance expenses.

	Note	2023 LRC Excluding loss component	2023 LRC Loss component	2023 LIC	2023 Total
		HK$'000	HK$'000	HK$'000	HK$'000
Insurance contract (assets) / liabilities as at 1 January		-	-	-	-
Changes in the consolidated income statement and consolidated statement of comprehensive income					
Insurance revenue					
Contracts under fair value approach		-	-	-	-
Other contracts		(836)	-	-	(836)
		(836)	-	-	(836)
Insurance service expenses					
Incurred claims and other expenses		-	(137)	3,055	2,918
Losses on onerous contracts and reversals of those losses		-	7,947	-	7,947
		-	7,810	3,055	10,865
Investment components		(533)	-	533	-
Insurance service result		(1,369)	7,810	3,588	10,029
Insurance finance expenses	a	8,261	128	-	8,389
Total changes in the consolidated income statement and consolidated statement of comprehensive income		6,892	7,938	3,588	18,418
Cash flows					
Premium received		72,418	-	-	72,418
Claims and other directly attributable expenses paid		-	-	(3,188)	(3,188)
Total cash flows		72,418	-	(3,188)	69,230
Insurance contract liabilities as at 31 December		79,310	7,938	400	87,648

Note:

a. The Group does not disaggregate insurance finance expense between profit or loss and other comprehensive income and does not disaggregate changes in the risk adjustment for non-financial risk between insurance service result and insurance finance expenses.

(b) Roll-forward of the net asset or liability for reinsurance contracts held, insurance contracts issued and reinsurance contracts issued showing estimates of the present value of future cash flows, risk adjustment and CSM

(i) Reinsurance contracts held

The table below presents a roll-forward of the net asset or liability for reinsurance contracts held, showing estimates of the present value of future cash flows, risk adjustment and CSM for reinsurance held portfolios included in insurance unit.

	Notes	2024				
				CSM		
		Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Fair value approach	Others	Total
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Reinsurance contract (liabilities) / assets as at 1 January		(134,622)	351,089	157,515	387,061	761,043
Changes in the consolidated income statement and consolidated statement of comprehensive income						
Changes that relate to current service						
CSM recognised for the services received		-	-	(23,765)	(51,308)	(75,073)
Risk adjustment recognised for the risk expired		-	13,159	-	-	13,159
Experience adjustment		(2,258)	-	-	-	(2,258)
		(2,258)	13,159	(23,765)	(51,308)	(64,172)
Changes that relate to future service						
Contracts initially recognised in the period	a	(52,748)	1,119	-	51,629	-
Changes in estimates that adjust the CSM		320,778	(242,952)	36,340	(114,166)	-
Changes in estimates that do not adjust the CSM	b	111,155	298,553	-	-	409,708
		379,185	56,720	36,340	(62,537)	409,708
Changes that relate to past service						
Adjustments to incurred claim component		1,584	5,802	-	-	7,386
Reinsurance finance (expenses) / income	c	(125,730)	-	2,894	13,074	(109,762)
Effect of changes in non-performance risk of reinsurers		(4,544)	-	-	-	(4,544)
		(128,690)	5,802	2,894	13,074	(106,920)
Total changes in the consolidated income statement and consolidated statement of comprehensive income		248,237	75,681	15,469	(100,771)	238,616
Cash flows						
Premium and similar expenses paid		96,082	-	-	-	96,082
Claims recovery received		(21,099)	-	-	-	(21,099)
Total cash flows		74,983	-	-	-	74,983
Other reclassification		7,047	-	-	-	7,047
Reinsurance contract assets as at 31 December		195,645	426,770	172,984	286,290	1,081,689

Notes:

a. Please refer to Note 28.1(c)(iii) for a detailed breakdown of initially recognised contracts.
b. Changes in the expected fulfilment cash flows on reinsurance contracts held which relate to groups of underlying insurance contracts are recognised in profit and loss if the changes in expected fulfilment cash flows from the group of underlying insurance contracts issued are also recognised in profit and loss.
c. The Group disaggregates net reinsurance finance income between profit or loss and other comprehensive income. Please refer to Note 2.22(i)(v) for details.

	Notes	2023				
				CSM		
		Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Fair value approach	Others	Total
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Reinsurance contract (liabilities) / assets as at 1 January		(291,486)	304,538	78,200	285,121	376,373
Changes in the consolidated income statement and consolidated statement of comprehensive income						
Changes that relate to current service						
CSM recognised for the services received		-	-	(26,347)	(41,036)	(67,383)
Risk adjustment recognised for the risk expired		-	13,158	-	-	13,158
Experience adjustment		(14,431)	-	-	-	(14,431)
		(14,431)	13,158	(26,347)	(41,036)	(68,656)
Changes that relate to future service						
Contracts initially recognised in the period	a	(189,909)	19,111	-	174,849	4,051
Changes in estimates that adjust the CSM		178,076	(240,523)	104,601	(42,154)	-
Changes in estimates that do not adjust the CSM	b	87,707	254,292	-	-	341,999
		75,874	32,880	104,601	132,695	346,050
Changes that relate to past service						
Adjustments to incurred claim component		792	513	-	-	1,305
Reinsurance finance (expenses) / income	c	(64,078)	-	1,061	10,281	(52,736)
Effect of changes in non-performance risk of reinsurers		(4,725)	-	-	-	(4,725)
		(68,011)	513	1,061	10,281	(56,156)
Total changes in the consolidated income statement and consolidated statement of comprehensive income		(6,568)	46,551	79,315	101,940	221,238
Cash flows						
Premium and similar expenses paid		264,877	-	-	-	264,877
Claims recovery received		(73,960)	-	-	-	(73,960)
Total cash flows		190,917	-	-	-	190,917
Other reclassification		(27,485)	-	-	-	(27,485)
Reinsurance contract (liabilities) / assets as at 31 December		(134,622)	351,089	157,515	387,061	761,043

Notes:

a. Please refer to Note 28.1(c)(iii) for a detailed breakdown of initially recognised contracts.
b. Changes in the expected fulfilment cash flows on reinsurance contracts held which relate to groups of underlying insurance contracts are recognised in profit and loss if the changes in expected fulfilment cash flows from the group of underlying insurance contracts issued are also recognised in profit and loss.
c. The Group disaggregates net reinsurance finance income between profit or loss and other comprehensive income. Please refer to Note 2.22(i)(v) for details.

(ii) Insurance contracts issued – general insurance

The table below presents a roll-forward of the net asset or liability for insurance contracts issued, showing estimates of the present value of future cash flows, risk adjustment and CSM.

		2024				
				CSM		
	Notes	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Fair value approach	Others	Total
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Insurance contract liabilities as at 1 January		310,015	1,279,262	1,109,769	2,292,922	4,991,968
Changes in the consolidated income statement and consolidated statement of comprehensive income						
Changes that relate to current service						
CSM recognised for the services provided		-	-	(236,495)	(441,198)	(677,693)
Risk adjustment recognised for the risk expired		-	19,065	-	-	19,065
Experience adjustments		46,750	-	-	-	46,750
		46,750	19,065	(236,495)	(441,198)	(611,878)
Changes that relate to future service						
Contracts initially recognised in the period	a	(628,784)	36,801	-	612,909	20,926
Changes in estimates that adjust the CSM		114,206	56,003	(11,080)	(159,129)	-
Changes in estimates that do not adjust the CSM		1,271,506	(33,659)	-	-	1,237,847
		756,928	59,145	(11,080)	453,780	1,258,773
Changes that relate to past service						
Adjustments to liabilities for incurred claims		2,031	21,374	-	-	23,405
Insurance service result		805,709	99,584	(247,575)	12,582	670,300
Insurance finance (income) / expenses	b	(321,261)	-	20,357	91,550	(209,354)
Total changes in the consolidated income statement and consolidated statement of comprehensive income		484,448	99,584	(227,218)	104,132	460,946
Cash flows						
Premium received		934,886	-	-	-	934,886
Claims and other expenses paid (including investment components and premium refunds)		(106,370)	-	-	-	(106,370)
Insurance acquisition cash flows	c	(272,291)	-	-	-	(272,291)
Total cash flows		556,225	-	-	-	556,225
Other reclassification	d	8,053	-	-	-	8,053
Insurance contract liabilities as at 31 December		1,358,741	1,378,846	882,551	2,397,054	6,017,192

Notes:

a. Please refer to Note 28.1(c)(i) for a detailed breakdown of initially recognised contracts.
b. The Group made an accounting policy choice to disaggregate insurance finance expense between profit or loss and other comprehensive income. The Group does not disaggregate changes in the risk adjustment for non-financial risk between insurance service result and insurance finance expenses.
c. Insurance acquisition cash flows paid after the related group is initially recognised are adjusted to the liability for remaining coverage.
d. Other reclassification relates to where the accounting treatment of some overheads included with the cash flows within the boundary of an insurance contract are grouped under other financial statement line items in the statement of financial position. A reclassification is made with a corresponding adjustment to such other financial statement line items in the statement of financial position.

	Notes	2023				
				CSM		
		Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Fair value approach	Others	Total
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Insurance contract (assets) / liabilities as at 1 January		(77,265)	991,310	1,348,995	1,413,416	3,676,456
Changes in the consolidated income statement and consolidated statement of comprehensive income						
Changes that relate to current service						
CSM recognised for the services provided		-	-	(263,488)	(320,802)	(584,290)
Risk adjustment recognised for the risk expired		-	25,560	-	-	25,560
Experience adjustments		(14,219)	-	-	-	(14,219)
		(14,219)	25,560	(263,488)	(320,802)	(572,949)
Changes that relate to future service						
Contracts initially recognised in the period	a	(1,168,588)	51,836	-	1,123,693	6,941
Changes in estimates that adjust the CSM		(55,267)	29,418	6,037	19,812	-
Changes in estimates that do not adjust the CSM		631,828	172,284	-	-	804,112
		(592,027)	253,538	6,037	1,143,505	811,053
Changes that relate to past service						
Adjustments to liabilities for incurred claims		8,357	8,854	-	-	17,211
Insurance service result		(597,889)	287,952	(257,451)	822,703	255,315
Insurance finance (income) / expenses	b	(46,579)	-	18,225	56,803	28,449
Total changes in the consolidated income statement and consolidated statement of comprehensive income		(644,468)	287,952	(239,226)	879,506	283,764
Cash flows						
Premium received		1,917,867	-	-	-	1,917,867
Claims and other expenses paid (including investment components and premium refunds)		(59,943)	-	-	-	(59,943)
Insurance acquisition cash flows	c	(651,800)	-	-	-	(651,800)
Total cash flows		1,206,124	-	-	-	1,206,124
Other reclassification	d	(174,376)	-	-	-	(174,376)
Insurance contract liabilities as at 31 December		310,015	1,279,262	1,109,769	2,292,922	4,991,968

Notes:

a. Please refer to Note 28.1(c)(i) for a detailed breakdown of initially recognised contracts.
b. The Group made an accounting policy choice to disaggregate insurance finance expense between profit or loss and other comprehensive income. The Group does not disaggregate changes in the risk adjustment for non-financial risk between insurance service result and insurance finance expenses.
c. Insurance acquisition cash flows paid after the related group is initially recognised are adjusted to the liability for remaining coverage.
d. Other reclassification relates to where the accounting treatment of some overheads included with the cash flows within the boundary of an insurance contract are grouped under other financial statement line items in the statement of financial position. A reclassification is made with a corresponding adjustment to such other financial statement line items in the statement of financial position.

(iii) Insurance contracts issued – life insurance

The table below presents a roll-forward of the net asset or liability for insurance contracts issued, showing estimates of the present value of future cash flows, risk adjustment and CSM.

	Notes	2024				
				CSM		
		Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Fair value approach	Others	Total
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Insurance contract liabilities as at 1 January		14,150,143	146,086	-	-	14,296,229
Changes in the consolidated income statement and consolidated statement of comprehensive income						
Changes that relate to current service						
Risk adjustment recognised for the risk expired		-	(8,102)	-	-	(8,102)
Experience adjustments		(24,498)	-	-	-	(24,498)
		(24,498)	(8,102)	-	-	(32,600)
Changes that relate to future service						
Contracts initially recognised in the period	a	1,378,199	59,512	-	-	1,437,711
Changes in estimates that do not adjust the CSM		(132,006)	16,398	-	-	(115,608)
		1,246,193	75,910	-	-	1,322,103
Insurance service result		1,221,695	67,808	-	-	1,289,503
Insurance finance expenses	b	282,884	-	-	-	282,884
Total changes in the consolidated income statement and consolidated statement of comprehensive income		1,504,579	67,808	-	-	1,572,387
Cash flows						
Premium received		4,259,102	-	-	-	4,259,102
Claims and other expenses paid (including investment components and premium refunds)		(1,180,048)	-	-	-	(1,180,048)
Insurance acquisition cash flows	c	(113,975)	-	-	-	(113,975)
Total cash flows		2,965,079	-	-	-	2,965,079
Insurance contract liabilities as at 31 December		18,619,801	213,894	-	-	18,833,695

Notes:

a. Please refer to Note 28.1(c)(i) for a detailed breakdown of initially recognised contracts.
b. The Group made an accounting policy choice to disaggregate insurance finance expense between profit or loss and other comprehensive income. The Group does not disaggregate changes in the risk adjustment for non-financial risk between insurance service result and insurance finance expenses.
c. Insurance acquisition cash flows paid after the related group is initially recognised are adjusted to the liability for remaining coverage.

	Notes	2023				
				CSM		
		Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Fair value approach	Others	Total
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Insurance contract liabilities as at 1 January		11,976,686	120,171	-	-	12,096,857
Changes in the consolidated income statement and consolidated statement of comprehensive income						
Changes that relate to current service						
Risk adjustment recognised for the risk expired		-	(4,435)	-	-	(4,435)
Experience adjustments		(26,307)	-	-	-	(26,307)
		(26,307)	(4,435)	-	-	(30,742)
Changes that relate to future service						
Contracts initially recognised in the period	a	36,704	16,090	-	-	52,794
Changes in estimates that do not adjust the CSM		155,963	14,260	-	-	170,223
		192,667	30,350	-	-	223,017
Insurance service result		166,360	25,915	-	-	192,275
Insurance finance expenses	b	1,595,112	-	-	-	1,595,112
Total changes in the consolidated income statement and consolidated statement of comprehensive income		1,761,472	25,915	-	-	1,787,387
Cash flows						
Premium received		1,523,810	-	-	-	1,523,810
Claims and other expenses paid (including investment components and premium refunds)		(993,878)	-	-	-	(993,878)
Insurance acquisition cash flows	c	(117,947)	-	-	-	(117,947)
Total cash flows		411,985	-	-	-	411,985
Insurance contract liabilities as at 31 December		14,150,143	146,086	-	-	14,296,229

Notes:

a. Please refer to Note 28.1(c)(i) for a detailed breakdown of initially recognised contracts.
b. The Group made an accounting policy choice to disaggregate insurance finance expense between profit or loss and other comprehensive income. The Group does not disaggregate changes in the risk adjustment for non-financial risk between insurance service result and insurance finance expenses.
c. Insurance acquisition cash flows paid after the related group is initially recognised are adjusted to the liability for remaining coverage.

(iv) Reinsurance contracts issued – life insurance

The table below presents a roll-forward of the net asset or liability for reinsurance contracts issued, showing estimates of the present value of future cash flows, risk adjustment and CSM.

		2024			
	Note	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
		HK$'000	HK$'000	HK$'000	HK$'000
Insurance contract liabilities as at 1 January		86,694	954	-	87,648
Changes in the consolidated income statement and consolidated statement of comprehensive income					
Changes that relate to current service					
Risk adjustment recognised for the risk expired		-	(24)	-	(24)
Experience adjustments		64	-	-	64
		64	(24)	-	40
Changes that relate to future service					
Contracts initially recognised in the period		18,759	1,189	-	19,948
Changes in estimates that do not adjust the CSM		(147)	154	-	7
		18,612	1,343	-	19,955
Insurance service result		18,676	1,319	-	19,995
Insurance finance expenses	a	1,881	-	-	1,881
Total changes in the consolidated income statement and consolidated statement of comprehensive income		20,557	1,319	-	21,876
Cash flows					
Premium received		94,659	-	-	94,659
Claims and other expenses paid (including investment components and premium refunds)		(9,174)	-	-	(9,174)
Total cash flows		85,485	-	-	85,485
Insurance contract liabilities as at 31 December		192,736	2,273	-	195,009

Note:

a. The Group does not disaggregate insurance finance expense between profit or loss and other comprehensive income. The Group does not disaggregate changes in the risk adjustment for non-financial risk between insurance service result and insurance finance expenses.

	Note	2023 Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
		HK$'000	HK$'000	HK$'000	HK$'000
Insurance contract (assets) / liabilities as at 1 January		-	-	-	-
Changes in the consolidated income statement and consolidated statement of comprehensive income					
Changes that relate to current service					
Risk adjustment recognised for the risk expired		-	(1)	-	(1)
Experience adjustments		2,083	-	-	2,083
		2,083	(1)	-	2,082
Changes that relate to future service					
Contracts initially recognised in the period		6,938	862	-	7,800
Changes in estimates that do not adjust the CSM		54	93	-	147
		6,992	955	-	7,947
Insurance service result		9,075	954	-	10,029
Insurance finance expenses	a	8,389	-	-	8,389
Total changes in the consolidated income statement and consolidated statement of comprehensive income		17,464	954	-	18,418
Cash flows					
Premium received		72,418	-	-	72,418
Claims and other expenses paid (including investment components and premium refunds)		(3,188)	-	-	(3,188)
Total cash flows		69,230	-	-	69,230
Insurance contract liabilities as at 31 December		86,694	954	-	87,648

Note:

a. The Group does not disaggregate insurance finance expense between profit or loss and other comprehensive income. The Group does not disaggregate changes in the risk adjustment for non-financial risk between insurance service result and insurance finance expenses.

(c) The components of new business

(i) Reinsurance contracts held

The components of new business for reinsurance contracts held portfolios (all were reinsurance contracts purchased) included in the insurance unit is disclosed in the table below:

Reinsurance contracts assets	**2024** **HK$'000**	2023 HK$'000
Estimates of the present value of future cash inflows	**25,405**	116,545
Estimates of the present value of future cash outflows	**(78,153)**	(306,454)
Risk adjustment	**1,119**	19,111
CSM	**51,629**	174,849
Cost of retroactive cover on reinsurance contract assets held	**-**	4,051

(ii) Insurance contracts issued

The components of new business for insurance contracts issued included in the insurance unit is disclosed in the table below:

	2024			2023		
Insurance contracts issued	**Non-onerous contracts** **HK$'000**	**Onerous contracts** **HK$'000**	**Total** **HK$'000**	Non-onerous contracts HK$'000	Onerous contracts HK$'000	Total HK$'000
Estimates of the present value of future cash outflows, excluding insurance acquisition cash flows	**116,062**	**5,462,083**	**5,578,145**	121,423	1,584,877	1,706,300
Estimates of insurance acquisition cash flows	**257,568**	**301,104**	**558,672**	664,319	27,906	692,225
Estimates of the present value of future cash outflows	**373,630**	**5,763,187**	**6,136,817**	785,742	1,612,783	2,398,525
Estimates of the present value of future cash inflows	**(1,015,838)**	**(4,371,564)**	**(5,387,402)**	(1,955,040)	(1,575,369)	(3,530,409)
Risk adjustment for non-financial risk	**29,299**	**67,014**	**96,313**	45,605	22,321	67,926
CSM	**612,909**	**-**	**612,909**	1,123,693	-	1,123,693
Losses on onerous contracts at initial recognition	**-**	**1,458,637**	**1,458,637**	-	59,735	59,735

New contracts were issued on market terms. Onerous contracts were accepted as the Group did not have an opportunity to reprice them for the relevant group of policyholders and we believe that the market has a high development potential for future renewals and cross selling of additional products.

(iii) Reinsurance contracts issued

	2024			2023		
	Non-onerous contracts	**Onerous contracts**	**Total**	Non-onerous contracts	Onerous contracts	Total
Insurance contracts issued	**HK$'000**	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000
Estimates of the present value of future cash outflows, excluding insurance acquisition cash flows	-	**114,398**	**114,398**	-	85,351	85,351
Estimates of insurance acquisition cash flows	-	-	-	-	-	-
Estimates of the present value of future cash outflows	-	**114,398**	**114,398**	-	85,351	85,351
Estimates of the present value of future cash inflows	-	**(95,639)**	**(95,639)**	-	(78,413)	(78,413)
Risk adjustment for non-financial risk	-	**1,189**	**1,189**	-	862	862
Losses on onerous contracts at initial recognition	-	**19,948**	**19,948**	-	7,800	7,800

28.2 CSM recognition in profit or loss

The disclosure of when the CSM is expected to be in profit or loss in future years is presented below:

	2024						
	Less than 1 year	**1-5 years**	**5-10 years**	**10-15 years**	**15-20 years**	**More than 20 years**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Reinsurance contracts held							
General insurance	**70,055**	**192,682**	**98,955**	**33,690**	**24,529**	**39,363**	**459,274**
Insurance contracts issued							
General insurance	**633,041**	**1,734,319**	**775,342**	**89,798**	**18,394**	**28,711**	**3,279,605**

	2023						
	Less than 1 year	1-5 years	5-10 years	10-15 years	15-20 years	More than 20 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Reinsurance contracts held							
General insurance	66,994	197,140	123,147	53,003	38,341	65,951	544,576
Insurance contracts issued							
General insurance	579,844	1,676,870	895,958	159,557	34,246	56,216	3,402,691

The Group expects to recognise the CSM in profit or loss for existing contracts within 60 years, which represents the longest coverage period for the contracts in force issued by the Group.

The expected timeline for the CSM recognition for reinsurance contracts held is in line with insurance contracts issued.

29. Debt securities issued

	2024	2023
	HK$'000	HK$'000
Debt securities carried at amortised cost		
MTN	**5,799,769**	11,548,631
Total debt securities carried at amortised cost	**5,799,769**	11,548,631
Debt securities designated as hedged items under cash flow hedge		
MTN	**-**	2,741,419
Total debt securities designated as hedged items under cash flow hedge	**-**	2,741,419
Debt securities designated as hedged items under fair value hedge		
MTN	**142,499,867**	147,428,447
Total debt securities designated as hedged items under fair value hedge	**142,499,867**	147,428,447
Total debt securities issued	**148,299,636**	161,718,497

The movement in debt securities issued is summarised as follows:

	2024	2023
	HK$'000	HK$'000
As at 1 January	**163,787,833**	134,993,402
Issuance	**103,507,595**	98,329,402
Less: redemption	**(117,658,640)**	(69,456,323)
Exchange difference	**256,615**	(78,648)
Total nominal value	**149,893,403**	163,787,833
Unamortised portion of discount	**(169,545)**	(114,053)
Fair value adjustment	**(1,424,222)**	(1,955,283)
As at 31 December	**148,299,636**	161,718,497

Notes issued during the year comprise:

	2024	2023
	HK$'000	HK$'000
MTN		
Amount issued at nominal value	**103,507,595**	98,329,402
Consideration received	**103,114,200**	98,146,625

All the debt securities issued are unsecured obligations of the Group, and are issued for the purposes of providing general working capital and refinancing.

30. Share capital

	2024	2023
	HK$'000	HK$'000
Issued and fully paid		
2 billion ordinary shares	**26,500,000**	14,500,000

The movement in share capital is summarised as follows:

	2024	2023
	HK$'000	HK$'000
As at 1 January	**14,500,000**	12,000,000
Capital injection	**12,000,000**	2,500,000
As at 31 December	**26,500,000**	14,500,000

31. Material related party transactions

(a) The Company and its wholly-owned subsidiaries are wholly owned by the Government for the account of the Exchange Fund. During the year, the Group entered into or maintained material transactions with the related parties as follows:

Transactions with the HKMA, a Government-related entity, included the following:

(i) the Group paid a total fee amount of HK$2.0 million for the year (2023: HK$1.6 million) to the HKMA in respect of custodian and clearing agent services from the Central Moneymarkets Unit;

(ii) the Group incurred a secondment fee of HK$26.7 million for the year (2023: HK$24.6 million) in respect of secondees from the HKMA;

(iii) the Monetary Authority through the Exchange Fund provided a revolving credit facility of HK$80 billion to the Company, and there was no outstanding balance and accrued interest as at 31 December 2024 (2023: nil for both);

(iv) the Monetary Authority through the Exchange Fund maintained its commitment to inject additional funds up to HK$12.5 billion in aggregate (reduced from the original amount of HK$20 billion after taking into account the HK$2.5 billion capital injection each into the HKMCA on 28 June 2021, 27 June 2022 and 27 June 2023 respectively) into the Company as equity for the sole purpose of financing the Company's additional capital injection into the HKMCA and the Company maintained its commitment to inject such additional funds into the HKMCA as equity for the sole purpose of maintaining the HKMCA's margin of solvency above a certain level; and

(v) the Monetary Authority through the Exchange Fund injected HK$12.0 billion capital into the Company on 16 December 2024, as equity for the sole purpose of financing the Company's capital injection into the HKMCI as equity for the sole purpose of maintaining the HKMCI's margin of solvency above a certain level.

Transactions with the Government included the following:

(i) the HKMCI provided 80%, 90% and 100% SFGS loan guarantees with a total guarantee commitment up to HK$290 billion reimbursable by the Government (including guarantees on 100% SFGS loans acquired by the Company), see Note 33 for details. With respect to the day-to-day operation of the 100% SFGS, the Government reimbursed HK$166.0 million (2023: HK$161.6 million) to the HKMCI for the administrative expenses incurred by the HKMCI for the year;

(ii) the Company entered into an agreement with the Government, pursuant to which the Company maintained its commitment to purchase from SFGS lenders all 100% SFGS loans that are fully guaranteed by the Government via the HKMCI, see Note 19 for details;

(iii) the Company entered into an agreement with the Government, pursuant to which the Company maintained its commitment to purchase from DLGS lenders all DLGS loans that are fully guaranteed by the Government via the HKMCI with a total guarantee commitment up to HK$9.1 billion reimbursable by the Government, see Note 19 for details. With respect to the day-to-day operation, the Government reimbursed HK$0.4 million (2023: HK$0.1 million) to the HKMCI for the administrative expenses incurred by the HKMCI for the year;

(iv) the Company and the HKMCI entered into an agreement with the Government, pursuant to which the Company committed to purchase all loans under the PLGS from the participating Authorized Institutions (**AIs**) and the Government provided full funding to the Company for the purchase of all PLGS loans. The HKMCI is responsible for the operation and administration of the PLGS. With respect to the advance payment received from the Government to purchase loans under the PLGS, a portion of such advance funding was deposited with AIs with an outstanding balance of HK$189.3 million (2023: HK$147.6 million). The HKMCI was appointed by the Government to act as the administrator for the PLGS for a fee of HK$9.0 million (2023: HK$9.0 million) for the year. Risks and rewards arising from the PLGS loans rest with the Government; and

(v) the Company and the HKMCI held investment of HK$1,297.8 million (2023: HK$949.1 million) in the Hong Kong Government Bonds as at 31 December 2024 and the interest thereon was HK$34.7 million (2023: HK$21.1 million).

The Company provided corporate support services to its subsidiaries during the year for fees on an arm's length basis. The Company had issued a parental guarantee in favour of the participating lenders for the HKMCI's due performance of its obligations under the insurance programmes and schemes operated by the HKMCI. The Company had issued a parental guarantee in favour of ceding partner insurers and policyholders under the respective reinsurance agreements or policies of the HKMCA to facilitate the development of the local annuities market.

Balances of amounts due to relevant related parties are as follows:

	The Exchange Fund		The Government	
	2024	2023	**2024**	2023
	HK$'000	HK$'000	**HK$'000**	HK$'000
Placements with the Exchange Fund (Note 22)	**49,244,684**	34,070,393	**-**	-
Other liabilities (Notes 27 and 33)	**-**	-	**894,445**	1,901,803

(b) Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors and senior officers.

Compensation of the key management personnel for the year comprised:

	2024	2023
	HK$'000	HK$'000
Salaries and other short-term employee benefits	**29,658**	28,812
Post-employment benefits	**2,573**	2,537
	32,231	31,349

32. Commitments

(a) Capital

	2024	2023
	HK$'000	HK$'000
Authorised and contracted for	**29,394**	44,362

The above capital commitments mainly relate to commitments to purchase computer equipment and software.

(b) Other commitments

	2024	2023
	HK$'000	HK$'000
Undrawn loan commitments	**476,663**	1,013,479

33. Special concessionary measures under the SME Financing Guarantee Scheme

The Group provided loan guarantee products with 80% and 90% guarantee coverage under the existing SFGS at a concessionary guarantee fee rate, together with guarantee for 100% SFGS loans acquired for a total guarantee commitment up to HK$290 billion reimbursable by the Government.

Regarding the 80% and 90% guarantee products, all guarantee fees collected under the special loan guarantee products are set aside to meet the relevant default claims and related out-of-pocket expenses. The remaining balance of the guarantee fees, if any, will be returned to, and any shortfall will be borne by, the Government. The Group is responsible for the operation of the product and the applicable day-to-day operating costs. There is no impact on the consolidated income statement of the Group in respect of guarantee fee revenue and default claims. Given that the Group operates only these products for the Government, the Group considers the risk and rewards associated with this product rest with the Government. Hence, the risk-in-force for these products has not been included as the Group's off-balance sheet exposures.

For the 100% SFGS, please refer to Note 19 for more details.

34. Involvement with unconsolidated structured entities

The Group acts as a sponsor and collateral manager to structured entities that the Group does not consolidate but in which it holds an interest. The following table describes the type and nature of the structured entities:

Type of structured entities	Nature and purpose	Interest held by the Group	2024	2023
			HK$'000	HK$'000
Securitisation vehicle for infrastructure loans	To develop an infrastructure financing securitisation platform in Hong Kong	Investment in notes issued by the vehicle	**640,826**	329,703
		Sponsor loan	**23,304**	19,809

	2024	2023
	HK$'000	HK$'000
Interest income	**33,286**	15,268
Interest income on sponsor loan	**2,008**	870
Collateral management fee	**7,043**	1,092

The maximum exposure to loss is the carrying amount of the investment in the structured entity.

35. Statement of financial position and reserve movement of the Company

35.1 Statement of financial position of the Company as at 31 December 2024

	Notes	**2024**	2023
		HK$'000	HK$'000
ASSETS			
Cash and short-term funds		**46,314,950**	46,876,199
Interest and remittance receivables		**3,161,265**	3,322,402
Derivative financial instruments		**664,618**	828,542
Loans with 100% guarantee from the Government		**82,782,698**	97,362,356
Loan portfolio, net		**9,307,080**	9,337,433
Investment securities:			
- at fair value through other comprehensive income		**3,721,821**	2,509,537
- at fair value through profit or loss		**9,774**	9,870
- at amortised cost		**13,337,065**	12,176,127
Interests in subsidiaries		**32,981,543**	21,089,334
Prepayments, deposits and other assets		**331,170**	1,552,692
Deferred tax assets		**4,681**	17
Fixed assets		**229,443**	256,030
Total assets		**192,846,108**	195,320,539
LIABILITIES			
Interest payable		**3,343,451**	3,684,484
Placements by subsidiary		**561,000**	50,000
Accounts payable, accrued expenses and other liabilities		**3,356,023**	3,683,136
Derivative financial instruments		**1,740,649**	2,825,522
Current tax liabilities		**165,598**	98,666
Debt securities issued		**148,299,636**	161,718,497
Total liabilities		**157,466,357**	172,060,305
EQUITY			
Capital and reserves attributable to the equity holder:			
Share capital		**26,500,000**	14,500,000
Retained profits	35.2	**8,857,536**	8,733,357
Fair value reserve	35.2	**23,518**	8,158
Hedging reserve	35.2	**(1,303)**	18,719
Total equity		**35,379,751**	23,260,234
Total liabilities and equity		**192,846,108**	195,320,539

Approved and authorised for issue by the Board of Directors on 26 May 2025.

(Sd.)

YUE Wai Man, Eddie
Deputy Chairman and Executive Director

(Sd.)

POU Hak Wan
Executive Director and Chief Executive Officer

35.2 Reserves of the Company

	Retained profits	Fair value reserve	Hedging reserve	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Balance as at 1 January 2023	8,734,079	(1,017)	138,966	8,872,028
Loss for the year	(722)	-	-	(722)
Other comprehensive (loss) / income				
Change in the fair value of debt securities at FVOCI	-	8,698	-	8,698
Change in the loss allowance of debt securities at FVOCI	-	477	-	477
Change in the fair value of hedging instruments at cash flow hedge	-	-	(120,247)	(120,247)
Total comprehensive (loss) / income for the year	(722)	9,175	(120,247)	(111,794)
Balance as at 31 December 2023	8,733,357	8,158	18,719	8,760,234
Profit for the year	**124,179**	-	-	**124,179**
Other comprehensive income / (loss)				
Change in the fair value of debt securities at FVOCI	-	**15,213**	-	**15,213**
Change in the loss allowance of debt securities at FVOCI	-	**147**	-	**147**
Change in the fair value of hedging instruments at cash flow hedge	-	-	**(20,022)**	**(20,022)**
Total comprehensive income / (loss) for the year	**124,179**	**15,360**	**(20,022)**	**119,517**
Balance as at 31 December 2024	**8,857,536**	**23,518**	**(1,303)**	**8,879,751**

36. Directors' material interests in transactions, arrangements and contracts

Apart from those disclosed in Note 31, there was no other transaction, arrangement or contract of significance in relation to the Company's business, to which any member of the Group was a party, and in which any person who was a Director at any time during the year or a connected entity (as defined in the Companies Ordinance) of any such person had, directly or indirectly, a material interest, which subsisted at the end of the year or at any time during the year.

37. Events after balance sheet date

On 24 February 2025, the Monetary Authority through the Exchange Fund injected capital of HK$5 billion into the Company as equity for the sole purpose of financing the Company's additional capital injection into the HKMCA for the sole purpose of maintaining the HKMCA's margin of solvency above a certain level.

38. Approval of financial statements

The financial statements were approved by the Board of Directors on 26 May 2025.

THE ISSUER

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APPENDIX II – SUPPLEMENTAL OFFERING CIRCULAR DATED 10 JUNE 2026

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THE HONG KONG MORTGAGE CORPORATION LIMITED
香港按揭證券有限公司

(incorporated with limited liability under the laws of Hong Kong)

HK$6,000,000,000 3.355 per cent. Digitally Native Notes due 2028 (the Series A DN Notes)
HK$2,500,000,000 3.431 per cent. Digitally Native Notes due 2031 (the Series B DN Notes)
CNY3,000,000,000 1.700 per cent. Digitally Native Notes due 2029 (the Series C DN Notes)
(together, the DN Notes, and each a Series)

issued under the
U.S.$30,000,000,000

Medium Term Note Programme

Issue Price for the Series A DN Notes: 100.00 per cent.
Issue Price for the Series B DN Notes: 100.00 per cent.
Issue Price for the Series C DN Notes: 100.00 per cent.

This Supplemental Offering Circular (this **Supplemental Offering Circular**) to the Offering Circular dated 26 June 2025 (the **Offering Circular**) is prepared in connection with the issue of HK$6,000,000,000 3.355 per cent. Digitally Native Notes due 2028 (the **Series A DN Notes**), HK$2,500,000,000 3.431 per cent. Digitally Native Notes due 2031 (the **Series B DN Notes**) and CNY3,000,000,000 1.700 per cent. Digitally Native Notes due 2029 (the **Series C DN Notes**, and together with the Series A DN Notes and the Series B DN Notes, the **DN Notes**, and each a **Series**) under the U.S.$30,000,000,000 Medium Term Note Programme (the **Programme**) of The Hong Kong Mortgage Corporation Limited 香港按揭證券有限公司 (the **Issuer**). Terms defined in the Offering Circular shall, unless the context otherwise requires, have the same meaning when used in this Supplemental Offering Circular. This Supplemental Offering Circular is supplemental to, and should be read in conjunction with, the Offering Circular and any other supplements to the Offering Circular issued by the Issuer. This Supplemental Offering Circular does not affect any other Notes issued under the Programme.

The DN Notes will have the benefit of a deed of covenant (the **DNN Deed of Covenant**) to be dated 15 June 2026 (the **Issue Date**) and to be executed by the Issuer. A fiscal agency agreement dated 10 June 2026 (the **DNN Agency Agreement**) has also been entered into in relation to the DN Notes between the Issuer, The Hongkong and Shanghai Banking Corporation Limited as the fiscal agent (the **Fiscal Agent**), the principal paying agent (the **Principal Paying Agent**), the registrar (the **Registrar**) and the other agents named in it. Neither (i) the amended and restated agency agreement dated 26 June 2024 entered into between the Issuer, Citibank, N.A., London Branch as principal paying agent, Citicorp International Limited as registrar and Citibank, N.A., Hong Kong Branch as CMU lodging agent and the other agents named therein, nor (ii) the deed of covenant dated 19 June 2009 executed by the Issuer, in each case in relation to the Programme, will apply to the DN Notes. For a more detailed description of the DN Notes, see "*Terms and Conditions of the DN Notes*" beginning on page 32 of this Supplemental Offering Circular for the terms and conditions relating to the DN Notes (the **Conditions**).

To the extent that there is any inconsistency between (a) any statement in this Supplemental Offering Circular and (b) any other statement in or incorporated by reference in the Offering Circular, this Supplemental Offering Circular will prevail.

Application will be made to The Stock Exchange of Hong Kong Limited (the **Hong Kong Stock Exchange**) for the listing of, and permission to deal in, the DN Notes by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) (**Professional Investors**) only. This Supplemental Offering Circular is for distribution to Professional Investors only.

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

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

The DN Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the Securities Act) or with any securities regulatory authority of any state or other jurisdiction of the United States, and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the benefit of U.S. persons (as defined in Regulation S under the Securities Act). The DN Notes are being offered and sold outside of the United States to non-U.S. persons in reliance on Regulation S under the Securities Act. For a description of certain further restrictions on offers and sales of the DN Notes and the distribution of this Supplemental Offering Circular, see the section entitled "*Subscription and Sale*" of the Offering Circular, as supplemented by "*Subscription and Sale*" of this Supplemental Offering Circular.

The DN Notes will be issued in dematerialised registered form in the Specified Currency, the Specified Denomination(s) and the Aggregate Nominal Amount each as specified in the applicable Pricing Supplement (as defined herein). A Series of the DN Notes shall be validly issued when (i) the DNN Deed of Covenant has been duly executed and delivered in accordance with the provisions therein, (ii) the Aggregate Nominal Amount of such Series of the DN Notes has been initially recorded on-Platform in the relevant Issuance Token Record Account (as defined in the Conditions) (opened in the name of the Hong Kong Monetary Authority (the **HKMA**) as operator of the Central Moneymarkets Unit (the **CMU**)) in accordance with the Platform Related Documentation (as defined in the Conditions) and the relevant procedures of the DLT Platform Operator (as defined below), and (iii) following completion of (i) and (ii), the Registrar, at the instruction of the Issuer, enters in the relevant Register (as defined in the Conditions) the person in whose name the relevant Issuance Token Record Account is recorded (which, as noted in (ii) above, will be the HKMA as operator of the CMU) as the sole legal title holder to the Aggregate Nominal Amount of such Series of the DN Notes. The recording of the Aggregate Nominal Amount of the relevant Series of the DN Notes in the relevant Issuance Token Record Account will, therefore, serve as the definitive data source for entry in the relevant Register for the purpose of the issuance of such Series of the DN Notes. The Issuer shall procure the relevant Register to be maintained by the Registrar in accordance with the provisions of the DNN Agency Agreement, and the relevant Register is the definitive record of legal title to the relevant Series of the DN Notes. Legal title to the relevant Series of the DN Notes passes by entry in the relevant Register by the Registrar.

The DN Notes will have the benefit of the DNN Deed of Covenant (i) to record its promise to pay Noteholders (as defined below) and (ii) for the acquisition of Direct Rights (as defined in the Conditions) by the Accountholders (as defined below) against the Issuer, in each case in the circumstances set out in the DNN Deed of Covenant and relating to the DN Notes only (and not to any other series of Notes issued under the Programme).

While the DN Notes are in dematerialised registered form and the Platform Beneficial Interests (as defined below) are held through the Platform (as defined below), any reference to beneficial interests in or rights to any DN Notes shall mean: (i) **Platform Beneficial Interests**, which means the beneficial interests in DN Notes recorded in the relevant Digital Token Accounts (as defined in the Conditions) maintained on the Platform held by Direct Participants and CMU-DSI (as defined below), (ii) **CMUP Beneficial Interests**, which means the beneficial interests in and rights corresponding to such DN Notes held in relevant securities accounts in the CMU in its conventional clearing system (the **CMUP**) held through CMU-DSI on Platform, (iii) beneficial interests held away from the CMUP through intermediary or custodian arrangements with a Direct Participant, which for the avoidance of doubt does not incorporate the CMU-DSI in or through the holding chain, and/or (iv) any further beneficial interests down the custodian chain, as applicable. The records of the DLT Platform Operator of the Platform Beneficial Interests in the DN Notes of Accountholders, being the amalgamated balance of all Digital Token Accounts on the Platform, shall be the definitive record of Platform Beneficial Interests (the **Platform Beneficial Interest Record**) and be conclusive and binding on all Accountholders. The definitive record of CMUP Beneficial Interests shall be the books and records of CMUP maintained by the CMU as described in the CMU Reference Manual (as defined herein).

While the DN Notes are in dematerialised registered form and the Platform Beneficial Interests are held through the Platform, no transfer of legal title to the DN Notes is expected. Platform Beneficial Interests in a DN Note will be recorded in the Digital Token Account of the relevant Accountholder. Platform Beneficial Interests in a DN Note shall pass upon the debiting of record of such DN Note from the relevant transferor Accountholder's Digital Token Account and corresponding crediting to the transferee Accountholder's Digital Token Account in the Platform Beneficial Interest Record, in accordance with the Conditions, the Platform Related Documentation and the relevant procedures of the DLT Platform Operator. References herein to the **Platform** means HSBC Orion, the online platform using distributed ledger technology (**DLT**) deployed by The Hongkong and Shanghai Banking Corporation Limited operated by the CMU in its capacity as operator of the Platform (the **DLT Platform Operator**) as an extension of the CMU, used for, including, but not limited to, the recording and updating of the relevant Issuance Token Record and, while the DN Notes are in dematerialised registered form and the Platform Beneficial Interests are held through the Platform, the recording of the creation, issuance, settlement, transfer, redemption and cancellation of Platform Beneficial Interests in the DN Notes, and pursuant to which (i) the Direct Participants (as defined below) may manage their holdings of Platform Beneficial Interests in the DN Notes in Digital Token Accounts for their own account and/or in a custodian or intermediary capacity and (ii) the CMU-DSI, the internal operational mechanism of the DLT Platform Operator using the direct participant functionality on the Platform solely as a digital securities intermediary on behalf of members of the CMU (the **CMU-DSI**) may hold Platform Beneficial Interests in the DN Notes in its Digital Token Account acting as digital securities intermediary for members of the CMU, all in accordance with the Platform Related Documentation. The Platform relies on materials, software, equipment, systems or other intellectual property held by or licensed by third party service providers, including (i) Digital Asset Modelling Language (**DAML**) (a smart contract language technology); (ii) Hyperledger Fabric (a private and permissioned enterprise blockchain technology); and (iii) Canton Network.

The DLT Platform Operator will operate the CMU-DSI to hold DN Notes as an intermediary for CMU members. Any CMUP Beneficial Interests in the DN Notes will be reflected in accordance with the relevant rules and procedures of the CMU from time to time. The Direct Participants, as Accountholders, may hold DN Notes as a custodian or intermediary for investors or for their own account. Any beneficial interests held through a Direct Participant or another custodian or intermediary will be reflected in accordance with the procedures of the relevant custodian arrangements. For investors seeking to hold any beneficial interests in the DN Notes through Euroclear Bank SA/NV (**Euroclear**) or Clearstream Banking S.A. (**Clearstream**) (as the case may be), such investors will hold their interest through an account opened and held by the custodians of Euroclear or Clearstream (as the case may be) with the CMUP.

Any reference to **Noteholders** or **Holders** in relation to any DN Notes shall mean the persons in whose name such DN Notes are so registered in the Register. Any reference to **Accountholder** shall mean a Direct Participant or the CMU-DSI, each using the direct participant functionality on the Platform and a person for the time being appearing in the Platform Beneficial Interest Record as holder of one or more Digital Token Account(s). Once a Bond Migration (as defined in the Conditions) has been effected in accordance with the Platform Related Documentation, all references to **Accountholders** shall be construed accordingly. Any reference to **Direct Participant** shall mean a participant of the Platform using the direct participant functionality on the Platform, holding one or more Digital Token Account(s) for its own account and/or in a custodian or intermediary capacity, which, for the avoidance of doubt, does not include the CMU-DSI or any Agent performing the function as the Issuer's agent on the Platform.

INVESTING IN THE DN NOTES INVOLVES RISKS. SEE "*RISK FACTORS*" OF THE OFFERING CIRCULAR AND OF THIS SUPPLEMENTAL OFFERING CIRCULAR FOR A DISCUSSION OF CERTAIN FACTORS TO BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE DN NOTES.

JOINT GLOBAL COORDINATORS, JOINT LEAD MANAGERS AND JOINT BOOKRUNNERS FOR THE SERIES A DN NOTES AND THE SERIES B DN NOTES

Bank of China (Hong Kong) **Crédit Agricole CIB** **HSBC** **J.P. Morgan** **Standard Chartered Bank**

JOINT GLOBAL COORDINATORS, JOINT LEAD MANAGERS AND JOINT BOOKRUNNERS FOR THE SERIES C DN NOTES

Bank of China (Hong Kong) **Crédit Agricole CIB** **HSBC** **ICBC (Asia)** **Standard Chartered Bank**

JOINT LEAD MANAGERS AND JOINT BOOKRUNNERS FOR THE SERIES A DN NOTES AND THE SERIES B DN NOTES

Bank of Communications **Barclays** **BNP PARIBAS** **China Construction Bank (Asia)** **ICBC (Asia)**

Mizuho **MUFG** **OCBC** **Société Générale Corporate & Investment Banking**

JOINT LEAD MANAGERS AND JOINT BOOKRUNNERS FOR THE SERIES C DN NOTES

Bank of Communications **BNP PARIBAS** **China Construction Bank (Asia)** **China CITIC Bank International** **China International Capital Corporation**

J.P. Morgan **Mizuho** **MUFG** **Société Générale Corporate & Investment Banking**

CLEARING AND SETTLEMENT SYSTEM

CMU OPERATED BY THE HONG KONG MONETARY AUTHORITY

PLATFORM PROVIDER TO THE CMU AS DLT PLATFORM PROVIDER

HSBC

Supplemental Offering Circular dated 10 June 2026

IMPORTANT NOTICE

The Issuer having made all reasonable enquiries, confirms that the Offering Circular, as amended and supplemented by this Supplemental Offering Circular, contains or incorporates all information which is material in the context of the issuance and offering of the DN Notes, that the information contained in or incorporated into the Offering Circular, as amended and supplemented by this Supplemental Offering Circular, is true and accurate in all material respects and is not misleading in any material respect, that the opinions and intentions expressed in the Offering Circular, as amended and supplemented by this Supplemental Offering Circular, are honestly held and that there are no other facts the omission of which would make the Offering Circular, as amended or supplemented by this Supplemental Offering Circular, or any such information or the expression of any such opinion or intention misleading and which, in each case, is material in the context of the issuance and offering of the DN Notes. The Issuer accepts responsibility accordingly.

This Supplemental Offering Circular, together with the Offering Circular, include particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer and the Group. The Issuer accepts full responsibility for the accuracy of the information contained in the Offering Circular and this Supplemental Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading. This Supplemental Offering Circular is supplemental to the Offering Circular and must be read in conjunction with the Offering Circular for the purpose of the proposed issue of the DN Notes by the Issuer under the Programme.

The Offering Circular and this Supplemental Offering Circular do not constitute an offer to sell or the solicitation of an offer to buy any DN Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of the Offering Circular, this Supplemental Offering Circular or the pricing supplements in respect of the DN Notes (the **Pricing Supplements**) and the offer or sale of the DN Notes may be restricted by law in certain jurisdictions. None of the Issuer, members of the Group, the Joint Lead Managers (as defined under "*Summary of the DN Notes*"), the Agents (as defined in the Conditions) or any of their respective directors, officers, representatives, employees, advisers, agents, affiliates or any person who controls any of them, represent that the Offering Circular, this Supplemental Offering Circular or the Pricing Supplements may be lawfully distributed, or that any DN Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, members of the Group, the Joint Lead Managers, the Agents or any of their respective directors, officers, representatives, employees, advisers, agents, affiliates or any person who controls any of them, which would permit a public offering of any DN Notes or distribution of the Offering Circular, this Supplemental Offering Circular or the Pricing Supplements in any jurisdiction where action for that purpose is required. Accordingly, no DN Notes may be offered or sold, directly or indirectly, and neither the Offering Circular, this Supplemental Offering Circular, the Pricing Supplements nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable laws and regulations. Persons into whose possession the Offering Circular, this Supplemental Offering Circular, the relevant Pricing Supplement or any DN Notes may come must inform themselves about, and observe, any such restrictions on the distribution of the Offering Circular, this Supplemental Offering Circular or the relevant Pricing Supplement and the offering and sale of the DN Notes. In particular, there are restrictions on the distribution of the Offering Circular, this Supplemental Offering Circular and the Pricing Supplements and the offer or sale of the DN Notes in the U.S., the European Economic Area (including, for these purposes, The Netherlands), the United Kingdom, Japan, the Hong Kong Special Administrative Region of the People's Republic of China (**Hong Kong**), the People's Republic of China (**PRC** or **Chinese Mainland**) and Singapore. For a description of certain further restrictions on offers and

sales of the DN Notes and distribution of the Offering Circular, this Supplemental Offering Circular and the Pricing Supplements, see "*Subscription and Sale*" of the Offering Circular, as supplemented by "*Subscription and Sale*" of this Supplemental Offering Circular.

No person is authorised in connection with the offering of the DN Notes to give any information or to make any representation regarding the Issuer, the Programme or the DN Notes not contained in the Offering Circular, this Supplemental Offering Circular and the Pricing Supplements and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer, the Joint Lead Managers, the Agents (as defined in the Conditions), the DLT Platform Operator or The Hongkong and Shanghai Banking Corporation Limited as technology service provider to the CMU as DLT Platform Operator (the **Platform Provider**) or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers.

None of the Offering Circular, this Supplemental Offering Circular, the Pricing Supplements or any other information supplied in connection with the Programme or the DN Notes is intended to provide the basis of any credit or other evaluation or should be considered as a recommendation by the Issuer, the Joint Lead Managers, the Agents, the DLT Platform Operator or the Platform Provider or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers that any recipient of the Offering Circular, this Supplemental Offering Circular, the Pricing Supplements or any other information supplied in connection with the Programme or the DN Notes should purchase any of the DN Notes. A potential investor should carefully evaluate the information provided herein in light of the total mix of information available to it, recognising that none of the Issuer, the Joint Lead Managers, the Agents, the DLT Platform Operator or the Platform Provider or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any other person can provide any assurance as to the reliability of any information not contained in this Supplemental Offering Circular. Each prospective investor contemplating purchasing any DN Notes should make its own independent investigation and analysis of the condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience and any other factors which may be relevant to it in connection with such investment.

Neither the delivery of the Offering Circular, this Supplemental Offering Circular or the Pricing Supplements nor any offer or sale of the DN Notes made in connection therewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which the Offering Circular has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which the Offering Circular has been most recently amended or supplemented or that the information contained in it or any other information supplied in connection with the DN Notes is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. The Joint Lead Managers expressly do not undertake to review the condition, financial, economic or otherwise, or affairs of the Issuer during the life of the DN Notes or to advise any investor in the DN Notes of any information coming to their attention.

No comment is made or advice is given by the Issuer, the Joint Lead Managers or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers in respect of taxation matters relating to the DN Notes or the legality of the purchase of the DN Notes by an investor under any applicable law.

The role of the Platform Provider is solely limited to provision of technology services to the CMU as the DLT Platform Operator. None of the Platform Provider, its affiliates, nor any of their respective directors, officers, employees, representatives, agents or advisers makes any representation or bears any responsibility to the Holder or any other party with respect to the functionality, availability, compliance with applicable laws, suitability, malfunction, or any function that operates in an unexpected manner of

the Platform operated by the CMU as the DLT Platform Operator (including without limitation with respect to any function(s) required for any Holder or any other party to exercise their rights or obligations and/or the efficiency and completeness of the CMU's business continuity plan relating to the operation of the Platform). None of the Platform Provider, its affiliates, nor any of their respective directors, officers, employees, representatives, agents or advisers will be liable to CMU members or any other third parties for any failure of the Platform operated by the CMU.

EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS TAX ADVISER, LEGAL ADVISER AND BUSINESS ADVISER AS TO TAX, LEGAL AND BUSINESS-RELATED MATTERS CONCERNING THE PURCHASE OF THE DN NOTES.

None of the Joint Lead Managers, the DLT Platform Operator, the Platform Provider or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers has separately verified the information contained in the Offering Circular, this Supplemental Offering Circular and the Pricing Supplements. To the fullest extent permitted by law, none of the Joint Lead Managers, the Agents, the DLT Platform Operator, the Platform Provider or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers accept responsibility whatsoever for the contents of the Offering Circular, this Supplemental Offering Circular and the Pricing Supplements or for any other statement made or purported to be made by any of them or on its behalf in connection with the Issuer, the Programme or the issue and offering of the DN Notes. Each of the Joint Lead Managers, the DLT Platform Operator, the Platform Provider, the Agents and each of their respective affiliates, directors, officers, employees, representatives, agents and advisers accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of the Offering Circular, this Supplemental Offering Circular, the Pricing Supplements or any such statement. The Agents, the DLT Platform Operator, the Platform Provider and each of their respective affiliates, directors, officers, employees, representatives, agents and advisers make no representation regarding the Offering Circular, this Supplemental Offering Circular, the Pricing Supplements, the Programme or the DN Notes.

None of the Issuer, the Joint Lead Managers, the Agents and their respective affiliates, directors, officers, employees, representatives, agents and advisers has any responsibility whatsoever with respect to the functionality of the Platform. None of the Issuer, the Joint Lead Managers, the Agents and their respective affiliates, directors, officers, employees, representatives, agents and advisers will be liable for any failure due to the technological set up of the Platform. The DLT Platform Operator and the Platform Provider shall not be liable for any losses suffered by Direct Participants or any third parties (including investors) or incurred or caused by or in connection with use of the Platform or receipt of the functionalities of the Platform or any failure due to the technological set up of the Platform. See "*Risk Factors*" below for certain information relevant to an investment in the DN Notes.

The DN Notes have not been approved or disapproved by the U.S. Securities and Exchange Commission, any State securities commission in the United States or any other U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the DN Notes or the accuracy or adequacy of the Offering Circular and this Supplemental Offering Circular. Any representation to the contrary may be a criminal offence in the United States.

The DN Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States. The DN Notes may not be offered, sold or delivered within the United States or to, or for the benefit of U.S. persons, except pursuant to an exemption from, or in transactions not subject to, the registration requirements of the Securities Act and applicable state securities laws.

The DN Notes may be offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. For description of these and certain further restrictions on offers, sales and transfers of the

DN Notes and distribution of the Offering Circular and this Supplemental Offering Circular, see "*Subscription and Sale*" of the Offering Circular, as supplemented by "*Subscription and Sale*" of this Supplemental Offering Circular.

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

Notice to Capital Market Intermediaries and Prospective Investors Pursuant to Paragraph 21 of the Hong Kong SFC Code of Conduct — Important Notice to Prospective Investors

Prospective investors should be aware that certain intermediaries in the context of this offering of the DN Notes, including certain Joint Lead Managers, are "capital market intermediaries" (the **CMIs**) subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the **SFC Code**). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as "overall coordinators" (the **OCs**) for this offering and are subject to additional requirements under the SFC Code.

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

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). If a prospective investor is an asset management arm affiliated with any Joint Lead Manager, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the relevant Joint Lead Manager or its group company has more than 50% interest, in which case it will be classified as a "proprietary order" and subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if such "proprietary order" may negatively impact the price discovery process in relation to this offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". If a prospective investor is otherwise affiliated with any Joint Lead Manager, such that its order may be considered to be a "proprietary order" (pursuant to the SFC Code), such prospective investor should indicate to the relevant Joint Lead Manager when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". Where prospective investors disclose such information but do not disclose that such "proprietary order" may negatively impact the price discovery process in relation to this offering, such "proprietary order" is hereby deemed not to negatively impact the price discovery process in relation to this offering.

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

None of the Issuer, members of the Group, the Joint Lead Managers, the Agents or any of their respective directors, officers, representatives, employees, advisers, agents, affiliates or any person who controls any of them, makes any representation to any investor in the DN Notes regarding the legality of its investment under any applicable laws. Any investor in the DN Notes should be able to bear the economic risk of investment in the DN Notes for an indefinite period of time.

PRESENTATION OF FINANCIAL INFORMATION

The Issuer maintains its financial books and records and prepares its financial statements in Hong Kong dollars in accordance with the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) (the **Companies Ordinance**). Unless otherwise specified, where financial information in relation to the Issuer has been translated into U.S. dollars, it has been so translated, for the convenience of the reader, at an exchange rate of HK$7.8 = U.S.$1.00. No representation is made that Hong Kong dollars have been, could have been, or could be, converted into U.S. dollars at the rate indicated or at any other rate.

CERTAIN DEFINED TERMS AND CONVENTIONS

Capitalised terms which are used but not defined in any particular section of this Supplemental Offering Circular will have the meaning attributed to them in "*Terms and Conditions of the DN Notes*" or any other section of this Supplemental Offering Circular or the Offering Circular.

All references in this Supplemental Offering Circular to **Hong Kong** are to the Hong Kong Special Administrative Region of the People's Republic of China, references to **Macao** are to the Macao Special Administrative Region of the People's Republic of China, references to **Chinese Mainland** or **PRC** are to the People's Republic of China (and for the purpose of this Supplemental Offering Circular, excluding Hong Kong, Macao and Taiwan), references to **European Economic Area** include The Netherlands, references to **UK** are to the United Kingdom and references to **U.S.** or the **United States** are to the United States of America.

In addition, all references in this Supplemental Offering Circular to **U.S. dollars** and **U.S.$** refer to the currency of the U.S., to **Hong Kong dollars** and **HK$** refer to the currency of Hong Kong, to **CNH**, **CNY**, **RMB** and **Renminbi** refer to the currency of the PRC and to **Singapore dollars**, **S$** and **SGD** refer to the currency of Singapore. In addition, references to **Sterling** and **£** refer to the currency of the United Kingdom and to **euro** and **€** refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended from time to time.

In this Supplemental Offering Circular, unless the contrary intention appears, a reference to a law or a provision of a law is a reference to that law or provision as extended, amended or re-enacted.

FORWARD-LOOKING STATEMENTS

Certain statements in this Supplemental Offering Circular may constitute "forward-looking statements". Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Issuer to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Issuer's present and future business strategies and the environment in which the Issuer will operate in the future. Factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "*Risk Factors*" and "*Description of the Issuer*" in the Offering Circular as supplemented by this Supplemental Offering Circular. These forward-looking statements speak only as at the date of this Supplemental Offering Circular. The Issuer expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Issuer's expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based.

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SUMMARY OF THE DN NOTES

*The following summary does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Supplemental Offering Circular and the Pricing Supplements. Words and expressions defined in the "Terms and Conditions of the DN Notes" (the terms and conditions set out therein, the **Conditions**) shall have the same meanings in this summary.*

Issuer	The Hong Kong Mortgage Corporation Limited 香港按揭證券有限公司
Issuer Legal Entity Identifier (LEI)	254900W04TBDJ4UBOS04
Description of the DN Notes	HK$6,000,000,000 3.355 per cent. Digitally Native Notes due 2028 (the **Series A DN Notes**), HK$2,500,000,000 3.431 per cent. Digitally Native Notes due 2031 (the **Series B DN Notes**) and CNY3,000,000,000 1.700 per cent. Digitally Native Notes due 2029 (the **Series C DN Notes**, and together with the Series A DN Notes and the Series B DN Notes, the **DN Notes**, and each a **Series**) under the U.S.$30,000,000,000 Medium Term Note Programme of the Issuer. In the context of the DN Notes, "digitally native" describes the on-Platform component that is critical to the valid constitution, issuance and creation of the DN Notes. A Series of the DN Notes shall be validly issued when (i) the DNN Deed of Covenant has been duly executed and delivered in accordance with the provisions therein, (ii) the Aggregate Nominal Amount of such Series of the DN Notes has been initially recorded on-Platform in the relevant Issuance Token Record Account (opened in the name of the HKMA as operator of the CMU) in accordance with the Platform Related Documentation and the relevant procedures of the DLT Platform Operator, and (iii) following completion of (i) and (ii), the Registrar, at the instruction of the Issuer, enters in the relevant Register the person in whose name the relevant Issuance Token Record Account is recorded (which, as per (ii) above, will be the HKMA as operator of the CMU) as the sole legal title holder to the Aggregate Nominal Amount of such Series of the DN Notes. The recording of the Aggregate Nominal Amount of the relevant Series of the DN Notes in the relevant Issuance Token Record Account will, therefore, serve as the definitive data source for entry in the relevant Register for the purpose of the issuance of such Series of the DN Notes.

	Accordingly, as the DN Notes cannot validly come into existence without the Issuance Token Record Account having been digitally created on the Platform, they possess a "digitally native" quality. However, there is no universal legal, statutory or regulatory definition under English law or Hong Kong law of, nor settled market consensus on, the term "digitally native". See "*Risk Factors — Risks Relating to the Use of the Platform and Holding Structures for the DN Notes — The DN Notes will be in dematerialised registered form on the Issue Date with no physical certificate and there is no universal legal, statutory or regulatory definition under English law or Hong Kong law of, nor settled market consensus on, the term "digitally native""* in this Supplemental Offering Circular.
Risk Factors	Investing in the DN Notes involves certain risks. The principal risk factors that may affect the ability of the Issuer to fulfil its obligations under the DN Notes are discussed under "*Risk Factors*" below.
Joint Lead Managers	For the Series A DN Notes and the Series B DN Notes: Bank of China (Hong Kong) Limited, Crédit Agricole Corporate and Investment Bank, The Hongkong and Shanghai Banking Corporation Limited, J.P. Morgan Securities plc and Standard Chartered Bank (together, the **Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers for the Series A DN Notes and the Series B DN Notes**), Bank of Communications Co., Ltd. Hong Kong Branch, Barclays Bank PLC, BNP PARIBAS, China Construction Bank (Asia) Corporation Limited, Industrial and Commercial Bank of China (Asia) Limited, Mizuho Securities Asia Limited, MUFG Securities Asia Limited, Oversea-Chinese Banking Corporation Limited and Société Générale (the **Joint Bookrunners and the Joint Lead Managers for the Series A DN Notes and the Series B DN Notes**, together with the Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers for the Series A DN Notes and the Series B DN Notes, the **Joint Lead Managers for the Series A DN Notes and the Series B DN Notes**).

	For the Series C DN Notes: Bank of China (Hong Kong) Limited, Crédit Agricole Corporate and Investment Bank, The Hongkong and Shanghai Banking Corporation Limited, Industrial and Commercial Bank of China (Asia) Limited and Standard Chartered Bank (together, the **Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers for the Series C DN Notes**), Bank of Communications Co., Ltd. Hong Kong Branch, BNP PARIBAS, China Construction Bank (Asia) Corporation Limited, China CITIC Bank International Limited, China International Capital Corporation Hong Kong Securities Limited, J.P. Morgan Securities (Asia Pacific) Limited, Mizuho Securities Asia Limited, MUFG Securities Asia Limited and Société Générale (the **Joint Bookrunners and the Joint Lead Managers for the Series C DN Notes**, together with the Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers for the Series C DN Notes, the **Joint Lead Managers for the Series C DN Notes**, and together with the Joint Lead Managers for the Series A DN Notes and the Series B DN Notes, the **Joint Lead Managers**).
Fiscal Agent, Principal Paying Agent and Registrar	The Hongkong and Shanghai Banking Corporation Limited.
Issue Date	15 June 2026
Issue Price	The Series A DN Notes: 100.00 per cent. of the Aggregate Nominal Amount of the Series A DN Notes. The Series B DN Notes: 100.00 per cent. of the Aggregate Nominal Amount of the Series B DN Notes. The Series C DN Notes: 100.00 per cent. of the Aggregate Nominal Amount of the Series C DN Notes.
Interest	The Series A DN Notes will bear interest on their outstanding nominal amount from (and including) the Interest Commencement Date at the rate of 3.355 per cent. per annum, payable annually in arrear on 15 June in each year, commencing from and including 15 June 2027 up to and including the Maturity Date of the Series A DN Notes, adjusted in accordance with the Modified Following Business Day Convention, as specified in the applicable Pricing Supplement. The Series B DN Notes will bear interest on their outstanding nominal amount from (and including) the Interest Commencement Date at the rate of 3.431 per cent. per annum, payable annually in arrear on 15 June in each year, commencing from and including 15 June 2027 up to and including the Maturity Date of the Series B DN Notes, adjusted in accordance with the Modified Following Business Day Convention, as specified in the applicable Pricing Supplement.

	The Series C DN Notes will bear interest on their outstanding nominal amount from (and including) the Interest Commencement Date at the rate of 1.700 per cent. per annum, payable annually in arrear on 15 June in each year, commencing from and including 15 June 2027 up to and including the Maturity Date of the Series C DN Notes, adjusted in accordance with the Modified Following Business Day Convention, as specified in the applicable Pricing Supplement.
Clearing and Settlement System	CMU with linkage to Euroclear and Clearstream.
DLT Platform Operator	CMU
Platform	HSBC Orion, the online platform using DLT deployed by The Hongkong and Shanghai Banking Corporation Limited operated by the CMU as the DLT Platform Operator as an extension of the CMU, used for, including but not limited to, the recording and updating of the Issuance Token Record and, while the DN Notes are in dematerialised registered form and the Platform Beneficial Interests are held through the Platform, the recording of the creation, issuance, settlement, transfer, redemption and cancellation of the Platform Beneficial Interests in the DN Notes, and pursuant to which (i) the Direct Participants may manage their holdings of Platform Beneficial Interests in the DN Notes in Digital Token Accounts for their own account and/or in a custodian or intermediary capacity and (ii) the CMU-DSI may hold Platform Beneficial Interests in the DN Notes in its Digital Token Account acting as digital securities intermediary for members of the CMU, all in accordance with the Platform Related Documentation.
Form of DN Notes	The DN Notes will be issued in dematerialised registered form. The on-Platform recording of the Aggregate Nominal Amount of the DN Notes in the Issuance Token Record Account serves as the definitive data source for entry in the Register of the HKMA (as operator of the CMU) as sole legal title holder to the Aggregate Nominal Amount of the DN Notes. The Register is the definitive record of legal title to the DN Notes and, other than the Register, no physical document or certificate of title will be issued in respect of the DN Notes.
Holding, transfer or settlement of the DN Notes	Legal title to the DN Notes passes by entry in the relevant Register which the Issuer shall procure to be kept by the Registrar in accordance with the Conditions and the provisions of the DNN Agency Agreement. While the DN Notes are in dematerialised registered form and the Platform Beneficial Interests are held through the Platform, no transfer of legal title to the DN Notes is expected.

All records of transfers of the Platform Beneficial Interests in the DN Notes and entries on the Platform will be made in accordance with the Platform Related Documentation and the relevant procedures of the DLT Platform Operator. Records of transfers of the Platform Beneficial Interests in the DN Notes will be effected, and may only be effected, through the Platform and may, subject as provided in the Platform Related Documentation, only be between Accountholders. Such record of transfers of the absolute ownership of Platform Beneficial Interests in the DN Notes between Accountholders may, (i) if both the transferor and transferee are Direct Participants, require instructions to be provided via the Platform by both the transferor and transferee, or (ii) if one of the transferor or transferee is CMU-DSI, require instructions to be provided on the Platform by both the transferor and the transferee concurrently with, among other things, instruction to the CMUP by the relevant transferor or transferee of CMUP Beneficial Interests who is settling the transfer through CMU-DSI (where such holder's CMUP Beneficial Interests are transferred in accordance with the paragraph below), and in each case will be effected through recording the debiting of record of the Platform Beneficial Interests in the DN Notes from the transferor's Digital Token Account and crediting of record of the Platform Beneficial Interests in the DN Notes to the transferee's Digital Token Account. Only the DLT Platform Operator has the responsibility for recording the absolute ownership of Platform Beneficial Interests in any DN Note in the Platform Beneficial Interest Record (including any record of transfers).

A transfer of any other beneficial interests in the DN Notes will be effected in accordance with (if such beneficial interests are CMUP Beneficial Interests and held through the CMU-DSI) the relevant rules and procedures of the CMU from time to time and/or (if such beneficial interests are held through a Direct Participant or any other intermediary or custodian) the procedures of the relevant custodian arrangements, and, depending on how such transfer of beneficial interests is effected, may or may not result in a transfer of a record of Platform Beneficial Interests on the Platform in accordance with the relevant procedures of the DLT Platform Operator as set out in the paragraph above.

Transfers of Platform Beneficial Interests in DN Notes to or from any Digital Token Account shall be effected to the relevant Accountholder by the DLT Platform Operator, but upon payment by the relevant Accountholder of any fee, tax, duty, assessment or other governmental charges that may be imposed in relation to such record of transfer of Platform Beneficial Interests (or the giving of such indemnity as the DLT Platform Operator may require).

Status of the DN Notes	The DN Notes constitute direct, unconditional, unsubordinated, general and unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.
Maturity	Interest Payment Date falling in, or nearest to, 15 June 2028 for the Series A DN Notes. Interest Payment Date falling in, or nearest to, 15 June 2031 for the Series B DN Notes. Interest Payment Date falling in, or nearest to, 15 June 2029 for the Series C DN Notes.
Specified Denomination	The Series A DN Notes and the Series B DN Notes will be issued in the specified denomination of HK$1,000,000 and integral multiples of HK$500,000 in excess thereof. The Series C DN Notes will be issued in the specified denomination of CNY1,000,000 and integral multiples of CNY10,000 in excess thereof.
Redemption of the DN Notes	The DN Notes cannot be redeemed prior to their stated maturity (other than for tax reasons).
Redemption for Tax Reasons	If, as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 7 of the Conditions) or any political subdivision of, or any authority in, or of, a Tax Jurisdiction having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the DN Notes the Issuer has or will become obliged to pay additional amounts as provided in Condition 7, and such obligation cannot be avoided by the Issuer taking reasonable measures available to it, the Issuer may, at its option and having given not less than 30 nor more than 60 days' notice to the Fiscal Agent and, in accordance with Condition 12, the Noteholders (which notice shall be irrevocable), redeem the relevant Series of the DN Notes in whole, but not in part, as further described in Condition 5(b) of the Conditions.
Taxation	All payments in respect of the DN Notes will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction, save as provided in Condition 7 of the Conditions. In the event that any such withholding or deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 7 of the Conditions, be required to pay additional amounts to cover the amounts so withheld or deducted.

	In making an investment decision, each prospective investor is strongly recommended to consult its own professional advisers in respect of the tax implications of holding the DN Notes, see the section entitled "*Taxation*" of the Offering Circular.
Events of Default	If any one or more of the events described in Condition 9 of the Conditions occurs and is continuing, then any Holder may, by written notice addressed to the Issuer delivered to the Issuer and to the specified office of the Fiscal Agent, effective upon the date of receipt thereof by the Fiscal Agent, declare any DN Notes held by the Holder to be forthwith due and payable whereupon the same shall become forthwith due and payable at its Early Redemption Amount, together with accrued interest (if any) to the date of repayment, without presentation, demand, protest or other notice of any kind.
Cross Default	The terms of the DN Notes will contain a cross default provision as further described in Condition 9 of the Conditions.
Meetings of Noteholders	A summary of the provisions for convening meetings of Noteholders to consider matters relating to their interests as such is set out in Condition 11 of the Conditions.
Business Continuity Plan	A summary of the Business Continuity Plan is set out below. See "*Overview of the Platform and Clearing, Settlement and Operational Information — Business Continuity Plan*" below.
Direct Rights	Each Accountholder shall, in limited circumstances, acquire against the Issuer the Direct Rights in accordance with the provisions of the DNN Deed of Covenant in respect of a nominal amount of DN Notes to which such Accountholder is entitled.
ISIN, Common Code, CMU Instrument Number and Digital Token Identifier	ISIN of the Series A DN Notes: HK0001313748. ISIN of the Series B DN Notes: HK0001313755. ISIN of the Series C DN Notes: HK0001313730. Common Code of the Series A DN Notes: 340168313. Common Code of the Series B DN Notes: 340168321. Common Code of the Series C DN Notes: 340168291. CMU Instrument Number of the Series A DN Notes: ORNHKB26007. CMU Instrument Number of the Series B DN Notes: ORNHKB26008. CMU Instrument Number of the Series C DN Notes: ORNHKB26006.

	Digital Token Identifier of the Series A DN Notes: CS0MJ2XV4.
	Digital Token Identifier of the Series B DN Notes: KB39QFBZC.
	Digital Token Identifier of the Series C DN Notes: WXDBSSSB0.
Governing Law	The DN Notes and any non-contractual obligations arising out of or in connection with the DN Notes, will be governed by, and construed in accordance with, English law.
	The courts of England are to have jurisdiction to settle any dispute which may arise out of or in connection with the DN Notes.
Listing	Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the DN Notes by way of debt issues to Professional Investors only. Such listing is expected to become effective on 16 June 2026.
Selling Restrictions	There are restrictions on the offer, sale and transfer of the DN Notes in the United States, the European Economic Area, the UK, Japan, Hong Kong, the Chinese Mainland and Singapore, see the section entitled "*Subscription and Sale*" of the Offering Circular, as supplemented by the "*Subscription and Sale*" section of this Supplemental Offering Circular.

RISK FACTORS

The sections titled "Risk Factors — Risks Relating to the Issuer", "Risk Factors — Risks Relating to the Issuer's Subsidiaries" and "Risk Factors — Risks Relating to Hong Kong, the PRC and Other Countries" set out on pages 78 to 86 of the Offering Circular shall be deleted in its entirety and replaced with the following.

RISKS RELATING TO THE ISSUER

Loan purchase activities in Hong Kong

One of the business activities of the Issuer is to purchase loan assets from the Approved Sellers (as defined under the section entitled "*Description of the Issuer — Business Strategies*") in Hong Kong. The willingness of the Approved Sellers to sell their loan assets to the Issuer depends on a number of factors, including the Approved Sellers' loan portfolio size, their balance sheet management and the interest rate applicable to the loan assets at the relevant time. The decision as to whether or not to sell their loan assets to the Issuer lies with the Approved Sellers. There can be no assurance that the Approved Sellers will continue to make available suitable loan assets for purchase by the Issuer.

Exposure to the Hong Kong property market

The Issuer is exposed to the Hong Kong property market due to its portfolio of mortgage loans relating to properties in Hong Kong. The Hong Kong property market is highly cyclical and property prices in general have been volatile. Property prices are affected by a number of factors, including the supply of, and demand for, comparable properties, changes to interest rate, policies of the Government of the Hong Kong Special Administrative Region of the People's Republic of China (**Hong Kong Government**), the rate of economic growth in Hong Kong, political and economic developments in the PRC and the relationship of the PRC and Hong Kong with other countries. Accordingly, any significant drop in property prices and/or liquidity in the Hong Kong property market could adversely affect the Issuer's business, financial condition and results of operations.

Exposure to the risk of default by borrowers and/or sellers/servicers in its loan asset portfolio

The quality of the Issuer's loan asset portfolio depends on both the careful selection of loan assets to be purchased and the rate of default by borrowers. The Issuer cannot offer any assurance that it will continue to be able to purchase loan assets of adequate credit quality to maintain the current credit performance of its loan asset portfolio or that the credit quality of its loan asset portfolio will not deteriorate. The Issuer can offer no assurance that the default rate of borrowers will remain at a low level. The allowance for loan impairment set aside by the Issuer may be insufficient to cover all future losses arising from its loan asset portfolio, which could have an adverse impact on the Issuer's business, financial condition and results of operations.

In respect of the loans purchased under the Mortgage Purchase Programme (**MPP**) (for more information, see the section entitled "*Description of the Issuer — Business Overview — Purchase Activities*"), the Approved Seller/Approved Servicer (as defined under the section entitled "*Description of the Issuer — Business Strategies*") of an acquired loan portfolio is obliged to remit scheduled payments generated from the acquired loan portfolio to the Issuer in a timely and accurate manner. The Issuer can offer no assurance that its Approved Sellers/Approved Servicers will make scheduled payments in a timely or accurate manner, or will not default on their payment obligations.

Exposure to the risks under the Microfinance Scheme

The Issuer is exposed to risk of default by existing borrowers under the Microfinance Scheme (**MFS**), under which loans were offered to borrowers through "authorized institutions" (**AIs**) (as defined in Section 2 of the Banking Ordinance (Cap. 155 of the Laws of Hong Kong) (**Banking Ordinance**)) with funding participation provided by one of the Issuer's wholly-owned subsidiaries, HKMC Mortgage Management Limited (**HMML**) (for more information, see the section entitled "*Description of the Issuer — Business Overview — Microfinance Scheme*"). Although the acceptance of loan applications under the MFS already ceased in 2019, the Issuer can offer no assurance as to the repayment capabilities of the borrowers under the MFS.

Exposure to the risks under the Infrastructure Financing and Securitisation business

The Issuer primarily purchases and co-finances infrastructure loans with a view to securitising those loans in the capital markets. The Issuer's Infrastructure Financing and Securitisation (**IFS**) business may expose the Issuer to risks inherent in cross border infrastructure projects, including delay risk, construction risk, performance risk, operational risk, commercial risk, financial risk, counterparty risk, concentration risk, legal and compliance risk, regulatory risk, political risk, currency risk, interest rate risk and environmental and social risk.

On 17 October 2025, the Issuer, via Bauhinia ILBS 3 Limited (a special purpose vehicle established for the Issuer's Infrastructure Loan-Backed Securities (**ILBS**) issuance), completed a publicly-rated securitisation transaction which consists of multiple classes of U. S. dollar-denominated senior secured notes (**2025 ILBS Notes**) backed by the cash flows from a diversified portfolio of projects and infrastructure loans across multiple geographies and sectors, with an issuance size of U.S.$450.5 million. Similar to the previous ILBS issuances in May 2023 (with an issuance size of U.S.$404.8 million) and September 2024 (with an issuance size of U.S.$423.3 million) (together with the 2025 ILBS Notes, the **ILBS Notes**), the Issuer has multiple roles in this transaction, including acting as the sponsor, retention holder of the subordinated notes of the 2025 ILBS Notes, as well as acting as collateral manager, providing certain collateral management services to the issuer of the 2025 ILBS Notes. In addition, the Issuer continues to hold a portion of the ILBS Notes from each ILBS issuance. The involvement of the Issuer in its various capacities, in particular as sponsor and collateral manager, may result in conflicts of interest in the administration of the ILBS Notes. As a result, the Issuer has established the Infrastructure Financing and Securitisation Collateral Manager Committee (**IFSCMC**) as the governing forum of the Issuer's collateral management business for the ILBS Notes.

Although the Issuer has adopted a prudent risk management framework for its IFS business (for more information, see the section entitled "*Description of the Issuer — Risk Management — Infrastructure Loans*") as well as internal governance measures to manage any potential conflicts of interest, there is no assurance that such risk management measures and internal governance measures will adequately mitigate the relevant risks associated with the IFS business of the Issuer, failure of which could adversely affect the Issuer's business, financial condition and results of operations.

Exposure to the risks under the Fixed Rate Mortgage Scheme

Under the Issuer's Fixed Rate Mortgage Scheme, the Issuer provides an alternative financing option to local homebuyers with fixed-rate mortgages for 10, 15 and 20 years to mitigate risks arising from interest rate volatility (for more information, see the section entitled "*Description of the Issuer — Business Overview — Fixed Rate Mortgage Scheme*"). The Issuer is exposed to risk of default by borrowers and/or sellers/servicers in their respective mortgage loan asset portfolios. In addition, the Issuer is exposed to interest rate risk as well as asymmetrical prepayment risk. Although the Issuer has diversified sources of funding and adopts prudent risk management measures to mitigate such risks, there is no assurance as to the effectiveness of such measures.

The Issuer and the Group may not maintain an operating profit

For the year ended 31 December 2025, the Group reported a net loss of HK$109 million (2024: a net loss of HK$418 million). The improved results were primarily driven by increased income from placements with the Exchange Fund which was bolstered by rising annuity premiums and capital injections made to HKMC Annuity Limited (**HKMCA**) and HKMC Insurance Limited (**HKMCI**) (each a wholly-owned subsidiary of the Issuer) in 2025 and late 2024 respectively, coupled with a recovery in the local property market benefitting the reverse mortgage business, the increase in net interest income and the revaluation gains of U.S. dollar-denominated exposures in cash and debt investments. Such gains were partially offset by the higher accounting loss in the annuity business resulting from a surge in new policies written and the negative accounting impact of lower discount rates on insurance liabilities revaluation. There is no assurance that the Issuer will not continue to report a loss (of a similar or greater amount) in the future, which may adversely affect its business, financial condition and results of operations.

Exposure to liquidity risk, interest rate risk and asset-liability maturity mismatch risk

The Issuer has various funding sources at various interest rates and maturities, and acquires loan assets at various interest rates and maturities. In the event of the underlying borrowers or obligors failing to fulfil their payment obligations as scheduled, the Issuer may be exposed to cash flow and net interest income risks. Although the Issuer has sound credit ratings, diversified funding sources and prudently uses cash and derivative instruments for hedging purposes, the Issuer may still be exposed to liquidity risk outside the control of the Issuer as a result of the prevailing market conditions and availability of funds to fulfil its payment obligations. The Issuer cannot offer any assurance as to the effectiveness of its funding strategy, risk management measures and hedging techniques to adequately mitigate any adverse changes in market conditions or the availability of such instruments in the future, or the failure of the underlying borrowers or obligors to fulfil their payment obligations as scheduled, which could adversely affect the Issuer's business, financial condition and results of operations.

Exposure to currency risk

The majority of the Issuer's revenues are generated in Hong Kong dollar and U.S. dollar. Hong Kong dollar has been linked to U.S. dollar since 1983 under the Linked Exchange Rate System which ensures that the Hong Kong dollar exchange rate remains stable within a band of HK$7.75 to HK$7.85 to U.S.$1, but there can be no assurance that the Linked Exchange Rate System will be maintained in the future, despite the fact that the Hong Kong Government has, from time to time, expressed a commitment to maintain exchange rate stability under the Linked Exchange Rate System. The Issuer can offer no assurance that its business, financial condition and results of operations would not be adversely affected by the impact on the Hong Kong economy arising from any devaluation or revaluation of Hong Kong dollar or if the link of Hong Kong dollar to U.S. dollar is discontinued or changed in any way.

Exposure to treasury counterparty risk

The Issuer enters into treasury instruments with a number of treasury counterparties (such as international banks) for its hedging and other treasury activities. Potential losses could be incurred as a result of delay or failure in the payments by a treasury counterparty in respect of the underlying treasury instruments. The Issuer can offer no assurance that its treasury counterparties will make payments in a timely or accurate manner, or will not default on their payment obligations.

No government guarantee in respect of the Issuer's debts

Although the Issuer is wholly owned by the Hong Kong Government, the Hong Kong Government does not provide any form of guarantee in respect of the Issuer's borrowings or other obligations, including the DN Notes. The repayment obligations of the DN Notes remain the sole obligation of the Issuer. The ownership or control which may be exerted by the Hong Kong Government on the Issuer does not necessarily correlate to, or provide any assurance as to the Issuer's financial condition.

In addition, and notwithstanding the above, if the Issuer is partly or fully privatised, its credit standing could be adversely affected.

Guarantee relating to the Issuer's subsidiaries

The general insurance business of the Issuer is carried out by one of its wholly-owned subsidiaries, the HKMCI. The Issuer has issued a parental guarantee in favour of the participating lenders for the HKMCI's due performance of its obligations under the insurance programmes and schemes operated by the HKMCI (for more information, see the section entitled "*Description of the Issuer — Business Overview*"). If such guarantee is called upon, the Issuer is required to discharge the HKMCI's liabilities under the relevant programmes and schemes and the Issuer's business, financial condition and results of operations may be adversely affected.

The Issuer issued a parental guarantee to the HKMCA in 2024 which aimed to lower the capital charge required by the HKMCA's partner insurers in respect of the HKMCA's reinsurance assets, thereby encouraging potential partner insurers to collaborate with the HKMCA in developing the local annuities market. If such guarantee is called upon, the Issuer is required to discharge the HKMCA's liabilities under the relevant programmes and schemes, and the Issuer's business, financial condition and results of operations may be adversely affected.

Exposure to legal, regulatory, litigation and compliance risks

The Group is subject to laws, rules and regulations that regulate all aspects of its business. Some of the laws, rules and regulations are relatively new and their interpretation and application remain uncertain. The Group is exposed to risks of legal, regulatory, litigation and administrative proceedings. Management of these risks requires, among other things, policies and procedures to prohibit or report certain transactions, properly record and monitor large number of transactions and events, as applicable. Failure to comply with any of the applicable laws, rules and regulations, including as a result of changes to rules and regulations or the changing interpretation thereof by relevant regulators, could result in administrative sanctions, fines, increase in expenses or capital to achieve compliance or arising from any disputes, proceedings and litigations, each of which may have a material adverse effect on the Group's reputation, business, financial condition and results of operations. In addition, failure to implement and maintain effective internal controls or proper records could bring an impact on the reliability of the Group's financial statements and the Group's ability to comply with applicable laws, rules and regulations.

Furthermore, investigations, administrative actions or litigation could commence in relation to violation of any applicable laws, rules and regulations, which may result in penalties, damages, costs and expenses and possible damage to the reputation of the Group. Any adverse judgments or rulings that are delivered against the Group could have a material adverse effect on the Group's reputation, business, financial condition and results of operations.

Exposure to failure of full compliance with applicable anti-money laundering laws, anti-terrorism laws, anti-bribery laws and other regulations

The Group is required to comply with applicable anti-money laundering laws, counter-terrorist financing laws, anti-bribery laws and other relevant regulations in Hong Kong and elsewhere. Such laws and regulations require the Group, among other things, to formulate "know your customer" policies and procedures and to report suspicious transactions to the applicable regulatory authorities or law enforcement agencies. Additionally, regulators in recent years have globally increased their scrutiny of corporate internal controls and have correspondingly increased the penalties for any non-compliance, particularly in the areas of economic sanctions, anti-money laundering, anti-terrorism and anti-bribery.

While the Group has adopted policies and procedures aimed at detecting and preventing money laundering activities and transactions with or by terrorists and terrorist-related organisations and individuals or individuals subject to economic sanctions or involved in corruption generally, such policies and procedures may not completely eliminate instances where the Group may be used by other parties to engage in money laundering or other illegal or improper activities. To the extent that the Group fails to comply with any applicable laws or regulations, the relevant law enforcement agencies may have the power and authority to impose fines and other penalties on the Group, which may materially and adversely affect the Group's reputation, business, financial condition and results of operations.

Exposure to the risk of change in credit rating or outlook of the Issuer

On 28 May 2025, Moody's Investors Service (**Moody's**) announced to change to stable from negative the outlook on the Issuer following the agency's affirmation of the Hong Kong Government's issuer rating at Aa3 with an outlook revision to stable from negative. Investors should be aware that there is no assurance that the rating of the Issuer will not be downgraded or revised in the future, which may materially and adversely affect the Group's reputation, business, financial condition and results of operations, as well as the trading price of the DN Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be suspended, reduced or withdrawn by the rating agency at any time.

RISKS RELATING TO THE ISSUER'S SUBSIDIARIES

Exposure to the risk of default by borrowers and/or reinsurers under the Mortgage Insurance Programme

Borrowers may default under the Mortgage Insurance Programme (**MIP**) operated by the HKMCI (for more information, see the section entitled "*Description of the Issuer — Business Overview — Mortgage Insurance Programme*"). The HKMCI's exposure to such default risk depends on the quality of the mortgage loans under the insurance cover provided by the HKMCI and the careful screening of mortgage loans eligible under the MIP. To reduce its exposure, the HKMCI obtains reinsurance from approved mortgage reinsurers (**Approved Reinsurers**) for the whole or a part of the MIP insurance cover amount so that the risk of borrower default is mitigated by risk sharing with the relevant Approved Reinsurers. Neither the Issuer nor the HKMCI can offer any assurance that the HKMCI will continue to be able to maintain the current overall credit quality of its MIP portfolio, or that the HKMCI will continue to be able to reinsure its MIP insurance cover effectively, or that its Approved Reinsurers will not default on their reinsurance obligations.

In addition, a rise in interest rates may increase the cost of mortgage financing and a worsening of economic conditions in Hong Kong may adversely impact the affordability and repayment ability of the relevant borrowers. These factors may heighten the default risk of the mortgages and may have an adverse effect on HKMCI's business, financial condition and results of operations.

Exposure to the risks under the SME Financing Guarantee Scheme

Under the SME Financing Guarantee Scheme (**SFGS**), the HKMCI provides loan guarantees for credit facilities advanced by the participating AIs to eligible local non-listed enterprises, including small and medium-sized enterprises (**SMEs**) and businesses with less operating history (for more information, see the section entitled "*Description of the Issuer — Business Overview — SME Financing Guarantee Scheme*"). The HKMCI is the scheme administrator of the SFGS and the participating AIs are responsible for conducting customer due diligence and verification of borrower's eligibility using their professional skill, judgement and care. Although the HKMCI has in place prudent eligibility criteria for the SFGS, the HKMCI is exposed to risk of default by borrowers and its exposure is dependent on the repayment ability of the borrowers and the quality of underwriting of such credit facilities by the participating AIs. Neither the Issuer nor the HKMCI can offer any assurance as to the effectiveness of the participating AIs' underwriting standards with respect to the credit facilities or the economic conditions which may have an impact on the repayment ability of the relevant borrowers.

The time-limited 80 per cent. guarantee product (**80% SFGS**), the 90 per cent. guarantee product (**90% SFGS**) and the special 100 per cent. guarantee product (**Special 100% SFGS**) under the SFGS, launched by the HKMCI on behalf of the Hong Kong Government in May 2012, December 2019 and April 2020 respectively, are backed by the Hong Kong Government's guarantee commitment of up to 80 per cent., 90 per cent. and 100 per cent. of eligible credit facilities granted by participating AIs. The application period for the 90% SFGS and the Special 100% SFGS concluded at the end of March 2026 and March 2024 respectively. In respect of the Special 100% SFGS, the Issuer, with its own funds, purchased loans drawn down under the guarantee product from the participating AIs on a without-recourse basis. The Hong Kong Government pays, via the HKMCI, a one-off origination fee and ongoing servicing fee to the participating AIs for the origination and servicing of the loans under the Special 100% SFGS, and reimburses necessary enforcement and debt recovery expenses incurred by the participating AIs on defaulted credit facilities under the SFGS. The Hong Kong Government also pays ongoing administrative fees to the HKMCI for administering the Special 100% SFGS. Neither the Issuer nor the HKMCI can offer any assurance that the Hong Kong Government will not default on its loan guarantee and reimbursement obligations.

Exposure to the risks under the 100% Personal Loan Guarantee Scheme

The time-limited 100% Personal Loan Guarantee Scheme (**PLGS**) is fully backed by the Hong Kong Government's 100% financial commitment for loans approved by participating AIs in accordance with the eligibility criteria for PLGS (for more information, see the section entitled "*Description of the Issuer — Business Overview — 100% Personal Loan Guarantee Scheme*") and the application period closed on 30 April 2023. The HKMCI is the scheme administrator of the PLGS and the participating AIs were responsible for conducting customer due diligence and verification of borrower's eligibility using their professional skill, judgement and care. Although the HKMCI has in place prudent eligibility criteria for the PLGS, the HKMCI is exposed to risk of default by borrowers and its exposure is dependent on the repayment ability of the borrowers and the quality of underwriting of such loans by the participating AIs. Neither the Issuer nor the HKMCI can offer any assurance as to the effectiveness of the participating AIs' underwriting standards with respect to the loans or the economic conditions which may have an impact on the repayment ability of the relevant borrowers.

The Issuer, with funding provided by the Hong Kong Government, purchased loans drawn down under the PLGS from the participating AIs on a without-recourse basis. The Hong Kong Government pays, via the HKMCI, a one-off origination fee and ongoing servicing fee to the participating AIs for the origination and servicing of the loans, and reimburses necessary enforcement and debt recovery expenses incurred by the participating AIs on defaulted loans. The Hong Kong Government also pays ongoing administrative fees to the HKMCI for administering the PLGS. Neither the Issuer nor the HKMCI can offer any assurance that the Hong Kong Government will not default on its financial commitment and reimbursement obligations.

Exposure to the risks under the Dedicated 100% Loan Guarantee Schemes for Specified Sectors

The Dedicated 100% Loan Guarantee Schemes for specified sectors **(DLGS)** are fully backed by the Hong Kong Government's 100% guarantees for loans approved by the participating AIs in accordance with the eligibility criteria for DLGS for eligible licensed travel agents, registered owners of local tour coaches and cross-boundary coaches and hire cars, registered owners and operators of cross-boundary ferries as well as the eligible taxi owners who intend to purchase battery electric taxis to replace their liquefied petroleum gas, petrol or hybrid taxis in Hong Kong (for more information, see the section entitled "*Description of the Issuer — Business Overview — Dedicated 100% Loan Guarantee Schemes for Specified Sectors*"). The HKMCI is the scheme administrator of the DLGS and the participating AIs are responsible for conducting customer due diligence and verification of the borrower's eligibility using their professional skill, judgement and care. Although the HKMCI has in place prudent eligibility criteria for the DLGS, the HKMCI is exposed to risk of default by the borrowers and its exposure is dependent on the repayment ability of the borrowers and the quality of underwriting of such loans by the participating AIs. Neither the Issuer nor the HKMCI can offer any assurance as to the effectiveness of the participating AIs' underwriting standards with respect to the loans or the economic conditions which may have an impact on the repayment ability of the relevant borrowers.

The Issuer, with its own funds, purchases loans drawn down under the DLGS from the participating AIs on a without-recourse basis. The Hong Kong Government pays, via the HKMCI, a one-off origination fee and ongoing servicing fee to the participating AIs for the origination and servicing of the loans under the DLGS, and reimburses necessary enforcement and debt recovery expenses incurred by the participating AIs on defaulted loans under the DLGS. The Hong Kong Government also pays ongoing administrative fees to the HKMCI for administering the DLGS. Neither the Issuer nor the HKMCI can offer any assurance that the Hong Kong Government will not default on its loan guarantee and reimbursement obligations or the Issuer will continue to have sufficient funding available to purchase loans drawn down under the DLGS from the participating AIs.

Exposure to the risks under the Reverse Mortgage Programme

Under the Reverse Mortgage Programme (**RMP**), the HKMCI provides insurance cover on reverse mortgage loans provided to elderly borrowers by participating lenders (for more information, see the section entitled "*Description of the Issuer — Business Overview — Reverse Mortgage Programme*"). The insurance cover is provided by the HKMCI for the purpose of covering shortfalls incurred by the participating lenders in the event that proceeds recovered from the repossessed property upon the occurrence of a maturity event are insufficient to cover the outstanding loan balance and the associated expenses. Any volatility in the property market or drop in property prices may also have an adverse impact on the proceeds recovered from the repossessed property after the occurrence of a maturity event. Although the HKMCI has adopted a prudent set of actuarial assumptions regarding mortality rates, interest rates and property price movements to model the payout amount to borrowers, and the HKMCI obtains reinsurance from one or more Approved Reinsurers for the whole or a part of the RMP insurance cover amount, neither the Issuer nor the HKMCI can offer any assurance as to the effectiveness and accuracy of such assumptions, or that the HKMCI will continue to be able to reinsure its RMP insurance cover effectively, or that its Approved Reinsurers will not default on their reinsurance obligations.

Exposure to the risks under the Policy Reverse Mortgage Programme

Under the Policy Reverse Mortgage Programme (**PRMP**), the HKMCI provides insurance cover on loans provided to elderly borrowers by participating lenders (for more information, see the section entitled "*Description of the Issuer — Business Overview — Policy Reverse Mortgage Programme*"). The insurance cover is provided by the HKMCI for the purpose of covering shortfalls incurred by the participating lenders in the event that the money paid under the life insurance policy assigned as collateral of a loan upon the occurrence of a maturity event is insufficient to cover the outstanding loan balance and the associated expenses. Although the HKMCI has adopted a prudent set of actuarial assumptions regarding mortality rates, interest rates and fulfilment ratios of life insurance policies to model the payout amount to borrowers, neither the Issuer nor the HKMCI can offer any assurance as to the effectiveness and accuracy of such assumptions, or that the insurance companies of the assigned life insurance policies will not default on their claim payment obligations.

Exposure to the risks under the life annuity business

The HKMCA is a wholly-owned subsidiary of the Issuer which operates life annuity business (for more information, see the section entitled "*Description of the Issuer — Business Overview — Life Annuity Business of the HKMCA*"). The HKMCA is exposed to investment risk and various insurance risks, primarily longevity risk which arises from the possibility that the life expectancy of annuitants being longer than expected. Although the HKMCA has adopted a prudent set of actuarial and investment assumptions for pricing, neither the Issuer nor the HKMCA can offer any assurance as to the effectiveness and accuracy of such assumptions. Moreover, the Issuer and the HKMCA may have to report negative earnings under its life annuity business subject to movement in market conditions and actual experience deviated from the assumptions including investment, mortality, lapsation and expense.

Furthermore, a significant portion of the assets of the HKMCA is invested in illiquid assets. Owing to asset volatility and uncertain annuity liabilities, the HKMCA is exposed to asset-liability mismatch risk and liquidity risk. The HKMCA minimises such risks through monitoring the investment performance and maintaining a number of funding sources. However, neither the Issuer nor the HKMCA can offer any assurance as to the effectiveness of such risk mitigation measures.

The HKMCA issues life annuity policies to a group of vulnerable customers (e.g. persons over 65 years of age). The sale of these life annuity policies to such customers is subject to additional regulatory requirements. Thus, the HKMCA is exposed to the risk of financial loss and/or reputational damage from potential mis-selling and customer complaints. Although the HKMCA has carried out a thorough analysis to ensure the product meets customers' needs and has provided sufficient training to personnel involved in the distribution channels of its life annuity business to mitigate such risks, neither the Issuer nor the HKMCA can offer any assurance that legal disputes, regulatory proceedings or investigations as a result of any allegation of misconduct by the personnel involved in the distribution of its life annuity products can be avoided, which may have a material and adverse effect on the reputation, business, financial condition and results of operations of the Issuer and the HKMCA.

Exposure to the risks relating to the risk-based capital regime implemented by the Insurance Authority of Hong Kong

The Insurance Authority of Hong Kong has implemented a risk-based capital regime since 1 July 2024. Although the HKMCI and the HKMCA compute their solvency ratios in accordance with the risk-based capital regime and monitor the levels of their solvency ratios regularly, none of the Issuer, the HKMCI and the HKMCA can offer any assurance that the solvency ratios will be maintained above the regulatory required level at all times. The compliance with the risk-based capital regime may have a material impact on the Issuer, the HKMCI and the HKMCA. Any failure by the HKMCI or the HKMCA to meet the regulatory capital requirements could adversely affect the businesses, financial conditions and results of operations of the Issuer, the HKMCI and the HKMCA.

RISKS RELATING TO HONG KONG, THE PRC AND OTHER COUNTRIES

The Group's business is affected by the political and economic situation in Hong Kong, the PRC and other countries

Although Hong Kong has thus far enjoyed legislative, judicial and economic autonomy since becoming a special administrative region of the PRC, there can be no assurance that there will not be any change in regulatory oversight as a consequence of the political and economic situation in Hong Kong, the PRC and other countries. Should such change occur, the Group's business, financial condition and results of operations may be adversely affected.

The Group's revenue is primarily generated from its operations and businesses in Hong Kong. Accordingly, the Issuer's operations and performance may be affected by the general political and economic circumstances of Hong Kong. As Hong Kong is a small and open economy that is highly dependent on international trade and finance and having close business relations with the PRC and other countries, Hong Kong economy is affected to a significant extent, directly or indirectly, by the economies of the PRC and other countries.

Any significant or sudden economic slowdown, recession or other adverse changes or developments in the local social and economic environment or political arrangements in Hong Kong may adversely affect the Group's business, financial condition and results of operations.

Future political or economic instability or a sustained slowdown in local economic activities, especially in relation to the property market, will adversely affect the Issuer's business if it leads to an increase in loan payment defaults.

No assurance that the Group's business will not be affected by geopolitical tensions and disputes or sanctions or other measures imposed on Hong Kong

The economy of Hong Kong is highly dependent on international trade and finance as well as close business relations with the PRC and other countries. The economic growth of Hong Kong and its stability may be adversely affected by geopolitical developments and tensions, including trade disputes.

In recent years, the U.S. government imposed a series of economic sanctions or restrictive measures on a number of officials of the Hong Kong Government or relating to the Hong Kong economy in the form of executive orders issued by the U.S. administration and statutes passed by the U.S. Congress. Such measures included, among others, the withdrawal of the privileges granted to Hong Kong pursuant to the Hong Kong Policy Act of 1992. In March 2026, the U.S. government launched investigations under Section 301 of the U.S. Trade Act of 1974 on a number of economies, including the PRC and Hong Kong, which could pave the way for the imposition of new tariffs. Any prolongation or escalation of international trade disputes could result in further volatility, reduced trade volumes, and dampened investment and economic activities between major international economies. Furthermore, responses by governments and regulatory authorities to sanctions or other restrictive measures imposed by foreign jurisdictions may vary across jurisdictions, resulting in differing legal, regulatory or policy approaches that could increase uncertainty or complexity in the international operating and financial environment. Continued volatility in the global markets may contribute to a slowdown in the global economy. Overall, U.S. tariffs, restrictions on technology transfer and investment imposed on the PRC (including Hong Kong) or other restrictive measures imposed by other jurisdictions as well as continued trade and geopolitical tensions and disputes may continue to affect the economic outlook globally as well as the Hong Kong economy.

In addition, ongoing conflicts in certain parts of the Middle East have contributed to increased volatility in global financial and commodity markets, including fluctuations in oil prices. Any escalation or prolongation of such tensions could further increase uncertainty in global financial markets and adversely affect investor confidence and global economic conditions, as well as the Hong Kong economy.

There is no assurance that the Hong Kong economy and its prospect will not be adversely affected by geopolitical developments and tensions (including responses by governments and regulatory authorities to sanctions or other restrictive measures imposed by foreign jurisdictions) or there will be no additional economic sanction orders or restrictive measures imposed on the PRC, other officials of the Hong Kong Government or additional tariffs imposed on Hong Kong. The occurrence of any such events may adversely affect the business, financial condition and results of operations of the Group, and there is no assurance that the Issuer will be able to accurately assess the impact of such events, or implement remedial measure to adequately mitigate any adverse effect as a result, on the business, financial condition and results of operations of the Group.

No assurance that the Issuer's business will not be affected by the outbreak of severe communicable disease

The outbreak of a novel strain of coronavirus (**COVID-19**) had a severe impact on the global economy. There is no assurance that there will not be resurgences of the COVID-19 pandemic, which may adversely affect the global economic outlook, including that of Hong Kong.

From time to time, there have been media reports regarding occurrences of various epidemics such as swine influenza, spread of avian influenza among birds and poultry and, in some isolated cases, from animals to human beings. There can be no assurance that there will not be another significant outbreak of a highly contagious disease and any such further outbreak, which may also lead to continued market weakness, may have a material adverse impact on the business, financial condition and results of operations of the Group and its ability to access the capital markets.

The sections titled "Risk Factors — Risks Relating to the Notes and the Coupons" and "Risk Factors — Risks Relating to RMB-denominated Notes" set out on pages 86 to 93 of the Offering Circular shall be supplemented with the following risk factors.

RISKS RELATING TO THE DN NOTES

Change of law governing the DN Notes may have an adverse impact on the DN Notes and its value

The Conditions are governed by English law in effect as at the date of issue of the DN Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the DN Notes.

Trading of interests in the DN Notes will only be through over-the-counter trading

The DN Notes will be issued in dematerialised registered form in the Specified Currency, the Specified Denomination(s) and the Aggregate Nominal Amount each as specified in the applicable Pricing Supplement. A Series of the DN Notes shall be validly issued when (i) the DNN Deed of Covenant has been duly executed and delivered in accordance with the provisions therein, (ii) the Aggregate Nominal Amount of such Series of the DN Notes has been initially recorded on-Platform in the relevant Issuance Token Record Account (opened in the name of the HKMA as operator of the CMU) in accordance with the Platform Related Documentation and the relevant procedures of the DLT Platform Operator, and (iii) following completion of (i) and (ii), the Registrar, at the instruction of the Issuer, enters in the relevant Register the person in whose name the relevant Issuance Token Record Account is recorded (which, as noted in (ii) above, will be the HKMA as operator of the CMU) as the sole legal title holder to the

Aggregate Nominal Amount of such Series of the DN Notes. The recording of the Aggregate Nominal Amount of the relevant Series of the DN Notes in the relevant Issuance Token Record Account will, therefore, serve as the definitive data source for entry in the relevant Register for the purpose of the issuance of such Series of DN Notes. Investors will not be entitled to receive DN Notes in certificated form.

So long as the DN Notes are outstanding, an Accountholder or an investor, as applicable, will be able to trade its beneficial interests in the DN Notes only through traditional over-the-counter (**OTC**) trading and, in the case of an investor holding beneficial interests in the DN Notes, where it has custody or intermediary arrangements in place (whether directly or indirectly) with a Direct Participant or the CMU-DSI. A Direct Participant may hold the relevant Platform Beneficial Interests in the DN Notes on the Platform for its own account or as a custodian or intermediary for an investor. The CMU-DSI will hold the relevant Platform Beneficial Interests in the DN Notes on the Platform solely as an intermediary on behalf of members of the CMU, who will hold CMUP Beneficial Interests in the DN Notes. Records of the individual beneficial interests in the DN Notes of an investor that is not a Direct Participant or the CMU-DSI will be maintained off-Platform in accordance with its custody or intermediary arrangement with the relevant Direct Participant or the CMU-DSI.

Risks related to the listing of the DN Notes on the Hong Kong Stock Exchange and that settlement of the DN Notes will not be on the Hong Kong Stock Exchange

An application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the DN Notes by way of debt issues to Professional Investors only. While any listing of the DN Notes on the Hong Kong Stock Exchange may be intended to provide enhanced visibility of indicative market prices for the DN Notes, there can be no assurance that any indicative prices quoted on the Hong Kong Stock Exchange will reflect an actual price at which an investor may be able to purchase or sell any DN Notes in the OTC market. Any indicative prices displayed on the Hong Kong Stock Exchange should not be considered as a recommendation that any person should sell or purchase any DN Notes in the OTC market. Each investor contemplating purchasing any interests in DN Notes in the OTC market should make its own independent investigation of the financial condition and affairs and its own appraisal of the creditworthiness of the Issuer and of the prices at which it may sell or purchase any such DN Notes or interests therein or rights thereto in the OTC market. None of the Issuer, the Joint Lead Managers, the DLT Platform Operator or the Platform Provider will be responsible for the availability or accuracy of indicative prices for the DN Notes and any related securities data displayed on the Hong Kong Stock Exchange.

Investors should note that although an application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the DN Notes by way of debt issues to Professional Investors only, given the DN Notes are not admitted to the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited, any on-exchange trading of interests in the DN Notes may only be settled off-exchange on the Platform and/or the CMUP, as the case may be. After listing of the DN Notes, the settlement of Platform Beneficial Interests in the DN Notes will be carried out on the Platform as operated by the DLT Platform Operator and settlement of CMUP Beneficial Interests in the DN Notes will be carried out on the CMUP. An investor holding any other beneficial interests in the DN Notes must look to its custody or intermediary arrangements in place (whether directly or indirectly) with a Direct Participant or the CMU-DSI, as applicable, to carry out any settlement of transfers. Investors should note that there is no guarantee that any on-exchange trading will be accurately or timely reflected on the Platform as intended. None of the Issuer, the Joint Lead Managers, the Agents or the Platform Provider makes any guarantee or representation that any on-exchange trading of interests in the DN Notes will be accurately reflected on the Platform as intended or discrepancies (if any) will be rectified in an accurate or timely manner.

Liquidity risk and market value of the DN Notes

The DN Notes are new instruments for which no secondary market currently exists, and one for DLT-based "digitally native" debt securities may never develop. If an active trading market for the DN Notes does develop, it may not be maintained. Accordingly, there can be no assurance that investors in the DN Notes will be able to sell any DN Notes for which they subscribe at favourable prices, if at all, and investors should be prepared to hold the DN Notes until the relevant Maturity Date. The development or continued liquidity of any secondary market for the DN Notes will be affected by a number of factors such as general economic conditions, political events, including factors affecting capital markets generally, the creditworthiness of the Issuer as well as other factors such as the outstanding amount or tax treatment of the DN Notes and the level, direction and volatility of interest rates generally.

In addition, the attention of investors is drawn to the following facts:

(i) despite the application for listing on the Hong Kong Stock Exchange, the DN Notes will only be traded in the OTC market and not on any trading venue in any jurisdiction;

(ii) the Platform Beneficial Interests in the DN Notes may only be transferred by debiting and crediting of record of such DN Notes in the relevant Digital Token Accounts on the Platform in accordance with, and subject to, the Platform Related Documentation from time to time;

(iii) certain regulated investors may, currently or in the future, be required to apply capital add-ons in respect of, or increased risk-weightings to, assets held by them in digital form and recorded using relatively untested technologies such as DLT; and

(iv) the transfer of the DN Notes is subject to conditions as set out in the Conditions.

All of these factors may further reduce the investor base in the DN Notes and accentuate the lack of liquidity of the DN Notes in the secondary market.

The absence of liquidity or a reduced liquidity may have a significant material adverse effect on the value of the DN Notes. Such factors will also affect the market value of the DN Notes. Therefore, investors may not be able to sell their DN Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market, and in extreme circumstances such investors could suffer loss of their entire investment.

The ability of Accountholders to transfer their Platform Beneficial Interests in the DN Notes depends on the appropriate operation of the Platform by the DLT Platform Operator and adherence by the relevant parties involved in the transfer, such as the DLT Platform Operator, the CMU-DSI and the relevant Direct Participants (for its own account or on behalf of investors), to (i) the relevant instructions and (ii) the Platform Related Documentation (where applicable). In the event that there is a failure in any of such processes, including operational failures, this could result in limited transferability of interests in the DN Notes.

Investors may need to purchase more interests in DN Notes to ensure that they hold an amount equal to one or more Specified Denominations

As each Series of the DN Notes have a denomination consisting of the minimum Specified Denomination(s) and an integral multiple of another smaller amount in excess thereof, it is possible that interests in the DN Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of the minimum Specified Denomination. In such a case an investor who, as a result of trading such amounts, holds a nominal amount of less than the minimum Specified Denomination will not be able to sell or otherwise transfer the residual balance of such holding and would need to purchase a nominal amount of interests in the DN Notes such that it holds an amount equal to one or more Specified Denominations in order to do so.

RISKS RELATING TO THE USE OF THE PLATFORM AND HOLDING STRUCTURES FOR THE DN NOTES

Investors will be reliant on the DLT Platform Operator, the CMUP, the CMU-DSI and Direct Participants (and any such other intermediary or custodian) to exercise their rights and to receive payments under the DN Notes

The DLT Platform Operator is responsible for the operation and maintenance of the Platform and for ensuring, amongst other things, that: (i) the on-Platform Issuance Token Record Account is maintained throughout the life of the DN Notes; (ii) the reconciliation of the on-Platform Issuance Token Record Account against the Aggregate Nominal Amount of Platform Beneficial Interests in the outstanding DN Notes recorded in the relevant Digital Token Accounts; (iii) the Aggregate Nominal Amount may be recorded in Digital Token Accounts and transfers of Platform Beneficial Interests in the DN Notes recorded, against payment if applicable, between Digital Token Accounts upon the receipt of instructions on the Platform of the relevant Direct Participants or the CMU-DSI; and (iv) payments of interest and principal in respect of the DN Notes made by (or on behalf of) the Issuer to, or to the order of, the DLT Platform Operator are paid to the Cash Accounts (as defined in the Conditions) of the Direct Participants entitled thereto, and (v) as CMU-DSI, the onward transmission of interest and principal to the CMUP Beneficial Interests holders in accordance with the relevant rules and procedures of the CMU from time to time. If the DLT Platform Operator fails to maintain or operate the Platform in line with expectation, or fails promptly (or at all) to make or direct payments to the Cash Accounts of entitled Direct Participants or the CMU-DSI fails to make onward transmission of payment to the relevant members of the CMU, this could result in delays or failure in the transfers of beneficial interests in the DN Notes and/or the receipt by Direct Participants or CMUP Beneficial Interests holders of payments due, and/or could result in the loss of integrity of the records of holdings of DN Notes.

The Issuer is therefore dependent on the appropriate operation of the Platform by the DLT Platform Operator in accordance with the Platform Related Documentation. Should there be a suspension or disruption of the Platform, such as in the event of a BCP Disruption Event or BCP Termination Event (each term as defined herein), it may be impossible for the DLT Platform Operator to keep the records in relation to Platform Beneficial Interests in the DN Notes on the Platform. In such circumstances, the CMU as the DLT Platform Operator may implement the BCP (as defined herein) as further described under "*Overview of the Platform and Clearing, Settlement and Operational Information — Business Continuity Plan*". An investor must rely on the rules and procedures of the CMU from time to time as the DLT Platform Operator and actions of the Direct Participants, the CMU-DSI and the Platform itself to obtain a record of its holding of beneficial interests in the DN Notes and receive payments under the DN Notes accordingly. After the Issuer discharges its payment obligation under the DN Notes by making payments to the DLT Platform Operator as described in the Conditions or, upon a Bond Migration taking effect in accordance with the Platform Related Documentation, to the CMU as described in the Conditions, it has no responsibility or liability for the records relating to, or ensuring payments are made in respect of any beneficial interests in the DN Notes (and this could be different to when an issuer's

payment obligation is discharged for certain conventional CMUP cleared notes). In the event of closure of the CMU of less than a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or malfunction of the Platform short of a BCP Disruption Event, an Accountholder may not be able to obtain a record of its holding of Platform Beneficial Interests in the DN Notes in time, which could cause a delay or have a material adverse effect on the DLT Platform Operator in making relevant onward payments. For the scenario of a closure of CMU of a continuous period of 14 days (other than by reason of holidays, statutory or otherwise), see also "*Overview of the Platform and Clearing, Settlement and Operational Information — Acquisition of Direct Rights*". For BCP Disruption Event, see also "*Overview of the Platform and Clearing, Settlement and Operational Information — Business Continuity Plan*" for further details.

Investors who hold beneficial interests in or rights to DN Notes through a Direct Participant (i.e. not through the CMU-DSI) or CMUP Beneficial Interests in DN Notes on CMUP through the CMU-DSI (and any other intermediary or custodian through which such beneficial interests in or rights to the DN Notes are held), will be reliant on their Direct Participant or the CMU-DSI (and any such other intermediary or custodian) to exercise and enforce their rights under the DN Notes, subject to applicable laws. Investors who hold beneficial interests in or rights to DN Notes outside CMUP through a Direct Participant or CMUP Beneficial Interests on CMUP through the CMU-DSI (and any other intermediary or custodian through which such beneficial interests in or rights to the DN Notes are held) will be reliant upon the custody or intermediary systems of such Direct Participant (and any such other intermediary or custodian) and/or the rules and procedures of the CMU from time to time, respectively, to exercise and enforce their rights under the DN Notes, subject to applicable laws. Such investors who are reliant on the Accountholders (and any other intermediary or custodian through which such beneficial interests in or rights to the DN Notes are held) should note the risks that may come with extreme scenarios such as insolvency or otherwise lack of capacity of the Accountholders (and any such other intermediary or custodian). Investors should note that they are reliant on the Accountholders to exercise proper asset custody and control over the Platform Beneficial Interest of the DN Notes on-Platform in accordance with applicable laws and regulation. See also "*Overview of the Platform and Clearing, Settlement and Operational Information — The Holding of Beneficial Interests in the DN Notes*" for details.

Payments of interest and principal in respect of the DN Notes will be paid by (or on behalf of) the Issuer to (or to the order of) the DLT Platform Operator (which is a different payment process to conventional CMUP cleared notes), and the DLT Platform Operator is then required to pay (or direct payment of) the relevant amounts due (i) to the respective Cash Accounts of the entitled Direct Participants and (ii) as CMU-DSI, to the respective accounts of the entitled CMUP Beneficial Interests holders in accordance with the relevant rules and procedures of the CMU from time to time. The due payment of such amounts will discharge the obligations of the DLT Platform Operator, and investors must look to the Direct Participant (and any other intermediary or custodian) or CMUP Beneficial Interests holder through which they hold beneficial interests in or rights to the DN Notes for the onward payment to them of their share of any such payment received by the Direct Participant in its Cash Account (and any other intermediary or custodian) or by the CMUP Beneficial Interests holder in its respective accounts (and any other intermediary or custodian).

Investors will also rely on the systems implemented by the DLT Platform Operator (including the CMU-DSI), any Direct Participant and CMUP Beneficial Interests holder (each, if applicable, any other intermediary or custodian) through which they hold beneficial interests in or rights to DN Notes for the transmission of notices from or to the Issuer under the Conditions. In addition, investors wishing to acquire or sell interests in the DN Notes or who wish to vote on any resolution put to the Noteholders, must instruct their Direct Participant or the CMUP Beneficial Interests holder, as applicable (or, if applicable, relevant intermediary or custodian, who shall instruct the relevant Direct Participant or the CMUP Beneficial Interests holder, as applicable) to give the necessary instructions as may be appropriate from time to time in order to give effect to the investor's wishes, subject to applicable law.

Except in the event of a Bond Migration, trades that result in a transfer of the Platform Beneficial Interests in the DN Notes among the Accountholders require settlement and recording on the Platform. Potential investors should note that such arrangements may not gain public acceptance among a substantial number of investors and could have a material adverse impact on the liquidity of the DN Notes and result in a decline in value of the DN Notes.

Furthermore, while the Accountholders intend to record details of investors and such investors' holdings of beneficial interests in or rights to DN Notes in their conventional custody or intermediary systems (where, if the Accountholder is the CMU-DSI, such records shall be in accordance with the relevant rules and procedures of CMU from time to time), the holding by them of the interests in the DN Notes on the Platform is novel and there is a risk that the communication between the Accountholders' custody or intermediary systems and the Platform does not operate as intended, which could result in delays relating to transactions in the interests in the DN Notes and/or result in the investors suffering losses (for which the Issuer shall have no responsibility or liability). Any malfunction, unintended function, coding or human error (including erroneous information or data) or unexpected functioning of the underlying technological components of the Platform and the Accountholders' custody or intermediary systems may result in unlawful or erroneous records of transfers of interests in the DN Notes, or may delay payment under the DN Notes, any of which may have an adverse impact on the price of the DN Notes.

For the avoidance of doubt, the investors who are CMUP Beneficial Interests holders on the CMUP or Euroclear or Clearstream through the linkage to CMU should be aware of the customary risks of holding, transferring, settling and recording beneficial interests in securities in accordance with the relevant rules and procedures of the CMU from time to time which are typical in a conventional bond transaction involving the CMU as a clearing system, and likewise where such beneficial interests are held, transferred, settled and recorded on Euroclear and/or Clearstream and/or through the linkage between Euroclear and Clearstream with the CMU (as the case may be). The Platform Provider assumes no responsibility for and provides no assurance or guarantee in relation to the continued and smooth operation of the conventional and non-DLT clearing or settlement process of the CMUP (including the linkage to Euroclear and Clearstream).

Any failure or anticipated failure by the DLT Platform Operator, the CMU-DSI or the Direct Participants to perform their obligations in connection with the DN Notes could adversely affect trading in or the price of DN Notes in the secondary market (if any).

The Platform, as operated by CMU as DLT Platform Operator, is a novel technological platform with limited issuances

While the Platform is developed for use in connection with the issuance of DLT-based "digitally native" debt securities and the Platform utilises a private permissioned blockchain with nodes operated initially by the DLT Platform Operator, the DN Notes will represent one of the few limited issuances on the Platform to be operated by the DLT Platform Operator. Accordingly, there is a risk that the Platform will not operate as intended, whether due to undiscovered technical flaws, errors in system design, any delay or failure to implement functionalities which may be present in other similar clearing or settlement platforms, or otherwise. This may cause the Platform to malfunction or function in an unexpected or unintended manner.

The Platform (or its earlier version) was deployed in the issuance of a few other digitally native notes cleared and settled through the CMU in 2024, 2025 and 2026. The experience in deploying and operating the Platform in those issuances may be referenced in the current issuance, although there is no guarantee that the Platform in the current issuance will operate or function as intended given its novelty.

Other than at the initial issuance stage, the Platform is expected to facilitate asset servicing and other events during the lifetime of the DN Notes. The Platform's asset servicing functions or functions to support other events during the lifetime of the DN Notes are also novel, relatively untested and there is no guarantee that the Platform will function as intended and will not encounter flaws or errors during such processes.

As with other novel software-based products, the computer code underpinning the Platform may contain errors, or lead to unexpected outcomes. While the DLT Platform Operator has tested the Platform in accordance with its strict internal testing and approval processes, there can be no assurance that the Platform will not cause the integrated software to malfunction or to function incorrectly. Any failures in the underlying technologies may also cause the Platform to malfunction or function in an unexpected or unintended manner and for instance may result in improper recording or data corruption of the Issuance Token Record Account or erroneous transfers or improper recording of Platform Beneficial Interests in the DN Notes in the Digital Token Accounts. Any error or unexpected functionality may cause a loss of confidence in the Platform and result in a decline in liquidity and market value of the DN Notes and substantial losses to investors.

While a BCP (as defined herein) has been developed, in the event the Platform does not operate as intended, there can be no assurance that the contingency plans contained therein can be implemented promptly, or at all, or that such plans will adequately address any failings in the Platform. In such case, investors may be unable to sell their interests in the DN Notes promptly, if at all, and may suffer losses as a result.

Technical issues arising from internal or external causes associated with the development of the Platform, for example DLT network connectivity issues, scalability, block validation mechanisms, fraudulent uses, hackings, bugs or any other human or technological malfunction or errors could result in a variety of adverse consequences for investors such as delays in receiving payments of interest or principal, delays in or inability to transfer Platform Beneficial Interests in the DN Notes or to receive the corresponding subscription moneys, or incorrect record keeping on the Platform in relation to the Issuance Token Record Account, Platform Beneficial Interest Record in the Digital Token Accounts, or further in the custody or intermediary chain, which could, in a worst-case scenario, result in an investor's interests in the DN Notes being temporarily or permanently lost or misplaced.

In addition, the fee arrangements which the DLT Platform Operator, the CMU-DSI, the Direct Participants or other parties may impose on investors in connection with the provision of their services in connection with the Platform and the DN Notes may differ from fee arrangements with which investors are familiar in other systems. The amounts received by investors under an investment in the DN Notes may be reduced as a result of any fees or charges being imposed by the DLT Platform Operator, the CMU-DSI, the relevant Direct Participant or any other relevant persons in connection with that investor's investment in the DN Notes or transactions relating thereto.

The record of Platform Beneficial Interests in the DN Notes may be migrated to the CMUP in the case of a BCP Termination Event

The Platform Related Documentation provides that if a BCP Termination Event occurs and following the giving of the BCP Notice (as defined in the Conditions) in relation thereto, the DLT Platform Operator shall, in accordance with the Platform Related Documentation and without consultation with any party and without Accountholders' approval, commence a Bond Migration.

In order to effect a Bond Migration, the DLT Platform Operator will migrate the Platform Beneficial Interests held by Accountholders to CMUP and merge the record of Platform Beneficial Interests together with the record of CMUP Beneficial Interests, such that post-Bond Migration, there is only a single tier of beneficial interests in the DN Notes on CMUP in the relevant CMUP securities accounts of the previous

Direct Participants and non-Direct Participant investors, in accordance with the Platform Related Documentation. Following a Bond Migration, the legal title of the DN Notes will continue to be held by the HKMA as operator of the CMU and their name as entered in the Register as legal title holder to the outstanding Aggregate Nominal Amount of the DN Notes remain unchanged. There will be no change required to the Register. The DN Notes will continue to be in dematerialised registered form, although they will be cleared and settled through the CMUP.

Upon a BCP Notice in relation to a BCP Termination Event being given to Accountholders, all Accountholders (whether for their own account or acting as intermediary or custodian for investors) shall be deemed to consent to such Bond Migration in accordance with the Platform Related Documentation and shall assist the DLT Platform Operator as it directs in such Bond Migration. See also "*Overview of the Platform and Clearing, Settlement and Operational Information — Business Continuity Plan"* for further details.

The use of a private blockchain and smart contract technology to record, settle and maintain the DN Notes is novel and largely untested and may contain inherent flaws and limitations

Blockchain is a type of DLT. It is a nascent and rapidly changing technology and as a result the new capabilities are not fully proven in use and remain largely untested in financial markets. The Platform relies on materials, software, equipment, systems or other intellectual property held by or licensed by third party service providers, including (i) DAML (a smart contract language technology); (ii) Hyperledger Fabric (a private and permissioned enterprise blockchain technology); and (iii) Canton Network.

There are limited examples of the use of a blockchain network to record interests in DLT-based "digitally native" debt securities and the use of a blockchain technology in the context of an issuance of notes is still in an early development stage, including in Hong Kong. There is no assurance, warranty or representation that the process for issuing and recording immobilised legal title and transferring Platform Beneficial Interests in the DN Notes in a blockchain network environment will perform as well as in the existing central securities depository systems such as the CMU, Euroclear or Clearstream, and the Platform may not perform the full range of functions available in such clearing systems.

Private blockchain technology used in the Platform aims to provide enhanced transparency and immutability, ensuring the DLT Platform Operator has access to a single, unalterable source of truth. While this is intended to provide legal certainty, heightened transparency and efficiency, such technological immutability may mean that the ledger record of a transaction processed in error on the Platform cannot be undone. Although the Platform has put in place various safeguards and the DLT Platform Operator is able to reverse the transaction by manual amendments to the ledger records, there is no guarantee that the technical immutability of the private blockchain will not create any unforeseen or unforeseeable issues in scenarios of erroneous records of transfers or errors in ledger records. This may in turn lead to a negative view of the novel and largely untested blockchain technology in the financial markets.

If there is a negative trend in respect of market participant acceptance of DLT-based "digitally native" debt securities, this could have an adverse impact on the DN Notes. If investments in DLT-based "digitally native" debt securities become less attractive to the market, or if blockchain networks and digital assets do not gain acceptance, or public trust there could be an adverse impact on the DN Notes and thereby impact the liquidity of the DN Notes. See also "*Risk Factors — Risks Relating to the Use of the Platform and Holding Structures for the DN Notes — The DN Notes will be in dematerialised registered form on the Issue Date with no physical certificate and there is no universal legal, statutory or regulatory definition under English law or Hong Kong law of, nor settled market consensus on, the term "digitally native""* below.

Smart contracts are machine-executable agreements which play a central role in automation of on-Platform transactions. The robustness, control, performance and governance of smart contract technology deployed on-chain is integral to the proper functioning of the DN Notes on-Platform. Defects in or attacks on smart contract integrity may lead to compromised or unauthorised transactions, or pose risks to safeguarding of entitlements on-Platform. In some instances, smart contract code may be tested for vulnerabilities, bugs, performance issues or defects by an independent third-party auditor. Investors should note that a smart contract audit has not been conducted before deployment of the smart contracts in relation to the Platform as mentioned above. There is no guarantee that the smart contracts of the Platform as mentioned will operate as intended without risk of inherent flaws, limitations or failure and if such issues can be rectified duly and timely without any adverse impacts on the DN Notes.

The malfunction, unintended function, coding or human error, or even total failure of the Platform may materially and adversely affect the DN Notes

Information on the Platform such as asset description of the DN Notes, quantity issued and settlement information of each Accountholder will rely on the proper functioning of smart contracts. Any malfunction, unintended function, coding or human error (including erroneous information or data) or unexpected functioning of the underlying technological components of the Platform, and in particular due to possible technological developments, may cause the Platform to malfunction or function in an unexpected or unintended manner and may result in data corruption or improper recording of the Issuance Token Record Account and unlawful or erroneous transfers of Platform Beneficial Interests in the DN Notes. The Issuer has no responsibility or liability in respect of the functionality, availability, compliance with applicable laws, suitability, malfunction, or any function that operates in an unexpected or unintended manner of or any technical flaws or issues in the Platform as operated by the DLT Platform Operator.

As the Platform relies on novel technology, there is an inherent risk that the Platform may experience failure or be terminated unexpectedly and irrevocably due to technological failure, human error, third party failures or other unforeseeable factors. Such failure and termination, if unremedied and is permanent, may cause the Platform or database thereon to be irretrievably destroyed with no likelihood of coming back online and the balances of the Issuance Token Record Account and/or Digital Token Accounts to be irretrievably lost, missing or inaccessible. In the case of such total failure of the Platform, there is no guarantee that any or all data on the Platform will not be leaked or missing. In the event of a BCP Disruption Event or BCP Termination Event, access by the DLT Platform Operator to the Issuance Token Record Account and access by an Accountholder to its account profile, and all functionalities that an Accountholder may otherwise perform on the Platform, including the transfer of Platform Beneficial Interests in the DN Notes (and correspondingly beneficial interests represented off-Platform in CMUP or in accordance with custodial arrangements), will be suspended or, in the case of a BCP Termination Event, permanently discontinued and migrated in accordance with the Platform Related Documentation.

It is anticipated that throughout the life of the DN Notes, the Platform will go through scheduled and routine maintenance, or unscheduled maintenance from time to time. As such, the CMU-DSI and a Direct Participant may face short periods of time where they may not be able to access the Platform to settle and transfer Platform Beneficial Interests in the DN Notes, or access the Platform Beneficial Interest Record in accordance with the Platform Related Documentation. The DLT Platform Operator will also not be able to access the Issuance Token Record Account. Further, failure to update (or update in a timely fashion) a protocol or network on the Platform may in turn cause the Platform to become more susceptible to the risk of exploits or hacks. There is no guarantee that the Platform will remain accessible at all times and will not be susceptible to temporary or total failure.

Potential investors should assess the risk of the total breakdown of the Platform, both on a temporary and permanent basis, and seek professional advice before investing in the DN Notes.

The Platform may be susceptible to malicious cyber-attacks or may contain exploitable flaws, which may result in security breaches

The Platform will provide solutions developed in the context of the DN Notes (in particular for their issuance, settlement, transfer, redemption, cancellation and other operation management). While the Platform will be operated by the DLT Platform Operator, which will initially operate all nodes relating to the maintenance of the private and permissioned blockchain on which the DN Notes will be recorded, there is a risk of attacks on, unauthorised access to or fraudulent use of the Platform. There is no guarantee the Platform will not encounter malicious actors manipulating distributed ledger networks and smart contract technology. Further, such cybersecurity risks or exploitable flaws might be increased over time due to developments in cryptographic technologies and techniques and there is no guarantee the Platform will be fully protected against such attacks, if any. Further, in light of such anticipated developments in cryptographic technologies, if there is a failure to update (or update in a timely fashion) a protocol or network on the Platform, this may in turn cause the Platform to be more susceptible to the risk of exploits or hacks. In the case of such events, there is no guarantee that the Issuance Token Record and/or the Platform Beneficial Interest Record will not be lost, stolen or inaccessible. Such events could result in a partial or total loss of an investor's investment in DN Notes, inaccurate execution and recording of transactions involving the DN Notes or a decline in user activity which could have a negative impact on the market price of the DN Notes and the liquidity of any market therein.

The Platform relies on the services of certain third-party service providers

The Platform relies on materials, software, equipment, systems or other intellectual property held by or licensed by third-party service providers, including (i) DAML (a smart contract language technology); (ii) Hyperledger Fabric (a private and permissioned enterprise blockchain technology); and (iii) Canton Network. The Platform also depends on third parties to provide internet, telecommunication and fibre optic network connectivity to data centres. Systems of third-party providers may operate slowly or cause one of the following to occur:

- unanticipated disruptions in service on the Platform;
- slower response times and delays in execution and processing;
- failed settlement of trades;
- incomplete or inaccurate accounting, recording or processing of trade settlement;
- financial losses;
- security breaches;
- litigation or other claims;
- loss of investors; and
- regulatory sanctions.

The Platform will need to be well prepared for such failures by third party service providers and continue to upgrade, maintain and stabilise the Platform hardware and software throughout the life of the DN Notes.

The Platform is reliant on the cloud network used to store databases

The Platform will rely on services provided by cloud network providers and data on the Platform will be stored in cloud networks provided by third party suppliers. Any failures, disruptions, weaknesses, security breaches of the cloud network could adversely impact the ability of the Platform to provide its functionality and may result in information loss in the database. In addition, in the event that contracts with cloud providers are terminated, this could introduce disruptions to the Platform functionality.

The Platform is reliant on the internal controls and procedures of the DLT Platform Operator

Operational risks relate to the risk of loss due to breakdowns or weaknesses in the internal controls and procedures of the DLT Platform Operator operating the Platform (i.e. service disruptions). The DLT Platform Operator has identified control objectives and related key controls to ensure operations are maintained and there is proper control of established processes and business continuity measures in the Platform Related Documentation. Failures in such internal controls and procedures may result in operational disruptions to the Platform, impacting the functionality for Accountholders. For instance, this may impact the ability of an Accountholder to transfer Platform Beneficial Interests in the DN Notes to another Accountholder's Digital Token Account, which in turn could impact liquidity.

Risks of misuse or misappropriation of personal data by a third party or by the parties that have access to such information

In case of a misuse or misappropriation of personal data by a third party, the Issuer, the DLT Platform Operator, the Joint Lead Managers and/or the Accountholders may become subject to litigation, reputational harm and possible liability.

The Issuer, the DLT Platform Operator, the Joint Lead Managers and the Accountholders, to the extent applicable, may be liable if they conduct data processing in a way that does not comply with the applicable laws and regulations on the protection of personal data. For example, they could be liable if they process personal data or for an excessive period of time, if they do not comply with the data subjects' rights, or if they have not implemented appropriate security measures.

The entire blockchain layer of the Platform may suffer from total failure as a result of catastrophic failure of data centres where the nodes on the Platform are running due to natural disasters, floods, earthquakes or power outage, among others

Catastrophic disasters, severe weather conditions, the outbreak of epidemics, acts of God or other events, all of which are beyond the DLT Platform Operator's control, may adversely affect the physical location of where the data centres where the nodes are located and running and where the power supply, servers or hardware supporting the Platform are located.

There could be temporary or permanent property damage and environmental damage to the servers of the nodes which may affect the Accountholders' ability to use the nodes or the Platform's functions. If any of the nodes on the Platform are damaged by severe weather or any other disaster, accident, catastrophe or other event, the Platform's operations and the Accountholders' activities may be significantly interrupted and there is no guarantee that such interruption will not be permanent and the Platform will not be terminated as a result.

The DN Notes will be in dematerialised registered form on the Issue Date with no physical certificate and there is no universal legal, statutory or regulatory definition under English law or Hong Kong law of, nor settled market consensus on, the term "digitally native"

The DN Notes will be issued in dematerialised registered form and the Register will be the definitive record of legal title to the DN Notes. Other than the Register, no physical certificate or other document evidencing legal title to a DN Note will be issued by, or on behalf of, the Issuer.

A Series of the DN Notes shall be validly issued when (i) the DNN Deed of Covenant has been duly executed and delivered in accordance with the provisions therein, (ii) the Aggregate Nominal Amount of such Series of the DN Notes has been initially recorded on-Platform in the relevant Issuance Token Record Account (opened in the name of the HKMA as operator of the CMU) in accordance with the Platform Related Documentation and the relevant procedures of the DLT Platform Operator, and (iii) following completion of (i) and (ii), the Registrar, at the instruction of the Issuer, enters in the relevant Register the person in whose name the relevant Issuance Token Record Account is recorded (which, as noted in (ii) above, will be the HKMA as operator of the CMU) as the sole legal title holder to the Aggregate Nominal Amount of such Series of the DN Notes. The recording of the Aggregate Nominal Amount of the relevant Series of the DN Notes in the relevant Issuance Token Record Account will, therefore, serve as the definitive data source for entry in the relevant Register for the purpose of the issuance of such Series of the DN Notes. The Issuer shall procure a Register to be kept by the Registrar in accordance with the Conditions in respect of each Series of the DN Notes.

In the context of the DN Notes, therefore, "digitally native" describes the on-Platform component that is critical to the valid constitution, creation and issuance of such DN Notes. Accordingly, as the DN Notes cannot validly come into existence without the Issuance Token Record Account having been digitally created on the Platform, they possess a "digitally native" quality. However, there is no universal legal, statutory or regulatory definition under English law or Hong Kong law of, nor settled market consensus on, the term "digitally native". If investments in DLT-based "digitally native" debt securities become less attractive to the market, or if blockchain networks and DLT-based "digitally native" debt securities do not gain acceptance, there could be an adverse impact on the DN Notes and thereby impact the liquidity of the DN Notes.

None of the Issuer, the Platform Provider, the Agents, their respective affiliates, nor any of their respective directors, officers, employees, representatives, agents, advisers or any person who controls any of them makes any representation or bears any responsibility to any Holder or any other party for the description of the DN Notes as "digitally native".

If any relevant Accountholder fails to perform its duties, investors could suffer delays in the transfer of beneficial interests in the DN Notes or in the payments thereunder

An investor may hold Platform Beneficial Interests in the DN Notes through a Direct Participant by entering into a custody or intermediary arrangement with that Direct Participant off-Platform. An investor may also, through the CMU-DSI, hold Platform Beneficial Interests in the DN Notes (and under such arrangement, such investor holds CMUP Beneficial Interests on CMUP), in accordance with the rules and procedures of the CMU from time to time. As a result, such investor will need to depend upon the due execution of the respective duties applicable to the relevant Accountholder and any other relevant Accountholder.

A lack of efficiency or failure in the execution by any such Accountholder of its duties may affect the liquidity, transfer timing of, and ability to transfer beneficial interests in, the DN Notes or may create a delay in the payment of interest amount and/or the redemption amount under the DN Notes, as the case may be, which may have an adverse impact on the price of the DN Notes.

Furthermore, if certain events occur, including but not limited to, an Event of Default (as defined in the Conditions) pursuant to Condition 9(a) of the Conditions, the CMU-DSI and the Direct Participants (acting upon the instructions of any person(s) for whom they hold DN Notes as custodian or intermediary, if applicable) may enforce the rights attaching to the DN Notes held by them for the time being in accordance with the DNN Deed of Covenant and the Conditions. Any failure by the CMU-DSI or any Direct Participant (or any other intermediary or custodian) to perform its duties could result in delays or failure in the transfer of any Platform Beneficial Interests in the DN Notes and/or the receipt by investors of payments due, and could result in the investor suffering losses (for which the Issuer shall have no responsibility or liability). See "*Terms and Conditions of the DN Notes — Events of Default*" and also "*Overview of the Platform and Clearing, Settlement and Operational Information — Acquisition of Direct Rights*".

The DLT Platform Operator and Platform Provider assume no responsibility and shall not be liable for any failures to any party in relation to the enforcement of rights off-Platform by the Direct Participants, (if applicable) the CMU-DSI, or any other custodian or intermediary, if applicable, on behalf of itself or Holder(s).

Investors who are holding beneficial interests in the DN Notes away from the CMUP through a CMUP Beneficial Interests holder should be aware of the customary risks of holding interests in debt securities through custody or intermediary arrangements with a CMU member away from CMUP. See also "*Overview of the Platform and Clearing, Settlement and Operational Information — The Holding of Beneficial Interests in the DN Notes*" for details.

RISKS RELATING TO THE LEGAL AND REGULATORY TREATMENT OF BLOCKCHAIN AND SMART CONTRACT TECHNOLOGY

There are currently limited regulations in force or effect in Hong Kong or the UK governing the use of blockchain and smart contract technologies in performing the existing functionalities on the Platform; new Hong Kong, UK or international regulations may be introduced and affect the Platform or Accountholders adversely

Blockchain and smart contract technology enabling the Platform's performance of its existing functionalities is subject to a rapidly evolving regulatory landscape in Hong Kong, UK and internationally, which might affect the security, privacy, the ability to buy or sell bonds issued using blockchain and smart contract technology or other regulatory aspects of blockchain-based transactions and trigger changes to, for example, the blockchain networks and relevant documentation. Regimes applicable in different jurisdictions are at different stages of development and can be highly divergent. Hong Kong and UK laws and regulations in respect of blockchain-based securities is at a nascent (albeit developing) stage and the use of blockchain and smart contract technologies to record primary securities market processes, providing blockchain as a technology solution to hold, trade and settle such assets, and providing certain paying agent functions on the Platform is currently not specifically governed under any effective regulatory regime within Hong Kong and the UK. The issuance of digitally native notes under Hong Kong and UK law is also novel and relatively untested with limited precedents.

New regulations or policies, including supervisory practices, may develop rapidly in the future, and may materially and adversely affect the DLT Platform Operator's activities relating to the Platform, any intermediaries' dealing in the DN Notes, and each applicable party's obligations under the applicable regulatory regimes relevant to its existing activities, as the case may be. For example, a circular was published by the Securities and Futures Commission of Hong Kong on 2 November 2023 in respect of overseeing the conduct of intermediaries in dealing with blockchain and smart contract technology-based tokenised securities. The circular does not regulate the application of blockchain and smart contract technologies, but reminds intermediaries to identify and manage risks related to the use of blockchain and smart contract technologies.

Although it is impossible to predict the positions that will be taken by applicable governing and regulatory authorities in the future, any regulatory changes affecting blockchain, virtual assets or smart contracts, new or changing laws and regulations or interpretations of existing laws and regulations may in the future materially and adversely affect the use of the Platform, including without limitation for recording and transfers of Platform Beneficial Interests in the DN Notes.

In addition, failure by the Issuer or any other interested party to comply with any new laws, rules or regulations, some of which may not exist yet or are subject to interpretation and may be subject to change, could result in a variety of adverse consequences for the Noteholders.

TERMS AND CONDITIONS OF THE DN NOTES

The section titled "Terms and Conditions of the Notes" of the Offering Circular shall be deleted in its entirety and replaced with the following.

*The following (other than the italicised paragraphs, which are for information only and do not form part of the terms and conditions of the DN Notes) is the text of the terms and conditions of the DN Notes (the **Conditions**) that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the applicable Pricing Supplement, shall be applicable to each Tranche of DN Notes (and not to any other Series of Notes issued under the Programme). All capitalised terms that are not defined in the Conditions will have the meanings given to them in the applicable Pricing Supplement. References in the Conditions to "DN Notes" are, unless the context requires otherwise, to the DN Notes of one Series only, not to all DN Notes that may be issued under the Programme.*

This DN Note is one of a Series (as defined below) of DN Notes issued by The Hong Kong Mortgage Corporation Limited 香港按揭證券有限公司 (the **Issuer**) under the Issuer's U.S.$30,000,000,000 medium term note programme (the **Programme**).

The DN Notes are issued pursuant to and in accordance with a fiscal agency agreement dated 10 June 2026 (as amended, supplemented or replaced from time to time, the **DNN Agency Agreement**) and made between the Issuer, The Hongkong and Shanghai Banking Corporation Limited as fiscal agent (the **Fiscal Agent**, which expression shall include any successor to The Hongkong and Shanghai Banking Corporation Limited in its capacity as such), as principal paying agent (the **Principal Paying Agent**, which expression shall include any successor to The Hongkong and Shanghai Banking Corporation Limited in its capacity as such), as registrar (the **Registrar**, which expression shall include any successor to The Hongkong and Shanghai Banking Corporation Limited in its capacity as such) and other agents named in it. **Agent** or **Agents**, as the case may be, means each of the Fiscal Agent, the Principal Paying Agent and any other agent appointed pursuant to the DNN Agency Agreement and any of their successors appointed from time to time in connection with the DN Notes.

The Pricing Supplement for this DN Note (or the relevant provisions thereof) supplements these terms and conditions of the DN Notes (these **Conditions**) and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Conditions, replace or modify these Conditions for the purposes of this DN Note. References to the **applicable Pricing Supplement** are to the Pricing Supplement (or the relevant provisions thereof) applicable to this DN Note.

As used herein, **Tranche** means DN Notes which are identical in all respects (including as to listing) and **Series** means a Tranche of DN Notes together with any further Tranche or Tranches of DN Notes which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

The DN Notes have the benefit of a deed of covenant to be dated 15 June 2026 (as amended, supplemented or replaced from time to time, the **DNN Deed of Covenant**) executed by the Issuer in relation to the DN Notes and held by the Fiscal Agent.

Copies of the DNN Agency Agreement, the DNN Deed of Covenant and the applicable Pricing Supplement are available for inspection during normal business hours (being between 9:00 a.m. (Hong Kong time) and 3:00 p.m. (Hong Kong time) from Monday to Friday (other than public holidays)) at the specified office of the Fiscal Agent (being as at 15 June 2026 at Level 26, HSBC Main Building, 1 Queen's Road Central, Hong Kong) following prior written request and proof of holding and identity to the satisfaction of the Fiscal Agent. All persons from time to time entitled to the benefit of obligations under any DN Notes shall be deemed to have notice of, and shall be bound by, all of the provisions of these

Conditions, and are deemed to have notice of those provisions applicable to them of the DNN Agency Agreement, the DNN Deed of Covenant and the applicable Pricing Supplement.

Words and expressions defined in the DNN Agency Agreement, the DNN Deed of Covenant or used in the applicable Pricing Supplement shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the DNN Agency Agreement, the DNN Deed of Covenant and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

The amended and restated agency agreement dated 26 June 2024 and made between the Issuer, Citibank, N.A., London Branch as principal paying agent, Citibank, N.A., Hong Kong Branch as CMU lodging agent and the other paying agents named therein, and the deed of covenant dated 19 June 2009 executed by the Issuer, in each case in relation to the Programme, do not apply to the DN Notes.

A copy of the CMU Reference Manual (as defined below) and any supplement thereto in relation to the Platform (as defined below) are available on the website of the CMU (as defined below) at https://www.cmuomniclear.com/en/reference-materials. The CMU will make available the Platform Related Documentation (as defined below) to the Direct Participants (as defined below) upon prior written request at all reasonable times during business hours. The Platform Related Documentation, the relevant procedures of the DLT Platform Operator (as defined below), the information set forth therein and any content on such website are not a part of, nor incorporated by reference into, the Conditions.

An investor who holds beneficial interests in or rights to any DN Notes must look to a Direct Participant, the CMU-DSI (as defined below) or any other intermediary or custodian through which it holds its beneficial interests in or rights to the DN Notes for receipt of the Conditions and the applicable Pricing Supplement. Such investor must (if such beneficial interests are held through the CMU-DSI) rely on the relevant rules and procedures of the CMU from time to time and/or (if such beneficial interests are held through a Direct Participant or any other intermediary or custodian) the procedures of the relevant custodian arrangements for the relevant payment, enforcement, meeting and other relevant procedures through such intermediary or custodian.

While the DN Notes are in dematerialised registered form and the Platform Beneficial Interests (as defined below) are held through the Platform, any reference to ***beneficial interests*** *in or rights to any DN Notes shall mean: (i)* ***Platform Beneficial Interests****, which means the beneficial interests in DN Notes recorded in the relevant Digital Token Accounts (as defined below) maintained on the Platform held by Direct Participants and CMU-DSI, (ii)* ***CMUP Beneficial Interests****, which means the beneficial interests in and rights corresponding to such DN Notes held in relevant securities accounts in the CMUP held through CMU-DSI on the Platform, (iii) beneficial interests held away from the CMUP through intermediary or custodian arrangements with a Direct Participant, which does not incorporate the CMU-DSI in or through the holding chain, and/or (iv) any further beneficial interests down the custodian chain, as applicable.*

The records of the DLT Platform Operator of the Platform Beneficial Interests, being the amalgamated balance of all Digital Token Accounts, shall be the definitive record of Platform Beneficial Interests and be conclusive and binding on all Accountholders (as described below) as described in the Platform Related Documentation. The definitive record of CMUP Beneficial Interests shall be the books and records of CMUP maintained by the CMU as described in the CMU Reference Manual.

1 FORM AND DENOMINATION

The digitally native notes (the **DN Notes**) are issued in dematerialised registered form in the currency (the **Specified Currency**), the denominations (the **Specified Denomination(s)**) and the Aggregate Nominal Amount each as specified in the applicable Pricing Supplement. DN Notes

of one Specified Denomination may not be exchanged for DN Notes of another Specified Denomination. The DN Notes shall be validly issued when (i) the DNN Deed of Covenant has been duly executed and delivered in accordance with the provisions therein, (ii) the Aggregate Nominal Amount of the DN Notes has been initially recorded on-Platform in the Issuance Token Record Account (opened in the name of the HKMA as operator of the CMU) in accordance with the Platform Related Documentation and the relevant procedures of the DLT Platform Operator, and (iii) following completion of (i) and (ii), the Registrar, at the instruction of the Issuer, enters in the Register (as defined in Condition 2(a)(i)) the person in whose name the Issuance Token Record Account is recorded (which, as per (ii) above will be the HKMA as operator of the CMU) as the sole legal title holder to the Aggregate Nominal Amount of the DN Notes. The recording of the Aggregate Nominal Amount of the DN Notes in the Issuance Token Record Account will, therefore, serve as the definitive data source for entry in the Register for the purpose of the issuance of the DN Notes.

In these Conditions:

CMU means the Central Moneymarkets Unit Service operated by the HKMA;

DLT Platform Operator means CMU in its capacity as the operator of the Platform, performing the platform operator functionality;

While the DN Notes are in dematerialised registered form and the Platform Beneficial Interests are held through the Platform, the DLT Platform Operator will also be performing the CMU-DSI function in accordance with the Platform Related Documentation.

HKMA means the Hong Kong Monetary Authority appointed pursuant to Section 5A of the Exchange Fund Ordinance (Cap. 66 of the Laws of Hong Kong) or its successors;

Hong Kong means the Hong Kong Special Administrative Region of the People's Republic of China;

Issuance Token Record means the record relating to the issue of the DN Notes, used to indicate certain identification elements of the DN Notes, such as the Aggregate Nominal Amount of the outstanding DN Notes;

Issuance Token Record Account means the operational account opened and maintained on the Platform by the DLT Platform Operator containing the Issuance Token Record in the name of the HKMA as the operator of the CMU or in the name of any relevant person to whom the Issuance Token Record Account is transferred;

Platform means HSBC Orion, the online platform using distributed ledger technology deployed by The Hongkong and Shanghai Banking Corporation Limited operated by the CMU as the DLT Platform Operator as an extension of the CMU, used for, including but not limited to, the recording and updating of the Issuance Token Record and the recording of the creation, issuance, settlement, transfer, redemption and cancellation of the Platform Beneficial Interests in the DN Notes; and

While the DN Notes are in dematerialised registered form and the Platform Beneficial Interests are held through the Platform, the Platform will also be used for, including but not limited to, the recording of the issuance, settlement, transfer, redemption and cancellation of the Platform Beneficial Interests in the DN Notes, and pursuant to which (i) the Direct Participants may manage their holdings of Platform Beneficial Interests in the DN Notes in Digital Token Accounts for their own account and/or in a custodian or intermediary capacity and (ii) the CMU-DSI may hold Platform Beneficial Interests in the DN Notes in its Digital Token Account acting as digital securities intermediary for members of the CMU, all in accordance with the Platform Related Documentation.

Platform Related Documentation means the documents, policies or processes governing the use of and in connection with the Platform which are applicable to the DN Notes.

While the DN Notes are in dematerialised registered form and the Platform Beneficial Interests are held through the Platform, the Platform Related Documentation includes but is not limited to the CMU Reference Manual and supplements thereto in relation to the operation of the Platform, the rulebook and terms of use of the Platform, as each is disseminated, disclosed or made available or specified by the DLT Platform Operator and in force from time to time as may be replaced or superseded.

While the DN Notes are in dematerialised registered form and the Platform Beneficial Interests are held through the Platform, the following terms shall have the meanings ascribed to them below and as set out in the Platform Related Documentation:

*an **Accountholder** means a Direct Participant or the CMU-DSI, each using the direct participant functionality on the Platform and a person for the time being appearing in the Platform Beneficial Interest Record as holder of one or more Digital Token Account(s). Once a Bond Migration (as defined below) has been effected in accordance with the Platform Related Documentation, all references to **Accountholder** shall be construed accordingly;*

***CMU-DSI** means the internal operational mechanism of the DLT Platform Operator using the direct participant functionality on the Platform solely as a digital securities intermediary for members of the CMU;*

***CMU Reference Manual** means the reference manual relating to the operation of the CMU issued by the HKMA to CMU members, as amended from time to time;*

***Digital Token Account** means, in respect of a DN Note, a digital token account on the Platform against which Platform Beneficial Interests in a relevant DN Note are recorded in the name of, and for, an Accountholder (as the digital token account holder), in respect of which a credit balance represents the Platform Beneficial Interests in such DN Note and the rights of such Accountholder as a holder of Platform Beneficial Interests with regard to such DN Note in accordance with the Platform Related Documentation;*

*a **Direct Participant** means a participant of the Platform using the direct participant functionality on the Platform, holding one or more Digital Token Account(s) for its own account and/or in a custodian or intermediary capacity, which, for the avoidance of doubt, does not include the CMU-DSI or any Agent performing the function as the Issuer's agent on the Platform;*

***Distributed Ledger** means the private permissioned distributed ledger (operated as a blockchain) maintained through the Platform on which the DLT Platform Operator will record the Aggregate Nominal Amount as specified in the applicable Pricing Supplement in the Issuance Token Record Account.*

While the DN Notes are in dematerialised registered form and the Platform Beneficial Interests are held through the Platform, the Distributed Ledger will also record the Platform Beneficial Interests in the DN Notes from time to time (including any records of transfers) in accordance with the Platform Related Documentation; and

***Platform Beneficial Interest Record** means the definitive record of Platform Beneficial Interests in the DN Notes of the Accountholders in the amalgamated balance of all Digital Token Accounts on the Platform maintained by the DLT Platform Operator on the Distributed Ledger.*

2 LEGAL TITLE AND TRANSFER

(a) Legal Title

(i) Legal title to the DN Notes passes by entry in the register which the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the DNN Agency Agreement (the **Register**). The on-Platform recording of the Aggregate Nominal Amount of the DN Notes in the Issuance Token Record Account serves as the definitive data source for entry in the Register, upon issuance of the DN Notes, of the HKMA (as operator of the CMU) as sole legal title holder to the Aggregate Nominal Amount of the DN Notes. The Register is the definitive record of legal title to the DN Notes and, other than the Register, no physical document or certificate of title will be issued in respect of the DN Notes. References herein to the **Holders** or **Noteholders** of the DN Notes are to the persons in whose names such DN Notes are so registered in the Register.

(ii) The Holder will (except as otherwise required by applicable law or regulatory requirement) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest thereof or therein, any writing thereon, or any theft or loss thereof) and no person shall be liable for so treating such Holder.

While the DN Notes are in dematerialised registered form and the Platform Beneficial Interests are held through the Platform:

(i) *Platform Beneficial Interests in a DN Note will vest in the Accountholder for the time being of such DN Note recorded in the Platform Beneficial Interest Record. Subject as provided in the Platform Related Documentation, the Platform Beneficial Interest Record shall be the sole source for determining an Accountholder's Platform Beneficial Interests in the DN Notes at any given time. The Accountholder holding Platform Beneficial Interests in the relevant DN Note from time to time shall be identified exclusively by reference to the Platform Beneficial Interest Record. No physical certificate or record evidencing entitlements to the DN Notes will be issued by the DLT Platform Operator or otherwise;*

(ii) *Each of the Issuer, the Agents and the DLT Platform Operator shall be entitled to deem and treat the Accountholder appearing in the Platform Beneficial Interest Record as being the absolute owner of Platform Beneficial Interests in any DN Notes at any given time for all purposes, whether or not such DN Note is overdue and regardless of any other notice of ownership, trust or an interest therein or any notice of any previous theft or loss thereof. Each of the Issuer, the Agents and the DLT Platform Operator shall be entitled to accept and rely conclusively on the Platform Beneficial Interest Record without further enquiry and without liability to any Accountholder, in which event the same shall be conclusive and binding on Accountholders; and*

(iii) *Title to any CMUP Beneficial Interests in the DN Notes will be reflected in accordance with the relevant rules and procedures of the CMU from time to time and title to any other beneficial interests in the DN Notes will be reflected in accordance with the procedures of the relevant custodian arrangements.*

(b) Transfer of the DN Notes

(i) A DN Note may, upon the terms and subject to the conditions set forth in the DNN Agency Agreement, be transferred in whole or in part only (provided that such part is, or is an integral multiple of, a Specified Denomination) by the submission of a form of transfer duly completed and executed by the applicant, at the specified office of the Registrar. Any residual holding of a DN Note with a denomination of less than the minimum Specified Denomination may not be transferred. To effect a transfer, the definitive record of legal title to the DN Notes shall be updated in the Register by the Registrar on the transfer date.

(ii) For these purposes, a form of transfer received by the Registrar or the Principal Paying Agent after 3:00 p.m. (Hong Kong time) on the Record Date (as defined in Condition 6(b)) in respect of any payment due in respect of a DN Note shall be deemed not to be effectively received by the Registrar or the Principal Paying Agent until the day following the due date for such payment.

(iii) For the purposes of these Conditions:

Relevant Banking Day means a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the place where the specified office of the Registrar is located; and

the **transfer date** shall be the Relevant Banking Day following the day on which the relevant form of transfer shall have been submitted for transfer in accordance with Condition 2(b)(i).

(iv) The transfer of DN Notes will be effected without charge by or on behalf of the Issuer, the Fiscal Agent, the Principal Paying Agent or the Registrar, but upon payment by the applicant of (or the giving by the applicant of such indemnity as the Issuer, the Fiscal Agent, the Principal Paying Agent or the Registrar may require in respect of) any tax, duty or other governmental charges which may be imposed in relation thereto.

While the DN Notes are in dematerialised registered form and the Platform Beneficial Interests are held through the Platform:

(i) *No Transfer of Legal Title Expected: no transfer of legal title to the DN Notes is expected;*

(ii) *Record of Transfers on the Platform: all records of transfers of the Platform Beneficial Interests in the DN Notes and entries on the Platform will be made in accordance with the Platform Related Documentation and the relevant procedures of the DLT Platform Operator. Records of transfers of the Platform Beneficial Interests in the DN Notes will be effected, and may only be effected, through the Platform and may, subject as provided in the Platform Related Documentation, only be between Accountholders. Such record of transfers of the absolute ownership of Platform Beneficial Interests in the DN Notes between Accountholders may, (x) if both the transferor and the transferee are Direct Participants, require instructions to be provided via the Platform by both the transferor and the transferee, or (y) if one of the transferor or transferee is CMU-DSI, require instructions to be provided on the Platform by both the transferor and the transferee concurrently with, among other things, instruction to the CMUP by the relevant transferor or transferee of CMUP*

Beneficial Interests who is settling the transfer through CMU-DSI (where such holders' CMUP Beneficial Interests are transferred in accordance with paragraph (iii) below), and in each case will be effected through recording the debiting of record of the Platform Beneficial Interests in the DN Notes from the transferor's Digital Token Account and crediting of record of the Platform Beneficial Interests in the DN Notes to the transferee's Digital Token Account. Only the DLT Platform Operator has the responsibility for recording the absolute ownership of Platform Beneficial Interests in any DN Note in the Platform Beneficial Interest Record (including any record of transfers);

(iii) *Record of Transfers of Other Beneficial Interests including CMUP Beneficial Interests: a transfer of any other beneficial interests in the DN Notes will be effected in accordance with (if such beneficial interests are CMUP Beneficial Interests and held through the CMU-DSI) the relevant rules and procedures of the CMU from time to time and/or (if such beneficial interests are held through a Direct Participant or any other intermediary or custodian) the procedures of the relevant custodian arrangements, and, depending on how such transfer of beneficial interests is effected, may or may not result in a transfer of a record of Platform Beneficial Interests on the Platform in accordance with the relevant procedures of the DLT Platform Operator as set out in paragraph (ii) above. A copy of the relevant transfer procedures of the CMU is available on the website of the CMU at https://www.cmuomniclear.com/en/reference-materials and investors should refer to Section 4 (Securities Transfers and Settlement Services) of Part II (Clearing, Settlement and Custodial Services) of the CMU Reference Manual. Any content on such website is not a part of, nor incorporated by reference into, the Conditions;*

(iv) *Transfers of the Platform Beneficial Interests in the DN Notes Subject to Applicable Fee, Tax, Duty etc.: Transfers of the Platform Beneficial Interests in the DN Notes to or from any Digital Token Account shall be effected to the relevant Accountholder by the DLT Platform Operator, but upon payment by the relevant Accountholder of any fee, tax, duty, assessment or other governmental charges that may be imposed in relation to such record of transfer of Platform Beneficial Interests (or the giving of such indemnity as the DLT Platform Operator may require); and*

(v) *Closed Periods: No Accountholder shall be entitled to record a transfer of any Platform Beneficial Interests in any DN Note to or from the relevant Digital Token Account, as applicable:*

(A) *during the period from (and including) 11:30 p.m. (Hong Kong time) on the Platform Business Day immediately preceding the Maturity Date and ending on (and including) the Maturity Date;*

(B) *in the circumstances described in Condition 6(b) and the Platform Related Documentation;*

(C) *during a BCP Disruption Event or a BCP Termination Event (other than for the purpose of a Bond Migration in accordance with the Platform Related Documentation); or*

(D) *where it has acquired Direct Rights (as defined in the DNN Deed of Covenant) in accordance with the DNN Deed of Covenant, in each case in respect of all of the Platform Beneficial Interests in the DN Notes held by it pursuant to the Platform Related Documentation.*

Accountholders should note that the restrictions on recording any transfer of Platform Beneficial Interests in the DN Notes in Digital Token Accounts as set out in paragraph (v) above will apply irrespective of whether or not the Platform accepts relevant instructions after the relevant cut-off time specified in such paragraph (v) above. The Issuer, the DLT Platform Operator and all other interested parties will be entitled, without liability, to treat the Accountholders as at the relevant cut-off time as being the absolute owner entitled to such Platform Beneficial Interests in the DN Notes for all purposes and the DLT Platform Operator's determination of the Platform Beneficial Interest Record of the Accountholders and their holdings as at the relevant cut-off time shall be conclusive and binding on all Accountholders. Direct Participants or the CMU-DSI may impose corresponding restrictions in their systems or procedures with respect to any beneficial interests in or right to the DN Notes held in their capacity as an intermediary or a custodian, as the case may be, for investors and the CMU may impose corresponding restrictions in the relevant CMU rules and procedures with respect to the CMUP Beneficial Interests in or right to the DN Notes held in their capacity as a digital securities intermediary for members of the CMU.

3 STATUS

The DN Notes constitute direct, unconditional, unsubordinated, general and unsecured obligations of the Issuer and rank pari passu among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

4 INTEREST

(a) Interest on the DN Notes

The DN Notes shall bear interest on their outstanding nominal amount from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

Except as provided in the applicable Pricing Supplement, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Pricing Supplement, amount to the Broken Amount so specified.

If interest is required to be calculated for a period ending other than a Fixed Interest Period, such interest shall be calculated by applying the Rate of Interest to the Calculation Amount, and multiplying such amount by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a DN Note is a multiple of the Calculation Amount, the amount of interest payable in respect of such DN Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

In these Conditions:

Accrual Period means the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date;

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 4. Where "**Actual/365 (Fixed)**" is specified in the applicable Pricing Supplement, the actual number of days in the Accrual Period divided by 365;

Fixed Interest Period means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date; and

sub-unit means the lowest amount of any currency that is available as legal tender in the country of such currency.

(b) Accrual of Interest

Each DN Note will cease to bear interest (if any) from the date for its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

(i) the date on which all amounts due in respect of such DN Note have been paid; and

(ii) five days after the date on which the full amount of the moneys payable in respect of such DN Notes has been received by the Principal Paying Agent or the Registrar, as the case may be, and notice to that effect has been given to the Noteholders in accordance with Condition 12.

(c) Business Day Convention

In these Conditions, if a Business Day Convention is specified in the applicable Pricing Supplement and (x) if there is no numerically corresponding day on the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is the "**Modified Following Business Day Convention**", such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Conditions:

Business Day means:

(i) a day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in Hong Kong and any Additional Business Centre specified in the applicable Pricing Supplement; and

(ii) in relation to any sum payable in CNY, a day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets are open for business and settlement of CNY payments in Hong Kong; and

CNY means Renminbi, the lawful currency of the People's Republic of China.

5 REDEMPTION AND PURCHASE

(a) Redemption at Maturity

Unless previously redeemed or purchased and cancelled as specified below, each DN Note will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Pricing Supplement in the relevant Specified Currency on the Maturity Date.

(b) Redemption for Tax Reasons

The DN Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Fiscal Agent and, in accordance with Condition 12, the Noteholders (which notice shall be irrevocable), if:

(i) on the occasion of the next payment due under the DN Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 7) or any political subdivision of, or any authority in, or of, a Tax Jurisdiction having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the DN Notes; and

(ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the DN Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition 5(b), the Issuer shall deliver to the Fiscal Agent (A) a certificate signed by two authorised persons of the Issuer that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and (B) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

DN Notes redeemed pursuant to this Condition 5(b) will be redeemed at their Early Redemption Amount referred to in Condition 5(c) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(c) Early Redemption Amounts

For the purpose of Condition 5(b) above and Condition 9, each DN Note will be redeemed at its Early Redemption Amount calculated as follows:

(i) in the case of a DN Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof; or

(ii) in the case of a DN Note with a Final Redemption Amount which is or may be less or greater than the Issue Price, at the amount specified in, or determined in the manner specified in, the applicable Pricing Supplement or, if no such amount or manner is so specified in the applicable Pricing Supplement, at its nominal amount.

(d) Purchases

The Issuer or any Subsidiary of the Issuer may at any time purchase DN Notes at any price in the open market or otherwise. If purchases are made by tender, tenders must be available to all Noteholders alike. All DN Notes so purchased will be cancelled.

For the purpose of this Condition 5(d), **Subsidiary** means any entity which is a subsidiary within the meaning of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong).

(e) Cancellation

All DN Notes which are redeemed will forthwith be cancelled. All DN Notes so cancelled and the DN Notes purchased and cancelled pursuant to Condition 5(d) above may not be reissued or resold. Any such cancellation of the DN Notes will be effected by the Registrar, at the instruction of the Issuer, updating the Register to reflect such cancellation in accordance with the terms of the DNN Agency Agreement.

While the DN Notes are in dematerialised registered form and the Platform Beneficial Interests are held through the Platform:

(i) *the DLT Platform Operator will also ensure that the Issuance Token Record in the Issuance Token Record Account is operationally updated to reflect such cancellation in accordance with the Platform Related Documentation;*

(ii) *any cancellation of the Platform Beneficial Interests in the DN Notes will be cancelled on the Platform in accordance with the Platform Related Documentation and the relevant procedures of the DLT Platform Operator (which may provide for such cancellation to be effected by the movement of the records of Platform Beneficial Interests in the DN Notes which are to be cancelled to a deactivation account and marked as "redeemed", or otherwise rendering the record of such interests in the DN Notes as inert, the deactivation of record of such interests in the DN Notes or in such other manner as may be determined by the DLT Platform Operator) and the relevant Digital Token Account(s) and Platform Beneficial Interest Record will be adjusted as appropriate on the Platform in accordance with the Platform Related Documentation; and*

(iii) *Any cancellation of CMUP Beneficial Interests in the DN Notes will be cancelled on CMUP in accordance with the rules and procedures of the CMU from time to time.*

6 PAYMENTS

(a) Method of Payment

While the DN Notes are in dematerialised registered form and the Platform Beneficial Interests (as defined in the Platform Related Documentation) are held through the Platform, payment of principal and interest due in respect of DN Notes which are due to the Noteholders shall be made in fiat cash via Society for Worldwide Interbank Financial Telecommunications (SWIFT) off-Platform in the Specified Currency specified in the applicable Pricing Supplement by the Issuer (or by the Principal Paying Agent acting on behalf of the Issuer) to, or to the order of, the DLT Platform Operator as soon as reasonably practicable on the due date for payment, for value on such due date. Such amounts will be paid by the Issuer (or by the Principal Paying Agent on behalf of the Issuer) in full off-Platform to a Cash Account in the name of the DLT Platform Operator as notified to the Principal Paying Agent by the CMU. Each Noteholder shall be deemed to agree that the making of such payment of interest and principal by the Issuer (or by the Principal Paying Agent acting on behalf of the Issuer) to, or to the order of, the DLT Platform Operator in accordance with this Condition 6(a) will discharge the Issuer's obligations under these Conditions to make such payments *pro tanto*.

Upon a Bond Migration taking effect in accordance with the Platform Related Documentation, any payment of principal and interest due in respect of DN Notes which are due to the Noteholders shall be made by the Issuer (or by the Principal Paying Agent acting on behalf of the Issuer and on its instructions) to, or to the order of, the CMU. The CMU will, promptly upon receipt of such amounts, transfer payment of the relevant amounts so received directly to the person(s) shown in the records of the CMU or otherwise prior to any relevant payment date as being credited with the interest(s) in such DN Note in accordance with the rules and procedures of the CMU from time to time. Each Noteholder shall be deemed to agree that the making of such payment of interest and principal by the Issuer (or by the Principal Paying Agent acting on behalf of the Issuer and on its instructions) to, or to the order of, the CMU in accordance with this Condition 6(a) will discharge the Issuer's obligations under these Conditions to make such payments *pro tanto*.

No commissions or expenses shall be charged to the Holders in respect of any payments of principal or interest in respect of the DN Notes.

While the DN Notes are in dematerialised registered form and the Platform Beneficial Interests are held through the Platform, in the event that any payment is duly made by (or on behalf of) the Issuer in accordance with Condition 6(a) and there is any delay or failure in the onward transmission of the relevant amounts by the DLT Platform Operator to the respective Cash Accounts of the Accountholders entitled thereto, each such Accountholder which, as a result of such failure on the part of the DLT Platform Operator, has not received the full amount of the payment to which it is entitled shall have recourse to the DLT Platform Operator for the relevant amounts due to them, but shall have no further recourse to the Issuer (or any Agent) with respect to any such amounts; provided that none of the Issuer, the Agents or the DLT Platform Operator shall be liable for any amounts of principal, premium (if any) and interest not received by such Accountholder as a result of any delay or failure by such person in providing correct account details to the DLT Platform Operator for the purposes of receiving such amounts.

In these Conditions:

Bond Migration means the migration by the DLT Platform Operator of the record of the Platform Beneficial Interests in the DN Notes to the CMUP in accordance with the relevant rules and procedures of the CMU from time to time and the other actions contemplated by Platform Related Documentation as may be conducted by the DLT Platform Operator in relation thereto;

Cash Account means a bank account opened by the DLT Platform Operator or any other relevant party with the Deposit Bank for the holding of fiat cash amounts in the Specified Currency specified in the applicable Pricing Supplement from time to time for use in connection with the payment of any amounts due in relation to the DN Notes;

CMUP means the CMU in its conventional clearing system; and

Deposit Bank means The Hongkong and Shanghai Banking Corporation Limited acting under applicable cash account terms in its capacity as deposit bank in connection with the DN Notes (or any successor Deposit Bank acting under applicable cash account terms from time to time).

While the DN Notes are in dematerialised registered form and the Platform Beneficial Interests are held through the Platform:

(i) *a Direct Participant, the CMU-DSI or any other relevant party will also open a Cash Account with the Deposit Bank for the holding of fiat cash amounts in the Specified Currency specified in the applicable Pricing Supplement from time to time, whereby the relevant party shall notify the DLT Platform Operator that such Cash Account shall be the relevant cash account of such Direct Participant, the CMU-DSI or other relevant party for use in connection with the payment of any amounts due in relation to the DN Notes;*

(ii) *the DLT Platform Operator will, promptly upon receipt of such amounts in its Cash Account pursuant to Condition 6(a) in full, (x) transfer payment of the relevant amounts so received to the respective Cash Accounts of the Direct Participants entitled thereto; and (y) as CMU-DSI, onward transmit such payment to members of the CMU for whose account(s) CMUP Beneficial Interests in the relevant DN Notes are credited as being held with the CMU in accordance with the relevant rules and procedures of the CMU from time to time;*

(iii) *an investor who is not itself a Direct Participant and who holds beneficial interests in or rights to any DN Notes through a Direct Participant or the CMU-DSI must look to that Direct Participant or the CMU-DSI (and any other intermediary or custodian) through which it holds its beneficial interests in or rights to the DN Notes for receipt of its share of the payments so made. Notwithstanding that any relevant amounts by the CMU-DSI shall be transmitted onwards to members of the CMU for whose account(s) CMUP Beneficial Interests in the relevant DN Notes are credited as being held with the CMU in accordance with the relevant rules and procedures of the CMU from time to time, the DLT Platform Operator will not be responsible for the onward transmission of any such amounts by any Direct Participant (and any other intermediary or custodian) to investors holding their beneficial interests in or rights to DN Notes through such Direct Participant (and any other intermediary or custodian) and the DLT Platform Operator will not be liable for any delay or failure in the onward transmission of such amounts by the relevant Direct Participant (and*

any other intermediary or custodian). Such investors will have recourse only to such Direct Participant (or any other intermediary or custodian) through which they hold their beneficial interests in or rights to the DN Notes. A copy of the relevant custodial services procedures (including payments of interest and principal) of the CMU is available on the website of the CMU at https://www.cmuomniclear.com/en/reference-materials and investors should refer to Section 5 (Custodial Services) of Part II (Clearing, Settlement and Custodial Services) of the CMU Reference Manual. Any content on such website is not a part of, nor incorporated by reference into, the Conditions;

(iv) *the onward transfer of payments of interest and principal in respect of the DN Notes by the DLT Platform Operator to the Cash Accounts of the Direct Participants entitled thereto, will, subject to the onward transmission of such amounts by the CMU-DSI to members of the CMU for whose account(s) CMUP Beneficial Interests in the relevant DN Notes are credited as being held with the CMU in accordance with the relevant rules and procedures of the CMU from time to time, discharge the obligations of the DLT Platform Operator to make such payments. An investor who holds beneficial interests in or rights to any DN Notes through a Direct Participant must look to that Direct Participant (and other intermediary or custodian) through which it holds its beneficial interests in or rights to the DN Notes for receipt of its share of the payments so made. Notwithstanding that the relevant amounts shall be transmitted onward by the CMU-DSI to members of the CMU for whose account(s) CMUP Beneficial Interests in the relevant DN Notes are credited as being held with the CMU in accordance with the relevant rules and procedures of the CMU from time to time, the DLT Platform Operator will not be responsible for the onward transmission of any such amounts by any Direct Participant (and any other intermediary or custodian) to investors holding their beneficial interests in or rights to DN Notes through such Direct Participant (or any other intermediary or custodian) and the DLT Platform Operator will not be liable for any delay or failure in the onward transmission of such amounts by the relevant Direct Participant (or any other intermediary or custodian). Such investors will have recourse only to such Direct Participant (or other intermediary or custodian) through which they hold their beneficial interests in or rights to the DN Notes; and*

(v) *upon a Bond Migration taking effect in accordance with the Platform Related Documentation, members of the CMU who hold Conventional CMUP Beneficial Interests (as defined in the DNN Deed of Covenant) on CMUP must look to the CMU for the onward payment to them of any payment made by the Issuer.*

(b) Record Date

While the DN Notes are in dematerialised registered form and the Platform Beneficial Interests are held through the Platform, each Noteholder on record in the Register as at 11:30 p.m. (Hong Kong time) on the Platform Business Day immediately preceding the due date for the relevant payment (the **Record Date**) shall be the Noteholder entitled to receive such payment, where **Platform Business Day** means a day on which the Platform is open for business.

Upon a Bond Migration taking effect in accordance with the Platform Related Documentation, each Noteholder on record in the Register as at 11:30 p.m. (Hong Kong time) on the Clearing System Business Day immediately preceding the due date for the relevant payment shall be the Noteholder entitled to receive such payment, where **Clearing System Business Day** means a day on which the CMU is open for business and where all references to **Record Date** shall be construed accordingly.

While the DN Notes are in dematerialised registered form and the Platform Beneficial Interests are held through the Platform:

(i) *Each Accountholder on record in the Platform Beneficial Interest Record as at 11:30 p.m. (Hong Kong time) on the Record Date shall be the Accountholder entitled to receive such payment.*

(ii) *Accountholders should note that it may be possible for transfers of Platform Beneficial Interests in DN Notes to be recorded in the relevant Digital Token Accounts on the Platform after 11:30 p.m. (Hong Kong time) on the Record Date and prior to the time of payment of the relevant amount of interest or principal. The Accountholder entitled to receive the relevant payment of interest or principal will be the Accountholder holding Platform Beneficial Interests in the relevant DN Note(s) in its Digital Token Account at 11:30 p.m. (Hong Kong time) on the relevant Record Date, irrespective of any subsequent crediting or debiting of record of Platform Beneficial Interests in the DN Notes in any Digital Token Account.*

(iii) *The DLT Platform Operator's determination of the relevant Accountholder at 11:30 p.m. (Hong Kong time) on a Record Date and entitled to receive such payment shall be conclusive and binding on all Accountholders.*

(iv) *The record date for determining the relevant holder of CMUP Beneficial Interests and entitlement to receive such payment shall be as set out in the relevant rules and procedures of the CMU from time to time.*

(c) Payments Subject to Fiscal Laws

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7, and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (**US Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the US Code, any regulations or agreements thereunder, official interpretations thereof, or (without prejudice to the provisions of Condition 7) any law implementing an intergovernmental approach thereto.

(d) Payment Day

If the date for payment of any amount in respect of any DN Note is not a Payment Day, the Holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 8) is:

(i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in Hong Kong and any Additional Financial Centre specified in the applicable Pricing Supplement; and

(ii) in relation to any sum payable in CNY, a day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets are open for business and settlement of CNY payments in Hong Kong.

(e) Interpretation of Principal and Interest

Any reference in these Conditions to principal in respect of the DN Notes shall be deemed to include, as applicable:

(i) any additional amounts which may be payable with respect to principal under Condition 7;

(ii) the Final Redemption Amount of the DN Notes;

(iii) the Early Redemption Amount of the DN Notes; and

(iv) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the DN Notes.

Any reference in these Conditions to interest in respect of the DN Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7.

7 TAXATION

All payments of principal and interest in respect of the DN Notes by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the Holders after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the DN Notes in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any DN Note:

(a) claimed for payment by or on behalf of a Holder who is liable for such taxes or duties in respect of such DN Note by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such DN Note; or

(b) claimed for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the Holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 6(d)); or

(c) claimed for payment for or on behalf of a Holder who is able to avoid such withholding or deduction by making a declaration of non-residence or other similar claim for exemption and does not make such declaration or claim.

As used herein:

(i) the **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Paying Agent or the Registrar, as the case may be, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 12; and

(ii) **Tax Jurisdiction** means Hong Kong or any political subdivision or any authority thereof or therein having power to tax.

8 PRESCRIPTION

The DN Notes will become void unless claimed for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 7) therefor.

9 EVENTS OF DEFAULT

If any one or more of the following events (each, an **Event of Default**) occurs and is continuing:

(a) there is a default for more than seven days in the payment of any principal, interest or other amount due in respect of any DN Note; or

(b) (i) the Issuer shall default in the payment of any principal of or interest on any Borrowed Money beyond any period of grace provided in respect thereof, or (ii) the Issuer shall fail to honour when due and called upon any guarantee of any Borrowed Money, or (iii) any Borrowed Money of the Issuer shall become due and payable prior to its specified maturity by reason of any default or event of default (howsoever described), in each case in an aggregate principal amount of at least HK$100,000,000 or the equivalent thereof in another currency or currencies, or (iv) a general moratorium shall be declared on the payment of the debts of the Issuer; or

(c) the Issuer shall default in the performance or observance of any other obligation contained in the DN Notes, (or to the extent it relates to the DN Notes) the DNN Agency Agreement or the DNN Deed of Covenant and such default shall not have been remedied within 30 days; or

(d) an order is made or an effective resolution is passed for the winding-up, liquidation or dissolution of the Issuer; or

(e) a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or a substantial part of the undertaking, assets and revenues of the Issuer; or

(f) as a result of any action on the part of the Issuer or the Government of the Hong Kong Special Administrative Region of the People's Republic of China (the **Hong Kong Government**), the Hong Kong Government ceases to hold, directly or indirectly, more than half in nominal value of the voting share capital of the Issuer,

then any Holder may, by written notice addressed to the Issuer delivered to the Issuer and to the specified office of the Fiscal Agent, effective upon the date of receipt thereof by the Fiscal Agent, declare any DN Notes held by such Holder to be forthwith due and payable whereupon the same shall become forthwith due and payable at its Early Redemption Amount, together with accrued interest (if any) to the date of repayment, without presentation, demand, protest or other notice of any kind.

For the purposes of this Condition 9, **Borrowed Money** means indebtedness for borrowed money, acceptances and the principal amount of any notes (including, for the avoidance of doubt, DN Notes of any other Series), debentures, bonds, bills of exchange, promissory notes or similar instruments drawn, made, accepted, issued, endorsed or guaranteed by the Issuer for the purpose of raising money but shall not include bills of exchange drawn under or in respect of letters of credit or contracts for the provision of goods or services for the purpose of effecting payment and not in connection with the raising of money.

While the DN Notes are in dematerialised registered form and the Platform Beneficial Interests are held through the Platform or upon a Bond Migration taking effect in accordance with the Platform Related Documentation, the Issuer and the Fiscal Agent shall each be entitled to rely on the account position report or confirmation of holdings (in the case of Direct Participants) available on the Platform from time to time or (upon a Bond Migration, in the case of holders of Conventional CMUP Beneficial Interests) issued by the CMU in accordance with the procedures of CMU from time to time, as applicable, with respect to the interests in the DN Notes, which shall be conclusive and binding for the purpose of determining each person who is entitled to provide such notice to the Fiscal Agent for the purposes of declaring the relevant DN Notes to be immediately due and payable.

While the DN Notes are in dematerialised registered form and the Platform Beneficial Interests are held through the Platform:

Acquisition of Direct Rights: Each Accountholder shall acquire against the Issuer the Direct Rights in accordance with the provisions of the DNN Deed of Covenant in respect of a nominal amount of DN Notes to which such Accountholder is entitled, upon the time at which (i) (in respect of the relevant Accountholder(s)) there shall have occurred an Event of Default pursuant to Condition 9(a); or (ii) (in respect of all Accountholders) an order is made or an effective resolution is passed for the winding-up, liquidation or dissolution of the Issuer; or (iii) (in respect of all Accountholders) if either the DLT Platform Operator or, upon a Bond Migration taking effect in accordance with the Platform Related Documentation, CMU is: (A) closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise); or (B) announces an intention to permanently cease business or does in fact do so. In respect of (i) above, such Direct Rights shall be acquired by an Accountholder giving notice to the DLT Platform Operator and such Accountholder shall not be entitled to require the transfer of any of its DN Notes following the acquisition of such Direct Rights. In respect of (ii) and (iii) above, no Accountholder shall be entitled to require the transfer of a DN Note following the acquisition of such Direct Rights.

While the CMU-DSI is holding any DN Notes solely as a digital securities intermediary for members of the CMU, any such member must look to the CMU-DSI for obtaining any proof of holding in the exercise of any enforcement rights. A copy of the relevant securities accounts procedures of the CMU is available on the website of the CMU at https://www.cmuomniclear.com/en/reference-materials and investors should refer to Section 4 (Securities Accounts) of Part I (General Information for Membership with the CMU) of the CMU Reference Manual. Any content on such website is not a part of, nor incorporated by reference into, the Conditions.

An investor who is not itself an Accountholder nor a holder of CMUP Beneficial Interests and who holds beneficial interests in or rights to any DN Notes through a Direct Participant or the CMU-DSI (or any other intermediary or custodian) must look to that Direct Participant or the CMU-DSI (or such other intermediary or custodian) through which it holds its beneficial interests in or rights to the DN Notes for the manner of obtaining any proof of holding in the exercise of any enforcement rights.

While the DN Notes are in dematerialised registered form and the Platform Beneficial Interests are held through the Platform or upon a Bond Migration taking effect in accordance with the Platform Related Documentation, and for the purpose of establishing the entitlement to such Direct Rights, the Issuer and the Fiscal Agent shall each be entitled to rely on the account position report or confirmation of holdings as of the day prior to the start of the relevant closed period (in the case of Direct Participants) available on the Platform or (upon a Bond Migration, in the case of holders of Conventional CMUP Beneficial Interests) issued by the CMU in accordance with the procedures of CMU issued from time to time, as applicable, with respect to the interests in the DN Notes.

10 AGENTS

The names of the initial Agents and their initial specified offices are set out in the DNN Agency Agreement.

The Issuer is entitled to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, provided that:

(a) there will at all times be a Fiscal Agent, a Principal Paying Agent and a Registrar; and

(b) so long as the DN Notes are listed on any stock exchange, there will at all times be such other agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange (or any other relevant authority).

Notice of any variation, termination, appointment or change in any Agent will be given to the Noteholders promptly by the Issuer in accordance with Condition 12.

In acting under the DNN Agency Agreement, the Agents act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any Noteholder. The DNN Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

11 MEETINGS OF HOLDERS AND MODIFICATION

(a) Meetings of Holders

The DNN Agency Agreement contains provisions for convening meetings of the Holders to consider any matter affecting their interest, including the sanctioning by Extraordinary Resolution of a modification of the DN Notes, these Conditions, the DNN Deed of Covenant or any of the provisions of the DNN Agency Agreement. Such a meeting may be convened by the Issuer or Noteholders holding not less than 10 per cent. in nominal amount of the DN Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the DN Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the DN Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the DN Notes (including modification of the Maturity Date of the DN Notes or reduction or cancellation of the nominal amount payable upon maturity, reduction or cancellation of the amount payable or modification of the payment date in respect of any interest in respect of the DN Notes or variation of the method of calculating the rate of interest in respect of the DN Notes, modification of the currency in which payments under the DN Notes are to be made, modification of the majority required to pass an Extraordinary Resolution and the sanctioning of any scheme or proposal for the exchange, sale, conversion or cancellation of the DN Notes as further described in the DNN Agency Agreement), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the DN Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the DN Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting.

In addition, a resolution in writing signed on behalf of Holders who for the time being are entitled to receive notice of a meeting of Holders, holding not less than 90 per cent. in aggregate nominal amount of the DN Notes outstanding, will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Holders.

(b) Modification

The Fiscal Agent and the Issuer may agree, without the consent of the Holders of DN Notes, to any modification (except as mentioned above) of these Conditions, the DN Notes, the DNN Deed of Covenant, the DNN Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law.

Any such modification shall be binding on the Noteholders and any such modification shall be notified to the Noteholders in accordance with Condition 12 as soon as practicable thereafter.

(c) Persons Entitled to Provide Instructions to the Fiscal Agent or the Registrar

While the DN Notes are in dematerialised registered form and the Platform Beneficial Interests are held through the Platform or upon a Bond Migration taking effect in accordance with the Platform Related Documentation, the Issuer and the Fiscal Agent shall each be entitled to rely on the account position report or confirmation of holdings (in the case of Direct Participants (as defined in the Platform Related Documentation)) available on the Platform from time to time or (upon a Bond Migration, in the case of holders of Conventional CMUP Beneficial Interests) issued by the CMU in accordance with the procedures of CMU from time to time, as applicable, with respect to the interests in the DN Notes, which shall be conclusive and binding for the purpose of determining each person who is entitled to provide instructions to the Fiscal Agent or the Registrar for the purposes of appointing proxies or attending meetings of the Holders.

While the DN Notes are in dematerialised registered form and the Platform Beneficial Interests are held through the Platform, an investor who holds CMUP Beneficial Interests, beneficial interests in or rights to any DN Notes through the CMU-DSI, a Direct Participant or any other custodian or intermediary must look to the CMU-DSI, that Direct Participant or that other custodian or intermediary through which it holds its beneficial interests in or rights to the DN Notes for the provision of any proxy, representative or other services at any meeting of the Noteholders or for the purpose of a resolution in writing. For CMUP Beneficial Interests, a copy of the relevant custodial services procedures (including proxy services) of the CMU is available on the website of the CMU at https://www.cmuomniclear.com/en/reference-materials and investors should refer to Section 5 (Custodial Services) of Part II (Clearing, Settlement and Custodial Services) of the CMU Reference Manual. Any content on such website is not a part of, nor incorporated by reference into, the Conditions.

12 NOTICES

Notices to Noteholders will be deemed to be validly given upon (i) dispatch by first class mail (or equivalent) or (if posted to an overseas address) by air mail to them (or, in the case of joint Noteholders, to the first-named in the register kept by the Registrar) at their respective addresses as recorded in the register kept by the Registrar or (ii) delivery by the Fiscal Agent on behalf of the Issuer by email, and such notice will be deemed to have been given on the fourth day after mailing (in the case of mail) or on the day on which the relevant email was sent (in the case of email).

Notwithstanding the above paragraph, while the DN Notes are in dematerialised registered form and the Platform Beneficial Interests are held through the Platform or upon a Bond Migration taking effect in accordance with the Platform Related Documentation, notices required to be given to the Noteholders pursuant to these Conditions shall be validly given if delivered by the Fiscal Agent on behalf of the Issuer by email to the DLT Platform Operator or (upon a Bond Migration) to the CMU (in accordance with the relevant procedures of CMU). Any such notice shall be deemed to have been given on the day on which such notice was given to the DLT Platform Operator or (as applicable) the CMU (in accordance with the relevant procedures of CMU).

Any notice shall be deemed to have been given on the date of publication or, if so published more than once or on different dates, on the date of the first publication.

While the DN Notes are in dematerialised registered form and the Platform Beneficial Interests are held through the Platform, the DLT Platform Operator shall forward onto the Direct Participants and holders of CMUP Beneficial Interests any notices to Noteholders which have been delivered by the Fiscal Agent on behalf of the Issuer by email to the DLT Platform Operator in accordance with Condition 12. An investor who holds beneficial interests in or rights to any DN Notes through a Direct Participant or any other custodian or intermediary must look to that Direct Participant or other custodian or intermediary through which it holds its beneficial interests in or rights to the DN Notes for the receiving of any such notices. For the avoidance of doubt, while the DN Notes are in dematerialised registered form and the Platform Beneficial Interests are held through the Platform, no Agent is obliged to publish any notice to Noteholders otherwise than through the DLT Platform Operator or the CMU.

13 BUSINESS CONTINUITY PLAN

(a) Notification of BCP Disruption Event and BCP Termination Event

The DLT Platform Operator shall, in accordance with the Platform Related Documentation, notify the Issuer and the Fiscal Agent as soon as reasonably practicable if a BCP Disruption Event or a BCP Termination Event occurs. Upon receipt of such notice, or if the Issuer otherwise becomes aware that a BCP Disruption Event or a BCP Termination Event has occurred, the Issuer shall, as soon as is reasonably practicable, give notice (the **BCP Notice**) of such BCP Disruption Event or such BCP Termination Event to the Noteholders in accordance with Condition 12.

(b) BCP Termination Event

Should a BCP Termination Event occur and following the giving of the BCP Notice in relation thereto, the DLT Platform Operator shall, without consultation with any party and without any Noteholders' approval, commence the process of deactivation of the record of the Issuance Token Record Account, the rendering of such record as inert, the deactivation of such record or such other procedures as may be determined by the DLT Platform Operator, in each case in accordance with the Platform Related Documentation and the time frame stated therein. Following the completion of a Bond Migration after a BCP Termination Event in accordance with the Platform Related Documentation, the Issuer shall, as soon as reasonably practicable, give notice of such completion (including the effective date of such Bond Migration) to the Noteholders in accordance with Condition 12.

While the DN Notes are in dematerialised registered form and the Platform Beneficial Interests are held through the Platform:

(i) *Notice to Direct Participants: The DLT Platform Operator shall also, in accordance with the Platform Related Documentation, notify the Direct Participants as soon as reasonably practicable if a BCP Disruption Event or a BCP Termination Event occurs.*

(ii) *BCP Disruption Event: Should a BCP Disruption Event occur and following the giving of the BCP Notice in relation thereto, the DLT Platform Operator shall use the last available Platform holdings report before the occurrence of a BCP Disruption Event as the back-up record of holdings for the purposes of restoring the Platform and may require Accountholders to re-enter the transactions from the previous day, each in accordance with the Platform Related Documentation. Should a BCP Disruption Event persist for five Hong Kong business days or more in accordance with Platform Related Documentation, a BCP Termination Event may occur in accordance with Platform Related Documentation and the relevant Conditions shall apply accordingly.*

(iii) *BCP Termination Event and Bond Migration: Should a BCP Termination Event occur and following the giving of the BCP Notice in relation thereto, the DLT Platform Operator shall also, without consultation with any party and without any Accountholder's approval, commence a Bond Migration by transferring the record of Platform Beneficial Interests in the DN Notes determined by the DLT Platform Operator from the Platform to the CMUP, where the CMU will record such Platform Beneficial Interests in the DN Notes in the CMU securities accounts of the relevant Direct Participants. Following such Bond Migration, the Direct Participants will no longer hold Platform Beneficial Interests in the DN Notes and instead will hold beneficial interests in the DN Notes in the respective CMU securities accounts of the relevant CMU members. If Direct Participants held CMUP Beneficial Interests through CMU-DSI as intermediary before the Bond Migration, their migrated Platform Beneficial Interests will be merged with their CMUP Beneficial Interests into a single tier of beneficial interests held by CMU members in the respective CMU securities accounts following the Bond Migration. The CMU-DSI function will no longer exist and will also no longer hold Platform Beneficial Interests in the DN Notes, although beneficial interests (previously CMUP Beneficial Interests) held by CMU members through the CMU-DSI as intermediary will remain in the respective CMU securities accounts of the relevant CMU members.*

Upon such BCP Notice in relation to a BCP Termination Event being given to Accountholders, all Accountholders (whether for their own account or acting as intermediary or custodian for investors) shall be deemed to consent to such Bond Migration in accordance with the Platform Related Documentation and shall assist the DLT Platform Operator as it directs in such Bond Migration.

Upon completion of a Bond Migration, the DLT Platform Operator shall, as soon as reasonably practicable, give notice of such completion (including the effective date of such Bond Migration) to the Accountholders, the Issuer and the Fiscal Agent in accordance with the Platform Related Documentation. The Issuer shall, as soon as reasonably practicable, give notice of such completion (including the effective date of such Bond Migration) to the Noteholders in accordance with Condition 12. Following a Bond Migration, the legal title of the DN Notes will continue to be held by the HKMA as operator of the CMU in accordance with the Register. The DN Notes will continue to be in dematerialised registered form cleared and settled through the CMUP.

Once a Bond Migration has been effected in accordance with the Platform Related Documentation, each person who is for the time being shown in the records of CMU as the holder of a particular nominal amount of such DN Notes (in which regard any certificate or other document issued by the CMU as to the nominal amount of such DN Notes standing to the account of any person shall be conclusive and binding for all

purposes save in the case of manifest error) shall be treated by the Issuer, the Fiscal Agent and other Agents as the holder of such nominal amount of such DN Notes, and the expressions ***Accountholder*** *shall be construed accordingly.*

(iv) *DLT Platform Operator or CMU is closed for business: While the DN Notes are in dematerialised registered form and the Platform Beneficial Interests are held through the Platform or upon a Bond Migration taking effect in accordance with the Platform Related Documentation, all Accountholders shall acquire against the Issuer the Direct Rights in accordance with the provisions of the DNN Deed of Covenant in respect of a nominal amount of DN Notes to which each Accountholder is entitled, if either the DLT Platform Operator or CMU (as applicable) is: (a) closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise); or (b) announces an intention to permanently cease business or does in fact do so. No Accountholder shall be entitled to require the transfer of a DN Note following the acquisition of such Direct Rights.*

An investor who is not itself an Accountholder and who holds beneficial interests in or rights to any DN Notes through a Direct Participant or the CMU-DSI must look to that Direct Participant or the CMU-DSI (and any other intermediary or custodian) through which it holds its beneficial interests in or rights to the DN Notes for the manner of obtaining any proof of holding in the exercise of any enforcement rights. If such beneficial interests are held through the CMU-DSI, a copy of the relevant securities accounts procedures of the CMU is available on the website of the CMU at https://www.cmuomniclear.com/en/reference-materials and investors should refer to Section 4 (Securities Accounts) of Part I (General Information for Membership with the CMU) of the CMU Reference Manual. Any content on such website is not a part of, nor incorporated by reference into, these Conditions.

While the DN Notes are in dematerialised registered form and the Platform Beneficial Interests are held through the Platform or upon a Bond Migration taking effect in accordance with the Platform Related Documentation and for the purpose of establishing the entitlement to such Direct Rights, the Issuer and the Fiscal Agent shall each be entitled to rely on the account position report or confirmation of holdings as of the day prior to the start of the relevant closed period (in the case of Direct Participants) available on the Platform or (upon a Bond Migration, in the case of holders of Conventional CMUP Beneficial Interests) issued by the CMU in accordance with the procedures of CMU issued from time to time, as applicable, with respect to the interests in the DN Notes.

(c) Definitions

In this Condition 13:

BCP Disruption Event means a circumstance in which the operations of the Platform become unavailable for a continuous period of at least 48 hours, including but not limited to the following key events set out in the Platform Related Documentation (as applicable):

(i) a Platform Incident;

(ii) a Self-Executing Code Vulnerability; or

(iii) a Platform Vulnerability (other than a Self-Executing Code Vulnerability);

BCP Termination Event means a termination event with regards to the provision of technology services by the Platform Provider (as defined in the Platform Related Documentation) to the DLT Platform Operator, save for expiration or a termination by convenience event. Any termination by mutual agreement of the DLT Platform Operator and the Platform Provider when there are outstanding issuances on the Platform would constitute a BCP Termination Event;

Platform Incident means any event or circumstance (including, without limitation, a failure in or disruption of the Platform) that impairs the proper or timely functioning of the Platform, including with regards to any peer-to-peer network functionality or processing and/or validating one or more transactions on the Platform;

Platform Vulnerability means a bug, exploit, vulnerability, hacking or other dysfunction in, or event or circumstance compromising the security of, the Platform, the underlying blockchain and/or smart contract technology or the DLT Platform Operator's control thereof;

Self-Executing Code means a self-executing code in a computer programme deployed by, or with the permission of, the DLT Platform Operator on the Platform, providing for the automation, self-execution, initiation and/or processing of pre-determined actions related to the DN Notes, where relevant upon fulfilment of pre-determined conditions; and

Self-Executing Code Vulnerability means a bug, exploit, vulnerability, hacking or other dysfunction in any Self-Executing Code.

14 CURRENCY INDEMNITY

The currency in which the DN Notes are denominated or, if different, payable, as specified in the applicable Pricing Supplement (the **Contractual Currency**), is the sole currency of account and payment for all sums payable by the Issuer in respect of the DN Notes and the DNN Deed of Covenant, including damages. Any amount received or recovered in a currency other than the Contractual Currency (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction or otherwise) by any Holder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the amount in the Contractual Currency which such Holder is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that amount is less than the amount in the Contractual Currency expressed to be due to any Holder in respect of such DN Note the Issuer shall indemnify such Holder against any loss sustained by such Holder as a result. In any event, the Issuer shall indemnify each such Holder against any cost of making such purchase which is reasonably incurred. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Holder and shall continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due in respect of the DN Notes or any judgment or order. Any such loss aforesaid shall be deemed to constitute a loss suffered by the relevant Holder and no proof or evidence of any actual loss will be required by the Issuer.

15 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this DN Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

16 GOVERNING LAW AND SUBMISSION TO JURISDICTION

(a) Governing Law

The DNN Agency Agreement, the DNN Deed of Covenant, the DN Notes and any non-contractual obligations arising out of or in connection with the DNN Agency Agreement, the DNN Deed of Covenant and the DN Notes are governed by, and shall be construed in accordance with, English law.

(b) Submission to Jurisdiction

The Issuer agrees, for the exclusive benefit of the Noteholders, that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the DN Notes (including a dispute relating to any non-contractual obligations arising out of or in connection with the DN Notes) and that accordingly any suit, action or proceedings (together referred to as **Proceedings**) arising out of or in connection with the DN Notes (including any Proceedings relating to any non-contractual obligations arising out of or in connection with the DN Notes) may be brought in such courts.

The Issuer hereby irrevocably waives any objection which it may have now or hereafter to the laying of the venue of any such Proceedings in any such court and any claim that any such Proceedings have been brought in an inconvenient forum and hereby further irrevocably agrees that a judgment in any such Proceedings brought in the English courts shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction.

Nothing contained in this Condition 16(b) shall limit any right to take Proceedings against the Issuer in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.

(c) Appointment of Process Agent

The Issuer appoints Law Debenture Corporate Services Limited at its registered office at 8th Floor, 100 Bishopsgate, London, EC2N 4AG as its agent for service of process, and undertakes that, in the event of Law Debenture Corporate Services Limited ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any Proceedings. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

(d) Waiver of immunity

The Issuer hereby irrevocably and unconditionally waives with respect to the DN Notes any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence and irrevocably and unconditionally consents to the giving of any relief or the issue of any process, including without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings.

(e) Other documents

The Issuer has in the DNN Agency Agreement and the DNN Deed of Covenant submitted to the jurisdiction of the English courts and appointed an agent for service of process in terms substantially similar to those set out above.

PRICING SUPPLEMENT FOR THE SERIES A DN NOTES

PRICING SUPPLEMENT

10 June 2026

The Hong Kong Mortgage Corporation Limited
香港按揭證券有限公司
(the Issuer)

Issue of HK$6,000,000,000 3.355 per cent. Digitally Native Notes due 2028 (the DN Notes) under the U.S.$30,000,000,000 Medium Term Note Programme (the Programme)

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

Terms used in this Pricing Supplement shall have the same meaning as the terms defined in the Terms and Conditions of the DN Notes set out in the supplemental offering circular dated 10 June 2026 in relation to the issue of the DN Notes (the **Supplemental Offering Circular**) which amends and supplements the offering circular dated 26 June 2025 (the **Programme Offering Circular**, and as amended and supplemented by the Supplemental Offering Circular, the **Offering Circular**). This Pricing Supplement contains the final terms of the DN Notes and must be read in conjunction with such Offering Circular.

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

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

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

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

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

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

PROHIBITION OF SALES TO UK RETAIL INVESTORS — The DN Notes are not intended to be offered, sold, distributed or otherwise made available to and should not be offered, sold, distributed or otherwise made available to any retail investor in the United Kingdom (**UK**). For these purposes, a retail investor means a person who is either one (or both) of the following: (i) not a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (**EUWA**); or (ii) not a qualified investor as defined in paragraph 15 of Schedule 1 to the Public Offers and Admissions to Trading Regulations 2024. Consequently no disclosure document required by the FCA Product Disclosure Sourcebook (**DISC**) for offering, selling or distributing the DN Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering, selling or distributing the DN Notes or otherwise making them available to any retail investor in the UK may be unlawful under the DISC and the Consumer Composite Investments (Designated Activities) Regulations 2024.

Paragraph 21 of the Hong Kong SFC Code of Conduct — As paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission applies to this offering of DN Notes, prospective investors should refer to the section on "*Notice to Capital Market Intermediaries and Prospective Investors Pursuant to Paragraph 21 of the Hong Kong SFC Code of Conduct — Important Notice to Prospective Investors*" appearing on pages iv to v of the Supplemental Offering Circular, and CMIs (as defined in the Supplemental Offering Circular) should refer to the section on "*Notice to Capital Market Intermediaries and Prospective Investors Pursuant to Paragraph 21 of the Hong Kong SFC Code of Conduct — Important Notice to CMIs (including private banks)*" appearing on pages 141 to 142 of the Supplemental Offering Circular.

1	Issuer:		The Hong Kong Mortgage Corporation Limited 香港按揭證券有限公司
2	(i)	Series Number:	M2_262
	(ii)	Tranche Number:	1

	(iii)	Date on which the DN Notes will be consolidated and form a single Series:	Not Applicable
3	Specified Currency or Currencies:		Hong Kong Dollar (**HK$**)
4	Aggregate Nominal Amount:		
	(i)	Series:	HK$6,000,000,000
	(ii)	Tranche:	HK$6,000,000,000
5	(i)	Issue Price:	100.00 per cent. of the Aggregate Nominal Amount
	(ii)	Net Proceeds:	Approximately HK$5,990 million
6	(i)	Specified Denomination(s):	HK$1,000,000 and integral multiples of HK$500,000 in excess thereof
	(ii)	Calculation Amount:	HK$500,000
7	(i)	Issue Date and Interest Commencement Date:	15 June 2026
	(ii)	Interest Commencement Date (if different from the Issue Date):	Not Applicable
8	Maturity Date:		Interest Payment Date falling in or nearest to 15 June 2028
9	Interest Basis:		3.355 per cent. Fixed Rate (further particulars specified below)
10	Redemption/Payment Basis:		Redemption at par
11	Change of Interest Basis or Redemption/Payment Basis:		Not Applicable
12	Put/Call Options:		Redemption for Tax Reasons (as set out in Condition 5(b))
13	Listing:		The Stock Exchange of Hong Kong Limited Listing of, and permission to deal in, the DN Notes is expected to become effective on or around 16 June 2026
14	Method of distribution:		Syndicated

Provisions Relating to Interest (If Any) Payable

15	Fixed Rate Note Provisions:		Applicable
	(i)	Rate(s) of Interest:	3.355 per cent. per annum payable annually in arrear on each Interest Payment Date

	(ii)	Interest Payment Date(s):	15 June in each year, commencing from and including 15 June 2027 up to and including the Maturity Date provided that if an Interest Payment Date falls on a day which is not a Business Day, such Interest Payment Date will be adjusted in accordance with **Modified Following Business Day Convention** as set out in Condition 4(c), where **Additional Business Centre** shall be "Not Applicable"
	(iii)	Fixed Coupon Amount(s) for DN Notes:	Interest shall be calculated by applying the Rate of Interest to the Calculation Amount, and multiplying such sum by the Day Count Fraction and rounding the resultant figure to the nearest HK$0.01, HK$0.005 being rounded upwards
	(iv)	Broken Amount(s) for DN Notes:	Not Applicable
	(v)	Day Count Fraction:	Actual/365 (Fixed)
	(vi)	Determination Date(s):	Not Applicable
	(vii)	Party responsible for calculating the amount of interest payable per Calculation Amount (if not the Principal Paying Agent):	Not Applicable
	(viii)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	None
16	Floating Rate Note Provisions:		Not Applicable
17	Zero Coupon Note Provisions:		Not Applicable
18	Index Linked Interest Note Provisions:		Not Applicable
19	Dual Currency Interest Note Provisions:		Not Applicable
Provisions Relating to Redemption			
20	Issuer Call:		Not Applicable
21	Investor Put:		Not Applicable
22	Final Redemption Amount:		At par
23	Early Redemption Amount(s) payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 5(c)):		Not Applicable

General Provisions Applicable to the DN Notes

24	Form of Notes:	Digitally Native Notes: The DN Notes will be issued in dematerialised registered form in the Specified Currency, the Specified Denomination(s) and the Aggregate Nominal Amount each as specified herein. DN Notes of one Specified Denomination may not be exchanged for DN Notes of another Specified Denomination. The DN Notes shall be validly issued when (i) the DNN Deed of Covenant has been duly executed and delivered in accordance with the provisions therein, (ii) the Aggregate Nominal Amount of the DN Notes has been initially recorded on-Platform in the Issuance Token Record Account (opened in the name of the HKMA as operator of the CMU) in accordance with the Platform Related Documentation and the relevant procedures of the DLT Platform Operator, and (iii) following completion of (i) and (ii), the Registrar, at the instruction of the Issuer, enters in the Register the person in whose name the Issuance Token Record Account is recorded (which, as per (ii) above will be the HKMA as operator of the CMU), as the sole legal title holder to the Aggregate Nominal Amount of the DN Notes. The recording of the Aggregate Nominal Amount of the DN Notes in the Issuance Token Record Account will, therefore, serve as the definitive data source for entry in the Register for the purpose of the issuance of the DN Notes Capitalised terms in this paragraph 24 shall have the meanings given to them in the Terms and Conditions of the DN Notes
25	Additional Financial Centre(s) or other special provisions relating to Payment Days:	Not Applicable **Payment Day** for the purpose of the DN Notes shall mean a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in Hong Kong
26	Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes (and dates on which such Talons mature):	No

27	Details relating to Partly Paid Notes (amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the DN Notes and interest due on late payment):	Not Applicable
28	Details relating to Instalment Notes:	
	Instalment Amount(s):	Not Applicable
	Instalment Date(s):	Not Applicable
29	Redenomination:	Not Applicable
30	Other terms or special conditions:	The Terms and Conditions of the DN Notes set forth in the Supplemental Offering Circular (of which this Pricing Supplement forms part) apply to the DN Notes and the terms and conditions set out in the Programme Offering Circular do not apply to the DN Notes

Distribution

31	(i)	If syndicated, names of Managers:	**Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers** Bank of China (Hong Kong) Limited Crédit Agricole Corporate and Investment Bank The Hongkong and Shanghai Banking Corporation Limited J.P. Morgan Securities (Asia Pacific) Limited Standard Chartered Bank **Joint Bookrunners and Joint Lead Managers** Bank of Communications Co., Ltd. Hong Kong Branch Barclays Bank PLC BNP PARIBAS China Construction Bank (Asia) Corporation Limited Industrial and Commercial Bank of China (Asia) Limited Mizuho Securities Asia Limited MUFG Securities Asia Limited Oversea-Chinese Banking Corporation Limited Société Générale (the **Managers**)
	(ii)	Stabilisation Manager (if any):	Not Applicable

32	If non-syndicated, name of relevant Dealer:	Not Applicable
33	U.S. Selling Restrictions:	Reg. S Category 2; TEFRA not applicable
34	Additional selling restrictions:	Not Applicable

Operational Information

35	ISIN:	HK0001313748
36	Common Code:	340168313
37	CMU Instrument Number:	ORNHKB26007
38	Digital Token Identifier:	CS0MJ2XV4
39	Any clearing system(s) other than Euroclear or Clearstream or CMU, and the relevant identification number(s):	The DN Notes will be cleared and settled through the CMU as the Central Securities Depositary and DLT Platform Operator
40	DLT Platform Operator:	CMU
41	DLT Platform Name:	HSBC Orion[1]
42	DLT Platform Type:	Canton/Hyperledger Fabric
43	Settlement Procedures:	See the section entitled "*Overview of the Platform and Clearing, Settlement and Operational Information*" in the Supplemental Offering Circular
44	Delivery:	Delivery against payment
45	In the case of Registered Notes, specify the location of the office of the Registrar if other than Hong Kong:	Not Applicable
46	In the case of Bearer Notes, specify the location of the office of the Principal Paying Agent if other than Hong Kong:	Not Applicable
47	Additional Paying Agent(s) (if any):	Not Applicable
48	The Agents appointed in respect of the DN Notes:	The Hongkong and Shanghai Banking Corporation Limited as the Fiscal Agent, the Principal Paying Agent and the Registrar

1 HSBC Orion refers to the distributed ledger technology platform deployed by The Hongkong and Shanghai Banking Corporation Limited to CMU as the DLT Platform Operator for the purposes of, among other things, creating and settling the DN Notes.

49	Legal Entity Identifier:	254900W04TBDJ4UBOS04

Other Information — Hong Kong SFC Code of Conduct

50	Rebates:	Not Applicable
51	Contact email addresses where the underlying investor information in relation to omnibus orders should be sent:	projectnexus@bochk.com; project.nexus@ca-cib.com; hkg-syndicate@ca-cib.com; hk_syndicate_omnibus@hsbc.com.hk; investor.info.hk.oc.bond.deals@jpmorgan.com; SYNHK@sc.com; ccba_dcm@asia.ccb.com; project.nexus@icbcasia.com; Omnibus_Bond@hk.mizuho-sc.com; Asia-Syndicate@hk.sc.mufg.jp; Ocbcbonds@ocbc.com; and ASIAPAC-GLBA-DCS-SYN-LCM@sgcib.com
52	Marketing and Investor Targeting Strategy:	As indicated in the Offering Circular

Listing Application

This Pricing Supplement comprises the final terms required to list the issue of the DN Notes described herein pursuant to the U.S.$30,000,000,000 Medium Term Note Programme of The Hong Kong Mortgage Corporation Limited 香港按揭證券有限公司.

Investment Considerations

There are significant risks associated with the DN Notes. Prospective investors should have regard to the factors described under the section headed "*Risk Factors*" in the Offering Circular before purchasing any DN Notes. Before entering into any transaction, prospective investors should ensure that they fully understand the potential risks and rewards of that transaction and independently determine that the transaction is appropriate given their objectives, experience, financial and operational resources and other relevant circumstances. Prospective investors should consider consulting with such advisers as they deem necessary to assist them in making these determinations.

Responsibility

The Issuer accepts responsibility for the information contained in this Pricing Supplement which, when read together with the Offering Circular referred to above, contains all information that is material in the context of the issue of the DN Notes.

For and on behalf of

THE HONG KONG MORTGAGE CORPORATION LIMITED
香港按揭證券有限公司

By: _____ _____

Authorised Signatory Authorised Signatory

PRICING SUPPLEMENT FOR THE SERIES B DN NOTES

PRICING SUPPLEMENT

10 June 2026

The Hong Kong Mortgage Corporation Limited
香港按揭證券有限公司
(the Issuer)

Issue of HK$2,500,000,000 3.431 per cent. Digitally Native Notes due 2031 (the DN Notes) under the U.S.$30,000,000,000 Medium Term Note Programme (the Programme)

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

Terms used in this Pricing Supplement shall have the same meaning as the terms defined in the Terms and Conditions of the DN Notes set out in the supplemental offering circular dated 10 June 2026 in relation to the issue of the DN Notes (the **Supplemental Offering Circular**) which amends and supplements the offering circular dated 26 June 2025 (the **Programme Offering Circular**, and as amended and supplemented by the Supplemental Offering Circular, the **Offering Circular**). This Pricing Supplement contains the final terms of the DN Notes and must be read in conjunction with such Offering Circular.

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

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

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

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

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

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

PROHIBITION OF SALES TO UK RETAIL INVESTORS — The DN Notes are not intended to be offered, sold, distributed or otherwise made available to and should not be offered, sold, distributed or otherwise made available to any retail investor in the United Kingdom (**UK**). For these purposes, a retail investor means a person who is either one (or both) of the following: (i) not a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (**EUWA**); or (ii) not a qualified investor as defined in paragraph 15 of Schedule 1 to the Public Offers and Admissions to Trading Regulations 2024. Consequently no disclosure document required by the FCA Product Disclosure Sourcebook (**DISC**) for offering, selling or distributing the DN Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering, selling or distributing the DN Notes or otherwise making them available to any retail investor in the UK may be unlawful under the DISC and the Consumer Composite Investments (Designated Activities) Regulations 2024.

Paragraph 21 of the Hong Kong SFC Code of Conduct — As paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission applies to this offering of DN Notes, prospective investors should refer to the section on "*Notice to Capital Market Intermediaries and Prospective Investors Pursuant to Paragraph 21 of the Hong Kong SFC Code of Conduct — Important Notice to Prospective Investors*" appearing on pages iv to v of the Supplemental Offering Circular, and CMIs (as defined in the Supplemental Offering Circular) should refer to the section on "*Notice to Capital Market Intermediaries and Prospective Investors Pursuant to Paragraph 21 of the Hong Kong SFC Code of Conduct — Important Notice to CMIs (including private banks)*" appearing on pages 141 to 142 of the Supplemental Offering Circular.

1	Issuer:		The Hong Kong Mortgage Corporation Limited 香港按揭證券有限公司
2	(i)	Series Number:	M546
	(ii)	Tranche Number:	1

	(iii)	Date on which the DN Notes will be consolidated and form a single Series:	Not Applicable
3	Specified Currency or Currencies:		Hong Kong Dollar (**HK$**)
4	Aggregate Nominal Amount:		
	(i)	Series:	HK$2,500,000,000
	(ii)	Tranche:	HK$2,500,000,000
5	(i)	Issue Price:	100.00 per cent. of the Aggregate Nominal Amount
	(ii)	Net Proceeds:	Approximately HK$2,495 million
6	(i)	Specified Denomination(s):	HK$1,000,000 and integral multiples of HK$500,000 in excess thereof
	(ii)	Calculation Amount:	HK$500,000
7	(i)	Issue Date and Interest Commencement Date:	15 June 2026
	(ii)	Interest Commencement Date (if different from the Issue Date):	Not Applicable
8	Maturity Date:		Interest Payment Date falling in or nearest to 15 June 2031
9	Interest Basis:		3.431 per cent. Fixed Rate (further particulars specified below)
10	Redemption/Payment Basis:		Redemption at par
11	Change of Interest Basis or Redemption/Payment Basis:		Not Applicable
12	Put/Call Options:		Redemption for Tax Reasons (as set out in Condition 5(b))
13	Listing:		The Stock Exchange of Hong Kong Limited Listing of, and permission to deal in, the DN Notes is expected to become effective on or around 16 June 2026
14	Method of distribution:		Syndicated

Provisions Relating to Interest (If Any) Payable

15	Fixed Rate Note Provisions:		Applicable
	(i)	Rate(s) of Interest:	3.431 per cent. per annum payable annually in arrear on each Interest Payment Date

	(ii)	Interest Payment Date(s):	15 June in each year, commencing from and including 15 June 2027 up to and including the Maturity Date provided that if an Interest Payment Date falls on a day which is not a Business Day, such Interest Payment Date will be adjusted in accordance with **Modified Following Business Day Convention** as set out in Condition 4(c), where **Additional Business Centre** shall be "Not Applicable"
	(iii)	Fixed Coupon Amount(s) for DN Notes:	Interest shall be calculated by applying the Rate of Interest to the Calculation Amount, and multiplying such sum by the Day Count Fraction and rounding the resultant figure to the nearest HK$0.01, HK$0.005 being rounded upwards
	(iv)	Broken Amount(s) for DN Notes:	Not Applicable
	(v)	Day Count Fraction:	Actual/365 (Fixed)
	(vi)	Determination Date(s):	Not Applicable
	(vii)	Party responsible for calculating the amount of interest payable per Calculation Amount (if not the Principal Paying Agent):	Not Applicable
	(viii)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	None
16	Floating Rate Note Provisions:		Not Applicable
17	Zero Coupon Note Provisions:		Not Applicable
18	Index Linked Interest Note Provisions:		Not Applicable
19	Dual Currency Interest Note Provisions:		Not Applicable
Provisions Relating to Redemption			
20	Issuer Call:		Not Applicable
21	Investor Put:		Not Applicable
22	Final Redemption Amount:		At par
23	Early Redemption Amount(s) payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 5(c)):		Not Applicable

General Provisions Applicable to the DN Notes

24	Form of Notes:	Digitally Native Notes: The DN Notes will be issued in dematerialised registered form in the Specified Currency, the Specified Denomination(s) and the Aggregate Nominal Amount each as specified herein. DN Notes of one Specified Denomination may not be exchanged for DN Notes of another Specified Denomination. The DN Notes shall be validly issued when (i) the DNN Deed of Covenant has been duly executed and delivered in accordance with the provisions therein, (ii) the Aggregate Nominal Amount of the DN Notes has been initially recorded on-Platform in the Issuance Token Record Account (opened in the name of the HKMA as operator of the CMU) in accordance with the Platform Related Documentation and the relevant procedures of the DLT Platform Operator, and (iii) following completion of (i) and (ii), the Registrar, at the instruction of the Issuer, enters in the Register the person in whose name the Issuance Token Record Account is recorded (which, as per (ii) above will be the HKMA as operator of the CMU), as the sole legal title holder to the Aggregate Nominal Amount of the DN Notes. The recording of the Aggregate Nominal Amount of the DN Notes in the Issuance Token Record Account will, therefore, serve as the definitive data source for entry in the Register for the purpose of the issuance of the DN Notes Capitalised terms in this paragraph 24 shall have the meanings given to them in the Terms and Conditions of the DN Notes
25	Additional Financial Centre(s) or other special provisions relating to Payment Days:	Not Applicable **Payment Day** for the purpose of the DN Notes shall mean a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in Hong Kong
26	Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes (and dates on which such Talons mature):	No

27	Details relating to Partly Paid Notes (amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the DN Notes and interest due on late payment):	Not Applicable
28	Details relating to Instalment Notes:	
	Instalment Amount(s):	Not Applicable
	Instalment Date(s):	Not Applicable
29	Redenomination:	Not Applicable
30	Other terms or special conditions:	The Terms and Conditions of the DN Notes set forth in the Supplemental Offering Circular (of which this Pricing Supplement forms part) apply to the DN Notes and the terms and conditions set out in the Programme Offering Circular do not apply to the DN Notes

Distribution

31	(i)	If syndicated, names of Managers:	**Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers** Bank of China (Hong Kong) Limited Crédit Agricole Corporate and Investment Bank The Hongkong and Shanghai Banking Corporation Limited J.P. Morgan Securities (Asia Pacific) Limited Standard Chartered Bank **Joint Bookrunners and Joint Lead Managers** Bank of Communications Co., Ltd. Hong Kong Branch Barclays Bank PLC BNP PARIBAS China Construction Bank (Asia) Corporation Limited Industrial and Commercial Bank of China (Asia) Limited Mizuho Securities Asia Limited MUFG Securities Asia Limited Oversea-Chinese Banking Corporation Limited Société Générale (the **Managers**)
	(ii)	Stabilisation Manager (if any):	Not Applicable

32	If non-syndicated, name of relevant Dealer:	Not Applicable
33	U.S. Selling Restrictions:	Reg. S Category 2; TEFRA not applicable
34	Additional selling restrictions:	Not Applicable

Operational Information

35	ISIN:	HK0001313755
36	Common Code:	340168321
37	CMU Instrument Number:	ORNHKB26008
38	Digital Token Identifier:	KB39QFBZC
39	Any clearing system(s) other than Euroclear or Clearstream or CMU, and the relevant identification number(s):	The DN Notes will be cleared and settled through the CMU as the Central Securities Depositary and DLT Platform Operator
40	DLT Platform Operator:	CMU
41	DLT Platform Name:	HSBC Orion[1]
42	DLT Platform Type:	Canton/Hyperledger Fabric
43	Settlement Procedures:	See the section entitled "*Overview of the Platform and Clearing, Settlement and Operational Information*" in the Supplemental Offering Circular
44	Delivery:	Delivery against payment
45	In the case of Registered Notes, specify the location of the office of the Registrar if other than Hong Kong:	Not Applicable
46	In the case of Bearer Notes, specify the location of the office of the Principal Paying Agent if other than Hong Kong:	Not Applicable
47	Additional Paying Agent(s) (if any):	Not Applicable
48	The Agents appointed in respect of the DN Notes:	The Hongkong and Shanghai Banking Corporation Limited as the Fiscal Agent, the Principal Paying Agent and the Registrar

1 HSBC Orion refers to the distributed ledger technology platform deployed by The Hongkong and Shanghai Banking Corporation Limited to CMU as the DLT Platform Operator for the purposes of, among other things, creating and settling the DN Notes.

49	Legal Entity Identifier:	254900W04TBDJ4UBOS04

Other Information — Hong Kong SFC Code of Conduct

50	Rebates:	Not Applicable
51	Contact email addresses where the underlying investor information in relation to omnibus orders should be sent:	projectnexus@bochk.com; project.nexus@ca-cib.com; hkg-syndicate@ca-cib.com; hk_syndicate_omnibus@hsbc.com.hk; investor.info.hk.oc.bond.deals@jpmorgan.com; SYNHK@sc.com; ccba_dcm@asia.ccb.com; project.nexus@icbcasia.com; Omnibus_Bond@hk.mizuho-sc.com; Asia-Syndicate@hk.sc.mufg.jp; Ocbcbonds@ocbc.com; and ASIAPAC-GLBA-DCS-SYN-LCM@sgcib.com
52	Marketing and Investor Targeting Strategy:	As indicated in the Offering Circular

Listing Application

This Pricing Supplement comprises the final terms required to list the issue of the DN Notes described herein pursuant to the U.S.$30,000,000,000 Medium Term Note Programme of The Hong Kong Mortgage Corporation Limited 香港按揭證券有限公司.

Investment Considerations

There are significant risks associated with the DN Notes. Prospective investors should have regard to the factors described under the section headed "*Risk Factors*" in the Offering Circular before purchasing any DN Notes. Before entering into any transaction, prospective investors should ensure that they fully understand the potential risks and rewards of that transaction and independently determine that the transaction is appropriate given their objectives, experience, financial and operational resources and other relevant circumstances. Prospective investors should consider consulting with such advisers as they deem necessary to assist them in making these determinations.

Responsibility

The Issuer accepts responsibility for the information contained in this Pricing Supplement which, when read together with the Offering Circular referred to above, contains all information that is material in the context of the issue of the DN Notes.

For and on behalf of

THE HONG KONG MORTGAGE CORPORATION LIMITED
香港按揭證券有限公司

By: _____ _____

Authorised Signatory Authorised Signatory

PRICING SUPPLEMENT FOR THE SERIES C DN NOTES

PRICING SUPPLEMENT

10 June 2026

The Hong Kong Mortgage Corporation Limited
香港按揭證券有限公司
(the Issuer)

Issue of CNY3,000,000,000 1.700 per cent. Digitally Native Notes due 2029 (the DN Notes) under the U.S.$30,000,000,000 Medium Term Note Programme (the Programme)

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

Terms used in this Pricing Supplement shall have the same meaning as the terms defined in the Terms and Conditions of the DN Notes set out in the supplemental offering circular dated 10 June 2026 in relation to the issue of the DN Notes (the **Supplemental Offering Circular**) which amends and supplements the offering circular dated 26 June 2025 (the **Programme Offering Circular**, and as amended and supplemented by the Supplemental Offering Circular, the **Offering Circular**). This Pricing Supplement contains the final terms of the DN Notes and must be read in conjunction with such Offering Circular.

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

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

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

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

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

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

PROHIBITION OF SALES TO UK RETAIL INVESTORS — The DN Notes are not intended to be offered, sold, distributed or otherwise made available to and should not be offered, sold, distributed or otherwise made available to any retail investor in the United Kingdom (**UK**). For these purposes, a retail investor means a person who is either one (or both) of the following: (i) not a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (**EUWA**); or (ii) not a qualified investor as defined in paragraph 15 of Schedule 1 to the Public Offers and Admissions to Trading Regulations 2024. Consequently no disclosure document required by the FCA Product Disclosure Sourcebook (**DISC**) for offering, selling or distributing the DN Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering, selling or distributing the DN Notes or otherwise making them available to any retail investor in the UK may be unlawful under the DISC and the Consumer Composite Investments (Designated Activities) Regulations 2024.

Paragraph 21 of the Hong Kong SFC Code of Conduct — As paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission applies to this offering of DN Notes, prospective investors should refer to the section on "*Notice to Capital Market Intermediaries and Prospective Investors Pursuant to Paragraph 21 of the Hong Kong SFC Code of Conduct — Important Notice to Prospective Investors*" appearing on pages iv to v of the Supplemental Offering Circular, and CMIs (as defined in the Supplemental Offering Circular) should refer to the section on "*Notice to Capital Market Intermediaries and Prospective Investors Pursuant to Paragraph 21 of the Hong Kong SFC Code of Conduct — Important Notice to CMIs (including private banks)*" appearing on pages 141 to 142 of the Supplemental Offering Circular.

1	Issuer:		The Hong Kong Mortgage Corporation Limited 香港按揭證券有限公司
2	(i)	Series Number:	M3_194
	(ii)	Tranche Number:	1

	(iii)	Date on which the DN Notes will be consolidated and form a single Series:	Not Applicable
3	Specified Currency or Currencies:		Renminbi (CNY)
4	Aggregate Nominal Amount:		
	(i)	Series:	CNY3,000,000,000
	(ii)	Tranche:	CNY3,000,000,000
5	(i)	Issue Price:	100.00 per cent. of the Aggregate Nominal Amount
	(ii)	Net Proceeds:	Approximately CNY2,995 million
6	(i)	Specified Denomination(s):	CNY1,000,000 and integral multiples of CNY10,000 in excess thereof
	(ii)	Calculation Amount:	CNY10,000
7	(i)	Issue Date and Interest Commencement Date:	15 June 2026
	(ii)	Interest Commencement Date (if different from the Issue Date):	Not Applicable
8	Maturity Date:		Interest Payment Date falling in or nearest to 15 June 2029
9	Interest Basis:		1.700 per cent. Fixed Rate (further particulars specified below)
10	Redemption/Payment Basis:		Redemption at par
11	Change of Interest Basis or Redemption/Payment Basis:		Not Applicable
12	Put/Call Options:		Redemption for Tax Reasons (as set out in Condition 5(b))
13	Listing:		The Stock Exchange of Hong Kong Limited Listing of, and permission to deal in, the DN Notes is expected to become effective on or around 16 June 2026
14	Method of distribution:		Syndicated

Provisions Relating to Interest (If Any) Payable

15	Fixed Rate Note Provisions:		Applicable
	(i)	Rate(s) of Interest:	1.700 per cent. per annum payable annually in arrear on each Interest Payment Date

	(ii)	Interest Payment Date(s):	15 June in each year, commencing from and including 15 June 2027 up to and including the Maturity Date provided that if an Interest Payment Date falls on a day which is not a Business Day, such Interest Payment Date will be adjusted in accordance with **Modified Following Business Day Convention** as set out in Condition 4(c), where **Additional Business Centre** shall mean New York
	(iii)	Fixed Coupon Amount(s) for DN Notes:	Interest shall be calculated by applying the Rate of Interest to the Calculation Amount, and multiplying such sum by the Day Count Fraction and rounding the resultant figure to the nearest CNY0.01, CNY0.005 being rounded upwards
	(iv)	Broken Amount(s) for DN Notes:	Not Applicable
	(v)	Day Count Fraction:	Actual/365 (Fixed)
	(vi)	Determination Date(s):	Not Applicable
	(vii)	Party responsible for calculating the amount of interest payable per Calculation Amount (if not the Principal Paying Agent):	Not Applicable
	(viii)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	None
16		Floating Rate Note Provisions:	Not Applicable
17		Zero Coupon Note Provisions:	Not Applicable
18		Index Linked Interest Note Provisions:	Not Applicable
19		Dual Currency Interest Note Provisions:	Not Applicable
Provisions Relating to Redemption			
20		Issuer Call:	Not Applicable
21		Investor Put:	Not Applicable
22		Final Redemption Amount:	At par
23		Early Redemption Amount(s) payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 5(c)):	Not Applicable

General Provisions Applicable to the DN Notes

24	Form of Notes:	Digitally Native Notes: The DN Notes will be issued in dematerialised registered form in the Specified Currency, the Specified Denomination(s) and the Aggregate Nominal Amount each as specified herein. DN Notes of one Specified Denomination may not be exchanged for DN Notes of another Specified Denomination. The DN Notes shall be validly issued when (i) the DNN Deed of Covenant has been duly executed and delivered in accordance with the provisions therein, (ii) the Aggregate Nominal Amount of the DN Notes has been initially recorded on-Platform in the Issuance Token Record Account (opened in the name of the HKMA as operator of the CMU) in accordance with the Platform Related Documentation and the relevant procedures of the DLT Platform Operator, and (iii) following completion of (i) and (ii), the Registrar, at the instruction of the Issuer, enters in the Register the person in whose name the Issuance Token Record Account is recorded (which, as per (ii) above will be the HKMA as operator of the CMU), as the sole legal title holder to the Aggregate Nominal Amount of the DN Notes. The recording of the Aggregate Nominal Amount of the DN Notes in the Issuance Token Record Account will, therefore, serve as the definitive data source for entry in the Register for the purpose of the issuance of the DN Notes Capitalised terms in this paragraph 24 shall have the meanings given to them in the Terms and Conditions of the DN Notes
25	Additional Financial Centre(s) or other special provisions relating to Payment Days:	New York **Payment Day** for the purpose of the DN Notes shall mean a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in Hong Kong and any Additional Financial Centre and a day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets are open for business and settlement of CNY payments in Hong Kong
26	Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes (and dates on which such Talons mature):	No

27	Details relating to Partly Paid Notes (amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the DN Notes and interest due on late payment):	Not Applicable
28	Details relating to Instalment Notes:	
	Instalment Amount(s):	Not Applicable
	Instalment Date(s):	Not Applicable
29	Redenomination:	Not Applicable
30	Other terms or special conditions:	The Terms and Conditions of the DN Notes set forth in the Supplemental Offering Circular (of which this Pricing Supplement forms part) apply to the DN Notes and the terms and conditions set out in the Programme Offering Circular do not apply to the DN Notes

Distribution

31	(i)	If syndicated, names of Managers:	**Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers** Bank of China (Hong Kong) Limited Crédit Agricole Corporate and Investment Bank The Hongkong and Shanghai Banking Corporation Limited Industrial and Commercial Bank of China (Asia) Limited Standard Chartered Bank **Joint Bookrunners and Joint Lead Managers** Bank of Communications Co., Ltd. Hong Kong Branch BNP PARIBAS China Construction Bank (Asia) Corporation Limited China CITIC Bank International Limited China International Capital Corporation Hong Kong Securities Limited J.P. Morgan Securities (Asia Pacific) Limited Mizuho Securities Asia Limited MUFG Securities Asia Limited Société Générale (the **Managers**)
	(ii)	Stabilisation Manager (if any):	Not Applicable

32	If non-syndicated, name of relevant Dealer:	Not Applicable
33	U.S. Selling Restrictions:	Reg. S Category 2; TEFRA not applicable
34	Additional selling restrictions:	Not Applicable

Operational Information

35	ISIN:	HK0001313730
36	Common Code:	340168291
37	CMU Instrument Number:	ORNHKB26006
38	Digital Token Identifier:	WXDBSSSB0
39	Any clearing system(s) other than Euroclear or Clearstream or CMU, and the relevant identification number(s):	The DN Notes will be cleared and settled through the CMU as the Central Securities Depositary and DLT Platform Operator
40	DLT Platform Operator:	CMU
41	DLT Platform Name:	HSBC Orion[1]
42	DLT Platform Type:	Canton/Hyperledger Fabric
43	Settlement Procedures:	See the section entitled "*Overview of the Platform and Clearing, Settlement and Operational Information*" in the Supplemental Offering Circular
44	Delivery:	Delivery against payment
45	In the case of Registered Notes, specify the location of the office of the Registrar if other than Hong Kong:	Not Applicable
46	In the case of Bearer Notes, specify the location of the office of the Principal Paying Agent if other than Hong Kong:	Not Applicable
47	Additional Paying Agent(s) (if any):	Not Applicable
48	The Agents appointed in respect of the DN Notes:	The Hongkong and Shanghai Banking Corporation Limited as the Fiscal Agent, the Principal Paying Agent and the Registrar

1 HSBC Orion refers to the distributed ledger technology platform deployed by The Hongkong and Shanghai Banking Corporation Limited to CMU as the DLT Platform Operator for the purposes of, among other things, creating and settling the DN Notes.

49	Legal Entity Identifier:	254900W04TBDJ4UBOS04

Other Information — Hong Kong SFC Code of Conduct

50	Rebates:	Not Applicable
51	Contact email addresses where the underlying investor information in relation to omnibus orders should be sent:	projectnexus@bochk.com; project.nexus@ca-cib.com; hkg-syndicate@ca-cib.com; hk_syndicate_omnibus@hsbc.com.hk; project.nexus@icbcasia.com; SYNHK@sc.com; ccba_dcm@asia.ccb.com; TMG_Syndicate@cncbinternational.com; IB_Project_Nexus2026@cicc.com.cn investor.info.hk.oc.bond.deals@jpmorgan.com; Omnibus_Bond@hk.mizuho-sc.com; Asia-Syndicate@hk.sc.mufg.jp; and ASIAPAC-GLBA-DCS-SYN-LCM@sgcib.com
52	Marketing and Investor Targeting Strategy:	As indicated in the Offering Circular

Listing Application

This Pricing Supplement comprises the final terms required to list the issue of the DN Notes described herein pursuant to the U.S.$30,000,000,000 Medium Term Note Programme of The Hong Kong Mortgage Corporation Limited 香港按揭證券有限公司.

Investment Considerations

There are significant risks associated with the DN Notes. Prospective investors should have regard to the factors described under the section headed "*Risk Factors*" in the Offering Circular before purchasing any DN Notes. Before entering into any transaction, prospective investors should ensure that they fully understand the potential risks and rewards of that transaction and independently determine that the transaction is appropriate given their objectives, experience, financial and operational resources and other relevant circumstances. Prospective investors should consider consulting with such advisers as they deem necessary to assist them in making these determinations.

Responsibility

The Issuer accepts responsibility for the information contained in this Pricing Supplement which, when read together with the Offering Circular referred to above, contains all information that is material in the context of the issue of the DN Notes.

For and on behalf of

THE HONG KONG MORTGAGE CORPORATION LIMITED
香港按揭證券有限公司

By: _____ _____

Authorised Signatory Authorised Signatory

OVERVIEW OF THE PLATFORM AND CLEARING, SETTLEMENT AND OPERATIONAL INFORMATION

The following provides an overview of the Platform, the roles of certain parties to the transaction, and certain operational information relating to the DN Notes and transactions therein, as at the date of this Supplemental Offering Circular. This information is subject to change during the term of the DN Notes, in particular if the BCP is required to be implemented. The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of the Platform and the CMU currently in effect (which are not incorporated by reference into nor do they form a part of the Offering Circular or this Supplemental Offering Circular). The information in this section concerning the Platform and the CMU has been obtained from sources that the Issuer believes to be reliable, but none of the Issuer, the Joint Lead Managers, the Agents, the DLT Platform Operator or the Platform Provider or their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them takes any responsibility for the accuracy of this section. Investors wishing to use the facilities of any of the Platform and the CMU are advised to confirm the continued applicability of the rules, regulations and procedures of the Platform and the CMU. Neither the Issuer nor any other party to the DNN Agency Agreement will have any responsibility or liability for any aspect of (i) the on-Platform Issuance Token Record and (ii) the Platform Beneficial Interest Record of the DN Notes in Digital Token Accounts or for maintaining, supervising or reviewing any such records. There are risks associated with the use of the Platform and related technologies. For more details, see "Risk Factors — Risks Relating to the DN Notes", "Risk Factors — Risks Relating to the Use of the Platform and Holding Structures for the DN Notes" and "Risk Factors — Risks Relating to the Legal and Regulatory Treatment of Blockchain and Smart Contract Technology" of this Supplemental Offering Circular.

THE PLATFORM

Overview of the Platform

The Platform is an online platform using DLT operated by the DLT Platform Operator as an extension of the CMU, used for, including but not limited to, the recording and updating of the Issuance Token Record Account and while the DN Notes are in dematerialised registered form and the Platform Beneficial Interests are held through the Platform, the recording of the issuance, settlement, transfer, redemption and cancellation of Platform Beneficial Interests in the DN Notes, and pursuant to which (i) the relevant on-Platform Issuance Token Record Account serves as the definitive data source for the entry of the HKMA as operator of the CMU as the sole legal title holder to the relevant Series of the DN Notes in the relevant Register by the Registrar, at the instruction of the Issuer, for the purpose of the issuance of such Series of the DN Notes; (ii) the Direct Participants may manage their holdings of Platform Beneficial Interests in the DN Notes in their respective Digital Token Accounts for their own account and/or in a custodian or intermediary capacity and (iii) the CMU-DSI may hold Platform Beneficial Interests in the DN Notes in its Digital Token Account acting as digital securities intermediary for members of the CMU, all in accordance with the Platform Related Documentation. The Platform relies on materials, software, equipment, systems or other intellectual property held by or licensed by third party service providers, including (i) DAML (a smart contract language technology); (ii) Hyperledger Fabric (a private and permissioned enterprise blockchain technology); and (iii) Canton Network.

In recent years, the term "blockchain" has often been used synonymously with inefficiency and disproportionate energy consumption. These claims often point to a single component of the technology, the consensus mechanism. However, blockchain technology is not homogenous, and the amount of energy consumed by different consensus mechanisms varies by several orders of magnitude. Moreover, contrary to often heard statements, energy consumption does not necessarily grow with the number of transactions executed.

The Platform relies on the Hyperledger Fabric blockchain baselayer which is based on the RAFT consensus algorithm. Although the exact environmental impact of running the Platform has not been calculated by the DLT Platform Operator, the RAFT algorithm involves significantly less computing power than other consensus mechanisms, such as proof of work.

The Platform Related Documentation

The operation and functionality of the Platform will be governed by the Platform Related Documentation established and maintained by the DLT Platform Operator from time to time. The Platform Related Documentation includes the terms and conditions governing the use of CMU and the Platform which are applicable to the DN Notes, including but not limited to the reference manual relating to the operation of the CMU issued by the HKMA to CMU members, as amended from time to time (the **CMU Reference Manual**) and supplements thereto in relation to the operation of the Platform, the rulebook and terms of use of the Platform, as each is entered into and/or published by the CMU and in force from time to time as may be replaced or superseded. For the avoidance of doubt, the CMU Reference Manual and the Platform Related Documentation are not incorporated by reference into nor do they form a part of the Offering Circular or this Supplemental Offering Circular.

The Platform Tokens

There are three types of tokens which will be minted and utilised on the Platform:

- **Issuance Tokens:** Issuance Tokens of the relevant Series of DN Notes will be minted for the primary issuance stage and for the following purposes: (i) the on-Platform definitive data source for entry in the relevant Register for the purpose of the issue of the relevant Series of the DN Notes and (ii) the operational purpose of reconciling the record of the Platform Beneficial Interests. Each Issuance Token contains internal operational information on the Platform including the Aggregate Nominal Amount of the relevant Series of the DN Notes and will be created in the relevant Issuance Token Record Account in respect of the issuance of the relevant Series of the DN Notes.

- **Digital Bond Tokens:** Digital Bond Tokens are an on-Platform record of Platform Beneficial Interests in the relevant Series of the DN Notes and will be minted, recorded, held, transferred and, upon maturity, marked as "fully redeemed", among other things, in the Digital Token Account(s) of Accountholders (including in the Digital Token Account of the CMU-DSI as an intermediary for investors holding their CMUP Beneficial Interests in the DN Notes as a member of the CMU in the CMUP). The balance of Digital Bond Tokens in an Accountholder's Digital Token Account will represent a record of Platform Beneficial Interests in the relevant Series of the DN Notes held by such Accountholder in such account. The Platform Beneficial Interest Record maintained by the DLT Platform Operator is definitive and shall be conclusive and binding on all the Accountholders.

- **Settlement Tokens:** Settlement Tokens are operationally minted in the relevant Accountholder's name solely to facilitate settlement of transactions on a delivery-versus-payment basis relating to a transfer of Digital Bond Tokens (which represent Platform Beneficial Interests in the relevant Series of the DN Notes) on-Platform between Accountholders and the transfer of a corresponding amount of fiat cash off-Platform which reflects the consideration for such transaction. The Settlement Tokens are records of the DLT Platform Operator in respect of a money claim a Direct Participant has against the DLT Platform Operator in respect of an amount held in the DLT Platform Operator's account with the Deposit Bank (as defined in the Conditions) for DLT Platform Operator's record keeping purposes, and are ephemeral, existing intraday only.

FORM OF, AND LEGAL TITLE TO, THE DN NOTES

The DN Notes will be issued in dematerialised registered form in the Specified Currency, the Specified Denomination(s) and the Aggregate Nominal Amount each as specified in the applicable Pricing Supplement. A Series of the DN Notes shall be validly issued when (i) the DNN Deed of Covenant has been duly executed and delivered in accordance with the provisions therein, (ii) the Aggregate Nominal Amount of such Series of the DN Notes has been initially recorded on-Platform in the relevant Issuance Token Record Account (opened in the name of the HKMA as operator of the CMU) in accordance with the Platform Related Documentation and the relevant procedures of the DLT Platform Operator, and (iii) following completion of (i) and (ii), the Registrar, at the instruction of the Issuer, enters in the relevant Register the person in whose name the relevant Issuance Token Record Account is recorded (which, as noted in (ii) above, will be the HKMA as operator of the CMU) as the sole legal title holder to the Aggregate Nominal Amount of such Series of the DN Notes. The recording of the Aggregate Nominal Amount of the relevant Series of the DN Notes in the relevant Issuance Token Record Account will, therefore, serve as the definitive data source for entry in the relevant Register for the purpose of the issuance of such Series of the DN Notes. The Issuer shall procure the Registrar to maintain the relevant Register in accordance with the Conditions and the DNN Agency Agreement.

In the context of the DN Notes, therefore, "digitally native" describes the on-Platform component that is critical to the valid constitution, issuance and creation of such DN Notes. Accordingly, as the DN Notes cannot validly come into existence without the Issuance Token Record Account having been digitally created on the Platform, they possess a "digitally native" quality. However, there is no universal legal, statutory or regulatory definition under English law or Hong Kong law of, nor settled market consensus on, the term "digitally native". See "*Risk Factors — Risks Relating to the Use of the Platform and Holding Structures for the DN Notes — The DN Notes will be in dematerialised registered form on the Issue Date with no physical certificate and there is no universal legal, statutory or regulatory definition under English law or Hong Kong law of, nor settled market consensus on, the term "digitally native""*.

The DN Notes will have the benefit of the DNN Deed of Covenant executed by the Issuer (i) to record its promise to pay Noteholders and (ii) for the acquisition of Direct Rights by the Accountholders against the Issuer, in each case in the circumstances set out in the DNN Deed of Covenant and relating to the DN Notes only (and not to any other series of Notes issued under the Programme).

The initial on-Platform record of the relevant Series of the DN Notes in the relevant Issuance Token Record Account serves as the definitive data source for registering HKMA as operator of the CMU as the sole legal title holder of the relevant Series of the DN Notes in the relevant Register by the Registrar at the instruction of the Issuer for the purpose of the issuance of such Series of the DN Notes. The relevant Register is the definitive record of legal title to the relevant Series of the DN Notes and legal title to the DN Notes passes by entry in such Register. Accordingly, any person whose name is registered in the relevant Register shall be treated by the Issuer, the DLT Platform Operator and all other interested parties as the legal owner of that DN Note for all purposes and no person shall be liable for so treating them. Other than the relevant Register, no physical certificate or other document evidencing legal title to a DN Note will be issued by, or on behalf of, the Issuer.

Transfer of legal title to the DN Notes

Legal title to the DN Notes passes by entry in the Register which the Issuer shall procure a Register to be kept by the Registrar in respect of each Series of the DN Notes in accordance with the Conditions and the provisions of the DNN Agency Agreement. The on-Platform recording of the Aggregate Nominal Amount of the relevant Series of the DN Notes in the relevant Issuance Token Record Account serves as the definitive data source for entry in the relevant Register of the HKMA (as operator of the CMU) as sole legal title holder to the Aggregate Nominal Amount of the relevant Series of the DN Notes for the purposes of the issuance of such Series of the DN Notes. The relevant Register is the definitive record of

legal title to the relevant Series of the DN Notes and, other than the relevant Register, no physical document or certificate of title will be issued in respect of such Series of the DN Notes. A DN Note may, upon the terms and subject to the conditions set forth in the DNN Agency Agreement, be transferred in whole or in part only (provided that such part is, or is an integral multiple of, a Specified Denomination). Any residual holding of a DN Note with a denomination of less than the minimum Specified Denomination may not be transferred. To effect a transfer, the definitive record of legal title to the DN Notes shall be updated in the relevant Register by the Registrar.

While the DN Notes are in dematerialised registered form and the Platform Beneficial Interests are held through the Platform, no transfer of legal title to the DN Notes is expected.

BENEFICIAL INTERESTS IN THE DN NOTES

While the DN Notes are in dematerialised registered form and the Platform Beneficial Interests are held through the Platform, any reference to beneficial interests in or rights to any DN Notes shall mean: (i) **Platform Beneficial Interests**, which means the beneficial interests in DN Notes recorded in the relevant Digital Token Accounts maintained on the Platform and held by Direct Participants and CMU-DSI, (ii) **CMUP Beneficial Interests**, which means the beneficial interests in and rights corresponding to such DN Notes held in relevant securities accounts in the CMUP held through CMU-DSI on the Platform, (iii) beneficial interests held away from the CMUP through intermediary or custodian arrangements with a Direct Participant, which for the avoidance of doubt does not incorporate the CMU-DSI in or through the holding chain, and/or (iv) any further beneficial interests down the custodian chain, as applicable. The records of the DLT Platform Operator of the Platform Beneficial Interests, being the amalgamated balance of all Digital Token Accounts, shall be the definitive record of Platform Beneficial Interests, being the Platform Beneficial Interest Record and be conclusive and binding on all Accountholders. The definitive record of CMUP Beneficial Interests shall be the books and records of CMUP maintained by the CMU.

Platform Beneficial Interests in a DN Note will be recorded in the Digital Token Account of the relevant Accountholder. Platform Beneficial Interests in a DN Note shall pass upon the debiting of record of such DN Note from the relevant transferor Accountholder's Digital Token Account and corresponding crediting to the transferee Accountholder's Digital Token Account in the Platform Beneficial Interest Record, in accordance with the Conditions, the Platform Related Documentation and the relevant procedures of the DLT Platform Operator.

The DLT Platform Operator has the responsibility for recording Platform Beneficial Interests (including any record of transfers) in any DN Note in the Platform Beneficial Interest Record and has functional control of the Issuance Token Record Account. For the avoidance of doubt, in the case where the Platform Beneficial Interest Record is debited from one Digital Token Account of an Accountholder and correspondingly credited into another Digital Token Account of the same Accountholder, there is no change in beneficial holder of Platform Beneficial Interests, although the debit and credit shall be recorded in the Platform Beneficial Interest Record.

The DLT Platform Operator will reconcile the Platform Beneficial Interest Record with an off-Platform schedule of Platform Beneficial Interests on a daily basis in accordance with the Platform Related Documentation. In addition, an Accountholder (including the CMU-DSI) could also instruct the Platform to send to such Accountholder a statement of holdings for each Digital Token Account of such Accountholder.

Entitlement to any CMUP Beneficial Interests in the DN Notes will be reflected in accordance with the relevant rules and procedures of the CMU from time to time and entitlement to any other beneficial interests in the DN Notes will be reflected in accordance with the procedures of the relevant custodian arrangements.

The Holding of Beneficial Interests in the DN Notes

Platform Beneficial Interests in the DN Notes will be held in Digital Token Accounts opened by Accountholders on the Platform. Accountholders comprise Direct Participants and CMU-DSI. Direct Participants must be on-boarded onto the Platform by the DLT Platform Operator in accordance with Platform Related Documentation before it can participate as a Direct Participant and Accountholder in the DN Notes or any other notes utilising the Platform. The DLT Platform Operator may admit additional Direct Participants onto the Platform from time to time (who may or may not hold Platform Beneficial Interests in the DN Notes on Platform), subject to compliance with certain requirements, including but not limited to acceding to the Platform Related Documentation. Any Direct Participant onboarded onto the Platform may hold Platform Beneficial Interests in the DN Notes (subject to the Platform Related Documentation) and investors may hold beneficial interests in the DN Notes through any such Direct Participant.

The initial Accountholders on the Issue Date in relation to the DN Notes include the CMU-DSI as an intermediary for investors and holding Platform Beneficial Interests in the DN Notes on behalf of CMU members, who are holding CMUP Beneficial Interests in the DN Notes on CMUP.

Investors in the DN Notes who are not themselves Accountholders will be able to hold any beneficial interests in or rights to the DN Notes through the CMU-DSI or a Direct Participant (either directly or indirectly) acting as an intermediary and/or custodian, as applicable. If such investors are holding beneficial interests on CMUP through CMU-DSI, it holds CMUP Beneficial Interests in the DN Notes.

Accordingly, Accountholders may hold Platform Beneficial Interests in the DN Notes as custodian or intermediary, as applicable, for investors (in which case, beneficial interests in the DN Notes will be held for investors entitled thereto) or, where the Accountholder is not the CMU-DSI, for themselves (in which case, the DN Notes will be held as proprietary investments). When acting as custodian or intermediary, where the Accountholder is not the CMU-DSI, each Accountholder is expected to use its own, non-DLT custody or intermediary system (and not the Platform) for recording the entitlement of the investors for whom it holds DN Notes, and where the Accountholder is the CMU-DSI, the relevant investors hold CMUP Beneficial Interests in accordance with the relevant rules and procedures of the CMU from time to time.

Direct Participants will be able to open multiple Digital Token Accounts on the Platform in relation to the DN Notes. Each Digital Token Account will be opened in the name of a Direct Participant only, and may utilise a naming convention which will include information on whether the Digital Token Account will be used for holding beneficial interests in the DN Notes on behalf of investors or for proprietary holdings of that Direct Participant. It is currently anticipated that each Direct Participant will open a separate Digital Token Account for holding DN Notes for each investor for which it holds Platform Beneficial Interests in the DN Notes, but may elect to open omnibus accounts for holding DN Notes on behalf of two or more investors.

Investors who are not themselves Accountholders will only be able to exercise their rights attaching to the beneficial interests in the DN Notes (including receipt of interest and principal due under the DN Notes, and exercising voting rights in respect of any resolutions proposed to the Noteholders) through their Accountholder (and any other relevant intermediary or custodian through which they hold their beneficial interests in the DN Notes in), save as required or provided by law. Accordingly, this entails (but is not limited to) the following:

Payments of interest and principal

Payments of interest and principal in fiat cash in respect of the DN Notes shall be made via Society for Worldwide Interbank Financial Telecommunication (**SWIFT**) off-Platform in the relevant Specified Currency by the Issuer (or by the Principal Paying Agent acting on behalf of the Issuer and on its instructions) to, or to the order of, the DLT Platform Operator. Such amounts will be paid by the Issuer (or by the Principal Paying Agent on its behalf) in full off-Platform to a Cash Account (as defined in the Conditions) in the name of the DLT Platform Operator as notified to the Principal Paying Agent by the CMU. The DLT Platform Operator will, promptly upon receipt of such amounts in its Cash Account, (i) transfer payment of the relevant amounts so received to the respective Cash Accounts of the entitled Direct Participants and (ii) as CMU-DSI, transfer payment of the relevant amount so received to the respective accounts of the entitled CMUP Beneficial Interests holders in accordance with the rules and procedures of the CMU from time to time. An investor who is not itself a Direct Participant or a CMUP Beneficial Interests holder and who holds beneficial interests in or rights to any DN Notes outside CMUP through a Direct Participant or a CMUP Beneficial Interests holder must look to such Direct Participant or CMUP Beneficial Interests holder (and any other intermediary or custodian) through which it holds its beneficial interests in or rights to the DN Notes for receipt of its share of the payments so made. The DLT Platform Operator (including CMU-DSI) will not be (i) responsible for the onward transmission of any such amounts by a Direct Participant or CMUP Beneficial Interests holder (and any other intermediary or custodian of such Direct Participant or CMUP Beneficial Interests holder) to investors holding their beneficial interests in or rights to DN Notes through such Direct Participant or CMUP Beneficial Interests holder (or any other intermediary or custodian of such Direct Participant or CMUP Beneficial Interests holder) and (ii) liable for any delay or failure in the onward transmission of such amounts by the relevant Direct Participant or CMUP Beneficial Interests holder (and any other intermediary or custodian of such Direct Participant or CMUP Beneficial Interests holder). Investors must, therefore, look to the Direct Participant (and any other intermediary or custodian) or CMUP Beneficial Interests holder (and any other intermediary or custodian) through which they hold beneficial interests in or rights to the DN Notes (as appropriate) for the onward payment to them of any payment made by the Issuer and the DLT Platform Operator. Such investors will have recourse only to the Direct Participant or CMUP Beneficial Interests holder (or any other intermediary or custodian of such Direct Participant or CMUP Beneficial Interests holder) through which they hold their beneficial interests in or rights to the DN Notes.

Upon a Bond Migration taking effect in accordance with the Platform Related Documentation, any payment that is made in respect of a DN Note shall be made by the Issuer (or by the Principal Paying Agent acting on its behalf and on its instruction) to, or to the order of, the CMU. The CMU will, promptly upon receipt of such amounts, transfer payment of the relevant amounts so received directly to the person(s) shown in the records of the CMU or otherwise prior to any relevant payment date as being credited with the interest(s) in such DN Note in accordance with the rules and procedures of the CMU from time to time, and such payments by the Issuer (or by the Principal Paying Agent acting on its behalf and on its instruction) to, or to the order of, the CMU shall discharge the obligation of the Issuer in respect of that payment under such DN Note. Members of the CMU who hold Conventional CMUP Beneficial Interests on CMUP must look to the CMU for the onward payment to them of any payment made by the Issuer.

Transfer of beneficial interests in the DN Notes

A transfer of Platform Beneficial Interests in the DN Note may only be recorded in a Digital Token Account in a nominal amount equal to a Specified Denomination. Any record of a residual holding of Platform Beneficial Interests in a DN Note with a denomination of less than the minimum Specified Denomination may not be transferred. All records of transfers of the Platform Beneficial Interests in the DN Notes and entries on the Platform will be made in accordance with the Platform Related Documentation and the relevant procedures of the DLT Platform Operator. Records of transfers of the Platform Beneficial Interests in the DN Notes will be effected, and may only be effected, through the Platform and may, subject as provided in the Platform Related Documentation, only be between Accountholders. Such record of transfers of the absolute ownership of Platform Beneficial Interests in the DN Notes between Accountholders may, (i) if both the transferor and transferee are Direct Participants, require instructions to be provided via the Platform by both the transferor and transferee, or (ii) if one of the transferor or transferee is CMU-DSI, require instructions to be provided on the Platform by both the transferor and the transferee concurrently with, among other things, instruction to the CMUP by the relevant holder of CMUP Beneficial Interests who is settling the transfer through CMU-DSI (where such holder's CMUP Beneficial Interests are transferred in accordance with the paragraph below), and in each case will be effected through recording the debiting of record of the Platform Beneficial Interests in the DN Notes from the transferor's Digital Token Account and crediting of record of the Platform Beneficial Interests in the DN Notes to the transferee's Digital Token Account. Only the DLT Platform Operator has the responsibility for recording the absolute ownership of Platform Beneficial Interests in any DN Note in the Platform Beneficial Interest Record (including any record of transfers).

A transfer of any other beneficial interests in the DN Notes will be effected in accordance with (if such beneficial interests are CMUP Beneficial Interests and held through the CMU-DSI) the relevant rules and procedures of the CMU from time to time and/or (if such beneficial interests are held through a Direct Participant) the procedures of the relevant custodian arrangements, and, depending on how such transfer of beneficial interests is effected, may or may not result in a transfer of a record of Platform Beneficial Interests on the Platform in accordance with the relevant procedures of the DLT Platform Operator as set out in the paragraph above.

Transfers of Platform Beneficial Interests in DN Notes to or from any Digital Token Account shall be effected to the relevant Accountholder by the DLT Platform Operator, but upon payment by the relevant Accountholder of any fee, tax, duty, assessment or other governmental charges that may be imposed in relation to such record of transfer (or the giving of such indemnity as the DLT Platform Operator may require).

No Accountholder shall be entitled to record a transfer of any Platform Beneficial Interests in the DN Note to or from the relevant Digital Token Account, as applicable:

(i) during the period from (and including) 11:30 p.m. (Hong Kong time) on the Platform Business Day (as defined in the Conditions) immediately preceding the relevant Maturity Date and ending on (and including) the relevant Maturity Date;

(ii) in the circumstances described in Condition 6(b) of the Conditions and the Platform Related Documentation; or

(iii) during a BCP Disruption Event or a BCP Termination Event (other than for the purpose of a Bond Migration in accordance with the Platform Related Documentation); or

In addition, Accountholder(s) acquires against the Issuer the Direct Rights when,

(i) (in respect of the relevant Accountholder(s)) there shall have occurred an Event of Default pursuant to Condition 9(a) of the Conditions; or

(ii) (in respect of all Accountholders) an order is made or an effective resolution is passed for the winding-up, liquidation or dissolution of the Issuer; or

(iii) (in respect of all Accountholders) if either the DLT Platform Operator or, upon a Bond Migration taking effect in accordance with the Platform Related Documentation, CMU is: (A) closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise); or (B) announces an intention to permanently cease business or does in fact do so.

In respect of (i) above, such Direct Rights shall be acquired by an Accountholder giving notice to the DLT Platform Operator and such Accountholder shall not be entitled to require the transfer of any of its DN Notes following the acquisition of such Direct Rights. In respect of (ii) and (iii) above, no Accountholder shall be entitled to require the transfer of a DN Note following the acquisition of such Direct Rights.

Save as otherwise required or provided by law, a holder of a beneficial interests in or right to any DN Notes (other than Platform Beneficial Interests) or an investor wishing to acquire any such beneficial interests in or rights to any DN Notes (and which, in either case, is not itself an Accountholder) via the Accountholders will be required (i) to provide instructions to the Accountholder through which it holds, or wishes to acquire, its Platform Beneficial Interests in or rights to the DN Notes or (ii) if applicable, provide instructions to such other intermediary through which its beneficial interests in or rights to the DN Notes is held and procure that such intermediary or custodian provides instructions to the relevant Accountholder. In relation to transfers of Platform Beneficial Interests in the DN Notes on the Platform between Digital Token Accounts, only an Accountholder will be able to input instructions on the Platform to effect the record of transfers of Platform Beneficial Interests in the DN Notes from a Digital Token Account opened by such Accountholder to any other Digital Token Account on the Platform.

Any transfer of CMUP Beneficial Interests in the DN Notes which are held (i) on CMUP will be effected in accordance with the relevant rules and procedures of the CMU from time to time and (ii) through a Direct Participant will be effected in accordance with the procedures of the relevant custodian arrangements, and, depending on how such transfer of beneficial interests is effected, may or may not result in a record of transfer of Platform Beneficial Interests in the DN Notes on the Platform.

Meetings

While the DN Notes are in dematerialised registered form and the Platform Beneficial Interests are held through the Platform or upon a Bond Migration taking effect in accordance with the Platform Related Documentation, the Issuer, the Fiscal Agent and the Registrar shall each be entitled to rely on the account position report or confirmation of holdings as of the day prior to the start of the relevant closed period (in the case of Direct Participants) available on the Platform or (upon a Bond Migration in the case of holders of Conventional CMUP Beneficial Interests) issued by the CMU in accordance with the rules and procedures of CMU from time to time, as applicable, with respect to the interests in the DN Notes, which shall be conclusive and binding for the purpose of determining each person who is entitled to provide instructions to the Issuer, the Fiscal Agent or the Registrar for the purposes of appointing proxies or representatives or attending meetings of the Noteholders.

An investor that is not an Accountholder and wishing to vote on any resolution put to the Noteholders, must instruct their Accountholder (or, if applicable, relevant intermediary or custodian, who shall instruct the relevant Accountholder) to give the necessary instructions as may be appropriate from time to time in order to give effect to the investor's wishes, subject to applicable law.

Notices

While the DN Notes are in dematerialised registered form and the Platform Beneficial Interests are held through the Platform or upon a Bond Migration taking effect in accordance with the Platform Related Documentation, notices required to be given to the Noteholders from the Issuer pursuant to the Conditions shall be validly given if delivered by the Fiscal Agent on behalf of the Issuer and on its instructions by email to the DLT Platform Operator or (upon a Bond Migration) to the CMU (in accordance with the relevant rules and procedures of CMU from time to time). Any such notice shall be deemed to have been given on the day on which such notice was given to the DLT Platform Operator or (as applicable) the CMU (in accordance with the relevant rules and procedures of CMU from time to time).

Any notice shall be deemed to have been given on the date of publication or, if so published more than once or on different dates, on the date of the first publication.

While the DN Notes are in dematerialised registered form and the Platform Beneficial Interests are held through the Platform, the DLT Platform Operator shall forward onto the Direct Participants and holders of CMUP Beneficial Interests any notices to Noteholders which have been delivered by the Fiscal Agent on behalf of the Issuer by email to the DLT Platform Operator in accordance with Condition 12 of the Conditions. For the avoidance of doubt, while the DN Notes are in dematerialised registered form and the Platform Beneficial Interests are held through the Platform, no Agent is obliged to publish any notice to Noteholders otherwise than through the DLT Platform Operator or the CMU.

An investor who holds beneficial interests in or rights to any DN Notes through a Direct Participant or any other custodian or intermediary must look to that Direct Participant or other custodian or intermediary through which it holds its beneficial interests in or rights to the DN Notes for the receiving of any such notices.

BUSINESS CONTINUITY PLAN

The BCP specifies the processes and procedures that the DLT Platform Operator has in place to ensure that the DLT Platform Operator continues to operate or resumes its operation of its functionalities and obligations under the Platform Related Documentation upon the occurrence of a BCP Disruption Event or BCP Termination Event. The DLT Platform Operator shall, in accordance with the Platform Related Documentation, notify in writing the Issuer, Direct Participants and the Fiscal Agent as soon as reasonably practicable if a BCP Disruption Event or a BCP Termination Event occurs.

BCP Disruption Event

In the event of a BCP Disruption Event, the BCP focuses on ensuring business continuity in the eventuality of such events.

In the event of the occurrence of a BCP Disruption Event, whereby the Platform becomes unavailable for a period of at least 48 hours, a layered BCP will be executed (with support from the Platform Provider) as follows:

(a) In the event that data corruption is identified, the DLT Platform Operator would utilise a previous back-up of the Platform Beneficial Interest Record maintained by the Platform Provider and require Accountholders to re-enter the transactions from the previous day. Accountholders will be required to retain trade data (e.g., in a SWIFT queue) for this purpose.

(b) A failure at a GCP service level is not handled with the current technology solution and, as an outage at GCP would impact all Accountholders and the DLT Platform Operator (and the Platform Provider) equally, there is limited value in, for example, faxing or using another alternative communication channel to give trade instructions to the DLT Platform Operator. Instead, it would be proposed that all transactions on the Platform are stayed and entered upon the recovery of the Platform and settled at the earliest opportunity.

(c) The occurrence of a data corruption event or Platform Incident will render the Platform Beneficial Interest Record inoperable and unavailable. Accordingly, the DLT Platform Operator will follow steps set out in the Platform Related Documentation in connection with recovering the Platform.

Should a BCP Disruption Event occur and following the giving of the BCP Notice in relation thereto, the DLT Platform Operator shall use the last available Platform holdings report before the occurrence of a BCP Disruption Event as the back-up record of holdings for the purposes of restoring the Platform and may require Accountholders to re-enter the transactions from the previous day, each in accordance with the Platform Related Documentation. Should a BCP Disruption Event persist for five (5) business days or more in accordance with the Platform Related Documentation, a BCP Termination Event may occur in accordance with the Platform Related Documentation and the relevant provisions of the Conditions shall apply accordingly.

BCP Termination Event

In the event of the occurrence of a BCP Termination Event and following the giving of the BCP Notice in relation thereto by the Issuer, the DLT Platform Operator shall, in accordance with the Platform Related Documentation, without consultation with any party and without Accountholders' approval, commence a Bond Migration by transferring the record of Platform Beneficial Interests in the DN Notes determined by the DLT Platform Operator from the Platform to the CMUP, where the CMU will record such Platform Beneficial Interests in the DN Notes in the CMU securities accounts of the relevant Direct Participants. Following such Bond Migration, the Direct Participants will no longer hold Platform Beneficial Interests in the DN Notes and instead will hold beneficial interests in the DN Notes in the respective CMU securities accounts of the relevant CMU members. If Direct Participants held CMUP Beneficial Interests through CMU-DSI as intermediary before the Bond Migration, their migrated Platform Beneficial Interests will be merged with their CMUP Beneficial Interests into a single tier of beneficial interests held by CMU members in the respective CMU securities accounts following the Bond Migration. The CMU-DSI function will no longer exist and will also no longer hold Platform Beneficial Interests in the DN Notes, although beneficial interests (previously CMUP Beneficial Interests) held by CMU members through the CMU-DSI as intermediary will remain in the respective CMU securities accounts of the relevant CMU members.

Upon such BCP Notice in relation to a BCP Termination Event being given to Accountholders, all Accountholders (whether for their own account or acting as intermediary or custodian for investors) shall be deemed to consent to such Bond Migration in accordance with the Platform Related Documentation and shall assist the DLT Platform Operator as it directs in such Bond Migration. See also "*Risk Factors — Risks Relating to the DN Notes — The record of Platform Beneficial Interests in the DN Notes may be migrated to the CMUP in the case of a BCP Termination Event*".

Upon completion of a Bond Migration, the DLT Platform Operator shall, as soon as reasonably practicable, give notice of such completion (including the effective date of such Bond Migration) to the Accountholders, the Issuer and the Fiscal Agent in accordance with the Platform Related Documentation. The Issuer shall, as soon as reasonably practicable, give notice of such completion (including the effective date of such Bond Migration) to the Noteholders in accordance with Condition 12 of the Conditions. Following a Bond Migration, the legal title of the DN Notes will continue to be held by the HKMA as operator of the CMU in accordance with the Register. The DN Notes will continue to be in dematerialised registered form cleared and settled through the CMUP.

Upon the occurrence of a BCP Disruption Event or BCP Termination Event, the DLT Platform Operator will (with support from the Platform Provider) undertake the following activities:

(a) use the last available Platform holdings report corresponding to the Platform Beneficial Interest Record before the occurrence of a BCP Disruption Event or BCP Termination Event as the back-up record of holdings for the purposes of restoring the Platform or effecting the Bond Migration, as applicable, each in accordance with the Platform Related Documentation;

(b) review such holdings report and verify the accuracy of the report through a reconciliation of the record of the relevant Series of DN Notes;

(c) if the DLT Platform Operator considers the holdings report is accurate, it will commence the BCP Disruption Event recovery or the Bond Migration, as applicable, each in accordance with the Platform Related Documentation; and

(d) where there is an inaccuracy, discrepancy or any other issue which the DLT Platform Operator considers necessary to verify the validity of the holdings report, it will inform the Issuer and request that the relevant Direct Participant confirm their holdings of the relevant DN Notes and whether there are any transactions pending settlement through the Platform (with evidence as necessary). Once the DLT Platform Operator has reasonably satisfied itself as to the accuracy and completeness of the relevant records, the DLT Platform Operator will either:

    (i) be able to treat the back-up record of holdings as the definitive Platform Beneficial Interest Record as a substitute for the Platform until such time as the BCP Disruption Event is resolved, the Platform is recovered and resumes service; or

    (ii) continue with the Bond Migration in accordance with the Platform Related Documentation.

In this section:

BCP means the business continuity plan set out in the Platform Related Documentation;

BCP Disruption Event means a circumstance in which the operations of the Platform becomes unavailable for a continuous period of at least 48 hours, including but not limited to the following key events:

(a) a Platform Incident;

(b) a Self-Executing Code Vulnerability; or

(c) a Platform Vulnerability (other than a Self-Executing Code Vulnerability);

BCP Termination Event means a termination event with regards to the provision of technology services by the Platform Provider (as defined in the Platform Related Documentation) to the DLT Platform Operator, save for expiration or a termination by convenience event. Any termination by mutual agreement of the DLT Platform Operator and the Platform Provider when there are outstanding issuances on the Platform would constitute a BCP Termination Event;

Bond Migration means the migration by the DLT Platform Operator of the record of the Platform Beneficial Interests in the DN Notes to the CMUP in accordance with the relevant rules and procedures of the CMU from time to time and the other actions contemplated by the Platform Related Documentation as may be conducted by the DLT Platform Operator in relation thereto;

GCP means Google Cloud Platform, being the Platform Provider's cloud service provider;

Platform Incident means any event or circumstance (including, without limitation, a failure in or disruption of the Platform) that impairs the proper or timely functioning of the Platform, including with regards to any peer-to-peer network functionality or processing and/or validating one or more transactions on the Platform;

Platform Vulnerability means a bug, exploit, vulnerability, hacking or other dysfunction in, or event or circumstance compromising the security of, the Platform, the underlying blockchain and/or smart contract technology or the DLT Platform Operator's control thereof;

Self-Executing Code means a self-executing code in a computer programme deployed by, or with the permission of, the DLT Platform Operator on the Platform, providing for the automation, self-execution, initiation and/or processing of pre-determined actions related to the DN Notes, where relevant upon fulfilment of pre-determined conditions; and

Self-Executing Code Vulnerability means a bug, exploit, vulnerability, hacking or other dysfunction in any Self-Executing Code.

ACQUISITION OF DIRECT RIGHTS

Accountholder(s) shall:

(i) (in respect of all Accountholders) if either the DLT Platform Operator or, upon a Bond Migration taking effect in accordance with the Platform Related Documentation, CMU is: (a) closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise); or (b) announces an intention to permanently cease business or does in fact do so; or

(ii) at the time at which (a) (in respect of the relevant Accountholder(s)) there shall have occurred an Event of Default pursuant to Condition 9(a) of the Conditions; or (b) (in respect of all Accountholders) an order is made or an effective resolution is passed for the winding-up, liquidation or dissolution of the Issuer,

in each case, for each of such Accountholders' Entries (as defined in the DNN Deed of Covenant), acquire against the Issuer the Direct Rights in accordance with the provisions of the DNN Deed of Covenant in respect of a nominal amount of DN Notes up to the Aggregate Nominal Amount in respect to which such Platform Beneficial Interests relate. In respect of (ii)(a) above, such Accountholder shall not be entitled to require the transfer of any of its DN Notes following the acquisition of such Direct Rights. In respect of (i) or (ii)(b) above, no Accountholder shall be entitled to require the transfer of a DN Note following the acquisition of such Direct Rights.

An investor who is not itself an Accountholder and who holds beneficial interests in or rights to any DN Notes through a Direct Participant or the CMU-DSI must look to that Direct Participant or the CMU-DSI (and any other intermediary or custodian) through which it holds its beneficial interests in or rights to the DN Notes for the giving of any default notice and/or the manner of obtaining any proof of holding in the exercise of any enforcement rights.

While the DN Notes are in dematerialised registered form and the Platform Beneficial Interests are held through the Platform or upon a Bond Migration taking effect in accordance with the Platform Related Documentation, and for the purpose of establishing the entitlement to such Direct Rights, the Issuer and the Fiscal Agent shall each be entitled to rely on the account position report or confirmation of holdings as of the day prior to the start of the relevant closed period (in the case of Direct Participants) available on the Platform or (upon a Bond Migration, in the case of holders of Conventional CMUP Beneficial Interests) issued by the CMU in accordance with the rules and procedures of CMU from time to time, as applicable, with respect to the interests in the DN Notes.

INITIAL SUBSCRIPTION OF THE DN NOTES

The issue and subscription of the DN Notes on the Issue Date are operationally divided into three different phases, with the last two phases taking place on the Platform.

Bookbuilding phase

An investor who, following the book-building for the initial issue and subscription of the interests in the DN Notes, are allocated any beneficial interests in or rights to DN Notes, will be required to appoint a Direct Participant or hold through CMU-DSI (or to appoint another intermediary or custodian which in turn appoints (or holds the interests in the DN Notes through) an initial Accountholder) to act as its custodian or intermediary, to subscribe for and hold interests in the DN Notes on the Platform on its behalf unless the investor itself is a Direct Participant.

An investor will be required to pay the subscription moneys for the portion of beneficial interests in or rights to the DN Notes to which it is allocated in the relevant Specified Currency to the relevant Accountholder (or other intermediary or custodian) subscribing for the DN Notes on its behalf, for value on the Issue Date (or on such earlier date as may be required) in order to obtain its beneficial interests in or rights to the DN Notes upon issue.

Issuance and takedown phase

Prior to or on the Issue Date, the Fiscal Agent, as the Issuer's agent on the Platform and at the instruction of and on behalf of the Issuer, will manually input onto the Platform (i) the necessary data which the Platform will utilise for the creation of the Issuance Token and the Digital Bond Tokens representing the relevant Series of DN Notes and (ii) the Issuer's cash account details for receipt of proceeds for the relevant Series of DN Notes. When sufficient funds in respect of the relevant Series of DN Notes are pre-funded in an off-Platform account of a Joint Lead Manager acting as the settlement manager (in such capacity itself or through its appointed Direct Participant on the Platform, the **Settlement Manager**), the Settlement Manager will, subject to receipt of customary conditions precedent under the Subscription Agreement (as defined herein), upon Issuer's instructions, send a SWIFT instruction onto the Platform. The Platform will in a single atomic delivery-versus-payment settlement, (i) effect cash transfer of the subscription moneys of the relevant Series of DN Notes by sending SWIFT instruction off-Platform to debit the Settlement Manager's account and credit the Issuer's account in an amount equal to such subscription moneys of such Series of DN Notes and (ii) mint the Issuance Token representing the relevant Series of DN Notes in the relevant Issuance Token Record Account on the Platform and (iii) mint all the Digital Bond Tokens of the relevant Series of DN Notes into a Digital Token Account of the Settlement Manager (or its appointed Direct Participant on the Platform) on the Platform. Thus, the

"issuance and takedown phase" of the issuance flow has completed both off- and on-Platform in accordance with the Platform Related Documentation and relevant rules and procedures of the CMU from time to time, pursuant to which the settlement of the DN Notes have been effected within the CMU and settlement of fiat cash off-Platform are final.

Allocation phase

Once the issuance and takedown phase has concluded, the Settlement Manager will carry out the allocation, which will involve the transfer of DN Notes in accordance with the Joint Lead Managers' instructions in proportions agreed via the off-Platform bookbuilding process.

Settlement of the allocation phase will occur in the following scenarios:

(i) **Initial subscriber to the DN Notes is a Direct Participant** (i.e. the relevant investor is a Direct Participant or has instructed the relevant Joint Lead Manager to settle the allocation amount of Platform Beneficial Interests in the DN Notes with a custodian that is a Direct Participant): via an on-Platform delivery-versus-payment settlement involving bilateral transfers from the Settlement Manager's Digital Token Account to the Direct Participant's Digital Token Account against the transfer of Settlement Tokens on the Platform (i.e. the Settlement Tokens are operationally updated in the name of the recipient Direct Participant), which in turn results in a transfer of a corresponding amount of fiat cash off-Platform. Such investor may subsequently choose to hold the DN Notes through the CMUP by effecting a free of payment transfer of Platform Beneficial Interests to the CMU-DSI Digital Token Account, where corresponding CMUP Beneficial Interests will be reflected in such investor's CMU securities account on the CMUP.

(ii) **Initial subscriber to the DN Notes is not a Direct Participant** (i.e. the relevant investor is a non-Direct Participant or has appointed a non-Direct Participant as its custodian): the Settlement Manager on the Platform transfers the relevant allocation amount of Platform Beneficial Interests in the DN Notes free of payment from its appointed Direct Participant's Digital Token Account to the CMU-DSI Digital Token Account as an intermediary, resulting in a credit of the corresponding CMUP Beneficial Interests in the DN Notes in the Settlement Manager's CMU securities account on the CMUP. The Settlement Manager transfers the relevant allocation amount of the CMUP Beneficial Interests in the DN Notes to the relevant initial subscriber(s)' CMU securities account(s) on the CMUP via a delivery versus payment transfer.

Each Accountholder (except the CMU-DSI) should ensure that its subscription moneys are in its Cash Account and the Settlement Manager will send matching instructions to the Platform. To effect settlement, the subscription moneys in each Accountholder (except the CMU-DSI)'s Cash Account will be transferred to the DLT Platform Operator's Cash Account and the DLT Platform Operator will deploy a Settlement Token on-Platform to facilitate the delivery-versus-payment settlement of the Digital Bond Tokens and Settlement Tokens between the Settlement Manager and the Accountholders (except the CMU-DSI). The Settlement Tokens represent a monetary entitlement by the Settlement Manager against the DLT Platform Operator, whereupon the subscription moneys will be released to the Settlement Manager.

CMUP BENEFICIAL INTERESTS IN THE DN NOTES HELD THROUGH THE CMU-DSI

Where an investor holds CMUP Beneficial Interests in the DN Notes on CMUP through the CMU-DSI, the CMU will provide a central depositary service for the safe custody and electronic trading between the members of such beneficial interests in or rights to any DN Notes. Membership of the CMU is open to all financial institutions regulated by the Hong Kong Monetary Authority, Securities and Futures Commission, Insurance Authority or Mandatory Provident Fund Schemes Authority. For further details on the full range of the CMU's custodial services, please refer to the CMU Reference Manual which can

be found on its website at https://www.cmuomniclear.com/en/reference-materials. Any content on such website is not a part of, nor incorporated by reference into, this Supplemental Offering Circular. The CMU has an income distribution service which is a service offered by the CMU to facilitate the distribution of interest, coupon or redemption proceeds to such investor via the CMUP.

For investors seeking to hold any beneficial interests in the DN Notes through Euroclear or Clearstream (as the case may be), such investors will hold their interest through an account opened and held by the custodians of Euroclear or Clearstream (as the case may be) with the CMUP.

SECONDARY TRADING

So long as the DN Notes are outstanding, an Accountholder or investor, as applicable, will be able to trade its beneficial interests in the DN Notes only through OTC trading and, in the case of an investor who is not an Accountholder holding beneficial interests in the DN Notes, where it has custody or intermediary arrangements in place (whether directly or indirectly) with an Accountholder. An Accountholder may hold the relevant Platform Beneficial Interests in the DN Notes on the Platform as a custodian or intermediary for an investor. Each Accountholder's Platform Beneficial Interests in the DN Notes will be reflected on the Platform as the total balance of the relevant Digital Token Account(s) of such Accountholder. Records of the individual beneficial interests in the DN Notes of an investor that is not a Direct Participant will be maintained off-Platform in accordance with its custody or intermediary arrangement with the relevant Direct Participant or in the case where the Accountholder is CMU-DSI, such investor's CMUP Beneficial Interests will be maintained in accordance with the relevant rules and procedures of the CMU from time to time.

An investor holding beneficial interests in the DN Notes outside CMUP through a Direct Participant or CMUP Beneficial Interests holder must look to its custody or intermediary arrangements in place (whether directly or indirectly) with a Direct Participant or CMUP Beneficial Interests holder to carry out any settlement of transfers. An investor holding further beneficial interests down the chain must look to its custodian or intermediary to carry out any settlement of transfers.

REDEMPTION

For the final redemption upon maturity of the DN Notes, the Issuer will transfer fiat cash in the amount equal to the Aggregate Nominal Amount of the relevant Series of the DN Notes to the cash account of the Principal Paying Agent off-Platform, who will thereafter transfer such amount off-Platform to the DLT Platform Operator's Cash Account. The DLT Platform Operator will send the allocation instructions to onward transfer the redemption money from its Cash Account to the Cash Accounts of Direct Participants based on their respective holdings of Platform Beneficial Interests in the DN Notes as per the Platform Beneficial Interest Record while the holders of CMUP Beneficial Interests will be paid according to the rules and procedures of the CMU from time to time. Upon such payment, the Digital Bond Tokens will be marked as "fully redeemed" on the Platform and the status of the Issuance Token will be changed to "bond fully redeemed". Investors holding beneficial interests in the DN Notes who are not Direct Participants or CMUP Beneficial Interests holders must look to the respective Direct Participants, CMUP Beneficial Interests holders or intermediary or custodian for payment of the redemption moneys.

For early redemption of the DN Notes in full in accordance with the Conditions, similar on-Platform processes and payment flow will apply as with redemption on maturity (or otherwise provided by the Platform Related Documentation), provided that prior notice is given to the DLT Platform Operator and disseminated to the Direct Participants and CMUP Beneficial Interests holders in accordance with the Platform Related Documentation and the rules and procedures of the CMU from time to time.

CAPITALISATION AND INDEBTEDNESS OF THE ISSUER

The section titled "Capitalisation and Indebtedness of the Issuer" set out on page 95 of the Offering Circular shall be deleted in its entirety and replaced with the following.

The following table sets out the capitalisation of the Issuer and its subsidiaries as at 31 December 2025 on an actual basis and as adjusted to give effect to the offering of the DN Notes, prior to the deduction of any fees, commissions or other estimated expenses payable by the Issuer in relation to the offering of the DN Notes:

	As at 31 December 2025	
	Actual	**As Adjusted**
	HK$'000	**HK$'000**
Short-Term Liabilities		
Medium Term Note Programme Notes due within 1 year	70,086,222	70,086,222
Long-Term Liabilities		
Medium Term Note Programme Notes due after 1 year	85,083,108	85,083,108
Series A DN Notes to be issued	–	6,000,000
Series B DN Notes to be issued	–	2,500,000
Series C DN Notes to be issued[1]	–	3,446,374
Total Loan Capital	**155,169,330**	**167,115,704**
Shareholder's Equity		
Share capital 2,000,000,000 shares issued and fully paid	39,000,000	39,000,000
Reserves	12,214,952	12,214,952
Total Shareholder's Equity	**51,214,952**	**51,214,952**
Total Capitalisation[2]	**206,384,282**	**218,330,656**

Notes:

1 The Aggregate Nominal Amount of the Series C DN Notes of CNY3,000,000,000 (representing approximately HK$3,446,374,414 translated at the exchange rate of HK$1 to CNY0.87048).

2 For the purpose of this Supplemental Offering Circular, total capitalisation includes total loan capital and total shareholder's equity.

As at 30 April 2026, total capitalisation of the Issuer has decreased compared to that as at 31 December 2025 mainly due to repayment of matured debt issued.

Save as disclosed in the Offering Circular and the Supplemental Offering Circular, there has been no material adverse change in the capitalisation of the Issuer and its subsidiaries since 31 December 2025.

DESCRIPTION OF THE ISSUER

The section titled "Description of the Issuer" set out on pages 96 to 131 of the Offering Circular shall be deleted in its entirety and replaced with the following.

History and Corporate Structure

The Issuer was incorporated in March 1997 as a public company with limited liability under the Companies Ordinance. The Issuer is wholly owned by the Hong Kong Government for the account of the Exchange Fund, a fund under the control of the Financial Secretary as provided under the Exchange Fund Ordinance (Cap. 66 of the Laws of Hong Kong).

For the purpose of operating the life annuity business and in compliance with the requirements of the Insurance Authority of Hong Kong, the Issuer in 2017 underwent a corporate reorganisation and established two wholly-owned subsidiaries, the HKMCI and the HKMCA, to take up the Issuer's general insurance business (including the MIP, the RMP, the PRMP and the SFGS) and to operate the life annuity business respectively.

The Issuer has issued 2 billion shares, fully subscribed and paid up, amounting to HK$2 billion as at 31 December 2017. Thereafter, the Issuer's paid-up share capital was increased, without any allotment of new shares, to HK$7 billion in April 2018; HK$9.5 billion in June 2021; HK$12 billion in June 2022; HK$14.5 billion in June 2023; HK$26.5 billion in December 2024; HK$31.5 billion in February 2025; HK$36.5 billion in June 2025; and HK$39 billion in November 2025.

The Issuer is specified as a "domestic public sector entity" under the Banking (Capital) Rules (Cap. 155L of the Laws of Hong Kong) (**Banking (Capital) Rules**). Accordingly, debt securities issued or guaranteed by the Issuer carry a 20 per cent. risk weighting for the purposes of calculating the capital adequacy ratio (**CAR**) of AIs under the standardised (credit risk) approach of the Banking (Capital) Rules. In addition, debt securities issued by the Issuer qualify as "high quality liquid assets" or "liquefiable assets" for the purposes of the Banking (Liquidity) Rules (Cap. 155Q of the Laws of Hong Kong) (**Banking (Liquidity) Rules**) subject to satisfaction of the relevant conditions.

The following timeline shows the major events in the history of the Issuer:

1994	Informal Group on Secondary Mortgage Market was convened by the HKMA in February to study secondary mortgage market in Hong Kong
1996	The HKMA put forward a proposal for the establishment of a mortgage corporation in Hong Kong
1997	The Issuer was established in March and commenced operations in October
1998	The Debt Issuance Programme was established in June
1999	The Mortgage Insurance Programme was launched in March
	The Guaranteed Mortgage-backed Pass-through Securitisation Programme was launched in October
2001	The Issuer obtained credit ratings from both Moody's and S&P Global Ratings in July
	The Issuer launched its retail bonds through appointed placing banks in October
	The Bauhinia MBS Programme was established in December

2003	Purchase of Civil Servant Housing Loans by the Issuer from the Hong Kong Government in May
	Purchase of Home Starter Loans and Sandwich Class Housing Loans by the Issuer from the Hong Kong Government in December
2004	The Retail Bond Issuance Programme was launched in May
	The 10-year fixed-rate mortgage scheme was launched in November
2007	The Medium Term Note Programme was established in June
2008	The revolving credit facility provided by the Exchange Fund through the Hong Kong Monetary Authority was increased from HK$10 billion to HK$30 billion in December
2009	Debut public benchmark issuance of U.S.$500 million fixed rate notes under the Medium Term Note Programme
2011	The SME Financing Guarantee Scheme was launched in January
	The Reverse Mortgage Programme was launched in July
2012	Special concessionary measures, i.e. the 80 per cent. guarantee product was launched under the SME Financing Guarantee Scheme in May
2017	The Issuer established two wholly-owned subsidiaries, the HKMCI and the HKMCA, to operate the general insurance business and the life annuity business, respectively
2018	The Mortgage Insurance Programme, the Reverse Mortgage Programme and the SME Financing Guarantee Scheme, were transferred to the HKMCI in May
	The HKMCA launched its life annuity business in July
2019	The Infrastructure Financing and Securitisation business was launched in January
	The Policy Reverse Mortgage Programme was launched in May
	The 90 per cent. guarantee product under the SME Financing Guarantee Scheme was launched in December
2020	The special 100% loan guarantee under the SME Financing Guarantee Scheme was launched in April
	The Fixed-rate Mortgage Pilot Scheme was launched in May
	The revolving credit facility provided by the Exchange Fund through the HKMA was increased from HK$30 billion to HK$80 billion in October
2021	The 100% Personal Loan Guarantee Scheme was launched in April
	The Fixed Rate Mortgage Scheme was converted from a pilot programme into a permanent product in November

2022	The Social, Green and Sustainability Financing Framework of the Issuer was established in September
	Inaugural issuance of dual-tranche HK$8 billion 2-year and CNY3 billion 3-year social bonds in October
2023	The Dedicated 100% Loan Guarantee Schemes for specified sectors were launched in April and September
	The Pilot Infrastructure Loan-Backed Securities were issued in May (including a sustainability tranche issued in accordance with the Social, Green and Sustainability Financing Framework of the Issuer)

Relationship with Principal Subsidiaries

HKMCI

The HKMCI, a wholly-owned subsidiary of the Issuer, was incorporated in June 2017. HKMCI initially had a share capital of HK$3 billion injected by the Issuer. The HKMCI is an "authorized insurer" under the Insurance Ordinance (Cap. 41 of the Laws of Hong Kong) (**Insurance Ordinance**) carrying on general insurance business, including the MIP, the RMP, the PRMP, the SFGS, the PLGS and the DLGS. Like the Issuer, the HKMCI is specified as a "domestic public sector entity" under the Banking (Capital) Rules.

In 2018, the Issuer and the HKMCI entered into a facility letter pursuant to which the Issuer agreed to provide a credit facility of up to HK$2 billion to assist the HKMCI in funding its operations in relation to its general insurance business. In the same year, the Issuer issued a parental guarantee in favour of the participating lenders for the HKMCI's due performance of its obligations under the MIP, the RMP and the SFGS. The Issuer injected an additional share capital of HK$12 billion into the HKMCI in 2024, which was provided by the Hong Kong Government for the account of the Exchange Fund as the sole shareholder of the Issuer. As at the date of this Supplemental Offering Circular, the HKMCI had a total share capital of HK$15 billion.

HKMCA

The HKMCA, a wholly-owned subsidiary of the Issuer, was incorporated in June 2017. HKMCA initially had a share capital of HK$5 billion injected by the Issuer, which was provided by the Hong Kong Government for the account of the Exchange Fund as the sole shareholder of the Issuer. The HKMCA is an "authorized insurer" under the Insurance Ordinance carrying on long term insurance business. Like the Issuer, the HKMCA is specified as a "domestic public sector entity" under the Banking (Capital) Rules.

In 2018, the Issuer and the HKMCA entered into a facility letter pursuant to which the Issuer agreed to provide a credit facility of up to HK$10 billion to assist the HKMCA in funding its operations in relation to its life annuity business. In the same year, the Issuer, the Monetary Authority and the HKMCA entered into a tripartite capital commitment letter for the injection of an amount up to HK$20 billion into the HKMCA as equity by the Issuer or the Monetary Authority (through capital injection into the Issuer as equity for the purpose of financing the Issuer's additional capital injection into the HKMCA). The HK$20 billion capital commitment had been fully utilised following the last capital injection of HK$2.5 billion into the HKMCA in November 2025.

In January 2026, the Issuer, the Monetary Authority and the HKMCA entered into another tripartite capital commitment letter pursuant to which an amount of up to HK$25 billion will be injected into the HKMCA as equity by the Issuer or the Monetary Authority (through capital injection into the Issuer as equity for the purpose of financing the Issuer's additional capital injection into the HKMCA) to maintain the HKMCA's capital base above a certain level.

Relationship with the Hong Kong Government

The Issuer is wholly-owned by the Hong Kong Government for the account of the Exchange Fund. The Financial Secretary currently serves as the Chairman of the Issuer and the Chief Executive of the HKMA is the Deputy Chairman of the Issuer. The posts of Executive Directors and Chief Executive Officer (**CEO**) of the Issuer are occupied by the Financial Secretary or officials of the HKMA.

The Hong Kong Government, for the account of the Exchange Fund, provides the Issuer with a revolving credit facility (**RCF**) of HK$80 billion as a contingency liquidity tool, of which the facility amount was increased in October 2020 from the original amount of HK$30 billion. Such move demonstrates the Hong Kong Government's recognition of the importance of, and its commitment to provide further support to, the Issuer. In addition to the RCF, the Issuer is entitled to call upon its shareholder for the injection of additional capital of up to HK$1 billion through the Exchange Fund (if and when needed) pursuant to an arrangement agreed by the shareholder.

Missions

The missions of the Group are to promote the following in Hong Kong:

- stability of the banking sector;
- wider home ownership;
- development of the local debt market; and
- development of retirement planning market.

Principal Business Activities of the Group

The major business activities of the Issuer are:

- to purchase portfolios of mortgages or loans secured on properties or other collateral situated in Hong Kong and to acquire debentures, receivables, financial assets and choses in action of all kinds from their originators, issuers, owners or vendors;
- to acquire, by purchase or otherwise, any assets from government bodies and agencies and related organisations, statutory bodies and public bodies, and to hold, sell, transfer, dispose of and deal in any such assets so acquired;
- to issue debt securities to investors;
- to offer long-term fixed-rate mortgages to homebuyers through participating AIs; and
- to purchase and co-finance infrastructure loans or debt obligations and to securitise them under appropriate market conditions.

The major business activities of the HKMCI are:

- to provide mortgage insurance cover to participating lenders in respect of mortgage loans and reverse mortgage loans secured on residential properties, life insurance policies or other assets (if applicable);

- to administer for the Hong Kong Government the 80% SFGS and the 90% SFGS to provide loan guarantee to participating AIs in respect of credit facilities advanced to eligible local non-listed enterprises, including SMEs and businesses with relatively short operating history;

- to administer for the Hong Kong Government the PLGS and the Special 100% SFGS for loans advanced by participating AIs to eligible individuals and eligible local enterprises who have suffered from loss of main recurrent income from employment in Hong Kong or otherwise adversely affected by the outbreak of the COVID-19 pandemic, respectively; and

- to administer for the Hong Kong Government the DLGS for loans advanced by participating AIs to eligible licensed travel agents, registered owners of local tour coaches and cross-boundary passenger transport vehicles, registered owners and operators of cross-boundary ferries as well as eligible taxi owners who intend to purchase battery electric taxis to replace their liquefied petroleum gas, petrol or hybrid taxis.

The major business activity of the HKMCA is to operate its life annuity business.

Business Strategies

The Group adopts the following business strategies in a prudent commercial manner:

- fulfil its strategic roles by reinforcing its business focus in Hong Kong;

- purchase loan assets from various sources such as banks, the Hong Kong Government and related organisations, statutory bodies and public bodies (including their affiliated credit unions) and other sellers (**Approved Sellers** and, if also appointed by the Issuer to provide servicing and other administrative functions in respect of the Issuer's acquired loan portfolio, **Approved Servicers**) from time to time approved by its board of directors (**Board of Directors** or **Board**);

- purchase residential mortgages indexed on fixed adjustable rate and various floating rates such as the Prime Rate, HIBOR (for various reference periods) and the composite interest rate;

- provide mortgage insurance to homebuyers through participating AIs;

- offer fixed-rate mortgages to homebuyers through participating AIs;

- purchase and co-finance infrastructure loans or debt obligations, and securitise them under appropriate market conditions after accumulating a diversified asset portfolio;

- adopt sustainability and environmental, social and governance (**ESG**) strategies in major funding, investment, business and operational activities based on international standard and market practice; and

- expand business scope and reinforce delivery of strategic policy roles through the establishment and enhancements of various schemes and programmes.

Business Environment

Overview of Hong Kong

The Hong Kong Special Administrative Region of the People's Republic of China was established on 1 July 1997. The Basic Law of Hong Kong came into effect on the same day. The Basic Law prescribes the economic, legal and other systems to be practised in Hong Kong.

Under the Basic Law, Hong Kong enjoys a high degree of autonomy except in those matters relating to defence and foreign affairs and other matters outside the limits of Hong Kong's autonomy. Hong Kong exercises executive, legislative and independent judicial power, including that of final adjudication. Hong Kong's executive authorities and legislature are composed of permanent residents of Hong Kong. Hong Kong remains a free port, a separate customs territory and an international financial centre. It may, on its own, using the name "Hong Kong, China", maintain and develop relations, and conclude and implement agreements, with foreign countries and regions as well as international organisations in the appropriate fields, including the economic, trade, financial and monetary, shipping, communications, tourism, cultural and sports fields.

The Basic Law provides that Hong Kong dollar, as the legal tender of Hong Kong, shall continue to circulate. It also provides that no foreign exchange control shall be applied in Hong Kong and that Hong Kong dollar shall remain freely convertible.

Hong Kong as an International Financial Centre

Under the "One Country, Two Systems" principle, the PRC government outlined in the National 15th Five-Year Plan (2026-2030) (**15th Five-Year Plan**) to support Hong Kong in enhancing its status as a centre of international finance, shipping, trade and world aviation; strengthening its function as a global offshore Renminbi business hub, an international asset management centre and a risk management centre; establishing itself as a centre for international technological innovation, international legal and dispute resolution services, and regional intellectual property right trading; and deepening its development as the East-meets-West centre for international cultural exchange. The 15th Five-Year Plan, for the first time, supports Hong Kong in establishing a commodity trading ecosystem and a high value-added supply chain service centre. It also supports Hong Kong in accelerating the development of the Northern Metropolis and building an international hub for high-calibre talents. In relation to co-operation between Hong Kong and the Chinese Mainland, the 15th Five-Year Plan stated that the mutual access regime between the financial markets of Hong Kong and the Chinese Mainland should be advanced in an orderly manner.

The geographic location of Hong Kong together with its emphasis on the rule of law and on the maintenance of a level playing field for market participants and a sound regulatory regime has contributed to shaping it into both a major international financial centre in the region and an important capital formation centre for the Chinese Mainland. The absence of exchange control allows free fund flows and also enhances Hong Kong's competitiveness.

Hong Kong's financial markets are characterised by a high degree of liquidity. They operate under effective and transparent regulations in line with international standards. An educated workforce and the ease of entry for foreign professionals also contribute to the development of Hong Kong's financial markets. International financial institutions maintain a strong presence in Hong Kong.

Hong Kong has a mature and active foreign exchange market which forms an integral part of the global market. The Hong Kong stock market is one of the largest in the world and is an important fund-raising platform in the region, especially for Chinese Mainland enterprises.

The Hong Kong asset management industry is characterised by its international flavour, in terms of the presence of both global fund managers and authorised funds. Hong Kong is also a renowned insurance centre with authorised insurers coming from over 20 overseas countries, including the Chinese Mainland.

Hong Kong has an interbank payment system which operates through the Real Time Gross Settlement (**RTGS**) system. All RTGS payments in Hong Kong dollar/U.S. dollar/euro/Renminbi foreign exchange transactions can be settled on a payment-versus-payment basis without any time gap. The CMU is operated by the HKMA, started as a clearing and custodian system for Exchange Fund Bills and Notes (which are Hong Kong dollar debt securities issued by the Hong Kong Government for the account of the Exchange Fund) and has been extended to include other Hong Kong dollar and non-Hong Kong dollar debt securities. It has been fully integrated with interbank payment systems and the RTGS system in Hong Kong enabling settlement in Hong Kong dollar, U.S. dollar, euro and Renminbi-denominated securities on a delivery-versus-payment basis, and is linked up with other international securities depositories like Euroclear and Clearstream to enable overseas investors to trade CMU-settled securities.

As an international financial centre located at the heart of Asia with global connections, Hong Kong provides an established platform for Chinese Mainland enterprises to access international capital through its banking, equity and debt markets. Located in the southern coast of Chinese Mainland, Hong Kong is one of the strategic gateways for global enterprises and investors to explore potential opportunities in the Chinese Mainland. Various leading banking and financial institutions of Hong Kong have invested and maintained a strong presence in the Chinese Mainland, while correspondingly an increasing number of Chinese Mainland enterprises have sought and obtained listings of their securities in Hong Kong. Over time, demand for a wide range of financial support services provided by Hong Kong would increase with larger trade and investment flows between the Chinese Mainland and the rest of the world. In the national development strategy of "Belt and Road Initiative" unveiled in 2013, aiming at the construction of trade and infrastructure networks connecting Asia with different parts of the world, Hong Kong's strategic position is running a functional platform to facilitate the implementation of the Belt and Road Initiative via its pillar industries financial services, trade and logistics, high-end services and tourism, to complement the national strategies to "go global" and "attract foreign investment". In the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area (**GBA**) introduced by the PRC government in 2019, Hong Kong was given an important role to facilitate and support the economic development of the region and the industries in which Hong Kong's strengths lie in the GBA, capitalising on Hong Kong's strengths to serve the country's needs. As part of the 15th Five-Year Plan, Hong Kong will continue to enhance its international competitiveness, deepen international exchanges and co-operation, strengthen its bridging role between the Chinese Mainland and the world, and pioneer a new phase of high-quality development.

The Hong Kong economy recorded a moderate growth in 2024, mainly supported by the external sector — export of goods reverted to growth and export of services continued to increase — as well as further expansion in investment expenditure. Following the growth of 2.6% in 2024, the real GDP of Hong Kong grew robustly by 3.5% in 2025, faster than the preceding year and marking the third consecutive year of expansion. Export of goods and services increased solidly, notwithstanding episodes of heightened global trade tensions that resulted in higher tariffs on many trade flows. Domestically, private consumption expenditure reverted to a modest increase and investment expenditure posted accelerated growth. In the first quarter of 2026, according to the advance estimates, the Hong Kong economy expanded robustly by 5.9% year-on-year, recording the strongest quarterly growth in nearly five years. Private consumption continued to improve, while exports and fixed investment remained strong. Nevertheless, Hong Kong's near-term economic outlook remains challenging, hinging upon a number of risks and uncertainties, in particular escalation of geopolitical tensions, frequently shifting trade and economic policies of the major economies, and also the U.S. Federal Reserve's interest rate policy.

Hong Kong Residential Property Market

The following tables and charts relating to the Hong Kong property market are taken from reports published by the Census and Statistics Department (**C&SD**), the Rating and Valuation Department (**RVD**), the Housing Bureau (**HB**) of the Hong Kong Government and the Hong Kong Housing Authority (**HA**). Accordingly, the Issuer accepts no responsibility for the accuracy or completeness of the information contained therein save that the Issuer accepts responsibility for the correct and fair reproduction and presentation of such information.

Housing Market

There were over 3.1 million permanent housing units in Hong Kong as at the end of September 2025, of which private permanent housing and public permanent housing accounted for 56.7 per cent. and 43.3 per cent., respectively. The Hong Kong Government promulgated the Long Term Housing Strategy in December 2014 with three major directions: (1) provide more public rental housing units and ensure the rational use of existing resources; (2) provide more subsidised sale flats, expand the forms of subsidised home ownership and facilitate the market circulation of existing stock; and (3) stabilise the residential property market through steady land supply and appropriate demand-side management measures, and promote good sales and tenancy practices for private residential properties. According to the "Long Term Housing Strategy Annual Progress Report 2025" published by the HB, the Hong Kong Government, based on the latest projection of housing demand, has adopted a housing supply target of 420,000 units for the ten-year period from 2026-27 to 2035-36, with a public-private split of 70:30. Accordingly, the public housing supply target is 294,000 units, comprising 176,000 units for public rental housing/Green Form Subsidised Home Ownership Scheme and 118,000 units for other subsidised sale flats, whereas the private housing supply target is 126,000 units.

According to the latest figures published by the HA as at the date of this Supplemental Offering Circular, the number of permanent residential flats in Hong Kong as at the dates indicated are as follows:

	As at 31 March				
	2021	**2022**	**2023**	**2024**	**2025**
			Thousands		
Public permanent housing[1]	1,272	1,287	1,303	1,311	1,328
Rental housing	*844*	*851*	*856*	*860*	*871*
Subsidised sale flats.	*428*	*437*	*447*	*450*	*457*
Private permanent housing[2]	1,641	1,662	1,683	1,695	1,719
Overall.	2,913	2,949	2,986	3,005	3,047

Notes:

(1) Figures on stock of flats in public permanent housing are based on the administrative records of the HA and the Hong Kong Housing Society (**HS**). They cover rental flats and subsidised sale flats of the HA and the HS, but do not include the subsidised sale flats provided by the Urban Renewal Authority (**URA**).

(2) Figures on stock of flats in private permanent housing are based on the frame of quarters maintained by the C&SD.

Source: HA

According to the latest figures published by the HA as at the date of this Supplemental Offering Circular, the number of permanent residential flats built for the periods indicated are as follows:

	For the year ended 31 March				
	2020	**2021**	**2022**	**2023**	**2024**
			Thousands		
Public permanent housing	14	16	19	10	19
Rental housing	*7*	*13*	*12*	*4*	*11*
Subsidised sale flats[1]	*8*	*3*	*7*	*6*	*8*
Private permanent housing (excluding village houses)[2]	21	14	21	14	24
Overall	35	31	40	23	43

Notes:

(1) Figures do not include the subsidised sale flats provided by the URA in 2015/16 and 2020/21.

(2) Figures are based on data maintained by the RVD.

Source: HA

Private Housing

The private permanent housing has an important role to play in meeting the housing needs of the community. As at the end of September 2025, private residential property supply amounted to over 1.7 million units. The Hong Kong Government is the sole supplier of land for private housing development.

Although the Hong Kong Government has no direct control over the supply of private housing, it indirectly affects the housing supply through disposals of new development sites.

The following table sets out the number of private housing units completed (by saleable area in square metres) for the calendar years from 2021 to 2025.

	Number of Private Housing Units Completed (Classified by Saleable Area in Square Metres) for the year ended 31 December					
Year	**0–39.9**	**40–69.9**	**70–99.9**	**100–159.9**	**160 & above**	**Total**
2021	5,251	6,624	2,141	249	121	14,386
2022	9,881	7,668	2,046	1,052	521	21,168
2023	7,806	4,667	1,060	157	162	13,852
2024	10,794	10,705	1,284	913	565	24,261
2025	9,859	6,565	1,245	614	165	18,448

Note: Village houses are excluded from the above table.

Source: RVD

Home Ownership

Taking into account both the public and private housing, the home ownership rate in terms of the owner-occupier rate (as defined below) has been recorded at 50.1 per cent. in 2025.

The following table sets out the respective owner-occupier rates for the calendar years from 2021 to 2025.

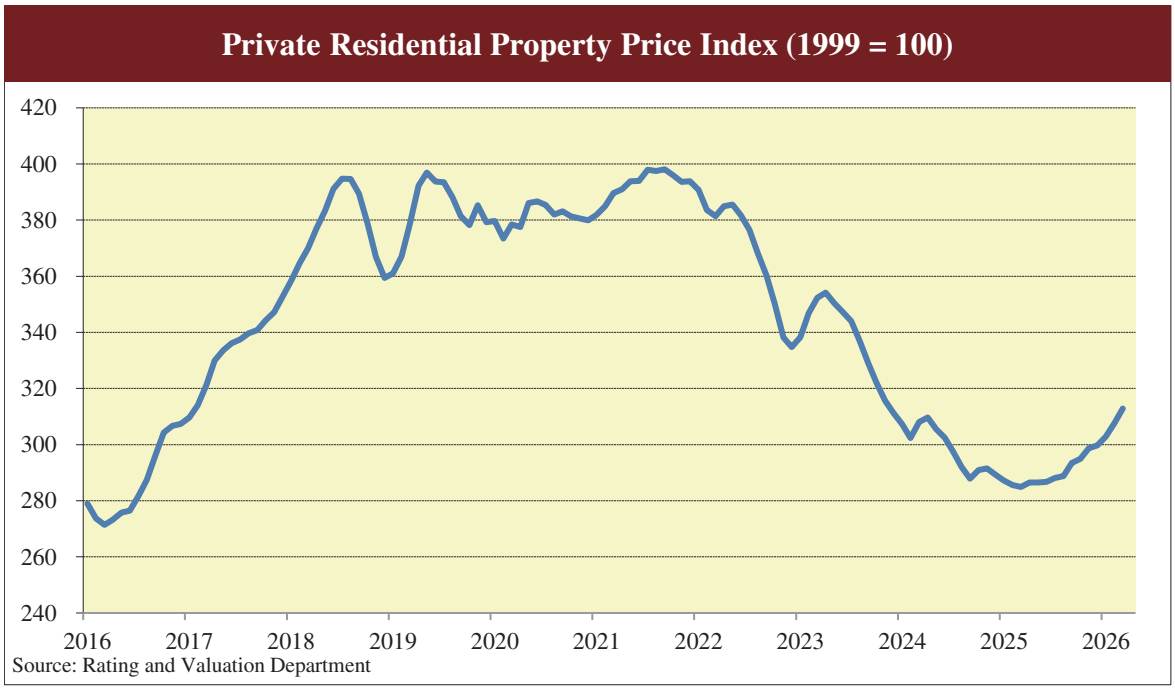
Year	2021	2022	2023	2024	2025
Owner-Occupier Rate.	51.0%	51.5%	50.4%	50.4%	50.1%

Note: Owner-occupier rate refers to the proportion of domestic households owning the quarters that they occupy.

Source: C&SD

Residential Property Prices

The residential property market continued to stabilise in the third quarter of 2025, bolstered by U.S. interest rate cuts. Prices and transaction volumes both recorded increases with active market activities. Average monthly housing transactions saw a mild increase, rising from 5,567 units in the third quarter to 5,728 units in the fourth quarter of 2025. This positive momentum carried into 2026, signalling a firm recovery for residential property market. The number of transactions continued to rebound in the first quarter of 2026 and reached a record high of 7,368 in April 2026, representing a 16.7% month-on-month increase. According to the latest reports published by the RVD, the following chart shows the private residential property price index from 2016 to March 2026:



Hong Kong Mortgage Market

The following chart and data relating to the Hong Kong mortgage market is taken from reports published by the HKMA. Accordingly, the Issuer accepts no responsibility for the accuracy or completeness of the information contained therein save that the Issuer accepts responsibility for the correct and fair reproduction and presentation of such information.

The residential mortgages in Hong Kong have the following characteristics:

- floating rate, with a Gross Mortgage Rate set at an agreed spread to the Prime Rate;
- fully amortised over the term of the mortgage;
- secured by a first legal charge on the underlying property; and
- maximum term to maturity not exceeding 30 years.

Other than the Prime Rate (also called the Best Lending Rate (**BLR**)) product, banks offer floating rate mortgages using HIBOR or a composite interest rate as the reference rate. The HKMA publishes the composite interest rate on a monthly basis, which is a weighted average interest rate of all Hong Kong dollar interest-bearing liabilities (including deposits from customers, amounts due to banks, negotiable certificates of deposit and other debt instruments) and Hong Kong dollar non-interest bearing demand deposits on the books of banks. Data from retail banks accounting for about 90 per cent. of the total customers' deposits in the banking sector, are used in the calculation.

As an alternative to floating rate mortgages, some banks would offer fixed rate mortgages to the homebuyers. The Issuer introduced Fixed Adjustable Rate Mortgages to the Hong Kong market in 1998, with the objective of assisting potential homebuyers to hedge against the risk of rising interest rates. To provide an alternative financing option to homebuyers for mitigating their risks arising from interest rate volatility, the Issuer launched a scheme of fixed-rate mortgages for 10, 15 and 20 years in May 2020 (see "*Description of the Issuer — Business Overview — Fixed Rate Mortgage Scheme*").

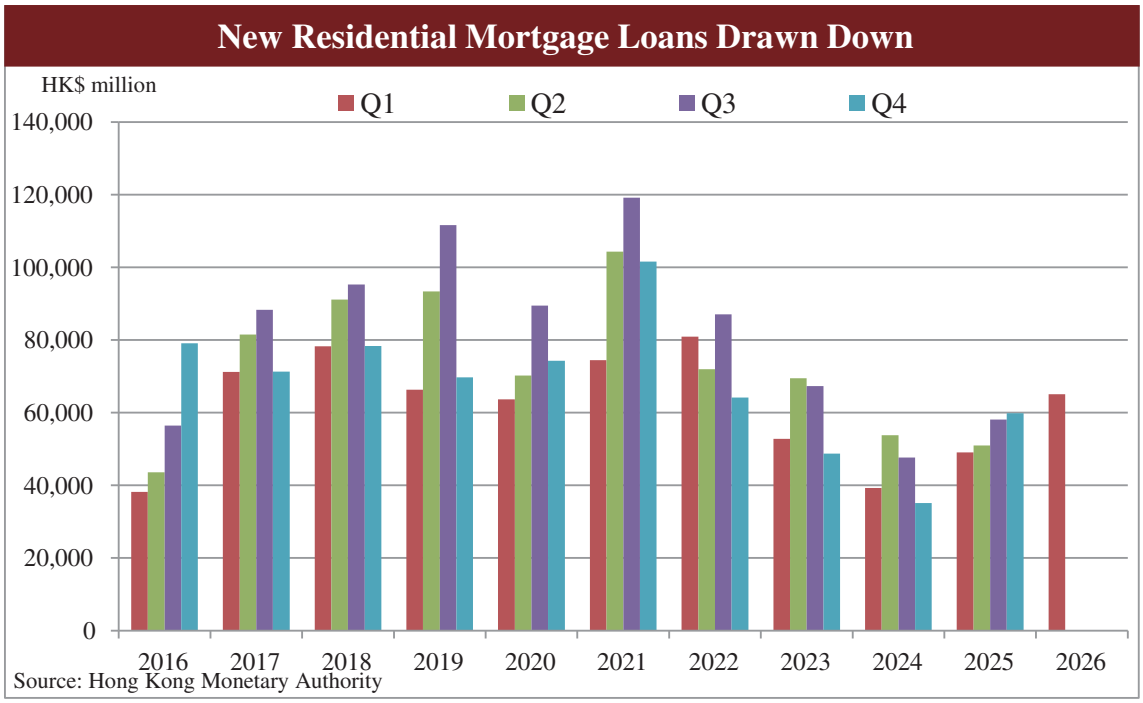
According to the latest figures published by the HKMA, by March 2026, 83.7 per cent. of new mortgage loans were priced with reference to HIBOR while BLR and fixed-rate plans accounted for 1.5 per cent. and 10.4 per cent. respectively.

AIs under the supervision of the HKMA are the major mortgage providers in Hong Kong. The HKMA as the regulator has issued guidelines to AIs concerning the origination of residential mortgage loans. The objective was to ensure that the mortgage business of AIs was conducted in accordance with prudent lending criteria, with sufficient emphasis placed on proper risk management. The HKMA would conduct on-site examinations from time to time in order to ensure compliance by AIs with applicable guidelines. Lending policies, underwriting practices, procedures in compliance with guidelines concerning the maximum loan-to-value ratio, as well as the quality of risk management arrangements, would be assessed.

Given the relatively good performance of mortgage loans compared to the other assets in the banking sector, AIs are keen to provide mortgage financing to homebuyers. Traditionally, the mortgage market in Hong Kong has been dominated by several major players.

Based on the HKMA's quarterly statistics, the total outstanding value of mortgage loans as at 31 March 2026 amounted to around HK$2,094.1 billion, representing 26 per cent. of the total loans and advances for use in Hong Kong (from which loans for trade financing are excluded), which comprised HK$156.5 billion in loans to finance the purchase of public subsidised sale flats and HK$1,937.6 billion to finance the purchase of private residential properties. The gross new mortgage loans originated in 2025 and the first quarter of 2026 amounted to HK$218 billion and HK$65.1 billion respectively.

According to the latest reports published by the HKMA, the following chart shows the new residential mortgage loans (by quarter) for years 2016 to 2025 and the first quarter of 2026.



Business Overview

Financial Performance

For the year ended 31 December 2025, the Group reported a net loss of HK$109 million (2024: a net loss of HK$418 million). The improved results were primarily driven by increased income from placements with the Exchange Fund which was bolstered by rising annuity premiums and capital injections made to HKMCA and to HKMCI in 2025 and late 2024 respectively, coupled with a recovery in the local property market benefitting the reverse mortgage business, the increase in net interest income and the revaluation gains of U.S. dollar-denominated exposures in cash and debt investments. Such gains were partially offset by the higher accounting loss in the annuity business resulting from a surge in new policies written and the negative accounting impact of lower discount rates on insurance liabilities revaluation, see "*Directors' Report — Business Review — Financial Performance*" of the Directors' Report and Audited Financial Statements of the Issuer as at and for the year ended 31 December 2025 on page F-7 for further information.

Business Areas

Purchase Activities

The Issuer may buy loans from the Approved Sellers under the MPP. The Issuer has a list of 34 Approved Sellers as at 30 April 2026. To pay for these assets, the Issuer uses funding obtained primarily through the issuance of debt securities. The Issuer earns the difference between the interest paid to it on the loans and the funding costs.

The Issuer assesses each asset portfolio submitted by an Approved Seller on a case-by-case basis. The Issuer adheres to a four-pronged approach to maintain the quality of its loan assets:

- careful selection of Approved Sellers;
- prudent eligibility criteria for asset purchase;
- effective due diligence review process; and
- enhanced protection for higher-risk transactions (See "*Description of the Issuer — Risk Management — Credit Risk*").

A risk-based pricing model is adopted to determine the pricing terms and the deal may be closed at par or at a discount or premium.

When an Approved Seller has determined that its mortgage loans fulfil the relevant purchasing criteria laid down by the Issuer (for example, owner occupancy, debt-to-income ratio, delinquency record, etc.), it can offer those loans for sale to the Issuer. It normally takes approximately 15 business days to complete a loan purchase, starting from the submission of an offer by an Approved Seller to the settlement of the loan purchase. When submitting its offer, an Approved Seller will be required to provide information such as the aggregate outstanding principal balance of the loan and the total number of loans offered. The Issuer will make use of the particulars of loans as one of the tools in identifying non-compliance with some purchasing criteria. The Issuer will either accept or reject the offer by issuing an acceptance notice or rejection notice to the relevant Approved Seller.

In fulfilling its role as a liquidity provider, the Issuer has since 2006 purchased non-residential mortgage assets and non-mortgage assets such as hire-purchase assets in Hong Kong, which also serves to broaden the Issuer's sources of asset acquisition.

In 2025, the Issuer purchased approximately HK$0.4 billion loans under the Special 100% SFGS and DLGS, in addition to infrastructure loans and financial assets of approximately HK$6.3 billion and residential mortgages of approximately HK$0.4 billion. As at 31 December 2025, the size of the Issuer's loan/asset portfolio, net of impairment allowances and before taking into account loans with 100% guarantee from the Hong Kong Government of HK$63.5 billion, amounted to HK$15.1 billion. The Issuer has not purchased any sub-prime mortgages.

Fixed Rate Mortgage Scheme

To provide an alternative financing option to homebuyers for mitigating their risks arising from interest rate volatility, the Issuer has introduced a scheme for fixed-rate mortgages for 10, 15 and 20 years in May 2020. Under the scheme, the mortgage loans would be purchased by the Issuer from the participating AIs after their origination and in some cases, HMML would be the servicer of such loans.

Microfinance Scheme

To provide a sustainable microfinance scheme in Hong Kong and at the direction of the Financial Secretary in the 2011–2012 Budget Speech and the 2012–2013 Budget Speech, the Issuer introduced the MFS in 2012 in collaboration with banks and non-governmental organisations.

Under the MFS, loans were offered by participating banks themselves and/or funded by HMML to applicants who wished to start their own businesses, become self-employed or achieve self enhancement through training, upgrading of skills or obtaining professional certification. The MFS provided supporting services including mentorship and entrepreneurial training to business starters and self-employed persons as required in order to enhance their ability to run businesses.

The acceptance of loan applications under the MFS has ceased since the end of 2019 and for the duration of the MFS, a total of 223 loans with a total loan amount of HK$56.1 million has been approved.

Infrastructure Financing and Securitisation

The Issuer launched the IFS business in 2019 to accumulate infrastructure loans or debt obligations and develop the IFS brand of the Issuer. The Issuer purchases and accumulates infrastructure loans from the secondary loan market, as well as co-finances infrastructure projects with multilateral development banks and commercial banks in the primary market. The Issuer continues to participate in a step-by-step manner in the infrastructure financing market on commercially viable and financially sustainable terms, while observing prudent commercial principles and risk management policies. In response to the rapidly changing macro-economic environment, the Issuer has taken a prudent approach with corresponding adjustment in its asset acquisition strategy and will remain vigilant on their development.

Since the launch of the IFS business to 31 December 2025, the amount of infrastructure loan/financial assets committed under the Issuer's infrastructure loan/asset portfolio amounted to U.S.$3.2 billion. Infrastructure projects financed by the Issuer are located in the Asia Pacific, Middle East, Europe and Latin America regions. The Issuer continues to team up with industry players to facilitate the development of commercially viable infrastructure projects globally, leveraging on the master cooperation agreement with International Finance Corporation, and memoranda of understanding with China Export & Credit Insurance Corporation and 21 other investment and commercial banks.

On 17 October 2025, the Issuer, via Bauhinia ILBS 3 Limited (a special purpose vehicle established for the ILBS issuance), completed a publicly rated securitisation transaction which consists of multiple classes of U.S. dollar-denominated ILBS Notes backed by the cash flows from a diversified portfolio of projects and infrastructure loans across multiple geographies and sectors, with an issuance size of U.S.$450.5 million. The 2025 ILBS Notes (except for the subordinated notes) are listed on The Stock Exchange of Hong Kong Limited and offered to professional investors only. Similar to the previous ILBS issuances in May 2023 (with an issuance size of U.S.$404.8 million) and September 2024 (with an issuance size of U.S.$423.3 million), the Issuer has multiple roles in this transaction, including acting as the sponsor, retention holder of the subordinated notes of the 2025 ILBS Notes and collateral manager. In addition, the Issuer continues to hold a portion of the ILBS Notes from each ILBS issuance.

Mortgage Insurance Programme

To meet public demand for mortgage loans in excess of the mortgage lending limit imposed by the HKMA, the MIP was introduced by the Issuer in March 1999. Since 1 May 2018, the HKMCI has been the insurer under the MIP (**MIP Insurer**) and provides mortgage insurance cover for a fee on loans advanced by participating AIs secured by a first legal charge on residential property or equitable mortgage loans secured on residential properties under construction.

Generally, participating AIs conduct their credit assessments for each application prior to its submission to the MIP Insurer. The MIP Insurer, at its sole discretion, approves the applications in accordance with the relevant eligibility criteria. To reduce its risk exposure under the MIP portfolio, the MIP Insurer transfers a portion of the risk-in-force in its MIP portfolio to its Approved Reinsurers by way of a quota sharing reinsurance arrangement.

Since its inception and up to the end of 2025, the MIP facilitated home purchases of about 242,000 families. The aggregate loans drawn down under the MIP was HK$905.0 billion. The volume of loans drawn down under the MIP decreased to HK$35.2 billion in 2025 from HK$47.9 billion in 2024. In the first four months of 2026, the volume of loans drawn down was HK$10.2 billion.

SME Financing Guarantee Scheme

In response to proposals from stakeholders for a sustainable, market-oriented platform to provide guarantees for SME loans, the Issuer launched the SFGS on 1 January 2011, dovetailing the expiry of the Special Loan Guarantee Scheme which was introduced in December 2008 in the midst of the financial tsunami and administered by the Hong Kong Government until the end of 2010. The SFGS lowers banks' credit risks when lending to SMEs, and, in line with the mission of the Group, help maintain the stability of the banking sector. The SFGS offers guarantee products with different guarantee protection coverages (50 per cent., 60 per cent. and 70 per cent.) at commercial guarantee fees, providing flexibilities for SMEs to meet their funding needs.

To help tide SMEs and businesses with less operating history over financing difficulties as a result of the uncertain global economic environment, the Hong Kong Government entrusted the HKMCI to launch the time-limited 80% SFGS and 90% SFGS in May 2012 and December 2019 respectively. The application period of the 90% SFGS concluded at the end of March 2026. The time-limited Special 100% SFGS launched in April 2020, with the application period having closed at the end of March 2024, was specifically aimed to ease the cash flow problem of eligible enterprises adversely affected by the outbreak of the COVID-19 pandemic with a view to alleviating the financial burden of paying employee wages and rents by eligible enterprises which are suffering from reduced income, and to help minimise businesses shutting down and layoffs.

The 80% SFGS, 90% SFGS and the Special 100% SFGS are backed by the Hong Kong Government's guarantee commitment of 80 per cent., 90 per cent. and 100 per cent. of eligible credit facilities granted by participating AIs. The HKMCI is the scheme administrator of the SFGS and the participating AIs are responsible for conducting customer due diligence and verification of the borrower's eligibility using their professional skill, judgement and care. The Issuer, with its own funds, purchases loans drawn down under the Special 100% SFGS from the participating AIs on a without-recourse basis. The Hong Kong Government pays, via the HKMCI, a one-off origination fee and ongoing servicing fee to the participating AIs for the origination and servicing of the loans under the Special 100% SFGS, and reimburses necessary enforcement and debt recovery expenses incurred by the participating AIs on defaulted credit facilities under the SFGS. The Hong Kong Government also pays ongoing administrative fees to the HKMCI for administering the Special 100% SFGS.

The HKMCI administers the SFGS on prudent commercial principles and at concessionary guarantee fees, except for the Special 100% SFGS which is offered free of any guarantee fees. All guarantee fees received are set aside to pay related default claims and out-of-pocket expenses of the HKMCI in administrating the SFGS.

To help SMEs manage their cash flow amidst economic uncertainties, the principal moratorium arrangement, being a time-limited special relief measure, was first introduced in September 2019 for the 80% SFGS. Since then, it has been extended several times for a maximum period of 42 months. Having regard to the COVID-19 epidemic, the principal moratorium arrangement was made available to the 90% SFGS and the Special 100% SFGS. With the Hong Kong economy recovering steadily as the COVID-19 epidemic subsided, such special relief measure had fulfilled its purpose and its application period expired in end-September 2023. Borrowing enterprises in need may apply for one or more partial repayment options so that normal repayment could be resumed gradually.

During the 2023 Policy Address in October 2023, the Chief Executive of Hong Kong announced more flexible partial principal repayment options under the SFGS. Borrowing enterprises may apply for repaying only 10%, 20% or 50% of the original principal repayment amount each month during a specified period, enabling them to have more time to gradually switch from principal moratorium to normal repayments.

To alleviate the repayment pressure and address the challenges encountered during Hong Kong's economic recovery, it was announced in the 2024 Policy Address that borrowing enterprises could apply for principal moratorium for up to 12 months for both existing and new loans; the maximum loan guarantee period of the 80% SFGS and 90% SFGS would be extended to ten years and eight years respectively; and partial principal repayment options would be offered to new loans under the 80% SFGS and 90% SFGS, thus enabling borrowers to gradually resume normal loan repayments.

To further help SMEs address challenges brought about by economic restructuring, the Chief Executive of Hong Kong announced in the 2025 Policy Address the extension of the application period for the 80% SFGS for two years to the end of March 2028, and an extension of the principal moratorium arrangement for 12 months. The Government's total loan guarantee commitment will be further increased by HK$20 billion to HK$310 billion. The application period for principal moratorium has been extended correspondingly until 17 November 2026.

As at 30 April 2026, the HKMCI approved a total loan amount of around HK$306.6 billion under the SFGS (31 December 2025: around HK$302.2 billion), benefiting more than 25,900 SMEs and 419,300 related employees[1] under the 80% SFGS and 90% SFGS (31 December 2025: around 25,100 SMEs and more than 409,000 related employees respectively), as well as around 40,000 local SMEs and 400,000 related employees under the Special 100% SFGS. The application period of the Special 100% SFGS expired end-March 2024. Since the launch of the Special 100% SFGS until its expiry, 67,198 applications and around HK$143.9 billion of loans had been approved.

100% Personal Loan Guarantee Scheme

Following the Hong Kong Government's announcement in the 2021-22 Budget Speech, the HKMCI, backed by the Hong Kong Government's 100% financial commitment, launched the time-limited PLGS in April 2021. The PLGS aims at providing a supplementary source of financing option to eligible individuals who are suffering from loss of main recurrent income from employment in Hong Kong to tide over the interim difficulties during the COVID-19 pandemic.

Loans under the PLGS are originated by participating AIs in accordance with the eligibility criteria for the PLGS. The HKMCI is the scheme administrator of the PLGS and the participating AIs are responsible for conducting customer due diligence and verification of the borrower's eligibility using their professional skill, judgement and care. The Issuer, with funding provided by the Hong Kong Government, purchases loans drawn down under the PLGS from the participating AIs on a without-recourse basis.

[1] The numbers of enterprises and employees benefitted have been adjusted to avoid double counting of enterprises using both the 80% SFGS and 90% SFGS.

The Hong Kong Government pays, via the HKMCI, a one-off origination fee and ongoing servicing fee to the participating AIs for the origination and servicing of the loans respectively, and reimburses necessary enforcement and debt recovery expenses incurred by the participating AIs on defaulted loans. The Hong Kong Government also pays ongoing administrative fees to the HKMCI for administering the PLGS.

The PLGS application period ended on 30 April 2023. Since the launch of the PLGS until its expiry, the HKMCI has approved more than 66,900 applications for a total loan amount of around HK$4.66 billion, benefiting more than 59,000 borrowers.

Dedicated 100% Loan Guarantee Schemes for Specified Sectors

Following the Hong Kong Government's announcement in the 2023-24 Budget Speech, the HKMCI, backed by the Hong Kong Government's 100% guarantee commitment, launched the time-limited DLGS for the cross-boundary passenger transport trade and travel sector on 29 April 2023. The DLGS aims to provide 100% guaranteed loans to eligible borrowers who are licensed travel agents, registered owners of local tour coaches and cross-boundary coaches and hire cars and registered owners and operators of cross-boundary ferries in Hong Kong with a view to resolving their short-term funding difficulties, hiring staff, accelerating operational capability (including any necessary vehicle or ferry repair and maintenance), in order for them to resume services as soon as possible in anticipation of the resumption of inbound and outbound tourism activities in Hong Kong. The application period of the DLGS for the cross-boundary passenger transport trade and the travel sector closed on 28 October 2024.

The DLGS for battery electric taxis was launched on 4 September 2023. It aims to provide 100% guaranteed loans to eligible taxi owners who intend to purchase battery electric taxis to replace their liquefied petroleum gas, petrol or hybrid taxis in order to encourage taxi owners to replace their existing taxis with battery electric taxis. The application period is five years until 3 September 2028.

Loans under the DLGS are originated by the participating AIs in accordance with the eligibility criteria for the DLGS for the relevant sectors. The HKMCI is the scheme administrator of the DLGS and the participating AIs are responsible for conducting customer due diligence and verification of the borrower's eligibility using their professional skill, judgement and care. The Issuer, with its own funds, purchases loans drawn down under the DLGS from the participating AIs on a without-recourse basis.

The Hong Kong Government pays, via the HKMCI, a one-off origination fee and ongoing servicing fee to the participating AIs for the origination and servicing of the loans under the DLGS, and reimburses necessary enforcement and debt recovery expenses incurred by the participating AIs on defaulted loans under the DLGS. The Hong Kong Government also pays ongoing administrative fees to the HKMCI for administering the DLGS.

Under the DLGS for the cross-boundary passenger transport trade and travel sector, the HKMCI has approved 227 applications for a total loan amount of HK$224.4 million until the application period expired on 28 October 2024.

Since the launch of the DLGS for battery electric taxis up to 30 April 2026, the HKMCI has approved 833 applications (31 December 2025: more than 630 applications) for a total loan amount of HK$274 million (31 December 2025: approximately HK$209 million).

Reverse Mortgage Programme

Given the ageing population in Hong Kong, the Issuer launched the RMP in July 2011. A reverse mortgage under the RMP is a loan arrangement which enables elderly people aged 55 or above to use their residential properties as collateral to borrow a stream of monthly payouts from a lender. The RMP provides an alternative cash flow for the elderly to improve their quality of life while staying in their own homes. Under the RMP, a borrower may opt to receive the monthly payouts over a fixed payment term or over his lifetime, and may also borrow lump-sum loan(s) to suit the personal needs of the relevant borrower. In October 2016, the Issuer extended the RMP to cover the subsidised sale flats with unpaid land premium for eligible borrowers aged 60 or above. The RMP has been operated by the HKMCI since 1 May 2018.

In general, the borrower does not need to repay the reverse mortgage loan during his lifetime unless the reverse mortgage loan becomes due and payable upon the death of the borrower or the occurrence of certain maturity events. When a reverse mortgage becomes due and payable, the lender is entitled to sell the property to recover the outstanding loan amount. If the sale proceeds from the property exceeds the outstanding loan amount, the lender will return the surplus to the borrower or his inheritors. If there is any shortfall, such shortfall will be borne by the HKMCI under an insurance arrangement between the lender and the HKMCI. HMML is a lender under the RMP.

By the end of 2025, 8,861 RMP applications have been approved, with an average property value of about HK$5.5 million and an average monthly payout amount of HK$15,800.

Policy Reverse Mortgage Programme

To provide elderly people in Hong Kong with an alternative option of retirement planning product, the HKMCI launched the PRMP in May 2019 by replicating the business model of the RMP. A policy reverse mortgage under the PRMP is a loan arrangement which enables borrowers aged 55 or above to use their life insurance policy as collateral to borrow a stable stream of monthly payouts from a lender. Under the PRMP, a borrower may choose to receive the monthly payouts over a fixed period of time or throughout his entire life (but no later than the maturity of the life insurance policy) and may also borrow lump-sum loans to suit the needs of the borrower.

In general, the borrower does not need to repay the policy reverse mortgage loan during his lifetime unless the policy reverse mortgage loan is terminated under certain specific circumstances, such as the death of the borrower. When a policy reverse mortgage has become due and payable, the lender is entitled to enforce the relevant life insurance policy assignment to repay the outstanding loan amount by using the money received under the life insurance policy, such as the death benefit. If there is any surplus after such repayment, the lender will pass such surplus to the borrower or his inheritors. If there is any shortfall, such shortfall will be borne by the HKMCI under an insurance arrangement between the lender and the HKMCI. HMML is a lender under the PRMP.

Life Annuity Business of the HKMCA

Owing to the rapidly ageing population of Hong Kong, enhancing the quality of living of the elderly after their retirement is one of the key policy focuses of the Hong Kong Government. In light of the elderly's increasing demand for retirement financial planning support, the Financial Secretary announced in the 2017-18 Budget Speech in February 2017 that the Issuer had started studying the design and feasibility of a public annuity scheme.

In June 2017, the Issuer established the HKMCA, a wholly-owned subsidiary of the Issuer, to carry on long term insurance business and operate life annuity business which provides lifetime guaranteed monthly payout to the elderly annuitants with a lump-sum premium. Placements are made to the Exchange Fund as capital and premium investments of the HKMCA.

The HKMCA launched its life annuity business in July 2018. As at the end of 2025, a total of 47,104 policies were taken under its life annuity business with a total premium receipt of around HK$27.4 billion and an average premium receipt of around HK$583,000 for each policy.

Audit Committee

The Audit Committee is responsible for reviewing the Issuer's financial statements, the composition and accounting principles adopted in such statements, the results of the financial audits and the Issuer's management procedures to ensure the adequacy or effectiveness of its internal control system.

The Audit Committee holds regular meetings with the management, the Chief Internal Auditor and the external auditor of the Issuer. Special meetings may also be called to review significant control or financial issues.

Environmental, Social and Governance Committee

The Issuer established the Environmental, Social and Governance Committee (**ESGC**) in 2021 to lead the Group's sustainability efforts and oversee ESG management as part of the Group's overall business strategy.

The ESGC is responsible for reviewing, approving and updating the Group's ESG strategy, policies and plans, monitoring the ESG trends and issues that are material to the Group and overseeing the implementation of the Group's ESG strategy. It will also evaluate the performance of the Group in achieving its ESG-related goals and targets. Regular reports will be made to keep the Board of the Issuer informed of the Group's progress on ESG matters.

The ESGC is chaired by the CEO of the Issuer and its members include the CEOs of the HKMCA and the HKMCI and senior staff from the relevant functional departments of the Group. The ESGC holds regular meetings to discuss and formulate major directions on ESG matters, and is supported and advised by a number of working groups at staff level covering various ESG-related matters.

In 2021, the ESGC approved the adoption of the Group's ESG Statement and ESG Guiding Principles which guide the Issuer's approach to incorporating ESG factors into its operations. Both the ESG Statement and ESG Guiding Principles will be subject to regular review to keep pace with ESG developments globally and in Hong Kong.

Environmental

The Issuer believes that by integrating ESG considerations, including climate-related factors, in its investment, lending and business decision-making, it can help create sustainable value for the Group in the long-term and contribute to the development of a more sustainable world and reduce its ESG-related risks.

In 2021, the Issuer adopted the Responsible Investment, Lending and Business Decision-making Principles which set out the framework for the Issuer's implementation of responsible investment, lending and business decision-making strategies. Through ESG integration, the Group identifies and evaluates ESG factors in its decision-making processes which include standard risk assessment and thematic investment, lending and business activities.

In addition, the Issuer also supports and implements various green measures to create a more environmentally-friendly office and is committed to raising staff awareness of methods of waste reduction and energy conservation by adopting measures to reduce waste, paper and energy consumption for a greener earth.

Social

The Issuer is committed to creating, promoting and maintaining an environment which provides equal opportunities for staff in all areas of human resources management, including recruitment, terms and conditions of employment, promotion, compensation and benefits, and training as well as corporate-sponsored social and recreational programmes. As an equal opportunities employer, the Issuer maintains an Equal Opportunities Policy and provides various facilities to cater for the needs of different staff. The Group also implements gender-neutral and disability-inclusive recruitment and promotion practices which are underpinned by competency-based assessments and evaluations.

The Issuer attracts and grooms talent to ensure the efficient performance of its core missions of promoting stability of the banking sector, wider home ownership, development of the local debt market and development of the retirement planning market. The Issuer recognises the importance of ongoing training and well-being of its staff and devotes appropriate resources to establishing and arranging programmes to enhance its staff's professional knowledge and skills, health and safety, well-being, job satisfaction and healthy work-life balance to promote an enriching working environment.

Governance

The Issuer consistently practises strong governance in the pursuit of its core missions and business objectives and maintains a high standard of corporate governance to assure stakeholders that their rights and interests are well protected.

The Issuer has in place internal policies as well as arrangement of regular compliance testing for its staff in the areas of anti-corruption, anti-money laundering, counter-terrorist financing and economic sanctions, privacy and information security, anti-fraud and whistleblowing and competition matters to ensure it conducts its business and operations with high standards of ethics, honesty and integrity and in accordance with applicable laws and regulations. It also arranges for and supports compliance training for its staff in these areas.

Corporate Governance

The Issuer's corporate governance practices are set out in the "Corporate Governance Code" (**Corporate Governance Code**) approved by the Board of Directors. Annual assessments are conducted internally by the Issuer to ensure its compliance with the Corporate Governance Code, and a Corporate Governance Report is published in the Issuer's Annual Report. The Corporate Governance Code and the Corporate Governance Report are available on the website of the Issuer and accessible by the public.

Human Resources

The Issuer devotes considerable training resources to equip its employees with professional knowledge and skills. It has also established various channels to enhance communication within the corporation. In general, the Issuer considers its relationship with its employees to be good. The Group had a total of 451 permanent establishment as at 31 December 2025, among whom 242 were staff employed by the Issuer.

Legal Proceedings

The Issuer is not involved in any legal proceedings which may have or may have had in the 12 months preceding the date of this Supplemental Offering Circular, a significant effect on the financial position of the Issuer.

Regulatory Status

The Issuer is not a bank and therefore neither requires nor holds a banking licence under the Banking Ordinance. Nevertheless, the Issuer is specified as a "domestic public sector entity" under the Banking

(Capital) Rules. Accordingly, debt securities issued or guaranteed by the Issuer carry a 20 per cent. risk weighting for the purposes of calculating the CAR of AIs under the standardised (credit risk) approach of the Banking (Capital) Rules. In addition, debt securities issued by the Issuer also qualify as "high quality liquid assets" or "liquefiable assets" for the purposes of the Banking (Liquidity) Rules subject to satisfaction of the relevant conditions. Furthermore, the Issuer is subject to guidelines issued by the Financial Secretary in respect of maintaining a minimum CAR of 8 per cent. in connection with its business (**Guidelines on CAR**).

Each of the HKMCI and the HKMCA is an "authorized insurer" under the Insurance Ordinance. Accordingly, their insurance and loan guarantee businesses are subject to the regulatory requirements of the Insurance Ordinance and the supervision of the Insurance Authority of Hong Kong.

Each of the Issuer, the HKMCI and the HKMCA is designated as a "public body" under the Prevention of Bribery Ordinance (Cap. 201 of the Laws of Hong Kong). As such, their employees are subject to certain standards of behaviour specifically required for public servants.

Assets and Liabilities

Asset Composition

Loan Types

The following table sets out the Issuer's loan portfolio by type as at the dates indicated.

	As at 31 December	
	2025	**2024**
	HK$'000	**HK$'000**
Loan portfolio at Fair Value through Profit or Loss (**FVPL**)		
Residential mortgage portfolio	3,434,736	2,572,791
Others loan portfolio	35,892	24,067
	3,470,628	2,596,858
Loan portfolio at amortised cost		
Residential mortgage portfolio	2,860,377	2,816,547
Infrastructure loans	8,786,195	7,290,487
Others	54,069	71,725
	11,700,641	10,178,759
Allowance for loan impairment		
Residential mortgage portfolio	(9,738)	(6,849)
Infrastructure loans	(61,501)	(52,940)
Others	(328)	(1,853)
	(71,567)	(61,642)
	11,629,074	10,117,117

Asset Quality

The Issuer endeavours to maintain its asset quality by adopting the approach described under "*Description of the Issuer — Business Overview — Business Areas — Purchase Activities*".

The following table sets out details of the Issuer's loan portfolio as at the dates indicated.

	As at 31 December	
	2025	**2024**
Overall Portfolio[1]		
Delinquency ratio[2]	0.05%	0.03%
Combined delinquency and rescheduled loan ratio[3]	0.07%	0.04%
Hong Kong Residential Mortgage Portfolio^		
Delinquency ratio[2]	0.36%	0.16%
Combined delinquency and rescheduled loan ratio[3]	0.49%	0.24%
Loan-to-value ratio at origination (weighted average)[4]	75.5%	75.4%
Debt-to-income ratio at origination (weighted average)[4]	36.4%	36.4%
Hong Kong Non-Residential Mortgage Portfolio and Non-Mortgage Assets		
Delinquency ratio[2]	0.00%	0.0001%
Combined delinquency and rescheduled loan ratio[3]	0.00%	0.0001%
MIP Portfolio		
Delinquency ratio[2]	0.04%	0.05%
Combined delinquency and rescheduled loan ratio[3]	0.04%	0.05%

Notes:

(1) The Issuer's Overall Portfolio includes the Issuer's Hong Kong Residential Mortgage Portfolio, Hong Kong Non-residential Mortgage Portfolio and Non-Mortgage Assets only.

(2) Delinquency ratio in relation to a portfolio refers to the ratio of the total outstanding principal amount* of loans overdue for more than 90 days in such portfolio (excluding loans with credit enhancement in the case of the Issuer's Hong Kong Residential Mortgage Portfolio, Hong Kong Non-residential Mortgage Portfolio and Non-Mortgage Assets) to the total outstanding amount of loans* in such portfolio.

(3) Combined delinquency and rescheduled loan ratio in relation to a portfolio is the sum of delinquency ratio and rescheduled loan ratio of such portfolio. Rescheduled loan ratio in relation to a portfolio refers to the ratio of the total outstanding principal amount* of loans (excluding loans with credit enhancement) in such portfolio (which have been restructured and re-negotiated with borrowers because of deterioration in the financial position of the borrower or the inability of the borrower to meet the original repayment schedule, and for which the revised repayment terms, either of interest or the repayment period, are non-commercial) to the total outstanding principal amount of loans* in such portfolio.

(4) Including first mortgage loans purchased from banks only.

^ Excluding reverse mortgages.

* HKMC's *participation* amount for loans under the MFS.

Impaired Loans and Allowance for Loan Impairment

The following table sets out details of the Issuer's impaired loans as at the dates indicated.

	As at 31 December	
	2025	2024
	HK$'000	HK$'000
Gross impaired loan portfolio	9,081	2,221
Allowance for loan impairment	(408)	(1,594)
	8,673	627
Allowance for loan impairment as a percentage of gross impaired loan portfolio	4%	72%
Gross impaired loan portfolio as a percentage of gross loan portfolio	0.08%	0.02%

The following table sets out details of the Issuer's allowance for loan impairment as at the dates indicated.

	As at 31 December	
	2025	2024
	HK$'000	HK$'000
As at 1 January	61,642	26,220
Loans purchased and repayment	5,622	27,402
Net measurement of impairment arising from transfer of stage	(1,556)	22
Movement due to changes in credit risk	5,871	8,037
Recoveries of loans not written off	(12)	(39)
	9,925	35,422
Write-offs	–	–
As at 31 December	71,567	61,642

	As at 31 December	
	2025	2024
Total allowance for loan impairment as a percentage of the gross loan portfolio	0.61%	0.61%

Credit Management Policies

Credit risk is the primary risk exposure for the Issuer. It represents the risk of default of loan borrowers or other counterparties which could lead to potential losses for the Issuer.

As at 31 December 2025, the combined delinquency (payments overdue for over 90 days) and rescheduled loan ratio of the Issuer's overall portfolio was 0.07 per cent. and the combined delinquency and rescheduled loan ratio for the Hong Kong residential mortgage portfolio of the Issuer was 0.49 per cent.

The Issuer's credit risk management framework comprises two committees, the Credit Committee and the Transaction Approval Committee (see "*Description of the Issuer — Risk Management — Credit Risk*" below).

Funding and Liquidity

The Issuer's primary funding strategy is to secure sufficient, stable, diverse and cost-effective funding sources from both local and overseas markets and to achieve an optimal funding mix. The Issuer adopts a proactive strategy to minimise funding and hedging costs in compliance with prudent risk limits set by its Asset and Liability Committee (**ALCO**).

The Issuer obtains funding mainly through issuance of debt securities. The Issuer has adopted a systematic approach to develop its debt issuance capability for financing loan asset purchases and other working capital requirements.

In September 2022, the Issuer established its Social, Green and Sustainability Financing Framework (**SGS Framework**) as part of its extended effort to expand and implement its sustainability strategy as an integral part of its business strategy. In 2025, the Issuer further updated the SGS Framework, including alignment with prevailing market standards and the addition of new eligible social and green asset categories. The SGS Framework focuses on the sustainable initiatives of the Issuer and its subsidiaries and demonstrates how the Issuer and its subsidiaries support, and are aligned with, Hong Kong's long-term sustainability visions. The Issuer intends to use the SGS Framework as the basis to structure and issue social, green and/or sustainability bond(s) and asset-backed securities. Net proceeds will be allocated to support projects falling within one or more of the eligible social asset categories or eligible green asset categories.

Debt Issuance Programme

In 1998, the Issuer established the Debt Issuance Programme (**DIP**) to raise Hong Kong dollar funds. The DIP is targeted at institutional investors in the Hong Kong dollar debt market. It was set up with an initial programme size of HK$20 billion which was subsequently increased to HK$40 billion in 2003. The DIP provides a flexible and efficient platform for the Issuer to issue debts with tenors up to 15 years.

All debts issued under the DIP had been redeemed as at June 2023.

Retail Bond Issuance Programme

The Issuer introduced a new fund-raising channel by accessing the retail public with a bond issue in November 2001. The Issuer established the HK$20 billion Retail Bond Issuance Programme (**RBIP**) and made its debut issue in June 2004.

Under the RBIP, the banks acting as the placing banks use their retail branch networks to place debt securities issued by the Issuer to retail investors in denomination of HK$50,000 or as specified from time to time.

Since 2001, the Issuer has issued retail bonds totalling HK$13.7 billion. All retail bonds had been redeemed by September 2016.

Medium Term Note Programme

The Issuer established the multi-currency Programme in June 2007 with an initial programme size of U.S.$3 billion to raise funds in the international capital markets and to broaden its investor base and funding sources. The Programme was gradually increased to U.S.$20 billion in June 2021, and to U.S.$30 billion in June 2022.

The multi-currency feature of the Programme enables the Issuer to issue notes in major currencies to meet the demands of both domestic and overseas investors.

In 2025, the Issuer launched 105 note issuances with total issuance amount of HK$70.5 billion equivalent under the Programme, including a public bond offering of HK$25.3 billion equivalent across four multi-currency tranches in November 2025, which comprised HK$10 billion 2-year, CNY 5 billion 3-year and U.S.$1 billion 5-year bonds in conventional bond format; and a 30-year HK$2 billion bond in social bond format. Out of the total issuances of notes under the Programme in 2025, there were 84 issues amounting to HK$61.2 billion equivalent with a maturity of one year or longer, while the remaining 21 issues totaling HK$9.3 billion equivalent were of less than one year maturity. As at 31 December 2025, the total outstanding amount of notes issued under the Programme was in the equivalent of HK$155.2 billion.

Revolving Credit Facility provided by the Exchange Fund

During the Asian financial crisis in 1997, the Exchange Fund extended a HK$10 billion RCF to the Issuer in January 1998. In the light of the global financial crisis in 2008, the RCF size was increased to HK$30 billion in December 2008 and further increased to HK$80 billion in October 2020. Such increases demonstrated the Hong Kong Government's recognition of the importance of, and its commitment to provide further support to, the Issuer.

The RCF is granted to the Issuer to ensure its smooth operation under exceptional circumstances so that the Issuer can better fulfil its missions of promoting banking and financial stability of Hong Kong. The RCF stands as an important liquidity fallback for the Issuer.

The drawing of the RCF in 2008 was used to partially fund the acquisition of Hong Kong residential mortgage assets from local banks amid the distorted capital market. During 2009, the Issuer fully repaid the amount drawn under the RCF with funds raised from its cost-effective debt issuance.

The breakdown of the Issuer's funding by type and maturity is as follows:

Debt securities issued

The following table sets out details of the Issuer's outstanding debt securities (all under the Medium Term Note Programme) by category as at the dates indicated.

	As at 31 December	
	2025	**2024**
	HK$'000	**HK$'000**
Debt securities carried at amortised cost	6,525,071	5,799,769
Debt securities designated as hedged items under fair value hedge	148,644,259	142,499,867
Total debt securities issued	155,169,330	148,299,636

The following table sets out the projected contractual undiscounted cash flows including future interest payments on the basis of their earliest possible contractual maturity of the Issuer's outstanding debt securities by maturity as at the dates indicated.

	As at 31 December	
	2025	2024
	HK$'000	HK$'000
Up to 1 month	(2,324,918)	(4,111,252)
Over 1 month to 3 months	(24,751,351)	(25,320,904)
Over 3 months to 1 year	(48,182,986)	(38,523,997)
Over 1 year to 5 years	(81,262,715)	(86,514,368)
Over 5 years	(13,823,050)	(8,326,159)
	(170,345,020)	(162,796,680)

Investment Portfolio

Investment Policy

The Issuer's investment policies and strategies are formulated by the ALCO. The investment portfolio comprises bank deposits, short-term commercial paper, certificates of deposit, bonds, yield-based government bond funds and real estate investment trust. The bond investment of the portfolio includes debt securities issued by governments, agencies, supranationals, highly-rated financial institutions and corporations that can be readily convertible into cash.

The objectives of the investment portfolio include:

- enhancing liquidity, prepayment and surplus cash management;
- generating cash to meet liquidity needs if access to the capital market is impaired or issuance costs are temporarily distorted;
- providing temporary asset alternative when loan asset purchases are scarce or to buffer intermittent settlement of purchase commitments;
- hedging the negative endowment effect arising from non-interest bearing funds such as shareholder's funds and mortgage insurance premium; and
- securing a stable capital return under various interest rate cycles.

Investment Guidelines

The Issuer's investment guidelines are approved by the Board of Directors. The guidelines set out the relevant risk parameters for investment activities. These parameters include eligible product types, credit rating requirements, maximum tenor, allowable currency, investment exposure and portfolio concentration of investments undertaken by the Issuer. By adopting prudent investment guidelines, the Issuer has not invested in any debt securities issued by any financial institution which has, up to the date of this Supplemental Offering Circular, failed to honour its payment obligations thereunder.

The breakdown of the Issuer's listed and unlisted investment securities are as follows:

	As at 31 December	
	2025	2024
	HK$'000	HK$'000
Investment Securities at Fair Value Through Other Comprehensive Income (FVOCI)		
Debt securities at fair value		
Listed in Hong Kong	5,022,290	1,846,255
Listed outside Hong Kong	3,914,966	1,758,951
Unlisted	663,233	116,615
Total FVOCI securities	9,600,489	3,721,821
Investment securities at FVPL		
Debt securities at fair value — unlisted	190,336	–
Exchange-traded funds at fair value — listed in Hong Kong	10,300	9,774
Total FVPL securities.	200,636	9,774
Investment securities at amortised cost		
Debt securities		
Listed in Hong Kong.	6,958,294	5,715,799
Listed outside Hong Kong	10,411,116	6,190,447
Unlisted	2,946,341	3,204,074
	20,315,751	15,110,320
Impairment allowance	(6,844)	(4,850)
Total amortised costs securities	20,308,907	15,105,470

The breakdown of the Issuer's investment securities by issuer type is as follows:

	As at 31 December	
	2025	2024
	HK$'000	HK$'000
Investment securities at FVOCI		
Banks and other financial institutions.	3,794,428	971,385
Corporate entities.	2,266,625	837,460
Public sector entities.	1,709,871	1,044,727
Central governments.	1,829,565	868,249
	9,600,489	3,721,821
Debt securities at amortised cost		
Banks and other financial institutions.	3,621,581	4,520,414
Corporate entities.	9,102,040	6,149,201
Public sector entities.	3,151,464	1,936,527
Central governments.	3,205,011	2,002,795
Others (infrastructure-related bonds).	1,235,655	501,383
	20,315,751	15,110,320

In addition to the above investment securities, the Issuer has classified the placements of HKMCA and HKMCI with the Exchange Fund as financial assets at FVPL. As at 31 December 2025, the balance of the placements with the Exchange Fund amounted to HK$72.4 billion (2024: HK$49.2 billion), comprising a total principal sum of HK$62.5 billion (2024: HK$42.5 billion) plus income earned and accrued but not yet withdrawn as at the reporting date, which represented the premium and capital placements made by the HKMCA and the HKMCI.

The placements with the Exchange Fund are invested in the Investment Portfolio (**IP**) and Long-Term Growth Portfolio (**LTGP**) of the Exchange Fund, subject to a lock-up period. The rate of return on the placements with the Exchange Fund is determined annually. For IP, the rate of return is calculated on the basis of the average annual rate of return on the portfolio over the past six years or the average annual yield of three-year Government Bond in the previous year (subject to a minimum of zero per cent.), whichever is the higher. With respect to the LTGP, the rate of return is determined based on the current year time-weighted rate of return.

Capital Adequacy Ratio

The CAR is calculated as the ratio, expressed in a percentage, of the Issuer's capital base to the sum of the risk-weighted amount for its credit risk, market risk and operational risk exposures. The capital base is substantially represented by the shareholder's equity. The typical components are share capital, retained profits and fair value reserve, with certain adjustments as required under the Guidelines on CAR which are largely developed with reference to the Basel II risk-based capital adequacy framework. In accordance with the Guidelines on CAR, the calculation of the CAR follows the basis of consolidation for financial reporting with the exclusion of regulated subsidiaries which are subject to separate requirements on the maintenance of adequate capital (i.e., the HKMCI and the HKMCA, as regulated by the Insurance Authority of Hong Kong). The investment cost of these unconsolidated regulated financial entities is deducted from the capital base whilst the corresponding related exposures are also excluded from the calculation of risk-weighted assets.

The Issuer is required to maintain the minimum CAR of 8 per cent. under the Guidelines on CAR. Any breach or likely breach by the Issuer of the Guidelines on CAR must be reported to the Financial Secretary.

	As at 31 December	
	2025	**2024**
CAR	18.1%	19.9%

Risk Management

The Issuer operates on prudent commercial principles. The principle of "prudence before profitability" guides the design of the overall risk management framework, disciplines as well as day-to-day business execution. Over the years, the Issuer has continuously made refinements to its risk management framework to reflect changes in the markets and its business strategies.

The Board is the highest decision-making authority of the Issuer and holds ultimate responsibility for risk management. The Board, with the assistance of the Corporate Risk Management Committee (**CRC**), has the primary responsibility of formulating risk management strategies in the risk appetite statement and of ensuring that the Issuer has an effective risk management system to implement these strategies. The risk appetite statement defines the constraints for all risk-taking activities, and these constraints are incorporated into risk limits, risk policies and control procedures that the Issuer follows to ensure risks are managed properly.

The CRC is responsible for overseeing the Issuer's various types of risks, reviewing and approving high-level risk-related policies, overseeing their implementation, and monitoring improvement efforts in governance, policies and tools. Regular stress tests are reviewed by the CRC to evaluate the Issuer's financial capability to weather extreme stress scenarios.

The CRC is chaired by an Executive Director, with members including the CEO, Senior Vice Presidents, General Counsel and senior staff from the Risk Management Department of the Issuer.

Under the steer of the CRC, the Issuer manages primarily credit risk, market risk, longevity risk, property price risk, operational risk, legal and compliance risk, leveraging risk and ESG risk arising from its

businesses through various management committees such as the Infrastructure Financing and Securitisation Investment Committee (**IFSIC**), the IFSCMC, the Credit Committee (**CC**), the Transaction Approval Committee (**TAC**), the ALCO, the Operational Risk Committee (**ORC**), the Longevity Risk Committee (**LRC**) and the ESGC. Other than the IFSIC, which is chaired by an Executive Director, all of these management committees are chaired by the CEO with members including the relevant Senior Vice Presidents, General Counsel, and senior staff from the relevant functional departments of the Issuer.

The insurance subsidiaries of the Issuer also have their own Risk Committee (**RC**) to monitor insurance risk and other relevant risks. Each RC is chaired by an Executive Director of the relevant subsidiary, with members including the Chief Executive Officer and the relevant senior staff of the subsidiary. The RC of the HKMCA includes independent and non-executive directors to provide independent risk oversight of its operation.

(a) Credit Risk

Loan Assets and Guarantee Portfolio

The Issuer and the HKMCI maintains loan and guarantee portfolios of retail and commercial loan assets, which primarily comprise mortgage loans. Credit risk is the Issuer's and the HKMCI's primary risk exposure. It is the default risk presented by loan borrowers and counterparties.

(i) Default risk

The Issuer and the HKMCI adopt a four-pronged approach to safeguard and maintain the credit quality of its assets, MIP and SME guarantee portfolios:

- careful selection of counterparties, including Approved Sellers, Approved Servicers, Approved Reinsurers and other lenders who are participating AIs;
- prudent eligibility criteria for asset purchase, insurance and guarantee applications;
- effective due diligence processes for mortgage purchase, default loss, insurance and guarantee claims; and
- enhanced protection for higher-risk transactions.

Losses may arise from the recovery shortfalls of defaulted loans under the MPP. To mitigate this risk, the Issuer establishes prudent loan purchasing criteria and conducts due diligence reviews as part of the loan purchase process to maintain the credit quality of loans. In addition, depending on the projected risk exposure of each underlying loan portfolio, credit enhancement arrangements are agreed upon with Approved Sellers on a deal-by-deal basis to reduce potential default losses.

Losses may also arise from a default on loans under the MIP's insurance coverage. To mitigate these risks, each MIP application is underwritten by the HKMCI in accordance with a set of eligibility criteria and each claim from a participating bank is reviewed by the HKMCI to ensure the fulfilment of all MIP coverage conditions. To reduce the risk of possible concentration of this default risk, the HKMCI transfers a portion of the risk-in-force to Approved Reinsurers through reinsurance arrangements.

Similarly, losses may arise from a borrower's default on loans in the 80% SFGS and 90% SFGS guarantee portfolios. The borrower's default risk of each guarantee application is assessed by the lender in accordance with their credit policies. In addition, the HKMCI

adopts prudent eligibility criteria, conducts administrative vetting and credit reviews to better understand the credit quality of the applications, and carries out a due diligence review on each default claim to ensure the loan's compliance with the HKMCI's eligibility criteria and the lenders' internal credit policies.

Credit performances of the loan and guarantee portfolios are tracked and reported on a regular basis to closely monitor any emerging risks, and to implement risk-mitigating measures in a timely way.

(ii) Seller/Servicer counterparty risk

Counterparty risks may arise from the failure of an Approved Seller/Approved Servicer of an acquired portfolio to remit scheduled payments to the Issuer in a timely and accurate manner.

The Approved Sellers/Approved Servicers are subject to a risk-based eligibility review and ongoing monitoring of their loan servicing quality and credit standing.

(iii) Reinsurer counterparty risk

Reinsurer counterparty risk refers to the failure of an Approved Reinsurer to make claim payments to the HKMCI. To mitigate reinsurer counterparty risk effectively, the HKMCI has a framework in place for the assessment of mortgage reinsurers' eligibility and requested collateral on the risk exposures.

The HKMCI performs annual and ad-hoc reviews of each Approved Reinsurer to determine the eligibility for ongoing business allocation and risk-sharing portions.

(iv) Treasury counterparty risk

Treasury counterparty risk arises when there is a delay or failure from treasury counterparties to make payments with respect to treasury instruments transacted with the Issuer. Treasury counterparties are managed by a rating-based counterparty assessment framework and a risk-based counterparty limit mechanism. The treasury counterparties are continually monitored and the counterparty limits are adjusted based on the assessment results. Furthermore, the Issuer has set up bilateral collateral arrangements with swap counterparties to mitigate treasury counterparty risk.

(v) Lender risk

The HKMCI is exposed to lender risk in SME lending that arises from: (a) a lender's underwriting being non-compliant with its credit policy; (b) a lender's loosely formulated credit policy that is not specific enough or sufficiently defined for compliance; and (c) the moral hazard of a lender being less prudent in underwriting a guarantee protected application. The HKMCI manages lender risk through the review of the lenders' credit policies and the due diligence reviews on claims.

(vi) Insurer counterparty risk

Insurer counterparty risk arises when there is a delay or failure from the life insurer in meeting its obligations under the life insurance policy assigned to the HKMCI under the PRMP. To mitigate insurer counterparty risk, the life insurance policy to be assigned to the HKMCI must be issued by an insurer authorized under the Insurance Ordinance. Furthermore, the insurers are subject to ongoing monitoring.

The CC or RC, as appropriate, is responsible for setting the credit policies and eligibility criteria and is the approval authority for accepting applications to become Approved Sellers/Servicers under the MPP, Approved Reinsurers under the MIP and the RMP, Approved Lenders under the SFGS and eligible treasury counterparties. It is also responsible for setting risk exposure limits for counterparties. The CC and RC monitor the operating environment closely and put in place timely risk mitigating measures to manage the credit risk.

The TAC or RC, as appropriate, conducts in-depth analyses of pricing economics and associated credit risks for business transactions, while taking into consideration the latest market conditions and business strategies approved by the Board.

Infrastructure Loans

Credit risk arises when the counterparty to a financial instrument fails to meet its contractual obligations, leading to potential or actual financial losses to the Issuer. The credit risk related to the IFS business is managed through prudent underwriting criteria, in-depth due diligence reviews conducted by in-house experts and independent consultants, exposure management through divestment or other risk sharing arrangement. All investments have taken into consideration the transaction structures with appropriate risks and returns, acceptable project risks and mitigation measures, including delay risk, construction risk, performance risk, operational risk, commercial risk, financial risk, counterparty risk, concentration risk, legal and compliance risk, regulatory risk, political risk, currency risk, interest rate risk and environmental and social risks, subject to ongoing monitoring and a review mechanism. The Issuer also adopts a robust internal credit rating methodology and a loss given default methodology to evaluate expected losses arising from an infrastructure loan default.

In terms of the risk governance structure, a dedicated division, inclusive of a risk control unit, performs the credit assessment, day-to-day monitoring, reporting and risk management of infrastructure investments. The IFSIC is the governing forum to manage the infrastructure investments and is responsible for overseeing compliance with applicable rules, guidelines and policies, and for approving and monitoring the infrastructure investments and issuance of the ILBS Notes. The Issuer has established the IFSCMC as the governing forum of the collateral management business for the Bauhinia ILBS programme.

(b) Market Risk

Market risk arises when the Issuer's income or the value of its portfolios decreases due to adverse movements in market prices. Market risk consists of interest rate risk, asset-liability maturity mismatch risk, liquidity risk and currency risk.

(i) Interest rate risk

Interest rate risk arises when changes in market interest rates affect the interest income associated with the assets and/or interest expenses associated with the liabilities.

The primary objective of interest rate risk management is to limit the potential adverse effects of interest rate movements. The interest rate risk faced by the Issuer is two-fold, namely interest rate mismatch risk and basis risk. The Issuer makes prudent use of a range of financial instruments, mainly interest rate swaps, to manage interest rate mismatch risk.

The Issuer also uses the duration gap (i.e. the difference in interest rate re-pricing intervals between assets and liabilities) as an indicator to monitor, measure and manage interest rate mismatch risk.

Depending on the prevailing interest rate outlook and market conditions, the Issuer proactively re-balances the duration gap of its asset-liability portfolio under the guidance and supervision of the ALCO.

Basis risk represents the difference in benchmark rates between the Issuer's Prime-based interest-earning assets and its HIBOR-based interest-bearing liabilities.

Over the past few years, the Issuer has consciously adopted a strategy that acquires more HIBOR-based assets. As a result, the Prime-HIBOR basis risk for the Issuer has been substantially reduced.

(ii) Asset-liability maturity mismatch risk

Asset-liability maturity mismatch risk can be more specifically characterised as reinvestment risk and refinancing risk. Reinvestment risk refers to the risk of a lower return from the reinvestment of proceeds that the Issuer receives from prepayments and repayments of its loan portfolio. Refinancing risk is the risk of refinancing liabilities at a higher level of interest rate or credit spread.

Reinvestment risk is managed through the ongoing purchase of loan assets to replenish the rundown in the retained portfolios, and through the investment of surplus cash in debt securities and cash deposits, to fine-tune the average life of the overall asset pool.

The Issuer manages its refinancing risk through flexible debt issuance with a broad spectrum of maturities. This serves to adjust the average life of the overall liability portfolio in a dynamic fashion. In addition, refinancing risk can be mitigated by adjusting the maturities of assets in the investment portfolio, or off-loading loan assets through securitisation.

The Issuer uses the asset-liability maturity gap ratio to measure, monitor and manage asset-liability maturity mismatch risk to ensure a proper balance between the average life of the Issuer's assets and liabilities.

(iii) Liquidity risk

Liquidity risk represents the risk of the Issuer not being able to repay its obligations such as the redemption of maturing debt, or to fund committed purchases of loan portfolios.

Liquidity risk is managed by monitoring the daily inflow and outflow of funds, and by projecting the longer-term inflows and outflows of funds across the full maturity spectrum and under different market conditions.

Given its strong background as a wholly government-owned entity and its solid credit rating, the Issuer is efficient in raising funds from debt markets with both institutional and retail funding bases. This advantage is supplemented by the Issuer's portfolio of highly liquid investments, which is held to enable a swift and smooth response to unforeseen liquidity requirements. The HK$80 billion RCF from the Exchange Fund further provides the Issuer with a liquidity fallback even if exceptional market strains last for a prolonged period.

The Issuer manages pre-funding prudently through well-diversified funding sources. Such diversification allows the Issuer to pursue a pre-funding strategy at the lowest possible cost, while offering safeguards against the difficulty of raising funds in distorted market conditions. The current funding sources include:

- U.S.$30 Billion Medium Term Note Programme: An extensive dealer group is appointed to underwrite and distribute local and foreign currency debt to international institutional investors under the Programme;

- HK$40 Billion DIP: Primary dealers and selling group members underwrite and distribute debts to institutional investors under the DIP. The transferable loan certificate sub-programme under the DIP provides further diversification of its funding sources and broadening of its investor base;

- HK$20 Billion RBIP: Placing banks use their branch networks and telephone and electronic banking facilities to assist the Issuer in offering retail bonds to investors;

- Investment Portfolio: This portfolio comprises mainly cash and bank deposits, commercial paper, high-quality certificates of deposit and notes that are readily convertible into cash;

- Money Market Lines: The Issuer has procured money market lines from a large number of local and international banks for short-term financing; and

- HK$80 Billion RCF: The Exchange Fund commits to providing the Issuer with HK$80 billion in revolving credit.

(iv) Currency risk

Currency risk arises from the impact of foreign exchange rate fluctuations on the Issuer's financial position and foreign currency-denominated cash flows. The Issuer manages its currency risk strictly in accordance with the investment guidelines approved by the Board and under the supervision of the ALCO, which sets daily monitoring limits on currency exposure.

To ensure adequate checks and balances, transaction execution is segregated among the front, middle and back offices which are assumed by the Treasury Department, the Risk Management Department, and the Operations Department, respectively.

The ALCO is responsible for the overall management of market risk. It follows the prudent risk management principles and investment guidelines approved by the Board. Regular meetings are held to review the latest financial market developments and formulate relevant asset-liability management strategies.

(v) Placements with the Exchange Fund

The HKMCA places its annuity premium receipts in the IP and LTGP of the Exchange Fund to earn an investment return. Furthermore, the HKMCA and the HKMCI have been placing their paid-up capital and retained earnings to the IP to manage the return on capital. The Issuer is exposed to market risk when the investment return falls short of the expected level. The risk of loss could result from adverse movements in interest rates, equity prices, property prices and foreign exchange rates. The Issuer actively monitors and reviews the investment portfolio to determine the strategic asset allocation between IP and LTGP.

The RCs of the HKMCA and the HKMCI are the governing forums for managing all risks arising from their placements with the Exchange Fund.

(c) Longevity Risk

Longevity risk under the RMP and the PRMP refers to the heightening risk of longer payouts. The longer the payout and loan period, the larger the loan balance will accrue over time, and the lesser the buffer will be from the enforcement of collateral to cover the outstanding loan balance. A loss may arise if there is a shortfall in the recovery amount after the disposal of the property under the RMP or the claim of death benefits of the life insurance policy under the PRMP.

Longevity risk under the life annuity business of the HKMCA is the risk that the actual life expectancies of annuitants are longer than expected, resulting in a longer stream of monthly payouts, which in turn could materially impact the long-term sustainability of the life annuity business.

The Issuer takes on longevity risk through setting prudent actuarial assumptions in mortality rates as well as future improvement in life expectancy. An annual risk analysis is conducted to assess the potential financial impact of longevity risk, as well as the interaction among the various risk factors under the RMP, the PRMP and the life annuity business of the HKMCA. The mortality assumptions are reviewed on a regular basis.

The LRC is the governing forum that manages the longevity risk of the Issuer. Its duties include approving longevity risk management policies, hedging transactions and reviewing longevity experiences and exposures of the Issuer. It also monitors and analyses the general trend, technological changes and their implications for human longevity.

(d) Property Price Risk

Property price risk arises from fluctuation in the value of property that acts as collateral for the Issuer's loan and guarantee portfolios under the MPP, MIP and RMP. The Issuer manages property price risk by soliciting valuations from professional surveyors on each property securing a loan purchase or loan application, setting prudent assumptions in the recoverable value of the collateralised property, restricting maximum loan-to-value ratios of the loans under the relevant programmes and conducting stress tests to examine the impact of adverse market conditions.

The CC and RC are the governing forums that manage the property price risk of the Issuer.

(e) Operational Risk

Operational risk represents the risk of losses arising from inadequacies, or the failure of internal processes, people or systems, or external interruptions.

The Issuer actively manages operational risk with its well-established internal controls, authentication structures and operational procedures. The operational infrastructure is well designed to support the launch of new products in different business areas. Rigorous reviews are conducted before the implementation of operational or system infrastructure to ensure adequate internal controls are in place to mitigate operational risk.

To ensure an efficient and effective discharge of daily operations, the Issuer pursues advanced technological solutions alongside robust business logistics and controls to carry out its operational activities and business processes. The Issuer also implements prudent measures to institute appropriate checks and balances, thereby ensuring its operations are properly controlled. Effective internal controls help minimise financial risk and safeguard assets against unauthorised use or loss, including the prevention and detection of fraud, as well as cybersecurity threats.

In relation to cybersecurity and information risk, which represents the loss of confidentiality, integrity or availability of information and systems that may have an adverse impact to the Issuer, the following specific measures have been implemented to mitigate such risks:

- preventive security architecture design, risk assessments and awareness programs;
- detective measures to identify abnormal system activities in pre-empting cybersecurity threats;
- continuous collection and analysis of external cybersecurity threats for ongoing control enhancement; and
- establishment of structural response plans to minimise the impact of potential security events.

To ensure all line functions in the Issuer maintain an effective operational risk and internal control framework, the ORC establishes key risk indicators to track the key operational risk items and monitor the effectiveness of the risk mitigating measures. Operational risk incidents are also reported for operational risk management. In addition, the ORC provides directions and resolves issues related to policies, controls and the management of operational issues, as well as ensuring prompt and appropriate corrective actions in response to audit findings related to operational risks and internal controls.

(f) Legal and Compliance Risk

Legal and compliance risk arises from the failure to comply with statutory or regulatory obligations and any unenforceability of legal documents in safeguarding the interests of the Group.

The Issuer manages such risk through its Legal Office, which includes the Compliance Function.

The Legal Office, headed by the General Counsel, advises the Group on various legal matters relating to the Group's businesses. When new products or business activities are considered, the Legal Office will advise on the relevant laws and the necessary legal documentation. Where appropriate, external counsel will be engaged to assist the Legal Office in providing legal support to the Group.

The Compliance Function is part of the Legal Office and is led by the Chief Compliance Officer (Counsel) who reports to the CEO through the General Counsel. Where appropriate, the Compliance Function will engage external counsel to advise on compliance matters.

The ORC is the governance committee for legal and compliance risk of the Issuer.

(g) Leveraging Risk

To ensure the Issuer would not incur excessive risk when expanding its business and balance sheet in proportion to its capital base, the Financial Secretary acted as the regulator of the Issuer, issued the Guidelines on CAR taking reference principally from the Basel II risk-based capital adequacy framework. The minimum CAR is set at 8 per cent. As at 31 December 2025, the Issuer's CAR was 18.1 per cent.

The prudent use of regulatory capital is monitored closely in accordance with the capital guidelines. The CEO reports the CAR and the daily minimum ratio to the Board of Directors on a quarterly basis. An early warning system is also in place. If the CAR drops to the threshold level of

14 per cent., the CEO will alert the Executive Directors and consider appropriate remedial actions. If the CAR falls to 12 per cent. or below, the Board of Directors will be informed and appropriate remedial actions will be taken.

The capital requirements of the insurance subsidiaries are subject to the regulatory requirements of the Insurance Authority of Hong Kong. The respective solvency ratios of HKMCI and HKMCA, calculated in accordance with the Insurance (Valuation and Capital) Rules (Cap. 41R of the Laws of Hong Kong) under the risk-based capital regime, were about 3.9 times and 2.0 times as at 31 December 2025.

(h) Environmental, Social and Governance Risk

ESG issues pose a potential risk to the Group's operations, reputation and performance. The Issuer manages the ESG risk under the ESG risk management framework, which mainly includes determining its ESG risk appetite, conducting ESG risk assessment, performing climate risk stress testing and monitoring risk levels by ESG risk metrics. The ESGC is the governance committee for managing the ESG risk of the Issuer.

BOARD OF DIRECTORS, SENIOR MANAGEMENT AND ORGANISATION CHART

The section titled "Board of Directors, Senior Management and Organisation Chart" set out on pages 132 to 134 of the Offering Circular shall be deleted in its entirety and replaced with the following.

Board of Directors and Senior Management

Board of Directors of the Issuer

In order to give a broad representation of the views and interests of different sectors, the Issuer has since its incorporation maintained a diverse composition of the Board of Directors which currently includes officials from the Hong Kong Government, representatives from political parties, the banking sector, and the accounting and the legal professions.

The Financial Secretary currently serves as the Chairman of the Board of Directors of the Issuer.

Members of the Board of Directors as at the date of this Supplemental Offering Circular are:

The Hon. Paul CHAN Mo-po, GBM, GBS, MH, JP
Chairman and Executive Director
Financial Secretary

Mr Eddie YUE Wai-man, JP
Deputy Chairman and Executive Director
Chief Executive
Hong Kong Monetary Authority

Mr Howard LEE Tat-chi, JP
Executive Director
Deputy Chief Executive
Hong Kong Monetary Authority

Mr Colin POU Hak-wan, JP
Executive Director and Chief Executive Officer
Executive Director
Hong Kong Monetary Authority

The Hon. Christopher HUI Ching-yu, GBS, JP
Non-Executive Director
Secretary for Financial Services and the Treasury

The Hon. Winnie HO Wing-yin, JP
Non-Executive Director
Secretary for Housing

The Hon. CHAN Hak-kan, SBS, JP
Non-Executive Director
Member of Executive Council
Member of Legislative Council

The Hon. Jimmy NG Wing-ka, BBS, JP
Non-Executive Director
Member of Legislative Council

The Hon. SHIU Ka-fai, BBS, JP
Non-Executive Director
Member of Legislative Council

Ms Dilys CHAU Suet-fung, JP
Non-Executive Director
Partner
Ernst & Young

Mr Paul TSE Wai-chun, JP
Non-Executive Director
Founder & Senior Partner, Paul W. Tse, Solicitors

Ms Ivy CHEUNG Wing-han
Non-Executive Director
Vice Chairman, KPMG China
Senior Partner, KPMG in Hong Kong

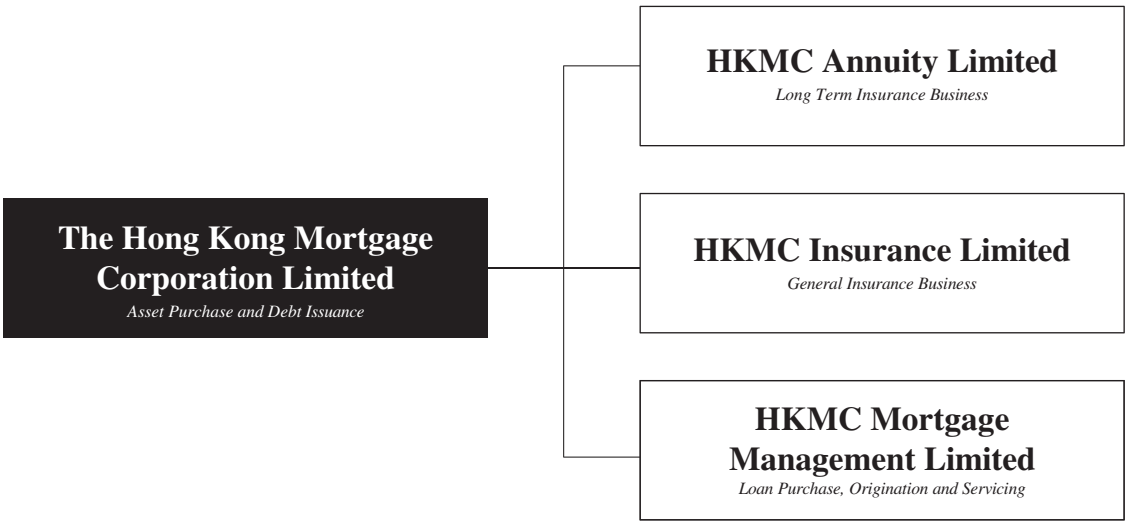
Ms Margaret KWAN Wing-han
Non-Executive Director

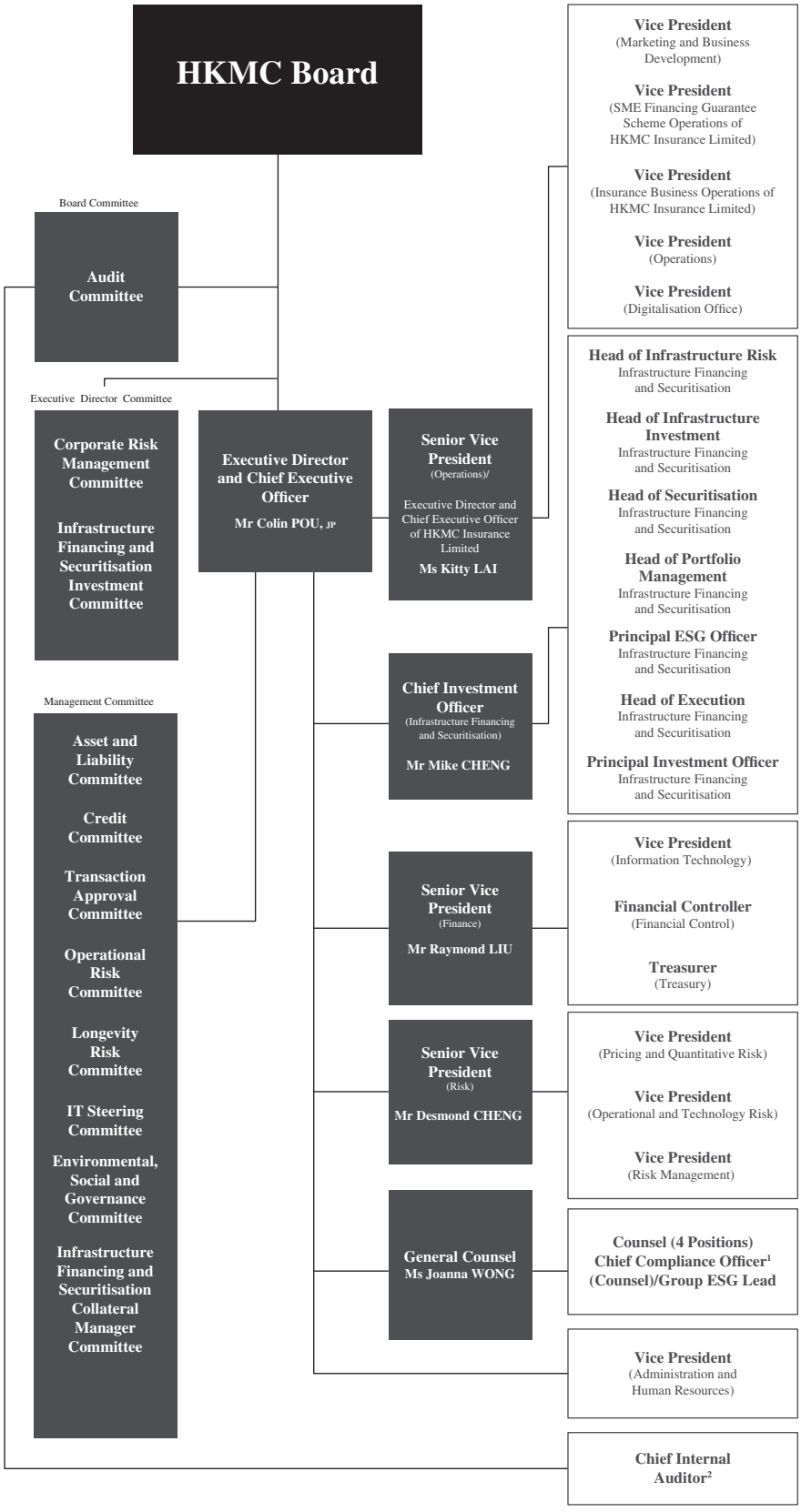
Senior Management of the Issuer

Members of the Issuer's senior management are:

Executive Director and Chief Executive Officer	POU Hak Wan (Colin POU) JP
Senior Vice President (Operations)	LAI Hau Yee (Kitty LAI)
Senior Vice President (Finance)	LIU Chi Keung (Raymond LIU)
Senior Vice President (Risk)	CHENG Kam Chuen, Desmond
Chief Investment Officer (Infrastructure Financing and Securitisation)	CHENG Man Shun, Mansion (Mike CHENG)
General Counsel	WONG Man Sze, Joanna

Organisation Chart





1 Reporting to the Chief Executive Officer through the General Counsel

2 Reporting to the Chief Executive Officer on daily administrative function

SUBSCRIPTION AND SALE

The section titled "Subscription and Sale — Selling Restrictions — United Kingdom — Prohibition of sales to UK Retail Investors" set out on page 143 of the Offering Circular shall be deleted in its entirety and replaced with the following:

UNITED KINGDOM

Prohibition of Sales to UK Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold, distributed or otherwise made available and will not offer, sell, distribute or otherwise make available any DN Notes which are the subject of this Supplemental Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision:

(a) the expression **retail investor** means a person who is either one (or both) of the following:

  (i) not a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018; or

  (ii) not a qualified investor as defined in paragraph 15 of Schedule 1 to the POATRs, 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 DN Notes to be offered so as to enable an investor to decide to buy or subscribe for the DN Notes.

The section titled "Subscription and Sale" of the Offering Circular shall be supplemented by the following.

SUMMARY OF SUBSCRIPTION AGREEMENTS

Subject to the terms and on the conditions contained in each of the respective subscription agreements dated 10 June 2026 (each a **Subscription Agreement**) between the Issuer and the Joint Lead Managers, the Issuer has agreed to issue the relevant Series of DN Notes, and the relevant Joint Lead Managers have agreed, on a several and not joint basis, to subscribe and pay for, or to procure subscribers to subscribe and pay for, such DN Notes in the Aggregate Nominal Amount as set out in each of the respective Subscription Agreements.

The Issuer will pay each Joint Lead Manager a commission as agreed between them in respect of DN Notes of each Series subscribed by it. The Issuer has agreed to indemnify the Joint Lead Managers against certain liabilities in connection with the offer and sale of the DN Notes. The Subscription Agreements entitle the Joint Lead Managers to terminate any agreement that they make to subscribe the relevant Series of the DN Notes in certain circumstances prior to payment for such Series of the DN Notes being made to the Issuer.

The relevant Joint Lead Managers and certain of their respective affiliates may have performed certain investment banking and advisory services for the Issuer and/or its affiliates from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform services for the Issuer and/or its affiliates in the ordinary course of their business.

The relevant Joint Lead Managers and certain of their respective affiliates may place orders for, purchase and be allocated DN Notes for asset management and/or proprietary purposes and not with a view to

distribution (and such order, purchase and allocation may represent a substantial or significant portion of the total orders or total amount of DN Notes issued). The relevant Joint Lead Managers or certain of their respective affiliates may also enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the DN Notes and/or other securities of the Issuer at the same time as the offer and sale of the DN Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the DN Notes to which this Supplemental Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the DN Notes).

If a jurisdiction requires that the offering be made by a licensed broker or dealer and any Joint Lead Manager or any affiliate of any Joint Lead Manager is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Joint Lead Manager or its affiliate on behalf of the Issuer in such jurisdiction.

Notice to Capital Market Intermediaries and Prospective Investors Pursuant to Paragraph 21 of the Hong Kong SFC Code of Conduct — Important Notice to CMIs (Including Private Banks)

This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for this offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the SFC Code as having an Association with the Issuer, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the DN Notes. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Issuer or any CMI (including its group companies) and inform the relevant Joint Lead Managers accordingly.

CMIs are informed that the marketing and investor targeting strategy for this offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions and any MiFID II product governance language set out elsewhere in the Offering Circular, this Supplemental Offering Circular and/or the applicable Pricing Supplement.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the DN Notes (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place "X-orders" into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Issuer. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the DN Notes.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Joint Lead Managers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the DN Notes, private banks should disclose, at the same time, if such order is placed other than on a "principal" basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a "principal" basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a "principal" basis may require the relevant affiliated Joint Lead Manager(s) (if any) to categorise it as a proprietary order and apply the "proprietary orders" requirements of the SFC Code to such order.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- The name of each underlying investor;
- A unique identification number for each investor;
- Whether an underlying investor has any "Associations" (as used in the SFC Code);
- Whether any underlying investor order is a "Proprietary Order" (as used in the SFC Code);
- Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to: (for the Series A DN Notes and the Series B DN Notes) projectnexus@bochk.com; project.nexus@ca-cib.com; hkg-syndicate@ca-cib.com; hk_syndicate_omnibus@hsbc.com.hk; investor.info.hk.oc.bond.deals@jpmorgan.com; SYNHK@sc.com; ccba_dcm@asia.ccb.com; project.nexus@icbcasia.com; Omnibus_Bond@hk.mizuho-sc.com; Asia-Syndicate@hk.sc.mufg.jp; Ocbcbonds@ocbc.com; and ASIAPAC-GLBA-DCS-SYN-LCM@sgcib.com; and (for the Series C DN Notes) projectnexus@bochk.com; project.nexus@ca-cib.com; hkg-syndicate@ca-cib.com; hk_syndicate_omnibus@hsbc.com.hk; project.nexus@icbcasia.com; SYNHK@sc.com; ccba_dcm@asia.ccb.com; TMG_Syndicate@cncbinternational.com; IB_Project_Nexus2026@cicc.com.cn; investor.info.hk.oc.bond.deals@jpmorgan.com; Omnibus_Bond@hk.mizuho-sc.com; Asia-Syndicate@hk.sc.mufg.jp; and ASIAPAC-GLBA-DCS-SYN-LCM@sgcib.com.

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the SFC Code, including to the Issuer, relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in this offering. The Joint Lead Managers may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Joint Lead Manager with such evidence within the timeline requested.

GENERAL INFORMATION

Listing of DN Notes on the Hong Kong Stock Exchange

Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the DN Notes by way of debt issues to Professional Investors only. Such listing is expected to become effective on 16 June 2026.

Documents Available

For so long as the DN Notes remain outstanding, copies of the following documents will be available in physical/electronic form, at all reasonable times during usual business hours (being between 9:00 a.m. (Hong Kong time) and 3:00 p.m. (Hong Kong time)) on any weekday (Saturdays, Sundays and public holidays excepted), for inspection by a Noteholder following prior written request and with proof of holding and identity to the satisfaction of the Fiscal Agent at the specified office of the Fiscal Agent (being at the Issue Date at Level 26, HSBC Main Building, 1 Queen's Road Central, Hong Kong) (subject, in the case of all the documents listed below other than the DNN Agency Agreement, to the Fiscal Agent having first been provided with copies of the same by the Issuer):

- the DNN Deed of Covenant;
- the DNN Agency Agreement;
- the Offering Circular together with this Supplemental Offering Circular and any further amendments and supplements thereto (if any) with regard to the DN Notes and the Pricing Supplements in respect of the DN Notes; and
- the documents incorporated by reference into the Offering Circular.

For the avoidance of doubt, the CMU Reference Manual and the Platform Related Documentation are not incorporated by reference into nor do they form a part of the Offering Circular or this Supplemental Offering Circular.

Clearing and Settlement System and the Platform

The DN Notes have been accepted for clearance by the CMU under CMU Instrument Numbers ORNHKB26007 (for the Series A DN Notes), ORNHKB26008 (for the Series B DN Notes) and ORNHKB26006 (for the Series C DN Notes). The ISIN of the Series A DN Notes is HK0001313748, the ISIN of the Series B DN Notes is HK0001313755 and the ISIN of the Series C DN Notes is HK0001313730. The Common Code of the Series A DN Notes is 340168313, the Common Code of the Series B DN Notes is 340168321 and the Common Code of the Series C DN Notes is 340168291. The Digital Token Identifier of the Series A DN Notes is CS0MJ2XV4, the Digital Token Identifier of the Series B DN Notes is KB39QFBZC and the Digital Token Identifier of the Series C DN Notes is WXDBSSSB0.

The DLT Platform Operator will operate the Platform, which will serve as an extension of the CMU, for the DN Notes (and in particular for, including, but not limited to, recording and updating of the Issuance Token Record Account and, while the DN Notes are in dematerialised registered form and the Platform Beneficial Interests are held through the Platform, recording of the issuance, settlement, transfer, redemption and cancellation of the beneficial interests in the DN Notes). The DN Notes will be issued in dematerialised registered form in the Specified Currency, the Specified Denomination(s) and the Aggregate Nominal Amount each as specified in the applicable Pricing Supplement. A Series of the DN Notes shall be validly issued when (i) the DNN Deed of Covenant has been duly executed and delivered

in accordance with the provisions therein, (ii) the Aggregate Nominal Amount of such Series of the DN Notes has been initially recorded on-Platform in the relevant Issuance Token Record Account (opened in the name of the HKMA as operator of the CMU) in accordance with the Platform Related Documentation and the relevant procedures of the DLT Platform Operator, and (iii) following completion of (i) and (ii), the Registrar, at the instruction of the Issuer, enters in the relevant Register the person in whose name the relevant Issuance Token Record Account is recorded (which, as noted in (ii) above, will be the HKMA as operator of the CMU) as the sole legal title holder to the Aggregate Nominal Amount of such Series of the DN Notes. The recording of the Aggregate Nominal Amount of the relevant Series of the DN Notes in the relevant Issuance Token Record Account will, therefore, serve as the definitive data source for entry in the relevant Register for the purpose of the issuance of such Series of the DN Notes. The Issuer shall procure the relevant Register to be maintained by the Registrar in accordance with the Conditions. The relevant Register is the definitive record of legal title to the relevant Series of DN Notes. Legal title to the relevant Series of DN Notes passes by entry in the relevant Register by the Registrar.

Significant or Material Change

Save as disclosed in the Offering Circular and this Supplemental Offering Circular, there has been no significant or material adverse change in the financial or trading position of the Issuer since 31 December 2025.

Litigation

Each of the Issuer, the HKMCI, the HKMCA and the HMML is not or has not been involved in any legal or arbitration proceedings (including any pending or threatened proceedings of which the Issuer is aware) which may have or have had in the 12 months preceding the date of this document a significant effect on the financial position of the Issuer, the HKMCI, the HKMCA or the HMML.

Auditor

The auditor of the Issuer is PricewaterhouseCoopers, independent Certified Public Accountants, who have audited the Issuer's annual consolidated financial statements without qualification in accordance with Hong Kong Standards on Auditing for the financial year ended 31 December 2025. The address of PricewaterhouseCoopers is 22/F, Prince's Building, Central, Hong Kong.

On 4 June 2026, PricewaterhouseCoopers indicated it would retire upon the conclusion of the 2026 annual general meeting of the Issuer and would not stand for re-appointment as the auditor of the Issuer. PricewaterhouseCoopers confirmed that there were no circumstances connected with their retirement that should be brought to the attention of the shareholder or creditors of the Issuer. The Issuer has initiated a tendering process to appoint a new auditor to fill the vacancy following the retirement of PricewaterhouseCoopers.

Legal Entity Identifier Number of the Issuer

The Legal Entity Identifier Number of the Issuer is 254900W04TBDJ4UBOS04.

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SUMMARY OF THE DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS

The information on pages F-3 to F-130 has been extracted from the Directors' Report and Audited Financial Statements of the Issuer as at and for the year ended 31 December 2025.

Reference to page numbers which appear at the bottom of pages F-4 to F-130 are references to pages of such document.

THE HONG KONG MORTGAGE CORPORATION LIMITED

DIRECTORS' REPORT AND

AUDITED FINANCIAL STATEMENTS

31 DECEMBER 2025

THE HONG KONG MORTGAGE CORPORATION LIMITED

DIRECTORS' REPORT

Directors (**Directors**) of The Hong Kong Mortgage Corporation Limited (**Company**) have pleasure in presenting their report together with the audited consolidated financial statements of the Company (for the purpose of this report, together with its subsidiaries, **Group**) for the year ended 31 December 2025 (**Financial Statements**).

PRINCIPAL ACTIVITIES

The principal activities of the Group in the course of the year ended 31 December 2025 were:

(a) to purchase portfolios of mortgages or loans secured on properties or other collateral situated in Hong Kong and to acquire debentures, receivables, financial assets and choses in action of all kinds from their originators, issuers, owners or vendors;

(b) to acquire, by purchase or otherwise, any assets from government bodies and agencies and related organisations, statutory bodies and public bodies and to hold, sell, transfer, dispose of and deal in any such assets so acquired;

(c) to issue debt securities to investors;

(d) to carry on the infrastructure financing and securitisation business;

(e) to operate loan guarantee schemes for the Government of the Hong Kong Special Administrative Region (**Government**), providing guarantees on loans advanced or originated by participating lenders (including loans that are fully guaranteed by the Government via the Group and acquired by the Group from participating lenders) to local enterprises (including small and medium-sized enterprises (**SMEs**)), the travel sector, the cross-boundary passenger transport trade, the taxi trade, as well as to individuals who suffered from cessation of main recurrent incomes during the COVID-19;

(f) to provide mortgage insurance cover in respect of mortgage loans, reverse mortgage loans and policy reverse mortgage loans originated by participating lenders and secured on residential properties, life insurance policies and, if applicable, other assets;

(g) to provide fixed-rate mortgages through banks; and

(h) to offer life annuity products in or from Hong Kong.

Details of subsidiaries of the Company as at 31 December 2025 are set out in Note 23 to the Financial Statements.

BUSINESS REVIEW

1. Business Segments

In the pursuit of its missions and social objectives during the year, the Group operated on prudent commercial principles and mainly engaged in business activities of loan guarantee, origination and acquisition, mortgage insurance and life annuity through operation of the programmes, schemes and businesses below.

Mortgage Purchase Programme (**MPP**)

One of the missions of the Group is to promote banking stability in Hong Kong by offering a reliable source of liquidity. To this end, the Group stands ready to purchase mortgage loans and other assets from approved sellers as and when they have the need to offload. During the year, ample liquidity in the market dampened banks' appetite for offloading their assets.

Mortgage Insurance Programme (**MIP**)

MIP is launched with the aim of promoting home ownership in Hong Kong by enabling high loan-to-value financing for homebuyers to reduce their down payment burden. Under the MIP, the Group acts as an insurer to provide mortgage insurance cover for a premium on mortgage loans advanced by participating lenders in excess of the lending limits imposed by the Hong Kong Monetary Authority. Since its inception in 1999, the MIP has helped around 242,000 families achieve home ownership, with an aggregate loan drawdown of HK$905.0 billion. The total amount of loan drawn down in 2025 was HK$35.2 billion (2024: HK$47.9 billion).

Fixed Rate Mortgage Scheme

Fixed Rate Mortgage Scheme is launched with the aim of providing an alternative financing option to homebuyers for mitigating their risks arising from interest rate volatility, thereby enhancing banking stability in the long run. The scheme offers through banks, fixed-rate mortgages with a tenor of 10, 15 or 20 years. The Group will then purchase these mortgages from their originators under the Fixed Adjustable Rate Mortgage Programme. The maximum loan amount of each residential mortgage is HK$10 million. To continue filling the market gap in respect of fixed-rate mortgage products, the scheme was made permanent in November 2021. Starting from February 2022, the Group determines and announces the fixed interest rates from time to time in accordance with factors such as cost of funds, business and market conditions.

Reverse Mortgage Programme (**RMP**)

RMP is launched with the aim of providing homeowners with a new retirement planning option to enhance their quality of life on retirement. Through reverse mortgage, homeowners can use their residential properties as collateral in return for lump-sum payouts and/or a stream of monthly payouts from participating lenders over a payment term. Under the RMP, the Group mainly acts as an insurer to provide mortgage insurance cover for a premium on reverse mortgage loans advanced by participating lenders. With the Group's ongoing and focused educational initiatives, market receptiveness to the RMP has been growing progressively.

Policy Reverse Mortgage Programme (**PRMP**)

PRMP is launched with the aim of providing retirees with a new retirement planning option to enhance their quality of life on retirement. Replicating the business model of the RMP, policy reverse mortgage enables borrowers to use death benefits of their life policies as collateral in return for lump-sum payouts and/or a stream of monthly payouts from participating lenders over a payment term. Under the PRMP, the Group mainly acts as an insurer to provide mortgage insurance cover for a premium on policy reverse mortgage loans advanced by participating lenders. The Group continued to explore customer referral opportunities with business partners and to expand the number of eligible life insurance policies under the PRMP. Promotions and educational initiatives were also undertaken.

100% Personal Loan Guarantee Scheme (**PLGS**)

The Group launched the PLGS in April 2021 to provide a supplementary financing option to individuals suffering from cessation of main recurrent incomes from employment in Hong Kong amid the COVID-19. With the Hong Kong economy recovering steadily as the epidemic subsided, the application period of the PLGS had expired at the end of April 2023. A total loan amount of HK$4.66 billion had been approved under the scheme, benefiting more than 59,000 borrowers.

Dedicated 100% Loan Guarantee Schemes (**DLGS**) for Specified Sectors

Entrusted by the Government, the Group launched the DLGS for the travel sector and the cross-boundary passenger transport trade in April 2023 to support resumption of their business and services, and introduced the DLGS for the taxi trade in September 2023 to encourage taxi owners to replace their liquefied petroleum gas, petrol or hybrid taxis with battery electric taxis. As at the end of 2025, around HK$220 million of loans had been approved under the DLGS for the travel sector and the cross-boundary passenger transport trade, and about HK$209.1 million of loans had been approved for purchase of battery electric taxis. The application period of the DLGS for the travel sector and the cross-boundary passenger transport trade had ended on 28 October 2024 while the application period of the DLGS for battery electric taxis will expire on 3 September 2028.

SME Financing Guarantee Scheme (**SFGS**)

The application period of the Special 100% Loan Guarantee under the SFGS (**100% SFGS**) had ended at the end of March 2024 and the application period of the 90% guarantee product had ended at the end of March 2026. In the 2025 Policy Address, the Chief Executive announced a series of measures to strengthen support for SMEs amid economic restructuring, including the extension of the application period of the 80% guarantee product for two years to the end of March 2028, and a further extension of the principal moratorium arrangement for 12 months. The application period for principal moratorium has been extended correspondingly until 17 November 2026. As at the end of the year, the Group had approved more than 67,100 applications involving a total loan amount of HK$143.9 billion under the 100% SFGS, and around 48,000 applications involving a total loan amount of HK$158.4 billion under the 80% and 90% guarantee products.

Life Annuity Business

The HKMC Annuity Plan (**Annuity Plan**) aims to provide Hong Kong's senior citizens with a reliable retirement financial solution to convert their savings into an immediate, stable and lifelong income stream. The life annuity business had achieved record-breaking business results in 2025 which started with strong momentum driven by the Payout Enhancement and Premium Discount Campaign launched in 2024. Such momentum had sustained throughout the year alongside stepped-up promotional activities. As at the end of the year, the life annuity business achieved a growth of around 106% year-on-year with total premium reaching HK$9 billion. Meanwhile, the Group continued to partner with the insurance industry through reinsurance and referral arrangements to further diversify its distribution channels for accessing a more diversified spectrum of customers.

Infrastructure Financing and Securitisation (**IFS**)

Leveraging on its strong credit standing and medium-to-long term funding capability, the Group furthered its mandates of promoting banking stability and debt market development by facilitating infrastructure investment and financing flows. Since the launch of the IFS business in 2019, the Group had committed over US$3.2 billion of infrastructure loans spreading across Asia Pacific, Middle East and Latin America. The Group operates its IFS business on prudent commercial principles under a robust risk management framework.

On 17 October 2025, the Group, via Bauhinia ILBS 3 Limited (the special purpose vehicle established for the third infrastructure loan-backed securities (**ILBS**) issuance), successfully closed its third publicly-rated securitisation transaction which was comprised of multiple classes of US dollar-denominated senior secured notes backed by the cash flows from a diversified portfolio of projects and infrastructure loans across multiple geographies and sectors, with an issuance size of US$450.5 million. Within the capital structure of such issuance, there was an US$117 million sustainability tranche backed by sustainable, green and social assets. The sustainability tranche was issued in accordance with the Group's Social, Green and Sustainability Financing Framework which aligned with the Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines released by the International Capital Market Association. The notes (except for the subordinated notes) were listed on The Stock Exchange of Hong Kong Limited and offered to a diversified group of professional investors. The Group has multiple roles in such issuance, including the Sponsor, the Retention Holder of the subordinated notes and the Collateral Manager.

The Group's ILBS issuances were widely recognised by industry players and professional investors. During the year, Bauhinia ILBS 2 Limited (the special purpose vehicle established for the Group's second ILBS issuance) was awarded "Infrastructure Securitisation Deal of the Year" by The Assets and "Securitisation Deal of the Year" by IJGlobal Investor whilst Bauhinia ILBS 3 Limited was awarded "Best Structured Finance Issue" by IFR Asia. The issuances aim at enriching the local debt capital market and promoting the securitisation market in Hong Kong.

2. Market Environment

Notwithstanding a challenging external environment in 2025 with volatility in the financial markets marked by lingering impacts of geopolitical tensions and uncertainties in US trade policies, the domestic economy experienced moderate growth as supported by strong exports performance and improved domestic demand, alongside governmental support, Chinese Mainland's economic stimulus measures, lower interest rates, and stabilising asset markets.

3. Financial Performance

The Group reported a net loss of HK$109 million for the year (2024: a net loss of HK$418 million). The improved results were driven by increased income from placements with the Exchange Fund which was bolstered by rising annuity premiums and capital injections made to HKMC Annuity Limited (**HKMCA**) and to HKMC Insurance Limited (**HKMCI**) (each a wholly-owned subsidiary of the Company) in 2025 and late 2024 respectively, along with the recovery in local property market that benefited the reverse mortgage business, the increase in net interest income and the revaluation gain of US dollar exposures in cash and debt investments. These gains were partially offset by the higher accounting loss in the life annuity business resulting from a surge in new policies written and the negative accounting impact of lower discount rate on insurance liabilities revaluation.

After adjustments to exclude (i) the accounting results of the life annuity business; (ii) the impact of property price change on results of the reverse mortgage business; and (iii) effect of accounting adjustments of loan portfolios with insurance cover provided by the HKMCI at consolidation level, the adjusted profit of the Group for the year would be HK$1,497 million and return on equity would be 5.2%. The embedded value of the life annuity business was about HK$24.4 billion, indicating a solid financial position to develop the business in the long term.

	2025	**2024**
Net loss (HK$ million)	(109)[4]	(418)[4]
Return on equity[1]	(0.2%)[4]	(1.5%)[4]
Cost-to-income ratio[2]	264.9%[4]	(232.9%)[4]
Capital adequacy ratio (**CAR**)[3]	18.1%[4]	19.9%[4]

[1] Return on equity is calculated by dividing the net loss or net profit by the average of 12 month-end balances of capital and reserves attributable to equity holder.

[2] Cost-to-income ratio is calculated by dividing operating expenses by operating income.

[3] CAR is calculated as the ratio of the capital base to the sum of the risk-weighted amount for credit risk, market risk and operational risk exposures.

[4] After adjustments to exclude (a) the accounting results of the HKMCA; (b) the impact of property price change on the insurance results of the RMP; and (c) the valuation and corresponding adjustments as required by Hong Kong Financial Reporting Standard 17 "Insurance Contracts" in respect of certain loan portfolios with insurance cover provided by the HKMCI, the adjusted profit, return on equity and cost-to-income ratio of the Group for 2025 would be HK$1,497 million, 5.2% and 19.3% respectively (2024: HK$787 million, 4.8% and 27.6% respectively).

Key items in the Group's income statement for 2025 are highlighted as follows:

(a) net interest income for the year increased by HK$168 million to HK$786 million, mainly due to the improvement in net interest spread and the enlarged debt investment portfolio;

(b) insurance service result, which reflects the insurance revenue less insurance service expenses taking into account the impact of reinsurance contracts held, was a loss of HK$1,409 million for 2025 (2024: a loss of HK$1,627 million). Insurance revenue mainly reflects the consideration to which the Company expects to be entitled in exchange for the provision of insurance contract services in the form of contractual service margin release, while insurance service expenses comprise the incurred claims and other incurred insurance service expenses and losses on onerous groups of contracts and reversals of such losses. The improved insurance service result was mainly due to the recovery of the local property market in 2025 which benefitted the reverse mortgage business, partly offset by the higher losses in the life annuity business due to an increase in new policies written attributable to the enhanced annuity payouts campaign launched in 2024;

(c) insurance finance expenses comprise change in the carrying amount of insurance contracts liabilities arising from effect of the time value of money, financial risk and the changes therein. Net insurance finance expenses in 2025 amounted to HK$2,602 million (2024: HK$405 million). The increase in insurance finance expenses was mainly attributable to the increase in insurance contract liabilities of the life annuity business driven by the lower discount rates adopted at the end of the year as compared to that of 2024;

(d) other income was HK$3,373 million (2024: HK$1,258 million), mainly representing investment income of HK$3,174 million (2024: HK$1,374 million) from placements with the Exchange Fund, gain of HK$99 million (2024: loss of HK$211 million) arising from fair valuation adjustments at consolidation level to the loans with insurance cover provided by the HKMCI, an exchange gain of HK$64 million (2024: a loss of HK$28 million) arising primarily from revaluation of US dollar and offshore Renminbi (**CNH**) exposures in cash and debt investments, and a gain of HK$10 million (2024: a gain of HK$79 million) from change in fair value of financial instruments which largely represented the marked-to-market gain of derivatives for the purpose of hedging interest rate risk. The above exchange gain represented the net results of the exchange difference from the financial assets and the marked-to-market revaluation on corresponding hedging derivatives for managing foreign currency exposures; and

(e) operating expenses (net of recovery of operating expenses from the 100% SFGS and expenses directly attributable to the insurance acquisition and maintenance cash flows incorporated in the insurance service result) were HK$394 million (2024: HK$362 million), less than budget, to support the Group's missions and certain policy initiatives of the Government. The recovery of operating expenses from the 100% SFGS and DLGS and the expenses incorporated in the insurance service result for 2025 were HK$151 million (2024: HK$166 million) and HK$315 million (2024: HK$286 million) respectively.

4. Financial Position

As at 31 December 2025, total assets of the Group amounted to HK$252.4 billion. Key changes in the Group's financial position are as follows:

(a) cash and short-term funds increased by HK$11.9 billion to HK$64.5 billion, mainly due to prudent pre-funding for loan purchases and debt re-financing;

(b) size of loan portfolio was HK$78.6 billion (2024: HK$95.5 billion), comprising 100% SFGS and DLGS loans, infrastructure loans, and residential mortgage and other loans at amortised cost of HK$63.5 billion, HK$8.7 billion and HK$2.9 billion respectively, and residential mortgage portfolio at fair value through profit or loss of HK$3.5 billion;

(c) size of investment portfolio was HK$30.1 billion (2024: HK$18.8 billion), comprising mainly debt investments of HK$20.3 billion classified as amortised cost investments and HK$9.6 billion classified as investments at fair value through other comprehensive income;

(d) placements with the Exchange Fund amounted to HK$72.4 billion (2024: HK$49.2 billion), comprising capital investments of the HKMCI and the HKMCA, and premium investments of the HKMCA;

(e) outstanding balance of debt securities issued increased by HK$6.9 billion to HK$155.2 billion, mainly attributable to prudent pre-funding;

(f) insurance contract liabilities were HK$36.7 billion (2024: HK$25.0 billion), HK$30.4 billion (2024: HK$19.0 billion) of which were from the life annuity business and the remaining HK$6.3 billion (2024: HK$6.0 billion) were from the general insurance business; and

(g) capital and reserves attributable to equity holder were HK$51.2 billion (2024: HK$38.9 billion), largely reflecting the capital injections of HK$12.5 billion in aggregate by the Exchange Fund during the year to the HKMCA for maintaining its capital base above a certain level as determined in accordance with the Insurance Ordinance.

5. Capital Management

To ensure that the Group would not incur excessive risk when expanding its business and balance sheet in proportion to its capital base, during the year, the Group had closely monitored its capital adequacy and use of capital, and had complied with the Guidelines on Capital Adequacy Ratio (**CAR Guidelines**) issued by the Financial Secretary with reference to Basel II risk-based capital adequacy framework.

In accordance with the CAR Guidelines, the calculation of CAR follows the basis of consolidation for financial reporting with the exclusion of regulated subsidiaries of the Company (i.e. the HKMCI and the HKMCA, both being authorized insurers regulated by the Insurance Authority (**IA**) and subject to respective statutory requirements of maintaining adequate capital).

Excluding the investment cost of these two unconsolidated regulated subsidiaries, the CAR of the Group remained solid at 18.1% as at 31 December 2025 (31 December 2024: 19.9%), well above the minimum ratio of 8% stipulated in the CAR Guidelines. The solvency ratios as at 31 December 2025 for the HKMCI and the HKMCA were about 3.9 times and 2 times respectively (31 December 2024: 4 times and 1.7 times respectively), both well above the minimum statutory requirements stipulated by the IA.

6. Principal Risks and Uncertainties facing the Group

The Group is exposed to credit risk through loan purchase, mortgage insurance, infrastructure financing and capital investment. The Group is also exposed to interest rate, property price and longevity risks under its reverse mortgage-related business, and takes on longevity, market and liquidity risks under its life annuity business. Furthermore, the Group assumes market risk, mainly the interest rate risk and the asset-liability maturity mismatch risk, for facilitating its business operation. In respect of environmental, social and governance (**ESG**) issues, the Group is exposed to potential ESG risks on the Company's operations, reputation and performances, with climate risk mainly related to treasury investments, IFS loan portfolio and mortgage businesses.

The risk exposures and the financial risk management during the year are set out in Note 3 to the Financial Statements.

7. The Group's Environmental Policies and Performance

The Group is committed to operating and carrying on business in a responsible and sustainable manner. As part of such commitment, the Group integrates ESG considerations, including climate-related factors, in its investment, lending and business decision-making processes in line with its ESG Statement, ESG Guiding Principles and its Responsible Investment, Lending and Business Decision-making Principles which set out the Group's overall strategy and objectives in regard to ESG issues. The Group also has in place environmental-related policies such as the Green Operations Guidelines to provide guidance on green office practices with the aim of embedding environmental considerations into office management, as well as the Anti-Greenwashing Guidance for Marketing Materials which provide guidance on potential greenwashing risks the Group may encounter and relevant mitigation measures for such risks. In addition, the Product Development ESG Guidelines and ESG Product Checklist were adopted to facilitate the Group's evaluation of the ESG impacts of its products and their alignment with the Group's ESG strategy and objectives.

The Group has been implementing its ESG strategy in view of its core missions and worked on enhancing its ESG integration under the direction of the ESG Committee. In particular, as regards the environmental aspects, the Group targets to achieve carbon neutrality[5] by 2050, in line with the Government's carbon neutrality commitments and Hong Kong's Climate Action Plan 2050. As an interim target, the Group strives to reduce its greenhouse gas (**GHG**) emissions intensity[5] by 36% by 2035 with 2023 as the base year. To achieve these targets, the Group has established a decarbonisation action plan to guide its GHG emissions reduction initiatives and support the transition towards a low-carbon economy.

During the year, in accordance with its decarbonisation action plan, the Group continued to support and implement various green measures to create and maintain an environmentally-friendly office (including agile office design and reuse of office furniture and equipment) and to raise employees' awareness of methods of waste reduction (including clothes and electronics recycling programmes) and energy conservation. Employees were encouraged to adopt paperless working practices by using electronic communication and digitalisation measures in the office. Suggestions from employees on green office ideas were also welcomed. The Group had incorporated ESG considerations into its procurement practices which include conducting ESG supplier due diligence for procurements above a specified threshold and encouraging its suppliers to use and offer more environmentally-friendly products whenever practicable. The Group's remaining diesel-fuelled vehicle was also retired during the year, as the Group transitioned to an all-electric fleet for its company vehicles to reduce fuel consumption and the associated GHG emissions.

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[5] Taking into account the nature of the Group's businesses, portfolios, services and operations and the feasibility of data collection and quantification including considering the relevance and/or materiality of its various emissions sources, the scope of GHG emissions for carbon neutrality and emissions intensity calculations in respect of the Group's decarbonisation targets currently includes Scope 1, Scope 2 and Category 3, 5, 6 and 15 of Scope 3 emissions as described in the GHG Protocol's corporate standards.

8. The Group's Compliance with Relevant Laws and Regulations that have a Significant Impact on the Group

During the year, there were no relevant laws and regulations relating to the environment that had a significant impact on the Group.

9. Particulars of Important Events affecting the Group that have occurred since end-2025

In January 2026, the Monetary Authority entered into a capital commitment arrangement with the Company and the HKMCA to inject additional funds of up to HK$25 billion in aggregate from the Exchange Fund into the Company as equity for the sole purpose of financing the Company's additional capital injection into the HKMCA, and the Company has committed to inject such funds into the HKMCA as equity to maintain the HKMCA's capital base above a certain level.

10. Indication of Likely Future Developments in the Group's Business

The Group will continue with its existing multi-faceted businesses and develop new enhancements, products and schemes as commissioned by the Government to attain its missions and social objectives. In addition, the Group will continue to maintain its prudent pre-funding strategy to stand ready for providing liquidity to the local banking sector when needed.

The Group is planning to incorporate green building elements into the MIP, RMP and Fixed Rate Mortgage Scheme.

11. The Group's Key Relationships with Its Employees and Counterparties that have a Significant Impact on the Group and on which the Group's Success Depends

Employees

During the year, the Group continued to provide employees with competitive remuneration packages and fringe benefits, promising career paths and development opportunities, and a healthy and safe working environment. Despite an increase in the scope of operations and the complexity of the products it offered, the Group maintained a lean and efficient workforce through system automation and process re-engineering. During the year, the Group undertook a comprehensive review of its existing retirement schemes, resulting in the introduction of two new Mandatory Provident Fund schemes to provide staff with more options.

The Group recognises the importance of continuous staff training and had devoted appropriate resources to the enhancement of its employees' professional knowledge and skills. During the year, the Group had arranged for various workshops to improve staff's soft skills and continued e-learning programmes to support ongoing professional development. The Group also sponsored employees for external job-related training and development courses.

As at 31 December 2025, the permanent staff establishment of the Group was 451 (2024: 427) and the staff turnover rate was 4.67% (2024: 8.14%).

Counterparties

With respect to its loan and insurance portfolios, as at 31 December 2025, the Group maintained a panel of 34 approved sellers and 32 approved servicers under the MPP, 9 approved reinsurers under the MIP and 1 approved reinsurer under the RMP. In addition, there were 20 participating banks and lenders under the MIP, 9 under the Fixed Rate Mortgage Scheme, 14 under the PLGS, 20 and 35 under the 100% SFGS and the 80% and 90% guarantee products of the SFGS respectively, 12 under the DLGS for the travel sector and the cross-boundary passenger transport trade, 6 under the DLGS for battery electric taxis, and there were 12 and 7 participating institutions under the RMP and PRMP respectively. In relation to the life annuity business, there were 2 agent banks, 3 insurance brokers and 150 insurance agents for business referral and 1 ceding insurer for reinsurance under the Annuity Plan as at the end of the year.

DEBT SECURITIES

During the year, the Company issued notes for a total nominal value of HK$70.5 billion under its multi-currency US$30 Billion Medium Term Note Programme for a consideration of around HK$70.4 billion. The Company had successfully launched its largest-ever public bond offering during the year, totalling HK$25.3 billion across four multi-currency tranches, comprising HK$10 billion 2-year, CNH5 billion 3-year and US$1 billion 5-year bonds in conventional bond format, and a HK$2 billion 30-year bond in social bond format. Notably, the 30-year Hong Kong dollar (**HKD**) social bond represents the largest-ever 30-year HKD bond issued in Hong Kong, and the first social bond in Asia Pacific with proceeds being used to support the RMP. The social bond also received the "Best Social Bond in Hong Kong" award at The Asset Triple A Awards for Sustainable Finance 2026.

A summary of debt securities issuance and redemption activities of the Group is set out in Note 29 to the Financial Statements.

DIVIDEND

Having considered the capital requirements for the business development, Directors recommended that no dividend be declared for the year ended 31 December 2025 (2024: nil).

DIRECTORS

Persons who served as Directors of the Company during the year or during the period beginning with the end of the year and ending on the date of this report are as follows:

The Hon. Paul CHAN Mo-po, GBM, GBS, MH, JP
Chairman and Executive Director

Mr Eddie YUE Wai-man, JP
Deputy Chairman and Executive Director

Mr Howard LEE Tat-chi, JP
Executive Director

Mr POU Hak-wan, JP
Executive Director and Chief Executive Officer

The Hon. Christopher HUI Ching-yu, GBS, JP
Non-Executive Director

The Hon. Winnie HO Wing-yin, JP
Non-Executive Director

The Hon. CHAN Hak-kan, SBS, JP
Non-Executive Director

The Hon. Jimmy NG Wing-ka, BBS, JP
Non-Executive Director

The Hon. SHIU Ka-fai, BBS, JP
Non-Executive Director

Ms Dilys CHAU Suet-fung, JP
Non-Executive Director (appointed on 9 June 2025)

Mr Paul TSE Wai-chun, JP
Non-Executive Director

Ms Ivy CHEUNG Wing-han
Non-Executive Director (appointed on 9 June 2025)

Ms Margaret KWAN Wing-han
Non-Executive Director

Mr Clement CHAN Kam-wing, BBS, MH, JP
Non-Executive Director (retired on 9 June 2025)

In accordance with Article 109 of the Company's Articles of Association, all those Directors who are not Executive Directors shall retire but shall be eligible for re-election at the forthcoming annual general meeting.

The list of directors who served on the boards (or as the case may be, as the sole director) of the subsidiaries of the Company during the year or during the period beginning with the end of the year and ending on the date of this report is kept at the registered office of the Company and available for inspection by the sole shareholder during office hours.

PERMITTED INDEMNITY

A permitted indemnity provision (as defined in the Companies Ordinance) for the benefit of the Directors was in force during the year and is in force as at the date of this report.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Apart from the above and those disclosed in Note 31 to the Financial Statements on material related party transactions, there was no other transaction, arrangement or contract of significance in relation to the Company's business, to which any member of the Group was a party, and in which any person who was a Director at any time during the year or a connected entity (as defined in the Companies Ordinance) of any such person had, directly or indirectly, a material interest, which subsisted at the end of the year or at any time during the year.

AUDITOR

The Financial Statements have been audited by PricewaterhouseCoopers who will retire, and, being eligible, will offer themselves for reappointment, at the forthcoming annual general meeting of the Company.

On behalf of the Board of Directors

(Sd.)
CHAN Mo-po, Paul
Chairman and Executive Director

Hong Kong
21 April 2026

pwc 羅兵咸永道

Independent Auditor's Report

To the Sole Member of The Hong Kong Mortgage Corporation Limited
(incorporated in Hong Kong with limited liability)

Opinion

What we have audited

The consolidated financial statements of The Hong Kong Mortgage Corporation Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 19 to 127, comprise:

- the consolidated statement of financial position as at 31 December 2025;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

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PricewaterhouseCoopers
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Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") as issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Valuation of insurance contracts
- Impairment allowance for infrastructure loan portfolio

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of insurance contracts Refer to note 28 to the consolidated financial statements The issuance of policies by HKMC Annuity Limited and HKMC Insurance Limited (wholly-owned subsidiaries of the Company) has given rise to the recognition of insurance contracts on the Group's consolidated statement of financial position in accordance with HKFRS 17 Insurance Contracts. The insurance contract liabilities recognised amounted to HK$36,354 million (2024: HK$24,851 million), representing approximately 18% of	We have performed our planned audit procedures using an integrated team of assurance and actuarial resources, including obtaining an understanding of and evaluating the key internal controls over the actuarial process for the valuation of insurance contracts. With the involvement of our PwC actuarial experts, we performed the following procedures in relation to the FCF and CSM of the insurance contracts:

the Group's total consolidated liabilities as at 31 December 2025 (2024: 14%). The insurance contracts are measured as the total of the fulfilment cash flows ("FCF") and the contractual service margin ("CSM"), the determination of which requires judgement about uncertain future outcomes. The application of the measurement requirements under HKFRS 17 involves the use of methodologies that are applied in models. These methodologies use various assumptions which are subject to estimation uncertainty.	• Assessing the appropriateness of the methodologies adopted and reviewing material changes, as applicable; • Assessing the reasonableness of the key assumptions used, including discount rates, mortality, property prices and expenses, and management's rationale for the judgements applied; and • Evaluating the overall reasonableness of the valuation of the insurance contracts. We found that management's judgements used in measuring the insurance contracts were supported by the evidence obtained.
Impairment allowance for infrastructure loan portfolio Refer to note 20 to the consolidated financial statements As at 31 December 2025, the Group recorded an impairment allowance of HK$62 million (2024: HK$53 million) for its infrastructure loan portfolio, which amounted to HK$8,786 million (2024: HK$7,290 million). The Group developed an expected credit loss ("ECL") model with a forward-looking view for estimating the impairment allowance for its infrastructure loan portfolio. The Group also established governance processes and controls over the impairment assessment of this portfolio. As part of these governance processes and controls, management assessed the overall ECL model and determined that it continues to be appropriate. Management determines the staging classification of individual infrastructure loans based on (i) whether there is a change in credit quality, particularly whether there is evidence indicating a significant increase in credit risk ("SICR") since origination; and (ii) whether there are default indicators which might trigger migration to credit-impaired loans, as detailed in note 3.2. These indicators are quantitative and qualitative in nature. The assessment of these indicators involves significant management	We performed our planned audit procedures in relation to the assessment of the impairment allowance for the infrastructure loan portfolio, which included the following: • Understanding, evaluating and testing the governance processes over the impairment assessment, including the ECL methodology, selection of forward-looking scenarios and the probabilities assigned to these scenarios, and management's assessment of the overall impairment allowance (including the results of the annual back-testing procedures); • Understanding, evaluating and testing key internal controls over management's staging classification through their assessment of quantitative and qualitative credit indicators (including default indicators) that drive the assignment of internal loan ratings, which in turn determine the staging classification; • Assessing management's credit reviews of the infrastructure loans on a sampling basis to evaluate the appropriateness of the staging classification as at the year end; • Assessing the reasonableness and supporting documentation of the forward-looking scenarios and

judgement, which affects the staging classification and the impairment allowance. In determining the impairment allowance, the Group considers historical loss rates and adjusts for forward-looking factors. Forward-looking adjustments are detailed in note 3.2. The Group develops forward-looking views based on the outlook for the global economy, relevant regional economic indicators and specific industry sector data, taking into consideration any relevant events. The loans are then rated under various scenarios, and probabilities are assigned to each scenario, which affects the probability of default and the impairment allowance. Our audit focused on the determination of the staging classification, as detailed in note 4.1, and the forward-looking scenarios, both of which are inherently subject to significant judgement by management.	the probabilities assigned to these scenarios, with the support of our credit experts; and • Assessing the overall reasonableness of the impairment allowance for the infrastructure loan portfolio as at 31 December 2025, including performing sensitivity testing and stand-back procedures. We found that management's judgements used in calculating the impairment allowance were supported by the evidence obtained.

Other Information

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

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

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

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

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error,

as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

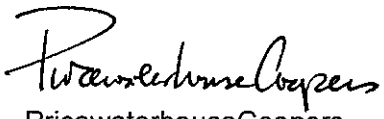
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. TAM Man Kit, James (practising certificate number: P04873).



PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 21 April 2026

THE HONG KONG MORTGAGE CORPORATION LIMITED

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2025

	Notes	**2025**	2024
		HK$'000	HK$'000
Interest income	6	**5,795,593**	8,146,214
Interest expense	7	**(5,009,647)**	(7,528,253)
Net interest income		**785,946**	617,961
Insurance revenue	8	**1,704,263**	1,320,030
Insurance service expenses	12, 28	**(3,108,045)**	(3,299,828)
Net (expenses) / income from reinsurance contracts held	10	**(4,781)**	352,922
Insurance service result		**(1,408,563)**	(1,626,876)
Net finance expenses from insurance contracts issued	9	**(2,624,989)**	(414,920)
Net finance income from reinsurance contracts held	9	**23,060**	10,268
Insurance finance expenses, net		**(2,601,929)**	(404,652)
Other income	11	**3,373,139**	1,258,034
Total operating income / (loss)		**148,593**	(155,533)
Operating expenses	12	**(393,678)**	(362,166)
Operating loss before impairment		**(245,085)**	(517,699)
Change in impairment allowances	14	**(11,433)**	(34,911)
Loss before taxation		**(256,518)**	(552,610)
Taxation	15(a)	**147,626**	134,570
Loss for the year		**(108,892)**	(418,040)

The notes on pages 24 to 127 are an integral part of these consolidated financial statements.

THE HONG KONG MORTGAGE CORPORATION LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2025

	Notes	**2025**	2024
		HK$'000	HK$'000
Loss for the year		**(108,892)**	(418,040)
Other comprehensive (loss) / income:			
Items that are or may be reclassified subsequently to profit or loss:			
Debt instruments at fair value through other comprehensive income:			
- change in the fair value, net		**56,638**	15,213
- change in the loss allowance, net	14	**1,711**	147
Cash flow hedges recognised in other comprehensive income:			
- change in the fair value, net		**3,401**	(20,022)
Finance (expenses) / income from insurance contracts issued	9	**(152,206)**	339,509
Finance income / (expenses) from reinsurance contract held	9	**30,384**	(124,574)
Deferred taxes	15(b)	**17,181**	(52,454)
Other comprehensive (loss) / income for the year, net of tax		**(42,891)**	157,819
Total comprehensive loss for the year		**(151,783)**	(260,221)

The notes on pages 24 to 127 are an integral part of these consolidated financial statements.

THE HONG KONG MORTGAGE CORPORATION LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2025

	Notes	**2025**	2024
		HK'000	HK$'000
ASSETS			
Cash and short-term funds	16	**64,536,615**	52,647,182
Interest and remittance receivables	17	**2,712,895**	3,221,379
Derivative financial instruments	18	**1,668,020**	664,618
Loans with 100% guarantee from the Government	19	**63,514,326**	82,782,698
Loan portfolio, net:			
- fair value through profit or loss	20(a)	**3,470,628**	2,596,858
- amortised cost	20(b)	**11,629,074**	10,117,117
Investment securities:			
- fair value through other comprehensive income	21(a)	**9,600,489**	3,721,821
- fair value through profit or loss	21(b)	**200,636**	9,774
- amortised cost	21(c)	**20,308,907**	15,105,470
Placements with the Exchange Fund	22	**72,418,586**	49,244,684
Prepayments, deposits and other assets	24	**171,601**	385,987
Reinsurance contract assets	28	**1,233,991**	1,081,689
Deferred tax assets	15(b)	**711,730**	–
Fixed assets	25	**247,984**	246,899
Total assets		**252,425,482**	221,826,176
LIABILITIES			
Interest payable	26	**2,781,710**	3,342,324
Accounts payable, accrued expenses and other liabilities	27	**5,337,424**	4,132,666
Derivative financial instruments	18	**559,693**	1,740,649
Current tax liabilities	15(b)	**684,399**	223,782
Insurance contract liabilities	28	**36,353,940**	24,850,887
Reinsurance contract liabilities	28	**324,034**	195,009
Debt securities issued	29	**155,169,330**	148,299,636
Deferred tax liabilities	15(b)	**–**	174,488
Total liabilities		**201,210,530**	182,959,441
EQUITY			
Capital and reserves attributable to the equity holder:			
Share capital	30	**39,000,000**	26,500,000
Retained profits		**7,742,794**	8,397,399
Contingency reserve		**4,106,351**	3,560,638
Insurance finance reserve		**281,842**	386,483
Fair value reserve		**81,867**	23,518
Hedging reserve		**2,098**	(1,303)
Total equity		**51,214,952**	38,866,735
Total liabilities and equity		**252,425,482**	221,826,176

Approved and authorised for issue by the Board of Directors on 21 April 2026.

(Sd.)	(Sd.)
YUE Wai Man, Eddie	POU Hak Wan
Deputy Chairman and Executive Director	Executive Director and Chief Executive Officer

The notes on pages 24 to 127 are an integral part of these consolidated financial statements.

THE HONG KONG MORTGAGE CORPORATION LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2025

	Share capital	Retained profits	Contingency reserve	Insurance finance reserve	Fair value reserve	Hedging reserve	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance as at 1 January 2024	14,500,000	9,358,885	3,017,192	224,002	8,158	18,719	27,126,956
Loss for the year	-	(418,040)	-	-	-	-	(418,040)
Other comprehensive income / (loss)	-	-	-	162,481	15,360	(20,022)	157,819
Total comprehensive (loss) / income for the year	-	(418,040)	-	162,481	15,360	(20,022)	(260,221)
Capital injection (Note 30)	12,000,000	-	-	-	-	-	12,000,000
Transfer of 50% or 75% of relevant premium earned from retained profits to contingency reserve	-	(733,164)	733,164	-	-	-	-
Release of contingency reserve to retained profits	-	189,718	(189,718)	-	-	-	-
Balance as at 31 December 2024	26,500,000	8,397,399	3,560,638	386,483	23,518	(1,303)	38,866,735
Loss for the year	-	**(108,892)**	-	-	-	-	**(108,892)**
Other comprehensive (loss) / income	-	-	-	**(104,641)**	**58,349**	**3,401**	**(42,891)**
Total comprehensive (loss) / income for the year	-	**(108,892)**	-	**(104,641)**	**58,349**	**3,401**	**(151,783)**
Capital injection (Note 30)	**12,500,000**	-	-	-	-	-	**12,500,000**
Transfer of 50% or 75% of relevant premium earned from retained profits to contingency reserve	-	**(732,573)**	**732,573**	-	-	-	-
Release of contingency reserve to retained profits	-	**186,860**	**(186,860)**	-	-	-	-
Balance as at 31 December 2025	**39,000,000**	**7,742,794**	**4,106,351**	**281,842**	**81,867**	**2,098**	**51,214,952**

The notes on pages 24 to 127 are an integral part of these consolidated financial statements.

THE HONG KONG MORTGAGE CORPORATION LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2025

	Notes	2025	2024
		HK$'000	HK$'000
Cash flows from operating activities			
Loss before taxation for the year		**(256,518)**	(552,610)
Adjustments for:			
Interest income	6	**(5,795,593)**	(8,146,214)
Interest expense	7	**5,009,647**	7,528,253
Dividend income	11	**(272)**	(289)
Income from placements with the Exchange Fund	11	**(3,173,902)**	(1,374,291)
Net (gain) / loss on investments at fair value through profit or loss	11	**(14,983)**	48
Net gain on disposal of investments at fair value through other comprehensive income	11	**-**	(400)
Net change in fair value of loan portfolio	11	**(98,964)**	210,636
Depreciation	12	**105,565**	89,748
Change in impairment allowances	14	**11,433**	34,911
Change in fair value of financial instruments		**323,665**	(420,384)
Loss on disposal of fixed assets		**1,232**	-
Interest received		**5,828,459**	7,983,911
Interest paid		**(4,974,690)**	(7,345,111)
Cash flows used in operating activities before changes in operating assets and liabilities		**(3,034,921)**	(1,991,792)
Change in time deposits with original maturity of more than three months		**8,325,000**	(9,480,000)
Change in remittance receivables		**(16,854)**	53,591
Change in prepayments, deposits and other assets		**214,348**	1,196,045
Change in loans with 100% guarantee from the Government		**19,268,372**	14,579,658
Change in loan portfolio		**(2,292,571)**	(820,232)
Change in accounts payable, accrued expenses and other liabilities		**1,253,071**	43,352
Change in insurance contract liabilities, net of reinsurance		**11,357,954**	5,564,340
Exchange differences		**(224,629)**	432,959
Cash generated from operation		**34,849,770**	9,577,921
Taxation (paid) / refunded		**(260,756)**	16,281
Net cash generated from operating activities		**34,589,014**	9,594,202
Cash flows from investing activities			
Purchase of fixed assets		**(106,803)**	(38,734)
Purchase of investment securities at fair value through other comprehensive income	21(a)	**(6,478,590)**	(1,512,090)
Purchase of investment securities at fair value through profit or loss	21(b)	**(175,777)**	-
Purchase of investment securities at amortised cost	21(c)	**(8,201,665)**	(6,434,043)
Proceeds from sale and redemption of investment securities at fair value through other comprehensive income		**763,205**	282,342
Proceeds from redemption of investment securities at amortised cost	21(c)	**3,143,421**	5,848,597
Placements with the Exchange Fund		**(20,000,000)**	(13,800,000)
Dividend received from listed investments		**272**	289
Net cash used in investing activities		**(31,055,937)**	(15,653,639)
Net cash inflows / (outflows) before financing		**3,533,077**	(6,059,437)
Cash flows from financing activities			
Proceeds from bank borrowings		**34,444,925**	22,143,958
Repayments of bank borrowings		**(34,444,925)**	(22,143,958)
Proceeds from issue of debt securities	29	**70,399,511**	103,114,200
Redemption of debt securities issued	29	**(66,171,784)**	(117,658,640)
Principal elements of lease payments	25(b)	**(49,392)**	(39,908)
Proceeds from capital injection	30	**12,500,000**	12,000,000
Net cash generated from / (used in) financing activities		**16,678,335**	(2,584,348)
Net increase / (decrease) in cash and cash equivalents		**20,211,412**	(8,643,785)
Beginning cash and cash equivalents		**42,475,831**	51,128,198
Effect of exchange rates on cash and cash equivalents		**4,941**	(8,582)
Ending cash and cash equivalents	16	**62,692,184**	42,475,831

The notes on pages 24 to 127 are an integral part of these consolidated financial statements.

1. Basis of preparation

The consolidated financial statements of The Hong Kong Mortgage Corporation Limited (**Company**) and its subsidiaries (collectively the **Group**) have been prepared in accordance with HKFRS Accounting Standards (which include all Hong Kong Financial Reporting Standards (**HKFRS**), Hong Kong Accounting Standards (**HKASs**) and Interpretations) as issued by the Hong Kong Institute of Certified Public Accountants (**HKICPA**), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance.

The accounting policies and the methods of computation used in the preparation of these consolidated financial statements are consistently applied to all the years presented, unless otherwise stated.

The preparation of consolidated financial statements in conformity with HKFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

2. Summary of material accounting policies

2.1. Adoption of HKFRS Accounting Standards

(a) New and amended standards effective on 1 January 2025

The Group has adopted amendments to HKAS 21 "Lack of Exchangeability" which are effective for accounting periods beginning on or after 1 January 2025.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. As the currencies that the Group had transacted in and the functional currencies of group entities for translation into the Group's presentation currency were exchangeable, the amendments did not have any impact on the Group's financial statements.

(b) New standards and amendments issued but not yet effective

The Group has not applied the following new and amended HKFRS Accounting Standards, that have been issued but are not yet effective, in these consolidated financial statements. The Group intends to apply these new and amended HKFRS Accounting Standards, if applicable, when they become effective.

HKFRS 18	Presentation and Disclosure in Financial Statements[2]
HKFRS 19 and its amendments	Subsidiaries without Public Accountability: Disclosures[2]
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments[1]
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 21	Translation to a Hyperinflationary Presentation Currency[2]

Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7	Annual improvements to HKFRS Accounting Standards – Volume 11[1]

[1] Effective for annual periods beginning on or after 1 January 2026
[2] Effective for annual / reporting periods beginning on or after 1 January 2027
[3] No mandatory effective date yet determined but available for adoption

Further information about those HKFRS Accounting Standards that are expected to be applicable to the Group is described below.

HKFRS 18 replaces HKAS 1 "Presentation of Financial Statements". While a number of sections have been brought forward from HKAS 1 with limited changes, HKFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations, and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in HKAS 1 are moved to HKAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", which is renamed as HKAS 8 "Basis of Preparation of Financial Statements". As a consequence of the issuance of HKFRS 18, limited, but widely applicable, amendments are made to HKAS 7 "Statement of Cash Flows", HKAS 33 "Earnings Per Share" and HKAS 34 "Interim Financial Reporting". In addition, there are minor consequential amendments to other HKFRS Accounting Standards. HKFRS 18 and the consequential amendments to other HKFRS Accounting Standards are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Group is currently analysing the new requirements of HKFRS 18 on the presentation and disclosure of the Group's consolidated financial statements.

HKFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other HKFRS Accounting Standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in HKFRS 10 "Consolidated Financial Statements", cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with HKFRS Accounting Standards or International Financial Reporting Standards (**IFRS**) Accounting Standards. HKFRS 19 was amended in April 2025 to include IFRS Accounting Standards in the eligibility criteria for applying the standard. The standard was further amended in October 2025 to (i) remove disclosure objectives from HKFRS 19; (ii) reduce the disclosure requirements relating to supplier finance arrangements and a specific class of financial liabilities; and (iii) replace disclosure requirements relating to management-defined performance measures with a cross-reference to HKFRS 18 for entities that use these measures. Earlier application is permitted. As the Group has public accountability, it is not eligible to elect to apply HKFRS 19 and its amendments.

Amendments to HKFRS 9 and HKFRS 7 "Amendments to the Classification and Measurement of Financial Instruments" clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent

features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosure requirements for investments in equity instruments designated at FVOCI and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

Amendments to HKFRS 9 and HKFRS 7 "Contracts Referencing Nature-dependent Electricity" clarify the application of the "own-use" requirements for in-scope contracts and amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts. The amendments also include additional disclosures that enable users of financial statements to understand the effects these contracts have on an entity's financial performance and future cash flows. The amendments relating to the own-use exception shall be applied retrospectively. Prior periods are not required to be restated and can only be restated without the use of hindsight. The amendments relating to the hedge accounting shall be applied prospectively to new hedging relationships designated on or after the date of the initial application. Earlier application is permitted. The amendments to HKFRS 9 and HKFRS 7 shall be applied at the same time. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKICPA. However, the amendments are available for adoption now. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

Amendments to HKAS 21 "Translation to a Hyperinflationary Presentation Currency" require the translation from a non-hyperinflationary functional currency into a hyperinflationary presentation currency at the closing rate. The amendments also require an entity whose functional currency and presentation currency are the currency of a hyperinflationary economy to restate the comparative amounts of a foreign operation whose functional currency is that of a non-hyperinflationary economy, by applying the general price index, in accordance with paragraph 34 of HKAS 29 "Financial Reporting in Hyperinflationary Economies", to the foreign operation's comparative figures. The amendments introduce certain additional disclosures. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

"Annual Improvements to HKFRS Accounting Standards – Volume 11" set out amendments to HKFRS 1, HKFRS 7 (and the accompanying Guidance on implementing HKFRS 7), HKFRS 9, HKFRS 10 and HKAS 7.

Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 7 "Financial Instruments: Disclosures": The amendments have updated certain wordings in paragraph B38 of HKFRS 7 and paragraphs IG1, IG14 and IG20B of the Guidance on implementing HKFRS 7 for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the Guidance on implementing HKFRS 7 does not necessarily illustrate all the requirements in the referenced paragraphs of HKFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

- HKFRS 9 "Financial Instruments": The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with HKFRS 9, the lessee is required to apply paragraph 3.3.3 of HKFRS 9 and recognise any resulting gain or loss in profit or loss. In addition, the amendments have updated certain wordings in paragraph 5.1.3 of HKFRS 9 and Appendix A of HKFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

- HKFRS 10 "Consolidated Financial Statements": The amendments clarify that the relationship described in paragraph B74 of HKFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of HKFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

- HKAS 7 "Statement of Cash Flows": The amendments replace the term "cost method" with "at cost" in paragraph 37 of HKAS 7 following the prior deletion of the definition of "cost method". Earlier application is permitted. The amendments are not expected to have any impact on the Group's consolidated financial statements.

2.2. Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December 2025.

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of the subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interests in that subsidiary, with a resulting gain or loss being recognised in profit or loss.

In the Company's statement of financial position, the investment in the subsidiaries is stated at cost less provision for impairment allowances. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

2.3. Interest income and expense

Interest income and expense are recognised in the income statement for all interest-bearing financial instruments using the effective interest method, except for financial assets classified at fair value through profit or loss where the economics is reflected as fair value gain or loss in other income.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the gross carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider expected credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.4. Other income

(a) Fee income

Fees are generally recognised on an accrual basis when the service has been provided. Upfront arrangement fees that are an integral part of the effective interest rate are recognised as an adjustment to the effective interest rate in determining interest income on the loans.

(b) Dividend income

Dividend income is recognised when the right to receive payment is established.

(c) Income from placements with the Exchange Fund

Changes in fair value of the placements with the Exchange Fund classified as "financial assets at fair value through profit or loss" is recognised as income or loss in the year in which they arise.

2.5. Financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI.

The Group has classified the placements with the Exchange Fund, subordinated notes held under the infrastructure loans securitisation and exchange-traded funds as financial asset at fair value through profit or loss.

(b) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of the Group's financial assets are classified into the following categories, depending on the Group's business model for managing the asset and the cash flow characteristics of the asset:

- amortised cost: assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired.

- FVOCI: assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other income / (loss).

- fair value through profit or loss (**FVPL**): assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on investment that is subsequently measured at FVPL and is not part of a hedging relationship is recognised in profit or loss and presented net in the income statement within other income / (loss) in the period in which it arises.

(c) Impairment

The Group assesses on a forward-looking basis the expected credit losses (**ECLs**) associated with its assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.2 provides more details of how the ECLs is measured.

2.6. Equity securities and investment funds

Equity securities are measured at FVPL unless an election is made to designate them at FVOCI upon initial recognition.

For equity securities at FVPL, changes in fair value are recognised in profit or loss in the period in which they arise.

The election of FVOCI is made upon initial recognition on an instrument-by-instrument basis and once made is irrevocable. Gains and losses on these equity securities are recognised in OCI, which are not reclassified subsequently to profit or loss, including when they are derecognised.

Investment funds are measured at FVPL. Changes in fair value of these funds are recognised in profit or loss in the period in which they arise.

2.7. Financial liabilities

Financial liabilities are classified into two categories: financial liabilities at fair value through profit or loss and financial liabilities measured at amortised cost. All the financial liabilities are classified at inception and recognised initially at fair value.

Debt securities issued in the statement of financial position represent notes issued under the Medium Term Note (**MTN**) Programme.

These notes are initially designated as either (i) financial liabilities at fair value through profit or loss; or (ii) financial liabilities at amortised cost.

The notes classified as financial liabilities at amortised cost are initially recognised at fair value, which is the fair value of the consideration received, net of transaction costs incurred. The notes are subsequently stated at amortised costs; any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the debt securities using the effective interest method.

On redemption / repurchase of the notes, the resulting gains or losses, being the difference between the redemption / repurchase amount and the carrying amount, are recognised in the income statement in the period in which the redemption / repurchase takes place.

2.8. Recognition and de-recognition of financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instruments. Purchases and sales of investment securities are recognised on the trade date, the date on which the Group commits to purchase or sell the assets. Loan portfolio and receivables are recognised when cash is advanced to the borrowers. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership. When the Group neither transfers or retains substantially all the risks and reward of ownership of a financial asset and retains control of the transferred asset, it is required to recognise the financial asset to the extent of the Group's continuing involvement in the financial asset. Under the continuing involvement approach, the Group continues to recognise part of the transferred asset. The Group also recognises continuing involvement asset and liability, which represents the extent of the Group's continuing exposure to the risks and reward of the transferred asset.

Financial liabilities at fair value through profit or loss and debt securities issued are recognised on the trade date. Other financial liabilities are recognised when such obligations arise. Financial

liabilities are derecognised from the statement of financial position when and only when the obligation specified in the contract is discharged, cancelled or expired.

The Group does not recognise an asset and a liability, when the Group enters into an arrangement to pass through cash flows from an asset and that arrangement meets specified conditions. In these cases, the Group acts more as an agent of the eventual recipients of the cash flows than as an owner of the asset. Accordingly, to the extent that those conditions are met the arrangement is treated as a transfer and considered for derecognition even though the entity may continue to collect cash flows from the asset. Conversely, to the extent the conditions are not met, the entity acts more as an owner of the asset with the result that the asset should continue to be recognised.

2.9. Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Interest receivables and payables arising from derivatives are separately presented in the statement of financial position.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received).

Certain derivatives embedded in financial liabilities are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (i) hedges of the fair value of recognised assets or liabilities or firm commitments (**fair value hedge**); or (ii) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecast transaction (**cash flow hedge**). Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

At the inception of the hedging, the Group documents the economic relationship between hedging instruments and hedged items, including whether changes in cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used, is amortised to income statement over the period to maturity.

(b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges are recognised in OCI and accumulated in equity as hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item will affect income statement.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(c) Derivatives not qualified as hedges for accounting purposes

Derivative instruments entered into as economic hedges that do not qualify for hedge accounting are held at fair value through profit or loss. Changes in the fair value of any derivative instrument are recognised immediately in the income statement.

2.10. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.11. Repossessed assets

Repossessed collateral assets are accounted as assets held for sale and reported in "Other assets" and the relevant loans are derecognised. The repossessed collateral assets are measured at lower of carrying amount and fair value less costs to sell.

2.12. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the Chief Executive Officer as its chief operating decision maker.

2.13. Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (**functional currency**). The consolidated financial statements are presented in thousands of units of Hong Kong dollars (**HK$'000**) which is the Company's functional and the Company's and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Monetary items denominated in foreign currency are translated with the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

In the case of changes in the fair value of monetary assets denominated in foreign currency classified as FVOCI, a distinction is made between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount, except impairment, are recognised in OCI.

Translation differences on non-monetary financial instruments held at FVPL are reported as part of the fair value gain or loss. Translation differences on non-monetary financial instruments classified as FVOCI, are included in the fair value reserve in equity.

2.14. Fixed assets

Fixed assets are stated at historical cost less accumulated depreciation and impairment losses.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives.

Right-of-use assets on leased properties for own use	shorter of the end of the useful life of the right-of-use asset or the end of the lease term
Leasehold improvements	over the unexpired period of the lease
Furniture and fixtures	over the unexpired period of the lease
Computer	three years
Office equipment	three years
Motor vehicle	four years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

2.15. Impairment of investment in subsidiaries

Impairment testing of the investment in a subsidiary is required upon receiving a dividend from that subsidiary if the dividend exceeds the total comprehensive income of the subsidiary concerned in the period the dividend is declared or if the carrying amount of the subsidiary in the Company's statement of financial position exceeds the carrying amount of the subsidiary's net assets including goodwill in the consolidated statement of financial position.

2.16. Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in OCI or directly in equity. In this case, the tax is also recognised in OCI or directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined using tax rates that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised where it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.17. Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the end of each reporting period.

Employee entitlements to sick leave, maternity or paternity leave are recognised when the absence occurs.

(b) Bonus plans

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created constructive obligations.

(c) Pension obligations

The Group offers a mandatory provident fund scheme and a defined contribution scheme, the assets of which are generally held in separate trustee-administered funds. These pension plans are generally funded by payments from employees and by the Group.

The Group's contributions to the mandatory provident fund scheme and defined contribution scheme are expensed as incurred.

2.18. Leases

(a) As a lessee

(i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Right-of-use assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds it recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

(ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification.

(iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition to leases of assets that are considered as low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

2.19. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with original maturities of three months or less, including cash and balances with banks that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value.

2.20. Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.21. Insurance and reinsurance contracts classification

The Group issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. In general, the Group determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event had not occurred. Insurance contracts can also transfer financial risk.

In the normal course of business, the Group uses reinsurance to mitigate its risk exposures. A reinsurance contract transfers significant risk if it transfers substantially all of the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss.

The Group issues reinsurance contracts in the normal course of business to compensate other entities for claims arising from one or more insurance contracts issued by those entities.

2.22. Insurance and reinsurance contracts accounting treatment

(a) Level of aggregation

HKFRS 17 requires an entity to determine the level of aggregation for applying its requirements. The level of aggregation for the Group is determined firstly by dividing the insurance contracts written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of becoming onerous, and the remainder. This means that, for determining the level of aggregation, the Group identifies a contract as the smallest 'unit', i.e., the lowest common denominator. The Group then makes an evaluation of whether a series of contracts can be treated together in making the profitability assessment based on reasonable and supportable information, or whether a single contract contains components that need to be separated and treated as if they were stand-alone contracts. HKFRS 17 also requires that no group for level of aggregation purposes may contain contracts issued more than one year apart. Accordingly, each portfolio is disaggregated into groups of contracts that are issued within a calendar year (annual cohorts).

The Group has defined portfolios of insurance and reinsurance contracts issued based on its product lines due to the fact that the products are subject to similar risks and managed together. The expected profitability of these portfolios at inception is determined based on the existing actuarial valuation models which take into consideration existing and new business.

The groups of contracts for which the fair value approach has been adopted on transition include contracts issued more than one year apart.

The insurance contracts portfolios are divided into:

- a group of contracts that are onerous at initial recognition;
- a group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently; and
- a group of the remaining contracts in the portfolio.

The reinsurance contracts held portfolios are divided into:

- a group of contracts on which there is a net gain on initial recognition;
- a group of contracts that have no significant possibility of a net gain arising subsequent to initial recognition; and
- a group of the remaining contracts in the portfolio.

(b) Recognition

The Group recognises groups of insurance contracts that it issues from the earliest of the following:

- the beginning of the coverage period of the group of contracts;
- the date when the first payment from a policyholder in the group is due, or when the first payment is received if there is no due date; or
- for a group of onerous contracts, as soon as facts and circumstances indicate that the group is onerous.

The Group recognises a group of reinsurance contracts held it has entered into from the earliest of the following:

- the beginning of the coverage period of the group of reinsurance contracts held. However, the Group delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date when any underlying insurance contract is initially recognised, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held; and
- the date the Group recognises an onerous group of underlying insurance contracts if the Group entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

Only contracts that individually meet the recognition criteria by the end of the reporting period are included in the groups. When contracts are identified to meet the recognition criteria in the groups after reporting date, they are added to the groups in the reporting period in which they are identified to meet the recognition criteria. The Group adds new contracts to the group in the reporting period in which that contract meets one of the criteria set out above.

(c) Onerous groups of contracts

The Group has determined whether any contracts issued form a group of onerous contracts before the earlier of the beginning of the coverage period and the date when the first payment from a policyholder in the group is due. The Group looks at facts and circumstances to identify if a group of contracts are onerous based on:

- pricing information;
- results of similar contracts it has recognised; and
- environmental factors, e.g., a change in market experience or regulations.

(d) Contract boundary

The Group includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay the premiums, or in which the Group has a substantive obligation to provide the policyholder with services. A substantive obligation to provide services ends when:

- the Group has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks; or
- the Group has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio; and
- the pricing of the premiums for coverage up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract are not recognised. Such amounts relate to future insurance contracts.

(e) Insurance contracts – initial measurement

The Group measures a group of insurance contracts as the total of:

- fulfilment cash flows; and
- a CSM representing the unearned profit the Group will recognise as it provides service under the insurance contracts in the group.

Fulfilment cash flows comprise unbiased and probability-weighted estimates of future cash flows, discounted to present value to reflect the time value of money and financial risks, plus a risk adjustment for non-financial risk.

The Group's objective in estimating future cash flows is to determine the expected value, or the probability-weighted mean, of the full range of possible outcomes, considering all reasonable and supportable information available at the reporting date without undue cost or effort. The Group estimates future cash flows considering a range of scenarios which have commercial substance and give a good representation of possible outcomes. The cash flows from each scenario are probability-weighted and apply the current discount rates to reflect the time value of money and the financial risks related to those cash flows.

When estimating future cash flows, the Group includes all cash flows that are within the contract boundary including:

- premiums and related cash flows;
- claims and benefits, including reported claims not yet paid, incurred claims not yet reported and expected future claims;
- an allocation of insurance acquisition cash flows attributable to the portfolio to which the contract belongs;
- claims handling costs;
- policy administration and maintenance costs, including recurring commissions that are expected to be paid to intermediaries; and
- an allocation of fixed and variable overheads directly attributable to fulfilling insurance contracts.

The Group does not provide investment-return services in respect of contracts that it issues, nor does it perform investment activities for the benefit of policyholders.

The Group incorporates, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows. The Group estimates the probabilities and amounts of future payments under existing contracts based on information obtained, including:

- information about claims already reported by policyholders;
- other information about the known or estimated characteristics of the insurance contracts;
- historical data about the Group's own experience, supplemented when necessary with data from other sources. Historical data is adjusted to reflect current conditions; and
- current pricing information, when available.

The measurement of fulfilment cash flows includes insurance acquisition cash flows which are allocated as a portion of premium to profit or loss (through insurance revenue) over the period of the contract in a systematic and rational way on the basis of the passage of time. The Group does not elect to accrete interest on insurance acquisition cash flows to be allocated to profit or loss.

The Group's CSM is a component of the insurance asset or liability for the group of insurance contracts that results in no income at initial recognition. The level of aggregation for CSM is

on a group of contracts basis consistent with the level of aggregation specified above. If the fulfilment cash flows allocated to the group of insurance contracts, together with any previously recognised insurance acquisition cash flows and any cash flows arising from the contracts at the date of initial recognition in total are a net outflow, the group of contracts is considered to be onerous. A loss from onerous insurance contracts is recognised in profit and loss immediately.

For reinsurance contracts, the Group recognises any net gain or net cost as a CSM at initial recognition. If any net cost of obtaining reinsurance coverage relates to an insured event that occurred before the purchase of the group of reinsurance contracts held, it is recognised immediately in profit or loss. In addition, if the underlying insurance contracts are in an onerous position, the Group is allowed to recognise a reinsurance gain immediately in profit or loss for the portion of claims that the Group expects to recover from the reinsurance, if the reinsurance held was entered into prior to or at the same time as the onerous contract. Consequently, a loss-recovery component is created and adjusted for the group of reinsurance contracts. This determines the amounts that are subsequently presented in profit or loss as reversals of recoveries of losses from the reinsurance contracts and are excluded from the allocation of reinsurance premiums paid. The Group adjusts the loss-recovery component to reflect changes in the loss of an onerous group of underlying insurance contracts. The carrying amount of the loss-recovery component must not exceed the portion of the carrying amount of the loss of the onerous group of underlying insurance contracts that the Group expects to recover from the group of reinsurance contracts.

Measurement of reinsurance contract cash flows is consistent with the underlying insurance contracts, but with an adjustment for any risk of non-performance by the reinsurer.

(f) Insurance contracts – subsequent measurement

The CSM at the end of the reporting period represents the profit in the group of insurance contracts that has not yet been recognised in profit or loss, because it relates to future service to be provided.

For each profitability group of insurance contracts, the carrying amount of the CSM of the group at the end of the reporting period is adjusted by the Group to reflect the effect of the following changes:

- the effect of any new contracts added to the group;
- interest accreted on the carrying amount of the CSM during the reporting period, measured at the discount rates at initial recognition;
- the changes in fulfilment cash flows relating to future service, except to the extent that: (i) such increases in the fulfilment cash flows exceed the carrying amount of the CSM, giving rise to a loss; or (ii) such decreases in the fulfilment cash flows are allocated to the loss component of the liability for remaining coverage (**LRC**); and
- the amount recognised as insurance revenue because of the transfer of services in the period, determined by the allocation of the CSM remaining at the end of the reporting period (before any allocation) over the current and remaining coverage period.

The discount rate is determined periodically and only the set of locked-in discount rates for a group of contracts in each period will be applied for subsequent measured. The discount rate used for accretion of interest on the CSM is determined using the bottom-up approach (Note 4.4(b)).

The CSM is recognised into insurance revenue over the duration of the group of insurance contracts based on the respective coverage units. The locked-in discount rate is the rate applicable at the date of initial recognition of contracts that joined a group for each annual cohort.

The changes in fulfilment cash flows relating to future service that adjust the CSM comprise:

- experience adjustments that arise from the difference between the premium receipts (and any related cash flows such as insurance acquisition cash flows) and the estimate, at the beginning of the period, of the amounts expected. Differences related to premiums received (or due) related to current or past services are recognised immediately in profit or loss while differences related to premiums received (or due) for future services are adjusted against the CSM;

- changes in estimates of the present value of future cash flows in the liability for remaining coverage, except those relating to the time value of money and changes in financial risk (recognised in the consolidated income statement and consolidated statement of comprehensive income rather than adjusting the CSM);

- differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period; and

- changes in the risk adjustment for non-financial risk that relate to future service.

Except for changes in the risk adjustment, adjustments to the CSM noted above are measured at discount rates that reflect the characteristics of the cash flows of the group of insurance contracts at initial recognition.

Where, during the coverage period, a loss is created for a group of insurance contracts becoming onerous when there is an increase in fulfilment cash flows that exceeds the carrying amount of the CSM. Once a change in fulfilment cash flows reduces CSM to nil, the excess establishes a loss which is recognised in profit and loss immediately for the net cash outflow. A loss component is established by the Group for the liability for remaining coverage for such onerous group depicting the losses recognised. Any subsequent decrease in the fulfilment cash flows will reverse the losses previously recognised in profit and loss. Any remaining loss will be released based on a systematic allocation of subsequent changes relating to future service in the fulfilment cash flows.

The Group measures the carrying amount of a group of insurance contracts at the end of each reporting period as the sum of (i) the liability for remaining coverage comprising the fulfilment cash flows related to future service allocated to the group at that date and the CSM of the group at that date; and (ii) the liability for incurred claims (**LIC**) for the Group comprising the fulfilment cash flows related to past service allocated to the group at that date (i.e. the fulfilment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported). The fulfilment cash flows at the reporting dates are measured using the current estimates of expected cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk.

(g) For reinsurance contracts, the carrying amount represents the sum of (i) the asset for remaining coverage comprising the fulfilment cash flows that relate to services that will be received under the contracts in future periods and any remaining CSM at that date; and (ii) the asset for incurred claims for the Group comprising the fulfilment cash flows related to past service allocated to the group at that date (i.e. the fulfilment cash flows for incurred recoveries that

have not been received, including recoveries that have been incurred but not yet reported). The fulfilment cash flows at the reporting dates are measured using the current estimates of expected cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk.

(h) Insurance contracts – modification and derecognition

The Group derecognises insurance contracts when:

- the rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired); or

- the contract is modified such that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract, or the modified contract would have had a substantially different contract boundary, or the modified contract would have been included in a different group of contracts. In such cases, the Group derecognises the initial contract and recognises the modified contract as a new contract.

(i) Insurance acquisition cash flows

Insurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs.

(j) Presentation

The Group has presented separately in the statement of financial position the carrying amount of portfolios of insurance contracts issued that are assets, portfolios of insurance contracts issued that are liabilities, portfolios of reinsurance contracts held that are assets and portfolios of reinsurance contracts held that are liabilities.

The Group disaggregates the amounts recognised in the consolidated income statement and consolidated statement of comprehensive income into insurance service result, comprising insurance revenue and insurance service expenses from investment results, which comprises insurance finance income or expenses.

The Group does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and includes the entire change as part of the insurance service result.

The Group separately presents income or expenses from reinsurance contracts held and from insurance contracts issued.

(i) Insurance revenue

The Group's insurance revenue depicts the performance of insurance services through provision of coverage and other services arising from a group of insurance contracts at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. Insurance revenue from a group of insurance contracts is therefore the relevant portion for the period of the total consideration for the contracts, (i.e., the amount of premiums paid to the Group adjusted for financing effect (the time value of money) and excluding investment components). The total consideration for a group of contracts covers amounts related to the provision of services and is comprised of:

- expected insurance service expenses for claims and other insurance expenses, excluding any amounts allocated to the loss component of the liability for remaining coverage;
- the risk adjustment for non-financial risk, excluding any amounts allocated to the loss component of the liability for remaining coverage;
- the CSM release; and
- amounts related to recovery of insurance acquisition cash flows.

For management judgement applied to the amortisation of CSM, please refer to Note 4.4(d).

(ii) Insurance services expenses

The insurance service expenses arising from insurance contracts are recognised in profit or loss as they are incurred. The insurance service expenses comprise: (a) incurred claims and other insurance expenses; (b) losses on onerous contracts and reversal of such losses; (c) adjustments to liability for incurred claims; and (d) related to amortising of insurance acquisition cash flows.

(iii) Loss components

The Group has grouped contracts that are onerous at initial recognition separately from contracts in the same portfolio that are not onerous at initial recognition. Groups that were not onerous at initial recognition can also subsequently become onerous if assumptions and experience changes. The Group has established a loss component of the liability for remaining coverage for any onerous group depicting the future losses recognised.

A loss component represents a notional record of the losses attributable to each group of onerous insurance contracts (or contracts profitable at inception that have become onerous). The loss component is released based on a systematic allocation of the subsequent changes in the fulfilment cash flows to: (i) the loss component; and (ii) the liability for remaining coverage excluding the loss component. The loss component is also updated for subsequent changes in estimates of the fulfilment cash flows related to future service. The systematic allocation of subsequent changes to the loss component results in the total amounts allocated to the loss component being equal to zero by the end of the coverage period of a group of contracts (since the loss component will have been materialised in the form of incurred claims).

(iv) Loss-recovery components

When the Group recognises a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the Group establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses.

Where a loss component has been set up subsequent to initial recognition of a group of underlying insurance contracts, the portion of income that has been recognised from related reinsurance contracts held is disclosed as a loss-recovery component.

Where a loss-recovery component has been set up at initial recognition or subsequently, the Group adjusts the loss-recovery component to reflect changes in the loss component of an onerous group of underlying insurance contracts.

The carrying amount of the loss-recovery component must not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the Group expects to recover from the group of reinsurance contracts held. On this basis, the loss-recovery component recognised at initial recognition is reduced to zero in line with reductions in the onerous group of underlying insurance contracts and is nil when loss component of the onerous group of underlying insurance contracts is nil.

(v) Insurance finance income and expense

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

- the effect of the time value of money and changes in the time value of money; and

- the effect of financial risk and changes in financial risk.

The Group disaggregates insurance finance income or expenses on insurance and reinsurance contracts issued between profit or loss and OCI for general insurance business. The impact of changes in market interest rates on the value of the insurance and related reinsurance assets and liabilities are reflected in OCI in order to minimise accounting mismatches between the accounting for financial assets and insurance assets and liabilities. The impacts from differences between current period rates and locked-in rates are presented in OCI.

For general insurance business, the Group's invested assets which are deposits and debt securities investments backing the groups of insurance contracts measured under the GMM are measured at amortised costs. As a result, the effect of the time value of money for the groups of insurance contracts are reflected in profit or loss and the effect of financial risk and changes in financial risk is reflected in OCI.

The Group systematically allocates expected total insurance finance income or expenses over the duration of the group of contracts to profit or loss using discount rates determined on initial recognition of the group of contracts for which changes in assumptions that relate to financial risk do not have a substantial effect on the amounts paid to the policyholder.

In the event of transfer of a group of insurance contracts or derecognition of an insurance contract, the Group reclassifies the insurance finance income or expenses to profit or loss as a reclassification adjustment of any remaining amounts for the group (or contract) that were previously recognised in OCI.

With respect to the annuity business, insurance finance income or expenses on the issued insurance contracts is not disaggregated because the related financial assets are managed on a fair value basis and measured at fair value through profit or loss.

(vi) Net income or expense from reinsurance contracts held

The Group presents on the face of the consolidated income statement and consolidated statement of comprehensive income the net amounts of expected recovery from reinsurers and an allocation of the reinsurance premiums paid. The Group treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held. Amounts relating to the recovery of losses from reinsurance of onerous direct contracts are included as amounts recoverable from the reinsurer. For reinsurance cash flows that are not contingent on claims on the underlying contracts (for example, some types of ceding commissions), they are treated as reduction in reinsurance premiums paid. The allocation of reinsurance premiums paid represents the total of the changes in the asset for remaining coverage that relate to services for which the Group expects to pay consideration.

2.23. Loans that transfer significant insurance risk

There are contracts issued by the Group with a feature combining a loan component with an agreement to compensate the borrowers by waving the borrowers' outstanding debt (for example, repayment of the loan balance and payment of interest) if a specified uncertain future event adversely affects the borrowers (for example, death). The insurance risk transferred by these contracts arises primarily from guarantees provided to the borrowers of the maximum amount of outstanding debt that is repayable if specified uncertain future events occur. In accordance with HKFRS 17, the loan component is no longer allowed to account separately from an insurance contract. On the other hand, it is allowed to apply HKFRS 9 to account for both components of such contracts in entirety. The Group has applied HKFRS 9 to such contracts. The objective of the Group's business model is to hold relevant loans with insurance cover to collect contractual cash flows until maturity rather than to sell. However, the cash flows of these contracts fail to meet the "solely for payments of principal and interest" test in view of the non-recourse feature as the credit risk of the Group is exchanged for the performance of underlying collateral value for repayment of loan balance and payment of interest. Accordingly, such contracts (with both loan and insurance components in entirety) are measured as fair value through profit or loss under HKFRS 9. The determination of the fair value of these loans is based on income approach by discounting future cash flows (including annuity payout, premium and interest income, loan prepayment, collateral property value and so on) to present value at a rate that market participant would use when pricing the similar asset.

2.24. Contingency reserve

For general insurance business, 50% or 75% of the relevant premiums or insurance premium earned, depending on the respective product, under Insurance Ordinance basis is set aside as a contingency reserve for a period of time in accordance with relevant regulatory guidelines and as considered appropriate by the directors. Withdrawals from the contingency reserve can be made to meet excess claims at any time during the period. At the end of the reporting period, the unutilised balance of the contingency reserve can be released to retained profits.

3. Financial risk management

3.1. Strategy in using financial instruments

The major activities of the Group are (i) to purchase portfolios of mortgages or loans; (ii) to raise financing for its purchase of assets through issuance of debt securities; (iii) to develop infrastructure financing business; (iv) to provide mortgage insurance cover in respect of mortgage loans and reverse mortgage loans originated by participating lenders and secured on residential properties in Hong Kong, life insurance policies and other assets, if applicable; (v) to operate a scheme for the Government of the Hong Kong Special Administrative Region (**Government**) providing guarantee on loans advanced by participating lenders for local small and medium enterprises (**SMEs**) and to operate a scheme for the Government providing 100% guarantee on loans advanced by participating lenders for unemployed individuals; and (vi) to offer life annuity products in or from Hong Kong. By their nature, the Group's activities are principally related to the use of financial instruments including cash, loans, debts, investments, and derivatives.

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. The Group manages the risks in a prudent manner in sustaining the Group's financial performance.

The Corporate Risk Management Committee is set up at group level to provide oversight of the enterprise-wide risk matters including financial and non-financial risks. The policies and limits for various risks are monitored and reviewed regularly by various management committees of the Company, including Infrastructure Financing and Securitisation Investment Committee (**IFSIC**), Credit Committee, Asset and Liability Committee (**ALCO**), Transaction Approval Committee (**TAC**), Environmental, Social and Governance (**ESG**) Committee, and Operational Risk Committee (**ORC**) which report to the Corporate Risk Management Committee.

The IFSIC executes oversight and approval authority over all investments in infrastructure loans. The Credit Committee oversees the credit policies and standards for asset acquisition. The ALCO oversees the implementation of market risk management and investment guidelines approved by the Board of Directors. The TAC conducts an in-depth analysis of pricing economics and associated risks for business transactions, whilst taking into consideration the latest market conditions and business strategies approved by the Board. The ESG Committee is established to direct and oversee the development and implementation of ESG strategy having regard to the relevant requirements and guidelines. The ORC is responsible for ensuring that all business entities and line functions maintain an effective operational risk and internal control framework. The ORC is also responsible for providing directions and resolving issues related to policies, controls and management of operational issues referred to by line functions, as well as ensuring prompt and appropriate corrective action in response to audit findings related to operational risks or internal controls.

The Group also established Longevity Risk Committee to manage longevity risk of the Group. Its duties include approving longevity risk management policies and hedging transactions and reviewing longevity experiences and exposures of the Group. It also monitors and analyses the general trend, technological changes and their implications for human longevity.

In respect of general insurance business, a Risk Committee is established by HKMC Insurance Limited (**HKMCI**) as an independent oversight committee to assist its Board to oversee implementation of risk management framework and manage all risks faced by the HKMCI. For HKMC Annuity Limited (**HKMCA**), a Risk Committee is established to manage the enterprise-wide risk matters, including financial and non-financial risks.

In addition, Group Internal Audit Department is responsible for the independent review of the internal control systems of the Group.

The most important types of risks are credit risk, market risk which includes currency risk, interest rate risk and equity price risk, liquidity risk and insurance risk.

3.2. Credit risk

The Group's principal financial assets are its cash and short-term funds, investment securities, placements with the Exchange Fund, loan portfolio and loans with 100% guarantee from the Government under the SME Financing Guarantee Scheme (**SFGS**) and Dedicated 100% Loan Guarantee Schemes (**DLGS**). The credit risk on liquid funds and investment securities is limited because the credit ratings of the counterparties, mainly sovereigns, quasi-sovereign agencies, banks and companies, should meet the minimum requirement in accordance with the investment guidelines approved by the Board of Directors (except for infrastructure-related bonds). The capital of the HKMCA and the HKMCI as well as premium receipts of the HKMCA are placed with the Exchange Fund managed by the Hong Kong Monetary Authority (**HKMA**). The credit risk on the placements with the Exchange Fund is very limited as it is exposure to the Government. Regarding loans with 100% guarantee from the Government, the credit default risk of the loans is fully guaranteed by the Government.

The Group's credit risk is primarily attributable to its loan portfolio, which is the risk that a loan borrower will be unable to pay amounts in full when due. The Group therefore has a prudent policy for managing its exposure to credit risk.

To maintain the quality of the loan portfolios (including infrastructure debts exposure), the Group adheres to a prudent risk management framework to (i) select Approved Sellers with established criteria; (ii) adopt prudent asset purchasing criteria; (iii) conduct effective and in-depth due diligence reviews; (iv) implement robust project structures and financing documentation; (v) perform an ongoing monitoring and reviewing mechanism; and (vi) ensure adequate protection for higher-risk assets or transactions.

The Group undertakes ongoing credit review with special attention paid to problem loans. Business units will monitor these loans and take recovery action such as establishing relief plan with borrowers in order to maximise recoveries. Loan impairment assessment is performed regularly and impairment allowance is charged to income statement in accordance with the guidelines approved by the Credit Committee.

Collateral and other credit enhancements

The Group has implemented guidelines on the acceptability of specific classes of collateral on credit risk mitigation, which are subject to regular review.

Loan portfolio and loans with 100% guarantee from the Government

The principal collateral types for residential mortgage portfolio mainly consist of properties located in Hong Kong. For hire purchase receivable, the collateral types include taxi and public light bus licenses. Residential mortgage portfolio and hire purchase receivable are generally secured by collateral. The current collateral value of properties is determined with the use of public indices on a portfolio basis. The principal collateral types for infrastructure loan portfolio mainly consist of security interests in the assets of the borrowers and assignment of key project documents and / or charge over bank accounts but the actual security varies projects to projects.

Regarding loans with 100% guarantee from the Government, no collateral is sought as the credit default risk of the loans is fully guaranteed by the Government. Please refer to Note 19 for more details.

Time deposits with banks, investment securities and placements with the Exchange Fund

Collaterals are generally not sought for time deposits with banks as the exposures are considered to be low risk due to the nature of the counterparties and short-term maturity. Investment securities and placements with the Exchange Fund are generally unsecured.

Derivative financial instruments

The Group enters into ISDA master agreement with all counterparties for derivative transactions where each party will be able to settle all outstanding amounts on a net basis in the event of default of the other party. The Group also executed Credit Support Annex (**CSA**) with all counterparties in conjunction with the master agreement. Under CSA, collateral is passed between the parties to mitigate the counterparty risk inherent in outstanding positions.

For financial instruments such as derivatives, exposures are monitored against counterparty risk limits established in accordance with the investment guidelines and credit risk policy of the Group. These counterparty risk limits are subject to regular review by the Credit Committee on an annual basis. At any one time, the amount subject to counterparty risk is limited to the current fair value of instruments favourable to the Group (i.e. assets with positive fair value), which in relation to derivatives is only a small fraction of the contract, or notional values used to express the volume of instruments outstanding. This counterparty risk exposure is managed as part of the overall credit limits with counterparties, together with potential exposures from market movements.

Mortgage insurance contracts, other guarantee and insurance contracts, and reinsurance contracts held

The details are disclosed in Note 3.5.

Settlement risk arises in any situation where a payment in cash, securities or equities is made in the expectation of a corresponding receipt in cash, securities or equities. Daily settlement limits are established for each counterparty to cover the aggregate of all settlement risk arising from the Group's market transactions on any single day.

Expected credit loss (ECL) measurement

For financial assets, the following credit risk modelling applies:

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information with the following indicators incorporated:

- external credit rating (as far as available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- significant increases in credit risk on other financial instruments of the same borrower;
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements; and

- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the financial conditions of the borrower.

A three-stage approach to measuring ECLs is applied on loan portfolio, cash and short-term funds and investment securities accounted for at amortised cost and FVOCI. Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

Stage 1: 12-month ECLs

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.

Stage 2: Lifetime ECLs – not credit impaired

For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.

Stage 3: Lifetime ECLs – credit impaired

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that have become credit impaired, a lifetime ECL is recognised and interest income is calculated by applying the effective interest rate to the amortised cost (net of impairment provision) rather than the gross carrying amount.

ECLs are derived from unbiased and probability-weighted estimates of expected loss. The amount of the ECLs is recognised using an impairment allowance account with the movement in this account charged to income statement.

At initial recognition, impairment allowance is required for ECLs resulting from default events that are possible within the next 12 months (**12-month ECLs**). At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. In the event of a significant increase in credit risk, impairment allowance is required from all possible default events over the expected life of the financial assets (**Lifetime ECLs**). If, in a subsequent period, credit quality improves and reverses any previously assessed significant increase in credit risk since origination, then the impairment allowance reverts from Lifetime ECLs to 12-month ECLs.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Loans are written off after all the necessary procedures have substantially been completed and the amount of the loss has been determined. Where loans have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

No impairment allowance was made on interest and remittance receivables, deposits and other assets as the amount was immaterial.

The Group uses three categories for loans which reflect their credit risk and how the loan loss provision is determined for each of those categories.

(a) Loans with 100% guarantee from the Government

These loans are fully guaranteed by the Government as detailed in Note 19. The Group uses three categories for loans which reflect their credit risk:

Stage 1: It represents performing loans with low risk of default and the borrower has a strong capacity to meet contractual cash flows.

Stage 2: It represents loans with significant increase in credit risk since the moment of acquisition, for example there is interest or principal payment overdue between 30 days and 60 days.

Stage 3: It represents loans with significant increase in credit risk with interest or principal payment overdue for over 60 days, or loans with default notice submitted by banks.

Given the default loss of these loans are fully guaranteed, no impairment allowance is recognised in view of the minimal default risk of the Government.

	Stage 1	**Stage 2**	**Stage 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
As at 31 December 2025				
Gross carrying amount	**59,654,396**	**1,148,949**	**2,710,981**	**63,514,326**
Impairment allowance	-	-	-	-
Carrying amount	**59,654,396**	**1,148,949**	**2,710,981**	**63,514,326**

	Stage 1	Stage 2	Stage 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2024				
Gross carrying amount	74,154,028	1,754,591	6,874,079	82,782,698
Impairment allowance	-	-	-	-
Carrying amount	74,154,028	1,754,591	6,874,079	82,782,698

(b) Loan portfolio

A summary of the assumptions underpinning the Group's ECL model on loans is as follows:

Category	Definition of category	Basis for recognition of ECL provision
Stage 1	Borrowers have a low risk of default and a strong capacity to meet contractual cash flows.	12-month ECLs (Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.)
Stage 2	Loans for which there is a significant increase in credit risk; a significant increase in credit risk is presumed if interest and / or principal repayments are more than 30 days past due.	Lifetime ECLs – not credit impaired
Stage 3	Interest and / or principal repayments are 90 days past due, borrowers with bankruptcy or properties repossessed.	Lifetime ECLs – credit impaired
Write-off	There is no reasonable expectation of recovery on the delinquent interest and / or principal repayments.	Asset is written off

However, in certain cases, the Group will also consider a loan to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any enhancements held by the Group.

Over the term of the loans, the Group accounts for its credit risk by appropriately providing for ECLs on a timely basis. In calculating the ECL rates, the Group considers historical loss rates for each category of loan portfolio, and adjusts for forward-looking macroeconomic data.

Loan portfolio at amortised cost consists of residential mortgage portfolio, infrastructure loans and others which are hire purchase receivable and microfinance loans.

The Group have adopted a range of economic cycle stages for the assessment of mortgage loans and hire purchase receivable by portfolio basis. Probabilities are assigned to different economic cycle stages for the assessment. Based on market outlook, Credit Committee members form a view on the likelihood of each economic cycle stage. The default probability is based on the weighted average of likelihood of different economic cycle stage and the corresponding default probability.

For infrastructure loans assessed by individual project basis, the Group has selected a forward-looking view based on outlook of global economy, relevant regional economic indicators, specific industry data, and taking into consideration of the impact of any special events. Infrastructure loans are rated under various scenarios. The probability table is set up to determine the probability of each scenario under each forward-looking view.

The following table contains an analysis of the credit risk exposure of loan portfolio at amortised cost.

	Stage 1	**Stage 2**	**Stage 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
As at 31 December 2025				
Loan portfolio at amortised cost				
Gross carrying amount				
Residential mortgage portfolio	**2,847,302**	**3,994**	**9,081**	**2,860,377**
Infrastructure loans	**8,786,195**	**-**	**-**	**8,786,195**
Others	**54,069**	**-**	**-**	**54,069**
	11,687,566	**3,994**	**9,081**	**11,700,641**
Impairment allowance				
Residential mortgage portfolio	**(9,330)**	**-**	**(408)**	**(9,738)**
Infrastructure loans	**(61,501)**	**-**	**-**	**(61,501)**
Others	**(328)**	**-**	**-**	**(328)**
	(71,159)	**-**	**(408)**	**(71,567)**
Carrying amount	**11,616,407**	**3,994**	**8,673**	**11,629,074**

	Stage 1	Stage 2	Stage 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2024				
Loan portfolio at amortised cost				
Gross carrying amount				
Residential mortgage portfolio	2,807,202	3,844	5,501	2,816,547
Infrastructure loans	7,290,487	-	-	7,290,487
Others	69,504	-	2,221	71,725
	10,167,193	3,844	7,722	10,178,759
Impairment allowance				
Residential mortgage portfolio	(6,849)	-	-	(6,849)
Infrastructure loans	(52,940)	-	-	(52,940)
Others	(259)	-	(1,594)	(1,853)
	(60,048)	-	(1,594)	(61,642)
Carrying amount	10,107,145	3,844	6,128	10,117,117

The impairment allowance for loan portfolio as at 31 December 2025 reconciles to the opening impairment allowance as follows:

	Stage 1	Stage 2	Stage 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Impairment allowance as at 1 January 2024	24,873	-	1,347	26,220
Loans purchased and repayment	27,402	-	-	27,402
Net measurement of impairment arising from changes of stage	-	22	-	22
Movement due to changes in credit risk	7,773	-	264	8,037
Recoveries of loans not written-off	-	-	(39)	(39)
	35,175	22	225	35,422
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	(22)	22	-
Write-offs	-	-	-	-
Impairment allowance as at 31 December 2024 (Note 20)	60,048	-	1,594	61,642
Loans purchased and repayment	**5,622**	-	-	**5,622**
Net measurement of impairment arising from changes of stage	**(1,541)**	-	**(15)**	**(1,556)**
Movement due to changes in credit risk	**5,468**	-	**403**	**5,871**
Recoveries of loans not written-off	-	-	**(12)**	**(12)**
	9,549	-	**376**	**9,925**
Transfer to stage 1	**1,567**	-	**(1,567)**	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	**(5)**	-	**5**	-
Write-offs	-	-	-	-
Impairment allowance as at 31 December 2025 (Note 20)	**71,159**	-	**408**	**71,567**
Change in loan impairment allowance	**11,111**	-	**(1,186)**	**9,925**
Net change in loan commitment impairment allowance	**(3,896)**	-	-	**(3,896)**
Recoveries of loans previously written-off	-	-	**(221)**	**(221)**
Total change in impairment allowance recognised in profit or loss for year ended 31 December 2025 (Note 14)	**7,215**	-	**(1,407)**	**5,808**
Total change in impairment allowance recognised in profit or loss for year ended 31 December 2024 (Note 14)	32,964	22	97	33,083

(c) Cash and short-term funds

The impairment allowance for cash and short-term funds as at 31 December 2025 reconciles to the opening impairment allowance as follows:

	HK$'000
Impairment allowance as at 1 January 2024	4,147
Change in the impairment allowance recognised in profit or loss during the period (Note 14)	1,502
Impairment allowance as at 31 December 2024 (Note 16)	5,649
Change in the impairment allowance recognised in profit or loss during the period (Note 14)	**1,920**
Impairment allowance as at 31 December 2025 (Note 16)	**7,569**

According to the approved investment guidelines, the Group can only place deposits with note-issuing banks or banks with a certain minimum credit rating.

The Group has established a provision matrix that is based on the external credit rating of each counterparty and the corresponding historical credit loss experience, adjusted for forward-looking macroeconomic data to determine the ECLs for impairment allowance. The Group has selected a range of possible economic outcomes, based on outlook of global economy and relevant economic indicators, taking into consideration the impact of any special events, as the most suitable views to the portfolio. A probability rate table is set up to determine the probability rate for the forward-looking views.

All of these financial assets are considered to be low risk in view of all deposit banks are rated at investment grade by rating agencies, and thus the impairment allowance recognised during the period was limited to 12-month ECLs for stage 1. During the year, the increase in the impairment allowance was mainly due to the increase in deposits with banks and there was no transfer to stages 2 and 3.

As at 31 December 2025 and 31 December 2024, the minimum acceptable short-term credit ratings are A-2 (Standard and Poor's), P-2 (Moody's) and F-2 (Fitch's).

(d) Investment securities

Investment securities are composed of debt securities and investment funds, while debt securities comprise conventional debt securities and infrastructure-related bonds.

According to the approved investment guidelines, conventional debt securities can only be invested with a certain minimum credit rating. The proportion of investments according to rating categories is monitored and reviewed by ALCO. Investment in infrastructure-related bonds which are secured by project assets and other typical security package for infrastructure financing, is governed and monitored by IFSIC.

The table below presents an analysis of debt securities by rating classification as at the end of the reporting period, based on external credit rating agency's ratings (Standard and Poor's, Moody's and Fitch's) or internal ratings based on the rating models provided by external credit rating agency. In the absence of issue-specific ratings, the ratings for the issuers are reported.

	Debt securities at FVOCI	**Debt securities at amortised cost**	**Infrastructure-related bonds at amortised cost***	**Total**
As at 31 December 2025	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
AAA / Aaa	**1,548,355**	**1,858,262**	**-**	**3,406,617**
AA- to AA+ / Aa3 to Aa1	**4,886,815**	**10,694,658**	**439,775**	**16,021,248**
A- to A+ / A3 to A1	**3,165,319**	**6,527,176**	**581,817**	**10,274,312**
BBB- to BBB+ / Baa3 to Baa1	**-**	**-**	**98,510**	**98,510**
BB / Ba	**-**	**-**	**115,553**	**115,553**
Total	**9,600,489**	**19,080,096**	**1,235,655**	**29,916,240**

* For infrastructure-related bonds where external credit rating agency's ratings are not available, rating classification is based on internal ratings.

	Debt securities at FVOCI	Debt securities at amortised cost	Infrastructure-related bonds at amortised cost	Total
As at 31 December 2024	HK$'000	HK$'000	HK$'000	HK$'000
AAA / Aaa	182,621	665,399	-	848,020
AA- to AA+ / Aa3 to Aa1	2,745,410	6,790,367	-	9,535,777
A- to A+ / A3 to A1	793,790	7,153,171	-	7,946,961
BBB- to BBB+ / Baa3 to Baa1	-	-	501,383	501,383
Total	3,721,821	14,608,937	501,383	18,832,141

The following table contains an analysis of the credit risk exposure of investment securities for which impairment allowance is recognised. There was no transfer to stages 2 and 3 during the period.

	Stage 1	**Stage 2**	**Stage 3**	**Total**
As at 31 December 2025	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Gross carrying amount				
- FVOCI	**9,600,489**	**-**	**-**	**9,600,489**
- amortised cost	**20,315,751**	**-**	**-**	**20,315,751**
Impairment allowance				
- amortised cost	**(6,844)**	**-**	**-**	**(6,844)**
Carrying amount				
- FVOCI	**9,600,489**	**-**	**-**	**9,600,489**
- amortised cost	**20,308,907**	**-**	**-**	**20,308,907**
	29,909,396	**-**	**-**	**29,909,396**

	Stage 1	Stage 2	Stage 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2024				
Gross carrying amount				
- FVOCI	3,721,821	-	-	3,721,821
- amortised cost	15,110,320	-	-	15,110,320
Impairment allowance				
- amortised cost	(4,850)	-	-	(4,850)
Carrying amount				
- FVOCI	3,721,821	-	-	3,721,821
- amortised cost	15,105,470	-	-	15,105,470
	18,827,291	-	-	18,827,291

The impairment allowance for investment securities as at 31 December 2025 reconciles to the opening impairment allowance as follows:

	Stage 1	**Stage 2**	**Stage 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Impairment allowance as at 1 January 2024				
- FVOCI	875	-	-	875
- amortised cost	4,671	-	-	4,671
Change in the impairment allowance recognised in profit or loss during the period				
- FVOCI (Note 14)	147	-	-	147
- amortised cost (Note 14)	179	-	-	179
Impairment allowance as at 31 December 2024				
- FVOCI	1,022	-	-	1,022
- amortised cost (Note 21(c))	4,850	-	-	4,850
Change in the impairment allowance recognised in profit or loss during the period				
- FVOCI (Note 14)	**1,711**	-	-	**1,711**
- amortised cost (Note 14)	**1,994**	-	-	**1,994**
Impairment allowance as at 31 December 2025				
- **FVOCI**	**2,733**	-	-	**2,733**
- **amortised cost (Note 21(c))**	**6,844**	-	-	**6,844**

(i) Investment securities at amortised cost

Investment securities at amortised cost include listed and unlisted debt securities, and infrastructure-related bonds. The impairment allowance on investment securities at amortised cost as at 31 December 2025 reconciles to the opening impairment allowance as follows:

	HK$'000
Impairment allowance as at 1 January 2024	4,671
Change in the impairment allowance recognised in profit or loss during the period (Note 14)	179
Impairment allowance as at 31 December 2024 (Note 21(c))	4,850
Change in the impairment allowance recognised in profit or loss during the period (Note 14)	**1,994**
Impairment allowance as at 31 December 2025 (Note 21(c))	**6,844**

The Group has established a provision matrix that is based on the external credit rating or internal credit rating (based on rating model provided by external credit rating agency) of each counterparty and the corresponding historical credit loss experience, adjusted for forward-looking macroeconomic data to determine the ECLs for impairment allowance. The Group has selected a range of possible economic outcomes, based on outlook of global economy and relevant economic indicators, taking into consideration the impact of any special events, as the most suitable views to the portfolio. A probability rate table is set up to determine the probability rate for the forward-looking views.

All of these investment securities carried at amortised cost are considered with no significant increase in credit risk as at 31 December 2025, and thus the impairment allowance recognised for the year ended 31 December 2025 was limited to 12-month ECLs under Stage 1. During the year, the increase in the impairment allowance was mainly due to the increase in investment securities at amortised cost.

(ii) Investment securities at FVOCI

Investment securities at FVOCI include listed and unlisted debt securities. The impairment allowance on investment securities at FVOCI as at 31 December 2025 reconciles to the opening impairment allowance as follows:

	HK$'000
Impairment allowance recognised in OCI as at 1 January 2024	875
Change in the impairment allowance recognised in profit or loss during the period (Note 14)	147
Impairment allowance recognised in OCI as at 31 December 2024	1,022
Change in the impairment allowance recognised in profit or loss during the period (Note 14)	**1,711**
Impairment allowance recognised in OCI as at 31 December 2025	**2,733**

The Group has established a provision matrix that is based on the external credit rating of each counterparty and the corresponding historical credit loss experience, adjusted for forward-looking macroeconomic data to determine the ECLs for impairment

allowance. The Group has selected a range of possible economic outcomes, based on outlook of global economy and relevant economic indicators, taking into consideration the impact of any special events, as the most suitable views to the portfolio. A probability rate table is set up to determine the probability rate for the forward-looking views.

All of these financial assets are considered to be low risk in view of all investment securities at FVOCI are rated at investment grade by rating agencies, and thus the impairment allowance recognised for the year ended 31 December 2025 was limited to 12-month ECLs under Stage 1. During the year, the increase in the impairment allowance was mainly due to the increase in investment securities at FVOCI.

In preparing the ECL, Credit Committee had formed three forward-looking views (that is good, normal and bad) based on market conditions, real economies and a designated period of historical macroeconomic variables to formulate the probability rating for three scenarios (that is optimistic, base and pessimistic) under each forward-looking view. The good view assumed a high probability of optimistic scenario outcome whereas the bad view assumed a high probability of pessimistic scenario outcome. A designated period of historical data that covers peaks and troughs of economic cycles were selected to ensure the selection of scenarios stays unbiased.

The weightings assigned to each economic scenario, base, pessimistic and optimistic as at 31 December 2025, were maintained at the same weightings as at 31 December 2024 in view of market conditions, for the Group's infrastructure loans, deposits and debt investments, of which the impairment allowance is provided based on credit ratings (either external or internal) and forms the majority of total impairment allowance.

(e) Sensitivity analysis of ECL

The Group applies three alternative macro-economic scenarios (base, pessimistic and optimistic scenarios) on the forward-looking views to reflect probability-weighted range of possible future outcomes in estimating ECL. The table below provides approximate levels of provisions of impairment under the normal, bad and good forward-looking views for the infrastructure loans, deposits and debt investment portfolio of the Group:

	2025 **Amount change from the reported ECL** **HK$'000** **Increase / (decrease)**	2024 Amount change from the reported ECL HK$'000 Increase / (decrease)
ECL:		
- normal view	**(38,322)**	(32,965)
- bad view	**-**	-
- good view	**(46,465)**	(39,200)

(f) Maximum exposures to credit risk of the financial assets of the Group before taking into account of collateral held or other credit enhancements are equal to their gross carrying amounts.

(g) Credit-impaired loans

	2025	2024
	HK$'000	HK$'000
Gross impaired loan portfolio	**9,081**	2,221
Allowance for loan impairment in respect of such advances - Stage 3	**(408)**	(1,594)
	8,673	627

Allowance for loan impairment is assessed after taking into account of collateral held for impaired loans.

(h) Repossessed properties

The Group obtained assets by taking possession of collateral held as security.

Repossessed properties are sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness and are classified in the statement of financial position within "Other assets". If excess funds arise after repayment of the outstanding indebtedness, they are distributed to the beneficiaries of the assets under the applicable laws.

3.3. Market risk

The Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices. The Group's exposures to market risk primarily arise from the interest rate management of the entity's financial instruments of different repricing characteristics, or from the net exposure of the foreign currency denominated financial instruments. The Group hedges a major proportion of its existing interest rate risk of the fixed-rate bond issuance using fair value hedges in the form of interest rate swaps by swapping into floating-rate funding to better match the floating-rate assets. The Group also hedges the net exposure of the foreign-currency denominated debts issued and assets by the use of cross-currency swaps as fair value hedges and economic hedges respectively.

The management of market risk is principally undertaken by the Treasury Department using risk limits approved by the Board of Directors. Strategies on interest rate risk management, financing, hedging, investments are formulated by ALCO. Regular meetings are held to review the latest conditions in the financial markets and the asset-liability portfolio mix. The Treasury Department is responsible for monitoring financial market movements and executing transactions in the cash, derivatives, debt and investment markets in accordance with the strategies laid down by ALCO. The middle office monitors the compliance of risk limits and performs stress tests to assess the potential size of losses that could arise in extreme conditions. The results of the stress tests are reviewed by ALCO.

A principal part of the interest rate risk management is to monitor the sensitivity of projected net interest income under different interest rate scenarios and to mitigate the negative impact through hedging operations. A 20 basis points parallel downward shift of the interest rate curve as at 31 December 2025 would increase the future net interest income for the next twelve months by around HK$12 million (2024: less than HK$1 million) and decrease by around HK$12 million (2024: less than HK$1 million) for a similar upward parallel shift.

As at 31 December 2025, if interest rates at that date had experienced a 20 basis points parallel shift downwards, profit for the year would have been lower by around HK$12 million (2024: HK$30 million higher) and the fair value reserve would have been higher by around HK$50 million (2024: HK$20 million) as at 31 December 2025. If interest rates had experienced a 20 basis points parallel shift upwards, profit for the year would have been higher by HK$11 million (2024: HK$30 million lower) and the fair value reserve would have been lower by around HK$50 million (2024: HK$19 million).

As at 31 December 2025, with all other variables held constant, if the Hong Kong dollars had weakened by 100 price interest points against the US dollars, profit for the year would have been around HK$30 million higher (2024: HK$14 million). Conversely, if the Hong Kong dollars had strengthened by 100 price interest points against the US dollars, profit for the year would have been around HK$30 million lower (2024: HK$14 million).

As at 31 December 2025, with all other variables held constant, if the Hong Kong dollars had weakened by 100 price interest points against foreign currencies other than US dollars, profit for the year would have been lower by HK$0.7 million (2024: HK$0.2 million higher). Conversely, if the Hong Kong dollars had strengthened by 100 price interest points against foreign currencies other than US dollars, profit for the year would have been higher by HK$0.7 million (2024: HK$0.2 million lower).

The Group is exposed to financial risk arising from changes in the rate of return on the placements with the Exchange Fund, which is set annually (the placements include Investment Portfolio which rate of return will reset in January while the return of Long-Term Growth Portfolio will only be available in March in the following year). As at 31 December 2025, if there were an increase / decrease of 0.1% in the current year rate of return, it is estimated that, with all other variables held constant, the Group's income from the placements with the Exchange Fund would have increased / decreased by approximately HK$72 million (2024: HK$38 million).

As at 31 December 2025, with all other variables held constant, if the price of exchange-traded funds had decreased by 1%, profit for the year would have been around HK$0.1 million lower (2024: HK$0.1 million). Conversely, if the price of exchange-traded funds had increased by 1%, profit for the year would have been around HK$0.1 million higher (2024: HK$0.1 million).

The increase or decrease represents management's assessment of a reasonably possible change in interest rates, exchange rates and equity prices for a 12-month period.

An analysis showing the impact of interest rate curve movement on profit before tax and equity driven by insurance and reinsurance contracts is included in Note 3.3(c).

(a) Foreign currency exposure

The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rate on its financial position and cash flows. The Board sets allowable currencies for investment purposes. The ALCO sets limits on the currency exposure that may be undertaken, which is monitored daily. At funding side, the multi-currency feature of the MTN programme enables the Group to issue notes in major currencies, including US dollars, renminbi, Singapore dollars, British pounds, Australian dollars, Euro and Japanese yen. All foreign currency-denominated debts are hedged into Hong Kong dollars or US dollars.

The tables below summarise the Group's exposure to foreign currency exchange rate risk. Included in the tables are the assets and liabilities at carrying amounts, categorised by currency.

	HKD	USD	Other foreign currencies	Total
	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2025				
Financial assets				
Cash and short-term funds	63,978,291	506,444	51,880^	64,536,615
Interest and remittance receivables	1,761,857	788,722	162,316	2,712,895
Derivative financial instruments	1,668,020	-	-	1,668,020
Loans with 100% guarantee from the Government	63,514,326	-	-	63,514,326
Loan portfolio, net				
- FVPL	3,470,628	-	-	3,470,628
- amortised cost	3,976,859	5,506,228	2,145,987^^	11,629,074
Investment securities:				
- FVOCI	512,151	6,623,070	2,465,268^^^	9,600,489
- FVPL	1,380	199,256	-	200,636
- amortised cost	2,346,642	16,359,506	1,602,759^^^^	20,308,907
Placements with the Exchange Fund	72,418,586	-	-	72,418,586
Deposits and other assets	20,305	144,238	93	164,636
Total financial assets	213,669,045	30,127,464	6,428,303	250,224,812
Financial liabilities				
Interest payable	2,044,404	573,398	163,908	2,781,710
Accounts payable, accrued expenses and other liabilities	2,001,440	3,335,022	962	5,337,424
Derivative financial instruments	559,693	-	-	559,693
Debt securities issued	108,789,101	30,614,644*	15,765,585**	155,169,330
Total financial liabilities	113,394,638	34,523,064	15,930,455	163,848,157
Net position#	65,112,704	(4,395,600)	(9,502,152)	51,214,952
Off-balance sheet net notional position##	(36,214,065)	27,385,525	8,964,311	135,771

^ Amounts included cash and short-term funds in Australian dollars of HK$37.5 million and renminbi of HK$11.0 million.

^^ Amounts included loan portfolio, net at amortised cost in Australian dollars of HK$2.0 billion.

^^^ Amounts included investment securities at FVOCI in renminbi of HK$1.9 billion.

^^^^ Amounts included investment securities at amortised cost in renminbi of HK$0.8 billion and Euro of HK$0.8 billion.

* Fully hedged into Hong Kong dollars.

** Amounts included debt securities issued in Australian dollars of HK$0.6 billion and renminbi of HK$15.1 billion, fully hedged into Hong Kong dollars.

"Net position" represents the difference between total assets and total liabilities.

"Off-balance sheet net notional position" represents the difference between the notional amounts of foreign currency derivative financial instruments, which are principally used to reduce the Group's exposure to currency movements and their fair values.

	HKD	USD	Other foreign currencies	Total
	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2024				
Financial assets				
Cash and short-term funds	51,641,868	992,467	12,847^	52,647,182
Interest and remittance receivables	2,200,462	741,030	279,887	3,221,379
Derivative financial instruments	664,618	-	-	664,618
Loans with 100% guarantee from the Government	82,782,698	-	-	82,782,698
Loan portfolio, net				
- FVPL	2,596,858	-	-	2,596,858
- amortised cost	3,539,734	5,511,228	1,066,155^^	10,117,117
Investment securities:				
- FVOCI	494,313	2,159,566	1,067,942^^^	3,721,821
- FVPL	1,318	8,456	-	9,774
- amortised cost	1,846,188	12,277,696	981,586^^^^	15,105,470
Placements with the Exchange Fund	49,244,684	-	-	49,244,684
Deposits and other assets	71,423	308,900	88	380,411
Total financial assets	195,084,164	21,999,343	3,408,505	220,492,012
Financial liabilities				
Interest payable	2,454,023	612,558	275,743	3,342,324
Accounts payable, accrued expenses and other liabilities	2,210,375	1,922,291	-	4,132,666
Derivative financial instruments	1,740,649	-	-	1,740,649
Debt securities issued	103,576,603	26,302,558*	18,420,475**	148,299,636
Total financial liabilities	109,981,650	28,837,407	18,696,218	157,515,275
Net position#	60,992,512	(6,838,064)	(15,287,713)	38,866,735
Off-balance sheet net notional position##	(34,136,902)	18,058,822	15,241,661	(836,419)

^ Amounts included cash and short-term funds in Australian dollars of HK$12.0 million and renminbi of HK$0.4 million.

^^ Amounts included loan portfolio, net at amortised cost in Australian dollars of HK$1.1 billion.

^^^ Amounts included investment securities at FVOCI in renminbi of HK$1.1 billion.

^^^^ Amounts included investment securities at amortised cost in renminbi of HK$0.5 billion and Euro of HK$0.4 billion.

* Fully hedged into Hong Kong dollars.

** Amounts included debt securities issued in Australian dollars of HK$0.6 billion and renminbi of HK$17.6 billion, fully hedged into Hong Kong dollars.

"Net position" represents the difference between total assets and total liabilities.

"Off-balance sheet net notional position" represents the difference between the notional amounts of foreign currency derivative financial instruments, which are principally used to reduce the Group's exposure to currency movements and their fair values.

(b) Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected

movements arise. The ALCO sets limits on the level of interest rate mismatch that may be undertaken, which is monitored regularly.

The tables below summarise the Group's exposure to interest rate risks. Included in the tables are the assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The carrying amounts of derivative financial instruments, which are principally used to reduce the Group's exposure to interest rate movements, are included under the heading "Non-interest bearing".

	Up to 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Non-interest bearing	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2025							
Financial assets							
Cash and short-term funds	11,828,316	52,264,216	-	-	-	444,083	64,536,615
Interest and remittance receivables	-	-	-	-	-	2,712,895	2,712,895
Derivative financial instruments	-	-	-	-	-	1,668,020	1,668,020
Loans with 100% guarantee from the Government	63,514,326	-	-	-	-	-	63,514,326
Loan portfolio, net							
- FVPL	334,960	-	-	-	3,135,668	-	3,470,628
- amortised cost	6,032,041	3,812,123	1,180,381	23,145	581,384	-	11,629,074
Investment securities:							
- FVOCI	624,407	1,872,215	468,741	5,933,952	701,174	-	9,600,489
- FVPL	-	-	190,336	-	-	10,300	200,636
- amortised cost	396,900	1,232,554	820,284	11,378,683	6,480,486	-	20,308,907
Placements with the Exchange Fund	-	-	-	-	-	72,418,586	72,418,586
Deposits and other assets	134,499	-	-	-	-	30,137	164,636
Total financial assets	82,865,449	59,181,108	2,659,742	17,335,780	10,898,712	77,284,021	250,224,812
Financial liabilities							
Interest payable	-	-	-	-	-	2,781,710	2,781,710
Accounts payable, accrued expenses and other liabilities	4,093,496	-	-	-	-	1,243,928	5,337,424
Derivative financial instruments	-	-	-	-	-	559,693	559,693
Debt securities issued	2,676,980	24,372,054	43,677,004	74,569,084	9,874,208	-	155,169,330
Total financial liabilities	6,770,476	24,372,054	43,677,004	74,569,084	9,874,208	4,585,331	163,848,157
Total interest sensitivity gap*	76,094,973	34,809,054	(41,017,262)	(57,233,304)	1,024,504		
Interest rate derivatives (notional amounts of net position)	(4,330,186)	(13,078,874)	7,357,517	8,592,239	1,595,075		

* Before the repricing effect of derivative financial instruments on the loan portfolio, investment securities and debt securities issued.

	Up to 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Non-interest bearing	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2024							
Financial assets							
Cash and short-term funds	24,421,783	27,881,330	-	-	-	344,069	52,647,182
Interest and remittance receivables	-	-	-	-	-	3,221,379	3,221,379
Derivative financial instruments	-	-	-	-	-	664,618	664,618
Loans with 100% guarantee from the Government	82,782,698	-	-	-	-	-	82,782,698
Loan portfolio, net							
- FVPL	225,843	-	-	33,034	2,337,981	-	2,596,858
- amortised cost	5,383,365	2,077,927	2,062,443	340	593,042	-	10,117,117
Investment securities:							
- FVOCI	272,175	233,278	592,321	2,526,782	97,265	-	3,721,821
- FVPL	-	-	-	-	-	9,774	9,774
- amortised cost	504,668	1,285,373	2,169,752	8,698,347	2,447,330	-	15,105,470
Placements with the Exchange Fund	-	-	-	-	-	49,244,684	49,244,684
Deposits and other assets	308,854	-	-	-	-	71,557	380,411
Total financial assets	113,899,386	31,477,908	4,824,516	11,258,503	5,475,618	53,556,081	220,492,012
Financial liabilities							
Interest payable	-	-	-	-	-	3,342,324	3,342,324
Accounts payable, accrued expenses and other liabilities	2,530,790	-	-	-	-	1,601,876	4,132,666
Derivative financial instruments	-	-	-	-	-	1,740,649	1,740,649
Debt securities issued	4,209,731	25,292,645	34,290,741	77,962,455	6,544,064	-	148,299,636
Total financial liabilities	6,740,521	25,292,645	34,290,741	77,962,455	6,544,064	6,684,849	157,515,275
Total interest sensitivity gap*	107,158,865	6,185,263	(29,466,225)	(66,703,952)	(1,068,446)		
Interest rate derivatives (notional amounts of net position)	(9,833,311)	(12,905,912)	8,088,484	11,677,601	2,136,719		

* Before the repricing effect of derivative financial instruments on the investment securities and debt securities issued.

(c) Interest rate risk on insurance and reinsurance contracts

The following analysis is performed for reasonably possible movements in interest rate curve with all other variables held constant, showing the before-tax impact on profit and equity driven by insurance and reinsurance contracts.

	2025		2024	
Parallel upward / (downward) shift of interest rate curve:	**Impact on profit** **HK$'000**	**Impact on equity** **HK$'000**	Impact on profit HK$'000	Impact on equity HK$'000
25 bp	**810,027**	**970,784**	511,664	659,888
(25) bp	**(844,932)**	**(1,019,110)**	(534,788)	(695,738)

The impact shown in the above table covers entire insurance portfolio, part of which, mainly reverse mortgage loans, are held in the loan portfolio of the Group at fair value.

3.4. Liquidity risk

Liquidity risk represents the risk of the Group not being able to repay its payment obligations or to fund committed purchases of loans. Liquidity risk is managed by monitoring the actual inflows and outflows of funds on a daily basis and projecting longer-term inflows and outflows of funds across a full maturity spectrum. The Group has established diversified funding sources to support the growth of its business and the maintenance of a balanced portfolio of liabilities. Sources of liquidity are regularly reviewed by ALCO.

(a) Undiscounted cash flows analysis

The tables below present cash flows payable by the Group under non-derivative financial liabilities, derivative financial liabilities that will be settled on a net basis, derivative financial instruments that will be settled on gross basis, and insurance liabilities by remaining contractual maturities as at the end of the reporting period. The amounts disclosed in the tables are the projected contractual undiscounted cash flows including future interest, claims and benefits payments as appropriate on the basis of their earliest possible contractual maturity. The Group's derivatives include interest rate swaps that will be settled on net basis; cross currency swaps and currency forwards that will be settled on gross basis.

(i) Non-derivative cash inflows / (outflows)

	Up to 1 month	**Over 1 month to 3 months**	**Over 3 months to 1 year**	**Over 1 year to 5 years**	**Over 5 years**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
As at 31 December 2025						
Liabilities						
Accounts payable, accrued expenses and other liabilities						
- lease liabilities	**(4,738)**	**(9,478)**	**(43,197)**	**(80,638)**	**-**	**(138,051)**
Insurance contract liabilities	**(188,022)**	**(355,560)**	**(1,679,948)**	**(8,343,977)**	**(40,377,237)**	**(50,944,744)**
Reinsurance contract liabilities	**(1,774)**	**(3,552)**	**(13,714)**	**(85,532)**	**(423,136)**	**(527,708)**
Debt securities issued						
- principal portion	**(2,240,000)**	**(23,235,050)**	**(44,479,310)**	**(74,607,431)**	**(9,861,425)**	**(154,423,216)**
- interest portion	**(84,918)**	**(1,516,301)**	**(3,703,676)**	**(6,655,284)**	**(3,961,625)**	**(15,921,804)**
	(2,519,452)	**(25,119,941)**	**(49,919,845)**	**(89,772,862)**	**(54,623,423)**	**(221,955,523)**

	Up to 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2024						
Liabilities						
Accounts payable, accrued expenses and other liabilities						
- lease liabilities	(4,648)	(9,297)	(41,837)	(131,327)	(5,757)	(192,866)
Insurance contract liabilities	(132,437)	(244,006)	(1,112,028)	(5,645,880)	(27,442,513)	(34,576,864)
Reinsurance contract liabilities	(1,115)	(2,233)	(6,256)	(54,156)	(275,869)	(339,629)
Debt securities issued						
- principal portion	(3,912,281)	(23,421,321)	(35,032,647)	(79,729,622)	(6,697,163)	(148,793,034)
- interest portion	(198,971)	(1,899,583)	(3,491,350)	(6,784,746)	(1,628,996)	(14,003,646)
	(4,249,452)	(25,576,440)	(39,684,118)	(92,345,731)	(36,050,298)	(197,906,039)

(ii) Derivative cash inflows / (outflows)

	Up to 1 month	**Over 1 month to 3 months**	**Over 3 months to 1 year**	**Over 1 year to 5 years**	**Over 5 years**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
As at 31 December 2025						
Derivative financial instrument settled:						
- on net basis	**3,733**	**(171,950)**	**200,673**	**(81,255)**	**(3,842)**	**(52,641)**
- on gross basis						
Total outflow	**(3,118,886)**	**(7,933,037)**	**(15,119,770)**	**(48,620,812)**	**(5,364,657)**	**(80,157,162)**
Total inflow	**3,064,136**	**7,997,267**	**15,655,742**	**49,276,910**	**5,403,671**	**81,397,726**
	(51,017)	**(107,720)**	**736,645**	**574,843**	**35,172**	**1,187,923**

	Up to 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2024						
Derivative financial instrument settled:						
- on net basis	(193,100)	(3,649)	68,577	(205,674)	(18,883)	(352,729)
- on gross basis						
Total outflow	(2,612,157)	(9,358,072)	(14,355,600)	(37,833,127)	(4,442,210)	(68,601,166)
Total inflow	2,399,452	9,241,245	14,218,156	37,971,719	4,323,924	68,154,496
	(405,805)	(120,476)	(68,867)	(67,082)	(137,169)	(799,399)

(b) Maturity analysis

The table below analyses the assets and liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date.

	Repayable on demand	Up to 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Undated	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2025								
Assets								
Cash and short-term funds (gross)	656,908	11,616,276	52,271,000	-	-	-	-	64,544,184
Loans with 100% guarantee from the Government	27,357	1,500,818	1,401,192	6,856,335	34,763,095	18,965,529	-	63,514,326
Loan portfolio								
- FVPL	-	-	-	-	-	-	3,470,628	3,470,628
- amortised cost (gross)	339	85,947	131,935	1,002,399	4,249,729	6,229,892	400	11,700,641
Investment securities								
- FVOCI	-	-	-	468,741	8,430,574	701,174	-	9,600,489
- FVPL	-	-	-	-	-	190,336	10,300	200,636
- amortised cost (gross)	-	122,554	370,074	988,002	11,975,761	6,859,360	-	20,315,751
Placements with the Exchange Fund	-	-	-	-	38,344,414	34,074,172	-	72,418,586
	684,604	13,325,595	54,174,201	9,315,477	97,763,573	67,020,463	3,481,328	245,765,241
Liabilities								
Debt securities issued	-	2,237,110	23,252,232	44,596,880	75,208,900	9,874,208	-	155,169,330
	-	2,237,110	23,252,232	44,596,880	75,208,900	9,874,208	-	155,169,330

	Repayable on demand	Up to 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Undated	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2024								
Assets								
Cash and short-term funds (gross)	913,754	23,854,077	27,885,000	-	-	-	-	52,652,831
Loans with 100% guarantee from the Government	42,060	1,179,226	1,803,777	8,549,097	41,141,100	30,067,438	-	82,782,698
Loan portfolio								
- FVPL	-	-	-	-	-	-	2,596,858	2,596,858
- amortised cost (gross)	312	126,069	118,207	632,746	3,811,014	5,490,076	335	10,178,759
Investment securities								
- FVOCI	-	155,098	-	592,321	2,877,137	97,265	-	3,721,821
- FVPL	-	-	-	-	-	-	9,774	9,774
- amortised cost (gross)	-	232,882	8,584	2,292,098	9,823,178	2,753,578	-	15,110,320
Placements with the Exchange Fund	-	-	-	3,771,157	14,743,389	30,730,138	-	49,244,684
	956,126	25,547,352	29,815,568	15,837,419	72,395,818	69,138,495	2,606,967	216,297,745
Liabilities								
Debt securities issued	-	3,909,800	23,373,275	35,090,701	79,381,796	6,544,064	-	148,299,636
	-	3,909,800	23,373,275	35,090,701	79,381,796	6,544,064	-	148,299,636

Apart from the above, interest and remittance receivables, prepayments and other assets, interest payable, accounts payable and accrued expenses are expected to be recovered or settled within twelve months from the reporting date. Other assets and liabilities included in the consolidated statement of financial position are expected to be recovered or settled in a period more than twelve months after the reporting date.

In addition, the Exchange Fund has committed to providing the Group with a HK$80 billion revolving credit under the Revolving Credit Facility since 2020, which enables the Group to maintain smooth operation under exceptional circumstances, so that it can better fulfil its mandate to promote banking and financial stability in Hong Kong.

3.5. Risks arising from insurance contracts

(a) Insurance contracts and reinsurance contracts

Through its general insurance subsidiary, the Group provides mortgage insurance cover to participating lenders for first credit losses, in general, of up to 50% of the property value of a residential mortgage loan in Hong Kong with loan-to-value ratio 90% or below at origination, or other thresholds as specified from time to time. The general insurance subsidiary also provides insurance cover in respect of reverse mortgage loans originated by participating lenders and secured on residential properties and, if applicable, other assets, and in respect of policy reverse mortgage loans originated by participating lenders and secured on life insurance policies. Through its life subsidiary, the Group offers annuity product to personal customers.

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

Accordingly, the main risks that the Group is exposed to are, as follows:

- property price risk – risk of outstanding loan is higher than value of collateral;
- mortality risk – risk of loss arising from the incidence of policyholder death being later than expectation;
- expense risk – risk of loss arising from expense experience being different from expectation;
- loan default risk – risk of default of repayment to mortgage loan; and
- policyholder decision risk (non-death termination) – risk of loss arising due to policyholder experiences (lapses and surrenders) being different from expectation.

The Group aims to ensure that sufficient reserves are available to cover the liabilities associated with the insurance that it issues. The risk exposure is mitigated by diversification across the portfolios of insurance contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of outwards reinsurance arrangements. In addition, the assumptions are reviewed regularly with regular experience studies conducted.

The Group purchases reinsurance as part of its risk mitigation measures. The reinsurance contract is quota share reinsurance which is taken out to reduce the overall exposure of the Group to certain classes of business. Amounts recoverable from reinsurers are estimated in a manner consistent with the underlying insurance contract liabilities and in accordance with the reinsurance contracts.

The Group's placement of reinsurance is diversified as far as practicable to avoid being dependent on a single reinsurer or a single reinsurance contract. The Group monitors the credit risk of reinsurers through conducting comprehensive assessment including the financial strength and credit ratings of the reinsurers in accordance with the reinsurance policy under the Risk Management Framework. The approved reinsurers are subject to periodic reviews.

The Group monitors closely and review regularly on the exposure to key insurance risks. The nature of the Group's exposure to insurance risks and its objectives, policies and processes used to manage and measure the risks have not changed from the previous period.

(b) Sensitivities

The following sensitivity analysis shows the impact (gross and net of reinsurance held) on CSM, profit before tax and equity for reasonably possible movements in key assumptions with all other assumptions held constant. The correlation of assumptions will have a significant effect in determining the ultimate impacts, but to demonstrate the impact due to changes in each assumption, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions.

Insurance contracts issued		**2025**			
	Change in assumptions*	**Impact on profit before tax net of reinsurance**	**Impact on profit before tax gross of reinsurance**	**Impact on equity net of reinsurance**	**Impact on equity gross of reinsurance**
		HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Property price growth percentage	**-0.5%**	**(1,805,577)**	**(1,839,549)**	**(1,649,652)**	**(1,610,393)**
Mortality rates	**-10.0%**	**(991,943)**	**(1,006,314)**	**(932,901)**	**(925,007)**
Expenses	**+10.0%**	**(173,851)**	**(176,082)**	**(172,588)**	**(174,819)**
Default rates	**+10.0%**	**(2,075)**	**(2,335)**	**(2,105)**	**(2,371)**
Non-death termination rates	**+10.0%**	**12,113**	**12,645**	**10,517**	**10,390**

Insurance contracts issued		2024			
	Change in assumptions*	Impact on profit before tax net of reinsurance	Impact on profit before tax gross of reinsurance	Impact on equity net of reinsurance	Impact on equity gross of reinsurance
		HK$'000	HK$'000	HK$'000	HK$'000
Property price growth percentage	-0.5%	(1,747,881)	(1,795,057)	(1,486,789)	(1,426,673)
Mortality rates	-10.0%	(784,932)	(785,090)	(706,880)	(678,761)
Expenses	+10.0%	(101,587)	(101,587)	(96,653)	(96,653)
Default rates	+10.0%	(2,988)	(3,371)	(2,907)	(3,281)
Non-death termination rates	+10.0%	13,254	13,238	11,259	10,287

* The impact on change in the assumptions shown in the above table covers entire insurance portfolio, part of which, mainly reverse mortgage loans, are held in the loan portfolio of the Group at fair value.

3.6. Fair values of financial assets and liabilities

(a) Fair value estimation

The following table shows financial instruments recognised at fair value, by valuation method.

	2025				2024			
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
Assets								
Derivative financial instruments	-	**1,668,020**	-	**1,668,020**	-	664,618	-	664,618
Loan portfolio, net - FVPL	-	-	**3,470,628**	**3,470,628**	-	-	2,596,858	2,596,858
Investment securities - FVOCI	**8,937,256**	**663,233**	-	**9,600,489**	3,605,206	116,615	-	3,721,821
- FVPL	**10,300**	-	**190,336**	**200,636**	9,774	-	-	9,774
Placements with the Exchange Fund	-	-	**72,418,586**	**72,418,586**	-	-	49,244,684	49,244,684
	8,947,556	**2,331,253**	**76,079,550**	**87,358,359**	3,614,980	781,233	51,841,542	56,237,755
Liabilities								
Derivative financial instruments	-	**559,693**	-	**559,693**	-	1,740,649	-	1,740,649

There was no transfer between Level 1 and Level 2 nor transfers into or out of Level 3 during the year.

(i) Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If an asset or a liability measured at fair value has a bid price and an ask price, the price within the bid-ask spread that is most representative of fair value in the circumstances shall be used to measure fair value. These instruments are included in Level 1.

(ii) Financial instruments in Level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Level 2 derivatives comprise interest rate swaps, currency swaps and currency forwards. These derivatives are fair valued using forward interest rates and forward exchange rates, if applicable, from observable yield curves.

Level 2 debt securities are fair valued using quoted market prices in less active markets, or if not available, a discounted cash flow approach, which discounts the contractual cash flows using discount rates derived from observable market prices of other quoted debt instruments of the counterparties.

(iii) Financial instruments in Level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Loan portfolio at FVPL

Certain loan portfolio accounted for at fair value through profit or loss at consolidation level is included in Level 3 with fair value determined by using an internal model based on income approach by discounting future cash flows which are dependent on the expected terms of the loans, annuity payout, premium and interest income, loan repayment and the value of collaterals (for example, the residential properties or insurance policies securing the loans). The Group is exposed mainly to collateral risk arising from drop in residential property price. The information of sensitivity to long term property price growth assumption is included in Note 3.5(b).

Investment securities at FVPL

Investment securities accounted for at fair value through profit or loss is included in Level 3 with fair value determined by using an internal model based on discounting estimated future cash flows of the investment securities, which are dependent on significant assumptions regarding the interest rate environment, expected repayment schedules, liquidity premiums, expected credit loss of underlying debt obligations, or a single uncorroborated broker quote requiring material adjustments.

Placements with the Exchange Fund

The placements with the Exchange Fund, accounted under fair value through profit or loss, are included in Level 3 with fair value determined by reference to the principal amount and the estimated rates of investment return provided by the Exchange Fund. Please refer to Note 22 for more details.

Movement in Level 3 fair value measurement as follows:

	2025			2024	
	Loan portfolio at FVPL	**Investment securities at FVPL**	**Placements with the Exchange Fund**	Loan portfolio at FVPL	Placements with the Exchange Fund
	HK$'000	**HK$'000**	**HK$'000**	HK$'000	HK$'000
As at 1 January	**2,596,858**	**-**	**49,244,684**	1,907,045	34,070,393
Gains and losses recognised in profit or loss	**98,964**	**14,559**	**3,173,902**	(210,636)	1,374,291
Placement	**-**	**-**	**20,000,000**	-	13,800,000
Withdrawal	**-**	**-**	**-**	-	-
Additions	**-**	**175,777**	**-**	-	-
Drawdown	**853,972**	**-**	**-**	942,198	-
Repayment	**(77,075)**	**-**	**-**	(40,403)	-
Amortisation	**(2,091)**	**-**	**-**	(1,346)	-
As at 31 December	**3,470,628**	**190,336**	**72,418,586**	2,596,858	49,244,684

(b) Fair values of financial assets and liabilities not measured at fair value

The carrying amounts of the Group's financial instruments not presented on the Group's statement of financial position at their fair values are not materially different from their fair values as at 31 December 2025 and 31 December 2024 except for the following financial instruments, for which their carrying amounts and fair values and the level of fair value hierarchy are disclosed below:

	2025				2024			
	Carrying amount	**Fair value**	**Level 1**	**Level 2**	Carrying amount	Fair value	Level 1	Level 2
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets								
Investment securities - amortised cost	**20,308,907**	**20,476,800**	**17,483,664**	**2,993,136**	15,105,470	14,820,124	11,614,626	3,205,498
Financial liabilities								
Debt securities issued	**155,169,330**	**155,358,334**	**-**	**155,358,334**	148,299,636	148,086,035	-	148,086,035

The following methods and significant assumptions have been used to estimate the fair values of financial instruments:

(i) Cash and short-term funds

Cash and short-term funds include bank deposits and are stated net of impairment allowance. The fair value of floating-rate deposits is the carrying amount. The estimated fair value of fixed-rate deposits, which are normally less than six months, is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity. Therefore, the fair value of the deposits is approximately equal to their carrying value.

(ii) Loans with 100% guarantee from the Government

Loan portfolio is stated net of impairment allowance. With the 100% guarantee provided by the Government to cover the default loss of the loans, no impairment allowance is provided. Therefore, the carrying value of loan portfolio is a reasonable estimate of the fair value.

(iii) Loan portfolio, net

Loan portfolio is stated net of impairment allowance. An insignificant portion of loan portfolio bears interest at fixed rate. Therefore, the carrying value of loan portfolio is a reasonable estimate of the fair value.

(iv) Investment securities at amortised cost

Investment securities are stated net of impairment allowance. Fair value for investment securities at amortised cost is based on market prices or broker / dealer price quotations, which are the clean prices. Where this information is not available, fair value has been estimated using quoted market prices for securities with similar credit, maturity and yield characteristics, or valuation techniques which maximise the use of observable market data.

(v) Debt securities issued

The aggregate fair values are calculated based on quoted market prices, which are the clean prices. For those notes where quoted market prices are not available, a discounted cash flow model is used based on a current yield curve appropriate for the remaining term to maturity.

(vi) Other liabilities

These mainly represented the guarantee fee and fund received (net of claims and related expenses) under the special concessionary measures of the SFGS (Note 33) and the PLGS, with the fair value approximating the carrying amount.

(vii) Interest and remittance receivables and interest payable

Accrued interest is recognised separately with the fair value approximating the carrying amount as it is expected to be recovered or settled within twelve months from the reporting date. Remittance receivables are expected to be recovered within one month from the reporting date with the fair value approximating the carrying amount.

3.7. Capital management

The Group's objectives when managing capital, which is a broader concept than the equity on the face of the statement of financial position, are:

- to comply with the capital requirements set by the Financial Secretary of the Government (**Financial Secretary**) and the Insurance Authority for its insurance subsidiaries;
- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholder;
- to support the Group's stability and growth;

- to allocate capital in an efficient and risk-based approach to optimise risk adjusted return to the shareholder; and

- to maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the management in accordance with the Guidelines on Capital Adequacy Ratio (**Guidelines**) issued by the Financial Secretary, by reference largely to Basel II risk-based capital adequacy framework. The minimum Capital Adequacy Ratio (**CAR**) stipulated in the Guidelines is 8%.

The Chief Executive Officer is required to submit a report to the Board of Directors on a quarterly basis by reference to the Guidelines issued by the Financial Secretary. If the CAR drops to the threshold level of 14%, the Chief Executive Officer will alert the Executive Directors. If the CAR falls to 12% or below, the Board of Directors will be informed and appropriate remedial actions will be taken. During the period, the Group complied with all of the capital requirement set out in the Guidelines by the Financial Secretary.

Pursuant to the Guidelines on the CAR, the calculation basis of capital ratio follows the basis of consolidation for financial reporting with the exclusion of subsidiaries which are "regulated financial entities" (e.g. insurance companies). It is because these entities are supervised by a regulator and are subject to the maintenance of adequate capital (e.g. solvency ratio) to support business activities comparable to those prescribed for banks. The investment cost of these unconsolidated regulated financial entities is deducted from the capital base whilst the corresponding related exposures are also excluded from the calculation of risk-weighted assets.

The table below summarises the composition of capital base and the CAR as at the end of the reporting period.

	2025	2024
	HK$'000	HK$'000
Share capital (Note 30)	**39,000,000**	26,500,000
Reserves	**9,419,421**	9,032,222
Impairment allowance	**87,328**	71,803
Deductions:		
- investment in regulated subsidiaries	**(40,000,000)**	(27,500,000)
- others	**(789,845)**	(640,826)
Total capital base	**7,716,904**	7,463,199
Capital Adequacy Ratio	**18.1%**	19.9%

3.8. Offsetting financial assets and financial liabilities

The disclosures set out in the tables below pertain to financial assets and financial liabilities that are not offset in the Group's consolidated statement of financial position but are subject to enforceable master netting arrangements or similar agreements that cover similar financial instruments. The disclosures enable the understanding of both the gross and net amounts, as well as provide additional information on how such credit risk is mitigated.

	2025				2024			
	Carrying amounts on the consolidated statement of financial position	**Related amount not set off in the consolidated statement of financial position#**			Carrying amounts on the consolidated statement of financial position	Related amount not set off in the consolidated statement of financial position#		
		Derivative financial instruments	**Cash collateral**	**Net amount***		Derivative financial instruments	Cash collateral	Net amount*
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets								
Positive fair values for derivative financial instruments	**1,668,020**	**(436,303)**	**(1,219,196)**	**12,521**	664,618	(646,152)	(17,552)	914
Financial liabilities								
Negative fair values for derivative financial instruments	**559,693**	**(436,303)**	**(117,365)**	**6,025**	1,740,649	(646,152)	(297,386)	797,111

Amounts under "Related amount not set off in the consolidated statement of financial position" represent the amounts of financial liabilities / assets position that are subject to netting arrangements or similar agreements including CSA.

* Net amount represents financial assets / liabilities that are subject to netting arrangements or similar agreements but the Group's counterparty does not have equivalent financial liabilities / assets position with the Group to offset upon default.

4. Critical accounting estimates and assumptions

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Impairment allowances on loan portfolio

The Group reviews its loan portfolio to assess ECLs on a regular basis. In determining ECLs, the Group makes judgements as to whether there is any significant increase in credit risk since initial recognition and where appropriate, default and impairment indicators. It is required to exercise judgements in making assumptions and estimates to incorporate relevant information about past events, current conditions and forecast of economic conditions. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The carrying amount of loan portfolio as at 31 December 2025 and 31 December 2024 is disclosed in Note 20.

4.2 Fair value of financial instruments

The majority of valuation techniques employ only observable market data. However, the placements with the Exchange Fund are valued on the basis of valuation techniques which are determined by reference to the estimated rates of investment return, approximate the carrying value. Details of the fair value measurement of financial instruments are set out in Note 3.6.

4.3 Securitisation of infrastructure loans

For the securitisation of infrastructure loans, the Group transfers a portfolio of loans to the special purpose entity (**SPE**). On consolidation basis, the Group assesses whether it controls the SPE, and the Group controls the SPE if and only if the Group has (a) power over the SPE; (b) exposure or rights to variable returns from its involvement with the SPE; and (c) the ability to use its power over the SPE to affect the amount of the Group's returns. If the Group has existing rights to give the current ability to direct the relevant activities of the SPE, is exposed to variable returns from its involvement with the SPE and has the ability to affect SPE's returns through its power over the SPE, consolidation of the SPE is required.

When performing the consolidation assessment of SPE, the Group considers its role as collateral manager to act for the SPE that has a decision-making power which may impact the returns of SPE. In addition, the Group prepares a quantitative test to assess whether its exposure to the variability of returns that would be deemed to have control over the SPE. Whether the Group has a control over the SPE and is therefore required to consolidate the SPE depends on whether the Group has the ability to use its power to affect the SPE's returns as a "principal" or an "agent". Based on the above analysis, the Group is not required to consolidate the SPE.

The Group also considers whether the securitised loans could meet the necessary requirements for derecognition:

- For securitisation where the rights of the Group to receive cash flows from the loans have expired or where the Group has transferred substantially all risks and rewards of ownership, the securitised loans are derecognised.

- For securitisation when the Group neither transfers or retains substantially all the risks and reward of ownership of the loans and retains control of the transferred loans, it is required to recognise the securitised loans to the extent of the Group's continuing involvement in the loans. Under the continuing involvement approach, the Group continues to recognise part of the transferred loans. The Group also recognises continuing involvement asset and liability, which represents the extent of the Group's continuing exposure to the risks and reward of the transferred loans.

4.4 Insurance and reinsurance contracts

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) The methods used to measure insurance contracts

The Group primarily uses deterministic projections to estimate the present value of future cash flows.

The following assumptions were used when estimating future cash flows:

Mortality

Assumptions are based on standard industry table, according to the type of contract written. They reflect historical experience and are adjusted when appropriate to reflect the Group's own experiences. An appropriate, but not excessive, allowance is made for adverse selection and mortality improvements. Assumptions are differentiated by policyholder gender and age.

A decrease in expected mortality rates will increase the expected claim cost which will reduce future expected profits of the Group.

Property price

Assumptions are determined based on historical market performance and long-term projection. A decrease in the expected level of property price will reduce future expected profits of the Group.

For MIP, a drop in property prices, where the collateral value falls below the outstanding balance of the mortgage loan, will increase the severity of claims.

For RMP, future property prices would affect the cash flow projections of the in-force insurance contracts.

Loan default rate

Loan default rate is according to the best estimate to the default rate of mortgage loan. They reflect historical experience and are adjusted when appropriate to reflect the Group's own experiences.

An increase in the expected level of loan default rate will reduce future expected profits of the Group.

Expenses

Operating expenses assumptions reflect the projected costs of maintaining and servicing in-force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate.

An increase in the expected level of expenses will reduce future expected profits of the Group.

Non-death termination

Lapses relate to the termination of policies due to non-payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on the Group's experience and vary by product type and policy duration.

The cash flows within the contract boundary include an allocation of overheads directly attributable to fulfilling insurance contracts. Such overheads are allocated to groups of contracts using methods that are systematic and rational, and are consistently applied to all costs that have similar characteristics.

(b) Discount rate

Insurance contract liabilities are calculated by discounting expected future cash flows at a risk-free rate, plus an illiquidity premium where applicable. Risk-free rates are determined by reference to those inferred from either swap rates or zero-coupon government bond yields of that currency (whichever of higher liquidity / market depth). This method is comparable to the risk-free rate generation methodology adopted under Hong Kong Risk-Based Capital (**HKRBC**) regime. The illiquidity premium is determined by reference to observable market rates including corporate debt rates.

Discount rates (forward rates) applied for discounting of future cash flows are listed below:

	Portfolio duration									
	As at 31 December 2025					As at 31 December 2024				
	1 year	**5 years**	**10 years**	**20 years**	**30 years**	1 year	5 years	10 years	20 years	30 years
Insurance contracts issued	**3.00%**	**3.73%**	**4.68%**	**4.20%**	**5.05%**	4.37%	4.32%	4.95%	4.36%	4.86%

(c) Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that is required for bearing the uncertainty about the amount and timing of cash flows that arises from non-financial risk as the insurance contract is fulfilled. Because the risk adjustment represents compensation for uncertainty, estimates are made on the degree of diversification benefits and expected favourable and unfavourable outcomes in a way that reflects the Group's degree of risk aversion. The Group estimates an adjustment for non-financial risk separately from all other estimates. The Group does not consider the effect of reinsurance in the risk adjustment for non-financial risk of the underlying insurance contracts.

The risk adjustment was calculated at Group level and then allocated down to each group of contracts in accordance with their risk profiles. The Group determines the risk adjustment for non-financial risk based on Margin Over Current Estimate (**MOCE**) calculation methodology under HKRBC regime.

The MOCE reflects the uncertainty of liability cash flows related to non-hedgeable risks, and is calibrated to reflect the 75th percentile confidence level.

The methods and assumptions used to determine the risk adjustment for non-financial risk were not changed in 2024 and 2025.

(d) Amortisation of the CSM

The CSM is a component of the asset or liability for the group of insurance contracts that represents the unearned profit the Group will recognise as it provides services in the future. An amount of the CSM for a group of insurance contracts is recognised in profit or loss as insurance revenue in each period to reflect the insurance contract services provided under the group of insurance contracts in that period. The amount is determined by:

- identifying the coverage units in the group;
- allocating the CSM at the end of the period (before recognising any amounts in profit or loss to reflect the insurance contract services provided in the period) equally to each coverage unit provided in the current period and expected to be provided in the future; and
- recognising in profit or loss the amount allocated to coverage units provided in the period.

The number of coverage units in a group is the quantity of insurance contract services provided by the contracts in the group, determined by considering the quantity of the benefits provided and the expected coverage period. Contractual payments under different scenarios and the respective probabilities are considered when determining the quantity of benefit provided. The total coverage units of each group of insurance contracts are reassessed at the end of each reporting period to adjust for the reduction of remaining coverage for claims paid and cancellation of contracts in the period. For the MIP insurance contracts, the quantity of benefits is the contractually agreed risk-in-force insured over the period of the contracts while the quantity of benefits for the RMP and the PRMP contracts is the contractually agreed outstanding balance at death insured over the period of the contracts. With respect to annuity product, the coverage unit for amortisation will be the maximum of (a) expected annuity payment; and (b) expected death payment if there is a CSM.

For reinsurance contracts held, the CSM amortisation reflects the expected pattern of underwriting of the underlying contracts because the level of service provided depends on the quantity of benefits provided by the underlying contracts in-force.

4.5 100% guarantee under the SME Financing Guarantee Scheme (100% SFGS) and DLGS

As refer to Note 19, under 100% SFGS and DLGS, eligible loans originated by the participating lenders are sold to the Group, and the Government provides a financial guarantee to the Group on these loans. The loans are classified as financial assets measured at amortised cost under HKFRS 9.

In formulating the accounting treatment of 100% SFGS and DLGS, the Group applied judgement on whether the loans purchased from the participating lenders as recognised on the Group's consolidated statement of financial position should be de-recognised as a result of the arrangement with the Government; whether the contracts between the participating banks and the Group and the contract between the Government and the Group should be considered together in the determination of accounting treatments; and whether the contractual cash flow of the loans represent "solely payments of the principal and interest" **(SPPI)**.

When performing this assessment, the Group considers several factors including, whether the Group has transferred the contractual rights to receive the cash flows of the loans, whether the contracts between the Government and Group are considered together and whether the contractual cash flows met the SPPI criteria etc.

5. Segment information

The Group is principally engaged in asset purchase and servicing, general insurance and life insurance businesses in Hong Kong. Other activities such as debt issuance to fund the loan purchase and investment to reinvest the surplus funds from loan receipt are considered ancillary to asset purchase business.

General insurance includes mainly mortgage insurance, reverse mortgage and SME financing guarantee businesses. Life insurance includes annuity business. Asset purchase and servicing include loan acquisition business and other activities such as debt issuance.

The following tables represent revenue, profit and other information for operating segments of the Group.

	Asset purchase and servicing	**General insurance**	**Life insurance**	**Inter-segment elimination**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Year ended 31 December 2025					
Net interest income / (expense)	**589,273**	**259,770**	**(67,678)**	**4,581**	**785,946**
Net insurance business results	**-**	**190,178**	**(4,302,094)**	**101,424**	**(4,010,492)**
Other income / (expenses)	**317,860**	**701,973**	**2,479,136**	**(125,830)**	**3,373,139**
Operating income / (loss)	**907,133**	**1,151,921**	**(1,890,636)**	**(19,825)**	**148,593**
Operating expenses	**(584,040)**	**(34,432)**	**-**	**224,794**	**(393,678)**
Operating profit / (loss) before impairment	**323,093**	**1,117,489**	**(1,890,636)**	**204,969**	**(245,085)**
Change in impairment allowances	**(11,602)**	**(63)**	**232**	**-**	**(11,433)**
Profit / (loss) before taxation	**311,491**	**1,117,426**	**(1,890,404)**	**204,969**	**(256,518)**

	Asset purchase and servicing	General insurance	Life insurance	Inter-segment elimination	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2024					
Net interest income / (expense)	432,744	331,252	(146,035)	-	617,961
Net insurance business results	-	(647,213)	(1,594,263)	209,948	(2,031,528)
Other income / (expenses)	308,886	162,772	1,221,874	(435,498)	1,258,034
Operating income / (loss)	741,630	(153,189)	(518,424)	(225,550)	(155,533)
Operating expenses	(566,343)	(20,685)	-	224,862	(362,166)
Operating profit / (loss) before impairment	175,287	(173,874)	(518,424)	(688)	(517,699)
Change in impairment allowances	(34,454)	(227)	(230)	-	(34,911)
Profit / (loss) before taxation	140,833	(174,101)	(518,654)	(688)	(552,610)

	Asset purchase and servicing	General insurance	Life insurance	Inter-segment elimination	Total
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
As at 31 December 2025					
Segment assets	**171,691,013**	**26,777,816**	**56,409,915**	**(2,453,262)**	**252,425,482**
Segment liabilities	**163,222,521**	**8,150,022**	**33,300,341**	**(3,462,354)**	**201,210,530**

	Asset purchase and servicing	General insurance	Life insurance	Inter-segment elimination	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2024					
Segment assets	165,630,756	24,736,861	34,361,081	(2,902,522)	221,826,176
Segment liabilities	157,586,492	6,984,385	22,112,903	(3,724,339)	182,959,441

6. Interest income

	2025	2024
	HK$'000	HK$'000
Loan portfolio	**698,224**	757,120
Loans with 100% guarantee from the Government	**2,604,722**	4,533,483
Cash and short-term funds	**1,541,078**	2,048,875
Investment securities	**951,569**	806,736
	5,795,593	8,146,214

7. Interest expense

	2025	2024
	HK$'000	HK$'000
Bank loans and debt securities issued	**4,836,298**	7,363,943
Lease liabilities	**6,529**	8,338
Others	**166,820**	155,972
	5,009,647	7,528,253

All interest expenses are for financial liabilities that are not at fair value through profit or loss.

8. Insurance revenue

The table below presents an analysis of the total insurance revenue recognised in the year:

	Notes	2025			2024		
		Insurance contracts issued	**Reinsurance contracts issued**	**Total**	Insurance contracts issued	Reinsurance contracts issued	Total
		HK$'000	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000
Amounts relating to the changes in the liability for remaining coverage							
Expected insurance service expenses incurred in the period	a	**707,389**	**7,966**	**715,355**	449,877	4,743	454,620
Change in the risk adjustment for non-financial risk	b	**(40,416)**	**55**	**(40,361)**	(66,511)	19	(66,492)
Amount of CSM recognised in profit or loss	c	**742,103**	**-**	**742,103**	677,693	-	677,693
Amounts relating to recovery of insurance acquisition cash flows							
Allocation of the portion of premiums that relate to the recovery of insurance acquisition cash flows	d	**287,166**	**-**	**287,166**	254,209	-	254,209
Insurance revenue		**1,696,242**	**8,021**	**1,704,263**	1,315,268	4,762	1,320,030

Notes:

a. Expected insurance service expenses incurred in the period comprise claims and other expenses which the Group expects to pay on insured events that occurred during the period. Refer to Note 2.22(f) for the full list of the cash flows included.
b. Change in risk adjustment shows amount of risk which expired during the period. Refer to Note 2.22 for the details of accounting policy.
c. The CSM is recognised in profit or loss over the coverage period of the corresponding group of contracts based on coverage units. Refer to Note 4.4(d).
d. Acquisition cash flows are allocated in a systematic way on the basis of the passage of time over the coverage period of the group of contracts. Refer to Note 2.22(e) for details of accounting policy.

9. Net finance (expenses) / income from insurance contracts issued / reinsurance contracts issued / reinsurance contracts held

The table below presents an analysis of net insurance finance result recognised in profit or loss and OCI in the year:

	2025	2024
	HK$'000	HK$'000
Insurance finance (expenses) / income from insurance contracts issued		
Interest accreted	**(1,226,201)**	(885,204)
Effect of changes in interest rates and other financial assumptions	**(1,497,112)**	429,217
Effect of measuring changes in estimates at current rates and adjusting the CSM at the rates on initial recognition	**(27,346)**	382,457
Net finance expenses from insurance contracts issued	**(2,750,659)**	(73,530)
Represented by:		
Amounts recognised in profit or loss	**(2,598,453)**	(413,039)
Amounts recognised in OCI	**(152,206)**	339,509
Insurance finance (expenses) / income from reinsurance contracts issued		
Interest accreted	**(11,082)**	(7,282)
Effect of changes in interest rates and other financial assumptions	**(15,454)**	3,601
Effect of measuring changes in estimates at current rates and adjusting the CSM at the rates on initial recognition	**-**	1,800
Changes in non-performance risk of reinsurer	**-**	-
Net finance expenses from reinsurance contracts issued	**(26,536)**	(1,881)
Represented by:		
Amounts recognised in profit or loss	**(26,536)**	(1,881)
Amounts recognised in OCI	**-**	-
Reinsurance finance income / (expenses) from reinsurance contracts held		
Interest accreted	**28,322**	16,118
Effect of changes in interest rates and other financial assumptions	**36,190**	(25,026)
Effect of measuring changes in estimates at current rates and adjusting the CSM at the rates on initial recognition	**(8,424)**	(100,854)
Changes in non-performance risk of reinsurer	**(2,644)**	(4,544)
Net finance income / (expenses) from reinsurance contracts held	**53,444**	(114,306)
Represented by:		
Amounts recognised in profit or loss	**23,060**	10,268
Amounts recognised in OCI	**30,384**	(124,574)

10. Net (expenses) / income from reinsurance contracts held

	2025	2024
	HK$'000	HK$'000
Expected recovery for insurance service expenses incurred in the period	**(4,883)**	(6,476)
Change in the risk adjustment for non-financial risk	**11,943**	13,159
CSM recognised in profit or loss	**(85,244)**	(75,073)
Amount relating to the changes in the assets for remaining coverage	**(78,184)**	(68,390)
Amounts recoverable for claims and other expenses incurred in the period	**29,357**	25,335
Changes in amounts recoverable arising from changes in liability for incurred claims	**4,715**	1,584
Changes in amounts recoverable arising from changes in risk adjustment for non-financial risk	**4,330**	5,802
Changes in fulfilment cash flows which relate to onerous underlying contracts	**35,001**	388,591
Amount recoverable from reinsurers	**73,403**	421,312
Net (expenses) / income from reinsurance contracts held	**(4,781)**	352,922

11. Other income

	2025	2024
	HK$'000	HK$'000
Income from placements with the Exchange Fund	**3,173,902**	1,374,291
Exchange difference	**228,366**	(187,457)
(Loss) / gain from derivatives and hedging*	**(154,354)**	238,006
Net gain / (loss) on investments at fair value through profit or loss	**14,983**	(48)
Net gain on disposal of investments at FVOCI	**-**	400
Net change in fair value of loan portfolio (Note 3.6(a)(iii))	**98,964**	(210,636)
Dividend income from listed investments	**272**	289
Administrative fee income	**8,791**	9,042
Others	**2,215**	34,147
	3,373,139	1,258,034

* (Loss) / gain from derivatives and hedging represented the aggregate of (i) HK$2,590 million fair value gain on hedging instruments designated as fair value hedge (2024: HK$631 million) and HK$2,527 million fair value loss on the hedged items (2024: HK$531 million); and (ii) HK$217 million fair value loss on derivatives mainly for hedging foreign currency exposures which are not qualified as hedges for accounting purposes (2024: HK$138 million gain).

12. Expenses by nature

An analysis of the expenses incurred by the Group in the reporting period is included in the table below:

	2025	2024
	HK$'000	HK$'000
Staff costs:		
- salaries and benefits	**478,111**	458,385
- pension costs - defined contribution plans	**21,210**	26,280
Directors' fees	**-**	-
Emoluments in respect of directors' other services in connection with the management of the affairs of the Company:		
- salaries, allowances and bonus	**6,836**	8,065
- retirement scheme contributions	**561**	726
Depreciation (Note 25)	**105,565**	89,748
Financial information services	**17,525**	16,201
Consultancy fees	**103,071**	97,741
Marketing and advertising expenses	**45,230**	40,813
Premises	**15,207**	17,602
Other operating expenses	**66,631**	59,282
Recovery of operating expenses from 100% SFGS and DLGS (Note 31(a))	**(150,842)**	(166,388)
	709,105	648,455
Amounts attributed to insurance acquisition cash flows and other directly attributable expenses	**(315,427)**	(286,289)
Other operating expenses	**393,678**	362,166
Claims and benefits	**1,191,530**	787,624
Losses on onerous insurance contracts	**1,629,349**	2,257,995
Amortisation of insurance acquisition cash flows	**287,166**	254,209
Insurance service expenses	**3,108,045**	3,299,828
	3,501,723	3,661,994

13. Auditor's remuneration

	2025	2024
	HK$'000	HK$'000
Audit services	**4,927**	4,605
Other services	**3,215**	4,382
	8,142	8,987

14. Change in impairment allowances

	2025	2024
	HK$'000	HK$'000
Cash and short-term funds (Note 3.2(c))	**1,920**	1,502
Investment securities:		
- amortised cost (Note 3.2(d)(i))	**1,994**	179
- FVOCI (Note 3.2(d)(ii))	**1,711**	147
Loan portfolio, including loan commitments (Note 3.2(b))	**5,808**	33,083
	11,433	34,911

15. Taxation

(a) Taxation in the consolidated income statement represents:

	2025	2024
	HK$'000	HK$'000
Hong Kong profits tax:		
- current tax on profits for the year	**764,309**	50,650
- adjusted in respect of past years	**(42,898)**	-
Deferred taxation:		
- credit for current year	**(869,037)**	(185,220)
	(147,626)	(134,570)

Hong Kong profits tax has been provided at the rate of 16.5% (2024: 16.5%) on the estimated assessable profit for the year. Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2024: 16.5%).

The taxation on the Group's loss before taxation differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	2025	2024
	HK$'000	HK$'000
Loss before taxation	**(256,518)**	(552,610)
Calculated at a taxation rate of 16.5% (2024: 16.5%)	**(42,325)**	(91,181)
Tax effect of:		
- income not subject to taxation	**(398,100)**	(443,699)
- expenses not deductible for taxation purposes	**336,525**	415,517
- tax losses not recognised	**3,683**	5,060
- utilisation of tax losses previously not recognised	**(30,812)**	-
- others	**(16,597)**	(20,267)
Taxation credit	**(147,626)**	(134,570)

(b) Provision for taxation in the statement of financial position represents:

	2025	2024
	HK$'000	HK$'000
Current tax assets (included in "Other assets")	**-**	38
Deferred tax assets	**711,730**	-
	711,730	38
Current tax liabilities	**684,399**	223,782
Deferred tax liabilities	**-**	174,488
	684,399	398,270

The major components of deferred tax liabilities / (assets) and the movements during the year are as follows:

	Accelerated tax depreciation	Impairment allowances and other provisions	Tax losses	Insurance contract liabilities	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 1 January 2024	8,373	(7,129)	(143,877)	449,887	307,254
Charged / (credited) to income statement	268	(6,077)	(26,244)	(153,167)	(185,220)
Charged to OCI	-	-	-	52,454	52,454
As at 31 December 2024	8,641	(13,206)	(170,121)	349,174	174,488
Charged / (credited) to income statement	**9,635**	**(2,127)**	**(363,915)**	**(512,630)**	**(869,037)**
Credited to OCI	**-**	**-**	**-**	**(17,181)**	**(17,181)**
As at 31 December 2025	**18,276**	**(15,333)**	**(534,036)**	**(180,637)**	**(711,730)**

There was no significant unprovided deferred taxation as at 31 December 2025 and 31 December 2024. Deferred tax assets are recognised due to the temporary difference to the extent that sufficient future taxable profits will be available for realisation. The unused tax losses can be carried forward indefinitely.

There is no significant amount of deferred tax assets / liabilities to be settled within twelve months.

16. Cash and short-term funds

	2025	2024
	HK$'000	HK$'000
Cash at banks	**656,908**	913,754
Time deposits with banks	**63,887,276**	51,739,077
Gross cash and short-term funds	**64,544,184**	52,652,831
Impairment allowance on cash and short-term funds (Note 3.2(c))	**(7,569)**	(5,649)
	64,536,615	52,647,182

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following balances with original maturities of three months or less.

	2025	2024
	HK$'000	HK$'000
Cash at banks	**656,908**	913,754
Time deposits with banks	**62,035,276**	41,562,077
Cash and cash equivalents	**62,692,184**	42,475,831

17. Interest and remittance receivables

	2025	2024
	HK$'000	HK$'000
Interest receivables from:		
- interest rate swap contracts	**2,076,773**	2,575,665
- investment securities	**268,596**	191,886
- time deposits with banks	**202,845**	297,330
Interest receivables and instalments, in transit from loan portfolio	**164,681**	156,498
	2,712,895	3,221,379

18. Derivative financial instruments

(a) Use of derivatives

The Group uses the following derivative instruments to hedge the Group's financial risks.

Currency forwards are commitment to purchase or sell foreign currency at a pre-specified exchange rate on a future date. Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an exchange of currencies or interest rates or a combination of all these. No exchange of principal takes place except for certain currency swaps. The Group's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligations. This risk is monitored on an ongoing basis under a prudent treasury counterparty risk management framework.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the consolidated statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amounts of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time. The fair values of derivative instruments held are set out below.

	2025			2024		
	Contract / notional amounts	**Fair values**		Contract / notional amounts	Fair values	
	Assets	**Liabilities**		Assets	Liabilities	
	HK$'000	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000
Derivatives not qualified as hedges for accounting purposes						
- interest rate swaps	**6,192,459**	**30,058**	**(10,002)**	4,601,054	35,329	(2,802)
- currency swaps	**16,332,554**	**86,411**	**(146,096)**	8,109,388	152,812	(8,338)
- currency forwards	**8,334,502**	**8,086**	**(6,078)**	2,878,363	5,204	(3,024)
		124,555	**(162,176)**		193,345	(14,164)
Fair value hedge derivatives						
- interest rate swaps	**124,594,277**	**817,474**	**(169,045)**	110,629,191	212,397	(596,795)
- currency swaps	**51,268,045**	**723,893**	**(228,472)**	52,465,683	258,420	(1,127,930)
		1,541,367	**(397,517)**		470,817	(1,724,725)
Cash flow hedge derivatives						
- currency swaps	**389,175**	**2,098**	-	388,397	456	(1,760)
		2,098	-		456	(1,760)
Total recognised derivative assets / (liabilities)		**1,668,020**	**(559,693)**		664,618	(1,740,649)

(b) Hedging activities

Derivatives may qualify as hedges for accounting purposes if they are fair value hedges or cash flow hedges.

(i) Fair value hedges

The Group's fair value hedge principally consists of interest rate and currency swaps that are used to protect interest rate risk and foreign currency risk resulting from any potential change in fair value of underlying debt securities issued.

(ii) Cash flow hedges

The Group hedged the portion of foreign exchange risks arising from variability of cash flows from foreign currency denominated financial instruments using currency swaps under cash flow hedge.

19. Loans with 100% guarantee from the Government

Special 100% Loan Guarantee under the SFGS

The Group introduced the 100% SFGS in 2020. This measure aims to alleviate the burden of paying employee wages and rents by small and medium-sized enterprises which are suffering from reduced income, thereby help minimising enterprise shutdowns and layoffs.

Under this scheme, loans are originated by participating lenders. Upon origination, these participating lenders would sell the loans to the Group without recourse. These loans are fully guaranteed by the Government.

An interest rate of the Prime Rate minus 2.5% per annum is charged to the borrowers. These loan interests, net of the funding costs and relevant general operating and administrative expenses incurred by the Group, are passed to the Government.

The maximum repayment period of the loan under the guarantee is 10 years, plus the extended period under the relief arrangement in respect of principal moratorium and partial principal repayment (if applicable), with an option of principal moratorium for up to 66 months. The application period of 100% SFGS ended in March 2024.

Dedicated 100% Loan Guarantee Scheme for Cross-boundary Passenger Transport Trade, Travel Sector and Battery Electric Taxis

The Group introduced the DLGS in 2023. This measure aims to assist eligible operators, registered vehicle or ferry owners of cross-boundary passenger transport, licensed travel agents, local tour coach registered owners to support their business resumption, and to encourage eligible taxi owners to replace their liquefied petroleum gas, petrol or hybrid taxis with electric taxis.

Under this scheme, loans are originated by participating lenders. Upon origination, these participating lenders would sell the loans to the Group without recourse. These loans are fully guaranteed by the Government.

An interest rate of the Prime Rate minus 2.5% per annum is charged to the borrowers. These loan interests, net of the funding costs and relevant general operating and administrative expenses incurred by the Group, are passed to the Government.

The maximum repayment period of the loan under the guarantee is 10 years, with an option of principal repayment holiday for up to twelve months.

Accordingly, loan default losses are covered by the Government's guarantee in relation to loans with special 100% SFGS and DLGS, and no impairment allowance is recognised in view of the minimal default risk of the Government. All loan interest received is set aside to meet the funding costs, general operating and administrative expenses in relation to the purchase and servicing of the loans of the Group. The remaining balance of the interest received, if any, will be passed to the Government. The Group is responsible for the operation of the product.

	2025	2024
	HK$'000	HK$'000
Loans with 100% guarantee from the Government under:		
- 100% SFGS	**63,158,310**	82,555,165
- DLGS	**356,016**	227,533
	63,514,326	82,782,698

20. Loan portfolio, net

(a) Loan portfolio at FVPL

	2025	2024
	HK$'000	HK$'000
Residential mortgage portfolio	**3,434,736**	2,572,791
Other loan portfolio	**35,892**	24,067
	3,470,628	2,596,858

(b) Loan portfolio at amortised cost

	2025	2024
	HK$'000	HK$'000
Residential mortgage portfolio	**2,860,377**	2,816,547
Infrastructure loans	**8,786,195**	7,290,487
Others	**54,069**	71,725
	11,700,641	10,178,759
Allowance for loan impairment (Note 3.2(b))		
- residential mortgage portfolio	**(9,738)**	(6,849)
- infrastructure loans	**(61,501)**	(52,940)
- others	**(328)**	(1,853)
	(71,567)	(61,642)
	11,629,074	10,117,117

(c) Total allowance for loan impairment as a percentage of the outstanding principal balances of the loan portfolio

	2025	2024
Total allowance for loan impairment as a percentage of the gross loan portfolio	**0.61%**	0.61%

Allowance for loan impairment has been made after taking into account the current market value of the collateral.

	2025	2024
Gross impaired loan portfolio as a percentage of gross loan portfolio (Note 3.2(g))	**0.08%**	0.02%

21. Investment securities

(a) Investment securities at FVOCI

	2025	2024
	HK$'000	HK$'000
Debt securities at fair value:		
- listed in Hong Kong	**5,022,290**	1,846,255
- listed outside Hong Kong	**3,914,966**	1,758,951
	8,937,256	3,605,206
- unlisted	**663,233**	116,615
Total FVOCI securities	**9,600,489**	3,721,821

FVOCI securities comprise debt securities where the contractual cash flows are solely principal and interest and the objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets.

FVOCI securities are analysed by categories of issuers as follows:

	2025	2024
	HK$'000	HK$'000
Banks and other financial institutions	**3,794,428**	971,385
Corporate entities	**2,266,625**	837,460
Public sector entities	**1,709,871**	1,044,727
Central governments	**1,829,565**	868,249
	9,600,489	3,721,821

The movement in FVOCI securities is summarised as follows:

	2025	2024
	HK$'000	HK$'000
As at 1 January	**3,721,821**	2,509,537
Additions	**6,478,590**	1,512,090
Sales and redemption	**(763,205)**	(281,942)
Amortisation	**2,494**	1,746
Change in fair value	**78,879**	25,687
Exchange difference	**81,910**	(45,297)
As at 31 December	**9,600,489**	3,721,821

Information on the impairment, credit quality and the Group's exposure to credit risk are disclosed in Note 3.2(d).

(b) Investment securities at FVPL

	2025	2024
	HK$'000	HK$'000
Debt securities at fair value -unlisted	**190,336**	-
Exchange-traded funds at fair value:		
- listed in Hong Kong	**10,300**	9,774
Total FVPL securities	**200,636**	9,774

The unlisted debt securities which represent subordinated notes held under the infrastructure loans securitisation and the exchange-traded funds do not quality for measurement at either amortised cost or FVOCI.

The movement in FVPL securities is summarised as follows:

	2025	2024
	HK$'000	HK$'000
As at 1 January	**9,774**	9,870
Additions	**175,777**	-
Change in fair value	**14,983**	(48)
Exchange difference	**102**	(48)
As at 31 December	**200,636**	9,774

(c) Investment securities at amortised cost

	2025	2024
	HK$'000	HK$'000
Debt securities at amortised cost:		
- listed in Hong Kong	**6,958,294**	5,715,799
- listed outside Hong Kong	**10,411,116**	6,190,447
	17,369,410	11,906,246
- unlisted	**2,946,341**	3,204,074
Gross investment securities at amortised cost	**20,315,751**	15,110,320
Impairment allowance on investment securities at amortised cost (Note 3.2(d))	**(6,844)**	(4,850)
Total amortised cost securities	**20,308,907**	15,105,470

Investment securities comprise debt securities and infrastructure-related bonds.

The Group classifies investment securities at amortised cost only if both of the following criteria are met:

- the asset is held within a business model with the objective of collecting the contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Amortised cost securities before impairment are analysed by categories of issuers as follows:

	2025	2024
	HK$'000	HK$'000
Banks and other financial institutions	**3,621,581**	4,520,414
Corporate entities	**9,102,040**	6,149,201
Public sector entities	**3,151,464**	1,936,527
Central governments	**3,205,011**	2,002,795
Others (infrastructure-related bond)	**1,235,655**	501,383
	20,315,751	15,110,320

The movement in amortised cost securities before impairment is summarised as follows:

	2025	2024
	HK$'000	HK$'000
As at 1 January	**15,110,320**	14,578,656
Additions	**8,201,665**	6,434,043
Sales and redemption	**(3,143,421)**	(5,848,597)
Amortisation	**9,401**	68,635
Exchange difference	**137,786**	(122,417)
As at 31 December	**20,315,751**	15,110,320

22. Placements with the Exchange Fund

The Group has classified the placements of the HKMCA and the HKMCI with the Exchange Fund as financial assets at fair value through profit or loss. As at 31 December 2025, the balance of the placements with the Exchange Fund amounted to HK$72.4 billion (2024: HK$49.2 billion) (Note 31(a)), comprising a total principal sum of HK$62.5 billion (2024: HK$42.5 billion) plus income earned and accrued but not yet withdrawn as at the reporting date, which represented the premium and capital placements made by the HKMCA and the HKMCI.

The placements with the Exchange Fund are invested in the Investment Portfolio and Long-Term Growth Portfolio of the Exchange Fund, subject to a lock-up period. The rate of return on the placements with the Exchange Fund is determined annually. For Investment Portfolio, the rate of return is calculated on the basis of the average annual rate of return on the portfolio over the past six years or the average annual yield of three-year Government Bond in the previous year (subject to a minimum of zero percent), whichever is the higher. With respect to the Long-Term Growth Portfolio, the rate of return is determined based on the current year time-weighted rate of return.

23. Interests in subsidiaries

Details of the principal subsidiaries of the Company as at 31 December 2025 are as follows:

Name	Place of incorporation	Principal activities	Particulars of issued and fully paid up share capital (Class of shares)	Percentage of shares held by the Company (or its nominee)	Percentage of shares held by the Company's subsidiary (or its nominee)
HKMC Mortgage Management Limited	Hong Kong	Mortgage purchase and servicing, servicing of outstanding microfinance loans, and origination of reverse mortgage loans and policy reverse mortgage loans, all for the Group	HK$1,000,000 (Ordinary)	100%	N/A
HKMC Insurance Limited	Hong Kong	General insurance business	HK$15,000,000,000 (Ordinary)	100%	N/A
HKMC Annuity Limited	Hong Kong	Long term insurance business	HK$25,000,000,000 (Ordinary)	100%	N/A
HKMC Premier Solutions Limited	Hong Kong	Provision of marketing and business development services and related facilities to the Group	HK$100 (Ordinary)	N/A	100%

24. Prepayments, deposits and other assets

	2025	2024
	HK$'000	HK$'000
Corporate club debentures	**910**	910
CSA receivables	**134,499**	308,854
Other assets	**36,192**	76,223
	171,601	385,987

25. Fixed assets

(a) Movement in fixed assets

	Right-of-use assets on leased properties for own use	Leasehold improvement	Office equipment, furniture and fixtures	Computers	Motor vehicle	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost as at 1 January 2024	292,851	62,404	20,669	355,524	1,719	733,167
Additions	24,705	3,185	3,606	28,991	-	60,487
Written-off / disposals	(23,589)	(284)	(5)	(7,772)	-	(31,650)
Cost as at 31 December 2024	293,967	65,305	24,270	376,743	1,719	762,004
Additions	**1,148**	**1,931**	**1,375**	**103,007**	**421**	**107,882**
Written-off / disposals	-	**(147)**	**(3,077)**	**(34,088)**	(774)	**(38,086)**
Cost as at 31 December 2025	**295,115**	**67,089**	**22,568**	**445,662**	**1,366**	**831,800**
Accumulated depreciation as at 1 January 2024	(91,983)	(39,295)	(15,276)	(309,418)	(1,035)	(457,007)
Depreciation charge (Note 12)	(50,797)	(7,952)	(2,766)	(27,997)	(236)	(89,748)
Written-off / disposals	23,589	284	5	7,772	-	31,650
Accumulated depreciation as at 31 December 2024	(119,191)	(46,963)	(18,037)	(329,643)	(1,271)	(515,105)
Depreciation charge (Note 12)	**(51,330)**	**(7,309)**	**(2,728)**	**(43,890)**	**(308)**	**(105,565)**
Written-off / disposals	-	**134**	**3,077**	**32,869**	774	**36,854**
Accumulated depreciation as at 31 December 2025	**(170,521)**	**(54,138)**	**(17,688)**	**(340,664)**	**(805)**	**(583,816)**
As at 31 December 2025						
Cost	**295,115**	**67,089**	**22,568**	**445,662**	**1,366**	**831,800**
Accumulated depreciation	**(170,521)**	**(54,138)**	**(17,688)**	**(340,664)**	**(805)**	**(583,816)**
Net book amount	**124,594**	**12,951**	**4,880**	**104,998**	**561**	**247,984**
As at 31 December 2024						
Cost	293,967	65,305	24,270	376,743	1,719	762,004
Accumulated depreciation	(119,191)	(46,963)	(18,037)	(329,643)	(1,271)	(515,105)
Net book amount	174,776	18,342	6,233	47,100	448	246,899

(b) Leases

The statement of financial position shows the following amounts relating to leases:

	2025	2024
	HK$'000	HK$'000
Right-of-use assets - buildings	**124,594**	174,776
Lease liabilities (Note 27):		
- within 1 year	**53,023**	49,262
- over 1 year	**75,633**	127,707
	128,656	176,969

The movement in lease liabilities is summarised as follows:

	2025	2024
	HK$'000	HK$'000
As at 1 January	**176,969**	195,124
Addition	**1,079**	21,753
Amortisation	**6,529**	8,338
Interest portion of lease payments	**(6,529)**	(8,338)
Principal portion of lease payments	**(49,392)**	(39,908)
As at 31 December	**128,656**	176,969

The total cash outflow for leases for the year ended 31 December 2025 was HK$55,989,000 (2024: HK$50,828,000).

Additions to the right-of-use assets for the year ended 31 December 2025 were HK$1,148,000 (2024: HK$24,705,000).

The consolidated income statement shows the following amounts relating to leases:

	2025	2024
	HK$'000	HK$'000
Depreciation charge of right-of-use assets - buildings	**51,330**	50,797
Interest expense	**6,529**	8,338

The Group leases various offices and rental contracts are mainly made for fixed periods but may have extension options as described below.

Extension and termination options are included in property leases of the Group for operational flexibility. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

26. Interest payable

	2025	2024
	HK$'000	HK$'000
Interest payable from:		
- debt securities issued	**2,404,666**	2,907,719
- interest rate swap contracts	**368,957**	429,198
- other liabilities	**8,087**	5,407
	2,781,710	3,342,324

27. Accounts payable, accrued expenses and other liabilities

	2025	2024
	HK$'000	HK$'000
Accounts payable and accrued expenses	**1,385,261**	1,736,632
CSA payable	**2,699,862**	1,251,494
Other liabilities	**1,048,840**	894,445
Lease liabilities (Note 25(b))	**128,656**	176,969
Other provision	**74,805**	73,126
	5,337,424	4,132,666

Other liabilities represented mainly the guarantee fee and fund received (net of claims and related expenses) of HK$1,048,840,000 (2024: HK$894,445,000) under the special concessionary measures of the SFGS (Note 33), the PLGS and the DLGS (Note 31(a)).

28. Insurance liabilities and reinsurance assets

The breakdown of portfolios of reinsurance contracts held, insurance contracts issued and reinsurance contacts issued, that are in an asset and those in a liability position is set out in the table below:

	2025			2024		
	Assets	Liabilities	Net	Assets	Liabilities	Net
	HK$'000	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000
Reinsurance contracts held						
- general insurance	**1,233,991**	**-**	**1,233,991**	1,081,689	-	1,081,689
Insurance contracts issued						
- general insurance	**-**	**6,307,154**	**6,307,154**	-	6,017,192	6,017,192
- life insurance	**-**	**30,046,786**	**30,046,786**	-	18,833,695	18,833,695
	-	**36,353,940**	**36,353,940**	-	24,850,887	24,850,887
Reinsurance contracts issued						
- life insurance	**-**	**324,034**	**324,034**	-	195,009	195,009

28.1 Reinsurance contracts held, insurance contracts issued and reinsurance contract issued

(a) Roll-forward of net asset or liability for reinsurance contracts held, insurance contracts issued and reinsurance contracts issued showing the liability for remaining coverage and the liability for incurred claims

(i) Reinsurance contracts held – general insurance

The roll-forward of the net asset or liability for reinsurance contracts held, showing assets for remaining coverage and amounts recoverable on incurred claims arising business ceded to reinsurers is disclosed in the table below:

		2025			
		Assets for remaining coverage		Amounts recoverable	Total
	Notes	Excluding loss-recovery component	Loss-recovery component	Incurred claims	
		HK$'000	HK$'000	HK$'000	HK$'000
Reinsurance contract assets as at 1 January		159,740	904,475	17,474	1,081,689
Changes in the consolidated income statement and consolidated statement of comprehensive income					
Allocation of reinsurance premiums					
Amounts relating to the changes in the assets for remaining coverage	a	(78,184)	-	-	(78,184)
Amounts recoverable for claims and other expenses incurred in the period		-	(26,144)	29,357	3,213
Changes in amounts recoverable arising from changes in liability for incurred claims		-	-	9,045	9,045
Changes in fulfilment cash flows which relate to onerous underlying contracts	b	-	61,145	-	61,145
Net (expenses) / income from reinsurance contracts held		(78,184)	35,001	38,402	(4,781)
Net finance income from reinsurance contracts	c	38,388	17,700	-	56,088
Effect of changes in non-performance risk of reinsurers		(2,644)	-	-	(2,644)
		35,744	17,700	-	53,444
Total (expenses) / income in the consolidated income statement and consolidated statement of comprehensive income		(42,440)	52,701	38,402	48,663
Cash flows					
Premiums and similar expenses paid		119,995	-	-	119,995
Amounts received		-	-	(32,153)	(32,153)
Total cash flows		119,995	-	(32,153)	87,842
Other reclassification		16,748	-	(951)	15,797
Reinsurance contract assets as at 31 December		254,043	957,176	22,772	1,233,991

Notes:

a. Included within the allocation of reinsurance premiums are non-recoverable expenses incurred by the Group, directly attributable to fulfilment of reinsurance contracts held.
b. Changes in the expected fulfilment cash flows on reinsurance contracts held which relate to groups of underlying insurance contracts are recognised in profit and loss if the changes in expected fulfilment cash flows from the group of underlying insurance contracts issued was also recognised in profit and loss.
c. The Group disaggregates net reinsurance finance income between profit or loss and other comprehensive income. Please refer to Note 2.22(j)(v) for details.

		2024			
		Assets for remaining coverage		Amounts recoverable	Total
	Notes	Excluding loss-recovery component	Loss-recovery component	Incurred claims	
		HK$'000	HK$'000	HK$'000	HK$'000
Reinsurance contract assets as at 1 January		249,002	506,104	5,937	761,043
Changes in the consolidated income statement and consolidated statement of comprehensive income					
Allocation of reinsurance premiums					
Amounts relating to the changes in the assets for remaining coverage	a	(68,390)	-	-	(68,390)
Amounts recoverable for claims and other expenses incurred in the period		-	(21,117)	25,335	4,218
Changes in amounts recoverable arising from changes in liability for incurred claims		-	-	7,386	7,386
Changes in fulfilment cash flows which relate to onerous underlying contracts	b	-	409,708	-	409,708
Net (expenses) / income from reinsurance contracts held		(68,390)	388,591	32,721	352,922
Net finance (expenses) / income from reinsurance contracts	c	(119,542)	9,780	-	(109,762)
Effect of changes in non-performance risk of reinsurers		(4,544)	-	-	(4,544)
		(124,086)	9,780	-	(114,306)
Total (expenses) / income in the consolidated income statement and consolidated statement of comprehensive income		(192,476)	398,371	32,721	238,616
Cash flows					
Premiums and similar expenses paid		96,082	-	-	96,082
Amounts received		-	-	(21,099)	(21,099)
Total cash flows		96,082	-	(21,099)	74,983
Other reclassification		7,132	-	(85)	7,047
Reinsurance contract assets as at 31 December		159,740	904,475	17,474	1,081,689

Notes:

a. Included within the allocation of reinsurance premiums are non-recoverable expenses incurred by the Group, directly attributable to fulfilment of reinsurance contracts held.
b. Changes in the expected fulfilment cash flows on reinsurance contracts held which relate to groups of underlying insurance contracts are recognised in profit and loss if the changes in expected fulfilment cash flows from the group of underlying insurance contracts issued was also recognised in profit and loss.
c. The Group disaggregates net reinsurance finance income between profit or loss and other comprehensive income. Please refer to Note 2.22(j)(v) for details.

(ii) Insurance contracts issued – general insurance

The roll-forward of the net asset or liability for insurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims for portfolios, is disclosed in the table below:

		2025			
		LRC		LIC	Total
	Notes	Excluding loss component	Loss component		
		HK$'000	HK$'000	HK$'000	HK$'000
Insurance contract liabilities as at 1 January		3,161,006	2,745,685	110,501	6,017,192
Changes in the consolidated income statement and consolidated statement of comprehensive income					
Insurance revenue					
Contracts under fair value approach		(168,116)	-	-	(168,116)
Other contracts		(860,246)	-	-	(860,246)
		(1,028,362)	-	-	(1,028,362)
Insurance service expenses					
Incurred claims and other expenses		-	(90,734)	136,082	45,348
Amortisation of insurance acquisition cash flows	a	260,298	-	-	260,298
Losses on onerous contracts and reversals of those losses		-	225,484	-	225,484
Changes to liability for incurred claims		-	-	73,338	73,338
		260,298	134,750	209,420	604,468
Insurance service result		(768,064)	134,750	209,420	(423,894)
Insurance finance expenses	b	246,854	55,923	-	302,777
Total (income) / expenses in the consolidated income statement and consolidated statement of comprehensive income		(521,210)	190,673	209,420	(121,117)
Cash flows					
Premium received		680,721	-	-	680,721
Claims and other directly attributable expenses paid		-	-	(161,434)	(161,434)
Insurance acquisition cash flows	c	(170,987)	-	-	(170,987)
Total cash flows		509,734	-	(161,434)	348,300
Other reclassification	d	64,502	-	(1,723)	62,779
Insurance contract liabilities as at 31 December		3,214,032	2,936,358	156,764	6,307,154

Notes:

a. Acquisition cash flows were allocated on straight-line basis during the coverage period of the respective group of contracts. Please refer to Note 2.22(e).

b. The Group made an accounting policy choice to disaggregate insurance finance expenses between profit or loss and other comprehensive income. The Group does not disaggregate changes in the risk adjustment for non-financial risk between insurance service result and insurance finance expenses.

c. Insurance acquisition cash flows paid after the related group is initially recognised are adjusted to the liability for remaining coverage.

d. Other reclassification relates to where the accounting treatment of some overheads included with the cash flows within the boundary of an insurance contract are grouped under other financial statement line items in the statement of financial position. A reclassification is made with a corresponding adjustment to such other financial statement line items in the statement of financial position.

		2024			
		LRC		LIC	Total
	Notes	Excluding loss component	Loss component		
		HK$'000	HK$'000	HK$'000	HK$'000
Insurance contract liabilities as at 1 January		3,408,458	1,526,940	56,570	4,991,968
Changes in the consolidated income statement and consolidated statement of comprehensive income					
Insurance revenue					
Contracts under fair value approach		(194,924)	-	-	(194,924)
Other contracts		(723,591)	-	-	(723,591)
		(918,515)	-	-	(918,515)
Insurance service expenses					
Incurred claims and other expenses		-	(72,033)	140,670	68,637
Amortisation of insurance acquisition cash flows	a	238,000	-	-	238,000
Losses on onerous contracts and reversals of those losses		-	1,258,773	-	1,258,773
Changes to liability for incurred claims		-	-	23,405	23,405
		238,000	1,186,740	164,075	1,588,815
Insurance service result		(680,515)	1,186,740	164,075	670,300
Insurance finance (income) / expenses	b	(239,808)	30,454	-	(209,354)
Total (income) / expenses in the consolidated income statement and consolidated statement of comprehensive income		(920,323)	1,217,194	164,075	460,946
Cash flows					
Premium received		934,886	-	-	934,886
Claims and other directly attributable expenses paid		-	-	(106,370)	(106,370)
Insurance acquisition cash flows	c	(272,291)	-	-	(272,291)
Total cash flows		662,595	-	(106,370)	556,225
Other reclassification	d	10,276	1,551	(3,774)	8,053
Insurance contract liabilities as at 31 December		3,161,006	2,745,685	110,501	6,017,192

Notes:

a. Acquisition cash flows were allocated on straight-line basis during the coverage period of the respective group of contracts. Please refer to Note 2.22(e).

b. The Group made an accounting policy choice to disaggregate insurance finance (income) / expenses between profit or loss and other comprehensive income. The Group does not disaggregate changes in the risk adjustment for non-financial risk between insurance service result and insurance finance (income) / expenses.

c. Insurance acquisition cash flows paid after the related group is initially recognised are adjusted to the liability for remaining coverage.

d. Other reclassification relates to where the accounting treatment of some overheads included with the cash flows within the boundary of an insurance contract are grouped under other financial statement line items in the statement of financial position. A reclassification is made with a corresponding adjustment to such other financial statement line items in the statement of financial position.

(iii) Insurance contracts issued – life insurance

The roll-forward of the net asset or liability for insurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims for portfolios, is disclosed in the table below:

		2025			
		LRC		LIC	Total
	Notes	Excluding loss component	Loss component		
		HK$'000	HK$'000	HK$'000	HK$'000
Insurance contract liabilities as at 1 January		13,929,253	4,841,918	62,524	18,833,695
Changes in the consolidated income statement and consolidated statement of comprehensive income					
Insurance revenue					
Contracts under fair value approach		(190,948)	-	-	(190,948)
Other contracts		(476,932)	-	-	(476,932)
		(667,880)	-	-	(667,880)
Insurance service expenses					
Incurred claims and other expenses		-	(395,363)	972,010	576,647
Amortisation of insurance acquisition cash flows	a	26,868	-	-	26,868
Losses on onerous contracts and reversals of those losses		-	1,875,320	-	1,875,320
		26,868	1,479,957	972,010	2,478,835
Investment components		(809,784)	-	809,784	-
Insurance service result		(1,450,796)	1,479,957	1,781,794	1,810,955
Insurance finance expenses	b	2,270,261	176,476	1,145	2,447,882
Total expenses in the consolidated income statement and consolidated statement of comprehensive income		819,465	1,656,433	1,782,939	4,258,837
Cash flows					
Premium received		8,892,490	-	-	8,892,490
Claims and other directly attributable expenses paid		-	-	(1,768,631)	(1,768,631)
Insurance acquisition cash flows	c	(169,605)	-	-	(169,605)
Total cash flows		8,722,885	-	(1,768,631)	6,954,254
Insurance contract liabilities as at 31 December		23,471,603	6,498,351	76,832	30,046,786

Notes:

a. Acquisition cash flows were allocated on straight-line basis during the coverage period of the respective group of contracts. Please refer to Note 2.22(e).

b. The Group made an accounting policy choice not to disaggregate insurance finance expenses between profit or loss and other comprehensive income. The Group does not disaggregate changes in the risk adjustment for non-financial risk between insurance service result and insurance finance expenses.

c. Insurance acquisition cash flows paid after the related group is initially recognised are adjusted to the liability for remaining coverage.

		2024			
		LRC		LIC	Total
	Notes	Excluding loss component	Loss component		
		HK$'000	HK$'000	HK$'000	HK$'000
Insurance contract liabilities as at 1 January		10,549,149	3,692,363	54,717	14,296,229
Changes in the consolidated income statement and consolidated statement of comprehensive income					
Insurance revenue					
Contracts under fair value approach		(211,375)	-	-	(211,375)
Other contracts		(185,378)	-	-	(185,378)
		(396,753)	-	-	(396,753)
Insurance service expenses					
Incurred claims and other expenses		-	(269,562)	617,506	347,944
Amortisation of insurance acquisition cash flows	a	16,209	-	-	16,209
Losses on onerous contracts and reversals of those losses		-	1,322,103	-	1,322,103
		16,209	1,052,541	617,506	1,686,256
Investment component		(569,450)	-	569,450	-
Insurance service result		(949,994)	1,052,541	1,186,956	1,289,503
Insurance finance expenses	b	184,971	97,014	899	282,884
Total (income) / expenses in the consolidated income statement and consolidated statement of comprehensive income		(765,023)	1,149,555	1,187,855	1,572,387
Cash flows					
Premium received		4,259,102	-	-	4,259,102
Claims and other directly attributable expenses paid		-	-	(1,180,048)	(1,180,048)
Insurance acquisition cash flows	c	(113,975)	-	-	(113,975)
Total cash flows		4,145,127	-	(1,180,048)	2,965,079
Insurance contract liabilities as at 31 December		13,929,253	4,841,918	62,524	18,833,695

Notes:

a. Acquisition cash flows were allocated on straight-line basis during the coverage period of the respective group of contracts. Please refer to Note 2.22(e).

b. The Group made an accounting policy choice not to disaggregate insurance finance expenses between profit or loss and other comprehensive income. The Group does not disaggregate changes in the risk adjustment for non-financial risk between insurance service result and insurance finance expenses.

c. Insurance acquisition cash flows paid after the related group is initially recognised are adjusted to the liability for remaining coverage.

(iv) Reinsurance contracts issued – life insurance

The roll-forward of the net asset or liability for reinsurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims for portfolios, is disclosed in the table below:

		2025			
		LRC		LIC	Total
	Note	Excluding loss component	Loss component		
		HK$'000	HK$'000	HK$'000	HK$'000
Insurance contract liabilities as at 1 January		166,486	27,595	928	195,009
Changes in the consolidated income statement and consolidated statement of comprehensive income					
Insurance revenue					
Contracts under fair value approach		-	-	-	-
Other contracts		(8,021)	-	-	(8,021)
		(8,021)	-	-	(8,021)
Insurance service expenses					
Incurred claims and other expenses		-	(2,482)	10,100	7,618
Losses on onerous contracts and reversals of those losses		-	17,124	-	17,124
		-	14,642	10,100	24,742
Investment components		(6,629)	-	6,629	-
Insurance service result		(14,650)	14,642	16,729	16,721
Insurance finance expenses	a	25,070	1,466	-	26,536
Total expenses in the consolidated income statement and consolidated statement of comprehensive income		10,420	16,108	16,729	43,257
Cash flows					
Premium received		101,920	-	-	101,920
Claims and other directly attributable expenses paid		-	-	(16,152)	(16,152)
Total cash flows		101,920	-	(16,152)	85,768
Insurance contract liabilities as at 31 December		278,826	43,703	1,505	324,034

Note:

a. The Group does not disaggregate insurance finance expenses between profit or loss and other comprehensive income and does not disaggregate changes in the risk adjustment for non-financial risk between insurance service result and insurance finance expenses.

		2024			
		LRC		LIC	Total
	Note	Excluding loss component	Loss component		
		HK$'000	HK$'000	HK$'000	HK$'000
Insurance contract liabilities as at 1 January		79,310	7,938	400	87,648
Changes in the consolidated income statement and consolidated statement of comprehensive income					
Insurance revenue					
Contracts under fair value approach		-	-	-	-
Other contracts		(4,762)	-	-	(4,762)
		(4,762)	-	-	(4,762)
Insurance service expenses					
Incurred claims and other expenses		-	(1,241)	6,043	4,802
Losses on onerous contracts and reversals of those losses		-	19,955	-	19,955
		-	18,714	6,043	24,757
Investment components		(3,659)	-	3,659	-
Insurance service result		(8,421)	18,714	9,702	19,995
Insurance finance expenses	a	938	943	-	1,881
Total (income) / expenses in the consolidated income statement and consolidated statement of comprehensive income		(7,483)	19,657	9,702	21,876
Cash flows					
Premium received		94,659	-	-	94,659
Claims and other directly attributable expenses paid		-	-	(9,174)	(9,174)
Total cash flows		94,659	-	(9,174)	85,485
Insurance contract liabilities as at 31 December		166,486	27,595	928	195,009

Note:

a. The Group does not disaggregate insurance finance expenses between profit or loss and other comprehensive income and does not disaggregate changes in the risk adjustment for non-financial risk between insurance service result and insurance finance expenses.

(b) Roll-forward of the net asset or liability for reinsurance contracts held, insurance contracts issued and reinsurance contracts issued showing estimates of the present value of future cash flows, risk adjustment and CSM

(i) Reinsurance contracts held

The table below presents a roll-forward of the net asset or liability for reinsurance contracts held, showing estimates of the present value of future cash flows, risk adjustment and CSM for reinsurance held portfolios included in insurance unit.

	Notes	2025				
				CSM		
		Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Fair value approach	Others	Total
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Reinsurance contract assets as at 1 January		195,645	426,770	172,984	286,290	1,081,689
Changes in the consolidated income statement and consolidated statement of comprehensive income						
Changes that relate to current service						
CSM recognised for the services received		-	-	(21,797)	(63,447)	(85,244)
Risk adjustment recognised for the risk expired		-	11,943	-	-	11,943
Experience adjustment		(1,669)	-	-	-	(1,669)
		(1,669)	11,943	(21,797)	(63,447)	(74,970)
Changes that relate to future service						
Contracts initially recognised in the period	a	(70,389)	2,672	-	67,717	-
Changes in estimates that adjust the CSM		22,307	(8,868)	13,479	(26,918)	-
Changes in estimates that do not adjust the CSM	b	32,048	29,096	-	-	61,144
		(16,034)	22,900	13,479	40,799	61,144
Changes that relate to past service						
Adjustments to incurred claim component		4,715	4,330	-	-	9,045
Reinsurance finance income	c	42,059	-	3,253	10,776	56,088
Effect of changes in non-performance risk of reinsurers		(2,644)	-	-	-	(2,644)
		44,130	4,330	3,253	10,776	62,489
Total income / (expenses) in the consolidated income statement and consolidated statement of comprehensive income		26,427	39,173	(5,065)	(11,872)	48,663
Cash flows						
Premium and similar expenses paid		119,995	-	-	-	119,995
Claims recovery received		(32,153)	-	-	-	(32,153)
Total cash flows		87,842	-	-	-	87,842
Other reclassification		15,797	-	-	-	15,797
Reinsurance contract assets as at 31 December		325,711	465,943	167,919	274,418	1,233,991

Notes:

a. Please refer to Note 28.1(c)(iii) for a detailed breakdown of initially recognised contracts.
b. Changes in the expected fulfilment cash flows on reinsurance contracts held which relate to groups of underlying insurance contracts are recognised in profit and loss if the changes in expected fulfilment cash flows from the group of underlying insurance contracts issued are also recognised in profit and loss.
c. The Group disaggregates net reinsurance finance income between profit or loss and other comprehensive income. Please refer to Note 2.22(j)(v) for details.

	Notes	2024				
				CSM		
		Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Fair value approach	Others	Total
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Reinsurance contract (liabilities) / assets as at 1 January		(134,622)	351,089	157,515	387,061	761,043
Changes in the consolidated income statement and consolidated statement of comprehensive income						
Changes that relate to current service						
CSM recognised for the services received		-	-	(23,765)	(51,308)	(75,073)
Risk adjustment recognised for the risk expired		-	13,159	-	-	13,159
Experience adjustment		(2,258)	-	-	-	(2,258)
		(2,258)	13,159	(23,765)	(51,308)	(64,172)
Changes that relate to future service						
Contracts initially recognised in the period	a	(52,748)	1,119	-	51,629	-
Changes in estimates that adjust the CSM		320,778	(242,952)	36,340	(114,166)	-
Changes in estimates that do not adjust the CSM	b	111,155	298,553	-	-	409,708
		379,185	56,720	36,340	(62,537)	409,708
Changes that relate to past service						
Adjustments to incurred claim component		1,584	5,802	-	-	7,386
Reinsurance finance (expenses) / income	c	(125,730)	-	2,894	13,074	(109,762)
Effect of changes in non-performance risk of reinsurers		(4,544)	-	-	-	(4,544)
		(128,690)	5,802	2,894	13,074	(106,920)
Total income / (expenses) in the consolidated income statement and consolidated statement of comprehensive income		248,237	75,681	15,469	(100,771)	238,616
Cash flows						
Premium and similar expenses paid		96,082	-	-	-	96,082
Claims recovery received		(21,099)	-	-	-	(21,099)
Total cash flows		74,983	-	-	-	74,983
Other reclassification		7,047	-	-	-	7,047
Reinsurance contract assets as at 31 December		195,645	426,770	172,984	286,290	1,081,689

Notes:

a. Please refer to Note 28.1(c)(iii) for a detailed breakdown of initially recognised contracts.
b. Changes in the expected fulfilment cash flows on reinsurance contracts held which relate to groups of underlying insurance contracts are recognised in profit and loss if the changes in expected fulfilment cash flows from the group of underlying insurance contracts issued are also recognised in profit and loss.
c. The Group disaggregates net reinsurance finance (expenses) / income between profit or loss and other comprehensive income. Please refer to Note 2.22(j)(v) for details.

(ii) Insurance contracts issued – general insurance

The table below presents a roll-forward of the net asset or liability for insurance contracts issued, showing estimates of the present value of future cash flows, risk adjustment and CSM.

	Notes	2025				
				CSM		
		Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Fair value approach	Others	Total
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Insurance contract liabilities as at 1 January		1,358,741	1,378,846	882,551	2,397,054	6,017,192
Changes in the consolidated income statement and consolidated statement of comprehensive income						
Changes that relate to current service						
CSM recognised for the services provided		-	-	(214,492)	(527,611)	(742,103)
Risk adjustment recognised for the risk expired		-	(3,815)	-	-	(3,815)
Experience adjustments		23,202	-	-	-	23,202
		23,202	(3,815)	(214,492)	(527,611)	(722,716)
Changes that relate to future service						
Contracts initially recognised in the period	a	(389,270)	25,000	-	417,973	53,703
Changes in estimates that adjust the CSM		(6,925)	(6,667)	2,753	10,839	-
Changes in estimates that do not adjust the CSM		70,310	101,471	-	-	171,781
		(325,885)	119,804	2,753	428,812	225,484
Changes that relate to past service						
Adjustments to liabilities for incurred claims		30,295	43,043	-	-	73,338
Insurance service result		(272,388)	159,032	(211,739)	(98,799)	(423,894)
Insurance finance expenses	b	197,819	-	16,599	88,359	302,777
Total (income) / expenses in the consolidated income statement and consolidated statement of comprehensive income		(74,569)	159,032	(195,140)	(10,440)	(121,117)
Cash flows						
Premium received		680,721	-	-	-	680,721
Claims and other expenses paid (including investment components and premium refunds)		(161,434)	-	-	-	(161,434)
Insurance acquisition cash flows	c	(170,987)	-	-	-	(170,987)
Total cash flows		348,300	-	-	-	348,300
Other reclassification	d	62,854	-	-	(75)	62,779
Insurance contract liabilities as at 31 December		1,695,326	1,537,878	687,411	2,386,539	6,307,154

Notes:

a. Please refer to Note 28.1(c)(i) for a detailed breakdown of initially recognised contracts.
b. The Group made an accounting policy choice to disaggregate insurance finance expenses between profit or loss and other comprehensive income. The Group does not disaggregate changes in the risk adjustment for non-financial risk between insurance service result and insurance finance expenses.
c. Insurance acquisition cash flows paid after the related group is initially recognised are adjusted to the liability for remaining coverage.
d. Other reclassification relates to where the accounting treatment of some overheads included with the cash flows within the boundary of an insurance contract are grouped under other financial statement line items in the statement of financial position. A reclassification is made with a corresponding adjustment to such other financial statement line items in the statement of financial position.

		2024				
				CSM		
	Notes	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Fair value approach	Others	Total
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Insurance contract liabilities as at 1 January		310,015	1,279,262	1,109,769	2,292,922	4,991,968
Changes in the consolidated income statement and consolidated statement of comprehensive income						
Changes that relate to current service						
CSM recognised for the services provided		-	-	(236,495)	(441,198)	(677,693)
Risk adjustment recognised for the risk expired		-	19,065	-	-	19,065
Experience adjustments		46,750	-	-	-	46,750
		46,750	19,065	(236,495)	(441,198)	(611,878)
Changes that relate to future service						
Contracts initially recognised in the period	a	(628,784)	36,801	-	612,909	20,926
Changes in estimates that adjust the CSM		114,206	56,003	(11,080)	(159,129)	-
Changes in estimates that do not adjust the CSM		1,271,506	(33,659)	-	-	1,237,847
		756,928	59,145	(11,080)	453,780	1,258,773
Changes that relate to past service						
Adjustments to liabilities for incurred claims		2,031	21,374	-	-	23,405
Insurance service result		805,709	99,584	(247,575)	12,582	670,300
Insurance finance (income) / expenses	b	(321,261)	-	20,357	91,550	(209,354)
Total expenses / (income) in the consolidated income statement and consolidated statement of comprehensive income		484,448	99,584	(227,218)	104,132	460,946
Cash flows						
Premium received		934,886	-	-	-	934,886
Claims and other expenses paid (including investment components and premium refunds)		(106,370)	-	-	-	(106,370)
Insurance acquisition cash flows	c	(272,291)	-	-	-	(272,291)
Total cash flows		556,225	-	-	-	556,225
Other reclassification	d	8,053	-	-	-	8,053

	Notes	2024				
				CSM		
		Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Fair value approach	Others	Total
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Insurance contract liabilities as at 31 December		1,358,741	1,378,846	882,551	2,397,054	6,017,192

Notes:

a. Please refer to Note 28.1(c)(i) for a detailed breakdown of initially recognised contracts.
b. The Group made an accounting policy choice to disaggregate insurance finance (income) / expenses between profit or loss and other comprehensive income. The Group does not disaggregate changes in the risk adjustment for non-financial risk between insurance service result and insurance finance (income) / expenses.
c. Insurance acquisition cash flows paid after the related group is initially recognised are adjusted to the liability for remaining coverage.
d. Other reclassification relates to where the accounting treatment of some overheads included with the cash flows within the boundary of an insurance contract are grouped under other financial statement line items in the statement of financial position. A reclassification is made with a corresponding adjustment to such other financial statement line items in the statement of financial position.

(iii) Insurance contracts issued – life insurance

The table below presents a roll-forward of the net asset or liability for insurance contracts issued, showing estimates of the present value of future cash flows, risk adjustment and CSM.

	Notes	**2025**				
				CSM		
		Estimates of the present value of future cash flows	**Risk adjustment for non-financial risk**	**Fair value approach**	**Others**	**Total**
		HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Insurance contract liabilities as at 1 January		**18,619,801**	**213,894**	**-**	**-**	**18,833,695**
Changes in the consolidated income statement and consolidated statement of comprehensive income						
Changes that relate to current service						
Risk adjustment recognised for the risk expired		-	(9,561)	-	-	(9,561)
Experience adjustments		(54,804)	-	-	-	(54,804)
		(54,804)	(9,561)	-	-	(64,365)
Changes that relate to future service						
Contracts initially recognised in the period	a	**1,989,641**	**122,983**	**-**	**-**	**2,112,624**
Changes in estimates that do not adjust the CSM		(239,349)	2,045	-	-	(237,304)
		1,750,292	125,028	-	-	1,875,320
Insurance service result		**1,695,488**	**115,467**	**-**	**-**	**1,810,955**
Insurance finance expenses	b	2,447,882	-	-	-	2,447,882

	Notes	2025				
				CSM		
		Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Fair value approach	Others	Total
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total expenses in the consolidated income statement and consolidated statement of comprehensive income		4,143,370	115,467	-	-	4,258,837
Cash flows						
Premium received		8,892,490	-	-	-	8,892,490
Claims and other expenses paid (including investment components and premium refunds)		(1,768,631)	-	-	-	(1,768,631)
Insurance acquisition cash flows	c	(169,605)	-	-	-	(169,605)
Total cash flows		6,954,254	-	-	-	6,954,254
Insurance contract liabilities as at 31 December		29,717,425	329,361	-	-	30,046,786

Notes:

a. Please refer to Note 28.1(c)(i) for a detailed breakdown of initially recognised contracts.
b. The Group made an accounting policy choice not to disaggregate insurance finance expenses between profit or loss and other comprehensive income. The Group does not disaggregate changes in the risk adjustment for non-financial risk between insurance service result and insurance finance expenses.
c. Insurance acquisition cash flows paid after the related group is initially recognised are adjusted to the liability for remaining coverage.

	Notes	2024				
				CSM		
		Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Fair value approach	Others	Total
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Insurance contract liabilities as at 1 January		14,150,143	146,086	-	-	14,296,229
Changes in the consolidated income statement and consolidated statement of comprehensive income						
Changes that relate to current service						
Risk adjustment recognised for the risk expired		-	(8,102)	-	-	(8,102)
Experience adjustments		(24,498)	-	-	-	(24,498)
		(24,498)	(8,102)	-	-	(32,600)
Changes that relate to future service						
Contracts initially recognised in the period	a	1,378,199	59,512	-	-	1,437,711
Changes in estimates that do not adjust the CSM		(132,006)	16,398	-	-	(115,608)
		1,246,193	75,910	-	-	1,322,103
Insurance service result		1,221,695	67,808	-	-	1,289,503
Insurance finance expenses	b	282,884	-	-	-	282,884

		2024				
				CSM		
	Notes	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Fair value approach	Others	Total
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total expenses in the consolidated income statement and consolidated statement of comprehensive income		1,504,579	67,808	-	-	1,572,387
Cash flows						
Premium received		4,259,102	-	-	-	4,259,102
Claims and other expenses paid (including investment components and premium refunds)		(1,180,048)	-	-	-	(1,180,048)
Insurance acquisition cash flows	c	(113,975)	-	-	-	(113,975)
Total cash flows		2,965,079	-	-	-	2,965,079
Insurance contract liabilities as at 31 December		18,619,801	213,894	-	-	18,833,695

Notes:

a. Please refer to Note 28.1(c)(i) for a detailed breakdown of initially recognised contracts.
b. The Group made an accounting policy choice to disaggregate insurance finance expenses between profit or loss and other comprehensive income. The Group does not disaggregate changes in the risk adjustment for non-financial risk between insurance service result and insurance finance expenses.
c. Insurance acquisition cash flows paid after the related group is initially recognised are adjusted to the liability for remaining coverage.

(iv) Reinsurance contracts issued – life insurance

The table below presents a roll-forward of the net asset or liability for reinsurance contracts issued, showing estimates of the present value of future cash flows, risk adjustment and CSM.

		2025			
	Note	**Estimates of the present value of future cash flows**	**Risk adjustment for non-financial risk**	**CSM**	**Total**
		HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Insurance contract liabilities as at 1 January		**192,736**	**2,273**	**-**	**195,009**
Changes in the consolidated income statement and consolidated statement of comprehensive income					
Changes that relate to current service					
Risk adjustment recognised for the risk expired		-	(72)	-	(72)
Experience adjustments		(331)	-	-	(331)
		(331)	(72)	-	(403)

	Note	2025 Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
		HK$'000	HK$'000	HK$'000	HK$'000
Changes that relate to future service					
Contracts initially recognised in the period		**14,882**	**1,371**	**-**	**16,253**
Changes in estimates that do not adjust the CSM		**850**	**21**	**-**	**871**
		15,732	**1,392**	**-**	**17,124**
Insurance service result		**15,401**	**1,320**	**-**	**16,721**
Insurance finance expenses	a	**26,536**	**-**	**-**	**26,536**
Total expenses in the consolidated income statement and consolidated statement of comprehensive income		**41,937**	**1,320**	**-**	**43,257**
Cash flows					
Premium received		**101,920**	**-**	**-**	**101,920**
Claims and other expenses paid (including investment components and premium refunds)		**(16,152)**	**-**	**-**	**(16,152)**
Total cash flows		**85,768**	**-**	**-**	**85,768**
Insurance contract liabilities as at 31 December		**320,441**	**3,593**	**-**	**324,034**

Note:

a. The Group does not disaggregate insurance finance expenses between profit or loss and other comprehensive income. The Group does not disaggregate changes in the risk adjustment for non-financial risk between insurance service result and insurance finance expenses.

	Note	2024 Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
		HK$'000	HK$'000	HK$'000	HK$'000
Insurance contract liabilities as at 1 January		86,694	954	-	87,648
Changes in the consolidated income statement and consolidated statement of comprehensive income					
Changes that relate to current service					
Risk adjustment recognised for the risk expired		-	(24)	-	(24)
Experience adjustments		64	-	-	64
		64	(24)	-	40
Changes that relate to future service					
Contracts initially recognised in the period		18,759	1,189	-	19,948
Changes in estimates that do not adjust the CSM		(147)	154	-	7
		18,612	1,343	-	19,955

	Note	2024 Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
		HK$'000	HK$'000	HK$'000	HK$'000
Insurance service result		18,676	1,319	-	19,995
Insurance finance expenses	a	1,881	-	-	1,881
Total expenses in the consolidated income statement and consolidated statement of comprehensive income		20,557	1,319	-	21,876
Cash flows					
Premium received		94,659	-	-	94,659
Claims and other expenses paid (including investment components and premium refunds)		(9,174)	-	-	(9,174)
Total cash flows		85,485	-	-	85,485
Insurance contract liabilities as at 31 December		192,736	2,273	-	195,009

Note:

a. The Group does not disaggregate insurance finance expenses between profit or loss and other comprehensive income. The Group does not disaggregate changes in the risk adjustment for non-financial risk between insurance service result and insurance finance expenses.

(c) The components of new business

(i) Reinsurance contracts held

The components of new business for reinsurance contracts held portfolios (all were reinsurance contracts purchased) included in the insurance unit is disclosed in the table below:

Reinsurance contracts assets	**2025** **HK$'000**	2024 HK$'000
Estimates of the present value of future cash inflows	**28,817**	25,405
Estimates of the present value of future cash outflows	**(99,206)**	(78,153)
Risk adjustment	**2,672**	1,119
CSM	**67,717**	51,629
Cost of retroactive cover on reinsurance contract assets held	**-**	-

(ii) Insurance contracts issued

The components of new business for insurance contracts issued included in the insurance unit is disclosed in the table below:

	2025			2024		
Insurance contracts issued	**Non-onerous contracts** **HK$'000**	**Onerous contracts** **HK$'000**	**Total** **HK$'000**	Non-onerous contracts HK$'000	Onerous contracts HK$'000	Total HK$'000
Estimates of the present value of future cash outflows, excluding insurance acquisition cash flows	**87,818**	**10,596,964**	**10,684,782**	116,062	5,462,083	5,578,145
Estimates of insurance acquisition cash flows	**186,483**	**485,196**	**671,679**	257,568	301,104	558,672
Estimates of the present value of future cash outflows	**274,301**	**11,082,160**	**11,356,461**	373,630	5,763,187	6,136,817
Estimates of the present value of future cash inflows	**(714,282)**	**(9,041,808)**	**(9,756,090)**	(1,015,838)	(4,371,564)	(5,387,402)
Risk adjustment for non-financial risk	**22,008**	**125,975**	**147,983**	29,299	67,014	96,313
CSM	**417,973**	**-**	**417,973**	612,909	-	612,909
Losses on onerous contracts at initial recognition	**-**	**2,166,327**	**2,166,327**	-	1,458,637	1,458,637

New contracts were issued on market terms. Onerous contracts were accepted as the Group did not have an opportunity to reprice them for the relevant group of policyholders and we believe that the market has a high development potential for future renewals and cross selling of additional products.

(iii) Reinsurance contracts issued

	2025			2024		
Insurance contracts issued	**Non-onerous contracts** **HK$'000**	**Onerous contracts** **HK$'000**	**Total** **HK$'000**	Non-onerous contracts HK$'000	Onerous contracts HK$'000	Total HK$'000
Estimates of the present value of future cash outflows, excluding insurance acquisition cash flows	**-**	**118,635**	**118,635**	-	114,398	114,398
Estimates of insurance acquisition cash flows	**-**	**-**	**-**	-	-	-
Estimates of the present value of future cash outflows	**-**	**118,635**	**118,635**	-	114,398	114,398
Estimates of the present value of future cash inflows	**-**	**(103,753)**	**(103,753)**	-	(95,639)	(95,639)
Risk adjustment for non-financial risk	**-**	**1,371**	**1,371**	-	1,189	1,189
Losses on onerous contracts at initial recognition	**-**	**16,253**	**16,253**	-	19,948	19,948

28.2 CSM recognition in profit or loss

The disclosure of when the CSM is expected to be in profit or loss in future years is presented below:

	2025						
	Less than 1 year	**1-5 years**	**5-10 years**	**10-15 years**	**15-20 years**	**More than 20 years**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Reinsurance contracts held							
General insurance	**78,684**	**201,378**	**83,267**	**26,759**	**20,967**	**31,282**	**442,337**
Insurance contracts issued							
General insurance	**666,578**	**1,702,915**	**596,858**	**50,880**	**21,168**	**35,551**	**3,073,950**

	2024						
	Less than 1 year	1-5 years	5-10 years	10-15 years	15-20 years	More than 20 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Reinsurance contracts held							
General insurance	70,055	192,682	98,955	33,690	24,529	39,363	459,274
Insurance contracts issued							
General insurance	633,041	1,734,319	775,342	89,798	18,394	28,711	3,279,605

The Group expects to recognise the CSM in profit or loss for existing contracts within 60 years, which represents the longest coverage period for the contracts in force issued by the Group.

The expected timeline for the CSM recognition for reinsurance contracts held is in line with insurance contracts issued.

29. Debt securities issued

	2025	2024
	HK$'000	HK$'000
Debt securities carried at amortised cost		
MTN	**6,525,071**	5,799,769
Total debt securities carried at amortised cost	**6,525,071**	5,799,769
Debt securities designated as hedged items under fair value hedge		
MTN	**148,644,259**	142,499,867
Total debt securities designated as hedged items under fair value hedge	**148,644,259**	142,499,867
Total debt securities issued	**155,169,330**	148,299,636

The movement in debt securities issued is summarised as follows:

	2025	2024
	HK$'000	HK$'000
As at 1 January	**149,893,403**	163,787,833
Issuance	**70,479,347**	103,507,595
Less: redemption	**(66,171,784)**	(117,658,640)
Exchange difference	**110**	256,615
Total nominal value	**154,201,076**	149,893,403
Unamortised portion of discount	**(134,387)**	(169,545)
Fair value adjustment	**1,102,641**	(1,424,222)
As at 31 December	**155,169,330**	148,299,636

Notes issued during the year comprise:

	2025	2024
	HK$'000	HK$'000
MTN		
Amount issued at nominal value	**70,479,347**	103,507,595
Consideration received	**70,399,511**	103,114,200

All the debt securities issued are unsecured obligations of the Group, and are issued for the purposes of providing general working capital and refinancing.

30. Share capital

	2025	2024
	HK$'000	HK$'000
Issued and fully paid		
2 billion ordinary shares	**39,000,000**	26,500,000

The movement in share capital is summarised as follows:

	2025	2024
	HK$'000	HK$'000
As at 1 January	**26,500,000**	14,500,000
Capital injection	**12,500,000**	12,000,000
As at 31 December	**39,000,000**	26,500,000

31. Material related party transactions

(a) The Company and its wholly-owned subsidiaries are wholly owned by the Government for the account of the Exchange Fund. During the year, the Group entered into or maintained material transactions with the related parties as follows:

Transactions with the HKMA, a Government-related entity, included the following:

(i) the Group paid a total fee amount of HK$2.3 million for the year (2024: HK$2.0 million) to the HKMA in respect of custodian and clearing agent services from the Central Moneymarkets Unit;

(ii) the Group incurred a secondment fee of HK$20.5 million for the year (2024: HK$26.7 million) in respect of secondees from the HKMA;

(iii) the Monetary Authority through the Exchange Fund provided a revolving credit facility of HK$80 billion to the Company, and there was no outstanding balance and accrued interest as at 31 December 2025 (2024: nil for both);

(iv) the Monetary Authority through the Exchange Fund fulfilled the capital commitment to inject funds of HK$20 billion in aggregate (comprising capital injections of HK$2.5 billion each into the HKMCA on 28 June 2021, 27 June 2022, 27 June 2023 and 24 November 2025 respectively, and HK$5.0 billion each on 24 February 2025 and 23 June 2025 respectively) into the Company as equity for the sole purpose of financing the Company's additional capital injection into the HKMCA. Following the fulfilment of the abovementioned capital commitment, the Monetary Authority entered into a new capital commitment arrangement with the Company and the HKMCA in January 2026 to inject additional funds of up to HK$25 billion in aggregate through the Exchange Fund into the Company as equity for the sole purpose of financing the Company's additional capital injection into the HKMCA, and the Company has committed to inject such funds into the HKMCA as equity to maintain the HKMCA's capital base above a certain level; and

(v) the Monetary Authority through the Exchange Fund injected HK$12.0 billion capital into the Company on 16 December 2024, as equity for the sole purpose of financing the Company's capital injection into the HKMCI as equity for the sole purpose of maintaining the HKMCI's margin of solvency above a certain level.

Transactions with the Government included the following:

(i) the HKMCI provided 80%, 90% and 100% SFGS loan guarantees with a total guarantee commitment up to HK$290 billion reimbursable by the Government (including guarantees on 100% SFGS loans acquired by the Company), see Note 33 for details. With respect to the day-to-day operation of the 100% SFGS, the Government reimbursed HK$150.4 million (2024: HK$166.0 million) to the HKMCI for the administrative expenses incurred by the HKMCI for the year;

(ii) the Company entered into an agreement with the Government, pursuant to which the Company maintained its commitment to purchase from SFGS lenders all 100% SFGS loans that are fully guaranteed by the Government via the HKMCI, see Note 19 for details;

(iii) the Company entered into an agreement with the Government, pursuant to which the Company maintained its commitment to purchase from DLGS lenders all DLGS loans that are fully guaranteed by the Government via the HKMCI with a total guarantee commitment up to HK$9.1 billion reimbursable by the Government, see Note 19 for details. With respect

to the day-to-day operation, the Government reimbursed HK$0.5 million (2024: HK$0.4 million) to the HKMCI for the administrative expenses incurred by the HKMCI for the year;

(iv) the Company and the HKMCI entered into an agreement with the Government, pursuant to which the Company committed to purchase all loans under the PLGS from the participating Authorized Institutions (**AIs**) and the Government provided full funding to the Company for the purchase of all PLGS loans. The application period of the PLGS expired at the end of April 2023. The HKMCI is responsible for the operation and administration of the PLGS. With respect to the advance payment received from the Government, a portion of such advance funding was deposited with AIs with an outstanding balance of HK$209.3 million (2024: HK$189.3 million). The HKMCI was appointed by the Government to act as the administrator for the PLGS for a fee of HK$8.8 million (2024: HK$9.0 million) for the year. Risks and rewards arising from the PLGS loans rest with the Government; and

(v) the Company and the HKMCI held investment of HK$2,191.3 million (2024: HK$1,297.8 million) in the Government Bonds as at 31 December 2025 and the interest thereon was HK$52.8 million (2024: HK$34.7 million).

The Company provided corporate support services to its subsidiaries during the year for fees on an arm's length basis. The Company had issued a parental guarantee in favour of the participating lenders for the HKMCI's due performance of its obligations under the insurance programmes and schemes operated by the HKMCI. The Company had issued a parental guarantee in favour of ceding partner insurers and policyholders under the respective reinsurance agreements or policies of the HKMCA to facilitate the development of the local annuities market.

Balances of amounts due to relevant related parties are as follows:

	The Exchange Fund		The Government	
	2025	2024	**2025**	2024
	HK$'000	HK$'000	**HK$'000**	HK$'000
Placements with the Exchange Fund (Note 22)	**72,418,586**	49,244,684	-	-
Other liabilities (Notes 27 and 33)	-	-	**1,048,840**	894,445

(b) Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors and senior officers.

Compensation of the key management personnel for the year comprised:

	2025	2024
	HK$'000	HK$'000
Salaries and other short-term employee benefits	**27,711**	29,658
Post-employment benefits	**2,484**	2,573
	30,195	32,231

32. Commitments

(a) Capital

	2025	2024
	HK$'000	HK$'000
Authorised and contracted for	**10,699**	29,394

The above capital commitments mainly relate to commitments to purchase computer equipment and software.

(b) Other commitments

	2025	2024
	HK$'000	HK$'000
Undrawn loan commitments	**1,277,099**	476,663

Majority of loan commitments can be drawn on demand.

33. Special concessionary measures under the SME Financing Guarantee Scheme

The Group provided loan guarantee products with 80% and 90% guarantee coverage under the existing SFGS at a concessionary guarantee fee rate, together with guarantee for 100% SFGS loans acquired for a total approved guarantee commitment up to HK$290 billion reimbursable by the Government.

Regarding the 80% and 90% guarantee products, all guarantee fees collected under the special loan guarantee products are set aside to meet the relevant default claims and related out-of-pocket expenses. The remaining balance of the guarantee fees, if any, will be returned to, and any shortfall will be borne by, the Government. The Group is responsible for the operation of the product and the applicable day-to-day operating costs. There is no impact on the consolidated income statement of the Group in respect of guarantee fee revenue and default claims. Given that the Group operates only these products for the Government, the Group considers the risk and rewards associated with this product rest with the Government. Hence, the risk-in-force for these products has not been included as the Group's off-balance sheet exposures.

For the 100% SFGS, please refer to Note 19 for more details.

34. Involvement with unconsolidated structured entities

The Group acts as a sponsor and collateral manager to structured entities that the Group does not consolidate but in which it holds an interest. The following table describes the type and nature of the structured entities:

Type of structured entities	Nature and purpose	Interest held by the Group	**2025**	2024
			HK$'000	HK$'000
Securitisation vehicle for infrastructure loans	To develop an infrastructure financing securitisation platform in Hong Kong	Investment in notes issued by the vehicle	**775,369**	640,826
		Sponsor loan	**33,469**	23,304

	2025	2024
	HK$'000	HK$'000
Interest income	**11,701**	33,286
Interest income on sponsor loan	**3,233**	2,008
Collateral management fee	**14,250**	7,043

The maximum exposure to loss is the carrying amount of the investment in the structured entity.

35. Statement of financial position and reserve movement of the Company

35.1 Statement of financial position of the Company as at 31 December 2025

	Notes	2025	2024
		HK'000	HK$'000
ASSETS			
Cash and short-term funds		**58,741,541**	46,314,950
Interest and remittance receivables		**2,654,944**	3,161,265
Derivative financial instruments		**1,668,020**	664,618
Loans with 100% guarantee from the Government		**63,514,326**	82,782,698
Loan portfolio, net		**10,890,392**	9,307,080
Investment securities:			
- at fair value through other comprehensive income		**9,600,489**	3,721,821
- at fair value through profit or loss		**200,636**	9,774
- at amortised cost		**17,379,522**	13,337,065
Interests in subsidiaries		**46,440,928**	32,981,543
Prepayments, deposits and other assets		**168,251**	331,170
Deferred tax assets		**5,208**	4,681
Fixed assets		**187,397**	229,443
Total assets		**211,451,654**	192,846,108
LIABILITIES			
Interest payable		**2,781,710**	3,343,451
Placements by subsidiary		**–**	561,000
Accounts payable, accrued expenses and other liabilities		**4,500,439**	3,356,023
Derivative financial instruments		**559,693**	1,740,649
Current tax liabilities		**114,948**	165,598
Debt securities issued		**155,169,330**	148,299,636
Total liabilities		**163,126,120**	157,466,357
EQUITY			
Capital and reserves attributable to the equity holder:			
Share capital		**39,000,000**	26,500,000
Retained profits	35.2	**9,241,569**	8,857,536
Fair value reserve	35.2	**81,867**	23,518
Hedging reserve	35.2	**2,098**	(1,303)
Total equity		**48,325,534**	35,379,751
Total liabilities and equity		**211,451,654**	192,846,108

Approved and authorised for issue by the Board of Directors on 21 April 2026.

(Sd.)	(Sd.)
YUE Wai Man, Eddie	POU Hak Wan
Deputy Chairman and Executive Director	Executive Director and Chief Executive Officer

35.2 Reserves of the Company

	Retained profits	Fair value reserve	Hedging reserve	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Balance as at 1 January 2024	8,733,357	8,158	18,719	8,760,234
Profit for the year	124,179	-	-	124,179
Other comprehensive income / (loss)				
Change in the fair value of debt securities at FVOCI	-	15,213	-	15,213
Change in the loss allowance of debt securities at FVOCI	-	147	-	147
Change in the fair value of hedging instruments at cash flow hedge	-	-	(20,022)	(20,022)
Total comprehensive income / (loss) for the year	124,179	15,360	(20,022)	119,517
Balance as at 31 December 2024	8,857,536	23,518	(1,303)	8,879,751
Profit for the year	**384,033**	-	-	**384,033**
Other comprehensive income				
Change in the fair value of debt securities at FVOCI	-	**56,638**	-	**56,638**
Change in the loss allowance of debt securities at FVOCI	-	**1,711**	-	**1,711**
Change in the fair value of hedging instruments at cash flow hedge	-	-	**3,401**	**3,401**
Total comprehensive income for the year	**384,033**	**58,349**	**3,401**	**445,783**
Balance as at 31 December 2025	**9,241,569**	**81,867**	**2,098**	**9,325,534**

36. Directors' material interests in transactions, arrangements and contracts

Apart from those disclosed in Note 31, there was no other transaction, arrangement or contract of significance in relation to the Company's business, to which any member of the Group was a party, and in which any person who was a Director at any time during the year or a connected entity (as defined in the Companies Ordinance) of any such person had, directly or indirectly, a material interest, which subsisted at the end of the year or at any time during the year.

37. Events after balance sheet date

In January 2026, the Monetary Authority through the Exchange Fund entered into a new capital commitment arrangement with the Company and the HKMCA to further inject additional funds of up to HK$25 billion in aggregate into the Company as equity for the sole purpose of financing the Company's additional capital injection into the HKMCA, and the Company has committed to inject such funds into the HKMCA as equity to maintain the HKMCA's capital base above a certain level (Note 31(a)).

This event is regarded as non-adjusting to the consolidated financial statements for the year ended 31 December 2025.

38. Approval of financial statements

The financial statements were approved by the Board of Directors on 21 April 2026.

ISSUER

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