

This product sheet is for the purpose of providing guidance to structured products issuers on general product terms. Structured products issuers should consult the Exchange if terms of structured products deviate from the requirements set out in this product sheet. Investors should refer to the actual terms of the products set out in listing documents in considering their investment decision.

Derivative Warrant (DW)

General Product Terms

A DW gives its holders the right (but not the obligation) to buy (i.e. call) or sell (i.e. put) an underlying asset at a predetermined exercise price / level on the expiry date.

Product Terms	
Product class	Leveraged structured product
Style	European ¹
Type	Call or Put
Issue size	Minimum of HK\$10 million in market capitalization
Issue price	(a) Minimum of HK\$0.25 (not applicable to further issue) (b) Minimum of HK\$0.15 for emulation issue
Underlying asset	<u>Securities listed on the Exchange</u> (a) A company which is a member of Hang Seng Index; or (b) A company² which has a minimum public float capitalization of HK\$4 billion for a period of (i) 60 consecutive business days during which trading of the underlying shares has not been suspended; or (ii) no more than 70 consecutive business days comprising 60 business days during which trading of the underlying shares has not been suspended and no more than 10 business days during which trading in the underlying shares has been suspended <u>Overseas stocks, indices, currencies or commodities</u> The Exchange may consider eligibility of overseas stocks and other assets with reference to the factors for consideration set out in the New Product Guide The latest list of eligible underlying³ is set out in the List of eligible underlying assets

¹ Structured products issuers proposing to issue American-style DW should provide detailed terms and arrangements for the Exchange's consideration.

² Includes an exchange traded fund.

³ The list is updated quarterly.

Product Terms	
Expiry date	(a) At least six months and not more than five years (not applicable to further issue) from the date of listing (b) In respect of emulation issue, the tenor should be at least three months and not more than five years (c) In respect of using futures contracts for settlement reference, the expiry date should generally be the same as that of futures contracts
Conversion ratio	<u>Listed securities</u> (a) One, five, ten, 50, 100 or 500 DWs for one share or (b) One DW for one, ten or 100 shares <u>Indices, currencies or commodities</u> No specific requirements
Board lot	<u>Listed securities</u> (a) One board lot of the DW is entitled to a whole number of board lots of the underlying security; or (b) One board lot of the DW is entitled to one tenth of a board lot of the underlying security (applicable to cash settlement only) <u>Indices, currencies or commodities</u> 10,000 DWs
Trading / settlement currency⁴	HKD, USD or CNY
Further issue	(a) An issuer may only launch a further issue when it holds no more than 50% of the existing issue; and (b) Terms and conditions of the further issue and existing issue must be identical
Emulation issue	(a) The expiry date may be up to five business days before or after that of an existing emulated DW; and (b) The exercise price / level may differ by no more than one spread in the underlying listed security from that of an existing emulated DW or by no more than 0.5% in other cases
Valuation at expiry	<u>Listed securities</u> The average of closing prices of the underlying securities for the five business days prior to the expiry date

⁴ Currently, where the DW is traded in HKD, settlement shall be in HKD. Similarly, where DW is traded in USD or CNY, the settlement currency shall be the same as the trading currency. Structured products issuers proposing to issue products traded in one currency but settled in another currency should provide detailed proposals for the Exchange's consideration.

Product Terms

	<u>Indices</u> Settlement price of the related futures contracts⁵ on the valuation date <u>Currencies</u> Exchange rate published by an established source at a particular time on the valuation date <u>Commodities</u> Settlement price of the related commodity futures contracts⁵ on the valuation date; or price quote published by an established source on the valuation date Note: the valuation date is generally the same as the expiry date, subject to time difference
Arrangement upon maturity	Automatic settlement without the need to deliver a notice of exercise (applicable to cash settlement only)
Settlement	Cash settled ⁶
Settlement date	Generally no later than the third settlement day after expiry
Liquidity Provision Requirements⁷	
Quote request (“QR”)	Minimum service level applicable to all possible market conditions (subject to “Exemptions” set out below): (a) Maximum bid-ask spread: 20 spreads (b) Minimum quotation size: 20 board lots (c) Maximum quote response time: 10 minutes (d) Minimum holding time: five minutes⁸ (e) QR applies to all DWs Exemptions – QR is not required to be provided in the following circumstances: (a) during a pre-opening session or a closing auction session (if applicable) or any other circumstances as may be prescribed by the Exchange; (b) during the first 5 minutes of each morning trading session or the first 5 minutes after trading commences for the first time on a trading day;

⁵ Refers to the futures contract with the same expiry month as that of the DW.

⁶ Structured products issuers proposing to issue physically settled DW should provide detailed terms and arrangements for the Exchange’s consideration.

⁷ For background information, please see the [Industry Principles on Liquidity Provision for Listed Structured Products](#).

⁸ If the price of the underlying or the prevailing market circumstance changes, issuers can refresh the quote by posting a new pair of quotes. A quotation lapses if any investor has proceeded with a trade during the five minutes holding period.

Product Terms

	(c) when the DWs or the underlying is suspended from trading for any reason; (d) when there are no DWs available for market making activities (in such event, the liquidity provider shall continue to provide bid prices); (e) if the theoretical value of the DWs is less than HK\$0.01 (if the liquidity provider chooses to provide liquidity under this circumstance, both bid and ask prices will be made available); (f) in the case with an index underlying, if there occurs or exists any suspension of or limitation proposed on trading of options or futures contracts relating to the index or if the index level is not calculated or published as scheduled for any reason; (g) when there are operational and technical problems beyond the control of the liquidity provider hindering the ability of the liquidity provider to provide liquidity; or (h) if the underlying or the stock market experiences exceptional price movement and high volatility over a short period of time which materially affects the liquidity provider's ability to source a hedge or unwind an existing hedge.
Active quote ("AQ")⁹	Minimum service levels under "Qualified Period" (a) Maximum bid-ask spread: (i) five spreads for local index¹⁰ (ii) 10 spreads for actively traded stock¹¹ (b) Minimum quotation size: 20 board lots (c) Quotation continuity: at least 90% of the Qualified Period with no interruption exceeding 10 minutes of a trading day for each DW Qualified Period for providing AQ applies when: (a) the underlying is an actively traded stock or local index; (b) 50% or less of total issue size outstanding in the market; (c) time to maturity is 30 calendar days or more; (d) moneyness¹² is between 20% in-the-money and 20% out-of-the-money; and (e) the circumstances do not fall under the exemptions for providing QR.

Last updated: 30 September 2025

⁹ The term "Active quote" refers to "Continuous Quotes" as defined in [Note 2 to Rule 15A.22 of the Listing Rules](#).

¹⁰ Any local index such as Hang Seng Index, Hang Seng China Enterprises Index, Hang Seng TECH Index.

¹¹ Actively traded stock means securities on the [current list of eligible underlying stocks for CBBC issuance](#).

¹² Moneyness of a DW is calculated by dividing the difference between the underlying asset's price / level and the exercise price / level by the underlying asset's price / level.