

HKSI Paper 1: 20 Practice Questions and Answers

20 original practice questions for LE Paper 1 (Fundamentals of Securities and Futures Regulation), spread across the nine syllabus topics, with the answer, a worked explanation and a dated source for each. Questions first, answers after, so you can test yourself.

These are not real HKSI exam questions. HKSI Institute does not publish Paper 1 past papers, and we do not use or sell recalled exam questions. Every question here was written by HKSI Prep and checked against the SFO, its subsidiary legislation, the SFC codes and guidelines, or the HKEX rules. Answer keys were checked on 23 October 2026; rules change, so check the current study guide before your exam.

The real Paper 1

Questions	60 multiple-choice
Time	1 hour 30 min
Pass mark	70%
Delivery	Computer-based

Source: HKSI Institute, Licensing Examination overview (hksi.org), checked 11 October 2026. HKSI can change the format, so confirm on hksi.org before you book.

Questions

QUESTION 1 · REGULATORY OVERVIEW OF THE HONG KONG FINANCIAL INDUSTRY

Mrs Yeung holds HK\$600,000 in a savings account and HK\$500,000 in an 18-month time deposit at the Hong Kong office of Harbour Bank, a licensed bank. If Harbour Bank fails in 2026, what is the most the Deposit Protection Scheme pays her?

- A. HK\$500,000
- B. HK\$1,100,000
- C. HK\$800,000
- D. HK\$600,000

QUESTION 2 · REGULATORY OVERVIEW OF THE HONG KONG FINANCIAL INDUSTRY

Harbour Bank, a licensed bank and Scheme member, fails. Mrs Kwok held deposits with it. Which of the following statements are CORRECT?

- I. Her deposit at Harbour Bank's Singapore branch is not protected by the Scheme.**
- II. Compensation for her US dollar savings account in Hong Kong is paid in Hong Kong dollars.**
- III. She did not need to register or pay a fee to be protected.**
- IV. The Hong Kong Deposit Protection Board, not the HKMA itself, administers the Scheme.**

- A. I and III only**
- B. II and IV only**
- C. I, II and III only**
- D. I, II, III and IV**

QUESTION 3 · HONG KONG LAW AND THE COMPANIES ORDINANCE

Mr Wong, a director of Yau Tong Foods Ltd, owns 40% of Fresh Farm Ltd, a material interest. Yau Tong's board is negotiating a supply contract with Fresh Farm that is significant to Yau Tong's business. What must Mr Wong do under s.536 of Cap. 622?

- A. Nothing, since he is not a director of Fresh Farm and so has no interest in any of its contracts**
- B. Declare the nature and extent of his interest to the other directors before Yau Tong enters into the contract**
- C. Declare his shareholding to the members at the next general meeting after Yau Tong signs the new supply contract**
- D. Notify the Registrar of Companies of his interest within 15 days after the supply contract is signed**

QUESTION 4 · THE SECURITIES AND FUTURES ORDINANCE (CAP. 571)

Mr Lau owns 30% of Lau Kee Holdings Ltd, a private company within the meaning of section 11 of Cap. 622, and plans to sell his shares to a friend. Are they 'securities' under the SFO?

- A. No, because shares or debentures of a private company within section 11 of Cap. 622 are excluded**
- B. Yes, because the definition covers the shares of any body, incorporated or not, without exception**
- C. Yes, because shares become securities whenever they are sold for value to someone outside the family**
- D. No, because only shares listed on a recognised stock market fall within the definition of securities**

QUESTION 5 · THE SECURITIES AND FUTURES ORDINANCE (CAP. 571)

Mr Chan holds HK\$5.5 million of listed shares in his own account, HK\$1.5 million in a joint account with his wife, and a HK\$2 million bond portfolio in a joint account with his brother, with no written agreement. What portfolio is attributed to him under the Professional Investor Rules, and does he qualify?

- A. HK\$7 million, which falls short because the joint account with his brother is ignored**
- B. HK\$9 million, which meets the threshold because every joint account counts in full**
- C. HK\$5.5 million, which falls short because joint accounts never count towards the threshold**
- D. HK\$8 million, which meets the HK\$8 million threshold**

QUESTION 6 · THE SECURITIES AND FUTURES ORDINANCE (CAP. 571)

Which of the following is NOT a professional investor under paragraphs (a) to (i) of the definition in Part 1 of Schedule 1 to the SFO?

- A. A multilateral agency such as a development bank
- B. An insurer authorised under the Insurance Ordinance (Cap. 41)
- C. A municipal government authority
- D. An institution that performs the functions of a central bank

QUESTION 7 · LICENSING, REGISTRATION AND SUBSIDIARY LEGISLATION

Harbourview Securities Ltd is licensed for Type 1 regulated activity only. When taking orders by phone, its representatives tell clients which Hong Kong stocks look like good buys, for brokerage only and purely to support dealing. What is the licensing position for this advice?

- A. It must add Type 4, because any recommendation on a specific stock needs a separate advising licence
- B. No extra licence; the advice is wholly incidental to its securities dealing business
- C. It must add Type 9, because telling clients what to buy is treated as managing their portfolios
- D. It must add Type 4 only for advice given in writing, since spoken advice is always exempt

QUESTION 8 · LICENSING, REGISTRATION AND SUBSIDIARY LEGISLATION

Maple Leaf Wealth Partners, a Canadian portfolio manager with no Hong Kong licence, runs Cantonese seminars in Hong Kong and targeted social-media advertisements inviting residents to open discretionary accounts managed from Toronto. What is its position under the SFO?

- A. It needs no licence, because the portfolio management itself is carried out entirely in Canada
- B. It needs a licence only once a Hong Kong resident signs a discretionary account agreement
- C. It needs only to notify the SFC, because it is already regulated by its home regulator
- D. It needs an SFC licence, as it actively markets a regulated activity to the Hong Kong public

QUESTION 9 · LICENSING, REGISTRATION AND SUBSIDIARY LEGISLATION

Mandy Cheung joins the securities dealing desk of Lantau Bank Ltd, a registered institution, where she will take client orders for Hong Kong listed shares. What must happen before she starts this work?

- A. She must get an SFC representative licence accredited to the bank
- B. Nothing, because bank employees are exempt from the SFO regime
- C. Her name must be entered on the register kept by the HKMA
- D. She must be approved by the SFC as a responsible officer of the bank

QUESTION 10 · BUSINESS CONDUCT AND CLIENT RELATIONS

Mrs Cheung asks Lockhart Road Securities Ltd to buy US-listed shares for her. The firm will hold them through its New York sub-custodian, not in Hong Kong. What must it do under paragraph 11.1 of the Code of Conduct?

- A.** Give her additional risk disclosures that the assets may not enjoy the same protection as under the SFO and its client asset rules
- B.** Nothing extra, because the general client agreement signed at account opening already covers assets held by any custodian anywhere
- C.** Refuse to hold the shares overseas, because client securities of a Hong Kong licensed corporation must be held in Hong Kong
- D.** Obtain the SFC's prior written approval for each overseas custodian before any client securities are deposited with it

QUESTION 11 · BUSINESS CONDUCT AND CLIENT RELATIONS

Mr Smith, an existing client of Tung Chung Securities Ltd with no one-off disclosure on file, phones from the airport to buy a corporate bond from the firm's inventory at once. The written transaction-related disclosure cannot reach him before the deal. How should the firm proceed under paragraph 8.3A?

- A.** Decline the order, because the written disclosure must always reach the client before any transaction is concluded
- B.** Make the disclosure verbally before the deal and give it to him in writing as soon as practicable afterwards
- C.** Proceed without any disclosure, provided he says on the recorded line that he waives his right to the information
- D.** Proceed, and include the written disclosure in his next monthly statement of account sent at the end of the month

QUESTION 12 · BUSINESS CONDUCT AND CLIENT RELATIONS

Mr Cheung, a dealer at Fanling Securities Ltd, is having lunch with a client at a restaurant when the client gives him a buy order on his mobile phone. According to the notes to paragraph 3.9 of the Code of Conduct, what should he do?

- A.** Refuse the order, since the Code bans staff from taking client orders on mobile phones in all places and at all times
- B.** Write the details and time on a napkin and pass them to the dealing desk when he returns to the office after lunch
- C.** Execute the order through the firm's mobile app at once and rely on the trade confirmation as the record of the order
- D.** Immediately call back to the firm's telephone recording system and record the time of receipt and the order details

QUESTION 13 · BUSINESS OPERATIONS AND PRACTICES

Kwai Fong Securities Ltd, a CCASS participant, is checking its back-office controls against the Appendix to the Internal Control Guidelines. Which of the following are CORRECT?

- I. Its register of direct and cross trades needs review only at the annual external audit.**
 - II. CCASS free-of-payment transfer instructions should require prior authorisation.**
 - III. Cheques paying clients should be crossed 'Account Payee Only'.**
 - IV. Payment cheques may be signed in advance with the payee and amount left blank, if two authorised signatories sign.**
- A. II, III and IV only**
 - B. II and III only**
 - C. II and IV only**
 - D. I, II and III only**

QUESTION 14 · BUSINESS OPERATIONS AND PRACTICES

A dealer at Ngau Tau Kok Securities Ltd buys 20,000 shares when his client asked to sell. The position now shows a profit, and he suggests booking it to another client who 'likes this stock'. Under the Internal Control Guidelines, how should the error be handled?

- A. Report it to the person responsible for dealing and book it to an error account reviewed by compliance**
- B. Book it to the original client, who must accept the trade because it was executed under his account**
- C. Book it to the other client, who gains from the trade, and record the reason on the order ticket**
- D. Book it to the dealer's own staff account, so that he alone bears any loss or keeps any profit on the trade**

QUESTION 15 · PARTICIPATING IN THE HONG KONG EXCHANGES

Which of the following statements about the prescribed limits in Schedule 1 to Cap. 571Y, in force since 2 July 2025, are CORRECT?

- I. The limit for Hang Seng Index futures and options is 15,000 position delta, net long or short.**
 - II. The limit for Hang Seng China Enterprises Index futures and options is 20,000 position delta.**
 - III. The limit for Hang Seng TECH Index futures and options is 30,000 position delta.**
 - IV. Each limit applies to each contract month separately, not to all months combined.**
- A. I and III only**
 - B. I, III and IV only**
 - C. I, II and III only**
 - D. III and IV only**

QUESTION 16 · PARTICIPATING IN THE HONG KONG EXCHANGES

Typhoon Signal No. 8 is hoisted at 7:00 a.m. on a Wednesday trading day in October 2026 and stays up all day. Which of the following statements are CORRECT?

- I. HKFE's after-hours trading session that evening runs as scheduled.**
- II. Northbound Stock Connect trades are cleared and settled as on a normal trading day.**
- III. HKEX services available only through public-facing physical counters stay open.**
- IV. The same arrangements would apply if the Government announced Extreme Conditions instead.**

- A. II, III and IV only**
- B. I and II only**
- C. I, II, III and IV**
- D. I, II and IV only**

QUESTION 17 · ACCESSING PUBLIC CAPITAL

Pine Bio Ltd, a pre-revenue biotech, applies under Chapter 18A. It has two financial years in its current business under substantially the same management, working capital covering 130% of group costs for 12 months after listing, and an expected market capitalisation of HK\$1.2 billion. Can it list?

- A. No: Chapter 18A requires a three-year trading record under the same management**
- B. No: its expected market capitalisation is below the HK\$1.5 billion minimum**
- C. No: its working capital must cover at least 150% of costs for 18 months**
- D. Yes: it meets the trading record, working capital and market value tests**

QUESTION 18 · ACCESSING PUBLIC CAPITAL

Which of the following statements about a special purpose acquisition company (SPAC) listing under Chapter 18B of the Main Board Listing Rules are CORRECT?

- I. Its initial offering must include a public subscription tranche so that retail investors can take part.**
- II. It must raise gross funds of at least HK\$1 billion in its initial offering.**
- III. Each SPAC share must have an issue price of at least HK\$10.**
- IV. At least one SPAC Promoter must normally hold an SFC licence for Type 6 and/or Type 9 regulated activity.**

- A. I, II, III and IV**
- B. I and II only**
- C. II, III and IV only**
- D. II and III only**

QUESTION 19 · MARKET MISCONDUCT AND IMPROPER TRADING PRACTICES

Grace Leung, a director of Tai Hang Foods Ltd, a listed company, knows of unannounced results well above forecast. Needing HK\$3 million for her mother's urgent surgery, she sells some of her Tai Hang shares. What is her position under Part XIII?

- A.** She has a defence only if the board chairman approved the sale in writing before she placed the sell order
- B.** She has no defence, as the only defences for individuals are the director-qualification, underwriting and liquidator ones
- C.** She has a defence if she shows her purposes did not include profiting or avoiding a loss by using the information
- D.** She has no defence, as a director may never deal in the company's shares while holding inside information

QUESTION 20 · MARKET MISCONDUCT AND IMPROPER TRADING PRACTICES

Henry Fok sells 800,000 Tsim Sha Tsui Holdings Ltd shares on SEHK through one of his accounts and buys them through another, with no change in beneficial ownership. The price rises 4%. The SFC alleges price rigging under s.275(1)(a). What is Henry's position?

- A.** It is price rigging unless he establishes that a false appearance about the price was not among his purposes
- B.** It is not price rigging unless he made a profit from the 4% rise in the share price afterwards
- C.** It is price rigging only if the SFC first proves that he intended the trades to move the share price
- D.** It is not price rigging, as the trades went through SEHK and stamp duty was paid on both legs

Answers and explanations

QUESTION 1 · ANSWER C

Since 1 October 2024 the Deposit Protection Scheme Ordinance (Cap. 581), s.27, caps compensation at HK\$800,000 per depositor per Scheme member, however many protected deposits the depositor holds there. Both her deposits are protected (the time deposit's term does not exceed 5 years), so they are added together: HK\$1,100,000, capped at HK\$800,000. HK\$500,000 was the limit before 1 October 2024. HK\$1,100,000 wrongly gives each account its own limit. HK\$600,000 wrongly leaves out the time deposit; only term deposits of more than 5 years are excluded (Sch. 1 s.1).

Source: Deposit Protection Scheme Ordinance (Cap. 581) s.27 and Sch. 1 s.1, as amended by Ord. 19 of 2024 (limit HK\$800,000 from 1 October 2024); Hong Kong Deposit Protection Board (dps.org.hk) (as at October 2026).

Ref P1-REG-046

QUESTION 2 · ANSWER D

All four are true. Cap. 581 Sch. 1 s.1 excludes deposits taken at a Scheme member's offices outside Hong Kong, so the Singapore deposit is not protected (I). Deposits in any currency at the Hong Kong office are protected, but all compensation is paid in Hong Kong dollars (II). Protection is automatic: depositors do not register, apply or pay; Scheme members fund the DPS Fund through contributions (III). Section 11 requires the Hong Kong Deposit Protection Board to establish and maintain the Scheme, and the HKMA describes it as administered by the Board (IV). The limit is HK\$800,000 per depositor per Scheme member from 1 October 2024 (s.27).

Source: Deposit Protection Scheme Ordinance (Cap. 581) ss.11, 27 and Sch. 1 s.1; HKMA 'Deposits' consumer page (hkma.gov.hk); Hong Kong Deposit Protection Board FAQs (dps.org.hk) (as at October 2026).

Ref P1-REG-055

QUESTION 3 · ANSWER B

Section 536(1) of Cap. 622 requires a director who is directly or indirectly interested in a proposed contract with the company that is significant to its business, where the interest is material, to declare the nature and extent of the interest to the other directors. For a proposed contract, s.537(2) requires the declaration before the company enters into it. Section 538 allows it at a board meeting, by written notice or by general notice. Disclosure goes to the board, not to members or the Registrar, and a 40% shareholding is an indirect interest even though he holds no office in Fresh Farm. Breach is an offence with a fine at level 6 (s.542).

Source: Companies Ordinance (Cap. 622) ss.536-538, 542 (as at October 2026).

Ref P1-LAW-060

QUESTION 4 · ANSWER A

Paragraph (a) of the definition of 'securities' in section 1 of Part 1 of Schedule 1 covers shares, stocks, debentures and similar instruments of any body. The definition then lists exclusions, and exclusion (i) removes shares or debentures of a company that is a private company within section 11 of the Companies Ordinance (Cap. 622). Mr Lau's shares fall within that exclusion. The wide wording of paragraph (a) is cut back by the exclusions, so 'without exception' is wrong. Who buys the shares does not change what they are. Listing is not a requirement: unlisted shares of a public company are still securities.

Source: SFO (Cap. 571) Sch. 1 Pt 1 s.1, definition of 'securities', para (a) and exclusion (i) (as at October 2026).

Ref P1-SFO-002

QUESTION 5 · ANSWER D

Section 5(1) of Cap. 571D counts a portfolio on the individual's own account, a portfolio on a joint account with an associate (a spouse or child, section 2) in full, and the individual's share of a joint account with anyone else. Under section 5(2) that share is the share in a written agreement or, if none, an equal share. Working: own account HK\$5.5m + joint with wife HK\$1.5m + half of HK\$2m with brother HK\$1.0m = HK\$8.0m. The test is 'not less than \$8 million', so HK\$8 million qualifies. Ignoring the brother's account, counting it in full, or ignoring joint accounts all misapply section 5.

Source: Securities and Futures (Professional Investor) Rules (Cap. 571D) ss.2, 5(1), 5(2) (as at October 2026).

Ref P1-SFO-011

QUESTION 6 · ANSWER C

Paragraph (h) of the definition covers 'any government (other than a municipal government authority), any institution which performs the functions of a central bank, or any multilateral agency'. Paragraph (d) covers any insurer authorised under the Insurance Ordinance (Cap. 41), and any insurer regulated outside Hong Kong. So a central bank-type institution, a multilateral agency and an authorised insurer are all professional investors under Schedule 1 itself. A municipal government authority is expressly carved out of paragraph (h) and is not listed anywhere else in paragraphs (a) to (i).

Source: SFO (Cap. 571) Sch. 1 Pt 1 s.1, definition of 'professional investor', paras (d) and (h) (as at October 2026).

Ref P1-SFO-013

QUESTION 7 · ANSWER B

Under the definitions in Schedule 5 to the SFO, as summarised in the SFC Licensing Handbook (July 2025) para 1.3.4, a Type 1 licensee need not also be licensed for Type 4 (or Types 6 and 9) where that activity is carried on wholly incidental to its securities dealing business. Advice given as a subordinate part of dealing, with no separate fee, fits that exemption. Saying every stock recommendation needs Type 4 ignores the incidental carve-out. Recommending stocks is advising, not asset management, so Type 9 is the wrong activity. The SFO draws no distinction between spoken and written advice for this purpose.

Source: SFO (Cap. 571) Sch. 5 Pt 2 (definition of advising on securities); SFC Licensing Handbook (July 2025) para 1.3.3-1.3.4 (as at October 2026).

Ref P1-LIC-001

QUESTION 8 · ANSWER D

Under SFO s.115, a person who actively markets to the public, whether in Hong Kong or from a place outside Hong Kong, services that would be a regulated activity if provided in Hong Kong must be licensed or registered (SFC Licensing Handbook (July 2025) para 1.2.1). Seminars in Hong Kong and targeted local advertising are active marketing of asset management. The fact that decisions are made in Toronto does not help, because s.115 catches marketing from outside. The offence is the marketing, not the signing of an account. There is no notification route for overseas-regulated firms; home regulation is relevant only to a temporary licence, which still has to be applied for.

Source: SFO (Cap. 571) s.114, s.115; SFC Licensing Handbook (July 2025) para 1.2.1 (as at October 2026).

Ref P1-LIC-009

QUESTION 9 · ANSWER C

Individuals who perform regulated functions for a registered institution are 'relevant individuals'. They are not licensed by the SFC, but their names and particulars must be entered in the register maintained by the HKMA under s.20 of the Banking Ordinance before they carry on regulated activities (SFC Licensing Handbook (July 2025) para 1.2.3 and 6.1.6). An SFC representative licence is for individuals acting for licensed corporations, not banks. Bank staff are not exempt; the registered institution regime covers them. Responsible officers belong to licensed corporations; the bank equivalent is an executive officer, and taking orders does not make her one.

Source: SFO (Cap. 571) s.119; Banking Ordinance (Cap. 155) s.20; SFC Licensing Handbook (July 2025) para 1.2.3, 6.1.6 (as at October 2026).

Ref P1-LIC-012

QUESTION 10 · ANSWER A

Paragraph 11.1(a) requires a firm to ensure client assets are accounted for properly and promptly and adequately safeguarded, which reflects GP8. Paragraph 11.1(b) adds that where a client's assets are received or held overseas, additional risk disclosures should be provided, because those assets may not enjoy the same protection as that conferred under the SFO, the Securities and Futures (Client Money) Rules and the Securities and Futures (Client Securities) Rules. The general client agreement is not enough on its own. The Code does not ban overseas custody, and it does not require SFC approval for each overseas custodian.

Source: SFC Code of Conduct (33rd edn, Jan 2026) GP8 and para 11.1 (as at October 2026).

Ref P1-CON-061

QUESTION 11 · ANSWER B

Paragraph 8.3A(a) requires a firm distributing an investment product to deliver transaction-related information, such as its capacity as principal or agent, its affiliation with the issuer, whether it is independent, and its monetary and non-monetary benefits, prior to or at the point of entering into the transaction. Paragraph 8.3A(c) covers this case: where written information is not possible before the transaction is concluded, the firm should make a verbal disclosure and provide the information in writing as soon as practicable after the transaction. Refusing the order is not required, a client waiver is not a recognised route, and the next monthly statement is not 'as soon as practicable'.

Source: SFC Code of Conduct (33rd edn, Jan 2026) para 8.3A(a)-(c) (as at October 2026).

Ref P1-CON-066

QUESTION 12 · ANSWER D

Paragraph 3.9(c) requires firms to prohibit staff from receiving client orders by mobile phone on the trading floor, in the trading room or at the usual place of business, under a written policy. Outside those places, the notes say mobile orders are strongly discouraged but, where accepted, staff should immediately call back to the firm's telephone recording system and record the time of receipt and order details. Other formats, such as handwriting, should be used only if the recording system cannot be accessed. The ban is not universal, a delayed handwritten note is the fallback, not the first step, and a trade confirmation is not a record of the instruction and its time of receipt.

Source: SFC Code of Conduct (33rd edn, Jan 2026) para 3.9(b)-(c) and notes (as at October 2026).

Ref P1-CON-074

QUESTION 13 · ANSWER B

The Appendix to the SFC's Management, Supervision and Internal Control Guidelines (April 2003, still current) lists suggested control techniques. Statement I is false: paragraph 6 suggests the register of direct and cross trades be reviewed regularly, at least monthly, by compliance staff or a senior dealing staff member. Statement II is true: paragraph 18 says free-of-payment CCASS settlement and delivery instructions should require prior authorisation and be regularly reviewed. Statement III is true: paragraph 14 says payment cheques to clients are crossed 'Account Payee Only' and made payable to the beneficial owner or an authorised representative. Statement IV is false: paragraph 19 says that under no circumstances are the firm's cheques signed unless the date, payee and amount are properly filled in; two signatures do not cure a blank cheque.

Source: SFC Management, Supervision and Internal Control Guidelines (April 2003), Appendix paras 6, 14, 18 and 19 (as at October 2026).

Ref P1-OPS-064

QUESTION 14 · ANSWER A

Paragraph 12 of the Appendix to the SFC's Internal Control Guidelines (April 2003) says all trade errors are reported to the person responsible for dealing and allocated to an 'error' or 'suspense' account for prompt correction or closure. Transactions in that account should be supported by clear documentation and reviewed by staff performing the compliance and internal audit functions, who investigate unusual patterns. Booking the trade to another client because it is profitable is an unauthorised allocation that breaches fair order handling. The original client gave a sell order and cannot be made to take a purchase he never instructed. Moving it to the dealer's staff account lets him profit from an error and bypasses the error account review.

Source: SFC Management, Supervision and Internal Control Guidelines (April 2003) Part VII and Appendix para 12 (as at October 2026).

Ref P1-OPS-070

QUESTION 15 · ANSWER A

Statement I is true: Schedule 1 item 4 to Cap. 571Y sets the Hang Seng Index limit at 15,000 net long or short position delta. Statement II is false: item 5 sets the Hang Seng China Enterprises Index limit at 25,000, not 20,000. Statement III is true: item 21 sets the Hang Seng TECH Index limit at 30,000. Statement IV is false: each of the three limits applies to all contract periods, including contract months and contract weeks, combined. All three figures were set by L.N. 69 of 2025, in force 2 July 2025, after the SFC's 2025 consultation on position limits.

Source: Securities and Futures (Contracts Limits and Reportable Positions) Rules (Cap. 571Y) Sch. 1 items 4, 5 and 21 (L.N. 69 of 2025, in force 2 July 2025) (as at October 2026).

Ref P1-EXC-048

QUESTION 16 · ANSWER D

Severe weather trading has applied since 23 September 2024. When Typhoon Signal No. 8 or above or a Black Rainstorm Warning is issued, or Extreme Conditions are announced, trading, clearing and settlement continue in the securities and derivatives markets on the normal calendar, including Stock Connect and the after-hours session, so statements I and IV are true. Statement II is true: HKEX's Stock Connect investor book says Northbound clearing, settlement and related CCASS services are the same as on a normal trading day. Statement III is false: HKEX encourages remote and online services, no public-facing physical outlet should provide services, and services offered only at physical outlets are unavailable.

Source: HKEX 'Severe Weather Arrangements' page and FAQ (hkex.com.hk, viewed October 2026); HKEX Stock Connect Information Book for Investors (version 6 July 2026) para 4.7; HKEX 'Trading Mechanism of CAS in the Securities Market' (version 10 April 2026) section 12 (as at October 2026).

Ref P1-EXC-061

QUESTION 17 · ANSWER B

Rule 18A.03 of the Main Board Listing Rules requires a Chapter 18A applicant to have an initial market capitalisation at listing of at least HK\$1.5 billion, at least two financial years in its current line of business under substantially the same management, and working capital covering at least 125% of the group's costs for at least 12 months from the listing document (after IPO proceeds). Pine Bio meets the trading record and working capital tests but fails on market value, so it cannot list under Chapter 18A. Three years is the Chapter 8 and Chapter 18C trading record, not the Chapter 18A one. The working capital test is 125% for 12 months, not 150% for 18 months.

Source: Main Board Listing Rules r.18A.03(2)-(4) (as at October 2026).

Ref P1-CAP-062

QUESTION 18 · ANSWER C

Statement I is false: Rule 18B.03 requires arrangements so that SPAC securities are not marketed to or traded by the public, a board lot and subscription size of at least HK\$1,000,000, and an initial offering with no public subscription tranche; only professional investors may subscribe or trade before the de-SPAC. Statement II is true: Rule 18B.08 sets gross funds raised of at least HK\$1 billion. Statement III is true: Rule 18B.07 sets an issue price of at least HK\$10 per SPAC share. Statement IV is true: Rule 18B.10(1) requires at least one SPAC Promoter to be a firm holding a Type 6 and/or Type 9 licence, at listing and throughout the SPAC's life, unless the Exchange grants a waiver.

Source: Main Board Listing Rules r.18B.03, r.18B.07, r.18B.08, r.18B.10 (regime in force from 1 January 2022) (as at October 2026).

Ref P1-CAP-068

QUESTION 19 · ANSWER C

Section 271(3) of the SFO (criminal equivalent s.292(3)) provides that a person is not regarded as engaging in insider dealing if he establishes that the purposes of the dealing did not include securing or increasing a profit, or avoiding or reducing a loss, by using inside information. Selling before good news to raise cash for surgery fits that defence, and the burden of establishing it is on Grace. The s.271(1) list (qualification shares, underwriting, liquidators) is not the only defence. Part XIII sets no rule that a director may never deal, and a chairman's approval is not a statutory condition; dealing during a results blackout raises separate Listing Rules Model Code issues.

Source: SFO (Cap. 571) s.270(1)(a), s.271(1), (3); criminal equivalent s.292(3) (as at October 2026).

Ref P1-MIS-062

QUESTION 20 · ANSWER A

Section 275(1)(a) of the SFO (criminal equivalent s.296(1)(a)) makes a sale or purchase involving no change in beneficial ownership price rigging if it has the effect of maintaining, increasing, reducing, stabilising or causing fluctuations in the price. No intention has to be proved for this limb; instead, s.275(4) lets the person escape by establishing that his purposes did not include creating a false or misleading appearance about the price. Trading through SEHK and paying stamp duty do not change the beneficial ownership test, and profit is not an element.

Source: SFO (Cap. 571) s.275(1)(a), (4); criminal equivalent s.296(1)(a), (4) (as at October 2026).

Ref P1-MIS-069

Next step: time yourself. Take the free Paper 1 mock exam, marked at the end with a worked explanation for every answer, at hksiprep.hk/free-mock.

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