

**MORGAN STANLEY ASIA PRODUCTS LIMITED**

**Interim Financial Report**

**Six months ended 30 June 2024**

# **MORGAN STANLEY ASIA PRODUCTS LIMITED**

## **INTERIM FINANCIAL REPORT**

**Six months ended 30 June 2024**

<b>CONTENTS</b>	<b>PAGE</b>
Interim management report	1
Directors' responsibility statement	8
Report on review of condensed financial statements	9
Condensed statement of comprehensive income	10
Condensed statement of changes in equity	11
Condensed statement of financial position	12
Condensed statement of cash flows	13
Notes to the condensed financial statements	14

# **MORGAN STANLEY ASIA PRODUCTS LIMITED**

## **INTERIM MANAGEMENT REPORT**

The Directors present their interim management report, responsibility statement and condensed financial statements (which comprise the condensed statement of comprehensive income, condensed statement of changes in equity, condensed statement of financial position, condensed statement of cash flows and related notes, 1 to 19) of Morgan Stanley Asia Products Limited (the “Company”) for the six months period ended 30 June 2024.

### **RESULTS AND DIVIDENDS**

The result for the period, after tax, was US\$Nil (30 June 2023: US\$Nil).

During the period, no dividends were paid or proposed (30 June 2023: US\$Nil).

### **PRINCIPAL ACTIVITY**

The principal activity of the Company is the issuance of financial instruments, with a primary focus on the Asia markets, and the hedging of the obligations arising pursuant to such issuances.

The Company’s ultimate parent undertaking and controlling entity is Morgan Stanley which, together with the Company and Morgan Stanley’s other subsidiary undertakings, form the “Morgan Stanley Group”.

There have not been any significant changes in the Company’s principal activity in the period under review and no significant change in the Company’s principal activity is expected.

### **BUSINESS REVIEW**

#### **Global market and economic conditions**

The global economy is facing headwinds from higher real interest rates in developed markets and an ongoing debt-deflation challenge in China. In the United States (“US”), growth and labour market indicators are softening to a still-healthy level, while inflation, after having risen in the first quarter 2024 is now back on the moderating path. In the euro area, the economy has bottomed, but fiscal consolidation and restrictive monetary policy are still key headwinds for growth. Overall, we expect global growth to reach 3.1% in 2024 (vs. 3.2% in 2023), below the pre-Covid 10-year trend of 3.7% year-on-year.

On policy, cooling inflation and a gradual slowdown in the labour market suggest that the Federal Reserve (“Fed”) could begin its rate cut cycle in Sep-24 in our best case. In Europe, continued cooling in inflation prints should mean the European Central Bank takes up another rate cut in September as well. In Asia, China’s debt-deflation challenge has persisted as deleveraging pressures in the property developers and local government balance sheets have continued to weigh on aggregate demand. Policy easing has remained reactive thus far, and the 0.5pp widening in augmented fiscal deficit to 12.9% of GDP and a continued focus on the supply-side would not decisively lift the economy out of deflation. While real year-on-year GDP growth will likely reach 4.8% in 2024 (vs. 5.2% in 2023), we expect year-on-year nominal GDP growth trends to remain relatively subdued at 4.4% in 2024.

In the region excluding China, domestic demand-oriented economies such as India and Indonesia have continued to grow at a robust pace. External demand recovery, particularly in tech exports, has also helped to lift regional ex-China Purchasing Managers’ Index to a 26-month high and is providing support to the more export-oriented economies in the region. On monetary policy, Central Banks in the region are unlikely to cut ahead of the Fed despite inflation largely returning to comfort zone, given low policy rate differentials vs. the US. In India, we now expect the Reserve Bank of India to stay on hold through our forecast horizon given robust growth and sticky inflation. On the fiscal front, we expect continued fiscal consolidation in the year 2025, with focus on capex spending. In Hong Kong, the Hong Kong Monetary Authority has been on hold in tandem with the Fed, while on the fiscal front the government has suggested that a return to budget surplus may take longer than originally estimated in the year 2026.

# **MORGAN STANLEY ASIA PRODUCTS LIMITED**

## **INTERIM MANAGEMENT REPORT (CONTINUED)**

### **BUSINESS REVIEW (CONTINUED)**

#### **Global market and economic conditions (Continued)**

##### **Overview of financial results**

The condensed statement of comprehensive income for the period is set out on page 10. The result for the period was US\$Nil which is consistent with the Company's function and the prior period. The Company hedges its issuances with bilateral over-the-counter ("OTC") derivative contracts classified as trading financial assets or liabilities. Net trading expense of US\$540,000 (30 June 2023: US\$667,000) represents the net fair value movement on listed and bilateral OTC derivative contracts classified as trading financial assets or liabilities. Issued listed derivative contracts on The Stock Exchange of Hong Kong Limited ("Stock Exchange") have underlying securities predominantly in the Hong Kong market.

The condensed statement of financial position for the Company is set out on page 12. The Company's financial position at the end of the period shows that the total assets and total liabilities were US\$22,250,000 (31 December 2023: US\$14,022,000) and US\$22,200,000 (31 December 2023: US\$13,972,000) respectively, an increase of 59% from the prior period. The increase during the period is primarily due to an increase in issuances/ trading of the listed derivative contracts.

##### **Risk management**

Risk is an inherent part of the Company's business activity. The Company seeks to identify, assess, monitor and manage each of the various types of risk involved in its business activities, in accordance with defined policies and procedures. The Company has developed its own risk management policy framework, which leverages the risk management policies and procedures of the Morgan Stanley Group. The risk management policy framework includes escalation to appropriate senior management of the Company.

Set out below is an overview of the Company's policies for the management of financial risk and other significant business risks. More detailed qualitative and quantitative disclosures about the Company's management and exposure to financial risks are included in note 14 to the condensed financial statements.

The Company has also entered into a financial support agreement with its immediate parent, Morgan Stanley Asia Securities Products LLC ("MSASP"), and with Morgan Stanley Hong Kong 1238 Limited ("MSHK 1238"), whereby MSASP and MSHK 1238 agree to provide financial support by way of funds injection in the form of equity capital or loan in the event the Company needs funds to fulfil its obligations and liabilities under its issuance program.

# MORGAN STANLEY ASIA PRODUCTS LIMITED

## INTERIM MANAGEMENT REPORT (CONTINUED)

### BUSINESS REVIEW (CONTINUED)

#### Risk management (Continued)

##### *Market risk*

Market risk refers to the risk that a change in the level of one or more market prices, rates, spreads, indices, implied volatilities, correlations or other market factors, such as market liquidity, will result in losses for a position or portfolio. The Company is subject to market price risk exposure for its issuances, however, for each issuance, the Company enters into risk-mirroring contracts to fully hedge each type of market risk arising from its issuances. Accordingly, the Company has no net exposure to market risk.

The Morgan Stanley Group manages the market risk associated with its trading activities on a global basis, at both a trading division and an individual product level and includes consideration of market risk at the legal entity level.

Market risk management policies and procedures for the Company are consistent with those of the Morgan Stanley Group and include escalation to appropriate senior management personnel.

It is the policy and objective of the Company, not to be exposed to market risk on a net basis as a result of its issuance activities.

##### *Credit risk*

Credit risk refers to the risk of loss arising when a borrower, counterparty or issuer does not meet its financial obligations to the Company.

Credit risk management policies and procedures for the Company are consistent with those of the Morgan Stanley Group and include escalation to appropriate senior management personnel.

Credit risk exposure is managed on a global basis and in consideration of each significant legal entity within the Morgan Stanley Group.

##### *Liquidity risk*

Liquidity risk refers to the risk that the Company will be unable to finance its operations due to a loss of access to capital markets or difficulty in liquidating its assets. Liquidity risk also encompasses the Company's ability (or perceived ability) to meet its financial obligations without experiencing significant business disruption or reputational damage that may threaten its viability as a going concern. Liquidity risk also encompasses the associated funding risks triggered by the market or idiosyncratic stress events that may cause unexpected changes in funding needs or an inability to raise new funding.

The primary goal of the Morgan Stanley Group's liquidity risk management framework is to ensure that the Morgan Stanley Group, including the Company, has access to sufficient liquidity assets across a wide range of market conditions and time horizons. The framework is designed to enable the Morgan Stanley Group to fulfil its financial obligations and support the execution of its business strategies. The framework is further described in note 14.

The Company hedges all of its financial liabilities arising from issuances of listed derivative contracts by entering into risk mirroring contracts with its immediate parent and other Morgan Stanley Group undertakings.

# MORGAN STANLEY ASIA PRODUCTS LIMITED

## INTERIM MANAGEMENT REPORT (CONTINUED)

### BUSINESS REVIEW (CONTINUED)

#### Risk management (Continued)

##### *Liquidity risk (Continued)*

The maturity analysis provided in note 14 reflects the liquidity risk arising from the financial assets and the financial liabilities presented in a way that is consistent with how the liquidity risk on these financial assets and financial liabilities is managed by the Company. As at 30 June 2024, the Company has a payable of US\$15,747,000 (31 December 2023: US\$11,379,000) within one year from the date of the financial statements. As a result of the Company's hedging strategy, the Company has adequate financial assets to meet the settlement of this obligation. As at 30 June 2024, the Company has financial assets of US\$22,171,000 (31 December 2023: US\$13,812,000) expected to be maturing within a year from the date of the financial statements.

##### *Operational risk*

Operational risk refers to the risk of loss, or of damage to the Company's reputation, resulting from inadequate or failed processes, people and systems, or from external events (e.g. fraud, theft, legal, regulatory and compliance risks, cyberattacks or damage to physical assets). Operational risk relates to the following risk event categories as defined by Basel Capital Standards: internal fraud; external fraud; employment practices and workplace safety; clients, products and business practices; business disruption and system failure; damage to physical assets; and execution, delivery and process management.

The Company, through the Morgan Stanley Group, has established an operational risk framework to identify, measure, monitor and control risk. It includes escalation to the Company's Board of Directors and appropriate senior management personnel. The framework is continually evolving to reflect changes in the Company and to respond to the changing regulatory and business environment.

The Company has implemented operational risk data and assessment systems to monitor and analyse internal and external operational risk events, to assess business environment and internal control factors and to perform scenario analysis. The collected data elements are incorporated in the operational risk capital model. The model encompasses both quantitative and qualitative elements. Internal loss data and scenario analysis results are direct inputs to the capital model, while external operational incidents, business environment and internal control factors are evaluated as part of the scenario analysis process.

In addition, the Company employs a variety of risk processes and mitigants to manage its operational risk exposures. These include a governance framework, a comprehensive risk management programme and insurance. Operational risks and associated risk exposures are assessed relative to the risk appetite established by the Board and are prioritised accordingly.

The breadth and variety of operational risk are such that the types of mitigating activities are wide-ranging. Examples of such activities include continuous enhancement of defences against cyber-attacks; use of legal agreements and contracts to transfer and/or limit operational risk exposures; due diligence; implementation of enhanced policies and procedures; exception management processing controls; and segregation of duties.

The Operational Risk Management Framework requires, among other things, the proper recording and verification of a large number of transactions and events as set out in the policies and procedures. The trading risk management strategies and techniques seek to balance our ability to profit from trading positions with our exposure to potential losses.

# MORGAN STANLEY ASIA PRODUCTS LIMITED

## INTERIM MANAGEMENT REPORT (CONTINUED)

### BUSINESS REVIEW (CONTINUED)

#### Risk management (Continued)

##### *Operational risk (Continued)*

Primary responsibility for the management of operational risk is with the business segments, the control groups and the business managers therein. The business managers maintain processes and controls designed to identify, assess, manage, mitigate and report operational risk. Each of the business segments has a designated operational risk coordinator. The operational risk coordinator regularly reviews operational risk issues and reports to the Company's senior management within each business. Each control group also has a designated operational risk coordinator and a forum for discussing operational risk matters with the Company's senior management. Oversight of operational risk is provided by the Operational Risk Oversight Committee, regional risk committees and senior management. In the event of a merger, joint venture, divestiture, reorganisation, or creation of a new legal entity, a new product or a business activity, operational risks are considered, and any necessary changes in processes or controls are implemented.

The Operational Risk Department provides independent oversight of operational risk and assesses, measures and monitors operational risk against appetite. The Operational Risk Department works with the business divisions and control groups to help ensure a transparent, consistent and comprehensive framework for managing operational risk within each area and across the Company.

The Operational Risk Department's scope includes oversight of technology risk, cybersecurity risk, information security risk, the fraud risk management and prevention program and third party risk management (supplier and affiliate risk oversight and assessment) program. Furthermore, the Operational Risk Department supports the collection and reporting of operational risk incidents and the execution of operational risk assessments; provides the infrastructure needed for risk measurement and risk management; and ensures ongoing validation and verification of the Company's advanced measurement approach for operational risk capital.

The Company's critical processes and businesses could be disrupted by events including cyberattacks, failure or loss of access to technology and/or associated data, military conflicts, acts of terror, natural disasters, severe weather events and infectious disease. The Company maintains a resilience program designed to provide for operational resilience and enable it to respond to and recover critical processes and supporting assets in the event of a disruption impacting the Company's people, technology, facilities and third parties. The key elements of the Company's resilience program include business continuity management, technology disaster recovery, third-party resilience and key business service resilience. Resilience testing is performed both internally and with critical third parties to validate recovery capability in accordance with business requirements. Business units within the Morgan Stanley Group maintain business continuity plans, including identifying processes and strategies to continue business critical processes during a business continuity incident. The business units also test the documented preparation to provide a reasonable expectation that, during a business continuity incident, the business unit will be able to continue its critical business processes and limit the impact of the incident to the Morgan Stanley Group and its clients. Technical recovery plans are maintained for critical technology assets and detail the steps to be implemented to recover from a disruption impacting the assets' primary location. Disaster recovery testing is performed to validate the recovery capability of these critical technology assets.

The Company's Cybersecurity and Information Security Framework, which includes policies, procedures and technologies, is designed to protect the Company's environment from operational risk failures due to actions of a malicious cyber actor. This includes protecting the Company's own data, client data and the Company's employees' data against unauthorised disclosure, modification or misuse and is designed to address regulatory requirements. This framework covers a broad range of areas, including identification of internal and external threats, access control, data security, protective controls, detection of malicious or unauthorised activity, incident response and recovery planning.

# MORGAN STANLEY ASIA PRODUCTS LIMITED

## INTERIM MANAGEMENT REPORT (CONTINUED)

### BUSINESS REVIEW (CONTINUED)

#### Risk management (Continued)

##### *Operational risk (Continued)*

In connection with its ongoing operations, the Company utilises third-party suppliers, and anticipates that such usage will continue and may increase in the future. These services include, for example, outsourced processing and support functions and consulting and other professional services. The Company's risk-based approach to managing exposure to these services includes the execution of due diligence, implementation of service-level and other contractual agreements, consideration of operational risk and ongoing monitoring of third-party suppliers' performance. The Company maintains a third-party risk program which is designed to align with its risk tolerance and meet regulatory requirements. The program includes governance, policies, procedures, and enabling technology. The third-party risk program includes the adoption of appropriate risk management controls and practices throughout the third-party management lifecycle to manage the risk of service failure, risk of data loss and reputational risk, among others.

##### *Legal, regulatory and compliance risk*

Legal, regulatory and compliance risk includes the risk of legal or regulatory sanctions; material financial loss, including fines, penalties, judgements, damages and/ or settlements; limitations on our business; or loss to reputation which the Company may suffer as a result of a failure to comply with laws, regulations, rules, related self-regulatory organisation standards and codes of conduct applicable to our business activities. This risk also includes contractual and commercial risk, such as the risk that a counterparty's performance obligations will be unenforceable. It also includes compliance with Anti-Money Laundering, terrorist financing and anti-corruption rules and regulations.

The Company, principally through the Morgan Stanley Group's Legal and Compliance Division, has established procedures based on legal and regulatory requirements on a worldwide basis that are designed to facilitate compliance with applicable statutory and regulatory requirements and to require that the Company's policies relating to business conduct, ethics and practices are followed globally.

In addition, the Company has established procedures to mitigate the risk that a counterparty's performance obligations will be unenforceable, including consideration of counterparty legal authority and capacity, adequacy of legal documentation, the permissibility of a transaction under applicable law and whether applicable bankruptcy or insolvency laws limit or alter contractual remedies. The heightened legal and regulatory focus on the financial services and banking industries globally presents a continuing business challenge for the Company.

##### *Culture, values and conduct of employees*

The Company's culture is built on the core values of the Morgan Stanley Group - *Put Clients First, Do the Right Thing, Lead with Exceptional Ideas, Commit to Diversity and Inclusion and Give Back*. Leadership, including from the Board, sets the tone for the Company, and the executive team drive a culture that is central to how the Company serves clients, advances and develops the workforce, and how the Company supports the communities around it. The Morgan Stanley Group is committed to reinforcing and confirming adherence to the core values through our governance framework, tone from the top, management oversight, risk management and controls, and a three lines of defence structure (business, Independent Risk Management functions such as Financial Risk Management and Non-Financial Risk Management, and Internal Audit).



# MORGAN STANLEY ASIA PRODUCTS LIMITED

## INTERIM MANAGEMENT REPORT (CONTINUED)

### BUSINESS REVIEW (CONTINUED)

#### Risk management (Continued)

##### *Culture, values and conduct of employees (Continued)*

The Morgan Stanley Group's Board is responsible for overseeing the Morgan Stanley Group's practices and procedures relating to culture, values and conduct. The Morgan Stanley Group's Senior management committees oversee the Morgan Stanley-wide culture, values and conduct program and report regularly to the Morgan Stanley Group Board. A fundamental building block of these programs is the Morgan Stanley Group's Code of Conduct (the "Code") which establishes standards for employee conduct that further reinforce the Morgan Stanley Group's commitment to integrity and ethical conduct. Every new hire and every employee annually is required to attest to their understanding of and adherence to the Code of Conduct.

The Company, as a wholly owned subsidiary of Morgan Stanley, is subject to Global Morgan Stanley Remuneration Policies and Procedures which determine the remuneration paid to Company employees. Morgan Stanley has a pay for performance philosophy and is committed to responsible compensation programs with the following key objectives, all of which support Morgan Stanley's culture and values and shareholders' interests: deliver pay for sustainable performance; align compensation with shareholders' interests; attract and retain top talent; and mitigate excessive risk-taking.

### DIRECTORS


The following Directors held office throughout the period and to the date of approval of this report (except where otherwise shown):

Adrian Priddis  
Jack Clein  
Richard Smerin  
Scott Honey  
Young Lee

### EVENTS AFTER THE REPORTING DATE

There have been no significant events since the reporting date.

Approved by the Board and signed on its behalf

  
\_\_\_\_\_  
Director: Young Lee

Date: 20 SEP 2024

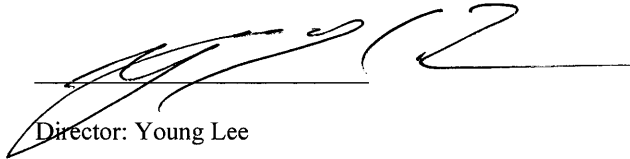
# MORGAN STANLEY ASIA PRODUCTS LIMITED

## DIRECTORS' RESPONSIBILITY STATEMENT

The Directors, the names of whom are set out above, confirm that to the best of their knowledge:

- a. the condensed financial statements, which have been prepared in accordance with International Accounting Standard ("IAS") 34 '*Interim Financial Reporting*' give a true and fair view of the assets, liabilities, financial position and result of the Company; and
- b. the interim management report includes a fair review of the important events that have occurred during the period and their impact on the condensed financial statements and provides a description of the principal risks and uncertainties for the remaining six months of the financial year.

Approved by the Board and signed on its behalf on



Director: Young Lee

Date: 20 SEP 2024

## REPORT ON REVIEW OF CONDENSED FINANCIAL STATEMENTS

### To the Board of Directors of Morgan Stanley Asia Products Limited

(incorporated in Cayman Islands with limited liability)

#### **Introduction**

We have reviewed the condensed financial statements of Morgan Stanley Asia Products Limited (the "Company") set out on pages 10 to 40, which comprise the condensed statement of financial position as of 30 June 2024 and the related condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in accordance with the Company's usual accounting policies and procedures, which is International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the IFRS Interpretations Committee. The directors of the Company are responsible for the preparation and presentation of these condensed financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the IASB. Our responsibility is to express a conclusion on these condensed financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

#### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the IASB. A review of these condensed financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed financial statements are not prepared, in all material respects, in accordance with IAS 34.



**Deloitte Touche Tohmatsu**  
Certified Public Accountants  
Hong Kong  
20 September 2024

## MORGAN STANLEY ASIA PRODUCTS LIMITED

### CONDENSED STATEMENT OF COMPREHENSIVE INCOME Six months ended 30 June 2024

	Notes	Six months ended 30 June 2024 US\$'000 (unaudited)	Six months ended 30 June 2023 US\$'000 (unaudited)
Net trading expense	2	(540)	(667)
Other revenue	3	2,728	2,971
Total non-interest revenues		<u>2,188</u>	<u>2,304</u>
Interest income	4	<u>489</u>	<u>584</u>
Net revenues		<u>2,677</u>	<u>2,888</u>
Non-interest expense:			
Other expense	5	(2,677)	(2,888)
<b>RESULT BEFORE INCOME TAX</b>		<u>—</u>	<u>—</u>
Income tax	6	<u>—</u>	<u>—</u>
<b>RESULT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<u><u>—</u></u>	<u><u>—</u></u>

All results were derived from continuing operations.

The notes on pages 14 to 40 form an integral part of the condensed financial statements.

## MORGAN STANLEY ASIA PRODUCTS LIMITED

### CONDENSED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2024

	Share capital US\$'000	Retained earnings US\$'000	Total equity US\$'000
<b>Balance at 1 January 2024</b>	50	—	50
Result and total comprehensive income for the period	—	—	—
<b>Balance at 30 June 2024 (unaudited)</b>	<u>50</u>	<u>—</u>	<u>50</u>
<b>Balance at 1 January 2023</b>	50	—	50
Result and total comprehensive income for the period	—	—	—
<b>Balance at 30 June 2023 (unaudited)</b>	<u>50</u>	<u>—</u>	<u>50</u>

The notes on pages 14 to 40 form an integral part of the condensed financial statements.

# MORGAN STANLEY ASIA PRODUCTS LIMITED

## CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

		30 June 2024	31 December 2023
		US\$'000	US\$'000
	Notes	(unaudited)	(audited)
<b>ASSETS</b>			
Cash		823	692
Trading financial assets	8	449	278
Trade and other receivables	9	20,978	13,052
<b>TOTAL ASSETS</b>		<b><u>22,250</u></b>	<b><u>14,022</u></b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Trading financial liabilities	8	22,152	13,325
Trade and other payables	10	48	647
<b>TOTAL LIABILITIES</b>		<b><u>22,200</u></b>	<b><u>13,972</u></b>
<b>EQUITY</b>			
Share capital	11	50	50
Retained earnings		—	—
<b>Equity attributable to owner of the Company</b>		<b><u>50</u></b>	<b><u>50</u></b>
<b>TOTAL EQUITY</b>		<b><u>50</u></b>	<b><u>50</u></b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b><u>22,250</u></b>	<b><u>14,022</u></b>

These condensed financial statements were approved by the Board and authorised for issue on

**20 SEP 2024**

Signed on behalf of the Board



Director: Young Lee

The notes on pages 14 to 40 form an integral part of the condensed financial statements.

## MORGAN STANLEY ASIA PRODUCTS LIMITED

### CONDENSED STATEMENT OF CASH FLOWS

Six months ended 30 June 2024

		30 June 2024	30 June 2023
		US\$'000	US\$'000
	Notes	(unaudited)	(unaudited)
<b>NET CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES</b>	12b	3,687	(8,875)
<b>INVESTING ACTIVITIES</b>			
Proceeds from loan repayment by other Morgan Stanley Group undertakings		—	9,147
Issuance of loan to other Morgan Stanley Group undertakings		(4,045)	—
Interest received		489	584
<b>NET CASH FLOWS (USED IN) / FROM INVESTING ACTIVITIES</b>		<u>(3,556)</u>	<u>9,731</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<u>131</u>	<u>856</u>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		<u>692</u>	<u>769</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	12a	<u><u>823</u></u>	<u><u>1,625</u></u>

The notes on pages 14 to 40 form an integral part of the condensed financial statements.

# MORGAN STANLEY ASIA PRODUCTS LIMITED

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Six months ended 30 June 2024

### 1. BASIS OF PREPARATION

#### Accounting policies

The Company prepares its annual financial statements in accordance with IFRSs issued by the IASB and Interpretations issued by the IFR Interpretations Committee ("IFRIC"). The condensed financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 '*Interim Financial Reporting*'.

In preparing these condensed financial statements, the Company has applied consistently the accounting policies and methods of computation used in the Company's annual financial statements for the year ended 31 December 2023.

#### New standards and interpretations adopted during the period

The following amendments to standards relevant to the Company's operations were adopted during the period. These amendments to standards did not have a material impact on the Company's financial statements.

Amendments to IAS 1 '*Presentation of Financial Statements*': Classification of Liabilities as Current or Non-current were issued by the IASB in January 2020 and revised in July 2020 and October 2022, for retrospective application in accounting periods beginning on or after 1 January 2024. Earlier application is permitted.

Amendments to IAS 1 '*Presentation of Financial Statements*': Non-current liabilities with Covenants were issued by the IASB in October 2022 for application in accounting periods beginning on or after 1 January 2024. Earlier application is permitted.

There were no other standards, amendments to standards or interpretations relevant to the Company's operations which were adopted during the period.

#### New standards and interpretations not yet adopted

At the date of authorisation of these financial statements, the following amendments to standards relevant to the Company's operations were issued by the IASB but not mandatory for accounting periods beginning 1 January 2024. The Company does not expect that the adoption of the following amendments to standards will have a material impact on the Company's financial statements.

The IASB issued a new standard – IFRS 18, '*Presentation and Disclosure in Financial Statements*', in April 2024, with effective date of Annual periods beginning on or after 1 January 2027.

Amendments to IFRS 9 '*Financial Instruments*' ("IFRS 9") and IFRS 7 '*Financial Instruments: Disclosures*' ("IFRS 7") was issued by the IASB in May 2024 for retrospective application in annual periods beginning on or after 1 January 2026. Earlier application is permitted.



# MORGAN STANLEY ASIA PRODUCTS LIMITED

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Six months ended 30 June 2024

### 1. BASIS OF PREPARATION (CONTINUED)

#### Basis of measurement

The condensed financial statements of the Company are prepared under the historical cost basis, except for certain financial instruments that have been measured at fair value as given in note 7.

#### Critical accounting judgements and key sources of estimation uncertainty

In preparing the condensed financial statements, the Company makes judgements and estimates that affect the application of accounting policies and reported amounts.

Critical accounting judgements are key decisions made by management in the application of the Company's accounting policies, other than those involving estimations, which have the most significant effects on the amounts recognised in the condensed financial statements.

Key sources of estimation uncertainty represent assumptions and estimations made by management that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year.

No critical accounting judgements have been made in the process of applying the Company's accounting policies that have had a significant effect on the amounts recognised in the condensed financial statements.

The key sources of estimation uncertainty are the valuation of certain financial instruments. For further details on the assumptions and estimation uncertainties in determining the fair value of certain assets and liabilities, see note 16.

The Company evaluates the critical accounting judgements and key sources of estimation uncertainty on an ongoing basis and believes that these are reasonable.

#### The going concern assumption

The Company's business activities, together with the factors likely to affect its future development, performance and position, are reflected in the interim management report on pages 1 to 7. In addition, the notes to the condensed financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

As set out in the interim management report retaining sufficient liquidity and capital to withstand market pressures remains central to the Morgan Stanley Group's and the Company's strategy.

Taking the above factors into consideration, the Directors believe that the Company will have access to adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the interim report and condensed financial statements.

# MORGAN STANLEY ASIA PRODUCTS LIMITED

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Six months ended 30 June 2024

### 2. NET TRADING EXPENSE

	30 June 2024	30 June 2023
	US\$'000	US\$'000
Net trading expense on bilateral OTC derivative contracts	(5,156)	(39,549)
Net trading income on issued listed derivative contracts	3,827	39,032
Net trading income / (expense) on other listed derivative contracts	789	(150)
	<u>(540)</u>	<u>(667)</u>

### 3. OTHER REVENUE

Other revenue predominantly represents management charges to the Company's direct parent undertaking for recovery of 'Other expense', see note 5 below.

### 4. INTEREST INCOME

All interest income relates to financial assets at amortised cost and is calculated using the effective interest rate method.

### 5. OTHER EXPENSE

	30 June 2024	30 June 2023
	US\$'000	US\$'000
Fees paid	<u>2,677</u>	<u>2,888</u>

The Company issues derivative contracts listed on the Stock Exchange. Fees paid in the above table represents amounts paid to the Stock Exchange and other Morgan Stanley Group undertakings for listing and issuance of derivatives on the Stock Exchange.

### 6. INCOME TAX

The Government of the Cayman Islands, has not, under existing legislation, imposed any income, corporate or capital gains tax, estate duty, inheritance tax, gift tax or withholding tax upon the Company.

Hong Kong Profits Tax is calculated at 16.5% (2023: 16.5%) of the estimated assessable profit arising in Hong Kong.

No provision for taxation has been made as the Company does not have any taxable income during the period ended 30 June 2024 and 30 June 2023.

The Company has no current tax exposure in relation to the OECD Pillar Two Model Rules because the Pillar Two legislation is not effective at the reporting date. The Company has applied the exception to deferred tax disclosure as provided in the amendments to IAS 12 'Income Taxes': International Tax Reform – Pillar Two Model Rules. Based on preliminary assessments of potential future exposure, the financial impact is expected to be immaterial.

# MORGAN STANLEY ASIA PRODUCTS LIMITED

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Six months ended 30 June 2024

### 7. FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORY

The following table analyses financial assets and financial liabilities presented in the Company's condensed statement of financial position by the IFRS 9 classifications as at 30 June 2024 and at 31 December 2023 .

<b>30 June 2024</b>	<b>FVPL (mandatorily) US\$'000</b>	<b>Amortised cost US\$'000</b>	<b>Total US\$'000</b>
Cash	—	823	823
Trading financial assets	449	—	449
Trade and other receivables	—	20,978	20,978
<b>Total financial assets</b>	<b>449</b>	<b>21,801</b>	<b>22,250</b>
Trading financial liabilities	22,152	—	22,152
Trade and other payables	—	48	48
<b>Total financial liabilities</b>	<b>22,152</b>	<b>48</b>	<b>22,200</b>
<b>31 December 2023</b>	<b>FVPL (mandatorily) US\$'000</b>	<b>Amortised cost US\$'000</b>	<b>Total US\$'000</b>
Cash	—	692	692
Trading financial assets	278	—	278
Trade and other receivables	—	13,052	13,052
<b>Total financial assets</b>	<b>278</b>	<b>13,744</b>	<b>14,022</b>
Trading financial liabilities	13,325	—	13,325
Trade and other payables	—	647	647
<b>Total financial liabilities</b>	<b>13,325</b>	<b>647</b>	<b>13,972</b>

# MORGAN STANLEY ASIA PRODUCTS LIMITED

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Six months ended 30 June 2024

### 8. TRADING FINANCIAL ASSETS AND LIABILITIES

Trading assets and trading liabilities are summarised as follows:

	30 June 2024		31 December 2023	
	Assets US\$'000	Liabilities US\$'000	Assets US\$'000	Liabilities US\$'000
Derivatives- Equity contracts				
Bilateral OTC derivative contracts	93	6,437	228	2,758
Issued listed derivative contracts	—	15,715	—	10,567
Other listed derivative contracts	356	—	50	—
	<u>449</u>	<u>22,152</u>	<u>278</u>	<u>13,325</u>

### 9. TRADE AND OTHER RECEIVABLES

	30 June 2024	31 December 2023
	US\$'000	US\$'000
<b>Trade and other receivables (amortised cost)</b>		
Trade receivables	7,000	2,790
Other receivables		
Amounts due from the Company's direct parent undertaking	13,978	10,262
	<u>20,978</u>	<u>13,052</u>

### 10. TRADE AND OTHER PAYABLES

	30 June 2024	31 December 2023
	US\$'000	US\$'000
<b>Trade and other payables (amortised cost)</b>		
Trade payables	2	537
Other payables		
Amounts due to other Morgan Stanley Group undertakings	43	44
Other amounts payables	3	66
	<u>48</u>	<u>647</u>

# MORGAN STANLEY ASIA PRODUCTS LIMITED

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Six months ended 30 June 2024

### 11. EQUITY

	Ordinary shares of US\$1 each	
	Number	
<b>Authorised</b>		
At 1 January 2023, 31 December 2023 and 30 June 2024		<u>50,000</u>
	Ordinary shares of US\$1 each	
	Number	US\$'000
<b>Issued and fully paid</b>		
At 1 January 2023, 31 December 2023 and 30 June 2024	<u>50,000</u>	<u>50</u>

The holder of ordinary shares is entitled to receive dividends as declared from time to time and are entitled, on a show of hands, to one vote and, on a poll, one vote per share at meetings of shareholders of the Company. All shares rank equally with regard to the Company's residual assets.

### 12. ADDITIONAL CASH FLOW INFORMATION

#### a. Cash and cash equivalents

For the purposes of the condensed statement of cash flows, cash and cash equivalents comprise cash, which have less than three months maturity from the date of acquisition.

# MORGAN STANLEY ASIA PRODUCTS LIMITED

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Six months ended 30 June 2024

### 12. ADDITIONAL CASH FLOW INFORMATION (CONTINUED)

#### b. Reconciliation of cash flows from/ (used in) operating activities

	30 June 2024	30 June 2023
	US\$'000	US\$'000
Result for the period	—	—
<i>Adjustments for:</i>		
Interest income	(489)	(584)
Operating cash flows before changes in operating assets and liabilities	<u>(489)</u>	<u>(584)</u>
Changes in operating assets		
(Increase) / decrease in trading financial assets	(171)	999
Increase in trade and other receivables	<u>(3,881)</u>	<u>(1,074)</u>
	<u>(4,052)</u>	<u>(75)</u>
Changes in operating liabilities		
Increase / (decrease) in trading financial liabilities	8,827	(7,285)
Decrease in trade and other payables	<u>(599)</u>	<u>(931)</u>
	<u>8,228</u>	<u>(8,216)</u>
<b>Net cash flows from / (used in) operating activities</b>	<u><u>3,687</u></u>	<u><u>(8,875)</u></u>

### 13. SEGMENT REPORTING

Segment information is presented in respect of the Company's business and geographical segments. The business and geographical segments are based on the Company's management and internal reporting structure. Transactions between business segments are on normal commercial terms and conditions.

#### *Business segment*

Morgan Stanley structures its business segments primarily based upon the nature of the financial products and services provided to customers and Morgan Stanley's internal management structure. The Company's own business segments are consistent with those of Morgan Stanley.

The Company has one reportable business segment, Institutional Securities which includes the issuance of derivative contracts and the hedging of the obligations arising pursuant to such issuance.

Of the Company's total revenue, 41% (30 June 2023: 8%) arises from transactions with other Morgan Stanley Group undertakings. Further details of such transactions are disclosed in the Related Party Disclosures note 19.

#### *Geographical segment*

The Company operates in one geographic region, Asia. The basis for attributing external revenue and total assets to one geographic region is determined by trading desk location.

# MORGAN STANLEY ASIA PRODUCTS LIMITED

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Six months ended 30 June 2024

### 14. FINANCIAL RISK MANAGEMENT

#### Risk management procedures

Risk is an inherent part of both the Morgan Stanley Group's and the Company's business activity and is managed by the Company within the context of the broader Morgan Stanley Group. The Morgan Stanley Group seeks to identify, assess, monitor and manage each of the various types of risk involved in its business activities in accordance with defined policies and procedures. The Company has developed its own risk management policy framework, which is consistent with and leverages the risk management policies and procedures of the Morgan Stanley Group and which include escalation to the Company's Board of Directors and to appropriate senior management personnel of the Company.

The principal activity of the Company continues to be the issuance of financial instruments under an Issuance Programme and the economic hedging of the obligations arising pursuant to such issuances. It is the policy and objective of the Company not to be exposed to market risk as a result of its issuance activities. On the issuance of each financial instrument, the Company enters into economic hedges of its obligations by purchasing financial instruments from another Morgan Stanley Group entity and from the market.

Significant risks faced by the Company resulting from its issuance activities and hedging strategies are set out below.

#### Credit risk

Credit risk refers to the risk of loss arising when a borrower, counterparty or issuer does not meet its financial obligations to the Company.

#### Credit risk management

Credit risk exposure is managed on a global basis and in consideration of each significant legal entity within the Morgan Stanley Group. The credit risk management policies and procedures establish the framework for identifying, measuring, monitoring and controlling credit risk whilst ensuring transparency of material credit risks, compliance with established limits and escalating risk concentrations to appropriate senior management.

The Company may incur credit risk in its derivatives business through a variety of activities, including, but not limited to, the following:

- entering into derivative contracts under which counterparties may have obligations to make payments to the Company;
- providing short or long-term funding to Morgan Stanley Group undertakings;

The Company hedges all of its financial liabilities by entering into bilateral OTC derivative contracts with other Morgan Stanley Group undertakings and other derivative contracts. Except for cash and other derivative contracts, the Company enters into all of its financial asset transactions with other Morgan Stanley Group undertakings, and both the Company and the other Morgan Stanley Group undertakings are wholly owned subsidiaries of the same ultimate parent entity, Morgan Stanley. As a result of the implicit support that would be provided by Morgan Stanley, the Company is considered exposed to the credit risk of Morgan Stanley, except where the Company transacts with other Morgan Stanley Group undertakings that have a higher credit rating to that of Morgan Stanley.

# MORGAN STANLEY ASIA PRODUCTS LIMITED

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Six months ended 30 June 2024

### 14. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Exposure to credit risk

The maximum exposure to credit risk (“gross credit exposure”) of the Company as at 30 June 2024 is disclosed below, based on the carrying amounts of the financial assets which the Company believes are subject to credit risk. The table includes financial instruments subject to Expected Credit Loss (“ECL”) and not subject to ECL. Those financial instruments that bear credit risk but are not subject to ECLs are subsequently measured at fair value. The table below does not include trade receivables arising from pending securities transactions with market counterparties as credit risk is considered to be insignificant. Where the Company enters into credit enhancements, including receiving cash and security as collateral and master netting agreements, to manage the credit exposure on these financial instruments the financial effect of the credit enhancements is also disclosed in note 15 ‘Financial Assets and Financial Liabilities Subject to Offsetting’.

The Company does not have any exposure arising from items not recognised on the balance sheet.

The Company does not hold financial assets considered to be credit-impaired.

#### Credit quality

##### Exposure to credit risk by internal rating grades

Internal credit ratings, as below, are derived using methodologies generally consistent with those used by external agencies:

Investment grade: AAA - BBB

Non-investment grade: BB - CCC

Default: D



# MORGAN STANLEY ASIA PRODUCTS LIMITED

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Six months ended 30 June 2024

### 14. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Credit quality (Continued)

#### Exposure to credit risk by internal rating grades (Continued)

The table below shows gross carrying amount by internal rating grade. All exposures subject to ECL are Stage 1, unless otherwise shown:

30 June 2024

	Gross credit exposure <sup>(1)(2)</sup> US\$'000	Counterparty	Rating	Credit Grade
<b>Subject to ECL<sup>(3)</sup>:</b>				
Cash	11	Standard Chartered Bank	A	Investment Grade
	71	Standard Chartered Bank (Hong Kong) Limited	BBB	Investment Grade
	51	ANZ Bank New Zealand Limited	A	Investment Grade
	79	HSBC Bank Australia Limited	A	Investment Grade
	548	HSBC Bank (Mauritius) Limited	BBB-	Investment Grade
	63	Sumitomo Mitsui Banking Corporation	A	Investment Grade
<b>Total Cash</b>	<b>823</b>			
Trade and other receivables	13,978	Morgan Stanley Asia Securities Products LLC	BBB	Investment Grade
	6,570	Morgan Stanley & Co. International plc	A	Investment Grade
<b>Total trade and other receivables<sup>(4)</sup></b>	<b>20,548</b>			
<b>Not subject to ECL<sup>(5)</sup>:</b>				
Trading financial assets	94	Morgan Stanley & Co. International plc	A	Investment Grade
	329	Korea Investment & Securities Asia Ltd.	NR	
	17	Guotai Junan Securities (Hong Kong) Limited	BB	Non-investment Grade
	7	UBS AG	A	Investment Grade
	2	B.V.	NR	
<b>Total trading financial assets</b>	<b>449</b>			

1. The carrying amount recognised in the condensed statement of financial position best represents the Company's maximum exposure to credit risk.
2. Of the gross credit exposure, intercompany cross product netting arrangements are in place which would allow for an additional US\$6,438,000 to be offset in the ordinary course of business and/ or in the event of default as given in note 15.
3. There is a minimal ECL of US\$1,000 on trade and other receivables.

# MORGAN STANLEY ASIA PRODUCTS LIMITED

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Six months ended 30 June 2024

### 14. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Credit quality (Continued)

#### Exposure to credit risk by internal rating grades (Continued)

4. Trade and other receivables include cash collateral pledged against the payable on OTC derivative positions. These derivative liabilities are included within trading financial liabilities in the statement of financial position. This table does not include receivables arising from pending securities transactions with market counterparties as credit risk is considered to be insignificant.
5. Financial assets measured at FVPL are not subject to ECL.

31 December 2023

	Gross credit exposure <sup>(1)(2)</sup> US\$'000	Counterparty	Rating	Credit Grade
<b>Subject to ECL<sup>(3)</sup>:</b>				
Cash	11	Standard Chartered Bank	A	Investment Grade
	48	Standard Chartered Bank (Hong Kong) Limited	BBB	Investment Grade
	51	ANZ Bank Limited	A	Investment Grade
	509	The Hong Kong and Shanghai Banking Corporation Limited	A	Investment Grade
	73	Sumitomo Mitsui Banking Corporation	A	Investment Grade
<b>Total Cash</b>	<b>692</b>			
Trade and other receivables	10,262	Morgan Stanley Asia Securities Products LLC	BBB	Investment Grade
	2,326	Morgan Stanley & Co. International plc	A	Investment Grade
<b>Total trade and other receivables<sup>(5)</sup></b>	<b>12,588</b>			
<b>Not subject to ECL<sup>(4)</sup>:</b>				
Trading financial assets	229	Morgan Stanley & Co. International plc	A	Investment Grade
	42	The Hong Kong and Shanghai Banking Corporation Limited	A	Investment Grade
	7	J.P. Morgan Structured Products B.V.	UR	
<b>Total Trading financial assets</b>	<b>278</b>			

# MORGAN STANLEY ASIA PRODUCTS LIMITED

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Six months ended 30 June 2024

### 14. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Credit quality (Continued)

##### Exposure to credit risk by internal rating grades (Continued)

1. The carrying amount recognised in the condensed statement of financial position best represents the Company's maximum exposure to credit risk.
2. Of the gross credit exposure, intercompany cross product netting arrangements are in place which would allow for an additional US\$3,018,000 to be offset in the ordinary course of business and/ or in the event of default as given in note 15.
3. There is a minimal ECL of US\$1,000 on trade and other receivables.
4. Financial assets measured at FVPL are not subject to ECL.
5. This table does not include receivables arising from pending securities transactions with market counterparties as credit risk is considered to be insignificant.

#### Liquidity risk

Liquidity risk refers to the risk that the Company will be unable to finance its operations due to a loss of access to the capital markets or difficulty in liquidating its assets. Liquidity risk encompasses the Company's ability (or perceived ability) to meet its financial obligations without experiencing significant business disruption or reputational damage that may threaten the Company's viability as a going concern. Liquidity risk also encompasses the associated funding risks triggered by the market or idiosyncratic stress events that may cause unexpected changes in funding needs or an inability to raise new funding. Generally, the Company incurs liquidity risk as a result of its trading, lending and investing activities.

The Company's liquidity risk management policies and procedures are consistent with those of the Morgan Stanley Group. The primary goal of Morgan Stanley Group's liquidity risk and funding management framework is to ensure that the Company has access to adequate funding across a wide range of market conditions and time horizons. The framework is designed to enable the Company to fulfil its financial obligations and support the execution of its business strategies.

The following principles guide the Morgan Stanley Group's liquidity risk management framework:

- Sufficient liquid assets should be maintained to cover maturing liabilities and other planned and contingent outflows;
- Maturity profile of assets and liabilities should be aligned, with limited reliance on short-term funding;
- Source, counterparty, currency, region, and term of funding should be diversified; and
- Liquidity Stress Tests should account for stressed liquidity requirements and the amount of liquidity held should be greater than those stressed requirements.

The Company hedges all of its financial liabilities by entering into OTC derivative contracts with other Morgan Stanley Group undertakings. In general, the maturity profile of the financial assets matches the maturity profile of the financial liabilities.

The core components of the Morgan Stanley Group's liquidity management framework, which includes consideration of the liquidity risk for each individual legal entity, are the Required Liquidity Framework, Liquidity Stress Tests and the Liquidity Resources (as defined below).

# MORGAN STANLEY ASIA PRODUCTS LIMITED

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Six months ended 30 June 2024

### 14. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Liquidity risk (Continued)

##### *Required Liquidity Framework*

The Required Liquidity Framework establishes the amount of liquidity the Morgan Stanley Group must hold in both normal and stressed environments to ensure that its financial condition and overall soundness is not adversely affected by an inability (or perceived inability) to meet its financial obligations in a timely manner. The Required Liquidity Framework considers the most constraining liquidity requirement to satisfy all regulatory and internal limits at a consolidated and legal entity level.

##### *Liquidity Stress Tests*

The Morgan Stanley Group uses Liquidity Stress Tests to model external and intercompany flows across multiple scenarios and a range of time horizons. These scenarios contain various combinations of idiosyncratic and market stress events of different severity and duration. The methodology, implementation, production and analysis of the Liquidity Stress Tests are important components of the Required Liquidity Framework.

The Liquidity Stress Tests are produced for Morgan Stanley and its major operating subsidiaries, as well as at major currency levels, to capture specific cash requirements and cash availability at various legal entities. The Liquidity Stress Tests assume that subsidiaries will use their own liquidity first to fund their obligations before drawing liquidity from Morgan Stanley. It is also assumed that Morgan Stanley will support its subsidiaries and will not have access to cash that may be held at certain subsidiaries. In addition to the assumptions underpinning the Liquidity Stress Tests, the Morgan Stanley Group takes into consideration the settlement risk related to intra-day settlement and clearing of securities and financial activities.

Since the Company hedges the risk of its financial liabilities with financial assets that match the maturity profile of the financial liabilities, the Company is not considered a major operating subsidiary for the purposes of liquidity risk. However, the Company would have access to the cash or liquidity reserves held by Morgan Stanley in the unlikely event that it was unable to access adequate financing to service its financial liabilities when they become payable.

The Required Liquidity Framework and Liquidity Stress Tests are evaluated on an ongoing basis and reported to the Firm Risk Committee, Asset/Liability Management Committee, and other appropriate risk committees.

##### *Liquidity Resources*

The Morgan Stanley Group maintains sufficient liquidity resources, which consist of unencumbered highly liquid securities and cash deposits with banks (including central banks) (“Liquidity Resources”) to cover daily funding needs and to meet strategic liquidity targets sized by the Required Liquidity Framework and Liquidity Stress Tests. The Company actively manages the amount of Liquidity Resources considering the following components: unsecured debt maturity profile; balance sheet size and composition; funding needs in a stressed environment inclusive of contingent cash outflows; and collateral requirements. The amount of Liquidity Resources within the Morgan Stanley Group is based on the Morgan Stanley Group’s risk tolerance and is subject to change depending on market and firm-specific events. Unencumbered highly liquid securities consist of netted trading assets, investment securities and securities received as collateral.

The Morgan Stanley Group’s Liquidity Resources, to which the Company has access, is held within Morgan Stanley and its major operating subsidiaries and is composed of diversified cash and cash equivalents and unencumbered highly liquid securities.

# MORGAN STANLEY ASIA PRODUCTS LIMITED

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Six months ended 30 June 2024

### 14. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Liquidity risk (Continued)

##### *Liquidity Resources (Continued)*

Eligible unencumbered highly liquid securities include US government securities, US agency securities, US agency mortgage-backed securities, non-US government securities and other highly liquid investment grade securities.

Liquidity Resources may fluctuate from period to period based on the overall size and composition of the balance sheet, the maturity profile of our unsecured debt and estimates of funding needs in a stressed environment, among other factors.

The ability to monetise assets during a liquidity crisis is critical. The Morgan Stanley Group believes that the assets held in its Liquidity Resources can be monetised within five business days in a stressed environment given the highly liquid and diversified nature of the resources.

##### *Funding management*

The Morgan Stanley Group manages its funding in a manner that reduces the risk of disruption to the Morgan Stanley Group's and the Company's operations. The Morgan Stanley Group pursues a strategy of diversification of secured and unsecured funding sources (by product, investor and region) and attempts to ensure that the tenor of the Morgan Stanley Group's, and the Company's, liabilities equals or exceeds the expected holding period of the assets being financed.

The Morgan Stanley Group funds its balance sheet on a global basis through diverse sources, which includes consideration of the funding risk of each legal entity. These sources include the Morgan Stanley Group's equity capital, long-term borrowing, securities sold under agreements to repurchase, securities lending, deposits, letters of credit and lines of credit. The Morgan Stanley Group has active financing programmes for both standard and structured products targeting global investors and currencies.

##### *Balance sheet management*

In managing both the Morgan Stanley Group's and the Company's funding risk the composition and size of the entire balance sheet, not just financial liabilities, is monitored and evaluated. The liquid nature of the marketable securities and short-term receivables arising principally from sales and trading activities in Institutional Securities business provides the Morgan Stanley Group and the Company with flexibility in managing the size of its balance sheet.

##### *Maturity analysis*

In the following maturity analysis, trading financial assets and liabilities are disclosed according to their earliest contractual maturity; all such amounts are presented at their fair value, consistent with how these financial assets and financial liabilities are managed. All other amounts represent undiscounted cash flows receivable and payable by the Company arising from its financial assets and financial liabilities to earliest contractual maturities as at 30 June 2024 and 31 December 2023. Receipts of financial assets and repayments of financial liabilities that are subject to immediate notice are treated as if notice were given immediately and are classified as on demand. This presentation is considered by the Company to appropriately reflect the liquidity risk arising from these financial assets and financial liabilities, presented in a way that is consistent with how the liquidity risk on these financial assets and financial liabilities is managed by the Company.

# MORGAN STANLEY ASIA PRODUCTS LIMITED

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Six months ended 30 June 2024

### 14. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Liquidity risk (Continued)

*Maturity analysis (Continued)*

30 June 2024	On demand US\$'000	Less than 1 month US\$'000	1 month - 3 months US\$'000	3 months - 1 year US\$'000	1 year - 5 years US\$'000	Total US\$'000
<b>Financial assets</b>						
Cash	823	—	—	—	—	823
Trading financial assets	—	—	351	19	79	449
Trade and other receivables <sup>(1)</sup>	7,173	—	—	—	13,805	20,978
<b>Total financial assets</b>	<b>7,996</b>	<b>—</b>	<b>351</b>	<b>19</b>	<b>13,884</b>	<b>22,250</b>
<b>Financial liabilities</b>						
Trading financial liabilities	—	2,102	4,670	8,927	6,453	22,152
Trade and other payables	48	—	—	—	—	48
<b>Total financial liabilities</b>	<b>48</b>	<b>2,102</b>	<b>4,670</b>	<b>8,927</b>	<b>6,453</b>	<b>22,200</b>

(1) Trade and other receivables include certain receivables due from the Company's direct parent undertaking which is dated on a rolling 395 day terms and includes a voluntary bilateral early settlement provision. Although these receivables are disclosed based on the required contractual maturity excluding the effect of voluntary bilateral early settlement provision, it is expected early repayment can be agreed with the Company's direct parent undertaking if required.

# MORGAN STANLEY ASIA PRODUCTS LIMITED

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Six months ended 30 June 2024

### 14. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Liquidity risk (Continued)

*Maturity analysis (Continued)*

31 December 2023	On demand	Less than 1 month	1 month - 3 months	3 months - 1 year	1 year - 5 years	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Financial assets</b>						
Cash	692	—	—	—	—	692
Trading financial assets	—	—	43	25	210	278
Trade and other receivables <sup>(1)</sup>	3,293	—	—	—	9,759	13,052
<b>Total financial assets</b>	<b>3,985</b>	<b>—</b>	<b>43</b>	<b>25</b>	<b>9,969</b>	<b>14,022</b>
<b>Financial liabilities</b>						
Trading financial liabilities	—	614	2,970	7,148	2,593	13,325
Trade and other payables	647	—	—	—	—	647
<b>Total financial liabilities</b>	<b>647</b>	<b>614</b>	<b>2,970</b>	<b>7,148</b>	<b>2,593</b>	<b>13,972</b>

(1) Trade and other receivables include certain receivables due from the Company's direct parent undertaking which is dated on a rolling 395 day terms and includes a voluntary bilateral early settlement provision. Although these receivables are disclosed based on the required contractual maturity excluding the effect of voluntary bilateral early settlement provision, it is expected early repayment can be agreed with the Company's direct parent undertaking if required.

#### Market risk

Market risk is identified by IFRS 7 *Financial instruments: Disclosures* ("IFRS 7") as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The issued listed derivative contracts expose the Company to the risk of changes in market prices of the underlying securities, interest rate risk and, where denominated in currencies other than US dollars, the risk of changes in rates of exchange between the US dollar and the other relevant currencies. The Company uses the risk mirroring contracts that it purchases from other Morgan Stanley Group undertakings to match the price risk, foreign currency and other market risks associated with the issuance of listed derivative contracts, consistent with the Company's risk management strategy. As such, the Company is not exposed to any net market risk on these financial instruments. Different components of market risks from the issued listed derivative contracts resulting into price movements in underlying securities, exchange rates and others will be offset by the same but opposite price movements in the risk-mirroring contracts. Due to Company's hedging strategy, the gain in the equity price sensitivity analysis as shown in table below will be hedged and offset by fair value movements into risk mirroring contracts.

Sound market risk management is an integral part of the Company's culture. The Company is responsible for ensuring that market risk exposures are well-managed and monitored. The Company also ensures transparency of material market risks, monitors compliance with established limits, and escalates risk concentrations to appropriate senior management.

# MORGAN STANLEY ASIA PRODUCTS LIMITED

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Six months ended 30 June 2024

### 14. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Market risk (Continued)

The market price risk exposure from the financial assets is mainly equity price risk and interest rate risk, although all such risks are offset by equal and offsetting exposure to risk on the issued securities. Equity price risk refers to the risk of changes in the equity price of the assets underlying these financial assets.

#### *Equity price sensitivity analysis*

The sensitivity analysis below is determined based on the exposure to equity price risk at 30 June 2024 and 31 December 2023 respectively.

The market risk related to such equity price risk is measured by estimating the potential reduction in total comprehensive income associated with a 10% decline in the underlying asset values as shown in the table below.

	Impact on Total Comprehensive Income	
	Gains/(losses)	
	30 June 2024	31 December 2023
	US\$'000	US\$'000
Bilateral OTC derivative contracts	(7,229)	(4,430)
Issued listed derivative contracts	7,229	4,430
	<u>—</u>	<u>—</u>

The Company's equity price risk is mainly concentrated on equity securities in Asia.

#### *Interest rate risk*

Interest rate risk is defined by IFRS 7 "Financial Instruments: Disclosures" as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is primarily exposed to interest rate risk under this definition as a result of changes in the future cash flows of floating rate intercompany borrowing and loans held at amortised cost.

The application of a parallel shift in market interest rates of 50 basis point increase or decrease, calculated until the next reset date, to these positions, would result in a net gain or loss of approximately US\$203 (31 December 2023: US\$145) in the condensed statement of comprehensive income.



# MORGAN STANLEY ASIA PRODUCTS LIMITED

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Six months ended 30 June 2024

### 15. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING

In order to manage credit exposure arising from its business activities, the Company applies various credit risk management policies and procedures, see note 14 for further details. Primarily in connection with the issuance and hedging activities, the Company enters into master netting arrangements and collateral arrangements with certain counterparties. These agreements provide the Company with the right, in the ordinary course of business and/ or in the event of a counterparty default (such as bankruptcy or a counterparty's failure to pay or perform), to net a counterparty's rights and obligations under such agreement and, in the event of counterparty default, set off collateral held by the Company against the net amount owed by the counterparty.

In the condensed statement of financial position, financial assets and financial liabilities are only offset and presented on a net basis where there is a current legally enforceable right to set off the recognised amounts and an intention to either settle on a net basis or to realise the assets and the liabilities simultaneously. In the absence of such conditions, financial assets and financial liabilities are presented on a gross basis.

The following tables present information about offsetting of financial instruments.

**Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements:**

	Gross amounts	Amounts offset in the condensed statement of financial position	Net amounts presented in the condensed statement of financial position
30 June 2024	US\$'000	US\$'000	US\$'000
<b>Assets</b>			
Trading financial assets	449	—	449
Trade and other receivables	29,654	(8,676)	20,978
<b>TOTAL</b>	<b>30,103</b>	<b>(8,676)</b>	<b>21,427</b>
<b>Liabilities</b>			
Trading financial liabilities	22,152	—	22,152
Trade and other payables	8,724	(8,676)	48
<b>TOTAL</b>	<b>30,876</b>	<b>(8,676)</b>	<b>22,200</b>

## MORGAN STANLEY ASIA PRODUCTS LIMITED

### NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Six months ended 30 June 2024

#### 15. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING (CONTINUED)

30 June 2024	Net amounts presented in the condensed statement of financial position US\$'000	Amounts not offset in the condensed statement of financial position <sup>(1)</sup>		Net exposure US\$'000
		Financial instruments US\$'000	Cash collateral <sup>(2)</sup> US\$'000	
<b>Assets</b>				
Morgan Stanley & Co. International plc	6,664	(94)	(6,343)	227
Morgan Stanley Asia Securities Products LLC	13,978	—	—	13,978
Morgan Stanley Hong Kong Securities Limited	428	(1)	—	427
Others	357	—	—	357
<b>TOTAL</b>	<b>21,427</b>	<b>(95)</b>	<b>(6,343)</b>	<b>14,989</b>
<b>Liabilities</b>				
Morgan Stanley & Co. International plc	6,437	(6,437)	—	—
Morgan Stanley Hong Kong Securities Limited	1	(1)	—	—
Morgan Stanley & Co. LLC	43	—	—	43
Others	15,719	—	—	15,719
<b>TOTAL</b>	<b>22,200</b>	<b>(6,438)</b>	<b>—</b>	<b>15,762</b>

1. These are amounts that would be offset in the ordinary course of business and/ or in the event of default according to the intercompany cross-product legally enforceable netting arrangements with the respective Morgan Stanley Group undertakings.
2. The cash collateral not offset is recognised in the condensed statement of financial position within Trade and other receivables.

# MORGAN STANLEY ASIA PRODUCTS LIMITED

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Six months ended 30 June 2024

### 15. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING (CONTINUED)

31 December 2023	Gross amounts	Amounts offset in the condensed statement of financial position	Net amounts presented in the condensed statement of financial position
	US\$'000	US\$'000	US\$'000
<b>Assets</b>			
Trading financial assets	278	—	278
Trade and other receivables	42,248	(29,196)	13,052
<b>TOTAL</b>	<b>42,526</b>	<b>(29,196)</b>	<b>13,330</b>
<b>Liabilities</b>			
Trading financial liabilities	13,325	—	13,325
Trade and other payables	29,843	(29,196)	647
<b>TOTAL</b>	<b>43,168</b>	<b>(29,196)</b>	<b>13,972</b>

## MORGAN STANLEY ASIA PRODUCTS LIMITED

### NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Six months ended 30 June 2024

#### 15. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING (CONTINUED)

31 December 2023	Net amounts presented in the condensed statement of financial position US\$'000	Amounts not offset in the condensed statement of financial position <sup>(1)</sup>		
		Financial instruments US\$'000	Cash collateral <sup>(2)</sup> US\$'000	Net exposure US\$'000
<b>Assets</b>				
Morgan Stanley & Co. International plc	2,554	(228)	(2,326)	—
Morgan Stanley Asia Securities Products LLC	10,262	—	—	10,262
Morgan Stanley Hong Kong Securities Limited	464	(464)	—	—
Others	50	—	—	50
<b>TOTAL</b>	<b>13,330</b>	<b>(692)</b>	<b>(2,326)</b>	<b>10,312</b>
<b>Liabilities</b>				
Morgan Stanley & Co. International plc	2,758	(2,554)	—	204
Morgan Stanley Hong Kong Securities Limited	537	(464)	—	73
Morgan Stanley & Co. LLC	44	—	—	44
Others	10,633	—	—	10,633
<b>TOTAL</b>	<b>13,972</b>	<b>(3,018)</b>	<b>—</b>	<b>10,954</b>

- These are amounts that would be offset in the ordinary course of business and /or in the event of default according to the intercompany cross-product legally enforceable netting arrangements with the respective Morgan Stanley Group undertakings.
- The cash collateral not offset is recognised in the condensed statement of financial position within Trade and other receivables.

# MORGAN STANLEY ASIA PRODUCTS LIMITED

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Six months ended 30 June 2024

### 16. ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

#### a. Financial assets and liabilities recognised at fair value on a recurring basis

The following tables present the carrying value of the Company's financial assets and financial liabilities recognised at fair value on a recurring basis, classified according to the fair value hierarchy.

	Quoted prices in active market (Level 1)	Valuation techniques using observable inputs (Level 2)	Valuation techniques with significant unobservable inputs (Level 3)	Total
	US\$'000	US\$'000	US\$'000	US\$'000
<b>30 June 2024</b>				
Trading financial assets: Derivatives- Equity contracts	—	449	—	449
Trading financial liabilities: Derivatives- Equity contracts	—	22,152	—	22,152
<b>31 December 2023</b>				
Trading financial assets: Derivatives- Equity contracts	—	278	—	278
Trading financial liabilities: Derivatives- Equity contracts	—	13,325	—	13,325

# MORGAN STANLEY ASIA PRODUCTS LIMITED

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Six months ended 30 June 2024

### 16. ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (CONTINUED)

#### a. Financial assets and liabilities recognised at fair value on a recurring basis (Continued)

The Company's valuation approach and fair value hierarchy categorisation for all classes of financial instruments recognised at fair value on a recurring basis is as follows:

Asset and Liability / Valuation Technique	Valuation Hierarchy Classification
<i>Derivatives</i>	
<b>Listed Derivative Contracts</b> <ul style="list-style-type: none"> <li>• Listed derivatives that are actively traded are valued based on quoted prices from the exchange.</li> <li>• Listed derivatives that are not actively traded are valued using the same techniques as those applied to derivative contracts.</li> </ul>	<ul style="list-style-type: none"> <li>• Level 1 - listed derivatives that are actively traded</li> <li>• Level 2 - listed derivatives that are not actively traded</li> </ul>
<b>OTC Derivative Contracts</b> <ul style="list-style-type: none"> <li>• OTC derivative contracts include swap and option contracts related to equity prices.</li> <li>• Depending on the product and the terms of the transaction, the fair value of OTC derivative products can be modelled using a series of techniques, including closed-form analytic formulas, such as the Black-Scholes option-pricing model, simulation models or a combination thereof. Many pricing models do not entail material subjectivity as the methodologies employed do not necessitate significant judgement, since model inputs may be observed from actively quoted markets, as is the case for equity option contracts. In the case of more established derivative products, the pricing models used by the Company are widely accepted by the financial services industry.</li> </ul>	<ul style="list-style-type: none"> <li>• Generally Level 2 - OTC derivative products valued using observable inputs, or where the unobservable inputs are not deemed significant.</li> <li>• Level 3 - OTC derivative products for which the unobservable inputs are deemed significant.</li> </ul>

#### b. Transfers between Level 1 and Level 2 of the fair value hierarchy for financial assets and liabilities recognised at fair value on a recurring basis.

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the current and prior period.

#### c. Changes in Level 3 financial assets and liabilities recognised at fair value on a recurring basis

There were no transfers between Level 2 and Level 3 of the fair value hierarchy during current and prior period.

#### d. Assets and liabilities measured at fair value on a non-recurring basis

Non-recurring fair value measurements of assets or liabilities are those which are required or permitted in the condensed statement of financial position in particular circumstances. There were no assets or liabilities measured at fair value on a non-recurring basis during the current or prior period.

# MORGAN STANLEY ASIA PRODUCTS LIMITED

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Six months ended 30 June 2024

### 17. ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE

For all financial instruments not measured at fair value, the carrying amount is considered to be a reasonable approximation of fair value.

### 18. CAPITAL MANAGEMENT

The Morgan Stanley Group manages its capital on a global basis with consideration for its legal entities. The capital managed by the Morgan Stanley Group broadly includes ordinary share capital, preference share capital, subordinated loans and reserves.

The Morgan Stanley Group manages its consolidated capital position based upon, among other things, business opportunities, risks, capital availability and rates of return together with internal capital policies, regulatory requirements and rating agency guidelines. In the future the Morgan Stanley Group may expand or contract its capital base to address the changing needs of its businesses.

The Morgan Stanley Group also aims to adequately capitalise at a legal entity level whilst safeguarding that entity's ability to continue as a going concern and ensuring that it meets all regulatory capital requirements, so that it can continue to provide returns for the Morgan Stanley Group.

In order to maintain or adjust the capital structure as described above, the Company may issue new shares or sell assets to reduce debt. The Company manages its ordinary share capital of US\$50,000 (31 December 2023: US\$50,000) as capital.

The issuance of securities is part of the Company's operating activities. The Company has contractual obligations to deliver cash or underlying financial instruments to holders of the issued securities. Also, these obligations will not be settled in the Company's own equity instruments. These liabilities are not subordinated and the security holders rank equally with other creditors of the Company. The issued securities are also not contracts that evidence any residual interest in the assets of the Company. The Company therefore does not regard the financial liabilities derived from its issuance activity as part of its capital.

The Company has also entered into financial support agreement with its immediate parent, MSASP and with MSHK 1238, whereby MSASP and MSHK 1238 agree to provide financial support by way of funds injection in the form of equity capital or shareholder's loan in the event the Company needs funding to fulfil its obligations and liabilities under its issuance program.

### 19. RELATED PARTY DISCLOSURES

#### Parent and subsidiary relationships

##### *Parent and ultimate controlling entity*

The Company's immediate parent undertaking is MSASP, which is registered in Cayman Islands.

The ultimate parent undertaking and controlling entity and the largest group of which the Company is a member and for which group financial statements are prepared is Morgan Stanley. Morgan Stanley is incorporated in the State of Delaware, the United States of America. Copies of its financial statements can be obtained from [www.morganstanley.com/investorrelations](http://www.morganstanley.com/investorrelations).

# MORGAN STANLEY ASIA PRODUCTS LIMITED

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Six months ended 30 June 2024

### 19. RELATED PARTY DISCLOSURES (CONTINUED)

#### Key management compensation

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company. Key management personnel include the Board of Directors of the Company.

Due to the nature of the Company's activities, key management personnel provide minimal services specific to the Company and as a result, no compensation is paid to key management personnel in respect of their services to the Company.

#### Transactions with related parties

The Morgan Stanley Group conducts business for clients globally through a combination of both functional and legal entity organisational structures. Accordingly, the Company is closely integrated with the operations of the Morgan Stanley Group and enters into transactions with other Morgan Stanley Group undertakings on an arm's length basis for the purposes of utilising financing, trading and risk management, and infrastructure services. The nature of these relationships along with information about the transactions and outstanding balances is given below. All the amounts outstanding as disclosed below are unsecured and will be settled in cash or via intercompany mechanism.

Audit fees has been borne by another Morgan Stanley Group undertaking in both the current and prior period.

#### *Funding*

The Company receives general funding from and provides general funding to other Morgan Stanley Group undertakings in the following forms:

#### *General Funding*

General funding is undated, unsecured, floating rate lending, other than certain funding which is dated on a rolling 395 day term. Funding may be received or provided for specific transaction related funding requirements, or for general operational purposes. The interest rates are established by the Morgan Stanley Group Treasury function for all entities within the Morgan Stanley Group and approximate the market rate of interest that the Morgan Stanley Group incurs in funding its business.



# MORGAN STANLEY ASIA PRODUCTS LIMITED

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Six months ended 30 June 2024

### 19. RELATED PARTY DISCLOSURES (CONTINUED)

#### Transactions with related parties (Continued)

##### *General Funding (Continued)*

Details of the outstanding balances on these funding arrangements and the related interest income recognised in the condensed statement of comprehensive income during the period are shown in the table below:

	30 June 2024		31 December 2023	
	Interest US\$'000	Balance US\$'000	Interest US\$'000	Balance US\$'000
<i>Rolling 395 day term</i>				
Amounts due from the Company's direct parent undertaking	420	13,805	890	9,759
<i>Undated</i>				
Amounts due from the Company's direct parent undertaking	—	173	—	503
Amounts due to other Morgan Stanley Group undertakings	—	43	—	44

During the period, the Company has recognised ECL expense of US\$Nil (2023: US\$Nil) on the above outstanding balance from related parties.

##### *Trading and risk management*

The Company issues listed derivative contracts and hedges the obligations arising from the issuance by entering into derivative contracts with other Morgan Stanley Group undertakings. All such transactions are entered into on an arm's length basis. These transactions may give rise to credit risk either for the Company, or to a related party towards the Company.

The total amounts receivable and payable on trading financial assets, trading financial liabilities, trade and other receivables and trade and other payables outstanding at the period-end were as follows:

	30 June 2024	31 December 2023
	US\$'000	US\$'000
Amounts due from other Morgan Stanley Group undertakings <sup>(1)</sup>	7,092	3,018
Amounts due to other Morgan Stanley Group undertakings	6,437	3,296

# MORGAN STANLEY ASIA PRODUCTS LIMITED

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Six months ended 30 June 2024

### 19. RELATED PARTY DISCLOSURES (CONTINUED)

#### Transactions with related parties (Continued)

##### *Trading and risk management (Continued)*

(1) Amounts due from other Morgan Stanley Group undertakings include cash collateral of US\$6,570,000 (31 December 2023: US\$2,326,000) pledged by the Company to Morgan Stanley & Co. International plc (“MSIP”) to mitigate risk on exposures arising under derivatives contracts between the Company and MSIP. The Company has received interest of US\$67,000 (31 December 2023: US\$169,000) on the cash collateral pledged to MSIP.

##### *Fees and commissions*

The Company incurs fee in respect of services performed by other Morgan Stanley Group undertaking. Fees incurred during the period are as follows:

	30 June 2024	30 June 2023
	US\$'000	US\$'000
Fees paid to other Morgan Stanley Group undertaking	<u>200</u>	<u>211</u>

##### *Other related party transactions*

The Morgan Stanley Group operates a number of intra-group policies to ensure that, where possible, revenues and related costs are matched. The Company receives management charges by recharging certain expenses, including fees paid to the Stock Exchange and to the Company’s direct parent undertaking. For the period ended 30 June 2024, a management charge of US\$2,728,000 (30 June 2023: US\$2,971,000) is recognised in the condensed statements of comprehensive income arising from such policies. An outstanding receivable relating to the management charge at reporting date is included within the general funding balances disclosed above.