

If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

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Base Listing Document relating to Warrants

to be issued by

Calyon Financial Products (Guernsey) Limited
(incorporated with limited liability in Guernsey, Channel Islands)

unconditionally and irrevocably guaranteed by

Calyon

(incorporated with limited liability in France)

Manager and Sponsor



This document includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and is published for the purpose of giving information with regard to us, Calyon (“**Guarantor**”) and our derivative warrants (“**Warrants**”) to be listed on the Stock Exchange from time to time. This document may be updated and/or amended from time to time by way of addenda.

Our obligations under the Warrants are guaranteed by the Guarantor under a guarantee executed by the Guarantor dated 5 June 2008 (“**Guarantee**”). We and the Guarantor accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries, that to the best of our knowledge and belief there are no other facts the omission of which would make any statement in this document misleading.

Investors are warned that the price of the Warrants may fall in value as rapidly as it may rise and holders may sustain a total loss of their investment. Prospective purchasers should therefore ensure that they understand the nature of the Warrants and carefully study the risk factors set out in this document and, where necessary, seek professional advice, before they invest in the Warrants.

The Warrants constitute our general unsecured contractual obligations and of no other person and will rank equally (save for those obligations preferred by law) with all our other general unsecured contractual obligations upon liquidation. The Guarantee constitutes the general unsecured contractual obligations of the Guarantor and of no other person and will rank equally (save for those obligations preferred by law) with all other general unsecured contractual obligations of the Guarantor upon liquidation. If you purchase the Warrants, you are relying upon our creditworthiness and the creditworthiness of the Guarantor and have no rights under the Warrants against (a) the company which has issued the underlying securities or (b) the index compiler of any underlying index.

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IMPORTANT INFORMATION

What documents should you read before investing in the Warrants?

A supplemental listing document will be issued on the issue date of each series of Warrants which will include detailed commercial terms of the relevant series.

You must read this document (including any addendum to this document) together with such supplemental listing document (including any addendum to such supplemental listing document to be issued from time to time) (together, the “**Listing Documents**”) before investing in any Warrant. You should carefully study the risk factors set out in the Listing Documents.

What are the credit ratings of the Guarantor?

Our obligations in relation to the Warrants will be unconditionally and irrevocably guaranteed by the Guarantor. The Guarantor’s long term debt ratings are:

<i>Rating agency</i>	<i>Rating as of the date of this document</i>
Moody’s	Aa1
Standard and Poor’s	AA-
Fitch Ratings	AA

Are we regulated by any bodies referred to in Rule 15A.13(2) or (3) of the Listing Rules?

We are not regulated by any of the bodies referred to in Rule 15A.13(2) or (3) of the Listing Rules. The Hong Kong Branch of the Guarantor is a licensed bank in Hong Kong regulated by the Hong Kong Monetary Authority. The Guarantor is also regulated by the French Commission Bancaire.

Are we subject to any litigation?

Save as disclosed in the paragraph headed “Material Litigation” under the section headed “Description of the Guarantor” in Appendix 3 of this document, we, the Guarantor and our subsidiaries are not aware of any litigation or claims of material importance pending or threatened against us or them.

Authorisation for the issue of the Warrants

The issue of the Warrants was authorised by our board of directors on 14 May 2008.

Have our financial position or the financial position of the Guarantor changed since last financial year-end?

Save as disclosed in Appendix 4 and Appendix 5 of this document, there has been no material adverse change in our financial or trading position or the financial or trading position of the Guarantor since 31 December 2007, being the date of the most recently published audited consolidated financial statements of the Guarantor that would have a material adverse effect on the Guarantor’s ability to perform its obligations in the context of the Guarantee in respect of the Warrants.

Do you need to pay any transaction cost?

The Stock Exchange charges a trading fee of 0.005 per cent. and the Securities and Futures Commission charges a transaction levy of 0.004 per cent. in respect of each transaction effected on the Stock Exchange payable by each of the seller and the buyer and calculated on the value of the consideration for the Warrants. The levy for the investor compensation fund is currently suspended.

Do you need to pay any tax?

Profits Tax

No Hong Kong profits tax is payable by withholding or otherwise in respect of any capital gains arising on the sale of the Warrants or the exercise of the Warrants, except that Hong Kong profits tax may arise where such transaction forms part of your trade, profession or business carried on in Hong Kong.

Stamp Duty

Hong Kong stamp duty is not chargeable upon the transfer or exercise of a cash settled Warrant.

However, Hong Kong stamp duty (the current rate is HK\$1 on each HK\$1,000 (or part thereof)) will be chargeable upon transfer of a physically settled Warrant if the register of such Warrant is kept in Hong Kong.

Upon the exercise of a physically settled Warrant, the transfer of the underlying Hong Kong Stocks will be chargeable to Hong Kong stamp duty since any person who effects a sale or purchase of the underlying Hong Kong Stocks, whether as principal or as agent and whether in Hong Kong or elsewhere, is required to execute a contract note evidencing such sale or purchase and to have that note stamped with Hong Kong stamp duty.

Under the Conditions, you are required to pay both buyer's and seller's stamp duty in respect of the transfer of the underlying Hong Kong Stocks following the exercise of physically settled Warrants.

Estate Duty

No estate duty will be payable in respect of the Warrants.

The comments above are of a general nature and are only a summary of the law and practice currently applicable under Hong Kong law. The comments relate to the position of persons who are the absolute beneficial owners of the Warrants and may not apply equally to all persons. You should consult your own tax advisers about your tax position on purchase, ownership, transfer or exercise of any Warrant.

Where can you inspect the relevant documents?

The following documents are available for inspection during usual business hours on any weekday (Saturdays, Sundays and holidays excepted) at the offices of Calyon, Hong Kong Branch at 26/F, 27/F, 29/F and 30/F, Two Pacific Place, 88 Queensway, Hong Kong:

- (a) our latest audited financial statements and any interim unaudited financial statements and the latest audited financial statements and any interim financial statements of the Guarantor;

- (b) the consent letters from our auditors, PricewaterhouseCoopers CI LLP and the Guarantor's auditors, Ernst & Young et Autres and PricewaterhouseCoopers Audit;

- (c) this document and any addendum to this document; and

- (d) the supplemental listing document as long as the relevant series of Warrants is listed on the Stock Exchange.

Request for photocopies of the above documents will be subject to a reasonable fee which reflects the costs of making such copies.

The Listing Documents are also available on the website of the Stock Exchange at www.hkex.com.hk/dwrc/search/listsearch.asp.

各上市文件亦可於聯交所網站 (www.hkex.com.hk/dwrc/search/listsearch_c.asp) 瀏覽。

How can you get further information about us and/or the Guarantor?

You may visit www.calyon.com to obtain further information about us and/or the Guarantor.

What is this document about?

This document is for information purposes only and does not constitute an offer, an advertisement or invitation to the public to subscribe for or to acquire the Warrants.

The Listing Documents are not the sole basis for making an investment decision

The Listing Documents do not take into account your investment objectives, financial situation or particular needs. Nothing in the Listing Documents should be construed as a recommendation by us or our affiliates to invest in the Warrants or the underlying asset of the Warrants.

The Stock Exchange and HKSCC have made no assessment of, nor taken any responsibility for, our financial soundness, the financial soundness of the Guarantor or the merits of investing in the Warrants, nor have they

verified the accuracy or the truthfulness of statements made or opinions expressed in this document.

We do not imply that there has been no change in the information set out in this document since its date. No person has been authorised to give any information or to make any representations other than those contained in this document in connection with the Warrants, and, if given or made, such information or representations must not be relied upon as having been authorised by us.

Sales restrictions and grey market

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

For a description of certain restrictions on offers, sales and deliveries of the Warrants and the distribution of any Listing Document, see the section headed "Sales Restrictions" of this document.

Following the launch of a series of Warrants, we may place all or part of that series with our related party. The Warrants may be sold to investors in the grey market in the period between the launch date and the listing date. We will report any dealings in the Warrants by any member of the Guarantor in the grey market to the Stock Exchange on the listing date through the website of the Stock Exchange at www.hkex.com.hk.

Have our auditors and the Guarantor's auditors consented to the inclusion of their reports in this document?

Our auditors and the Guarantor's auditors have given and have not withdrawn their written consent to the inclusion of their reports dated 21 March 2008 and 19 May 2008 in this document and/or the references to their names in the Listing Documents, in the form and context in which they are included. Their reports were not prepared exclusively for incorporation into this document.

Our auditors and the Guarantor's auditors have no shareholding in us, the Guarantor or any of their subsidiaries, nor do they have the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our securities or securities of the Guarantor or any of their subsidiaries.

Authorised representatives

Cédric Dubois and Robert Schroeder of Calyon, Hong Kong Branch are our authorised representatives.

Calyon, Hong Kong Branch of 26/F, 27/F, 29/F and 30/F, Two Pacific Place, 88 Queensway, Hong Kong has been authorised to accept, on our behalf and on behalf of the Guarantor, service of process and any other notices required to be served on us or the Guarantor.

Governing law of the Warrants

All contractual documentation for the Warrants will be governed by, and construed in accordance with, the laws of Hong Kong.

Capitalised terms

Unless otherwise specified, capitalised terms used in this document have the meanings set out in the terms and conditions set out in Appendix 1 applicable to the relevant Warrants ("**Conditions**").

OVERVIEW OF WARRANTS

What is a derivative warrant?

A derivative warrant linked to a security, an index, a basket of securities or other asset (each an “**Underlying Asset**”) is an instrument which gives the holder a right to “buy” or “sell” the Underlying Asset at, or derives its value by reference to, a pre-set price or level called the Exercise Price or Strike Level. It usually costs a fraction of the value of the Underlying Asset.

A derivative warrant may provide leveraged return to you (but conversely, it could also magnify your losses).

How and when can you get back your investment?

American Style Warrants can be exercised on or before the Expiry Date. European Style Warrants can only be exercised on the Expiry Date.

Our Warrants will, upon exercise on the Expiry Date or the Exercise Date (as the case may be), entitle you to:

- (a) in the case of cash settled Warrants, a cash amount called the “**Cash Settlement Amount**” (if positive); or
- (b) in the case of physically settled Warrants, purchase (in the case of a call Warrant) or sell (in the case of a put Warrant) a pre-fixed quantity of the Underlying Asset called the “**Entitlement**” at the Exercise Price,

each according to the applicable Conditions.

For cash settled Warrants, if the Cash Settlement Amount is zero or a negative amount, you will not receive any payment upon expiry or exercise of your Warrants.

For physically settled Warrants, if the value of the Entitlement drops below your investment amount, you will suffer a loss, or a substantial loss, of your investment.

How do our Warrants work?

Ordinary Warrants

The potential payoff or value of your entitlement upon expiry or exercise of an ordinary Warrant is calculated by us by reference to the difference between:

- (a) for a Warrant linked to a security, the Exercise Price and the Closing Price;
- (b) for a Warrant linked to an index, the Strike Level and the Closing Level; and
- (c) for a Warrant linked to a basket of securities, the Exercise Price and the sum of the arithmetic mean of the closing prices of each security in the basket on each Valuation Date multiplied by its corresponding weighting called the “**Basket Component**”.

Call Warrants

A call Warrant is suitable for an investor holding a bullish view of the price or level of the Underlying Asset during the term of the Warrant.

Put Warrants

A put Warrant is suitable for an investor holding a bearish view of the price or level of the Underlying Asset during the term of the Warrant.

Exotic Warrants

Exotic Warrants have different terms and risk profiles to ordinary Warrants. The supplemental listing document applicable to a series of exotic Warrants will specify the type of such Warrants.

Straddle Warrants

A straddle Warrant is an exotic Warrant with different terms and risk profiles to an ordinary Warrant. You should carefully review the relevant supplemental listing document together with the Conditions set out in Part M of Appendix 1 before deciding to invest in a “straddle” Warrant.

A straddle Warrant consists of the simultaneous purchase of a call Warrant and a put Warrant with the same Exercise Price and Expiry Date. The return of a straddle Warrant is calculated by reference to the difference between the Closing Price and the Exercise Price – whether the Closing Price is below or above the Exercise Price on the Valuation Date, you will receive a Cash Settlement Amount provided such difference exceeds the Exercise Expenses (if any).

Locked-in return Warrants

A locked-in return Warrant is an exotic Warrant with different terms and risk profiles to an ordinary Warrant. You should carefully review the relevant supplemental listing document together with the Conditions set out in Parts G and H of Appendix 1 before deciding to invest in a “locked-in return” Warrant.

Locked-in return Warrants will “lock-in” any positive return on the Warrants called the “**Periodic Cash Settlement Amount**” on each Periodic Fixing Date. On each Periodic Fixing Date during the term of a locked-in return Warrant, we will determine the Periodic Cash Settlement Amount applicable to that period. Your return at expiry under a locked-in return Warrant will be the aggregate sum of the Periodic Cash Settlement Amounts divided by the number of Periodic Fixing Dates.

The Periodic Cash Settlement Amount in respect of a Periodic Fixing Date is calculated by reference to the difference between the arithmetic mean of the closing prices of the Underlying Asset on each Valuation Date immediately prior to such Periodic Fixing Date and the Exercise Price. This calculation is similar to the calculation of the Cash Settlement Amount for an ordinary cash settled Warrant over single equities.

Average return Warrants

An average return Warrant is an exotic Warrant with different terms and risk profiles to an ordinary Warrant. You should carefully review the relevant supplemental listing document together with the Conditions set out in Parts E and F of Appendix 1 before deciding to invest in an “average return” Warrant.

On each Periodic Fixing Date during the term of an average return Warrant, the arithmetic mean of the closing prices of the Underlying Asset on each Valuation Date immediately prior to such Periodic Fixing Date (“**Periodic Reference Price**”) is recorded. A higher Periodic Reference Price on a Periodic Fixing Date may be offset by a lower Periodic Reference Price on another Periodic Fixing Date and vice versa. Your return under an average return Warrant is therefore dependent on the average of the Periodic Reference Prices on each Periodic Fixing Date.

Your return at expiry under an average return Warrant is calculated by reference to the difference between (i) the sum of the Periodic Reference Prices divided by the number of the Periodic Fixing Dates; and (ii) the Exercise Price.

Capped return Warrants

A call spread Warrant, a put spread Warrant, an index call spread Warrant and an index put spread Warrant (together, “**capped return Warrants**”) are exotic warrants with different terms and risk profiles to an ordinary warrant. You should carefully review the relevant supplemental listing document together with the relevant Conditions set out in Parts A, C, K and L of Appendix 1 before deciding to invest in “capped return” Warrants.

The description “capped return” means that the return on a capped return Warrant is subject to a certain upper limit. The calculation of the return of a capped return warrant is similar to that of an ordinary Warrant except that the Closing Price or the Closing Level is:

- (i) for a call capped return Warrant, capped at the Cap Price or the Cap Level; or
- (ii) for a put capped return Warrant, floored at the Floor Price or the Floor Level.

Other types of Warrants

The supplemental listing document applicable to other types of Warrants will specify the type of such Warrants and whether such Warrants are exotic Warrants.

Where can you find the Conditions applicable to our Warrants?

You should review the Conditions applicable to each type of the Warrants before your investment.

The Conditions applicable to each type of our Warrants are set out in Appendix 1.

What are the factors determining the price of a derivative warrant?

The price of a Warrant generally depends on the prevailing price or level of the Underlying Asset. However, throughout the term of a Warrant, its price will be influenced by a number of factors, including:

- (a) the Exercise Price, the Strike Level, the Cap Price/Cap Level or the Floor Price/Floor Level (as the case may be);
- (b) the volatility of the price or level of the Underlying Asset (being a measure of the fluctuation in the price or level of the Underlying Asset);
- (c) the time remaining to expiry: a warrant is generally more valuable the longer the remaining life of the warrants;
- (d) in the case of cash settled Warrants, the probable range of Cash Settlement Amounts (particularly, in the case of capped return Warrants, given that the Cash Settlement Amount is subject to an upper limit);
- (e) interest rates;
- (f) expected dividend payments or other distributions on the Underlying Asset or on any components comprising the underlying index;
- (g) the supply and demand for the Warrant;
- (h) the depth of the market or liquidity of the Underlying Assets;
- (i) any related transaction costs; and
- (j) our creditworthiness and the creditworthiness of the Guarantor.

What is your maximum loss?

Your maximum loss in our Warrants will be limited to your investment amount plus any transaction costs.

How can you get information about the Warrants after issue?

You may visit the Stock Exchange website at <http://www.hkex.com.hk/prod/dwrc/dw.htm> to obtain further information on derivative warrants or any notice given by us or the Stock Exchange in relation to our Warrants.

FORM OF GUARANTEE

Our obligations under the Warrants are guaranteed by the Guarantor under the Guarantee executed by the Guarantor by way of deed poll and dated as of 5 June 2008. The text of the Guarantee is set out below.

“THIS DEED OF GUARANTEE is made 5 June 2008 by Calyon, a limited liability corporation incorporated in France as a “Société Anonyme” governed by a Board of Directors, registered at the “Registre du Commerce et des Sociétés de Nanterre” under the reference SIREN 304 187 701 and having its registered office at 9, quai du Président Paul Doumer, 92920 Paris La Défense Cedex, France (the “**Guarantor**”) in favour of the registered holders for the time being of the Warrants (as defined below) (each a “**Holder**”).

WHEREAS:

- (A) The Guarantor has agreed to guarantee all payment and delivery obligations of Calyon Financial Products (Guernsey) Limited (the “**Issuer**”) under any derivative warrants to be issued from time to time by the Issuer and listed on The Stock Exchange of Hong Kong Limited on or after the date of this Deed of Guarantee (the “**Warrants**”) pursuant to the Base Listing Document for the Warrants to be issued in 2008.
- (B) Terms defined in the Terms and Conditions of the Warrants (the “**Conditions**”) and not otherwise defined in this Deed of Guarantee shall have the same meaning when used in this Deed of Guarantee.

NOW THIS DEED WITNESSES as follows:

- 1 **Guarantee:** Subject as provided below, the Guarantor unconditionally and irrevocably guarantees by way of deed poll to each Holder that, if for any reason the Issuer does not pay any sum payable by it or perform any delivery obligation in respect of any Warrant on the date specified for such payment, the Guarantor will within 14 (fourteen) Paris Business Days (as defined below) after receipt of written demand made in accordance with clause 10 below, in accordance with the Conditions, pay that sum in the currency in which such payment is due in immediately available funds or, as the case may be, perform or procure the performance of the delivery obligation PROVIDED THAT in the case of Warrants where the obligations of the Issuer which fall to be satisfied by the Guarantor constitute the delivery of the Entitlement to the holders of such Warrants the Guarantor will as soon as practicable following the Issuer’s failure to satisfy its obligations under such Warrants deliver or procure delivery of such Entitlement using the method of delivery specified in the Conditions provided that, if, by reason of material illiquidity in the Shares or any other reason which renders it impossible or impracticable for the Guarantor to deliver or procure the delivery of the Shares to an exercising Holder as required under the Conditions, the Guarantor shall, within 5 (five) Business Days, in the case of Call Warrants (physically settled), of the relevant date on which the Warrants are actually or deemed exercised notify the exercising Holders of such fact, which notice shall also contain a reasonable description of such material illiquidity, impossibility or impracticability. The Guarantor shall then, in lieu of delivery or procuring the delivery of the Shares, pay to the exercising Holder as soon as reasonably practicable a sum in Hong Kong dollars calculated by the Guarantor as equal to, in respect of every Exercise Amount, in the case of Warrants that are Call Warrants (physically settled), the arithmetic mean of the closing prices of one Share (subject to adjustment as provided in Condition 6) (as derived from the Daily Quotation Sheet of The Stock Exchange of Hong Kong Limited, subject to any adjustments as may be necessary to such closing prices to reflect any capitalisation, rights issue, distribution or the like) for the 5 (five) Business Days immediately preceding such Exercise Date or Expiry Date, as the case may be, (or, if not all of such quotations are available, on the latest five Business Days preceding such Exercise Date or Expiry Date, as the case may be, on which such Warrants

are actually or deemed exercised for which all of such quotations are available), multiplied by the number of Shares which the Guarantor would otherwise have been obliged to deliver or procure to be delivered to the exercising Warrantholder.

Any such payment or delivery in accordance with this Clause 1 shall constitute a complete discharge of the Guarantor's obligations in respect of such Warrants.

This Deed of Guarantee shall apply to all Warrants to be issued on or after the date of this Deed of Guarantee and all references herein to Warrants shall be construed accordingly. Derivative warrants issued by the Issuer prior to the date of this Deed of Guarantee shall continue to have the benefit of the previous deed of guarantee dated 11 June 2007 or, if applicable, any deed of guarantee preceding the previous Deed of Guarantee.

- 2 **Guarantor as Principal Obligor:** As between the Guarantor and the Holder of each Warrant but without affecting the Issuer's obligations, the Guarantor will be liable under this Deed of Guarantee as if it were the sole principal obligor and not merely a surety. Accordingly, it will not be discharged, nor will its liability be affected, by anything which would not discharge it or affect its liability, in law or in equity, if it were the sole principal obligor (including (1) any time, indulgence, waiver or consent at any time given to the Issuer or any other person, (2) any amendment to any of the Conditions or to any security or other guarantee or indemnity, (3) the making or absence of any demand on the Issuer or any other person for payment or performance of any other obligation in respect of any Warrant, (4) the enforcement or absence of enforcement of any Warrant or of any security or other guarantee or indemnity, (5) the release of any such security, guarantee or indemnity, (6) the liquidation, dissolution, amalgamation, reconstruction or reorganisation of the Issuer or any other person, (7) any consolidation, merger, conveyance or transfer by the Issuer or (8) the illegality, invalidity, irregularity or unenforceability of or any defect in any provision of the Conditions or any of the Issuer's obligations under any of them).
- 3 **Guarantor's Obligations Continuing:** The Guarantor's obligations under this Deed of Guarantee are and will remain in full force and effect by way of continuing security until no sum remains payable and no delivery obligation remains to be performed under any Warrant (in each case subject to its exercise). Furthermore, those obligations of the Guarantor are additional to, and not instead of, any security or other guarantee or indemnity at any time existing in favour of a relevant Holder, whether from the Guarantor or otherwise.
- 4 **Discharge by the Issuer:** If any payment received by, or delivery obligation discharged to or to the order of, the relevant Holder is, on the subsequent bankruptcy or insolvency of the Issuer, avoided under any laws relating to bankruptcy or insolvency, such payment or obligation will not be considered as having discharged or diminished the liability of the Guarantor and this Deed of Guarantee will continue to apply as if such payment or delivery obligation had at all times remained owing by the Issuer.
- 5 **Indemnity:** As a separate and alternative stipulation, the Guarantor unconditionally and irrevocably agrees that any sum or delivery obligation which, although expressed to be payable or deliverable under the Warrants, is for any reason (whether or not now existing and whether or not now known or becoming known to the Issuer, the Guarantor or a relevant Holder) not recoverable from the Guarantor on the basis of a guarantee will nevertheless be recoverable from it as if it were the sole principal obligor and will be paid or performed by it in favour of a relevant Holder on demand. This indemnity constitutes a separate and independent obligation from the other obligations in this Deed of Guarantee, gives rise to a separate and independent cause of action and will apply irrespective of any indulgence granted by any relevant Holder.

- 6 **Status of Guarantee:** The obligation of the Guarantor under this Deed of Guarantee constitutes a direct, unconditional, unsecured and general obligation of the Guarantor and ranks and will rank equally with all its other existing and future unsecured obligations including those in respect of deposits but excluding any debts for the time being preferred by law and any subordinated obligations.
- 7 **Incorporation of Terms:** The Guarantor agrees that it shall comply with and be bound by those provisions contained in the Conditions of the Warrants which relate to it.
- 8 **Power to execute:** The Guarantor hereby warrants, represents and covenants with each Holder that it has all corporate power, and has taken all necessary corporate or other steps, to enable it to execute, deliver and perform this Deed of Guarantee, and that this Deed of Guarantee constitutes a legal, valid and binding obligation to the Guarantor in accordance with its terms.
- 9 **Deposit of Guarantee:** This Deed of Guarantee shall be deposited with and held by Calyon, Hong Kong Branch as Registrar for the benefit of the Holders. If Calyon, Hong Kong Branch ceases to be the Registrar its successor shall hold this Deed of Guarantee for the benefit of the Holders.
- 10 **Demand on the Guarantor:** Any demand hereunder shall be given in writing addressed to the Guarantor served at its head office at 9, quai du President Paul Doumer, 92920 Paris La Defense Cedex, France, attention: Capital Markets Legal Department. A demand so made shall be deemed to have been duly made 5 (five) Paris Business Days (as used herein, **Paris Business Day** means a day (other than a Saturday or Sunday) on which banks are open for business in Paris) after the day it was served or if it was served on a day that was not a Paris Business Day or after 5.30 p.m. (Paris time) on any day, the demand shall be deemed to be duly made 5 (five) Paris Business Days after the Paris Business Day immediately following such day.
- 11 **Subrogation:** Until all amounts or delivery obligations which may be due or payable under the Warrants have been irrevocably paid in full, the Guarantor shall not by virtue of this Deed of Guarantee be subrogated to any rights of any Holder or claim in competition with the Holders against the Issuer.
- 12 **Governing Law:** This Deed of Guarantee shall be governed by and construed in accordance with the laws of the Hong Kong Special Administrative Region of the People's Republic of China ("**Hong Kong**").
- 13 **Jurisdiction:** The courts of Hong Kong are to have jurisdiction to settle any disputes which may arise out of or in connection with this Deed of Guarantee and accordingly any legal action or proceedings arising out of or in connection with this Deed of Guarantee ("**Proceedings**") may be brought in such courts. The Guarantor irrevocably submits to the jurisdiction of such courts and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is for the benefit of each of the Holders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).
- 14 **Service of Process:** The Guarantor agrees that service of process in Hong Kong may be made on it at its Hong Kong branch. Nothing in this Deed of Guarantee shall affect the right to serve process in any other manner permitted by law.

IN WITNESS whereof this Deed of Guarantee has been executed by the Guarantor as a deed poll and delivered on the day and year first above mentioned."

SALES RESTRICTIONS

United States of America

Each series of Warrants has not been, and will not be, registered under the Securities Act. Subject to certain exceptions, Warrants or interests therein, may not at any time be offered, sold, resold, transferred or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person or to others for offering, sale or resale in the United States or to any such U.S. person. Offers and sales of Warrants, or interests therein, in the United States or to U.S. persons would constitute a violation of United States securities laws unless made in compliance with the registration requirements of the Securities Act or pursuant to an exemption therefrom. No person will offer, sell, re-sell, transfer or deliver any Warrants within the United States or to U.S. persons, except as permitted by the base placing agreement between us and the Sponsor, acting as manager. As used herein, “**United States**” means the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction; and “**U.S. person**” means any national or resident of the United States, including any corporation, partnership or other entity created or organised in or under the laws of the United States or of any political subdivision thereof, any estate or trust the income of which is subject to United States income taxation regardless of its source, and any other U.S. person as such term is defined in Regulation S under the Securities Act. In addition, until 40 days after the commencement of the offering, an offer, sale, re-sale, transfer or delivery of Warrants within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”), no offer of Warrants which are the subject of the offering contemplated by this

document as completed by the relevant supplemental listing document in relation thereto to the public in that Relevant Member State has been, or will be, made except for, with effect from and including the Relevant Implementation Date, an offer of Warrants to the public in that Relevant Member State:

- (a) if the supplemental listing document in relation to the Warrants specifies that an offer of those Warrants may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a “**Non-exempt Offer**”), following the date of publication of a prospectus in relation to such Warrants which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that such prospectus has subsequently been completed by the supplemental listing documents contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or supplemental listing document, as applicable;
- (b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (c) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- (d) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining prior consent of the relevant dealer or dealers nominated by the Issuer for any such offer; or

(e) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive.

provided that no such offer of Warrants referred to in (b) to (e) above shall require us or any dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression relating to an “**offer of Warrants to the public**” in relation to any Warrants in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Warrants to be offered so as to enable you to decide to purchase or subscribe the Warrants, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “**Prospectus Directive**” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

United Kingdom

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (as amended) (“**FSMA**”)) in connection with the issue or sale of the Warrants has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in circumstances in which section 21(1) of the FSMA would not, if we were not an authorised person, apply to us. All applicable provisions of the FSMA with respect to any Warrants have been complied, and will be complied, with respect to anything done by it in relation to any Warrants in, from or otherwise involving the United Kingdom.

Republic of France

Each of us, the Guarantor and the Manager has represented and agreed, and each further Manager appointed under an issue will be required to represent and agree that, (i) it has not offered or sold or caused to be offered or sold and will not offer or sell or cause to be offered or sold, directly or indirectly, any Warrants to the public in the Republic of

France and (ii) offers and sales of Warrants in the Republic of France will only be made to qualified investors (investisseurs qualifiés) other than individuals, as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 of the French Code monétaire et financier.

This document has not been admitted to the clearance procedures of the Autorité des marchés financiers.

In addition, each of us, the Guarantor and the Managers has represented and agreed that, it has not distributed or caused to be distributed and will not distribute or cause to be distributed in the Republic of France, this document or any other offering material relating to Warrants other than to those investors (if any) to whom offers and sales of Warrants in the Republic of France may be made as described above in this section entitled “Republic of France”.

RISK FACTORS

Not all of the risk factors described below will be applicable to a particular series of the Warrants. Please consider all risks carefully prior to investing in any Warrants and consult your professional independent financial adviser and legal, accounting, tax and other advisers with respect to any investment in the Warrants. Please read the following section together with the risk factors set out in the relevant supplemental listing document.

General risks in relation to us and the Guarantor

Warrants are unsecured obligation

The Warrants constitute our general unsecured contractual obligations and the general unsecured contractual obligation of the Guarantor and of no other person and will rank equally (save for certain obligations required to be preferred by law) with all our other general unsecured contractual obligations and all other general unsecured contractual obligations of the Guarantor upon liquidation. In particular, you should note that we and the Guarantor issue a large number of financial instruments, including the Warrants, on a global basis. The number of such financial instruments outstanding at any time may be substantial.

We and the Guarantor have substantially no obligation to you other than to pay amounts and/or deliver securities in accordance with the terms thereof as set forth in this document and in the relevant supplemental listing document. Any profit or loss realised by you in respect of a Warrant upon exercise or otherwise due to changes in the value of such Warrant or the Underlying Assets, is solely for your account.

Creditworthiness

If you purchase the Warrants, you are relying upon our creditworthiness and the creditworthiness of the Guarantor and have no rights under the Warrants against:

- (a) any company which issues the underlying shares; or
- (b) any index compiler of any underlying index.

We and the Guarantor do not in any respect underwrite or guarantee the performance of any Warrant.

A reduction in the rating, if any, accorded to outstanding debt securities of the Guarantor by any one of its rating agencies could result in a reduction in the trading value of the Warrant.

No deposit liability or debt obligation

In the case of cash settled Warrants, we are obliged to deliver to you the Cash Settlement Amount under the relevant Conditions upon expiry or exercise, as the case may be. We do not intend (express, implicit or otherwise) to create a deposit liability or a debt obligation of any kind by the issue of any Warrant.

Conflicts of interest

Various potential and actual conflicts of interest may arise from the overall activities of us, the Guarantor and any of our or their respective subsidiaries and affiliates ("**Group**").

The Group is diversified financial institutions with relationships in countries around the world. The Group engages in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and investment and other activities for our own account or the account of others. In addition, the Group, in connection with our other business activities, may possess or acquire material information about the Underlying Assets. Such activities and information may involve or otherwise affect issuers of Underlying Assets in a manner that may cause consequences adverse to you or otherwise create conflicts of interests in connection with the issue of Warrants by us. Such actions and conflicts may include, without limitation, the exercise of voting power, the purchase and sale of securities, financial advisory relationships and exercise of creditor rights. The Group:

- (a) has no obligation to disclose such information about the Underlying Assets or activities. The Group and our officers and directors may engage in any such

activities without regard to the issue of Warrants by us or the effect that such activities may directly or indirectly have on any Warrant;

- (b) may effect transactions for our own account or for the account of our customers and hold long or short positions in the Underlying Assets or related derivatives in the ordinary course of our business, including but without limitation in connection with us or our appointed liquidity provider's market making activities;
- (c) may enter into one or more hedging transactions with respect to the Underlying Assets or related derivatives in connection with the offering of any Warrant; and
- (d) may enter into transactions in the Underlying Assets or related derivatives which may affect the market price, liquidity or value of the Warrants and which may affect your interests in connection with such hedging or market-making activities or with respect to proprietary or other trading activities by us.

Pending litigation

You should note that a certain number of liability actions are pending against the Guarantor as disclosed in the paragraph headed "Material Litigation" under the section headed "Description of the Guarantor" in Appendix 3 of this document.

General risks in relation to Warrants

You may lose all your investment in the Warrants

The prices of the Warrants may fall in value as rapidly as they may rise and you may sustain a significant or total loss of your investment. In order to recover and realise a return upon an investment in Warrants, you must generally be correct about the direction, timing and magnitude of an anticipated change in the level or value of any relevant Underlying Assets.

Before exercising or selling Warrants, you should carefully consider, among other things, the factors set out in "What are the factors determining the price of a derivative warrant?" in the section headed "Overview of Warrants" on page 8.

The value of the Warrants may be disproportionate or opposite to movement in price or level of the Underlying Assets

An investment in Warrants is not the same as owning the Underlying Assets or having a direct investment in the Underlying Assets. The market values of Warrants are linked to the relevant Underlying Asset(s) and will be influenced (positively or negatively) by it or them but any change may not be comparable and may be disproportionate. It is possible that while the price or level of the Underlying Assets is increasing, the value of the Warrant is falling.

If you intend to purchase the Warrants to hedge against the market risk associated with investing in, or otherwise having an exposure to, any Underlying Asset specified in the relevant supplemental listing document, you should recognise the risks of utilising the Warrants in this manner. There is no assurance that the value of the Warrants will correlate with movements of the relevant Underlying Asset. Furthermore, it may not be possible to purchase or liquidate the underlying shares at the prices used to calculate the level of the underlying indices. Therefore, it is possible that you could suffer substantial losses in the Warrants notwithstanding any losses suffered with respect to investments in or exposures to any Underlying Assets.

The Cash Settlement Amount (in the case of ordinary cash settled Warrants) or the difference in the value of the Entitlement and the Exercise Price (the "**Physical Settlement Value**") (in the case of physically settled Warrants) at any time prior to expiration is typically expected to be less than the trading price of such Warrants at that time.

Possible illiquidity of secondary market

It is not possible to predict if and to what extent a secondary market may develop in any Warrants and at what price such Warrants will trade in the secondary market and whether the

secondary market for any series of Warrants will be liquid or illiquid. We intend to apply to list each series of Warrants on the Stock Exchange. If a series of Warrants is listed on the Stock Exchange, there can be no assurance that any such listing can be maintained. In the event such listing cannot be so maintained, we will use our best efforts to list such Warrants on another exchange. The fact that the Warrants are listed does not necessarily lead to greater liquidity than if they were not listed.

We or our appointed liquidity provider may be the only market participants for the Warrants, therefore, the secondary market for the Warrants may be limited and/or without limitation, frustrated. We and our appointed liquidity provider may, at any time purchase the Warrants at any price in the open market or by tender or private agreement, subject to the requirements under the Listing Rules relating to the provision of liquidity, as described in the section headed "Liquidity Provider" in the relevant supplemental listing document. The more limited the secondary market is for any particular series of the Warrants, the more difficult it may be for you to realise value for such Warrants prior to the expiration date of the Warrants.

A lessening of the liquidity of the affected series of Warrants may cause, in turn, an increase in the volatility associated with the price of such Warrants.

Interest rates

Investments in the Warrants may involve interest rate risk with respect to the currency of denomination of the Underlying Assets and/or the Warrants. A variety of factors influence interest rates such as macro economic, governmental, speculative and market sentiment factors. Such fluctuations may have an impact on the value of the Warrants at any time prior to valuation of the Underlying Assets relating to the Warrants.

Time decay

The difference between the trading price and the Cash Settlement Amount or the Physical Settlement Value, as the case may be, will reflect, among other things, a "time value" for the Warrants. The "time value" of the Warrants

will depend partly upon the length of the period remaining to expiration and expectations concerning the price or level of the Underlying Assets as specified in the relevant supplemental listing document. Warrants offer hedging and investment diversification opportunities but also pose some additional risks with regard to interim value. The interim value of the Warrants varies with the Underlying Assets, as well as by a number of other interrelated factors, including those specified in this document.

Exchange rate risk

There may be an exchange rate risk where the Cash Settlement Amount is converted from a foreign currency into Hong Kong dollars. Exchange rates between currencies are determined by forces of supply and demand in the foreign exchange markets. These forces are, in turn, affected by factors such as international balances of payments and other economic and financial conditions, government intervention in currency markets and currency trading speculation.

Fluctuations in foreign exchange rates, foreign political and economic developments, and the imposition of exchange controls or other foreign governmental laws or restrictions applicable to such investments may affect the foreign currency market price and the exchange rate-adjusted equivalent price of the Warrants. Fluctuations in the exchange rate of any one currency may be offset by fluctuations in the exchange rate of other relevant currencies.

Taxes

You should consider the tax consequences of investing in the Warrants and consult your tax advisers about your own tax situation. In particular, you may be required to pay stamp duties, taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the issue price of each Warrant. Furthermore, we will not be required to pay any additional amount to you to reimburse you for any tax, assessment or charge required to be withheld or deducted from payments in respect of the Warrants by us as a result of the substitution of us pursuant to the Conditions. See "Do you need to pay any

tax?" in the section headed "Important Information" on pages 3 and 4 for further information.

Modification to the Conditions

Under the Conditions, we may without your consent, modify the terms and conditions applicable to the Warrants if such modification is:

- (a) not materially prejudicial to your interest;
- (b) of a formal, minor or technical nature;
- (c) to correct an obvious error; or
- (d) for compliance with any mandatory provisions under Hong Kong law.

Risks in relation to the Underlying Asset

You have no right to the Underlying Asset

Unless specifically indicated in the Conditions, you will not be entitled to:

- (a) voting rights or rights to receive dividends or other distributions or any other rights that a holder of the Underlying Asset would normally be entitled to; or
- (b) voting rights or rights to receive dividends or other distributions or any other rights with respect to any company constituting any underlying index.

Valuation risk

An investment in the Warrants involves valuation risks in relation to the Underlying Asset. The price or level of the Underlying Asset may vary over time and may increase or decrease by reference to various factors which may include corporate actions (where the Underlying Asset is a share or a basket of shares), changes in computation or composition (where the Underlying Asset is an index), macro economic factors and market trends.

You must be experienced with dealing in these types of Warrants and must understand the risks associated with dealing in such products. You should reach an investment decision only after careful consideration, with your advisers,

of the suitability of any Warrant in light of your particular financial circumstances, the information regarding the relevant Warrant and the particular Underlying Asset to which the value of the relevant Warrant relates.

Adjustment related risk

Certain (but not all) events relating to the Underlying Asset require or, as the case may be, permit us to make certain adjustments or amendments to the Conditions (including, but not limited to, adjusting the Exercise Price and the Entitlement). However, we are not required to make an adjustment for every corporate action (where the Underlying Asset is a share or a basket of shares), changes in computation or composition (where the Underlying Asset is an index), macro economic factor or market trend that affects the Underlying Asset. If an event occurs that does not require us to adjust the Entitlement or any other part of the Conditions, the market price of the Warrants and the return upon the exercise of the Warrants may be affected.

In the case of Warrants which relate to an index, a level for the index may be published by the index compiler at a time when one or more shares comprised in the index to which such Warrants relate are not trading. If this occurs on a Valuation Date which does not constitute a Market Disruption Event under the Conditions of the relevant Warrants then the closing level of the index is calculated by reference to the remaining shares in the index. In addition, certain events relating to the index (including a material change in the formula or the method of calculating the index or a failure to publish the index) permits us to determine the level of the index on the basis of the formula or method last in effect prior to such change or formula.

Suspension of trading

If, whilst any of the Warrants remain unexercised, trading or dealing in the Underlying Assets is suspended on the market on which they are listed or dealt in (including the Stock Exchange), or if the relevant index for whatever reason is not calculated, trading in the Warrants will be suspended for a similar period.

Delay in settlement

Unless otherwise specified in the relevant Conditions, in the case of any expiry of Warrants, there may be a time lag between the date on which the Warrants expire, and the time the applicable settlement amount relating to such event is determined. Any such delay between the time of expiry and the determination of the settlement amount will be specified in the relevant Conditions.

However, such delay could be significantly longer, particularly in the case of a delay in the exercise or expiry of such Warrants arising from a determination by us that a Market Disruption Event, Settlement Disruption Event or delisting of a company has occurred at any relevant time or that adjustments are required in accordance with the Conditions.

That applicable settlement amount may change significantly during any such period, and such movement or movements could decrease or modify the settlement amount of the Warrants.

You should note that in the event of there being a Settlement Disruption Event, electronic settlement of the shares through CCASS or payment of the Cash Settlement Amount may be delayed, as more fully described in the Conditions.

You should also note that there will be a time lag following the time the Warrants are exercised (or automatically exercised) before the applicable Cash Settlement Amount (in the case of cash settled Warrants) relating to such exercise is paid to you. Any such delay between the time of exercise and the payment of the Cash Settlement Amount will be specified in the relevant supplemental listing document or in the Conditions.

Risks relating to Warrants with exotic feature

Capped return Warrants

You should note that the return on capped return Warrants is capped at a certain upper limit. This is reflected in the calculation of the Cash Settlement Amount.

The trading price of the capped return Warrants may be less than the Cash Settlement Amount, depending on the spot price or level of the underlying share or index, typically (i) (in the case of call spread Warrants and index call spread Warrants) if the level or value of the underlying share or underlying index is trading close to or above the Cap Price or Cap Level, as the case may be, or (ii) (in the case of put spread Warrants and index put spread Warrants) if the level or value of the underlying share or underlying index is trading close to or below the Floor Price or Floor Level, as the case may be.

Straddle Warrants

Straddle Warrants have the combined features of ordinary call warrants and put warrants where the Cash Settlement Amount is calculated by reference to the difference between the Closing Price and the Exercise Price. You will be entitled to the Cash Settlement Amount on the Exercise Date or the Expiry Date if (i) the Closing Price is either above or below the Exercise Price and (ii) the difference between the Closing Price and the Exercise Price exceeds the Exercise Expenses (if any). If (i) the Closing Price is equal to the Exercise Price or (ii) the difference between the Closing Price and the Exercise Price does not exceed the Exercise Expenses (if any), the Cash Settlement Amount will be a negative figure (in which case it shall be deemed to be zero) or equal to zero and you will lose all your investment amounts.

You will benefit most from a very volatile and fluctuating market because the return on a straddle Warrant is calculated by the difference between the Closing Price and the Exercise Price – the greater the difference between the Closing Price and the Exercise Price, the higher the return on the straddle Warrants. On the other hand, if the trading price of the underlying shares remains flat throughout the term of the straddle Warrants, you are likely to lose all your investment amounts.

Locked-in return Warrants

In the case of the locked-in return Warrants, the Cash Settlement Amount at any time prior to expiration may be greater or less than the trading price of such Warrants at that time. There is no guaranteed return on the locked-in

return Warrants where the Periodic Cash Settlement Amount in respect of each Periodic Fixing Date is zero.

Average return Warrants

In the case of the average return Warrants, the Cash Settlement Amount at any time prior to expiration may be greater or less than the trading price of such Warrants at that time. If on the Expiry Date, in the case of average return call Warrants, the average of the Periodic Reference Prices is less than the Exercise Price, and in the case of average return put Warrants, the average of the Periodic Reference Prices is more than the Exercise Price, you will not receive any payment from us and will sustain a total loss of your investment.

Risk relating to the legal form of the Warrants

In respect of the Warrants that are issued in global registered form you should note that HKSCC Nominees Limited (or such other nominee company as may be used by HKSCC from time to time in relation to the provision of nominee services to persons admitted for the time being by HKSCC as a CCASS participant) will be the only legal owner of such Warrants as the Warrants will only be represented by a global certificate registered in the name of HKSCC Nominees Limited. The register for the Warrants will only record at all times that 100 per cent. of the Warrants are held by HKSCC Nominees Limited. You should be aware of the following risks:

- (a) you are not entitled to any definitive certificates representing your beneficial interests in the Warrants;
- (b) you may only refer to the records of CCASS and/or your brokers and the statements you receive to determine your beneficial interest in the Warrants;
- (c) any notices, announcements and/or information relating to meetings in respect of the Warrants will only be delivered to you through CCASS participants in accordance with the CCASS Rules; and

- (d) our obligations to you will be duly performed by paying amounts and/or delivering securities in accordance with the Conditions to HKSCC Nominees Limited as the registered holder of Warrants. The amounts and/or securities will be delivered to you through CCASS in accordance with the CCASS Rules.

Effect of the combination of risk factors unpredictable

Two or more risk factors may simultaneously have an effect on the value of a series of Warrants such that the effect of any individual risk factor may not be predicted. No assurance can be given as to the effect any combination of risk factors may have on the value of a series of Warrants.

APPENDIX 1 – TERMS AND CONDITIONS OF WARRANTS

The following pages set out the Conditions in respect of different types of Warrants.

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PART A – TERMS AND CONDITIONS OF THE CALL WARRANTS (CASH SETTLED)

The relevant Conditions will, together with the supplemental provisions contained in the relevant Supplemental Listing Document and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Supplemental Listing Document in relation to the issue of any series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with the relevant Conditions, replace or modify the relevant Conditions for the purpose of such series of Warrants. Capitalised terms used in the relevant Conditions and not otherwise defined therein shall have the meaning given to them in the relevant Supplemental Listing Document.

1. Form, Status, Transfer and Title

- (a) *Form.* The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 12) relating to the Shares of the Company are issued in registered form subject to and with the benefit of a global certificate by way of deed poll (the “**Global Certificate**”) dated the Issue Date made by Calyon Financial Products (Guernsey) Limited (the “**Issuer**”), a deed poll guarantee (the “**Guarantee**”) dated 5 June 2008 made by Calyon (the “**Guarantor**”) and a base registrar’s and warrant agency agreement dated 29 July 2004 made between, inter alia, the Issuer and the Guarantor and a letter agreement dated 17 September 2007 made between the Issuer and Calyon, Hong Kong Branch as registrar and warrant agent for the Warrants (the “**Registrar**” and “**Warrant Agent**” respectively, which expressions shall include any successors) (as amended, varied or supplemented from time to time or any successor document, the “**Registrar’s Agreement**”) as supplemented by a Confirmation (as defined in the Registrar’s Agreement) relating to the Warrants. Copies of the Global Certificate, the Guarantee and the Registrar’s Agreement are available for inspection at the specified office of the Registrar (the “**Transfer Office**”). The initial Transfer Office is set out below. The Warrantholders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Global Certificate and the Registrar’s Agreement.
- (b) *Status.* The Warrants represent general, unsecured, contractual obligations of the Issuer and of no other person and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations of the Issuer. The obligations of the Guarantor under the Guarantee represent general, unsecured, contractual obligations of the Guarantor and of no other person and rank *pari passu* (save for certain obligations required to be preferred by law) with all other unsecured obligations of the Guarantor.
- (c) *Transfer.* Transfers of beneficial interests in the Warrants may be effected only in Board Lots or integral multiples thereof in CCASS (as defined below) in accordance with the CCASS Rules (as defined below).
- (d) *Title.* Each person who is for the time being shown in the register kept by the Registrar as entitled to a particular number of Warrants shall be treated by the Issuer, the Guarantor and the Registrar as the absolute owner and holder of such number of Warrants. The expression “**Warrantholder**” shall be construed accordingly.

2. Warrant Rights and Exercise Expenses

- (a) *Warrant Rights*. Every Exercise Amount gives each Warrantholder, upon due exercise and compliance with Condition 4(A) or 4(B), as the case may be, the right to receive the payment of the Cash Settlement Amount (as defined below), if any.
- (b) *Exercise Expenses*. On exercise of the Warrants, Warrantholders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses (as defined below) in accordance with Condition 4(A) or 4(B), as the case may be.
- (c) *Definitions*. For the purposes of these Conditions:

“**Business Day**” means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong (as defined below) and banks are open for business in Hong Kong;

Where the Warrants are expressed to be Call Spread Warrants:

“**Cash Settlement Amount**” means, in respect of every Exercise Amount, an amount in Hong Kong dollars calculated by the Issuer as equal to either:

- (A) where the Closing Price is equal to or less than the Cap Price, (1) the Entitlement (subject to adjustment as provided in Condition 6) multiplied by (i) the Closing Price less (ii) the Exercise Price (subject to adjustment as provided in Condition 6); less (2) the Exercise Expenses; or
- (B) where the Closing Price is greater than the Cap Price, (1) the Entitlement (subject to adjustment as provided in Condition 6) multiplied by (i) the Cap Price less (ii) the Exercise Price (subject to adjustment as provided in Condition 6); less (2) the Exercise Expenses;

Where the Warrants are not expressed to be Call Spread Warrants:

“**Cash Settlement Amount**” means, in respect of every Exercise Amount, an amount in Hong Kong dollars calculated by the Issuer as equal to (1) the Entitlement (subject to adjustment as provided in Condition 6) multiplied by (i) the Closing Price less (ii) the Exercise Price (subject to adjustment as provided in Condition 6); less (2) the Exercise Expenses;

“**CCASS**” means the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited;

“**CCASS Rules**” means the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time;

“**Closing Price**” means,

- (A) with respect to the automatic exercise of Warrants on the Expiry Date in accordance with Condition 3(A)(b) or 3(B)(b), the arithmetic mean of the closing prices of the Shares (as derived from the Daily Quotation Sheet of the Stock Exchange) for each Valuation Date; or
- (B) with respect to the exercise of American Style Warrants on any Exercise Date prior to 10:00 a.m. (Hong Kong time) on the Expiry Date in accordance with Condition 3(A)(a), the closing price of the Shares (as derived from the Daily Quotation Sheet of the Stock Exchange) on the Valuation Date,

subject to any adjustments to such closing price(s) as may be necessary to reflect any capitalisation, rights issue, distribution or the like;

“Exercise Expenses” means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the Warrants;

“Expiry Date” means the Expiry Date specified in the relevant supplemental listing document or if the Expiry Date is not a Business Day the immediately preceding Business Day;

“Market Disruption Event” means (1) the occurrence or existence on any Valuation Date during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in (a) the Shares; or (b) any options or futures contracts relating to the Shares if, in any such case, that suspension or limitation is, in the determination of the Issuer, material; (2) the hoisting of the tropical cyclone warning signal number 8 or above or the hoisting of a “BLACK” rainstorm signal which either results in the Stock Exchange being closed for dealings for an entire day or results in the Stock Exchange being closed prior to its regular time for close of trading on any day PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening later than its regular time for open of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been hoisted; or (3) a limitation or closure of the Stock Exchange due to any unforeseen circumstances;

“Settlement Disruption Event” means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the relevant bank account designated by the relevant Warrantheolders (**“Designated Bank Account”**);

“Stock Exchange” means The Stock Exchange of Hong Kong Limited; and

“Valuation Date” means,

(A) with respect to the automatic exercise of Warrants on the Expiry Date in accordance with Condition 3(A)(b) or 3(B)(b), each of the five Business Days immediately preceding the Expiry Date, provided that if the Issuer determines, in its sole discretion, that on any Valuation Date a Market Disruption Event has occurred, then that Valuation Date shall be postponed until the first succeeding Business Day on which there was no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a day that already is or is deemed to be a Valuation Date. For the avoidance of doubt, in the event that a Valuation Date is postponed due to the occurrence of a Market Disruption Event, the closing price of the Shares for such postponed Valuation Date will be the closing price of the Shares on the first succeeding Business Day on which there was no Market Disruption Event. Accordingly, the closing price of a Valuation Date may be used more than once in calculating the Closing Price for the determination of the Cash Settlement Amount, so that in no event shall there be less than five closing prices to determine the Closing Price; or

(B) with respect to the exercise of American Style Warrants on any Exercise Date prior to 10:00 a.m. (Hong Kong time) on the Expiry Date in accordance with Condition 3(A)(a), the Exercise Date, provided that if the Issuer determines, in its sole discretion, that on such Exercise Date a Market Disruption Event has occurred, then the Valuation Date shall be postponed until the first succeeding Business Day on which there was no Market Disruption Event, provided that if there is a Market Disruption Event on each of the five Business Days immediately following such Exercise Date that, but for the Market Disruption Event, would have been the Valuation Date, then:

- (i) that fifth Business Day shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event, and
- (ii) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of such price that would have prevailed on that fifth Business Day but for the Market Disruption Event,

provided that if the postponement of a Valuation Date as aforesaid would result in a Valuation Date falling on or after the Expiry Date, then:

- (a) the Business Day immediately preceding the Expiry Date (the “**Last Valuation Date**”) shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and
- (b) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of such price that would have prevailed on the Last Valuation Date but for the Market Disruption Event.

3. Exercise of American Style Warrants and European Style Warrants, Automatic Exercise and Expiry

(A) American Style Warrants

The following provisions of this Condition 3(A) shall apply to Warrants which are expressed to be American Style.

- (a) *Exercise Period.* The Warrants may be exercised by delivery of an Exercise Notice (as defined below), in accordance with Condition 4(A) at any time during the period (the “**Exercise Period**”) beginning at 10:00 a.m. (Hong Kong time) on the Dealing Commencement Date (or, if later, the first day of dealings in the Warrants on the Stock Exchange) and ending at 10:00 a.m. (Hong Kong time) on the Expiry Date.
- (b) *Automatic Exercise.* Any Warrant with respect to which an Exercise Date (as defined below) has not occurred during the Exercise Period will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Warranholders). The Warranholders will not be required to deliver any Exercise Notice and the Issuer or its agent will pay to the Warranholders the Cash Settlement Amount (if any) in accordance with Condition 4(A)(f).
- (c) *Expiry.* Any Warrant with respect to which an Exercise Date (as defined below) has not occurred during the Exercise Period or which has not been automatically exercised in accordance with Condition 3(A)(b) shall expire immediately without value thereafter and all rights of the Warranholder and obligations of the Issuer with respect to such Warrant shall cease.

(B) *European Style Warrants*

The following provisions of this Condition 3(B) shall apply to Warrants which are expressed to be European Style.

- (a) *Exercise of Warrants.* The Warrants are exercisable only on the Expiry Date.
- (b) *Automatic Exercise.* Any Warrant will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Warrantheholders). The Warrantheholders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Warrantheholders the Cash Settlement Amount (if any) in accordance with Condition 4(B)(d).
- (c) *Expiry.* Any Warrant which has not been automatically exercised in accordance with Condition 3(B)(b) shall expire immediately without value thereafter and all rights of the Warrantheholder and obligations of the Issuer with respect to such Warrant shall cease.

4. *Exercise of Warrants*

(A) *American Style Warrants*

The following provisions of this Condition 4(A) shall apply to Warrants which are expressed to be American Style.

- (a) Warrants may only be exercised in a Board Lot or integral multiples thereof.
- (b) *Delivery of an Exercise Notice.*
 - (i) In order to exercise Warrants, the Warrantheholder shall deliver to the Transfer Office a duly completed exercise notice obtainable from the Registrar (an “**Exercise Notice**”), such delivery to be made at any time during the Exercise Period. Warrants may not be exercised at any other time.
 - (ii) The date upon which a Warrant is, or is to be treated as, exercised (an “**Exercise Date**”) shall be the Business Day on which an Exercise Notice is delivered to the Registrar and in respect of which there is a valid exercise of Warrants in accordance with the requirements of these Conditions, provided that any Exercise Notice received by the Registrar after 10:00 a.m. (Hong Kong time) on any Business Day shall be deemed to have been delivered on the next following Business Day.
- (c) *Exercise Notice.* The Exercise Notice shall:
 - (i) specify the name(s) of the Warrantheholder(s) and the number of Warrants being exercised;
 - (ii) be accompanied by the Global Certificate in the name(s) of the exercising Warrantheholder(s); and
 - (iii) specify the person in whose favour the cheque representing the Cash Settlement Amount should be drawn and the name and address of the bank, broker or other agent to whom the cheque should be sent or, as the case may be, specify the relevant account to which the Cash Settlement Amount should be credited.

- (d) *Consequences of delivery of an Exercise Notice.* Delivery of an Exercise Notice in accordance with Conditions 4(A)(b) and 4(A)(c) shall constitute an irrevocable election and undertaking by the Warrantholder specified in such Exercise Notice to exercise the number of Warrants specified in such Exercise Notice and an irrevocable authorisation to deduct the Exercise Expenses in accordance with the calculation set out in the definition of the Cash Settlement Amount.
- (e) *Cancellation.* The Issuer will procure that the Registrar will, with effect from the first Business Day following the Exercise Date or the Expiry Date, as the case may be, remove from its register the name of the person in respect of the Warrants which (i) are the subject of a valid exercise in accordance with these Conditions whether pursuant to an Exercise Notice or automatic exercise; or (ii) have expired worthless, and thereby cancel the relevant Warrants.
- (f) *Cash Settlement.* Subject to a valid exercise, or automatic exercise, of Warrants in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Warrantholder (or such other person as the Warrantholder may have directed, if applicable) equal to the Cash Settlement Amount.

The Cash Settlement Amount shall be despatched not later than three Business Days following:

- (i) with respect to the exercise of American Style Warrants on any Exercise Date prior to 10:00 a.m. (Hong Kong time) on the Expiry Date in accordance with Condition 3(A)(a), the Valuation Date; or
- (ii) with respect to the automatic exercise of American Style Warrants on the Expiry Date in accordance with Condition 3(A)(b), the Expiry Date,

(the “**Settlement Date**”) by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event.

(B) *European Style Warrants*

The following provisions of this Condition 4(B) shall apply to Warrants which are expressed to be European Style.

- (a) Warrants may only be exercised in a Board Lot or integral multiples thereof.
- (b) *No requirement to deliver an exercise notice.* The Warranholders will not be required to deliver an exercise notice for any purpose in relation to the Warrants.
- (c) *Cancellation.* The Issuer will procure that the Registrar will, with effect from the first Business Day following the Expiry Date, remove from its register the name of the person in respect of the Warrants which (i) are the subject of an exercise pursuant to automatic exercise in accordance with these Conditions; or (ii) have expired worthless, and thereby cancel the relevant Warrants.
- (d) *Cash Settlement.* Subject to automatic exercise of Warrants in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Warranholder equal to the Cash Settlement Amount.

The Cash Settlement Amount shall be despatched not later than three Business Days following the Expiry Date (the “**Settlement Date**”) by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warranholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warranholder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warranholder for any interest in respect of the amount due or any loss or damage that such Warranholder may suffer as a result of the existence of the Settlement Disruption Event.

5. Registrar

- (a) The initial Registrar and the Transfer Office, are set out below. The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Registrar and to appoint another Registrar provided that it will at all times maintain a Registrar which, so long as the Warrants are listed on the Stock Exchange, shall be in Hong Kong. Notice of any such termination or appointment and of any change in the Transfer Office or the specified office of the Registrar will be given to the Warranholders in accordance with Condition 10.
- (b) The Registrar will be acting as agent of the Issuer in respect of any Warrants and will not assume any obligation or duty to or any relationship of agency or trust for the Warranholders.

6. Adjustments

- (a) *Rights Issues*. If and whenever the Company shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a “**Rights Offer**”), the Entitlement will be adjusted to take effect on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = \frac{1 + M}{1 + (R/S) \times M} \times E$$

Where:

- E: Existing Entitlement immediately prior to the Rights Offer
- S: Cum-Rights Share price determined by the closing price on the Stock Exchange on the last Business Day on which Shares are traded on a cum-Rights basis
- R: Subscription price per Share as specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Right
- M: Number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. This adjustment shall take effect on the same day that the Entitlement is adjusted.

For the purposes of these Conditions:

“**Rights**” means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

- (b) *Bonus Issues*. If and whenever the Company shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the Company or otherwise in lieu of a cash dividend and without any payment or other consideration being made or given by such holders) (a “**Bonus Issue**”) the Entitlement will be increased on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = (1 + N) \times E$$

Where:

E: Existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Shares (whether a whole or a fraction) received by a holder of existing Shares for each Share held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. This adjustment shall take effect on the same day that the Entitlement is adjusted.

- (c) *Share Splits or Consolidations.* If and whenever the Company shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a “**Subdivision**”) or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a “**Consolidation**”), the Entitlement in effect immediately prior thereto will be increased (in the case of a Subdivision) or decreased (in the case of a Consolidation) accordingly (the adjusted Entitlement is called “**Adjusted Entitlement**”) in each case on the day on which the relevant Subdivision or Consolidation shall have taken effect. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. The adjustment to the Exercise Price shall take effect on the same day that the Entitlement is adjusted.
- (d) *Merger or Consolidation.* If it is announced that the Company is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of any corporation or controlled by any person or corporation) (except where the Company is the surviving corporation in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the Warrants may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “**Restructuring Event**”) (as determined by the Issuer in its absolute discretion).

The rights attaching to the Warrants after the adjustment shall, after such Restructuring Event, relate to the number of shares of the corporation(s) resulting from or surviving such Restructuring Event or other securities (“**Substituted Securities**”) and/or cash offered in substitution for the affected Shares, as the case may be, to which the holder of such number of Shares to which the Warrants related immediately before such Restructuring Event would have been entitled upon such Restructuring Event. Thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in Hong Kong dollars equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected.

For the avoidance of doubt, any remaining Shares shall not be affected by this paragraph (d) and, where cash is offered in substitution for Shares or is deemed to replace Substituted Securities as described above, references in these Conditions to the Shares shall include any such cash.

- (e) *Other Adjustments.* Except as provided in this Condition 6 and Condition 13, adjustments will not be made in any other circumstances, subject to the right reserved by the Issuer (such right to be exercised in the Issuer's sole and unfettered discretion and without any obligation whatsoever) to make such adjustments as it believes appropriate in circumstances where an event or events occur which it believes in its sole discretion and notwithstanding any prior adjustment made pursuant to the above should, in the context of the issue of the Warrants and the obligations of the Issuer, give rise to such adjustment provided that such adjustment is considered by the Issuer not to be materially prejudicial to the Warrantheolders generally (without considering the circumstances of any individual Warrantheolder or the tax or other consequences of such adjustment in any particular jurisdiction).
- (f) *Notice of Adjustments.* All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Warrantheolders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with Condition 10.

7. Purchases

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

8. Global Certificate

The Warrants are represented by the Global Certificate registered in the name of HKSCC Nominees Limited and deposited with CCASS in accordance with the CCASS Rules. Warrantheolders will not be entitled to definitive certificates in respect of any Warrants issued or transferred to them.

9. Meetings of Warrantheolders; Modification

- (a) *Meetings of Warrantheolders.* The Registrar's Agreement contains provisions for the convening of meetings of the Warrantheolders to consider any matter affecting their interest, including sanctioning by Extraordinary Resolution (as defined in the Registrar's Agreement) of a modification of the provisions of the Warrants or of the Global Certificate.

Any resolution to be passed in a meeting of the Warrantheolders shall be decided by poll. Such a meeting may be convened by the Issuer or by Warrantheolders holding not less than 10 per cent. of the Warrants for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Warrantheolders whatever the number of Warrants so held or represented.

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

An Extraordinary Resolution passed at any meeting of the Warrantheolders shall be binding on all the Warrantheolders, whether or not they are present at the meeting, save, in the case of Warrants which are expressed to be American Style, for those Warrants remaining unexercised but for which an Exercise Notice shall have been submitted prior to the date of the meeting.

In the case of Warrants which are expressed to be American Style, Warrants which have not been exercised but in respect of which an Exercise Notice has been submitted will not confer the right to attend or vote at, or join in convening, or be counted in quorum for, any meeting of the Warrantheholders.

Resolutions can be passed in writing without a meeting of the Warrantheholders being held if passed unanimously.

- (b) *Modification.* The Issuer may, without the consent of the Warrantheholders, effect (i) any modification of the provisions of the Warrants or the Global Certificate which is not materially prejudicial to the interests of the Warrantheholders or (ii) any modification of the provisions of the Warrants or the Global Certificate (A) which is of a formal, minor or technical nature, (B) which is made to correct an obvious error or (C) which is necessary in order to comply with mandatory provisions of the laws of Hong Kong. Any such modification shall be binding on the Warrantheholders and shall be notified to them by the Registrar before the effective date or as soon as practicable thereafter in accordance with Condition 10.

10. Notices

- (a) All documents required or permitted by these Conditions to be sent to a Warrantheholder or to which a Warrantheholder is entitled or which the Issuer shall have agreed to deliver to a Warrantheholder may be delivered by hand or sent by post addressed to the Warrantheholder (otherwise, in the case of Warrants which are expressed to be American Style, than in accordance with an Exercise Notice) to the Warrantheholder's address (or, in the case of joint Warrantheholders, to the address of the first-named Warrantheholder) appearing in the register kept by the Registrar, and airmail post shall be used if such address is not in Hong Kong. All documents delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of the relevant Warrantheholder.
- (b) All notices to Warrantheholders will be validly given if published in English and in Chinese on the website of Hong Kong Exchanges and Clearing Limited. Such notices shall be deemed to have been given on the date of the first such publication. If publication is not practicable, notice will be given in such other manner as the Issuer may determine. In addition, copies of the notices will be sent on the same date by mail to the holders of Warrants at their addresses appearing in the register of Warrantheholders kept by the Registrar.

11. Liquidation

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator, receiver or administrator or analogous person under Hong Kong law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised Warrants will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

12. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Warrantheholders, to create and issue further warrants so as to form a single series with the Warrants.

13. Delisting

- (a) If at any time the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments to the rights attaching to the Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Warrantheolders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Warrantheolder or the tax or other consequences that may result in any particular jurisdiction).
- (b) Without prejudice to the generality of Condition 13(a), where the Shares are, or, upon the delisting, become, listed on any other stock exchange, these Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Warrantheolders, make such adjustments to the entitlements of Warrantheolders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into Hong Kong currency) as may be appropriate in the circumstances.
- (c) The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Warrantheolders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Warrantheolders in accordance with Condition 10 as soon as practicable after they are determined.

14. Governing Law

The Warrants, the Guarantee, the Global Certificate and the Registrar's Agreement will be governed by and construed in accordance with the laws of the Hong Kong Special Administrative Region of the People's Republic of China ("**Hong Kong**"). The Issuer, the Guarantor and each Warrantheolder (by its purchase of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants, the Guarantee, the Global Certificate and the Registrar's Agreement to the non-exclusive jurisdiction of the courts of Hong Kong.

15. Language

In the event of any inconsistency between the Chinese translation of these Conditions and the English version of these Conditions, the English version of these Conditions shall prevail.

Registrar, Warrant Agent and Transfer Office

Calyon, Hong Kong Branch
26/F, 27/F, 29/F and 30/F
Two Pacific Place
88 Queensway
Hong Kong

PART B – TERMS AND CONDITIONS OF THE CALL WARRANTS (PHYSICALLY SETTLED)

The relevant Conditions will, together with the supplemental provisions contained in the relevant Supplemental Listing Document and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Supplemental Listing Document in relation to the issue of any series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with the relevant Conditions, replace or modify the relevant Conditions for the purpose of such series of Warrants. Capitalised terms used in the relevant Conditions and not otherwise defined therein shall have the meaning given to them in the relevant Supplemental Listing Document.

1. Form, Status, Transfer and Title

- (a) *Form.* The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 12) relating to the Shares of the Company are issued in registered form subject to and with the benefit of a global certificate by way of deed poll (the “**Global Certificate**”) dated the Issue Date made by Calyon Financial Products (Guernsey) Limited (the “**Issuer**”), a deed poll guarantee (the “**Guarantee**”) dated 5 June 2008 made by Calyon (the “**Guarantor**”) and a base registrar’s and warrant agency agreement dated 29 July 2004 made between, inter alia, the Issuer and the Guarantor and a letter agreement dated 17 September 2007 made between the Issuer and Calyon, Hong Kong Branch as registrar and warrant agent for the Warrants (the “**Registrar**” and “**Warrant Agent**” respectively, which expressions shall include any successors) (as amended, varied or supplemented from time to time or any successor document, the “**Registrar’s Agreement**”) as supplemented by a Confirmation (as defined in the Registrar’s Agreement) relating to the Warrants. Copies of the Global Certificate, the Guarantee and the Registrar’s Agreement are available for inspection at the specified office of the Registrar (the “**Transfer Office**”). The initial Transfer Office is set out below. The Warrantholders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Global Certificate and the Registrar’s Agreement.
- (b) *Status.* The Warrants represent general, unsecured, contractual obligations of the Issuer and of no other person and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations of the Issuer. The obligations of the Guarantor under the Guarantee represent general, unsecured, contractual obligations of the Guarantor and of no other person and rank *pari passu* (save for certain obligations required to be preferred by law) with all other unsecured obligations of the Guarantor.
- (c) *Transfer.* Transfers of beneficial interests in the Warrants may be effected only in Board Lots or integral multiples thereof in CCASS (as defined below) in accordance with the CCASS Rules (as defined below).
- (d) *Title.* Each person who is for the time being shown in the register kept by the Registrar as entitled to a particular number of Warrants shall be treated by the Issuer, the Guarantor and the Registrar as the absolute owner and holder of such number of Warrants. The expression “**Warrantholder**” shall be construed accordingly.

2. Warrant Rights, Exercise Price and Exercise Expenses

- (a) *Warrant Rights.* Every Exercise Amount initially entitles each Warrantholder, upon due exercise, payment of the Exercise Price and compliance with Condition 4, to delivery of the Entitlement, subject to adjustment as provided in Condition 6.

- (b) *Exercise Price.* The price to be paid for the Entitlement upon the exercise of every Exercise Amount shall be the Exercise Price, subject to adjustment as described in Condition 6, plus any sums payable in accordance with Condition 2(c).
- (c) *Exercise Expenses.* Warranholders will be required to pay all charges which they incur in respect of the purchase and transfer of Shares upon the exercise of the Warrants, including without limitation any stamp duty, levies and registration charges.

In addition, Warranholders will be required to pay a sum equal to all the expenses payable by the seller and transferor of the relevant Shares, including without limitation any stamp duty, agent's expenses, scrip fees, levies, registration charges and other expenses payable on or in respect of or in connection with the purchase of or agreement to purchase the Shares to which the relevant Warrants and/or the exercise of the Warrants relate (the above charges and expenses incurred by Warranholders and the above seller's and transferor's expenses are together referred to as the "**Exercise Expenses**").

An amount equivalent to the Exercise Expenses must be paid by the Warranholder together with the Exercise Price in accordance with Condition 4. In certain circumstances, part of the Exercise Expenses may be required to be paid by Warranholders after the exercise of the Warrants but prior to the delivery of the forms of transfer relating to the Shares to the registrar of the Company or delivery of the Shares electronically through CCASS (as defined below), as the case may be.

- (d) *Definitions.* For the purposes of these Conditions:

"**Business Day**" means a day (excluding Saturdays) on which the Stock Exchange is open for dealings in Hong Kong (as defined below) and banks are open for business in Hong Kong;

"**CCASS**" means the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited ("**HKSCC**");

"**CCASS Participant**" means a person admitted for the time being by HKSCC as a participant of CCASS;

"**CCASS Rules**" means the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time;

"**Expiry Date**" means the Expiry Date specified in the relevant supplemental listing document or if the Expiry Date is not a Business Day the immediately succeeding Business Day;

"**Nominee**" means HKSCC Nominees Limited, or such other person, firm or company for the time being appointed by HKSCC as a nominee;

"**Settlement Disruption Event**" means an event beyond the control of the Issuer as a result of which the Issuer is unable to deliver the Shares electronically through CCASS; and

"**Stock Exchange**" means The Stock Exchange of Hong Kong Limited.

3. Exercise of American Style Warrants and European Style Warrants and Expiry

(A) *American Style Warrants*

The following provisions of this Condition 3(A) shall apply to Warrants which are expressed to be American Style.

- (a) *Exercise Period.* The Warrants may be exercised by delivery of an Exercise Notice (as defined below), in accordance with Condition 4 at any time during the period (the “**Exercise Period**”) beginning at 10:00 a.m. (Hong Kong time) on the Dealing Commencement Date (or, if later, the first day of dealings in the Warrants on the Stock Exchange) and ending at 10:00 a.m. (Hong Kong time) on the Expiry Date.
- (b) *Expiry.* Any Warrant with respect to which an Exercise Date (as defined below) has not occurred during the Exercise Period shall expire immediately without value thereafter and all rights of the Warrantheader and obligations of the Issuer with respect to such Warrant shall cease.

(B) *European Style Warrants*

The following provisions of this Condition 3(B) shall apply to Warrants which are expressed to be European Style.

- (a) *Exercise of Warrants.* The Warrants are exercisable by delivery of an Exercise Notice in accordance with Condition 4 only on the Expiry Date or on the Business Day prior to the Expiry Date provided that any delivery made before the Expiry Date shall be deemed to be made on the Expiry Date.
- (b) *Expiry.* Any Warrant with respect to which an Exercise Date has not occurred on the Expiry Date shall expire immediately without value thereafter and all rights of the Warrantheader and obligations of the Issuer with respect to such Warrant shall cease.

4. Exercise of Warrants

- (a) Warrants may only be exercised in a Board Lot or integral multiples thereof.
- (b) *Delivery of an Exercise Notice.*
 - (i) In order to exercise Warrants, the Warrantheader shall deliver to the Transfer Office a duly completed exercise notice obtainable from the Registrar (an “**Exercise Notice**”), such delivery to be made at any time before 10:00 a.m. (Hong Kong time) on the Expiry Date. Warrants may not be exercised at any other time.
 - (ii) The date upon which a Warrant is, or is to be treated as, exercised (an “**Exercise Date**”) shall be the Business Day on which an Exercise Notice is delivered to the Registrar and in respect of which there is a valid exercise of Warrants in accordance with the requirements of these Conditions, provided that any Exercise Notice received by the Registrar after 10:00 a.m. (Hong Kong time) on any Business Day shall be deemed to have been delivered on the next following Business Day.
- (c) *Exercise Notice.* The Exercise Notice shall:
 - (i) specify the name(s) of the Warrantheader(s) and the number of Warrants being exercised; and

- (ii) be accompanied by the Global Certificate in the name(s) of the exercising Warrantholder(s) and by payments by way of banker's draft or other payment, in each case in immediately available funds, in favour of the Issuer for the aggregate of the Exercise Price for the total number of Shares to be purchased and in favour of the Registrar for such of the aggregate of the Exercise Expenses as may be determined by the Registrar at that time or, if later, as soon as the same shall have been determined by the Registrar.

Any Exercise Expenses which have not been determined by the Registrar on the Exercise Date shall be notified to the Warrantholder as soon as practicable after determination thereof by the Registrar and shall be paid by the Warrantholder forthwith.

- (d) *Consequences of delivery of an Exercise Notice.* Delivery of an Exercise Notice in accordance with Conditions 4(b) and 4(c) shall constitute an irrevocable election and undertaking by the Warrantholder specified in such Exercise Notice to exercise the number of Warrants specified in such Exercise Notice and an irrevocable authority to the Issuer and the Warrant Agent to take all necessary action to deliver the Shares electronically through CCASS. In no event will any payment be accepted after 10:00 a.m. (Hong Kong time) on the Expiry Date.
- (e) *Delivery of Shares and payments relating to Excess Shares.* Subject to a valid exercise of Warrants in accordance with these Conditions:
 - (i) the Issuer will procure that the Registrar will, with effect from the first Business Day following the Exercise Date or the Expiry Date, as the case may be, remove from its register the name of the person in respect of the Warrants which are the subject of an exercise pursuant to an Exercise Notice or if the Warrants have expired worthless and thereby cancel the relevant Warrants; and
 - (ii) subject as provided below in the case of a Settlement Disruption Event, the Issuer will procure that:
 - (a) the delivery of the total number of Shares to be sold and transferred by the Issuer pursuant to the exercise of the Warrants by way of electronic settlement through CCASS to the relevant Warrantholder in accordance with the CCASS Rules no later than five Business Days following the Exercise Date (the "**Settlement Date**"); and
 - (b) any payment to which the Warrantholder is entitled pursuant to Condition 6(g), if applicable, shall be despatched no later than the Settlement Date (at the risk and expense of the Warrantholder) to the Warrantholder (or, in the case of joint Warrantholders, the address of the first-named Warrantholder) appearing on the register kept by the Registrar.

Notwithstanding the foregoing, such actions shall not take place until the Warrantholder shall have accounted to the Registrar for unpaid Exercise Expenses to the extent that they were not or could not be paid on the Exercise Date.

If a Settlement Disruption Event exists on any Business Day from and including the Exercise Date to and including the Settlement Date, then the Settlement Date shall be postponed until the first succeeding Business Day on which there is no Settlement Disruption Event unless a Settlement Disruption Event prevents settlement on each of the ten Business Days immediately following the original Settlement Date.

In that case,

- (a) if the Shares can be delivered in any other commercially reasonable manner on the tenth Business Day immediately following the original Settlement Date, then they shall so be delivered; and
- (b) If the Shares cannot be delivered in any other commercially reasonable manner, the Settlement Date shall be postponed until settlement can reasonably be effected under this Condition or in any other commercially reasonable manner.

If, as a result of a Settlement Disruption Event it is not possible for the Issuer to deliver the Shares electronically through CCASS on or before the original Settlement Date, the Issuer shall procure that the exercising Warrantholder is notified (in accordance with Condition 10) of the postponement of the Settlement Date.

If the Issuer fails to satisfy its obligations to deliver or procure the delivery of the Shares, the Guarantor shall as soon as practicable deliver or procure the delivery of such Shares using the method of delivery specified in these Conditions, provided that, if, by reason of material illiquidity in the Shares or any other reason which renders it impossible or impracticable for the Guarantor to deliver or procure the delivery of the Shares to an exercising Warrantholder as required under these Conditions, the Guarantor shall, within five Business Days, in the case of Call Warrants (Physically Settled), of the relevant date on which the Warrants are actually or deemed exercised notify the exercising Warrantholder of such fact, which notice shall also contain a reasonable description of such material illiquidity, impossibility or impracticability. The Guarantor shall then, in lieu of delivery or procuring the delivery of the Shares, pay to the exercising Warrantholder as soon as reasonably practicable a sum in Hong Kong dollars calculated by the Guarantor as equal to, in respect of every Exercise Amount, the arithmetic mean of the aggregate closing prices of one Share (subject to adjustment as provided in Condition 6)(as derived from the Daily Quotation Sheet of the Stock Exchange, subject to any adjustments as may be necessary to such closing prices to reflect any capitalisation, rights issue, distribution or the like) for the five Business Days immediately preceding such Exercise Date or Expiry Date, as the case may be, (or, if not all of such quotations are available, on the latest five Business Days preceding Exercise Date or Expiry Date, as the case may be, for which all of such quotations are available), multiplied by the number of Shares which the Guarantor would otherwise have been obliged to deliver or procure to be delivered to the exercising Warrantholder. Such payment shall constitute a complete discharge of the Guarantor's obligations in respect of such Warrants.

- (f) *Intervening Period.* As from the Exercise Date, an exercising Warrantholder (or such person as he may have directed) shall become beneficially entitled to all those rights attaching to the Shares to be delivered in respect of such exercise to which he would have become entitled if he had been registered as the holder of such Shares on the Exercise Date.

Notwithstanding the foregoing, as from the Exercise Date and until such time as the exercising Warrantholder is delivered the Shares electronically through CCASS (the "**Intervening Period**"), neither the Issuer nor its agent or nominee shall:

- (i) be under any obligation to deliver to such exercising Warrantholder or any subsequent beneficial owner of the Shares any letter, certificate, notice, circular, dividend or any other document or payment whatsoever received by the Issuer or its agent or nominee in its capacity as the registered holder of such Shares; or

- (ii) exercise any or all rights (including voting rights) attaching to the Shares during the Intervening Period without the prior written consent of the relevant exercising Warrantheader, provided that neither the Issuer nor its agent nor nominee shall be under any obligation to exercise any such rights during the Intervening Period; or
 - (iii) be under any liability to such exercising Warrantheader or any subsequent beneficial owner of the Shares in respect of any loss or damage which such exercising Warrantheader or subsequent beneficial owner may sustain or suffer as a result, whether directly or indirectly, of the Issuer or its agent or nominee being registered during such Intervening Period as legal owner of the Shares.
- (g) Notwithstanding Condition 4(f) above, the Issuer shall notify each relevant exercising Warrantheader (or where there are joint Warrantheaders, the first-named Warrantheader) appearing in the register kept by the Registrar by post (by air mail in the case of an address outside Hong Kong) of the receipt by the Issuer or its agent or nominee during the Intervening Period of any dividend, rights, bonus issue, shares issued pursuant to a share split or consolidation in respect of Shares beneficially owned by such exercising Warrantheader or a subsequent beneficial owner of such Shares which the exercising Warrantheader is entitled to under these Conditions.

The Issuer shall also make available as soon as reasonably practicable such dividend payment or Shares, as the case may be, for collection by the Warrantheader or such subsequent beneficial owner of such Shares from an office in Hong Kong which shall be specified in such notification upon production of such evidence of entitlement and identification as may reasonably be required by the Issuer.

The Issuer shall also notify each relevant exercising Warrantheader (or where there are joint Warrantheaders, the first-named Warrantheader) appearing on the register kept by the Registrar by post (by airmail in the case of an address outside Hong Kong) of any right, entitlement or offer which the exercising Warrantheader is entitled to exercise or accept under these Conditions as beneficial owner of the relevant Shares during the Intervening Period and shall make available any document relating to such right, entitlement or offer for collection by the Warrantheader, or the person to whom the Warrantheader directed the Shares to be delivered, from an office in Hong Kong which shall be specified in such notification upon production of such evidence of entitlement and identification as may reasonably be required and, following receipt by the Issuer of written notification as may reasonably be required and, where appropriate, any relevant payment or consideration necessary in connection with exercising or accepting any such right, entitlement or offer from the relevant exercising Warrantheader or the person to whom the Warrantheader directed the Shares to be delivered, the Issuer shall on behalf of the relevant exercising Warrantheader, or the person to whom the Warrantheader directed the Shares to be delivered, exercise or accept such right, entitlement or offer.

Notwithstanding anything in this Condition, in the case of the receipt by the Issuer during the Intervening Period of an entitlement (in respect of the Shares deliverable to or at the direction of the exercising Warrantheader) which takes the form of securities issued by the Company by way of rights (to which entitlement the exercising Warrantheader is entitled under these Conditions), the Issuer shall, as soon as reasonably practicable and:

- (i) in any event by no later than one Business Day following receipt by it of the relevant entitlement from the Company, where necessary post to the Company or its share registrar an application for the entitlement to be split as appropriate as between Shares deliverable to different Warrantheaders (or subsequent Warrantheaders); and

- (ii) in any event no later than one Business Day following receipt by it of the relevant entitlement duly split as referred to in (i) above, post (by air mail in the case of an address outside Hong Kong) all documentation (duly renounced where appropriate) received by it relating to such entitlement to the exercising Warrantholder, or the person to whom the Warrantholder directed the Shares to be delivered, or (if the exercising Warrantholder shall have so directed in the relevant Exercise Notice) make available such documentation for collection by the Warrantholder, or the person to whom the Warrantholder directed the Shares to be delivered, from the Transfer Office upon production of such evidence of entitlement and identification as may reasonably be required.
- (h) *Relationship of agency or trust.* These Conditions shall not be construed so as to give rise to any relationship of agency or trust between the Issuer or its agent or nominee and any exercising Warrantholder in its capacity as beneficial owner of Shares, or any subsequent beneficial owner of Shares, during an Intervening Period and neither the Issuer nor its agent or nominee shall owe any duty of a fiduciary nature to either such Warrantholder or such beneficial owner in respect of such Shares.

5. Registrar

- (a) The initial Registrar and the Transfer Office, are set out below. The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Registrar and to appoint another Registrar provided that it will at all times maintain a Registrar which, so long as the Warrants are listed on the Stock Exchange, shall be in Hong Kong. Notice of any such termination or appointment and of any change in the Transfer Office or the specified office of the Registrar will be given to the Warrantholders in accordance with Condition 10.
- (b) The Registrar will be acting as agent of the Issuer in respect of any Warrants and will not assume any obligation or duty to or any relationship of agency or trust for the Warrantholders.

6. Adjustments

- (a) *Rights Issues.* If and whenever the Company shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a “**Rights Offer**”), the Entitlement will be adjusted to take effect on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = \frac{1 + M}{1 + (R/S) \times M} \times E$$

Where:

- E: Existing Entitlement immediately prior to the Rights Offer
- S: Cum-Rights Share price determined by the closing price on the Stock Exchange on the last Business Day on which Shares are traded on a cum-Rights basis
- R: Subscription price per Share as specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Right
- M: Number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. This adjustment shall take effect on the same day that the Entitlement is adjusted.

For the purposes of these Conditions:

“**Rights**” means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

- (b) *Bonus Issues*. If and whenever the Company shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the Company or otherwise in lieu of a cash dividend and without any payment or other consideration being made or given by such holders) (a “**Bonus Issue**”) the Entitlement will be increased on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = (1 + N) \times E$$

Where:

E: Existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Shares (whether a whole or a fraction) received by a holder of existing Shares for each Share held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. This adjustment shall take effect on the same day that the Entitlement is adjusted.

- (c) *Share Splits or Consolidations*. If and whenever the Company shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a “**Subdivision**”) or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a “**Consolidation**”), the Entitlement in effect immediately prior thereto will be increased (in the case of a Subdivision) or decreased (in the case of a Consolidation) accordingly (the adjusted Entitlement is called “**Adjusted Entitlement**”) in each case on the day on which the relevant Subdivision or Consolidation shall have taken effect. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. The adjustment to the Exercise Price shall take effect on the same day that the Entitlement is adjusted.

- (d) *Merger or Consolidation.* If it is announced that the Company is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of any corporation or controlled by any person or corporation) (except where the Company is the surviving corporation in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the Warrants may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “**Restructuring Event**”) (as determined by the Issuer in its absolute discretion).

The rights attaching to the Warrants after the adjustment shall, after such Restructuring Event, relate to the number of shares of the corporation(s) resulting from or surviving such Restructuring Event or other securities (“**Substituted Securities**”) and/or cash offered in substitution for the affected Shares, as the case may be, to which the holder of such number of Shares to which the Warrants related immediately before such Restructuring Event would have been entitled upon such Restructuring Event.

Thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in Hong Kong dollars equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected.

For the avoidance of doubt, any remaining Shares shall not be affected by this paragraph (d) and, where cash is offered in substitution for Shares or is deemed to replace Substituted Securities as described above, references in these Conditions to the Shares shall include any such cash.

- (e) *Other Adjustments.* Except as provided in this Condition 6 and Condition 13, adjustments will not be made in any other circumstances, subject to the right reserved by the Issuer (such right to be exercised in the Issuer’s sole and unfettered discretion and without any obligation whatsoever) to make such adjustments as it believes appropriate in circumstances where an event or events occur which it believes in its sole discretion and notwithstanding any prior adjustment made pursuant to the above should, in the context of the issue of the Warrants and the obligations of the Issuer, give rise to such adjustment provided that such adjustment is considered by the Issuer not to be materially prejudicial to the Warrantholders generally (without considering the circumstances of any individual Warrantholder or the tax or other consequences of such adjustment in any particular jurisdiction).
- (f) *Notice of Adjustments.* All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Warrantholders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with Condition 10.

- (g) *Excess Shares*. If as a result of an adjustment to the Entitlement pursuant to Conditions 6(a), (b), (c) and (e) above (but not otherwise), an exercise of a number of Warrants specified in an Exercise Notice would (if not for the provisions of this Condition 6(g)) result in the relevant Warrantholder becoming entitled to delivery of a number of Shares which is not equal to a board lot of the Shares at such time or an integral multiple thereof, then:
- (i) the Issuer shall not deliver to the relevant Warrantholder and the Warrantholder shall cease to be entitled to receive in respect of the relevant exercise of Warrants, that number of Shares (the “**Excess Shares**”) which exceeds the amount of such board lot or integral multiple thereof; and
 - (ii) the relevant Warrantholder shall be entitled to receive a cash amount from the Issuer (to be paid no later than the Settlement Date in accordance with Condition 4(e)) equal to the closing price of one Share (as derived from the Daily Quotation Sheet of the Stock Exchange or, if no such quotation is available, the most recently available closing price) on the Business Day immediately preceding the relevant Exercise Date multiplied by the number of the Excess Shares.

7. Purchases

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

8. Global Certificate

The Warrants are represented by the Global Certificate registered in the name of HKSCC Nominees Limited and deposited with CCASS in accordance with the CCASS Rules. Warrantholders will not be entitled to definitive certificates in respect of any Warrants issued or transferred to them.

9. Meetings of Warrantholders; Modification

- (a) *Meetings of Warrantholders*. The Registrar’s Agreement contains provisions for the convening of meetings of the Warrantholders to consider any matter affecting their interest, including sanctioning by Extraordinary Resolution (as defined in the Registrar’s Agreement) of a modification of the provisions of the Warrants or of the Global Certificate.

Any resolution to be passed in a meeting of the Warrantholders shall be decided by poll. Such a meeting may be convened by the Issuer or by Warrantholders holding not less than 10 per cent. of the Warrants for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Warrantholders whatever the number of Warrants so held or represented.

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

An Extraordinary Resolution passed at any meeting of the Warrantheolders shall be binding on all the Warrantheolders, whether or not they are present at the meeting, save, in the case of Warrants which are expressed to be American Style, for those Warrants remaining unexercised but for which an Exercise Notice shall have been submitted prior to the date of the meeting.

In the case of Warrants which are expressed to be American Style, Warrants which have not been exercised but in respect of which an Exercise Notice has been submitted will not confer the right to attend or vote at, or join in convening, or be counted in quorum for, any meeting of the Warrantheolders.

Resolutions can be passed in writing without a meeting of the Warrantheolders being held if passed unanimously.

- (b) *Modification.* The Issuer may, without the consent of the Warrantheolders, effect (i) any modification of the provisions of the Warrants or the Global Certificate which is not materially prejudicial to the interests of the Warrantheolders or (ii) any modification of the provisions of the Warrants or the Global Certificate (A) which is of a formal, minor or technical nature, (B) which is made to correct an obvious error or (C) which is necessary in order to comply with mandatory provisions of the laws of Hong Kong. Any such modification shall be binding on the Warrantheolders and shall be notified to them by the Registrar before the effective date or as soon as practicable thereafter in accordance with Condition 10.

10. Notices

- (a) All documents required or permitted by these Conditions to be sent to a Warrantheolder or to which a Warrantheolder is entitled or which the Issuer shall have agreed to deliver to a Warrantheolder may be delivered by hand or sent by post addressed to the Warrantheolder (otherwise, in the case of Warrants which are expressed to be American Style, than in accordance with an Exercise Notice) to the Warrantheolder's address (or, in the case of joint Warrantheolders, to the address of the first-named Warrantheolder) appearing in the register kept by the Registrar, and airmail post shall be used if such address is not in Hong Kong. All documents delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of the relevant Warrantheolder.
- (b) All notices to Warrantheolders will be validly given if published in English and in Chinese on the website of Hong Kong Exchanges and Clearing Limited. Such notices shall be deemed to have been given on the date of the first such publication. If publication is not practicable, notice will be given in such other manner as the Issuer may determine. In addition, copies of the notices will be sent on the same date by mail to the holders of Warrants at their addresses appearing in the register of Warrantheolders kept by the Registrar.

11. Liquidation

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator, receiver or administrator or analogous person under Hong Kong law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised Warrants will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

12. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Warrantheolders, to create and issue further warrants so as to form a single series with the Warrants.

13. Delisting

- (a) If at any time the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments to the rights attaching to the Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Warrantheolders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Warrantheolder or the tax or other consequences that may result in any particular jurisdiction).
- (b) Without prejudice to the generality of Condition 13(a), where the Shares are, or, upon the delisting, become, listed on any other stock exchange, these Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Warrantheolders, make such adjustments to the entitlements of Warrantheolders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into Hong Kong currency) as may be appropriate in the circumstances.
- (c) The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Warrantheolders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Warrantheolders in accordance with Condition 10 as soon as practicable after they are determined.

14. Governing Law

The Warrants, the Guarantee, the Global Certificate and the Registrar's Agreement will be governed by and construed in accordance with the laws of the Hong Kong Special Administrative Region of the People's Republic of China ("**Hong Kong**"). The Issuer, the Guarantor and each Warrantheolder (by its purchase of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants, the Guarantee, the Global Certificate and the Registrar's Agreement to the non-exclusive jurisdiction of the courts of Hong Kong.

15. Language

In the event of any inconsistency between the Chinese translation of these Conditions and the English version of these Conditions, the English version of these Conditions shall prevail.

Registrar, Warrant Agent and Transfer Office

Calyon, Hong Kong Branch
26/F, 27/F, 29/F and 30/F
Two Pacific Place
88 Queensway
Hong Kong

PART C – TERMS AND CONDITIONS OF THE PUT WARRANTS (CASH SETTLED)

The relevant Conditions will, together with the supplemental provisions contained in the relevant Supplemental Listing Document and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Supplemental Listing Document in relation to the issue of any series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with the relevant Conditions, replace or modify the relevant Conditions for the purpose of such series of Warrants. Capitalised terms used in the relevant Conditions and not otherwise defined therein shall have the meaning given to them in the relevant Supplemental Listing Document.

1. Form, Status, Transfer and Title

- (a) *Form.* The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 12) relating to the Shares of the Company are issued in registered form subject to and with the benefit of a global certificate by way of deed poll (the “**Global Certificate**”) dated the Issue Date made by Calyon Financial Products (Guernsey) Limited (the “**Issuer**”), a deed poll guarantee (the “**Guarantee**”) dated 5 June 2008 made by Calyon (the “**Guarantor**”) and a base registrar’s and warrant agency agreement dated 29 July 2004 made between, inter alia, the Issuer and the Guarantor and a letter agreement dated 17 September 2007 made between the Issuer and Calyon, Hong Kong Branch as registrar and warrant agent for the Warrants (the “**Registrar**” and “**Warrant Agent**” respectively, which expressions shall include any successors) (as amended, varied or supplemented from time to time or any successor document, the “**Registrar’s Agreement**”) as supplemented by a Confirmation (as defined in the Registrar’s Agreement) relating to the Warrants. Copies of the Global Certificate, the Guarantee and the Registrar’s Agreement are available for inspection at the specified office of the Registrar (the “**Transfer Office**”). The initial Transfer Office is set out below. The Warrantholders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Global Certificate and the Registrar’s Agreement.
- (b) *Status.* The Warrants represent general, unsecured, contractual obligations of the Issuer and of no other person and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations of the Issuer. The obligations of the Guarantor under the Guarantee represent general, unsecured, contractual obligations of the Guarantor and of no other person and rank *pari passu* (save for certain obligations required to be preferred by law) with all other unsecured obligations of the Guarantor.
- (c) *Transfer.* Transfers of beneficial interests in the Warrants may be effected only in Board Lots or integral multiples thereof in CCASS (as defined below) in accordance with the CCASS Rules (as defined below).
- (d) *Title.* Each person who is for the time being shown in the register kept by the Registrar as entitled to a particular number of Warrants shall be treated by the Issuer, the Guarantor and the Registrar as the absolute owner and holder of such number of Warrants. The expression “**Warrantholder**” shall be construed accordingly.

2. Warrant Rights and Exercise Expenses

- (a) *Warrant Rights*. Every Exercise Amount gives each Warrantholder, upon due exercise and compliance with Condition 4(A) or 4(B), as the case may be, the right to receive the payment of the Cash Settlement Amount (as defined below), if any.
- (b) *Exercise Expenses*. On exercise of the Warrants, Warrantholders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses (as defined below) in accordance with Condition 4(A) or 4(B), as the case may be.
- (c) *Definitions*. For the purposes of these Conditions:

“**Business Day**” means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong (as defined below) and banks are open for business in Hong Kong;

Where the Warrants are expressed to be Put Spread Warrants:

“**Cash Settlement Amount**” means, in respect of every Exercise Amount, an amount in Hong Kong dollars calculated by the Issuer as equal to either:

- (A) where the Closing Price is equal to or greater than the Floor Price, (1) the Entitlement (subject to adjustment as provided in Condition 6) multiplied by (i) Exercise Price (subject to adjustment as provided in Condition 6) less (ii) the Closing Price; less (2) the Exercise Expenses; or
- (B) where the Closing Price is less than the Floor Price, (1) the Entitlement (subject to adjustment as provided in Condition 6) multiplied by (i) Exercise Price less (ii) the Floor Price; less (2) the Exercise Expenses;

Where the Warrants are not expressed to be Put Spread Warrants:

“**Cash Settlement Amount**” means, in respect of every Exercise Amount, an amount in Hong Kong dollars calculated by the Issuer as equal to (1) the Entitlement (subject to adjustment as provided in Condition 6) multiplied by (i) Exercise Price (subject to adjustment as provided in Condition 6) less (ii) the Closing Price; less (2) the Exercise Expenses;

“**CCASS**” means the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited;

“**CCASS Rules**” means the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time;

“**Closing Price**” means,

- (A) with respect to the automatic exercise of Warrants on the Expiry Date in accordance with Condition 3(A)(b) or 3(B)(b), the arithmetic mean of the closing price of the Shares (as derived from the Daily Quotation Sheet of the Stock Exchange) for each Valuation Date; or
- (B) with respect to the exercise of American Style Warrants on any Exercise Date prior to 10:00 a.m. (Hong Kong time) on the Expiry Date in accordance with Condition 3(A)(a), the closing price of the Shares (as derived from the Daily Quotation Sheet of the Stock Exchange) on the Valuation Date,

subject to any adjustments to such closing price(s) as may be necessary to reflect any capitalisation, rights issue, distribution or the like;

“Exercise Expenses” means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the Warrants;

“Expiry Date” means the Expiry Date specified in the relevant supplemental listing document or if the Expiry Date is not a Business Day the immediately preceding Business Day;

“Market Disruption Event” means (1) the occurrence or existence on any Valuation Date during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in (a) the Shares; or (b) any options or futures contracts relating to the Shares if, in any such case, that suspension or limitation is, in the determination of the Issuer, material; (2) the hoisting of the tropical cyclone warning signal number 8 or above or the hoisting of a “BLACK” rainstorm signal which either results in the Stock Exchange being closed for dealings for an entire day or results in the Stock Exchange being closed prior to its regular time for close of trading on any day PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening later than its regular time for open of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been hoisted; or (3) a limitation or closure of the Stock Exchange due to any unforeseen circumstances;

“Settlement Disruption Event” means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the relevant bank account designated by the relevant Warrantholders (**“Designated Bank Account”**);

“Stock Exchange” means The Stock Exchange of Hong Kong Limited; and

“Valuation Date” means,

- (A) with respect to the automatic exercise of Warrants on the Expiry Date in accordance with Condition 3(A)(b) or 3(B)(b), each of the five Business Days immediately preceding the Expiry Date, provided that if the Issuer determines, in its sole discretion, that on any Valuation Date a Market Disruption Event has occurred, then that Valuation Date shall be postponed until the first succeeding Business Day on which there was no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a day that already is or is deemed to be a Valuation Date. For the avoidance of doubt, in the event that a Valuation Date is postponed due to the occurrence of a Market Disruption Event, the closing price of the Shares for such postponed Valuation Date will be the closing price of the Shares on the first succeeding Business Day on which there was no Market Disruption Event. Accordingly, the closing price of a Valuation Date may be used more than once in calculating the Closing Price for the determination of the Cash Settlement Amount, so that in no event shall there be less than five closing prices to determine the Closing Price; or
- (B) with respect to the exercise of American Style Warrants on any Exercise Date prior to 10:00 a.m. (Hong Kong time) on the Expiry Date in accordance with Condition 3(A)(a), the Exercise Date, provided that if the Issuer determines, in its sole discretion, that on such Exercise Date a Market Disruption Event has occurred, then the Valuation Date shall be postponed until the first succeeding

Business Day on which there was no Market Disruption Event, provided that if there is a Market Disruption Event on each of the five Business Days immediately following such Exercise Date that, but for the Market Disruption Event, would have been the Valuation Date, then:

- (i) that fifth Business Day shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event, and
- (ii) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of such price that would have prevailed on that fifth Business Day but for the Market Disruption Event,

provided that if the postponement of a Valuation Date as aforesaid would result in a Valuation Date falling on or after the Expiry Date, then:

- (a) the Business Day immediately preceding the Expiry Date (the “**Last Valuation Date**”) shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and
- (b) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of such price that would have prevailed on the Last Valuation Date but for the Market Disruption Event.

3. Exercise of American Style Warrants and European Style Warrants, Automatic Exercise and Expiry

(A) American Style Warrants

The following provisions of this Condition 3(A) shall apply to Warrants which are expressed to be American Style.

- (a) *Exercise Period.* The Warrants may be exercised by delivery of an Exercise Notice (as defined below), in accordance with Condition 4(A) at any time during the period (the “**Exercise Period**”) beginning at 10:00 a.m. (Hong Kong time) on the Dealing Commencement Date (or, if later, the first day of dealings in the Warrants on the Stock Exchange) and ending at 10:00 a.m. (Hong Kong time) on the Expiry Date.
- (b) *Automatic Exercise.* Any Warrant with respect to which an Exercise Date (as defined below) has not occurred during the Exercise Period will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Warranholders). The Warranholders will not be required to deliver any Exercise Notice and the Issuer or its agent will pay to the Warranholders the Cash Settlement Amount (if any) in accordance with Condition 4(A)(f).
- (c) *Expiry.* Any Warrant with respect to which an Exercise Date (as defined below) has not occurred during the Exercise Period or which has not been automatically exercised in accordance with Condition 3(A)(b) shall expire immediately without value thereafter and all rights of the Warranholder and obligations of the Issuer with respect to such Warrant shall cease.

(B) European Style Warrants

The following provisions of this Condition 3(B) shall apply to Warrants which are expressed to be European Style.

- (a) *Exercise of Warrants.* The Warrants are exercisable only on the Expiry Date.
- (b) *Automatic Exercise.* Any Warrant will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Warrantheholders). The Warrantheholders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Warrantheholders the Cash Settlement Amount (if any) in accordance with Condition 4(B)(d).
- (c) *Expiry.* Any Warrant which has not been automatically exercised in accordance with Condition 3(B)(b) shall expire immediately without value thereafter and all rights of the Warrantheholder and obligations of the Issuer with respect to such Warrant shall cease.

4. Exercise of Warrants

(A) American Style Warrants

The following provisions of this Condition 4(A) shall apply to Warrants which are expressed to be American Style.

- (a) Warrants may only be exercised in a Board Lot or integral multiples thereof.
- (b) *Delivery of an Exercise Notice.*
 - (i) In order to exercise Warrants, the Warrantheholder shall deliver to the Transfer Office a duly completed exercise notice obtainable from the Registrar (an “**Exercise Notice**”), such delivery to be made at any time during the Exercise Period. Warrants may not be exercised at any other time.
 - (ii) The date upon which a Warrant is, or is to be treated as, exercised (an “**Exercise Date**”) shall be the Business Day on which an Exercise Notice is delivered to the Registrar and in respect of which there is a valid exercise of Warrants in accordance with the requirements of these Conditions, provided that any Exercise Notice received by the Registrar after 10:00 a.m. (Hong Kong time) on any Business Day shall be deemed to have been delivered on the next following Business Day.
- (c) *Exercise Notice.* The Exercise Notice shall:
 - (i) specify the name(s) of the Warrantheholder(s) and the number of Warrants being exercised;
 - (ii) be accompanied by the Global Certificate in the name(s) of the exercising Warrantheholder(s); and
 - (iii) specify the person in whose favour the cheque representing the Cash Settlement Amount should be drawn and the name and address of the bank, broker or other agent to whom the cheque should be sent or, as the case may be, specify the relevant account to which the Cash Settlement Amount should be credited.

- (d) *Consequences of delivery of an Exercise Notice.* Delivery of an Exercise Notice in accordance with Conditions 4(A)(b) and 4(A)(c) shall constitute an irrevocable election and undertaking by the Warrantholder specified in such Exercise Notice to exercise the number of Warrants specified in such Exercise Notice and an irrevocable authorisation to deduct the Exercise Expenses in accordance with the calculation set out in the definition of the Cash Settlement Amount.
- (e) *Cancellation.* The Issuer will procure that the Registrar will, with effect from the first Business Day following the Exercise Date or the Expiry Date, as the case may be, remove from its register the name of the person in respect of the Warrants which (i) are the subject of a valid exercise in accordance with these Conditions whether pursuant to an Exercise Notice or automatic exercise; or (ii) have expired worthless, and thereby cancel the relevant Warrants.
- (f) *Cash Settlement.* Subject to a valid exercise, or automatic exercise, of Warrants in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Warrantholder (or such other person as the Warrantholder may have directed, if applicable) equal to the Cash Settlement Amount.

The Cash Settlement Amount shall be despatched not later than three Business Days following:

- (i) with respect to the exercise of American Style Warrants on any Exercise Date prior to 10:00 a.m. (Hong Kong time) on the Expiry Date in accordance with Condition 3(A)(a), the Valuation Date; or
- (ii) with respect to the automatic exercise of American Style Warrants on the Expiry Date in accordance with Condition 3(A)(b), the Expiry Date,

(the “**Settlement Date**”) by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event.

(B) *European Style Warrants*

The following provisions of this Condition 4(B) shall apply to Warrants which are expressed to be European Style.

- (a) Warrants may only be exercised in a Board Lot or integral multiples thereof.
- (b) *No requirement to deliver an exercise notice.* The Warrantholders will not be required to deliver an exercise notice for any purpose in relation to the Warrants.

- (c) *Cancellation.* The Issuer will procure that the Registrar will, with effect from the first Business Day following the Expiry Date, remove from its register the name of the person in respect of the Warrants which (i) are the subject of an exercise pursuant to automatic exercise in accordance with these Conditions; or (ii) have expired worthless, and thereby cancel the relevant Warrants.
- (d) *Cash Settlement.* Subject to automatic exercise of Warrants in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Warrantholder equal to the Cash Settlement Amount.

The Cash Settlement Amount shall be despatched not later than three Business Days following the Expiry Date (the “**Settlement Date**”) by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event.

5. Registrar

- (a) The initial Registrar and the Transfer Office, are set out below. The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Registrar and to appoint another Registrar provided that it will at all times maintain a Registrar which, so long as the Warrants are listed on the Stock Exchange, shall be in Hong Kong. Notice of any such termination or appointment and of any change in the Transfer Office or the specified office of the Registrar will be given to the Warrantholders in accordance with Condition 10.
- (b) The Registrar will be acting as agent of the Issuer in respect of any Warrants and will not assume any obligation or duty to or any relationship of agency or trust for the Warrantholders.

6. Adjustments

- (a) *Rights Issues.* If and whenever the Company shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a “**Rights Offer**”), the Entitlement will be adjusted to take effect on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = \frac{1 + M}{1 + (R/S) \times M} \times E$$

Where:

- E: Existing Entitlement immediately prior to the Rights Offer
- S: Cum-Rights Share price determined by the closing price on the Stock Exchange on the last Business Day on which Shares are traded on a cum-Rights basis
- R: Subscription price per Share as specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Right
- M: Number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. This adjustment shall take effect on the same day that the Entitlement is adjusted.

For the purposes of these Conditions:

“Rights” means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

- (b) *Bonus Issues*. If and whenever the Company shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the Company or otherwise in lieu of a cash dividend and without any payment or other consideration being made or given by such holders) (a **“Bonus Issue”**) the Entitlement will be increased on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = (1 + N) \times E$$

Where:

- E: Existing Entitlement immediately prior to the Bonus Issue
- N: Number of additional Shares (whether a whole or a fraction) received by a holder of existing Shares for each Share held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. This adjustment shall take effect on the same day that the Entitlement is adjusted.

- (c) *Share Splits or Consolidations.* If and whenever the Company shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a “**Subdivision**”) or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a “**Consolidation**”), the Entitlement in effect immediately prior thereto will be increased (in the case of a Subdivision) or decreased (in the case of a Consolidation) accordingly (the adjusted Entitlement is called “**Adjusted Entitlement**”) in each case on the day on which the relevant Subdivision or Consolidation shall have taken effect. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. The adjustment to the Exercise Price shall take effect on the same day that the Entitlement is adjusted.
- (d) *Merger or Consolidation.* If it is announced that the Company is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of any corporation or controlled by any person or corporation) (except where the Company is the surviving corporation in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the Warrants may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “**Restructuring Event**”) (as determined by the Issuer in its absolute discretion).

The rights attaching to the Warrants after the adjustment shall, after such Restructuring Event, relate to the number of shares of the corporation(s) resulting from or surviving such Restructuring Event or other securities (“**Substituted Securities**”) and/or cash offered in substitution for the affected Shares, as the case may be, to which the holder of such number of Shares to which the Warrants related immediately before such Restructuring Event would have been entitled upon such Restructuring Event. Thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in Hong Kong dollars equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected.

For the avoidance of doubt, any remaining Shares shall not be affected by this paragraph (d) and, where cash is offered in substitution for Shares or is deemed to replace Substituted Securities as described above, references in these Conditions to the Shares shall include any such cash.

- (e) *Other Adjustments.* Except as provided in this Condition 6 and Condition 13, adjustments will not be made in any other circumstances, subject to the right reserved by the Issuer (such right to be exercised in the Issuer’s sole and unfettered discretion and without any obligation whatsoever) to make such adjustments as it believes appropriate in circumstances where an event or events occur which it believes in its sole discretion and notwithstanding any prior adjustment made pursuant to the above should, in the context of the issue of the Warrants and the obligations of the Issuer, give rise to such adjustment provided that such adjustment is considered by the Issuer not to be materially prejudicial to the Warrantholders generally (without considering the circumstances of any individual Warrantholder or the tax or other consequences of such adjustment in any particular jurisdiction).

- (f) *Notice of Adjustments.* All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Warrantheolders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with Condition 10.

7. Purchases

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

8. Global Certificate

The Warrants are represented by the Global Certificate registered in the name of HKSCC Nominees Limited and deposited with CCASS in accordance with the CCASS Rules. Warrantheolders will not be entitled to definitive certificates in respect of any Warrants issued or transferred to them.

9. Meetings of Warrantheolders; Modification

- (a) *Meetings of Warrantheolders.* The Registrar's Agreement contains provisions for the convening of meetings of the Warrantheolders to consider any matter affecting their interest, including sanctioning by Extraordinary Resolution (as defined in the Registrar's Agreement) of a modification of the provisions of the Warrants or of the Global Certificate.

Any resolution to be passed in a meeting of the Warrantheolders shall be decided by poll. Such a meeting may be convened by the Issuer or by Warrantheolders holding not less than 10 per cent. of the Warrants for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Warrantheolders whatever the number of Warrants so held or represented.

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

An Extraordinary Resolution passed at any meeting of the Warrantheolders shall be binding on all the Warrantheolders, whether or not they are present at the meeting, save, in the case of Warrants which are expressed to be American Style, for those Warrants remaining unexercised but for which an Exercise Notice shall have been submitted prior to the date of the meeting.

In the case of Warrants which are expressed to be American Style, Warrants which have not been exercised but in respect of which an Exercise Notice has been submitted will not confer the right to attend or vote at, or join in convening, or be counted in quorum for, any meeting of the Warrantheolders.

Resolutions can be passed in writing without a meeting of the Warrantheolders being held if passed unanimously.

- (b) *Modification.* The Issuer may, without the consent of the Warrantheolders, effect (i) any modification of the provisions of the Warrants or the Global Certificate which is not materially prejudicial to the interests of the Warrantheolders or (ii) any modification of

the provisions of the Warrants or the Global Certificate (A) which is of a formal, minor or technical nature, (B) which is made to correct an obvious error or (C) which is necessary in order to comply with mandatory provisions of the laws of Hong Kong. Any such modification shall be binding on the Warrantheholders and shall be notified to them by the Registrar before the effective date or as soon as practicable thereafter in accordance with Condition 10.

10. Notices

- (a) All documents required or permitted by these Conditions to be sent to a Warrantheholder or to which a Warrantheholder is entitled or which the Issuer shall have agreed to deliver to a Warrantheholder may be delivered by hand or sent by post addressed to the Warrantheholder (otherwise, in the case of Warrants which are expressed to be American Style, than in accordance with an Exercise Notice) to the Warrantheholder's address (or, in the case of joint Warrantheholders, to the address of the first-named Warrantheholder) appearing in the register kept by the Registrar, and airmail post shall be used if such address is not in Hong Kong. All documents delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of the relevant Warrantheholder.
- (b) All notices to Warrantheholders will be validly given if published in English and in Chinese on the website of Hong Kong Exchanges and Clearing Limited. Such notices shall be deemed to have been given on the date of the first such publication. If publication is not practicable, notice will be given in such other manner as the Issuer may determine. In addition, copies of the notices will be sent on the same date by mail to the holders of Warrants at their addresses appearing in the register of Warrantheholders kept by the Registrar.

11. Liquidation

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator, receiver or administrator or analogous person under Hong Kong law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised Warrants will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

12. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Warrantheholders, to create and issue further warrants so as to form a single series with the Warrants.

13. Delisting

- (a) If at any time the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments to the rights attaching to the Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Warrantheholders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Warrantheholder or the tax or other consequences that may result in any particular jurisdiction).

- (b) Without prejudice to the generality of Condition 13(a), where the Shares are, or, upon the delisting, become, listed on any other stock exchange, these Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Warrantheolders, make such adjustments to the entitlements of Warrantheolders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into Hong Kong currency) as may be appropriate in the circumstances.
- (c) The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Warrantheolders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Warrantheolders in accordance with Condition 10 as soon as practicable after they are determined.

14. Governing Law

The Warrants, the Guarantee, the Global Certificate and the Registrar's Agreement will be governed by and construed in accordance with the laws of the Hong Kong Special Administrative Region of the People's Republic of China ("**Hong Kong**"). The Issuer, the Guarantor and each Warrantheolder (by its purchase of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants, the Guarantee, the Global Certificate and the Registrar's Agreement to the non-exclusive jurisdiction of the courts of Hong Kong.

15. Language

In the event of any inconsistency between the Chinese translation of these Conditions and the English version of these Conditions, the English version of these Conditions shall prevail.

Registrar, Warrant Agent and Transfer Office

Calyon, Hong Kong Branch
26/F, 27/F, 29/F and 30/F
Two Pacific Place
88 Queensway
Hong Kong

PART D – TERMS AND CONDITIONS OF THE PUT WARRANTS (PHYSICALLY SETTLED)

The Conditions of the Put Warrants have been reviewed by HKSCC who have indicated that they will only approve the Conditions of the Put Warrants on a case by case basis. Accordingly, the relevant Supplemental Listing Document in relation to the issue of any series of Put Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with the relevant Conditions, replace or modify the relevant Conditions for the purpose of such series of Put Warrants. Capitalised terms used in the relevant Conditions and not otherwise defined therein shall have the meaning given to them in the relevant Supplemental Listing Document.

1. Form, Status, Transfer and Title

- (a) *Form.* The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 12) relating to the Shares of the Company are issued in registered form subject to and with the benefit of a global certificate by way of deed poll (the “**Global Certificate**”) dated the Issue Date made by Calyon Financial Products (Guernsey) Limited (the “**Issuer**”), a deed poll guarantee (the “**Guarantee**”) dated 5 June 2008 made by Calyon (the “**Guarantor**”) and a base registrar’s and warrant agency agreement dated 29 July 2004 made between, inter alia, the Issuer and the Guarantor and a letter agreement dated 17 September 2007 made between the Issuer and Calyon, Hong Kong Branch as registrar and warrant agent for the Warrants (the “**Registrar**” and “**Warrant Agent**” respectively, which expressions shall include any successors) (as amended, varied or supplemented from time to time or any successor document, the “**Registrar’s Agreement**”) as supplemented by a Confirmation (as defined in the Registrar’s Agreement) relating to the Warrants. Copies of the Global Certificate, the Guarantee and the Registrar’s Agreement are available for inspection at the specified office of the Registrar (the “**Transfer Office**”). The initial Transfer Office is set out below. The Warrantholders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Global Certificate and the Registrar’s Agreement.
- (b) *Status.* The Warrants represent general, unsecured, contractual obligations of the Issuer and of no other person and rank *pari passu* in all respects with each other.
- (c) CCASS.
- (i) The Warrants have been accepted as eligible securities by Hong Kong Securities Clearing Company Limited (“**HKSCC**”) for deposit, clearance and settlement in the Central Clearing and Settlement System (“**CCASS**”).
- (ii) Warrant certificates in definitive form will be issued for those Warrants to be deposited in CCASS (the “**CCASS Warrant Certificates**”) registered in the name of HKSCC Nominees Limited, or such other person, firm or company for the time being appointed by HKSCC as a nominee (the “**Nominee**”), and deposited directly into CCASS for credit to the Stock Account (as defined in Condition 4(k)) of the initial Warrantholders maintained in CCASS.
- (iii) Warrant certificates in definitive form registered in the name of the Warrantholder (or his nominee) will be issued when a Warrantholder elects not to hold his Warrants in CCASS, either by choosing not to do so on issue of the Warrants or thereafter by withdrawing them from CCASS in the manner prescribed from time to time by the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time (the “**CCASS Rules**”).

- (iv) Any Warrantholder choosing to deposit with CCASS Warrants represented by a definitive warrant certificate registered in his or his nominee's name and to have instead those Warrants represented by the CCASS Warrant Certificates and credited to his or his designated CCASS participants' Stock Account shall deposit those Warrants in CCASS in the manner prescribed from time to time by the CCASS Rules.

The Warrants may not be exercised unless held within CCASS and deposited with, and credited to, a Stock Account of a Warrantholder in CCASS.

- (v) Those Warrants deposited with, and credited to a Stock Account of a Warrantholder in CCASS shall be transferred through CCASS in accordance with the CCASS Rules. Those Warrants held in the form of definitive warrant certificates outside CCASS shall be transferred by the delivery of the relevant warrant certificate(s) to the Registrar, together with the delivery of a standard transfer form to the Registrar in such form as may from time to time be in use. The standard transfer form is obtainable from the Registrar.
- (d) *Transfer.* Transfer of Warrants may be effected only in a Board Lot or integral multiples thereof.
- (e) *Title.* Each person who is for the time being shown in the records of CCASS as entitled to a particular number of Warrants by way of an interest (to the extent of such number) in the CCASS Warrant Certificates in respect of those Warrants represented thereby shall be treated by the Issuer, the Guarantor, the Warrant Agent and the Registrar as the holder of such number of Warrants. Each person (other than the Nominee in respect of Warrants deposited in CCASS and represented by the CCASS Warrant Certificates) who is for the time being shown in the records of the Registrar as entitled to a particular number of Warrants shall be treated by the Issuer, the Warrant Agent and the Registrar as the holder of such number of Warrants. The expression "**Warrantholder**" shall be construed accordingly.
- (f) *Additional Costs and Expenses.* Persons should note that they may incur additional costs and expenses in connection with any expedited registration of the Warrants prior to the transfer or exercise of the Warrants, in particular during the period commencing ten Business Days (as defined below) prior to and including the Expiry Date (as defined below).

2. Warrant Rights, Exercise Price and Exercise Expenses

- (a) *Warrant Rights.* Every Exercise Amount initially entitles each Warrantholder, upon due exercise and compliance with Condition 4, to sell to the Issuer the Entitlement, subject to adjustment as provided in Condition 6.
- (b) *Exercise Price.* The price to be paid by the Issuer upon the exercise of every Exercise Amount shall be the Exercise Price, subject to adjustment as described in Condition 6, less any sums payable in accordance with Condition 2(c).
- (c) *Exercise Expenses.* Warrantholders will be required to pay all charges which they incur in respect of the sale and transfer of Shares upon the exercise of the Warrants, including without limitation stamp duty, levies, registration charges and other expenses payable in respect of documents of title to Shares, including but not limited to scrip fees payable on the share certificates representing Shares.

In addition, Warrantheolders will be required to pay a sum equal to all the expenses payable by the buyer and transferee of the relevant Shares, including without limitation any stamp duty, agent's expenses, scrip fees, levies, registration charges and other expenses payable on or in respect of or in connection with the sale of or agreement to sell the Shares to which the relevant Warrants and/or the exercise of the Warrants relate (the above charges and expenses incurred by Warrantheolders and the above buyer's and transferee's expenses are together referred to as the "**Exercise Expenses**").

An amount equivalent to the Exercise Expenses shall be deducted from the Exercise Price paid by the Issuer to the Warrantheolder. In certain circumstances, part of the Exercise Expenses may be required to be paid by Warrantheolders after the exercise of the Warrants but prior to the delivery of the forms of transfer relating to the Shares to the registrar of the Company.

3. Exercise of American Style Warrants and European Style Warrants, Suspension Period and Expiry

(A) American Style Warrants

The following provisions of this Condition 3(A) shall apply to Warrants which are expressed to be American Style.

- (a) *Exercise Period.* The Warrants may be exercised by delivery of an Exercise Notice (as defined below), in accordance with Condition 4 at any time during the period (the "**Exercise Period**") beginning at 10:00 a.m. (Hong Kong time) on the Dealing Commencement Date (or, if later, the first day of dealings in the Warrants on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**")) and ending at 10:00 a.m. (Hong Kong time) on the Expiry Date (as defined below).
- (b) *Suspension Period.* If the Issuer determines (in its absolute discretion) that as a result of the suspension or cessation of all or part of the clearing, settlement and depository operations of CCASS, the ability of the Warrantheolder or the Issuer to perform their respective delivery and payment obligations pursuant to the exercise of the Warrants has been or could be expected to be materially adversely affected (in each case, a "**Suspension Period**"), the Warrantheolder shall effect the delivery or record the transfer of, and the Issuer shall make payment for, the Shares on the first Business Day after the end of the Suspension Period in accordance with Condition 4(i) (and so that, in calculating the number of days between the relevant Exercise Date (as defined in Condition 4(d)) and the date on which Shares are transferred, the Suspension Period shall be excluded) and notice thereof shall be given to the Warrantheolders in accordance with Condition 10.
- (c) *Expiry.* Any Warrant with respect to which an Exercise Date (as defined below) has not occurred during the Exercise Period shall expire immediately without value thereafter and all rights of the Warrantheolder and obligations of the Issuer with respect to such Warrant shall cease.

(B) **European Style Warrants**

The following provisions of this Condition 3(B) shall apply to Warrants which are expressed to be European Style.

- (a) *Exercise of Warrants.* The Warrants are exercisable by delivery of an Exercise Notice in accordance with Condition 4 only on the Expiry Date or on the Business Day prior to the Expiry Date provided that any delivery made before the Expiry Date shall be deemed to be made on the Expiry Date.
- (b) *Suspension Period.* If the Issuer determines (in its absolute discretion) that as a result of the suspension or cessation of all or part of the clearing, settlement and depository operations of CCASS, the ability of the Warrantholder or the Issuer to perform their respective delivery and payment obligations pursuant to the exercise of the Warrants has been or could be expected to be materially adversely affected (in each case, a “**Suspension Period**”), the Warrantholder shall effect the delivery or record the transfer of, and the Issuer shall make payment for, the Shares on the first Business Day after the end of the Suspension Period in accordance with Condition 4(i) (and so that, in calculating the number of days between the relevant Exercise Date and the date on which Shares are transferred, the Suspension Period shall be excluded) and notice thereof shall be given to the Warranholders in accordance with Condition 10.
- (c) *Expiry.* Any Warrant with respect to which an Exercise Date has not occurred on the Expiry Date shall expire immediately without value thereafter and all rights of the Warrantholder and obligations of the Issuer with respect to such Warrant shall cease.

4. **Exercise of Warrants**

- (a) Warrants may only be exercised in a Board Lot or integral multiples thereof.
- (b) Warrants may only be exercised if:
 - (i) the Warrants are duly deposited with, and credited to the Stock Account of the Warrantholder in, CCASS, no later than the Business Day immediately preceding the Exercise Date; and
 - (ii) the Shares to be sold and transferred to the Issuer upon exercise of the Warrants are duly deposited with, and credited to the Stock Account of the Warrantholder in, CCASS, no later than the Exercise Date.
- (c) In order to exercise the Warrants:
 - (i) the Warrantholder shall deliver to the Warrant Agent a duly completed exercise notice (an “**Exercise Notice**”) using a form obtainable from the Registrar, such delivery to be made not later than 10:00 a.m. (Hong Kong time) on the Expiry Date;
 - (ii) the Warrantholder shall input to CCASS an instruction, in such form as HKSCC may from time to time prescribe as being valid pursuant to the CCASS Rules (currently known as a “**Settlement Instruction**”), to effect the debit from the Stock Account of the Warrantholder and credit to the Stock Account of the Issuer or its agent, on a free of payment basis (currently known as a “**FOP**” basis) in accordance with the CCASS Rules, the total number of Warrants the subject of the Exercise Notice in the second batch settlement run effected by CCASS on the Exercise Date, such input to be effected as soon as reasonably practicable and, in any event, no later than the time stated in the CCASS Rules (which time is

currently 11:30 a.m. (Hong Kong time)) for the matching of such instructions pursuant to the Settlement Instruction matching run conducted preceding the second batch settlement run effected by CCASS on the Exercise Date; and

- (iii) the Warrantholder shall input to CCASS a Settlement Instruction, to effect the debit from the Stock Account of the Warrantholder and credit to the Stock Account of the Issuer or its agent of the total number of the Shares to be sold and transferred by the Warrantholder to the Issuer in the second batch settlement run effected by CCASS on the Exercise Date, on a FOP basis in accordance with the CCASS Rules, such input to be effected as soon as reasonably practicable and, in any event, no later than the time stated in the CCASS Rules (which time is currently 11:30 a.m. (Hong Kong time)) for the matching of such instructions pursuant to the Settlement Instruction matching run conducted preceding the second batch settlement run effected by CCASS on the Exercise Date.
- (d) (i) The date upon which Warrants are, or are to be treated as, exercised (an “**Exercise Date**”) shall be deemed to occur on the Business Day on which an Exercise Notice is received by the Warrant Agent and in respect of which there is a valid exercise of Warrants in accordance with the requirements set out herein, provided that any Exercise Notice received by the Warrant Agent after 10:00 a.m. (Hong Kong time) on any Business Day shall be deemed to have been delivered prior to 10:00 a.m. (Hong Kong time) on the next following Business Day.
- (ii) Subject to Condition 4(e), the Issuer shall, as from the Business Day next following the Exercise Date, become beneficially entitled to all rights attaching to the relevant Shares to which he would have become entitled had he been the registered shareholder of the Shares on the Business Day next following the Exercise Date.
- (e) The Exercise Notice shall:
 - (i) confirm that the Warrants have been duly deposited with, and credited to the Stock Account of the Warrantholder in, CCASS, no later than the Business Day immediately preceding the Exercise Date, and that the Shares to be sold and transferred to the Issuer upon exercise of the Warrants have been duly deposited with, and credited to the Stock Account of the Warrantholder in, CCASS, no later than the Exercise Date;
 - (ii) specify the name of the Warrantholder, the number of Warrants being exercised, and the Stock Account of the Warrantholder from which the Warrants being exercised are to be debited;
 - (iii) be accompanied by a Settlement Instruction to debit from the Stock Account of the Warrantholder and credit to the Stock Account of the Issuer or its agent the total number of Warrants the subject of the Exercise Notice in the second batch settlement run effected by CCASS on the Exercise Date;
 - (iv) specify the number of Shares being sold and transferred by the Warrantholder to the Issuer, and the Stock Account of the Warrantholder from which the Shares are to be debited pursuant to the exercise of the Warrants the subject of the Exercise Notice;

- (v) be accompanied by a Settlement Instruction to debit from the Stock Account of the Warrantholder and credit to the Stock Account of the Issuer or its agent the total number of Shares to be sold and transferred by the Warrantholder to the Issuer pursuant to the exercise of the Warrants the subject of the Exercise Notice in the second batch settlement run effected by CCASS on the Exercise Date; and
 - (vi) specify the bank account name(s) and number(s) into which payment of an amount equal to the aggregate of the Exercise Price less the Exercise Expenses of the Warrants the subject of the Exercise Notice is to be made by or on behalf of the Issuer on the Business Day next following the Exercise Date.
- (f) (i) Subject to fulfilment of the Warrantholder's obligations under Condition 4(c) above, the Issuer shall procure that the Warrant Agent itself or through its sub agent shall input to CCASS a Settlement Instruction, to effect the debit from the Stock Account of the Warrantholder and credit to the Stock Account of the Issuer or its agent, on a FOP basis in accordance with the CCASS Rules, the total number of Warrants the subject of the Exercise Notice in the second batch settlement run effected by CCASS on the Exercise Date, such input to be effected as soon as reasonably practicable and, in any event, no later than the time stated in the CCASS Rules (which time is currently 11:30 a.m. (Hong Kong time)) for the matching of such instructions pursuant to the Settlement Instruction matching run conducted preceding the second batch settlement run effected by CCASS on the Exercise Date; and
- (ii) the Issuer shall procure that the Warrant Agent itself or through its sub agent shall input to CCASS a Settlement Instruction, to effect the debit from the Stock Account of the Warrantholder and credit to the Stock Account of the Issuer or its agent of the total number of the Shares to be sold and transferred by the Warrantholder to the Issuer in the second batch settlement run effected by CCASS on the Exercise Date, on a FOP basis in accordance with the CCASS Rules, such input to be effected as soon as reasonably practicable and, in any event, no later than the time stated in the CCASS Rules (which time is currently 11:30 a.m. (Hong Kong time)) for the matching of such instructions pursuant to the Settlement Instruction matching run conducted preceding the second batch settlement run effected by CCASS on the Exercise Date.
- (g) Subject to the Warrantholder fulfilling its obligations under Conditions 4(b) and 4(c) above and to the Issuer procuring the fulfilment of the obligations of the Warrant Agent under Condition 4(f) above, for a valid exercise of those Warrants the total number of Warrants the subject of the Exercise Notice and the total number of Shares to be sold and transferred by the Warrantholder to the Issuer must be debited from the Stock Account of the Warrantholder and credited to the Stock Account of the Issuer or its agent, on a FOP basis in accordance with the CCASS Rules in the second batch settlement run effected by CCASS on the Exercise Date.
- (h) Subject to the Warrant Agent or its sub agent confirming to the Issuer that the transfer of the total number of Warrants the subject of the Exercise Notice and the total number of Shares to be sold and transferred by the Warrantholder to the Issuer has been duly completed in accordance with Condition 4(g) above, the Issuer shall procure that the Warrant Agent or its sub agent shall by 1:00 p.m. (Hong Kong time) on the Exercise Date input to CCASS a withdrawal instruction, in such form as HKSCC may from time to time prescribe as being valid under the CCASS Rules, to withdraw from CCASS the total number of Warrants the subject of the Exercise Notice and the total number of Shares to be transferred by the Warrantholder to the Issuer. Subject to their being made available by HKSCC for collection by 5:00 p.m. (Hong Kong time) on the

Exercise Date, the Warrant Agent itself or through its sub agent shall collect the certificates in respect of the Warrants and the Shares from CCASS in accordance with the CCASS Rules.

The Issuer may change or modify the procedures set out in Conditions 4(f) to 4(h), as well as any other Conditions relating to the procedures for the settlement of the Warrants, to take into account any changes in market practice (including CCASS procedures in relation to conversion of the Warrants) by setting out such changes or modifications in a Supplemental Listing Document.

- (i) Subject to a valid exercise of Warrants,
 - (i) the Registrar shall, on the first Business Day following the Exercise Date, procure the cancellation of the number of Warrants the subject of the Exercise Notice;
 - (ii) the Issuer will procure the payment into the bank account whose name and number was specified in the Exercise Notice by the Warrantholder of an amount equal to the aggregate of the Exercise Price less the Exercise Expenses of the Warrants the subject of the Exercise Notice on the Business Day next following the Exercise Date; and
 - (iii) the Warrant Agent shall hold the Shares transferred to the Issuer by the Warrantholder to the order of the Issuer.

Notwithstanding the foregoing, the Warrantholder shall account to the Issuer on demand for any unpaid Exercise Expenses to the extent that they were not or could not be paid prior to the Exercise Date.

- (j)
 - (i) Delivery of an Exercise Notice in accordance with Condition 4(c) shall constitute an irrevocable election and undertaking by the Warrantholder specified in such Exercise Notice to exercise the number of Warrants specified in such Exercise Notice and an irrevocable authorisation to the Issuer to deduct the Exercise Expenses from the Exercise Price and to transfer the Shares to be sold and transferred to the Issuer upon the exercise of such Warrants and an acknowledgement that the Warrant Agent will withdraw such Warrants and such Shares from CCASS for the purposes of validation of good title of such Shares and cancellation of such Warrants.
 - (ii) If the Shares in respect of any Warrants being exercised are not transferred in accordance with Condition 4(g) as a result of any act or omission of the Warrantholder, any such transfer may, with the consent of the Issuer (which consent may be granted or withheld at the Issuer's absolute discretion), be effected as soon as possible after delivery of the Exercise Notice, but without prejudice to the rights of the Issuer or of any other person in respect of the actions or omissions of the Warrantholder in question, and in such circumstances, the relevant Warrants shall not be treated as exercised earlier than the Exercise Date upon which all such Shares have been sold and transferred in accordance with Condition 4(g). In no event, however, will any sale or transfer be accepted after 12:00 noon (Hong Kong time) on the Expiry Date.
- (k) In these Conditions,
 - (i) a "**Business Day**" shall be a day (excluding Saturdays) on which the Stock Exchange is open for dealings in Hong Kong (as defined below) and banks are open in Hong Kong for business;

- (ii) “**Expiry Date**” means the Expiry Date specified in the relevant supplemental listing document or if the Expiry Date is not a Business Day the immediately succeeding Business Day;
- (iii) “**Stock Account**” means, in relation to a Warrantholder or (as the case may be) the Issuer or its agent, its stock clearing account(s) in CCASS used for settlement purposes; and
- (iv) all procedures relating to the Warrants involving CCASS are subject to the CCASS Rules.

5. Registrar

- (a) The initial Registrar and the Transfer Office, are set out below. The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Registrar and to appoint another Registrar provided that it will at all times maintain a Registrar which, so long as the Warrants are listed on the Stock Exchange, shall be in Hong Kong. Notice of any such termination or appointment and of any change in the Transfer Office or the specified office of the Registrar will be given to the Warrantholders in accordance with Condition 10.
- (b) The Registrar will be acting as agent of the Issuer in respect of any Warrants and will not assume any obligation or duty to or any relationship of agency or trust for the Warrantholders.

6. Adjustments

- (a) *Rights Issues*. If and whenever the Company shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a “**Rights Offer**”), the Entitlement will be adjusted to take effect on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = \frac{1 + M}{1 + (R/S) \times M} \times E$$

Where:

- E: Existing Entitlement immediately prior to the Rights Offer
- S: Cum-Rights Share price determined by the closing price on the Stock Exchange on the last Business Day on which Shares are traded on a cum-Rights basis
- R: Subscription price per Share as specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Right
- M: Number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. This adjustment shall take effect on the same day that the Entitlement is adjusted.

For the purposes of these Conditions:

“Rights” means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

- (b) *Bonus Issues.* If and whenever the Company shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the Company or otherwise in lieu of a cash dividend and without any payment or other consideration being made or given by such holders) (a **“Bonus Issue”**) the Entitlement will be increased on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = (1 + N) \times E$$

Where:

E: Existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Shares (whether a whole or a fraction) received by a holder of existing Shares for each Share held prior to the Bonus Issue

Provided that if the above formula would result in an adjustment to the Entitlement which would amount to less than one per cent. of the Entitlement, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. This adjustment shall take effect on the same day that the Entitlement is adjusted.

- (c) *Share Splits or Consolidations.* If and whenever the Company shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a **“Subdivision”**) or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a **“Consolidation”**), the Entitlement in effect immediately prior thereto will be increased (in the case of a Subdivision) or decreased (in the case of a Consolidation) accordingly (the adjusted Entitlement is called **“Adjusted Entitlement”**) in each case on the day on which the relevant Subdivision or Consolidation shall have taken effect. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. The adjustment to the Exercise Price shall take effect on the same day that the Entitlement is adjusted.
- (d) *Merger or Consolidation.* If it is announced that the Company is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of any corporation or controlled by any person or corporation) (except where the Company is the surviving corporation in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the Warrants may in the absolute discretion of the Issuer be amended no later than the

Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “**Restructuring Event**”) (as determined by the Issuer in its absolute discretion).

The rights attaching to the Warrants after the adjustment shall, after such Restructuring Event, relate to the number of shares of the corporation(s) resulting from or surviving such Restructuring Event or other securities (“**Substituted Securities**”) and/or cash offered in substitution for the affected Shares, as the case may be, to which the holder of such number of Shares to which the Warrants related immediately before such Restructuring Event would have been entitled upon such Restructuring Event.

Thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in Hong Kong dollars equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected.

For the avoidance of doubt, any remaining Shares shall not be affected by this paragraph (d) and, where cash is offered in substitution for Shares or is deemed to replace Substituted Securities as described above, references in these Conditions to the Shares shall include any such cash.

- (e) *Other Adjustments.* Except as provided in this Condition 6 and Condition 12, adjustments will not be made in any other circumstances, subject to the right reserved by the Issuer (such right to be exercised in the Issuer’s sole and unfettered discretion and without any obligation whatsoever) to make such adjustments as it believes appropriate in circumstances where an event or events occur which it believes in its sole discretion and notwithstanding any prior adjustment made pursuant to the above should, in the context of the issue of the Warrants and the obligations of the Issuer, give rise to such adjustment provided that such adjustment is considered by the Issuer not to be materially prejudicial to the Warrantheolders generally (without considering the circumstances of any individual Warrantheolder or the tax or other consequences of such adjustment in any particular jurisdiction).
- (f) *Notice of Adjustments.* All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Warrantheolders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with Condition 10.
- (g) *Excess Shares.* If, as a result of an adjustment to the Entitlement pursuant to Conditions 6(a), (b), (c) and (e) above (but not otherwise), an exercise of a number of Warrants specified in an Exercise Notice would (if not for the provisions of this Condition 6(g)) result in the relevant Warrantheolder becoming entitled to sell and transfer a number of Shares which is not equal to a board lot of the Shares at such time or an integral multiple thereof, then (a) the relevant Warrantheolder shall not be entitled to sell and transfer to the Issuer and the Issuer shall cease to be obliged to purchase in respect of such exercise, that number of Shares (the “**Excess Shares**”) which exceeds the amount of such board lot or integral multiple thereof, and (b) the Issuer shall be entitled to deduct from the Exercise Price a cash amount equal to the closing price on the Business Day immediately preceding the relevant Exercise Date (as derived from the Daily Quotation Sheet of the Stock Exchange or, if no such quotation is available, the most recently available closing price) of one Share multiplied by the number of the Excess Shares.

7. Purchases

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

8. Warrant Certificates

- (a) Each Warrantholder shall be entitled, within ten Business Days after any Warrants are issued or transferred to him, to one warrant certificate in respect of such Warrants or, upon payment of an amount not exceeding HK\$2.50 per warrant certificate (or such other amount as the Stock Exchange may from time to time permit) as the Issuer may determine, to two or more warrant certificates each in respect of part of such Warrants.
- (b) If a warrant certificate is defaced, worn out, lost, stolen or destroyed, it may be renewed on such terms (if any) as to evidence and indemnity and payment of the expenses incurred by the Issuer in investigating evidence, and payment of such fee not exceeding HK\$2.50 per warrant certificate (or such other amount as the Stock Exchange may from time to time permit) as the Issuer may require and, in the case of defacement or wearing out, surrender of the old certificate.

9. Meetings of Warrantholders; Modification

- (a) *Meetings of Warrantholders.* The Registrar's Agreement contains provisions for convening meetings of the Warrantholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Instrument) of a modification of the provisions of the Warrants or of the Instrument.

Any resolution to be passed in a meeting of the Warrantholders shall be decided by poll. Such a meeting may be convened by the Issuer or by Warrantholders holding not less than 10 per cent. of the Warrants for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Warrantholders whatever the number of Warrants so held or represented.

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

An Extraordinary Resolution passed at any meeting of the Warrantholders shall be binding on all the Warrantholders, whether or not they are present at the meeting, save, in the case of Warrants which are expressed to be American Style, for those Warrants remaining unexercised but for which an Exercise Notice shall have been submitted prior to the date of the meeting.

In the case of Warrants which are expressed to be American Style, Warrants which have not been exercised but in respect of which an Exercise Notice has been submitted will not confer the right to attend or vote at, or join in convening, or be counted in quorum for, any meeting of the Warrantholders.

Resolutions can be passed in writing without a meeting of the Warrantholders being held if passed unanimously.

- (b) *Modification.* The Issuer may, without the consent of the Warranholders, effect (i) any modification of the provisions of the Warrants or the Instrument which is not materially prejudicial to the interests of the Warranholders or (ii) any modification of the provisions of the Warrants or the Instrument (A) which is of a formal, minor or technical nature, (B) which is made to correct an obvious error or (C) which is necessary in order to comply with mandatory provisions of the laws of Hong Kong (as defined below). Any such modification shall be binding on the Warranholders and shall be notified to them by the Registrar before the effective date or as soon as practicable thereafter in accordance with Condition 10.

10. Notices

- (a) All warrant certificates, cheques and other documents required or permitted by these Conditions to be sent to a Warranholder or to which a Warranholder is entitled or which the Issuer shall have agreed to deliver to a Warranholder may be delivered by hand or sent by post addressed to the Warranholder (otherwise, in the case of Warrants which are expressed to be American Style, than in accordance with an Exercise Notice) to the Warranholder's address (or, in the case of joint Warranholders, to the address of the first-named Warranholder) appearing in the register kept by the Registrar, and airmail post shall be used if such address is not in Hong Kong. All documents delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of the relevant Warranholder.
- (b) All notices to Warranholders will be validly given if published in English and in Chinese on the website of Hong Kong Exchanges and Clearing Limited. Such notices shall be deemed to have been given on the date of the first such publication. If publication is not practicable, notice will be given in such other manner as the Issuer may determine. In addition, copies of the notices will be sent on the same date by mail to the holders of Warrants at their addresses appearing in the register of Warranholders kept by the Registrar.

11. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Warranholders, to create and issue further warrants so as to form a single series with the Warrants.

12. Delisting

- (a) If at any time the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments to the rights attaching to the Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Warranholders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Warranholder or the tax or other consequences that may result in any particular jurisdiction).
- (b) Without prejudice to the generality of Condition 12(a), where the Shares are, or, upon the delisting, become, listed on any other stock exchange, these Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Warranholders, make such adjustments to the entitlements of Warranholders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into Hong Kong currency) as may be appropriate in the circumstances.

- (c) The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Warrantholders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Warrantholders in accordance with Condition 10 as soon as practicable after they are determined.

13. Governing Law

The Warrants, the Guarantee, the Instrument and the Registrar's Agreement will be governed by and construed in accordance with the laws of the Hong Kong Special Administrative Region of the People's Republic of China ("**Hong Kong**"). The Issuer, the Guarantor and each Warrantholder (by its purchase of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants, the Guarantee, the Instrument and the Registrar's Agreement to the non-exclusive jurisdiction of the courts of Hong Kong.

14. Language

In the event of any inconsistency between the Chinese translation of these Conditions and the English version of these Conditions, the English version of these Conditions shall prevail.

Registrar, Warrant Agent and Transfer Office

Calyon, Hong Kong Branch
26/F, 27/F, 29/F and 30/F
Two Pacific Place
88 Queensway
Hong Kong

PART E – TERMS AND CONDITIONS OF THE AVERAGE RETURN CALL WARRANTS (CASH SETTLED)

The relevant Conditions will, together with the supplemental provisions contained in the relevant Supplemental Listing Document and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Supplemental Listing Document in relation to the issue of any series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with the relevant Conditions, replace or modify the relevant Conditions for the purpose of such series of Warrants. Capitalised terms used in the relevant Conditions and not otherwise defined therein shall have the meaning given to them in the relevant Supplemental Listing Document.

1. Form, Status, Transfer and Title

- (a) *Form.* The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 12) relating to the Shares of the Company are issued in registered form subject to and with the benefit of a global certificate by way of deed poll (the “**Global Certificate**”) dated the Issue Date made by Calyon Financial Products (Guernsey) Limited (the “**Issuer**”), a deed poll guarantee (the “**Guarantee**”) dated 5 June 2008 made by Calyon (the “**Guarantor**”) and a base registrar’s and warrant agency agreement dated 29 July 2004 made between, inter alia, the Issuer and the Guarantor and a letter agreement dated 17 September 2007 made between the Issuer and Calyon, Hong Kong Branch as registrar and warrant agent for the Warrants (the “**Registrar**” and “**Warrant Agent**” respectively, which expressions shall include any successors) (as amended, varied or supplemented from time to time or any successor document, the “**Registrar’s Agreement**”) as supplemented by a Confirmation (as defined in the Registrar’s Agreement) relating to the Warrants. Copies of the Global Certificate, the Guarantee and the Registrar’s Agreement are available for inspection at the specified office of the Registrar (the “**Transfer Office**”). The initial Transfer Office is set out below. The Warrantholders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Global Certificate and the Registrar’s Agreement.
- (b) *Status.* The Warrants represent general, unsecured, contractual obligations of the Issuer and of no other person and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations of the Issuer. The obligations of the Guarantor under the Guarantee represent general, unsecured, contractual obligations of the Guarantor and of no other person and rank *pari passu* (save for certain obligations required to be preferred by law) with all other unsecured obligations of the Guarantor.
- (c) *Transfer.* Transfers of beneficial interests in the Warrants may be effected only in Board Lots or integral multiples thereof in CCASS (as defined below) in accordance with the CCASS Rules (as defined below).
- (d) *Title.* Each person who is for the time being shown in the register kept by the Registrar as entitled to a particular number of Warrants shall be treated by the Issuer, the Guarantor and the Registrar as the absolute owner and holder of such number of Warrants. The expression “**Warrantholder**” shall be construed accordingly.

2. Warrant Rights and Exercise Expenses

- (a) *Warrant Rights.* Every Exercise Amount gives each Warrantholder, upon due exercise and compliance with Condition 4, the right to receive the payment of the Cash Settlement Amount (as defined below), if any.
- (b) *Exercise Expenses.* On exercise of the Warrants, Warrantholders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses (as defined below) in accordance with Condition 4.
- (c) *Definitions.* For the purposes of these Conditions:

“Business Day” means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong (as defined below) and banks are open for business in Hong Kong;

“Cash Settlement Amount” means, in respect of every Exercise Amount, an amount in Hong Kong dollars calculated by the Issuer as equal to (1) the Entitlement (subject to adjustment as provided in Condition 6) in respect of a Periodic Fixing Date (as defined in the relevant supplemental listing document) multiplied by (i) the sum of the Periodic Reference Prices (subject to adjustment as provided in Condition 6) divided by the number of Periodic Fixing Dates less (ii) the Exercise Price (subject to adjustment as provided in Condition 6); less (2) the Exercise Expenses. For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

“CCASS” means the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited;

“CCASS Rules” means the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time;

“Closing Price” means the arithmetic mean of the closing price of the Shares (as derived from the Daily Quotation Sheet of the Stock Exchange, subject to any adjustments to such closing prices as may be necessary to reflect any capitalisation, rights issue, distribution or the like) for each Valuation Date;

“Exercise Expenses” means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the Warrants;

“Expiry Date” means the Expiry Date specified in the relevant supplemental listing document or if the Expiry Date is not a Business Day the immediately preceding Business Day;

“Market Disruption Event” means (1) the occurrence or existence on any Valuation Date during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in (a) the Shares; or (b) any options or futures contracts relating to the Shares if, in any such case, that suspension or limitation is, in the determination of the Issuer, material; (2) the hoisting of the tropical cyclone warning signal number 8 or above or the hoisting of a “BLACK” rainstorm signal which either results in the Stock Exchange being closed for dealings for an entire day or results in the Stock Exchange being closed prior to its regular time for close of trading on any day PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening later than its regular time for open of trading on any day as a result of the

tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been hoisted; or (3) a limitation or closure of the Stock Exchange due to any unforeseen circumstances;

“**Periodic Reference Price**” means, in respect of each Periodic Fixing Date, an amount in Hong Kong dollars calculated by the Issuer as equal to the arithmetic mean of the closing price of the Shares (as derived from the Daily Quotation Sheet of the Stock Exchange, subject to any adjustments to such closing prices as may be necessary to reflect any capitalisation, rights issue, distribution or the like) for each Valuation Date with respect to each Periodic Fixing Date;

“**Settlement Disruption Event**” means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the relevant bank account designated by the relevant Warrantheolders (“**Designated Bank Account**”);

“**Stock Exchange**” means The Stock Exchange of Hong Kong Limited; and

“**Valuation Date**” means, with respect to the exercise of Warrants and each Periodic Fixing Date, and subject as provided below in relation to a Market Disruption Event, each of the five Business Days immediately preceding such Periodic Fixing Date.

3. Exercise of Warrants, Automatic Exercise and Expiry

- (a) *Exercise of Warrants.* The Warrants are exercisable only on the Expiry Date.
- (b) *Automatic Exercise.* Any Warrant will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Warrantheolders). The Warrantheolders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Warrantheolders the Cash Settlement Amount (if any) in accordance with Condition 4(d).
- (c) *Expiry.* Any Warrant which has not been automatically exercised in accordance with Condition 3(b) shall expire immediately without value thereafter and all rights of the Warrantheolder and obligations of the Issuer with respect to such Warrant shall cease.

4. Exercise of Warrants

- (a) Warrants may only be exercised in a Board Lot or integral multiples thereof.
- (b) *No requirement to deliver an exercise notice.* The Warrantheolders will not be required to deliver an exercise notice for any purpose in relation to the Warrants.
- (c) *Cancellation.* The Issuer will procure that the Registrar will, with effect from the first Business Day following the Expiry Date, remove from its register the name of the person in respect of the Warrants which (i) are the subject of an exercise pursuant to automatic exercise in accordance with these Conditions; or (ii) have expired worthless, and thereby cancel the relevant Warrants.
- (d) *Cash Settlement.* Subject to automatic exercise of Warrants in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Warrantheolder equal to the Cash Settlement Amount.

The Cash Settlement Amount shall be despatched not later than three Business Days following the Expiry Date (the “**Settlement Date**”) by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event.

If the Issuer determines, in its sole discretion, that on any Valuation Date a Market Disruption Event has occurred, then that Valuation Date shall be postponed until the first succeeding Business Day on which there was no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a day that already is or is deemed to be a Valuation Date, provided that if the postponement of a Valuation Date as aforesaid would result in a Valuation Date falling on or after a Periodic Fixing Date then (i) the Business Day immediately preceding such Periodic Fixing Date (the “**Last Valuation Date**”) shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and (ii) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of such price that would have prevailed on the Last Valuation Date but for the Market Disruption Event. For the avoidance of doubt, in the event that a Valuation Date is postponed due to the occurrence of a Market Disruption Event, the closing price of the Shares for such postponed Valuation Date will be the closing price of the Shares on the first succeeding Business Day. Accordingly, the closing price of a Valuation Date may be used more than once in calculating the Periodic Reference Price with respect to a Periodic Fixing Date, so that in no event shall there be less than five closing prices to determine each Periodic Reference Price.

5. Registrar

- (a) The initial Registrar and the Transfer Office, are set out below. The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Registrar and to appoint another Registrar provided that it will at all times maintain a Registrar which, so long as the Warrants are listed on the Stock Exchange, shall be in Hong Kong. Notice of any such termination or appointment and of any change in the Transfer Office or the specified office of the Registrar will be given to the Warrantholders in accordance with Condition 10.
- (b) The Registrar will be acting as agent of the Issuer in respect of any Warrants and will not assume any obligation or duty to or any relationship of agency or trust for the Warrantholders.

6. Adjustments

- (a) *Rights Issues*. If and whenever the Company shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a “**Rights Offer**”), the Entitlement will be adjusted to take effect on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = \frac{1 + M}{1 + (R/S) \times M} \times E$$

Where:

- E: Existing Entitlement immediately prior to the Rights Offer
- S: Cum-Rights Share price determined by the closing price on the Stock Exchange on the last Business Day on which Shares are traded on a cum-Rights basis
- R: Subscription price per Share as specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Right
- M: Number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) and any Periodic Reference Price(s) which has or have been determined, by the reciprocal of the Adjusted Entitlement where in each case the reciprocal of the Adjusted Entitlement means one divided by the Adjusted Entitlement. These adjustments shall take effect on the same day that the Entitlement is adjusted.

For the purposes of these Conditions:

“**Rights**” means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

- (b) *Bonus Issues*. If and whenever the Company shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the Company or otherwise in lieu of a cash dividend and without any payment or other consideration being made or given by such holders) (a “**Bonus Issue**”) the Entitlement will be increased on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = (1 + N) \times E$$

Where:

- E: Existing Entitlement immediately prior to the Bonus Issue
- N: Number of additional Shares (whether a whole or a fraction) received by a holder of existing Shares for each Share held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) and any Periodic Reference Price(s) which has or have been determined, by the reciprocal of the Adjusted Entitlement where in each

case the reciprocal of the Adjusted Entitlement means one divided by the Adjusted Entitlement. These adjustments shall take effect on the same day that the Entitlement is adjusted.

- (c) *Share Splits or Consolidations.* If and whenever the Company shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a “**Subdivision**”) or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a “**Consolidation**”), the Entitlement in effect immediately prior thereto will be increased (in the case of a Subdivision) or decreased (in the case of a Consolidation) accordingly (the adjusted Entitlement is called “**Adjusted Entitlement**”) in each case on the day on which the relevant Subdivision or Consolidation shall have taken effect. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) and any Periodic Reference Price(s) which has or have been determined, by the reciprocal of the Adjusted Entitlement where in each case the reciprocal of the Adjusted Entitlement means one divided by the Adjusted Entitlement. These adjustments to the Exercise Price shall take effect on the same day that the Entitlement is adjusted.
- (d) *Merger or Consolidation.* If it is announced that the Company is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of any corporation or controlled by any person or corporation) (except where the Company is the surviving corporation in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the Warrants may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “**Restructuring Event**”) (as determined by the Issuer in its absolute discretion).

The rights attaching to the Warrants after the adjustment shall, after such Restructuring Event, relate to the number of shares of the corporation(s) resulting from or surviving such Restructuring Event or other securities (“**Substituted Securities**”) and/or cash offered in substitution for the affected Shares, as the case may be, to which the holder of such number of Shares to which the Warrants related immediately before such Restructuring Event would have been entitled upon such Restructuring Event. Thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in Hong Kong dollars equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected.

For the avoidance of doubt, any remaining Shares shall not be affected by this paragraph (d) and, where cash is offered in substitution for Shares or is deemed to replace Substituted Securities as described above, references in these Conditions to the Shares shall include any such cash.

- (e) *Other Adjustments.* Except as provided in this Condition 6 and Condition 13, adjustments will not be made in any other circumstances, subject to the right reserved by the Issuer (such right to be exercised in the Issuer’s sole and unfettered discretion and without any obligation whatsoever) to make such adjustments as it believes appropriate in circumstances where an event or events occur which it believes in its sole discretion and notwithstanding any prior adjustment made pursuant to the above should, in the context of the issue of the Warrants and the obligations of the Issuer, give rise to such adjustment provided that such adjustment is considered by the Issuer

not to be materially prejudicial to the Warrantheolders generally (without considering the circumstances of any individual Warrantheolder or the tax or other consequences of such adjustment in any particular jurisdiction).

- (f) *Notice of Adjustments.* All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Warrantheolders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with Condition 10.

7. Purchases

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

8. Global Certificate

The Warrants are represented by the Global Certificate registered in the name of HKSCC Nominees Limited and deposited with CCASS in accordance with the CCASS Rules. Warrantheolders will not be entitled to definitive certificates in respect of any Warrants issued or transferred to them.

9. Meetings of Warrantheolders; Modification

- (a) *Meetings of Warrantheolders.* The Registrar's Agreement contains provisions for the convening of meetings of the Warrantheolders to consider any matter affecting their interest, including sanctioning by Extraordinary Resolution (as defined in the Registrar's Agreement) of a modification of the provisions of the Warrants or of the Global Certificate.

Any resolution to be passed in a meeting of the Warrantheolders shall be decided by poll. Such a meeting may be convened by the Issuer or by Warrantheolders holding not less than 10 per cent. of the Warrants for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Warrantheolders whatever the number of Warrants so held or represented.

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

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

Resolutions can be passed in writing without a meeting of the Warrantheolders being held if passed unanimously.

- (b) *Modification.* The Issuer may, without the consent of the Warrantheolders, effect (i) any modification of the provisions of the Warrants or the Global Certificate which is not materially prejudicial to the interests of the Warrantheolders or (ii) any modification of the provisions of the Warrants or the Global Certificate (A) which is of a formal, minor or technical nature, (B) which is made to correct an obvious error or (C) which is necessary in order to comply with mandatory provisions of the laws of Hong Kong. Any

such modification shall be binding on the Warrantheolders and shall be notified to them by the Registrar before the effective date or as soon as practicable thereafter in accordance with Condition 10.

10. Notices

- (a) All documents required or permitted by these Conditions to be sent to a Warrantheolder or to which a Warrantheolder is entitled or which the Issuer shall have agreed to deliver to a Warrantheolder may be delivered by hand or sent by post addressed to the Warrantheolder to the Warrantheolder's address (or, in the case of joint Warrantheolders, to the address of the first-named Warrantheolder) appearing in the register kept by the Registrar, and airmail post shall be used if such address is not in Hong Kong. All documents delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of the relevant Warrantheolder.
- (b) All notices to Warrantheolders will be validly given if published in English and in Chinese on the website of Hong Kong Exchanges and Clearing Limited. Such notices shall be deemed to have been given on the date of the first such publication. If publication is not practicable, notice will be given in such other manner as the Issuer may determine. In addition, copies of the notices will be sent on the same date by mail to the holders of Warrants at their addresses appearing in the register of Warrantheolders kept by the Registrar.

11. Liquidation

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator, receiver or administrator or analogous person under Hong Kong law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised Warrants will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

12. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Warrantheolders, to create and issue further warrants so as to form a single series with the Warrants.

13. Delisting

- (a) If at any time the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments to the rights attaching to the Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Warrantheolders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Warrantheolder or the tax or other consequences that may result in any particular jurisdiction).
- (b) Without prejudice to the generality of Condition 13(a), where the Shares are, or, upon the delisting, become, listed on any other stock exchange, these Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Warrantheolders, make such adjustments to the

entitlements of Warrantheolders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into Hong Kong currency) as may be appropriate in the circumstances.

- (c) The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Warrantheolders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Warrantheolders in accordance with Condition 10 as soon as practicable after they are determined.

14. Governing Law

The Warrants, the Guarantee, the Global Certificate and the Registrar's Agreement will be governed by and construed in accordance with the laws of the Hong Kong Special Administrative Region of the People's Republic of China ("**Hong Kong**"). The Issuer, the Guarantor and each Warrantheolder (by its purchase of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants, the Guarantee, the Global Certificate and the Registrar's Agreement to the non-exclusive jurisdiction of the courts of Hong Kong.

15. Language

In the event of any inconsistency between the Chinese translation of these Conditions and the English version of these Conditions, the English version of these Conditions shall prevail.

Registrar, Warrant Agent and Transfer Office

Calyon, Hong Kong Branch
26/F, 27/F, 29/F and 30/F
Two Pacific Place
88 Queensway
Hong Kong

PART F – TERMS AND CONDITIONS OF THE AVERAGE RETURN PUT WARRANTS (CASH SETTLED)

The relevant Conditions will, together with the supplemental provisions contained in the relevant Supplemental Listing Document and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Supplemental Listing Document in relation to the issue of any series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with the relevant Conditions, replace or modify the relevant Conditions for the purpose of such series of Warrants. Capitalised terms used in the relevant Conditions and not otherwise defined therein shall have the meaning given to them in the relevant Supplemental Listing Document.

1. Form, Status, Transfer and Title

- (a) *Form.* The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 12) relating to the Shares of the Company are issued in registered form subject to and with the benefit of a global certificate by way of deed poll (the “**Global Certificate**”) dated the Issue Date made by Calyon Financial Products (Guernsey) Limited (the “**Issuer**”), a deed poll guarantee (the “**Guarantee**”) dated 5 June 2008 made by Calyon (the “**Guarantor**”) and a base registrar’s and warrant agency agreement dated 29 July 2004 made between, inter alia, the Issuer and the Guarantor and a letter agreement dated 17 September 2007 made between the Issuer and Calyon, Hong Kong Branch as registrar and warrant agent for the Warrants (the “**Registrar**” and “**Warrant Agent**” respectively, which expressions shall include any successors) (as amended, varied or supplemented from time to time or any successor document, the “**Registrar’s Agreement**”) as supplemented by a Confirmation (as defined in the Registrar’s Agreement) relating to the Warrants. Copies of the Global Certificate, the Guarantee and the Registrar’s Agreement are available for inspection at the specified office of the Registrar (the “**Transfer Office**”). The initial Transfer Office is set out below. The Warrantholders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Global Certificate and the Registrar’s Agreement.
- (b) *Status.* The Warrants represent general, unsecured, contractual obligations of the Issuer and of no other person and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations of the Issuer. The obligations of the Guarantor under the Guarantee represent general, unsecured, contractual obligations of the Guarantor and of no other person and rank *pari passu* (save for certain obligations required to be preferred by law) with all other unsecured obligations of the Guarantor.
- (c) *Transfer.* Transfers of beneficial interests in the Warrants may be effected only in Board Lots or integral multiples thereof in CCASS (as defined below) in accordance with the CCASS Rules (as defined below).
- (d) *Title.* Each person who is for the time being shown in the register kept by the Registrar as entitled to a particular number of Warrants shall be treated by the Issuer, the Guarantor and the Registrar as the absolute owner and holder of such number of Warrants. The expression “**Warrantholder**” shall be construed accordingly.

2. Warrant Rights and Exercise Expenses

- (a) *Warrant Rights.* Every Exercise Amount gives each Warrantholder, upon due exercise and compliance with Condition 4, the right to receive the payment of the Cash Settlement Amount (as defined below), if any.
- (b) *Exercise Expenses.* On exercise of the Warrants, Warrantholders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses (as defined below) in accordance with Condition 4.
- (c) *Definitions.* For the purposes of these Conditions:

“Business Day” means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong (as defined below) and banks are open for business in Hong Kong;

“Cash Settlement Amount” means, in respect of every Exercise Amount, an amount in Hong Kong dollars calculated by the Issuer as equal to (1) the Entitlement (subject to adjustment as provided in Condition 6) in respect of a Periodic Fixing Date (as defined in the relevant supplemental listing document) multiplied by (i) the Exercise Price (subject to adjustment as provided in Condition 6) less (ii) the sum of the Periodic Reference Prices (subject to adjustment as provided in Condition 6) divided by the number of Periodic Fixing Dates; less (2) the Exercise Expenses. For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

“CCASS” means the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited;

“CCASS Rules” means the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time;

“Closing Price” means the arithmetic mean of the closing price of the Shares (as derived from the Daily Quotation Sheet of the Stock Exchange, subject to any adjustments to such closing prices as may be necessary to reflect any capitalisation, rights issue, distribution or the like) for each Valuation Date;

“Exercise Expenses” means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the Warrants;

“Expiry Date” means the Expiry Date specified in the relevant supplemental listing document or if the Expiry Date is not a Business Day the immediately preceding Business Day;

“Market Disruption Event” means (1) the occurrence or existence on any Valuation Date during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in (a) the Shares; or (b) any options or futures contracts relating to the Shares if, in any such case, that suspension or limitation is, in the determination of the Issuer, material; (2) the hoisting of the tropical cyclone warning signal number 8 or above or the hoisting of a “BLACK” rainstorm signal which either results in the Stock Exchange being closed for dealings for an entire day or results in the Stock Exchange being closed prior to its regular time for close of trading on any day PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening later than its regular time for open of trading on any day as a result of the

tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been hoisted; or (3) a limitation or closure of the Stock Exchange due to any unforeseen circumstances;

“**Periodic Reference Price**” means, in respect of each Periodic Fixing Date, an amount in Hong Kong dollars calculated by the Issuer as equal to the arithmetic mean of the closing price of the Shares (as derived from the Daily Quotation Sheet of the Stock Exchange, subject to any adjustments to such closing prices as may be necessary to reflect any capitalisation, rights issue, distribution or the like) for each Valuation Date with respect to each Periodic Fixing Date;

“**Settlement Disruption Event**” means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the relevant bank account designated by the relevant Warrantheolders (“**Designated Bank Account**”);

“**Stock Exchange**” means The Stock Exchange of Hong Kong Limited; and

“**Valuation Date**” means, with respect to the exercise of Warrants and each Periodic Fixing Date, and subject as provided below in relation to a Market Disruption Event, each of the five Business Days immediately preceding such Periodic Fixing Date.

3. Exercise of Warrants, Automatic Exercise and Expiry

- (a) *Exercise of Warrants.* The Warrants are exercisable only on the Expiry Date.
- (b) *Automatic Exercise.* Any Warrant will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Warrantheolders). The Warrantheolders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Warrantheolders the Cash Settlement Amount (if any) in accordance with Condition 4(d).
- (c) *Expiry.* Any Warrant which has not been automatically exercised in accordance with Condition 3(b) shall expire immediately without value thereafter and all rights of the Warrantheolder and obligations of the Issuer with respect to such Warrant shall cease.

4. Exercise of Warrants

- (a) Warrants may only be exercised in a Board Lot or integral multiples thereof.
- (b) *No requirement to deliver an exercise notice.* The Warrantheolders will not be required to deliver an exercise notice for any purpose in relation to the Warrants.
- (c) *Cancellation.* The Issuer will procure that the Registrar will, with effect from the first Business Day following the Expiry Date, remove from its register the name of the person in respect of the Warrants which (i) are the subject of an exercise pursuant to automatic exercise in accordance with these Conditions; or (ii) have expired worthless, and thereby cancel the relevant Warrants.
- (d) *Cash Settlement.* Subject to automatic exercise of Warrants in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Warrantheolder equal to the Cash Settlement Amount.

The Cash Settlement Amount shall be despatched not later than three Business Days following the Expiry Date (the “**Settlement Date**”) by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event.

If the Issuer determines, in its sole discretion, that on any Valuation Date a Market Disruption Event has occurred, then that Valuation Date shall be postponed until the first succeeding Business Day on which there was no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a day that already is or is deemed to be a Valuation Date, provided that if the postponement of a Valuation Date as aforesaid would result in a Valuation Date falling on or after a Periodic Fixing Date then (i) the Business Day immediately preceding such Periodic Fixing Date (the “**Last Valuation Date**”) shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and (ii) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of such price that would have prevailed on the Last Valuation Date but for the Market Disruption Event. For the avoidance of doubt, in the event that a Valuation Date is postponed due to the occurrence of a Market Disruption Event, the closing price of the Shares for such postponed Valuation Date will be the closing price of the Shares on the first succeeding Business Day. Accordingly, the closing price of a Valuation Date may be used more than once in calculating the Periodic Reference Price with respect to a Periodic Fixing Date, so that in no event shall there be less than five closing prices to determine each Periodic Reference Price.

5. Registrar

- (a) The initial Registrar and the Transfer Office, are set out below. The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Registrar and to appoint another Registrar provided that it will at all times maintain a Registrar which, so long as the Warrants are listed on the Stock Exchange, shall be in Hong Kong. Notice of any such termination or appointment and of any change in the Transfer Office or the specified office of the Registrar will be given to the Warrantholders in accordance with Condition 10.
- (b) The Registrar will be acting as agent of the Issuer in respect of any Warrants and will not assume any obligation or duty to or any relationship of agency or trust for the Warrantholders.

6. Adjustments

- (a) *Rights Issues*. If and whenever the Company shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a “**Rights Offer**”), the Entitlement will be adjusted to take effect on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = \frac{1 + M}{1 + (R/S) \times M} \times E$$

Where:

- E: Existing Entitlement immediately prior to the Rights Offer
- S: Cum-Rights Share price determined by the closing price on the Stock Exchange on the last Business Day on which Shares are traded on a cum-Rights basis
- R: Subscription price per Share as specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Right
- M: Number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) and any Periodic Reference Price(s) which has or have been determined, by the reciprocal of the Adjusted Entitlement where in each case the reciprocal of the Adjusted Entitlement means one divided by the Adjusted Entitlement. These adjustments shall take effect on the same day that the Entitlement is adjusted.

For the purposes of these Conditions:

“Rights” means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

- (b) *Bonus Issues*. If and whenever the Company shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the Company or otherwise in lieu of a cash dividend and without any payment or other consideration being made or given by such holders) (a **“Bonus Issue”**) the Entitlement will be increased on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = (1 + N) \times E$$

Where:

- E: Existing Entitlement immediately prior to the Bonus Issue
- N: Number of additional Shares (whether a whole or a fraction) received by a holder of existing Shares for each Share held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) and any Periodic Reference Price(s) which has or have been determined, by the reciprocal of the Adjusted Entitlement where in each

case the reciprocal of the Adjusted Entitlement means one divided by the Adjusted Entitlement. These adjustments shall take effect on the same day that the Entitlement is adjusted.

- (c) *Share Splits or Consolidations.* If and whenever the Company shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a “**Subdivision**”) or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a “**Consolidation**”), the Entitlement in effect immediately prior thereto will be increased (in the case of a Subdivision) or decreased (in the case of a Consolidation) accordingly (the adjusted Entitlement is called “**Adjusted Entitlement**”) in each case on the day on which the relevant Subdivision or Consolidation shall have taken effect. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) and any Periodic Reference Price(s) which has or have been determined, by the reciprocal of the Adjusted Entitlement where in each case the reciprocal of the Adjusted Entitlement means one divided by the Adjusted Entitlement. These adjustments to the Exercise Price shall take effect on the same day that the Entitlement is adjusted.
- (d) *Merger or Consolidation.* If it is announced that the Company is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of any corporation or controlled by any person or corporation) (except where the Company is the surviving corporation in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the Warrants may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “**Restructuring Event**”) (as determined by the Issuer in its absolute discretion).

The rights attaching to the Warrants after the adjustment shall, after such Restructuring Event, relate to the number of shares of the corporation(s) resulting from or surviving such Restructuring Event or other securities (“**Substituted Securities**”) and/or cash offered in substitution for the affected Shares, as the case may be, to which the holder of such number of Shares to which the Warrants related immediately before such Restructuring Event would have been entitled upon such Restructuring Event. Thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in Hong Kong dollars equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected.

For the avoidance of doubt, any remaining Shares shall not be affected by this paragraph (d) and, where cash is offered in substitution for Shares or is deemed to replace Substituted Securities as described above, references in these Conditions to the Shares shall include any such cash.

- (e) *Other Adjustments.* Except as provided in this Condition 6 and Condition 13, adjustments will not be made in any other circumstances, subject to the right reserved by the Issuer (such right to be exercised in the Issuer’s sole and unfettered discretion and without any obligation whatsoever) to make such adjustments as it believes appropriate in circumstances where an event or events occur which it believes in its sole discretion and notwithstanding any prior adjustment made pursuant to the above should, in the context of the issue of the Warrants and the obligations of the Issuer, give rise to such adjustment provided that such adjustment is considered by the Issuer

not to be materially prejudicial to the Warranholders generally (without considering the circumstances of any individual Warranholder or the tax or other consequences of such adjustment in any particular jurisdiction).

- (f) *Notice of Adjustments.* All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Warranholders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with Condition 10.

7. Purchases

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

8. Global Certificate

The Warrants are represented by the Global Certificate registered in the name of HKSCC Nominees Limited and deposited with CCASS in accordance with the CCASS Rules. Warranholders will not be entitled to definitive certificates in respect of any Warrants issued or transferred to them.

9. Meetings of Warranholders; Modification

- (a) *Meetings of Warranholders.* The Registrar's Agreement contains provisions for the convening of meetings of the Warranholders to consider any matter affecting their interest, including sanctioning by Extraordinary Resolution (as defined in the Registrar's Agreement) of a modification of the provisions of the Warrants or of the Global Certificate.

Any resolution to be passed in a meeting of the Warranholders shall be decided by poll. Such a meeting may be convened by the Issuer or by Warranholders holding not less than 10 per cent. of the Warrants for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Warranholders whatever the number of Warrants so held or represented.

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

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

Resolutions can be passed in writing without a meeting of the Warranholders being held if passed unanimously.

- (b) *Modification.* The Issuer may, without the consent of the Warranholders, effect (i) any modification of the provisions of the Warrants or the Global Certificate which is not materially prejudicial to the interests of the Warranholders or (ii) any modification of the provisions of the Warrants or the Global Certificate (A) which is of a formal, minor or technical nature, (B) which is made to correct an obvious error or (C) which is necessary in order to comply with mandatory provisions of the laws of Hong Kong. Any

such modification shall be binding on the Warrantheolders and shall be notified to them by the Registrar before the effective date or as soon as practicable thereafter in accordance with Condition 10.

10. Notices

- (a) All documents required or permitted by these Conditions to be sent to a Warrantheolder or to which a Warrantheolder is entitled or which the Issuer shall have agreed to deliver to a Warrantheolder may be delivered by hand or sent by post addressed to the Warrantheolder to the Warrantheolder's address (or, in the case of joint Warrantheolders, to the address of the first-named Warrantheolder) appearing in the register kept by the Registrar, and airmail post shall be used if such address is not in Hong Kong. All documents delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of the relevant Warrantheolder.
- (b) All notices to Warrantheolders will be validly given if published in English and in Chinese on the website of Hong Kong Exchanges and Clearing Limited. Such notices shall be deemed to have been given on the date of the first such publication. If publication is not practicable, notice will be given in such other manner as the Issuer may determine. In addition, copies of the notices will be sent on the same date by mail to the holders of Warrants at their addresses appearing in the register of Warrantheolders kept by the Registrar.

11. Liquidation

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator, receiver or administrator or analogous person under Hong Kong law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised Warrants will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

12. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Warrantheolders, to create and issue further warrants so as to form a single series with the Warrants.

13. Delisting

- (a) If at any time the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments to the rights attaching to the Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Warrantheolders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Warrantheolder or the tax or other consequences that may result in any particular jurisdiction).
- (b) Without prejudice to the generality of Condition 13(a), where the Shares are, or, upon the delisting, become, listed on any other stock exchange, these Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Warrantheolders, make such adjustments to the

entitlements of Warrantheolders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into Hong Kong currency) as may be appropriate in the circumstances.

- (c) The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Warrantheolders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Warrantheolders in accordance with Condition 10 as soon as practicable after they are determined.

14. Governing Law

The Warrants, the Guarantee, the Global Certificate and the Registrar's Agreement will be governed by and construed in accordance with the laws of the Hong Kong Special Administrative Region of the People's Republic of China ("**Hong Kong**"). The Issuer, the Guarantor and each Warrantheolder (by its purchase of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants, the Guarantee, the Global Certificate and the Registrar's Agreement to the non-exclusive jurisdiction of the courts of Hong Kong.

15. Language

In the event of any inconsistency between the Chinese translation of these Conditions and the English version of these Conditions, the English version of these Conditions shall prevail.

Registrar, Warrant Agent and Transfer Office

Calyon, Hong Kong Branch
26/F, 27/F, 29/F and 30/F
Two Pacific Place
88 Queensway
Hong Kong

PART G – TERMS AND CONDITIONS OF THE LOCKED-IN RETURN CALL WARRANTS (CASH SETTLED)

The relevant Conditions will, together with the supplemental provisions contained in the relevant Supplemental Listing Document and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Supplemental Listing Document in relation to the issue of any series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with the relevant Conditions, replace or modify the relevant Conditions for the purpose of such series of Warrants. Capitalised terms used in the relevant Conditions and not otherwise defined therein shall have the meaning given to them in the relevant Supplemental Listing Document.

1. Form, Status, Transfer and Title

- (a) *Form.* The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 12) relating to the Shares of the Company are issued in registered form subject to and with the benefit of a global certificate by way of deed poll (the “**Global Certificate**”) dated the Issue Date made by Calyon Financial Products (Guernsey) Limited (the “**Issuer**”), a deed poll guarantee (the “**Guarantee**”) dated 5 June 2008 made by Calyon (the “**Guarantor**”) and a base registrar’s and warrant agency agreement dated 29 July 2004 made between, inter alia, the Issuer and the Guarantor and a letter agreement dated 17 September 2007 made between the Issuer and Calyon, Hong Kong Branch as registrar and warrant agent for the Warrants (the “**Registrar**” and “**Warrant Agent**” respectively, which expressions shall include any successors) (as amended, varied or supplemented from time to time or any successor document, the “**Registrar’s Agreement**”) as supplemented by a Confirmation (as defined in the Registrar’s Agreement) relating to the Warrants. Copies of the Global Certificate, the Guarantee and the Registrar’s Agreement are available for inspection at the specified office of the Registrar (the “**Transfer Office**”). The initial Transfer Office is set out below. The Warrantholders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Global Certificate and the Registrar’s Agreement.
- (b) *Status.* The Warrants represent general, unsecured, contractual obligations of the Issuer and of no other person and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations of the Issuer. The obligations of the Guarantor under the Guarantee represent general, unsecured, contractual obligations of the Guarantor and of no other person and rank *pari passu* (save for certain obligations required to be preferred by law) with all other unsecured obligations of the Guarantor.
- (c) *Transfer.* Transfers of beneficial interests in the Warrants may be effected only in Board Lots or integral multiples thereof in CCASS (as defined below) in accordance with the CCASS Rules (as defined below).
- (d) *Title.* Each person who is for the time being shown in the register kept by the Registrar as entitled to a particular number of Warrants shall be treated by the Issuer, the Guarantor and the Registrar as the absolute owner and holder of such number of Warrants. The expression “**Warrantholder**” shall be construed accordingly.

2. Warrant Rights and Exercise Expenses

- (a) *Warrant Rights*. Every Exercise Amount gives each Warrantholder, upon due exercise and compliance with Condition 4, the right to receive the payment of the Cash Settlement Amount (as defined below), if any.
- (b) *Exercise Expenses*. On exercise of the Warrants, Warrantholders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses (as defined below) in accordance with Condition 4.
- (c) *Definitions*. For the purposes of these Conditions:

“Business Day” means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong (as defined below) and banks are open for business in Hong Kong;

“Cash Settlement Amount” means, in respect of every Exercise Amount, an amount in Hong Kong dollars calculated by the Issuer as equal to (1) the sum of the Periodic Cash Settlement Amounts divided by the number of Periodic Fixing Dates (as defined in the relevant supplemental listing document) less (2) the Exercise Expenses;

“CCASS” means the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited;

“CCASS Rules” means the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time;

“Closing Price” means the arithmetic mean of the closing price of the Shares (as derived from the Daily Quotation Sheet of the Stock Exchange, subject to any adjustments to such closing prices as may be necessary to reflect any capitalisation, rights issue, distribution or the like) for each Valuation Date;

“Exercise Expenses” means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the Warrants;

“Expiry Date” means the Expiry Date specified in the relevant supplemental listing document or if the Expiry Date is not a Business Day the immediately preceding Business Day;

“Market Disruption Event” means (1) the occurrence or existence on any Valuation Date during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in (a) the Shares; or (b) any options or futures contracts relating to the Shares if, in any such case, that suspension or limitation is, in the determination of the Issuer, material; (2) the hoisting of the tropical cyclone warning signal number 8 or above or the hoisting of a “BLACK” rainstorm signal which either results in the Stock Exchange being closed for dealings for an entire day or results in the Stock Exchange being closed prior to its regular time for close of trading on any day PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening later than its regular time for open of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been hoisted; or (3) a limitation or closure of the Stock Exchange due to any unforeseen circumstances;

“Periodic Cash Settlement Amount” means, in respect of every Exercise Amount and in respect of each Periodic Fixing Date, an amount in Hong Kong dollars calculated by the Issuer as equal to the greater of (1) zero and (2) the Entitlement (subject to adjustment as provided in Condition 6) in respect of such Periodic Fixing Date multiplied by (i) the arithmetic mean of the closing price of the Shares (as derived from the Daily Quotation Sheet of the Stock Exchange, subject to any adjustments to such closing prices as may be necessary to reflect any capitalisation, rights issue, distribution or the like) for each Valuation Date less (ii) the Exercise Price (subject to adjustment as provided in Condition 6); for the avoidance of doubt, in respect of any Periodic Fixing Date, any adjustment under Condition 6 which takes effect after such Periodic Fixing Date shall not affect the calculation of the Periodic Cash Settlement Amount in respect of such Periodic Fixing Date in any way;

“Settlement Disruption Event” means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the relevant bank account designated by the relevant Warrantheolders (**“Designated Bank Account”**);

“Stock Exchange” means The Stock Exchange of Hong Kong Limited; and

“Valuation Date” means, with respect to the exercise of Warrants and each Periodic Fixing Date, and subject as provided below in relation to a Market Disruption Event, each of the five Business Days immediately preceding such Periodic Fixing Date.

3. Exercise of Warrants, Automatic Exercise and Expiry

- (a) *Exercise of Warrants.* The Warrants are exercisable only on the Expiry Date.
- (b) *Automatic Exercise.* Any Warrant will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Warrantheolders). The Warrantheolders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Warrantheolders the Cash Settlement Amount (if any) in accordance with Condition 4(d).
- (c) *Expiry.* Any Warrant which has not been automatically exercised in accordance with Condition 3(b) shall expire immediately without value thereafter and all rights of the Warrantheolder and obligations of the Issuer with respect to such Warrant shall cease.

4. Exercise of Warrants

- (a) Warrants may only be exercised in a Board Lot or integral multiples thereof.
- (b) *No requirement to deliver an exercise notice.* The Warrantheolders will not be required to deliver an exercise notice for any purpose in relation to the Warrants.
- (c) *Cancellation.* The Issuer will procure that the Registrar will, with effect from the first Business Day following the Expiry Date, remove from its register the name of the person in respect of the Warrants which (i) are the subject of an exercise pursuant to automatic exercise in accordance with these Conditions; or (ii) have expired worthless, and thereby cancel the relevant Warrants.
- (d) *Cash Settlement.* Subject to automatic exercise of Warrants in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Warrantheolder equal to the Cash Settlement Amount.

The Cash Settlement Amount shall be despatched not later than three Business Days following the Expiry Date (the “**Settlement Date**”) by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event.

If the Issuer determines, in its sole discretion, that on any Valuation Date a Market Disruption Event has occurred, then that Valuation Date shall be postponed until the first succeeding Business Day on which there was no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a day that already is or is deemed to be a Valuation Date, provided that if the postponement of a Valuation Date as aforesaid would result in a Valuation Date falling on or after a Periodic Fixing Date then (i) the Business Day immediately preceding such Periodic Fixing Date (the “**Last Valuation Date**”) shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and (ii) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of such price that would have prevailed on the Last Valuation Date but for the Market Disruption Event. For the avoidance of doubt, in the event that a Valuation Date is postponed due to the occurrence of a Market Disruption Event, the closing price of the Shares for such postponed Valuation Date will be the closing price of the Shares on the first succeeding Business Day. Accordingly, the closing price of a Valuation Date may be used more than once in calculating the Closing Price for the determination of each Periodic Cash Settlement Amount, so that in no event shall there be less than five closing prices to determine the Closing Price.

5. Registrar

- (a) The initial Registrar and the Transfer Office, are set out below. The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Registrar and to appoint another Registrar provided that it will at all times maintain a Registrar which, so long as the Warrants are listed on the Stock Exchange, shall be in Hong Kong. Notice of any such termination or appointment and of any change in the Transfer Office or the specified office of the Registrar will be given to the Warrantholders in accordance with Condition 10.
- (b) The Registrar will be acting as agent of the Issuer in respect of any Warrants and will not assume any obligation or duty to or any relationship of agency or trust for the Warrantholders.

6. Adjustments

- (a) *Rights Issues*. If and whenever the Company shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a “**Rights Offer**”), the Entitlement will be adjusted to take effect on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = \frac{1 + M}{1 + (R/S) \times M} \times E$$

Where:

- E: Existing Entitlement immediately prior to the Rights Offer
- S: Cum-Rights Share price determined by the closing price on the Stock Exchange on the last Business Day on which Shares are traded on a cum-Rights basis
- R: Subscription price per Share as specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Right
- M: Number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. This adjustment shall take effect on the same day that the Entitlement is adjusted.

For the purposes of these Conditions:

“Rights” means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

- (b) *Bonus Issues*. If and whenever the Company shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the Company or otherwise in lieu of a cash dividend and without any payment or other consideration being made or given by such holders) (a **“Bonus Issue”**) the Entitlement will be increased on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = (1 + N) \times E$$

Where:

- E: Existing Entitlement immediately prior to the Bonus Issue
- N: Number of additional Shares (whether a whole or a fraction) received by a holder of existing Shares for each Share held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. This adjustment shall take effect on the same day that the Entitlement is adjusted.

- (c) *Share Splits or Consolidations.* If and whenever the Company shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a “**Subdivision**”) or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a “**Consolidation**”), the Entitlement in effect immediately prior thereto will be increased (in the case of a Subdivision) or decreased (in the case of a Consolidation) accordingly (the adjusted Entitlement is called “**Adjusted Entitlement**”) in each case on the day on which the relevant Subdivision or Consolidation shall have taken effect. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. The adjustment to the Exercise Price shall take effect on the same day that the Entitlement is adjusted.
- (d) *Merger or Consolidation.* If it is announced that the Company is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of any corporation or controlled by any person or corporation) (except where the Company is the surviving corporation in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the Warrants may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “**Restructuring Event**”) (as determined by the Issuer in its absolute discretion).

The rights attaching to the Warrants after the adjustment shall, after such Restructuring Event, relate to the number of shares of the corporation(s) resulting from or surviving such Restructuring Event or other securities (“**Substituted Securities**”) and/or cash offered in substitution for the affected Shares, as the case may be, to which the holder of such number of Shares to which the Warrants related immediately before such Restructuring Event would have been entitled upon such Restructuring Event.

Thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in Hong Kong dollars equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected.

For the avoidance of doubt, any remaining Shares shall not be affected by this paragraph (d) and, where cash is offered in substitution for Shares or is deemed to replace Substituted Securities as described above, references in these Conditions to the Shares shall include any such cash.

- (e) *Other Adjustments.* Except as provided in this Condition 6 and Condition 13, adjustments will not be made in any other circumstances, subject to the right reserved by the Issuer (such right to be exercised in the Issuer’s sole and unfettered discretion and without any obligation whatsoever) to make such adjustments as it believes appropriate in circumstances where an event or events occur which it believes in its sole discretion and notwithstanding any prior adjustment made pursuant to the above should, in the context of the issue of the Warrants and the obligations of the Issuer, give rise to such adjustment provided that such adjustment is considered by the Issuer not to be materially prejudicial to the Warrantholders generally (without considering the circumstances of any individual Warrantholder or the tax or other consequences of such adjustment in any particular jurisdiction).

- (f) *Notice of Adjustments.* All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Warranholders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with Condition 10.

7. Purchases

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

8. Global Certificate

The Warrants are represented by the Global Certificate registered in the name of HKSCC Nominees Limited and deposited with CCASS in accordance with the CCASS Rules. Warranholders will not be entitled to definitive certificates in respect of any Warrants issued or transferred to them.

9. Meetings of Warranholders; Modification

- (a) *Meetings of Warranholders.* The Registrar's Agreement contains provisions for the convening of meetings of the Warranholders to consider any matter affecting their interest, including sanctioning by Extraordinary Resolution (as defined in the Registrar's Agreement) of a modification of the provisions of the Warrants or of the Global Certificate.

Any resolution to be passed in a meeting of the Warranholders shall be decided by poll. Such a meeting may be convened by the Issuer or by Warranholders holding not less than 10 per cent. of the Warrants for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Warranholders whatever the number of Warrants so held or represented.

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

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

Resolutions can be passed in writing without a meeting of the Warranholders being held if passed unanimously.

- (b) *Modification.* The Issuer may, without the consent of the Warranholders, effect (i) any modification of the provisions of the Warrants or the Global Certificate which is not materially prejudicial to the interests of the Warranholders or (ii) any modification of the provisions of the Warrants or the Global Certificate (A) which is of a formal, minor or technical nature, (B) which is made to correct an obvious error or (C) which is necessary in order to comply with mandatory provisions of the laws of Hong Kong. Any such modification shall be binding on the Warranholders and shall be notified to them by the Registrar before the effective date or as soon as practicable thereafter in accordance with Condition 10.

10. Notices

- (a) All documents required or permitted by these Conditions to be sent to a Warrantholder or to which a Warrantholder is entitled or which the Issuer shall have agreed to deliver to a Warrantholder may be delivered by hand or sent by post addressed to the Warrantholder to the Warrantholder's address (or, in the case of joint Warrantholders, to the address of the first-named Warrantholder) appearing in the register kept by the Registrar, and airmail post shall be used if such address is not in Hong Kong. All documents delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of the relevant Warrantholder.
- (b) All notices to Warrantholders will be validly given if published in English and in Chinese on the website of Hong Kong Exchanges and Clearing Limited. Such notices shall be deemed to have been given on the date of the first such publication. If publication is not practicable, notice will be given in such other manner as the Issuer may determine. In addition, copies of the notices will be sent on the same date by mail to the holders of Warrants at their addresses appearing in the register of Warrantholders kept by the Registrar.

11. Liquidation

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator, receiver or administrator or analogous person under Hong Kong law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised Warrants will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

12. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Warrantholders, to create and issue further warrants so as to form a single series with the Warrants.

13. Delisting

- (a) If at any time the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments to the rights attaching to the Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Warrantholders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Warrantholder or the tax or other consequences that may result in any particular jurisdiction).
- (b) Without prejudice to the generality of Condition 13(a), where the Shares are, or, upon the delisting, become, listed on any other stock exchange, these Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Warrantholders, make such adjustments to the entitlements of Warrantholders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into Hong Kong currency) as may be appropriate in the circumstances.

- (c) The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Warrantheolders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Warrantheolders in accordance with Condition 10 as soon as practicable after they are determined.

14. Governing Law

The Warrants, the Guarantee, the Global Certificate and the Registrar's Agreement will be governed by and construed in accordance with the laws of the Hong Kong Special Administrative Region of the People's Republic of China ("**Hong Kong**"). The Issuer, the Guarantor and each Warrantheolder (by its purchase of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants, the Guarantee, the Global Certificate and the Registrar's Agreement to the non-exclusive jurisdiction of the courts of Hong Kong.

15. Language

In the event of any inconsistency between the Chinese translation of these Conditions and the English version of these Conditions, the English version of these Conditions shall prevail.

Registrar, Warrant Agent and Transfer Office

Calyon, Hong Kong Branch
26/F, 27/F, 29/F and 30/F
Two Pacific Place
88 Queensway
Hong Kong

PART H – TERMS AND CONDITIONS OF THE LOCKED-IN RETURN PUT WARRANTS (CASH SETTLED)

The relevant Conditions will, together with the supplemental provisions contained in the relevant Supplemental Listing Document and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Supplemental Listing Document in relation to the issue of any series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with the relevant Conditions, replace or modify the relevant Conditions for the purpose of such series of Warrants. Capitalised terms used in the relevant Conditions and not otherwise defined therein shall have the meaning given to them in the relevant Supplemental Listing Document.

1. Form, Status, Transfer and Title

- (a) *Form.* The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 12) relating to the Shares of the Company are issued in registered form subject to and with the benefit of a global certificate by way of deed poll (the “**Global Certificate**”) dated the Issue Date made by Calyon Financial Products (Guernsey) Limited (the “**Issuer**”), a deed poll guarantee (the “**Guarantee**”) dated 5 June 2008 made by Calyon (the “**Guarantor**”) and a base registrar’s and warrant agency agreement dated 29 July 2004 made between, inter alia, the Issuer and the Guarantor and a letter agreement dated 17 September 2007 made between the Issuer and Calyon, Hong Kong Branch as registrar and warrant agent for the Warrants (the “**Registrar**” and “**Warrant Agent**” respectively, which expressions shall include any successors) (as amended, varied or supplemented from time to time or any successor document, the “**Registrar’s Agreement**”) as supplemented by a Confirmation (as defined in the Registrar’s Agreement) relating to the Warrants. Copies of the Global Certificate, the Guarantee and the Registrar’s Agreement are available for inspection at the specified office of the Registrar (the “**Transfer Office**”). The initial Transfer Office is set out below. The Warrantholders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Global Certificate and the Registrar’s Agreement.
- (b) *Status.* The Warrants represent general, unsecured, contractual obligations of the Issuer and of no other person and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations of the Issuer. The obligations of the Guarantor under the Guarantee represent general, unsecured, contractual obligations of the Guarantor and of no other person and rank *pari passu* (save for certain obligations required to be preferred by law) with all other unsecured obligations of the Guarantor.
- (c) *Transfer.* Transfers of beneficial interests in the Warrants may be effected only in Board Lots or integral multiples thereof in CCASS (as defined below) in accordance with the CCASS Rules (as defined below).
- (d) *Title.* Each person who is for the time being shown in the register kept by the Registrar as entitled to a particular number of Warrants shall be treated by the Issuer, the Guarantor and the Registrar as the absolute owner and holder of such number of Warrants. The expression “**Warrantholder**” shall be construed accordingly.

2. Warrant Rights and Exercise Expenses

- (a) *Warrant Rights.* Every Exercise Amount gives each Warrantholder, upon due exercise and compliance with Condition 4, the right to receive the payment of the Cash Settlement Amount (as defined below), if any.
- (b) *Exercise Expenses.* On exercise of the Warrants, Warrantholders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses (as defined below) in accordance with Condition 4.
- (c) *Definitions.* For the purposes of these Conditions:

“Business Day” means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong (as defined below) and banks are open for business in Hong Kong;

“Cash Settlement Amount” means, in respect of every Exercise Amount, an amount in Hong Kong dollars calculated by the Issuer as equal to (1) the sum of the Periodic Cash Settlement Amounts divided by the number of Periodic Fixing Dates (as defined in the relevant supplemental listing document) less (2) the Exercise Expenses;

“CCASS” means the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited;

“CCASS Rules” means the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time;

“Closing Price” means the arithmetic mean of the closing price of the Shares (as derived from the Daily Quotation Sheet of the Stock Exchange, subject to any adjustments to such closing prices as may be necessary to reflect any capitalisation, rights issue, distribution or the like) for each Valuation Date;

“Exercise Expenses” means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the Warrants;

“Expiry Date” means the Expiry Date specified in the relevant supplemental listing document or if the Expiry Date is not a Business Day the immediately preceding Business Day;

“Market Disruption Event” means (1) the occurrence or existence on any Valuation Date during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in (a) the Shares; or (b) any options or futures contracts relating to the Shares if, in any such case, that suspension or limitation is, in the determination of the Issuer, material; (2) the hoisting of the tropical cyclone warning signal number 8 or above or the hoisting of a “BLACK” rainstorm signal which either results in the Stock Exchange being closed for dealings for an entire day or results in the Stock Exchange being closed prior to its regular time for close of trading on any day PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening later than its regular time for open of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been hoisted; or (3) a limitation or closure of the Stock Exchange due to any unforeseen circumstances;

“Periodic Cash Settlement Amount” means, in respect of every Exercise Amount and in respect of each Periodic Fixing Date, an amount in Hong Kong dollars calculated by the Issuer as equal to the greater of (1) zero and (2) the Entitlement (subject to adjustment as provided in Condition 6) in respect of such Periodic Fixing Date multiplied by (i) the Exercise Price (subject to adjustment as provided in Condition 6) less (ii) the arithmetic mean of the closing price of the Shares (as derived from the Daily Quotation Sheet of the Stock Exchange, subject to any adjustments to such closing prices as may be necessary to reflect any capitalisation, rights issue, distribution or the like) for each Valuation Date; for the avoidance of doubt, in respect of any Periodic Fixing Date, any adjustment under Condition 6 which takes effect after such Periodic Fixing Date shall not affect the calculation of the Periodic Cash Settlement Amount in respect of such Periodic Fixing Date in any way;

“Settlement Disruption Event” means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the relevant bank account designated by the relevant Warrantheolders (**“Designated Bank Account”**);

“Stock Exchange” means The Stock Exchange of Hong Kong Limited; and

“Valuation Date” means, with respect to the exercise of Warrants and each Periodic Fixing Date, and subject as provided below in relation to a Market Disruption Event, each of the five Business Days immediately preceding such Periodic Fixing Date.

3. Exercise of Warrants, Automatic Exercise and Expiry

- (a) *Exercise of Warrants.* The Warrants are exercisable only on the Expiry Date.
- (b) *Automatic Exercise.* Any Warrant will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Warrantheolders). The Warrantheolders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Warrantheolders the Cash Settlement Amount (if any) in accordance with Condition 4(d).
- (c) *Expiry.* Any Warrant which has not been automatically exercised in accordance with Condition 3(b) shall expire immediately without value thereafter and all rights of the Warrantheolder and obligations of the Issuer with respect to such Warrant shall cease.

4. Exercise of Warrants

- (a) Warrants may only be exercised in a Board Lot or integral multiples thereof.
- (b) *No requirement to deliver an exercise notice.* The Warrantheolders will not be required to deliver an exercise notice for any purpose in relation to the Warrants.
- (c) *Cancellation.* The Issuer will procure that the Registrar will, with effect from the first Business Day following the Expiry Date, remove from its register the name of the person in respect of the Warrants which (i) are the subject of an exercise pursuant to automatic exercise in accordance with these Conditions; or (ii) have expired worthless, and thereby cancel the relevant Warrants.
- (d) *Cash Settlement.* Subject to automatic exercise of Warrants in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Warrantheolder equal to the Cash Settlement Amount.

The Cash Settlement Amount shall be despatched not later than three Business Days following the Expiry Date (the “**Settlement Date**”) by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event.

If the Issuer determines, in its sole discretion, that on any Valuation Date a Market Disruption Event has occurred, then that Valuation Date shall be postponed until the first succeeding Business Day on which there was no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a day that already is or is deemed to be a Valuation Date, provided that if the postponement of a Valuation Date as aforesaid would result in a Valuation Date falling on or after a Periodic Fixing Date then (i) the Business Day immediately preceding such Periodic Fixing Date (the “**Last Valuation Date**”) shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and (ii) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of such price that would have prevailed on the Last Valuation Date but for the Market Disruption Event. For the avoidance of doubt, in the event that a Valuation Date is postponed due to the occurrence of a Market Disruption Event, the closing price of the Shares for such postponed Valuation Date will be the closing price of the Shares on the first succeeding Business Day. Accordingly, the closing price of a Valuation Date may be used more than once in calculating the Closing Price for the determination of each Periodic Cash Settlement Amount, so that in no event shall there be less than five closing prices to determine the Closing Price.

5. Registrar

- (a) The initial Registrar and the Transfer Office, are set out below. The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Registrar and to appoint another Registrar provided that it will at all times maintain a Registrar which, so long as the Warrants are listed on the Stock Exchange, shall be in Hong Kong. Notice of any such termination or appointment and of any change in the Transfer Office or the specified office of the Registrar will be given to the Warrantholders in accordance with Condition 10.
- (b) The Registrar will be acting as agent of the Issuer in respect of any Warrants and will not assume any obligation or duty to or any relationship of agency or trust for the Warrantholders.

6. Adjustments

- (a) *Rights Issues*. If and whenever the Company shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a “**Rights Offer**”), the Entitlement will be adjusted to take effect on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = \frac{1 + M}{1 + (R/S) \times M} \times E$$

Where:

- E: Existing Entitlement immediately prior to the Rights Offer
- S: Cum-Rights Share price determined by the closing price on the Stock Exchange on the last Business Day on which Shares are traded on a cum-Rights basis
- R: Subscription price per Share as specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Right
- M: Number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. This adjustment shall take effect on the same day that the Entitlement is adjusted.

For the purposes of these Conditions:

“Rights” means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

- (b) *Bonus Issues*. If and whenever the Company shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the Company or otherwise in lieu of a cash dividend and without any payment or other consideration being made or given by such holders) (a **“Bonus Issue”**) the Entitlement will be increased on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = (1 + N) \times E$$

Where:

- E: Existing Entitlement immediately prior to the Bonus Issue
- N: Number of additional Shares (whether a whole or a fraction) received by a holder of existing Shares for each Share held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. This adjustment shall take effect on the same day that the Entitlement is adjusted.

- (c) *Share Splits or Consolidations.* If and whenever the Company shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a “**Subdivision**”) or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a “**Consolidation**”), the Entitlement in effect immediately prior thereto will be increased (in the case of a Subdivision) or decreased (in the case of a Consolidation) accordingly (the adjusted Entitlement is called “**Adjusted Entitlement**”) in each case on the day on which the relevant Subdivision or Consolidation shall have taken effect. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. The adjustment to the Exercise Price shall take effect on the same day that the Entitlement is adjusted.
- (d) *Merger or Consolidation.* If it is announced that the Company is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of any corporation or controlled by any person or corporation) (except where the Company is the surviving corporation in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the Warrants may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “**Restructuring Event**”) (as determined by the Issuer in its absolute discretion).

The rights attaching to the Warrants after the adjustment shall, after such Restructuring Event, relate to the number of shares of the corporation(s) resulting from or surviving such Restructuring Event or other securities (“**Substituted Securities**”) and/or cash offered in substitution for the affected Shares, as the case may be, to which the holder of such number of Shares to which the Warrants related immediately before such Restructuring Event would have been entitled upon such Restructuring Event.

Thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in Hong Kong dollars equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected.

For the avoidance of doubt, any remaining Shares shall not be affected by this paragraph (d) and, where cash is offered in substitution for Shares or is deemed to replace Substituted Securities as described above, references in these Conditions to the Shares shall include any such cash.

- (e) *Other Adjustments.* Except as provided in this Condition 6 and Condition 13, adjustments will not be made in any other circumstances, subject to the right reserved by the Issuer (such right to be exercised in the Issuer’s sole and unfettered discretion and without any obligation whatsoever) to make such adjustments as it believes appropriate in circumstances where an event or events occur which it believes in its sole discretion and notwithstanding any prior adjustment made pursuant to the above should, in the context of the issue of the Warrants and the obligations of the Issuer, give rise to such adjustment provided that such adjustment is considered by the Issuer not to be materially prejudicial to the Warrantholders generally (without considering the circumstances of any individual Warrantholder or the tax or other consequences of such adjustment in any particular jurisdiction).

- (f) *Notice of Adjustments.* All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Warrantheolders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with Condition 10.

7. Purchases

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

8. Global Certificate

The Warrants are represented by the Global Certificate registered in the name of HKSCC Nominees Limited and deposited with CCASS in accordance with the CCASS Rules. Warrantheolders will not be entitled to definitive certificates in respect of any Warrants issued or transferred to them.

9. Meetings of Warrantheolders; Modification

- (a) *Meetings of Warrantheolders.* The Registrar's Agreement contains provisions for the convening of meetings of the Warrantheolders to consider any matter affecting their interest, including sanctioning by Extraordinary Resolution (as defined in the Registrar's Agreement) of a modification of the provisions of the Warrants or of the Global Certificate.

Any resolution to be passed in a meeting of the Warrantheolders shall be decided by poll. Such a meeting may be convened by the Issuer or by Warrantheolders holding not less than 10 per cent. of the Warrants for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Warrantheolders whatever the number of Warrants so held or represented.

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

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

Resolutions can be passed in writing without a meeting of the Warrantheolders being held if passed unanimously.

- (b) *Modification.* The Issuer may, without the consent of the Warrantheolders, effect (i) any modification of the provisions of the Warrants or the Global Certificate which is not materially prejudicial to the interests of the Warrantheolders or (ii) any modification of the provisions of the Warrants or the Global Certificate (A) which is of a formal, minor or technical nature, (B) which is made to correct an obvious error or (C) which is necessary in order to comply with mandatory provisions of the laws of Hong Kong. Any such modification shall be binding on the Warrantheolders and shall be notified to them by the Registrar before the effective date or as soon as practicable thereafter in accordance with Condition 10.

10. Notices

- (a) All documents required or permitted by these Conditions to be sent to a Warrantholder or to which a Warrantholder is entitled or which the Issuer shall have agreed to deliver to a Warrantholder may be delivered by hand or sent by post addressed to the Warrantholder to the Warrantholder's address (or, in the case of joint Warrantholders, to the address of the first-named Warrantholder) appearing in the register kept by the Registrar, and airmail post shall be used if such address is not in Hong Kong. All documents delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of the relevant Warrantholder.
- (b) All notices to Warrantholders will be validly given if published in English and in Chinese on the website of Hong Kong Exchanges and Clearing Limited. Such notices shall be deemed to have been given on the date of the first such publication. If publication is not practicable, notice will be given in such other manner as the Issuer may determine. In addition, copies of the notices will be sent on the same date by mail to the holders of Warrants at their addresses appearing in the register of Warrantholders kept by the Registrar.

11. Liquidation

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator, receiver or administrator or analogous person under Hong Kong law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised Warrants will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

12. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Warrantholders, to create and issue further warrants so as to form a single series with the Warrants.

13. Delisting

- (a) If at any time the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments to the rights attaching to the Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Warrantholders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Warrantholder or the tax or other consequences that may result in any particular jurisdiction).
- (b) Without prejudice to the generality of Condition 13(a), where the Shares are, or, upon the delisting, become, listed on any other stock exchange, these Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Warrantholders, make such adjustments to the entitlements of Warrantholders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into Hong Kong currency) as may be appropriate in the circumstances.

- (c) The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Warrantheolders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Warrantheolders in accordance with Condition 10 as soon as practicable after they are determined.

14. Governing Law

The Warrants, the Guarantee, the Global Certificate and the Registrar's Agreement will be governed by and construed in accordance with the laws of the Hong Kong Special Administrative Region of the People's Republic of China ("**Hong Kong**"). The Issuer, the Guarantor and each Warrantheolder (by its purchase of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants, the Guarantee, the Global Certificate and the Registrar's Agreement to the non-exclusive jurisdiction of the courts of Hong Kong.

15. Language

In the event of any inconsistency between the Chinese translation of these Conditions and the English version of these Conditions, the English version of these Conditions shall prevail.

Registrar, Warrant Agent and Transfer Office

Calyon, Hong Kong Branch
26/F, 27/F, 29/F and 30/F
Two Pacific Place
88 Queensway
Hong Kong

PART I – TERMS AND CONDITIONS OF THE BASKET CALL WARRANTS (CASH SETTLED)

The relevant Conditions will, together with the supplemental provisions contained in the relevant Supplemental Listing Document and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Supplemental Listing Document in relation to the issue of any series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with the relevant Conditions, replace or modify the relevant Conditions for the purpose of such series of Warrants. Capitalised terms used in the relevant Conditions and not otherwise defined therein shall have the meaning given to them in the relevant Supplemental Listing Document.

1. Form, Status, Transfer and Title

- (a) *Form.* The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 12) relating to the Shares of the Company are issued in registered form subject to and with the benefit of a global certificate by way of deed poll (the “**Global Certificate**”) dated the Issue Date made by Calyon Financial Products (Guernsey) Limited (the “**Issuer**”), a deed poll guarantee (the “**Guarantee**”) dated 5 June 2008 made by Calyon (the “**Guarantor**”) and a base registrar’s and warrant agency agreement dated 29 July 2004 made between, inter alia, the Issuer and the Guarantor and a letter agreement dated 17 September 2007 made between the Issuer and Calyon, Hong Kong Branch as registrar and warrant agent for the Warrants (the “**Registrar**” and “**Warrant Agent**” respectively, which expressions shall include any successors) (as amended, varied or supplemented from time to time or any successor document, the “**Registrar’s Agreement**”) as supplemented by a Confirmation (as defined in the Registrar’s Agreement) relating to the Warrants. Copies of the Global Certificate, the Guarantee and the Registrar’s Agreement are available for inspection at the specified office of the Registrar (the “**Transfer Office**”). The initial Transfer Office is set out below. The Warrantholders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Global Certificate and the Registrar’s Agreement.
- (b) *Status.* The Warrants represent general, unsecured, contractual obligations of the Issuer and of no other person and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations of the Issuer. The obligations of the Guarantor under the Guarantee represent general, unsecured, contractual obligations of the Guarantor and of no other person and rank *pari passu* (save for certain obligations required to be preferred by law) with all other unsecured obligations of the Guarantor.
- (c) *Transfer.* Transfers of beneficial interests in the Warrants may be effected only in Board Lots or integral multiples thereof in CCASS (as defined below) in accordance with the CCASS Rules (as defined below).
- (d) *Title.* Each person who is for the time being shown in the register kept by the Registrar as entitled to a particular number of Warrants shall be treated by the Issuer, the Guarantor and the Registrar as the absolute owner and holder of such number of Warrants. The expression “**Warrantholder**” shall be construed accordingly.

2. Warrant Rights and Exercise Expenses

- (a) *Warrant Rights*. Every Exercise Amount gives each Warrantholder, upon due exercise and compliance with Condition 4(A) or 4(B), as the case may be, the right to receive the payment of the Cash Settlement Amount (as defined below), if any.
- (b) *Exercise Expenses*. On exercise of the Warrants, Warrantholders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses (as defined below) in accordance with Condition 4(A) or 4(B), as the case may be.
- (c) *Definitions*. For the purposes of these Conditions:

“**Business Day**” means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong (as defined below) and banks are open for business in Hong Kong;

“**Cash Settlement Amount**” means, in respect of every Exercise Amount:

- (A) in case of the automatic exercise of Warrants on the Expiry Date in accordance with Condition 3(A)(b) or 3(B)(b), an amount in Hong Kong dollars calculated by the Issuer as equal to (1) the sum of each Basket Component of the Companies that comprise the basket (subject to adjustment as provided in Condition 6) multiplied by the arithmetic mean of the closing price of the relevant Share to which each Basket Component relates (as derived from the Daily Quotation Sheet of the Stock Exchange, subject to any adjustments to such closing prices as may be necessary to reflect any capitalisation, rights issue, distribution or the like) for each Valuation Date less (2) the Exercise Price and the Exercise Expenses; or
- (B) in the case of the exercise of American Style Warrants on any Exercise Date prior to 10:00 a.m. (Hong Kong time) on the Expiry Date in accordance with Condition 3(A)(a), an amount in Hong Kong dollars calculated by the Issuer as equal to (1) the sum of each Basket Component of the Companies that comprise the basket (subject to adjustment as provided in Condition 6) multiplied by the closing price of the relevant Share to which each Basket Component relates (as derived from the Daily Quotation Sheet of the Stock Exchange, subject to any adjustments to such closing price as may be necessary to reflect any capitalisation, rights issue, distribution or the like) on the Valuation Date less (2) the Exercise Price and the Exercise Expenses;

“**CCASS**” means the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited;

“**CCASS Rules**” means the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time;

“**Exercise Expenses**” means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the Warrants;

“**Expiry Date**” means the Expiry Date specified in the relevant supplemental listing document or if the Expiry Date is not a Business Day the immediately preceding Business Day;

“Market Disruption Event” means (1) the occurrence or existence on any Valuation Date during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in (a) any of the Shares; or (b) any options or futures contracts relating to any of the Shares if, in any such case, that suspension or limitation is, in the determination of the Issuer, material; (2) the hoisting of the tropical cyclone warning signal number 8 or above or the hoisting of a “BLACK” rainstorm signal which either results in the Stock Exchange being closed for dealings for an entire day or results in the Stock Exchange being closed prior to its regular time for close of trading on any day PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening later than its regular time for open of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been hoisted; or (3) a limitation or closure of the Stock Exchange due to any unforeseen circumstances;

“Settlement Disruption Event” means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the relevant bank account designated by the relevant Warrantholders (**“Designated Bank Account”**);

“Stock Exchange” means The Stock Exchange of Hong Kong Limited; and

“Valuation Date” means,

- (A) with respect to the automatic exercise of Warrants on the Expiry Date in accordance with Condition 3(A)(b) or 3(B)(b), each of the five Business Days immediately preceding the Expiry Date, provided that if the Issuer determines, in its sole discretion, that on any Valuation Date a Market Disruption Event has occurred, then that Valuation Date shall be postponed until the first succeeding Business Day on which there was no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a day that already is or is deemed to be a Valuation Date. For the avoidance of doubt, in the event that a Valuation Date is postponed due to the occurrence of a Market Disruption Event, the closing price of the Shares for such postponed Valuation Date will be the closing price of the Shares on the first succeeding Business Day on which there was no Market Disruption Event. Accordingly, the closing price of a Valuation Date may be used more than once in calculating the arithmetic mean of the closing price of one Share for the determination of the Cash Settlement Amount, so that in no event shall there be less than five closing prices to determine the arithmetic mean of the closing price of one Share; or
- (B) with respect to the exercise of American Style Warrants on any Exercise Date prior to 10:00 a.m. (Hong Kong time) on the Expiry Date in accordance with Condition 3(A)(a), the Exercise Date, provided that if the Issuer determines, in its sole discretion, that on such Exercise Date a Market Disruption Event has occurred, then the Valuation Date shall be postponed until the first succeeding Business Day on which there was no Market Disruption Event, provided that if there is a Market Disruption Event on each of the five Business Days immediately following such Exercise Date that, but for the Market Disruption Event, would have been the Valuation Date, then:
 - (i) that fifth Business Day shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event, and

- (ii) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of such price that would have prevailed on that fifth Business Day but for the Market Disruption Event,

provided that if the postponement of a Valuation Date as aforesaid would result in a Valuation Date falling on or after the Expiry Date, then:

- (a) the Business Day immediately preceding the Expiry Date (the “**Last Valuation Date**”) shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and
- (b) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of such price that would have prevailed on the Last Valuation Date but for the Market Disruption Event.

3. Exercise of American Style Warrants and European Style Warrants, Automatic Exercise and Expiry

(A) American Style Warrants

The following provisions of this Condition 3(A) shall apply to Warrants which are expressed to be American Style.

- (a) *Exercise Period.* The Warrants may be exercised by delivery of an Exercise Notice (as defined below), in accordance with Condition 4(A) at any time during the period (the “**Exercise Period**”) beginning at 10:00 a.m. (Hong Kong time) on the Dealing Commencement Date (or, if later, the first day of dealings in the Warrants on the Stock Exchange) and ending at 10:00 a.m. (Hong Kong time) on the Expiry Date.
- (b) *Automatic Exercise.* Any Warrant with respect to which an Exercise Date (as defined below) has not occurred during the Exercise Period will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Warranholders). The Warranholders will not be required to deliver any Exercise Notice and the Issuer or its agent will pay to the Warranholders the Cash Settlement Amount (if any) in accordance with Condition 4(A)(f).
- (c) *Expiry.* Any Warrant with respect to which an Exercise Date (as defined below) has not occurred during the Exercise Period or which has not been automatically exercised in accordance with Condition 3(A)(b) shall expire immediately without value thereafter and all rights of the Warranholder and obligations of the Issuer with respect to such Warrant shall cease.

(B) European Style Warrants

The following provisions of this Condition 3(B) shall apply to Warrants which are expressed to be European Style.

- (a) *Exercise of Warrants.* The Warrants are exercisable only on the Expiry Date.
- (b) *Automatic Exercise.* Any Warrant will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Warranholders). The Warranholders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Warranholders the Cash Settlement Amount (if any) in accordance with Condition 4(B)(d).

- (c) *Expiry.* Any Warrant which has not been automatically exercised in accordance with Condition 3(B)(b) shall expire immediately without value thereafter and all rights of the Warrantheader and obligations of the Issuer with respect to such Warrant shall cease.

4. Exercise of Warrants

(A) *American Style Warrants*

The following provisions of this Condition 4(A) shall apply to Warrants which are expressed to be American Style.

- (a) Warrants may only be exercised in a Board Lot or integral multiples thereof.
- (b) *Delivery of an Exercise Notice.*
 - (i) In order to exercise Warrants, the Warrantheader shall deliver to the Transfer Office a duly completed exercise notice obtainable from the Registrar (an “**Exercise Notice**”), such delivery to be made at any time during the Exercise Period. Warrants may not be exercised at any other time.
 - (ii) The date upon which a Warrant is, or is to be treated as, exercised (an “**Exercise Date**”) shall be the Business Day on which an Exercise Notice is delivered to the Registrar and in respect of which there is a valid exercise of Warrants in accordance with the requirements of these Conditions, provided that any Exercise Notice received by the Registrar after 10:00 a.m. (Hong Kong time) on any Business Day shall be deemed to have been delivered on the next following Business Day.
- (c) *Exercise Notice.* The Exercise Notice shall:
 - (i) specify the name(s) of the Warrantheader(s) and the number of Warrants being exercised;
 - (ii) be accompanied by the Global Certificate in the name(s) of the exercising Warrantheader(s); and
 - (iii) specify the person in whose favour the cheque representing the Cash Settlement Amount should be drawn and the name and address of the bank, broker or other agent to whom the cheque should be sent or, as the case may be, specify the relevant account to which the Cash Settlement Amount should be credited.
- (d) *Consequences of delivery of an Exercise Notice.* Delivery of an Exercise Notice in accordance with Conditions 4(A)(b) and 4(A)(c) shall constitute an irrevocable election and undertaking by the Warrantheader specified in such Exercise Notice to exercise the number of Warrants specified in such Exercise Notice and an irrevocable authorisation to deduct the Exercise Expenses in accordance with the calculation set out in the definition of the Cash Settlement Amount.
- (e) *Cancellation.* The Issuer will procure that the Registrar will, with effect from the first Business Day following the Exercise Date or the Expiry Date, as the case may be, remove from its register the name of the person in respect of the Warrants which (i) are the subject of a valid exercise in accordance with these Conditions pursuant to an Exercise Notice or automatic exercise; or (ii) have expired worthless, and thereby cancel the relevant Warrants.

- (f) *Cash Settlement.* Subject to a valid exercise, or automatic exercise, of Warrants in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Warrantholder (or such other person as the Warrantholder may have directed, if applicable) equal to the Cash Settlement Amount.

The Cash Settlement Amount shall be despatched not later than three Business Days following:

- (i) with respect to the exercise of American Style Warrants on any Exercise Date prior to 10:00 a.m. (Hong Kong time) on the Expiry Date in accordance with Condition 3(A)(a), the Valuation Date; or
- (ii) with respect to the automatic exercise of American Style Warrants on the Expiry Date in accordance with Condition 3(A)(b), the Expiry Date,

(the “**Settlement Date**”) by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event.

(B) *European Style Warrants*

The following provisions of this Condition 4(B) shall apply to Warrants which are expressed to be European Style.

- (a) Warrants may only be exercised in a Board Lot or integral multiples thereof.
- (b) *No requirement to deliver an exercise notice.* The Warrantholders will not be required to deliver an exercise notice for any purpose in relation to the Warrants.
- (c) *Cancellation.* The Issuer will procure that the Registrar will, with effect from the first Business Day following the Expiry Date, remove from its register the name of the person in respect of the Warrants which (i) are the subject of an exercise pursuant to automatic exercise in accordance with these Conditions, or (ii) have expired worthless, and thereby cancel the relevant Warrants.
- (d) *Cash Settlement.* Subject to automatic exercise of Warrants in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Warrantholder equal to the Cash Settlement Amount.

The Cash Settlement Amount shall be despatched not later than three Business Days following the Expiry Date (the “**Settlement Date**”) by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by

crediting the relevant Designated Bank Account of the Warrantholder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event.

5. Registrar

- (a) The initial Registrar and the Transfer Office, are set out below. The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Registrar and to appoint another Registrar provided that it will at all times maintain a Registrar which, so long as the Warrants are listed on the Stock Exchange, shall be in Hong Kong. Notice of any such termination or appointment and of any change in the Transfer Office or the specified office of the Registrar will be given to the Warrantholders in accordance with Condition 10.
- (b) The Registrar will be acting as agent of the Issuer in respect of any Warrants and will not assume any obligation or duty to or any relationship of agency or trust for the Warrantholders.

6. Adjustments

- (a) *Rights Issues.* If and whenever any of the Companies shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a “**Rights Offer**”), the Basket Component that relates to the Share(s) of the Company making the Rights Offer will be adjusted to take effect on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\begin{array}{l} \text{Adjusted Basket Component insofar} \\ \text{as it relates to the Share(s) of the} \\ \text{Company making the Rights Offer} \end{array} = \frac{1 + M}{1 + (R/S) \times M} \times E$$

Where:

- E: Existing Basket Component insofar as it relates to the Share(s) of the Company making the Rights Offer immediately prior to the Rights Offer
- S: Cum-Rights Share price determined by the closing price on the Stock Exchange on the last Business Day on which the Shares (of the Company making the Rights Offer) are traded on a cum-Rights basis
- R: Subscription price per Share (of the Company making the Rights Offer) specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Right
- M: Number of new Share(s) (whether a whole or a fraction) per existing Share (of the Company making the Rights Offer) each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Basket Component being changed by one per cent. or less, then no adjustment will be made to such Basket Component.

For the purposes of these Conditions:

“Rights” means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

- (b) *Bonus Issues.* If and whenever any of the Companies shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the relevant Company or otherwise in lieu of a cash dividend and without any payment or other consideration being made or given by such holders) (a **“Bonus Issue”**) the Basket Component that relates to the Share(s) of the Company making the Bonus Issue will be increased on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\begin{array}{l} \text{Adjusted Basket Component insofar} \\ \text{as it relates to the Share(s) of the} \\ \text{Company making the Bonus Issue} \end{array} = (1 + N) \times E$$

Where:

- E: Existing Basket Component insofar as it relates to the Share(s) of the Company making the Bonus Issue immediately prior to the Bonus Issue
- N: Number of additional Shares (whether a whole or a fraction) received by a holder of existing Shares for each Share (of the Company making the Bonus Issue) held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Basket Component being changed by one per cent. or less, then no adjustment will be made to such Basket Component.

- (c) *Share Splits or Consolidations.* If and whenever any of the Companies shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a **“Subdivision”**) or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a **“Consolidation”**), the Basket Component, insofar as it relates to the Share(s) of the Company making the Subdivision, in effect immediately prior thereto will be increased or the Basket Component, in effect immediately prior thereto insofar as it relates to the Share(s) of the Company making the Consolidation will be decreased in each case on the day on which the relevant Subdivision or Consolidation shall have taken effect.
- (d) *Merger or Consolidation.* If it is announced that any of the Companies is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of any corporation or controlled by any person or corporation) (except where that Company is the surviving corporation in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the Warrants may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a **“Restructuring Event”**) (as determined by the Issuer in its absolute discretion).

The rights attaching to the Warrants after the adjustment shall, after such Restructuring Event, relate to the number of shares of the corporation(s) resulting from or surviving such Restructuring Event or other securities (“**Substituted Securities**”) and/or cash offered in substitution for the affected Shares, as the case may be, to which the holder of such number of Shares to which the Warrants related immediately before such Restructuring Event would have been entitled upon such Restructuring Event. Thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in Hong Kong dollars equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected.

For the avoidance of doubt, any remaining Shares shall not be affected by this paragraph (d) and, where cash is offered in substitution for Shares or is deemed to replace Substituted Securities as described above, references in these Conditions to the Shares shall include any such cash.

- (e) *Other Adjustments.* Except as provided in this Condition 6 and Condition 13, adjustments will not be made in any other circumstances, subject to the right reserved by the Issuer (such right to be exercised in the Issuer’s sole and unfettered discretion and without any obligation whatsoever) to make such adjustments as it believes appropriate in circumstances where an event or events occur which it believes in its sole discretion and notwithstanding any prior adjustment made pursuant to the above should, in the context of the issue of the Warrants and the obligations of the Issuer, give rise to such adjustment provided that such adjustment is considered by the Issuer not to be materially prejudicial to the Warrantheolders generally (without considering the circumstances of any individual Warrantheolder or the tax or other consequences of such adjustment in any particular jurisdiction).
- (f) *Notice of Adjustments.* All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Warrantheolders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with Condition 10.

7. Purchases

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

8. Global Certificate

The Warrants are represented by the Global Certificate registered in the name of HKSCC Nominees Limited and deposited with CCASS in accordance with the CCASS Rules. Warrantheolders will not be entitled to definitive certificates in respect of any Warrants issued or transferred to them.

9. Meetings of Warrantheolders; Modification

- (a) *Meetings of Warrantheolders.* The Registrar’s Agreement contains provisions for the convening of meetings of the Warrantheolders to consider any matter affecting their interest, including sanctioning by Extraordinary Resolution (as defined in the Registrar’s Agreement) of a modification of the provisions of the Warrants or of the Global Certificate.

Any resolution to be passed in a meeting of the Warrantheolders shall be decided by poll. Such a meeting may be convened by the Issuer or by Warrantheolders holding not less than 10 per cent. of the Warrants for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Warrantheolders whatever the number of Warrants so held or represented.

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

An Extraordinary Resolution passed at any meeting of the Warrantheolders shall be binding on all the Warrantheolders, whether or not they are present at the meeting, save, in the case of Warrants which are expressed to be American Style, for those Warrants remaining unexercised but for which an Exercise Notice shall have been submitted prior to the date of the meeting.

In the case of Warrants which are expressed to be American Style, Warrants which have not been exercised but in respect of which an Exercise Notice has been submitted will not confer the right to attend or vote at, or join in convening, or be counted in quorum for, any meeting of the Warrantheolders.

Resolutions can be passed in writing without a meeting of the Warrantheolders being held if passed unanimously.

- (b) *Modification.* The Issuer may, without the consent of the Warrantheolders, effect (i) any modification of the provisions of the Warrants or the Global Certificate which is not materially prejudicial to the interests of the Warrantheolders or (ii) any modification of the provisions of the Warrants or the Global Certificate (A) which is of a formal, minor or technical nature, (B) which is made to correct an obvious error or (C) which is necessary in order to comply with mandatory provisions of the laws of Hong Kong. Any such modification shall be binding on the Warrantheolders and shall be notified to them by the Registrar before the effective date or as soon as practicable thereafter in accordance with Condition 10.

10. Notices

- (a) All documents required or permitted by these Conditions to be sent to a Warrantheolder or to which a Warrantheolder is entitled or which the Issuer shall have agreed to deliver to a Warrantheolder may be delivered by hand or sent by post addressed to the Warrantheolder (otherwise, in the case of Warrants which are expressed to be American Style, than in accordance with an Exercise Notice) to the Warrantheolder's address (or, in the case of joint Warrantheolders, to the address of the first-named Warrantheolder) appearing in the register kept by the Registrar, and airmail post shall be used if such address is not in Hong Kong. All documents delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of the relevant Warrantheolder.
- (b) All notices to Warrantheolders will be validly given if published in English and in Chinese on the website of Hong Kong Exchanges and Clearing Limited. Such notices shall be deemed to have been given on the date of the first such publication. If publication is not practicable, notice will be given in such other manner as the Issuer may determine. In addition, copies of the notices will be sent on the same date by mail to the holders of Warrants at their addresses appearing in the register of Warrantheolders kept by the Registrar.

11. Liquidation

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

12. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Warrantholders, to create and issue further warrants so as to form a single series with the Warrants.

13. Delisting

- (a) If at any time any of the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments to the rights attaching to the Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Warrantholders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Warrantholder or the tax or other consequences that may result in any particular jurisdiction).
- (b) Without prejudice to the generality of Condition 13(a), where any of the Shares are, or, upon the delisting, become, listed on any other stock exchange, these Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Warrantholders, make such adjustments to the entitlements of Warrantholders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into Hong Kong currency) as may be appropriate in the circumstances.
- (c) The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Warrantholders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Warrantholders in accordance with Condition 10 as soon as practicable after they are determined.

14. Governing Law

The Warrants, the Guarantee, the Global Certificate and the Registrar's Agreement will be governed by and construed in accordance with the laws of the Hong Kong Special Administrative Region of the People's Republic of China ("**Hong Kong**"). The Issuer, the Guarantor and each Warrantholder (by its purchase of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants, the Guarantee, the Global Certificate and the Registrar's Agreement to the non-exclusive jurisdiction of the courts of Hong Kong.

15. Language

In the event of any inconsistency between the Chinese translation of these Conditions and the English version of these Conditions, the English version of these Conditions shall prevail.

Registrar, Warrant Agent and Transfer Office

Calyon, Hong Kong Branch
26/F, 27/F, 29/F and 30/F
Two Pacific Place
88 Queensway
Hong Kong

PART J – TERMS AND CONDITIONS OF THE BASKET PUT WARRANTS (CASH SETTLED)

The relevant Conditions will, together with the supplemental provisions contained in the relevant Supplemental Listing Document and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Supplemental Listing Document in relation to the issue of any series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with the relevant Conditions, replace or modify the relevant Conditions for the purpose of such series of Warrants. Capitalised terms used in the relevant Conditions and not otherwise defined therein shall have the meaning given to them in the relevant Supplemental Listing Document.

1. Form, Status, Transfer and Title

- (a) *Form.* The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 12) relating to the Shares of the Company are issued in registered form subject to and with the benefit of a global certificate by way of deed poll (the “**Global Certificate**”) dated the Issue Date made by Calyon Financial Products (Guernsey) Limited (the “**Issuer**”), a deed poll guarantee (the “**Guarantee**”) dated 5 June 2008 made by Calyon (the “**Guarantor**”) and a base registrar’s and warrant agency agreement dated 29 July 2004 made between, inter alia, the Issuer and the Guarantor and a letter agreement dated 17 September 2007 made between the Issuer and Calyon, Hong Kong Branch as registrar and warrant agent for the Warrants (the “**Registrar**” and “**Warrant Agent**” respectively, which expressions shall include any successors) (as amended, varied or supplemented from time to time or any successor document, the “**Registrar’s Agreement**”) as supplemented by a Confirmation (as defined in the Registrar’s Agreement) relating to the Warrants. Copies of the Global Certificate, the Guarantee and the Registrar’s Agreement are available for inspection at the specified office of the Registrar (the “**Transfer Office**”). The initial Transfer Office is set out below. The Warrantholders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Global Certificate and the Registrar’s Agreement.
- (b) *Status.* The Warrants represent general, unsecured, contractual obligations of the Issuer and of no other person and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations of the Issuer. The obligations of the Guarantor under the Guarantee represent general, unsecured, contractual obligations of the Guarantor and of no other person and rank *pari passu* (save for certain obligations required to be preferred by law) with all other unsecured obligations of the Guarantor.
- (c) *Transfer.* Transfers of beneficial interests in the Warrants may be effected only in Board Lots or integral multiples thereof in CCASS in accordance with the CCASS Rules.
- (d) *Title.* Each person who is for the time being shown in the register kept by the Registrar as entitled to a particular number of Warrants shall be treated by the Issuer, the Guarantor and the Registrar as the absolute owner and holder of such number of Warrants. The expression “**Warrantholder**” shall be construed accordingly.

2. Warrant Rights and Exercise Expenses

- (a) *Warrant Rights.* Every Exercise Amount gives each Warrantholder, upon due exercise and compliance with Condition 4(A) or 4(B), as the case may be, the right to receive the payment of the Cash Settlement Amount (as defined below), if any.
- (b) *Exercise Expenses.* On exercise of the Warrants, Warrantholders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses (as defined below) in accordance with Condition 4(A) or 4(B), as the case may be.
- (c) *Definitions.* For the purposes of these Conditions:

“**Business Day**” means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong (as defined below) and banks are open for business in Hong Kong;

“**Cash Settlement Amount**” means, in respect of every Exercise Amount:

- (A) in case of the automatic exercise of Warrants on the Expiry Date in accordance with Condition 3(A)(b) or 3(B)(b), an amount in Hong Kong dollars calculated by the Issuer as equal to (1) the Exercise Price less (2) the sum of each Basket Component of the Companies that comprise the basket (subject to adjustment as provided in Condition 6) multiplied by the arithmetic mean of the closing price of the relevant Share to which each Basket Component relates (as derived from the Daily Quotation Sheet of the Stock Exchange, subject to any adjustments to such closing prices as may be necessary to reflect any capitalisation, rights issue, distribution or the like) for each Valuation Date and the Exercise Expenses; or
- (B) in the case of the exercise of American Style Warrants on any Exercise Date prior to 10:00 a.m. (Hong Kong time) on the Expiry Date in accordance with Condition 3(A)(a), an amount in Hong Kong dollars calculated by the Issuer as equal to (1) the Exercise Price less (2) the sum of each Basket Component of the Companies that comprise the basket (subject to adjustment as provided in Condition 6) multiplied by the closing price of the relevant Share to which each Basket Component relates (as derived from the Daily Quotation Sheet of the Stock Exchange, subject to any adjustments to such closing price as may be necessary to reflect any capitalisation, rights issue, distribution or the like) on the Valuation Date and the Exercise Expenses;

“**CCASS**” means the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited;

“**CCASS Rules**” means the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time;

“**Exercise Expenses**” means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the Warrants;

“**Expiry Date**” means the Expiry Date specified in the relevant supplemental listing document or if the Expiry Date is not a Business Day the immediately preceding Business Day;

“**Market Disruption Event**” means (1) the occurrence or existence on any Valuation Date during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock

Exchange in (a) any of the Shares; or (b) any options or futures contracts relating to any of the Shares if, in any such case, that suspension or limitation is, in the determination of the Issuer, material; (2) the hoisting of the tropical cyclone warning signal number 8 or above or the hoisting of a “BLACK” rainstorm signal which either results in the Stock Exchange being closed for dealings for an entire day or results in the Stock Exchange being closed prior to its regular time for close of trading on any day PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening later than its regular time for open of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been hoisted; or (3) a limitation or closure of the Stock Exchange due to any unforeseen circumstances;

“**Settlement Disruption Event**” means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the relevant bank account designated by the relevant Warrantholders (“**Designated Bank Account**”);

“**Stock Exchange**” means The Stock Exchange of Hong Kong Limited; and

“**Valuation Date**” means,

- (A) with respect to the automatic exercise of Warrants on the Expiry Date in accordance with Condition 3(A)(b) or 3(B)(b), each of the five Business Days immediately preceding the Expiry Date, provided that if the Issuer determines, in its sole discretion, that on any Valuation Date a Market Disruption Event has occurred, then that Valuation Date shall be postponed until the first succeeding Business Day on which there was no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a day that already is or is deemed to be a Valuation Date. For the avoidance of doubt, in the event that a Valuation Date is postponed due to the occurrence of a Market Disruption Event, the closing price of the Shares for such postponed Valuation Date will be the closing price of the Shares on the first succeeding Business Day on which there was no Market Disruption Event. Accordingly, the closing price of a Valuation Date may be used more than once in calculating the arithmetic mean of the closing price of one Share for the determination of the Cash Settlement Amount, so that in no event shall there be less than five closing prices to determine the arithmetic mean of the closing price of one Share; or
- (B) with respect to the exercise of American Style Warrants on any Exercise Date prior to 10:00 a.m. (Hong Kong time) on the Expiry Date in accordance with Condition 3(A)(a), the Exercise Date, provided that if the Issuer determines, in its sole discretion, that on such Exercise Date a Market Disruption Event has occurred, then the Valuation Date shall be postponed until the first succeeding Business Day on which there was no Market Disruption Event, provided that if there is a Market Disruption Event on each of the five Business Days immediately following such Exercise Date that, but for the Market Disruption Event, would have been the Valuation Date, then:
 - (i) that fifth Business Day shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event, and
 - (ii) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of such price that would have prevailed on that fifth Business Day but for the Market Disruption Event,

provided that if the postponement of a Valuation Date as aforesaid would result in a Valuation Date falling on or after the Expiry Date, then:

- (a) the Business Day immediately preceding the Expiry Date (the “**Last Valuation Date**”) shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and
- (b) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of such price that would have prevailed on the Last Valuation Date but for the Market Disruption Event.

3. Exercise of American Style Warrants and European Style Warrants, Automatic Exercise and Expiry

(A) American Style Warrants

The following provisions of this Condition 3(A) shall apply to Warrants which are expressed to be American Style.

- (a) *Exercise Period.* The Warrants may be exercised by delivery of an Exercise Notice (as defined below), in accordance with Condition 4(A) at any time during the period (the “**Exercise Period**”) beginning at 10:00 a.m. (Hong Kong time) on the Dealing Commencement Date (or, if later, the first day of dealings in the Warrants on the Stock Exchange) and ending at 10:00 a.m. (Hong Kong time) on the Expiry Date.
- (b) *Automatic Exercise.* Any Warrant with respect to which an Exercise Date (as defined below) has not occurred during the Exercise Period will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Warranholders). The Warranholders will not be required to deliver any Exercise Notice and the Issuer or its agent will pay to the Warranholders the Cash Settlement Amount (if any) in accordance with Condition 4(A)(f).
- (c) *Expiry.* Any Warrant with respect to which an Exercise Date (as defined below) has not occurred during the Exercise Period or which has not been automatically exercised in accordance with Condition 3(A)(b) shall expire immediately without value thereafter and all rights of the Warranholder and obligations of the Issuer with respect to such Warrant shall cease.

(B) European Style Warrants

The following provisions of this Condition 3(B) shall apply to Warrants which are expressed to be European Style.

- (a) *Exercise of Warrants.* The Warrants are exercisable only on the Expiry Date.
- (b) *Automatic Exercise.* Any Warrant will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Warranholders). The Warranholders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Warranholders the Cash Settlement Amount (if any) in accordance with Condition 4(B)(d).
- (c) *Expiry.* Any Warrant which has not been automatically exercised in accordance with Condition 3(B)(b) shall expire immediately without value thereafter and all rights of the Warranholder and obligations of the Issuer with respect to such Warrant shall cease.

4. Exercise of Warrants

(A) *American Style Warrants*

The following provisions of this Condition 4(A) shall apply to Warrants which are expressed to be American Style.

- (a) Warrants may only be exercised in a Board Lot or integral multiples thereof.
- (b) *Delivery of an Exercise Notice.*
 - (i) In order to exercise Warrants, the Warrantholder shall deliver to the Transfer Office a duly completed exercise notice obtainable from the Registrar (an “**Exercise Notice**”), such delivery to be made at any time during the Exercise Period. Warrants may not be exercised at any other time.
 - (ii) The date upon which a Warrant is, or is to be treated as, exercised (an “**Exercise Date**”) shall be the Business Day on which an Exercise Notice is delivered to the Registrar and in respect of which there is a valid exercise of Warrants in accordance with the requirements of these Conditions, provided that any Exercise Notice received by the Registrar after 10:00 a.m. (Hong Kong time) on any Business Day shall be deemed to have been delivered on the next following Business Day.
- (c) *Exercise Notice.* The Exercise Notice shall:
 - (i) specify the name(s) of the Warrantholder(s) and the number of Warrants being exercised;
 - (ii) be accompanied by the Global Certificate in the name(s) of the exercising Warrantholder(s); and
 - (iii) specify the person in whose favour the cheque representing the Cash Settlement Amount should be drawn and the name and address of the bank, broker or other agent to whom the cheque should be sent or, as the case may be, specify the relevant account to which the Cash Settlement Amount should be credited.
- (d) *Consequences of delivery of an Exercise Notice.* Delivery of an Exercise Notice in accordance with Conditions 4(A)(b) and 4(A)(c) shall constitute an irrevocable election and undertaking by the Warrantholder specified in such Exercise Notice to exercise the number of Warrants specified in such Exercise Notice and an irrevocable authorisation to deduct the Exercise Expenses in accordance with the calculation set out in the definition of the Cash Settlement Amount.
- (e) *Cancellation.* The Issuer will procure that the Registrar will, with effect from the first Business Day following the Exercise Date or the Expiry Date, as the case may be, remove from its register the name of the person in respect of the Warrants which are (i) the subject of a valid exercise in accordance with these Conditions whether pursuant to an Exercise Notice or automatic exercise; or (ii) have expired worthless, and thereby cancel the relevant Warrants.
- (f) *Cash Settlement.* Subject to a valid exercise, or automatic exercise, of Warrants in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Warrantholder (or such other person as the Warrantholder may have directed, applicable) equal to the Cash Settlement Amount.

The Cash Settlement Amount shall be despatched not later than three Business Days following:

- (i) with respect to the exercise of American Style Warrants on any Exercise Date prior to 10:00 a.m. (Hong Kong time) on the Expiry Date in accordance with Condition 3(A)(a), the Valuation Date; or
- (ii) with respect to the automatic exercise of American Style Warrants on the Expiry Date in accordance with Condition 3(A)(b), the Expiry Date,

(the “**Settlement Date**”) by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warranholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warranholder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warranholder for any interest in respect of the amount due or any loss or damage that such Warranholder may suffer as a result of the existence of the Settlement Disruption Event.

(B) **European Style Warrants**

The following provisions of this Condition 4(B) shall apply to Warrants which are expressed to be European Style.

- (a) Warrants may only be exercised in a Board Lot or integral multiples thereof.
- (b) *No requirement to deliver an exercise notice.* The Warranholders will not be required to deliver an exercise notice for any purpose in relation to the Warrants.
- (c) *Cancellation.* The Issuer will procure that the Registrar will, with effect from the first Business Day following the Expiry Date, remove from its register the name of the person in respect of the Warrants which (i) are the subject of an exercise pursuant to automatic exercise in accordance with these Conditions or (ii) have expired worthless, and thereby cancel the relevant Warrants.
- (d) *Cash Settlement.* Subject to automatic exercise of Warrants in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Warranholder equal to the Cash Settlement Amount.

The Cash Settlement Amount shall be despatched not later than three Business Days following the Expiry Date, (the “**Settlement Date**”) by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warranholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warranholder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warranholder for any interest in respect of the amount due or any loss or damage that such Warranholder may suffer as a result of the existence of the Settlement Disruption Event.

5. Registrar

- (a) The initial Registrar and the Transfer Office, are set out below. The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Registrar and to appoint another Registrar provided that it will at all times maintain a Registrar which, so long as the Warrants are listed on the Stock Exchange, shall be in Hong Kong. Notice of any such termination or appointment and of any change in the Transfer Office or the specified office of the Registrar will be given to the Warrantholders in accordance with Condition 10.
- (b) The Registrar will be acting as agent of the Issuer in respect of any Warrants and will not assume any obligation or duty to or any relationship of agency or trust for the Warrantholders.

6. Adjustments

- (a) *Rights Issues.* If and whenever any of the Companies shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a “**Rights Offer**”), the Basket Component that relates to the Share(s) of the Company making the Rights Offer will be adjusted to take effect on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\begin{array}{l} \text{Adjusted Basket Component insofar} \\ \text{as it relates to the Share(s) of the} \\ \text{Company making the Rights Offer} \end{array} = \frac{1 + M}{1 + (R/S) \times M} \times E$$

Where:

- E: Existing Basket Component insofar as it relates to the Share(s) of the Company making the Rights Offer immediately prior to the Rights Offer
- S: Cum-Rights Share price determined by the closing price on the Stock Exchange on the last Business Day on which the Shares (of the Company making the Rights Offer) are traded on a cum-Rights basis
- R: Subscription price per Share (of the Company making the Rights Offer) specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Right
- M: Number of new Share(s) (whether a whole or a fraction) per existing Share (of the Company making the Rights Offer) each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Basket Component being changed by one per cent. or less, then no adjustment will be made to such Basket Component.

For the purposes of these Conditions:

“**Rights**” means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

- (b) *Bonus Issues.* If and whenever any of the Companies shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the relevant Company or otherwise in lieu of a cash dividend and without any payment or other consideration being made or given by such holders) (a “**Bonus Issue**”) the Basket Component that relates to the Share(s) of the Company making the Bonus Issue will be increased on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\begin{array}{l} \text{Adjusted Basket Component insofar} \\ \text{as it relates to the Share(s) of the} \\ \text{Company making the Bonus Issue} \end{array} = (1 + N) \times E$$

Where:

- E: Existing Basket Component insofar as it relates to the Share(s) of the Company making the Bonus Issue immediately prior to the Bonus Issue
- N: Number of additional Shares (whether a whole or a fraction) received by a holder of existing Shares for each Share (of the Company making the Bonus Issue) held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Basket Component being changed by one per cent. or less, then no adjustment will be made to such Basket Component.

- (c) *Share Splits or Consolidations.* If and whenever any of the Companies shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a “**Subdivision**”) or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a “**Consolidation**”), the Basket Component, insofar as it relates to the Share(s) of the Company making the Subdivision, in effect immediately prior thereto will be increased or the Basket Component, insofar as it relates to the Share(s) of the Company making the Consolidation, in effect immediately prior thereto will be decreased in each case on the day on which the relevant Subdivision or Consolidation shall have taken effect.
- (d) *Merger or Consolidation.* If it is announced that any of the Companies is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of any corporation or controlled by any person or corporation) (except where that Company is the surviving corporation in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the Warrants may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “**Restructuring Event**”) (as determined by the Issuer in its absolute discretion).

The rights attaching to the Warrants after the adjustment shall, after such Restructuring Event, relate to the number of shares of the corporation(s) resulting from or surviving such Restructuring Event or other securities (“**Substituted Securities**”) and/or cash offered in substitution for the affected Shares, as the case may be, to which the holder of such number of Shares to which the Warrants related immediately before such Restructuring Event would have been entitled upon such Restructuring Event. Thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in Hong Kong dollars equal to the market

value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected.

For the avoidance of doubt, any remaining Shares shall not be affected by this paragraph (d) and, where cash is offered in substitution for Shares or is deemed to replace Substituted Securities as described above, references in these Conditions to the Shares shall include any such cash.

- (e) *Other Adjustments.* Except as provided in this Condition 6 and Condition 13, adjustments will not be made in any other circumstances, subject to the right reserved by the Issuer (such right to be exercised in the Issuer's sole and unfettered discretion and without any obligation whatsoever) to make such adjustments as it believes appropriate in circumstances where an event or events occur which it believes in its sole discretion and notwithstanding any prior adjustment made pursuant to the above should, in the context of the issue of the Warrants and the obligations of the Issuer, give rise to such adjustment provided that such adjustment is considered by the Issuer not to be materially prejudicial to the Warrantheolders generally (without considering the circumstances of any individual Warrantheolder or the tax or other consequences of such adjustment in any particular jurisdiction).
- (f) *Notice of Adjustments.* All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Warrantheolders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with Condition 10.

7. Purchases

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

8. Global Certificate

The Warrants are represented by the Global Certificate registered in the name of HKSCC Nominees Limited and deposited with CCASS in accordance with the CCASS Rules. Warrantheolders will not be entitled to definitive certificates in respect of any Warrants issued or transferred to them.

9. Meetings of Warrantheolders; Modification

- (a) *Meetings of Warrantheolders.* The Registrar's Agreement contains provisions for the convening of meetings of the Warrantheolders to consider any matter affecting their interest, including sanctioning by Extraordinary Resolution (as defined in the Registrar's Agreement) of a modification of the provisions of the Warrants or of the Global Certificate.

Any resolution to be passed in a meeting of the Warrantheolders shall be decided by poll. Such a meeting may be convened by the Issuer or by Warrantheolders holding not less than 10 per cent. of the Warrants for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Warrantheolders whatever the number of Warrants so held or represented.

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

An Extraordinary Resolution passed at any meeting of the Warrantheolders shall be binding on all the Warrantheolders, whether or not they are present at the meeting, save, in the case of Warrants which are expressed to be American Style, for those Warrants remaining unexercised but for which an Exercise Notice shall have been submitted prior to the date of the meeting.

In the case of Warrants which are expressed to be American Style, Warrants which have not been exercised but in respect of which an Exercise Notice has been submitted will not confer the right to attend or vote at, or join in convening, or be counted in quorum for, any meeting of the Warrantheolders.

Resolutions can be passed in writing without a meeting of the Warrantheolders being held if passed unanimously.

- (b) *Modification.* The Issuer may, without the consent of the Warrantheolders, effect (i) any modification of the provisions of the Warrants or the Global Certificate which is not materially prejudicial to the interests of the Warrantheolders or (ii) any modification of the provisions of the Warrants or the Global Certificate (A) which is of a formal, minor or technical nature, (B) which is made to correct an obvious error or (C) which is necessary in order to comply with mandatory provisions of the laws of Hong Kong. Any such modification shall be binding on the Warrantheolders and shall be notified to them by the Registrar before the effective date or as soon as practicable thereafter in accordance with Condition 10.

10. Notices

- (a) All documents required or permitted by these Conditions to be sent to a Warrantheolder or to which a Warrantheolder is entitled or which the Issuer shall have agreed to deliver to a Warrantheolder may be delivered by hand or sent by post addressed to the Warrantheolder (otherwise, in the case of Warrants which are expressed to be American Style, than in accordance with an Exercise Notice) to the Warrantheolder's address (or, in the case of joint Warrantheolders, to the address of the first-named Warrantheolder) appearing in the register kept by the Registrar, and airmail post shall be used if such address is not in Hong Kong. All documents delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of the relevant Warrantheolder.
- (b) All notices to Warrantheolders will be validly given if published in English and in Chinese on the website of Hong Kong Exchanges and Clearing Limited. Such notices shall be deemed to have been given on the date of the first such publication. If publication is not practicable, notice will be given in such other manner as the Issuer may determine. In addition, copies of the notices will be sent on the same date by mail to the holders of Warrants at their addresses appearing in the register of Warrantheolders kept by the Registrar.

11. Liquidation

In the event of a liquidation or dissolution of all of the Companies or the appointment of a liquidator, receiver or administrator or analogous person under Hong Kong law in respect of the whole or substantially the whole of their undertaking, property or assets, all unexercised Warrants will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation of the last Company to be so affected, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution of the last Company to be so affected,

on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law. In the event of the voluntary liquidation of any of the Companies, the Issuer shall make such adjustments or amendments as it reasonably believes are appropriate in the circumstances.

12. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Warrantheolders, to create and issue further warrants so as to form a single series with the Warrants.

13. Delisting

- (a) If at any time any of the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments to the rights attaching to the Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Warrantheolders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Warrantheolder or the tax or other consequences that may result in any particular jurisdiction).
- (b) Without prejudice to the generality of Condition 13(a), where any of the Shares are, or, upon the delisting, become, listed on any other stock exchange, these Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Warrantheolders, make such adjustments to the entitlements of Warrantheolders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into Hong Kong currency) as may be appropriate in the circumstances.
- (c) The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Warrantheolders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Warrantheolders in accordance with Condition 10 as soon as practicable after they are determined.

14. Governing Law

The Warrants, the Guarantee, the Global Certificate and the Registrar's Agreement will be governed by and construed in accordance with the laws of the Hong Kong Special Administrative Region of the People's Republic of China ("**Hong Kong**"). The Issuer, the Guarantor and each Warrantheolder (by its purchase of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants, the Guarantee, the Global Certificate and the Registrar's Agreement to the non-exclusive jurisdiction of the courts of Hong Kong.

15. Language

In the event of any inconsistency between the Chinese translation of these Conditions and the English version of these Conditions, the English version of these Conditions shall prevail.

Registrar, Warrant Agent and Transfer Office

Calyon, Hong Kong Branch
26/F, 27/F, 29/F and 30/F
Two Pacific Place
88 Queensway
Hong Kong

PART K – TERMS AND CONDITIONS OF THE INDEX CALL WARRANTS (CASH SETTLED)

The relevant Conditions will, together with the supplemental provisions contained in the relevant Supplemental Listing Document and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Supplemental Listing Document in relation to the issue of any series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with the relevant Conditions, replace or modify the relevant Conditions for the purpose of such series of Warrants. Capitalised terms used in the relevant Conditions and not otherwise defined therein shall have the meaning given to them in the relevant Supplemental Listing Document.

1. Form, Status, Transfer and Title

- (a) *Form.* The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 12) relating to the Shares of the Company are issued in registered form subject to and with the benefit of a global certificate by way of deed poll (the “**Global Certificate**”) dated the Issue Date made by Calyon Financial Products (Guernsey) Limited (the “**Issuer**”), a deed poll guarantee (the “**Guarantee**”) dated 5 June 2008 made by Calyon (the “**Guarantor**”) and a base registrar’s and warrant agency agreement dated 29 July 2004 made between, inter alia, the Issuer and the Guarantor and a letter agreement dated 17 September 2007 made between the Issuer and Calyon, Hong Kong Branch as registrar and warrant agent for the Warrants (the “**Registrar**” and “**Warrant Agent**” respectively, which expressions shall include any successors) (as amended, varied or supplemented from time to time or any successor document, the “**Registrar’s Agreement**”) as supplemented by a Confirmation (as defined in the Registrar’s Agreement) relating to the Warrants. Copies of the Global Certificate, the Guarantee and the Registrar’s Agreement are available for inspection at the specified office of the Registrar (the “**Transfer Office**”). The initial Transfer Office is set out below. The Warrantholders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Global Certificate and the Registrar’s Agreement.
- (b) *Status.* The Warrants represent general, unsecured, contractual obligations of the Issuer and of no other person and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations of the Issuer. The obligations of the Guarantor under the Guarantee represent general, unsecured, contractual obligations of the Guarantor and of no other person and rank *pari passu* (save for certain obligations required to be preferred by law) with all other unsecured obligations of the Guarantor.
- (c) *Transfer.* Transfers of beneficial interests in the Warrants may be effected only in Board Lots or integral multiples thereof in CCASS in accordance with the CCASS Rules.
- (d) *Title.* Each person who is for the time being shown in the register kept by the Registrar as entitled to a particular number of Warrants shall be treated by the Issuer, the Guarantor and the Registrar as the absolute owner and holder of such number of Warrants. The expression “**Warrantholder**” shall be construed accordingly.

2. Warrant Rights and Exercise Expenses

- (a) *Warrant Rights*. Every Exercise Amount entitles each Warrantholder, upon due exercise and compliance with Condition 4(A) or 4(B), as the case may be, to payment of the Cash Settlement Amount (as defined below), if any.
- (b) *Exercise Expenses*. On exercise of the Warrants, Warrantholders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses (as defined below) in accordance with Condition 4(A) or 4(B), as the case may be.
- (c) *Definitions*. For the purposes of these Conditions:

“**Business Day**” means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong (as defined below) and banks are open for business in Hong Kong;

Where the Warrants are expressed to be Index Call Spread Warrants:

“**Cash Settlement Amount**” means, in respect of every Exercise Amount, an amount calculated by the Issuer as equal to either:

- (A) where the Closing Level on the Valuation Date is equal to or less than the Cap Level, (i) the excess of the Closing Level over the Strike Level, multiplied by the Index Currency Amount, either converted (if applicable) (a) into the Settlement Currency at the Exchange Rate or, as the case may be, (b) into the Interim Currency at the First Exchange Rate and then converted into the Settlement Currency at the Second Exchange Rate, less (ii) the Exercise Expenses; or
- (B) where the Closing Level on the Valuation Date is greater than the Cap Level, (i) the excess of the Cap Level over the Strike Level, multiplied by the Index Currency Amount, either converted (if applicable) (a) into the Settlement Currency at the Exchange Rate or, as the case may be, (b) into the Interim Currency at the First Exchange Rate and then converted into the Settlement Currency at the Second Exchange Rate, less (ii) the Exercise Expenses;

Where the Warrants are not expressed to be Index Call Spread Warrants:

“**Cash Settlement Amount**” means, in respect of every Exercise Amount, an amount calculated by the Issuer equal to (1) the excess of the Closing Level on the Valuation Date over the Strike Level, multiplied by the Index Currency Amount, either converted (if applicable) (i) into the Settlement Currency at the Exchange Rate or, as the case may be, (ii) into the Interim Currency at the First Exchange Rate and then converted into the Settlement Currency at the Second Exchange Rate less (2) the Exercise Expenses;

“**CCASS**” means the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited;

“**CCASS Rules**” means the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time;

“**Exercise Expenses**” means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the Warrants;

“Expiry Date” means the Expiry Date specified in the relevant supplemental listing document or if the Expiry Date is not a Business Day the immediately preceding Business Day;

“Market Disruption Event” means:

- (1) the occurrence or existence, on the Valuation Date during the one-half hour period that ends at the close of trading on the Index Exchange, of any of:
 - (i) the suspension or material limitation of the trading of a material number of securities that comprise the Index; or
 - (ii) the suspension or material limitation of the trading of securities on the Index Exchange; or
 - (iii) the suspension or material limitation of the trading of options or futures contracts relating to the Index on any exchanges on which such contracts are traded; or
 - (iv) the imposition of any exchange controls in respect of any currencies involved in determining the Cash Settlement Amount.

For the purposes of paragraph (1), (a) the limitation of the number of hours or days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of any exchange, and (b) a limitation on trading imposed by reason of the movements in price exceeding the levels permitted by any relevant exchange will constitute a Market Disruption Event;

- (2) where the Index Exchange is the Stock Exchange, the hoisting of the tropical cyclone warning signal number 8 or above or the hoisting of a “BLACK” rainstorm signal which either results in the Stock Exchange being closed for dealings for an entire day or results in the Stock Exchange being closed prior to its regular time for close of trading on any day PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening later than its regular time for open of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been hoisted; or
- (3) a limitation or closure of the Stock Exchange due to any unforeseen circumstances;

“Settlement Disruption Event” means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the relevant bank account designated by the relevant Warrantholders (**“Designated Bank Account”**);

“Stock Exchange” means The Stock Exchange of Hong Kong Limited; and

“Valuation Date” means the Exercise Date (as defined below) or the Expiry Date.

3. Exercise of American Style Warrants and European Style Warrants, Automatic Exercise and Expiry

(A) *American Style Warrants*

The following provisions of this Condition 3(A) shall apply to Warrants which are expressed to be American Style.

- (a) *Exercise Period.* The Warrants may be exercised by delivery of an Exercise Notice (as defined below), in accordance with Condition 4(A) at any time during the period (the "**Exercise Period**") beginning at 10:00 a.m. (Hong Kong time) on the Dealing Commencement Date (or, if later, the first day of dealings in the Warrants on the Stock Exchange) and ending at 10:00 a.m. (Hong Kong time) on the Expiry Date.
- (b) *Automatic Exercise.* Any Warrant with respect to which an Exercise Date (as defined below) has not occurred during the Exercise Period will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Warranholders). The Warranholders will not be required to deliver any Exercise Notice and the Issuer or its agent will pay to the Warranholders the Cash Settlement Amount (if any) in accordance with Condition 4(A)(f).
- (c) *Expiry.* Any Warrant with respect to which an Exercise Date (as defined below) has not occurred during the Exercise Period or which has not been automatically exercised in accordance with Condition 3(A)(b) shall expire immediately without value thereafter and all rights of the Warranholder and obligations of the Issuer with respect to such Warrant shall cease.

(B) *European Style Warrants*

The following provisions of this Condition 3(B) shall apply to Warrants which are expressed to be European Style.

- (a) *Exercise of Warrants.* The Warrants are exercisable only on the Expiry Date.
- (b) *Automatic Exercise.* Any Warrant will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Warranholders). The Warranholders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Warranholders the Cash Settlement Amount (if any) in accordance with Condition 4(B)(d).
- (c) *Expiry.* Any Warrant which has not been automatically exercised in accordance with Condition 3(B)(b) shall expire immediately without value thereafter and all rights of the Warranholder and obligations of the Issuer with respect to such Warrant shall cease.

4. Exercise of Warrants

(A) *American Style Warrants*

The following provisions of this Condition 4(A) shall apply to Warrants which are expressed to be American Style.

- (a) Warrants may only be exercised in a Board Lot or integral multiples thereof.
- (b) *Delivery of an Exercise Notice.*
 - (i) In order to exercise Warrants, the Warrantholder shall deliver to the Transfer Office a duly completed exercise notice obtainable from the Registrar (an “**Exercise Notice**”), such delivery to be made at any time during the Exercise Period. Warrants may not be exercised at any other time.
 - (ii) The date upon which a Warrant is, or is to be treated as, exercised (an “**Exercise Date**”) shall be the Business Day on which an Exercise Notice is delivered to the Registrar and in respect of which there is a valid exercise of Warrants in accordance with the requirements of these Conditions, provided that any Exercise Notice received by the Registrar after 10:00 a.m. (Hong Kong time) on any Business Day shall be deemed to have been delivered on the next following Business Day.
- (c) *Exercise Notice.* The Exercise Notice shall:
 - (i) specify the name(s) of the Warrantholder(s) and the number of Warrants being exercised;
 - (ii) be accompanied by the Global Certificate in the name(s) of the exercising Warrantholder(s); and
 - (iii) specify the person in whose favour the cheque representing the Cash Settlement Amount should be drawn and the name and address of the bank, broker or other agent to whom the cheque should be sent or, as the case may be, specify the relevant account to which the Cash Settlement Amount should be credited.
- (d) *Consequences of delivery of an Exercise Notice.* Delivery of an Exercise Notice in accordance with Conditions 4(A)(b) and 4(A)(c) shall constitute an irrevocable election and undertaking by the Warrantholder specified in such Exercise Notice to exercise the number of Warrants specified in such Exercise Notice and an irrevocable authorisation to deduct the Exercise Expenses in accordance with the calculation set out in the definition of the Cash Settlement Amount.
- (e) *Cancellation.* The Issuer will procure that the Registrar will, with effect from the first Business Day following the Exercise Date or the Expiry Date, as the case may be, remove from its register the name of the person in respect of the Warrants which (i) are the subject of a valid exercise in accordance with these Conditions whether pursuant to an Exercise Notice or automatic exercise; or (ii) have expired worthless, and thereby cancel the relevant Warrants.
- (f) *Cash Settlement.* Subject to a valid exercise, or automatic exercise, of Warrants in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Warrantholder (or such other person as the Warrantholder may have directed, if applicable) equal to the Cash Settlement Amount.

The Cash Settlement Amount shall be despatched not later than three Business Days following the Valuation Date (the “**Settlement Date**”) by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event.

If the Issuer determines, in its sole discretion, that on the Valuation Date a Market Disruption Event has occurred, then the Issuer shall determine the Closing Level on the basis of its good faith estimate of the Closing Level that would have prevailed on that day but for the occurrence of the Market Disruption Event provided that the Issuer, if applicable, may, but shall not be obliged to, determine such Closing Level by having regard to the manner in which futures contracts relating to the Index are calculated.

(B) European Style Warrants

The following provisions of this Condition 4(B) shall apply to Warrants which are expressed to be European Style.

- (a) Warrants may only be exercised in a Board Lot or integral multiples thereof.
- (b) *No requirement to deliver an exercise notice.* The Warrantholders will not be required to deliver an exercise notice for any purpose in relation to the Warrants.
- (c) *Cancellation.* The Issuer will procure that the Registrar will, with effect from the first Business Day following the Expiry Date, remove from its register the name of the person in respect of the Warrants which (i) are the subject of an exercise pursuant to automatic exercise in accordance with these Conditions or (ii) have expired worthless, and thereby cancel the relevant Warrants.
- (d) *Cash Settlement.* Subject to automatic exercise of Warrants in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Warrantholder equal to the Cash Settlement Amount.

The Cash Settlement Amount shall be despatched not later than three Business Days following the Valuation Date (the “**Settlement Date**”) by crediting that amount in accordance with the CCASS Rules, to the Designated Bank account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event.

If the Issuer determines, in its sole discretion, that on the Valuation Date a Market Disruption Event has occurred, then the Issuer shall determine the Closing Level on the basis of its good faith estimate of the Closing Level that would have prevailed on that day but for the occurrence of the Market Disruption Event provided that the Issuer, if applicable, may, but shall not be obliged to, determine such Closing Level by having regard to the manner in which futures contracts relating to the Index are calculated.

5. Registrar

- (a) The initial Registrar and the Transfer Office, are set out below. The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Registrar and to appoint another Registrar provided that it will at all times maintain a Registrar which, so long as the Warrants are listed on the Stock Exchange, shall be in Hong Kong. Notice of any such termination or appointment and of any change in the Transfer Office or the specified office of the Registrar will be given to the Warrantheolders in accordance with Condition 10.
- (b) The Registrar will be acting as agent of the Issuer in respect of any Warrants and will not assume any obligation or duty to or any relationship of agency or trust for the Warrantheolders.

6. Adjustments to the Index

- (a) *Successor Index Compiler Calculates and Reports Index.* If the Index is (i) not calculated and announced by the Index Compiler but is calculated and published by a successor to the Index Compiler (the “**Successor Index Compiler**”) acceptable to the Issuer or (ii) replaced by a successor index using, in the determination of the Issuer, the same or a substantially similar formula for and method of calculation as used in the calculation of the Index, then the Index will be deemed to be the index so calculated and announced by the Successor Index Compiler or that successor index, as the case may be.
- (b) *Modification and Cessation of Calculation of Index.* If:
 - (i) on or prior to a Valuation Date the Index Compiler or (if applicable) the Successor Index Compiler makes a material change in the formula for or the method of calculating the Index or in any other way materially modifies the Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent stock, contracts or commodities and other routine events); or
 - (ii) on a Valuation Date the Index Compiler or (if applicable) the Successor Index Compiler fails to calculate and publish the Index (other than as a result of a Market Disruption Event),

then the Issuer shall determine the Closing Level using, in lieu of a published level for the Index, the level for the Index as at that Valuation Date as determined by the Issuer in accordance with the formula for and method of calculating the Index last in effect prior to that change or failure, but using only those securities/commodities that comprised the Index immediately prior to that change or failure.

- (c) *Notice of Determinations.* All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Warrantheolders. The Issuer will give, or procure that there is given, notice as soon as practicable of any determinations by publication in accordance with Condition 10.

7. Purchases

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

8. Global Certificate

The Warrants are represented by the Global Certificate registered in the name of HKSCC Nominees Limited and deposited with CCASS in accordance with the CCASS Rules. Warranholders will not be entitled to definitive certificates in respect of any Warrants issued or transferred to them.

9. Meetings of Warranholders; Modification

- (a) *Meetings of Warranholders.* The Registrar's Agreement contains provisions for the convening of meetings of the Warranholders to consider any matter affecting their interest, including sanctioning by Extraordinary Resolution (as defined in the Registrar's Agreement) of a modification of the provisions of the Warrants or of the Global Certificate.

Any resolution to be passed in a meeting of the Warranholders shall be decided by poll. Such a meeting may be convened by the Issuer or by Warranholders holding not less than 10 per cent. of the Warrants for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Warranholders whatever the number of Warrants so held or represented.

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

An Extraordinary Resolution passed at any meeting of the Warranholders shall be binding on all the Warranholders, whether or not they are present at the meeting, save, in the case of Warrants which are expressed to be American Style, for those Warrants remaining unexercised but for which an Exercise Notice shall have been submitted prior to the date of the meeting.

In the case of Warrants which are expressed to be American Style, Warrants which have not been exercised but in respect of which an Exercise Notice has been submitted will not confer the right to attend or vote at, or join in convening, or be counted in quorum for, any meeting of the Warranholders.

Resolutions can be passed in writing without a meeting of the Warranholders being held if passed unanimously.

- (b) *Modification.* The Issuer may, without the consent of the Warranholders, effect (i) any modification of the provisions of the Warrants or the Global Certificate which is not materially prejudicial to the interests of the Warranholders or (ii) any modification of the provisions of the Warrants or the Global Certificate (A) which is of a formal, minor or technical nature, (B) which is made to correct an obvious error or (C) which is necessary in order to comply with mandatory provisions of the laws of Hong Kong. Any

such modification shall be binding on the Warranholders and shall be notified to them by the Registrar before the effective date or as soon as practicable thereafter in accordance with Condition 10.

10. Notices

- (a) All documents required or permitted by these Conditions to be sent to a Warranholder or to which a Warranholder is entitled or which the Issuer shall have agreed to deliver to a Warranholder may be delivered by hand or sent by post addressed to the Warranholder (unless otherwise, in the case of Warrants which are expressed to be American Style, specified in an Exercise Notice) to the Warranholder's address (or, in the case of joint Warranholders, to the address of the first-named Warranholder) appearing in the register kept by the Registrar, and airmail post shall be used if such address is not in Hong Kong. All documents delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of the relevant Warranholder.
- (b) All notices to Warranholders will be validly given if published in English and in Chinese on the website of Hong Kong Exchanges and Clearing Limited. Such notices shall be deemed to have been given on the date of the first such publication. If publication is not practicable, notice will be given in such other manner as the Issuer may determine. In addition, copies of the notices will be sent on the same date by mail to the holders of Warrants at their addresses appearing in the register of Warranholders kept by the Registrar.

11. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Warranholders, to create and issue further warrants so as to form a single series with the Warrants.

12. Governing Law

The Warrants, the Guarantee, the Global Certificate and the Registrar's Agreement will be governed by and construed in accordance with the laws of the Hong Kong Special Administrative Region of the People's Republic of China ("**Hong Kong**"). The Issuer, the Guarantor and each Warranholder (by its purchase of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants, the Guarantee, the Global Certificate and the Registrar's Agreement to the non-exclusive jurisdiction of the courts of Hong Kong.

13. Language

In the event of any inconsistency between the Chinese translation of these Conditions and the English version of these Conditions, the English version of these Conditions shall prevail.

Registrar, Warrant Agent and Transfer Office

Calyon, Hong Kong Branch
26/F, 27/F, 29/F and 30/F
Two Pacific Place
88 Queensway
Hong Kong

PART L – TERMS AND CONDITIONS OF THE INDEX PUT WARRANTS (CASH SETTLED)

The relevant Conditions will, together with the supplemental provisions contained in the relevant Supplemental Listing Document and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Supplemental Listing Document in relation to the issue of any series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with the relevant Conditions, replace or modify the relevant Conditions for the purpose of such series of Warrants. Capitalised terms used in the relevant Conditions and not otherwise defined therein shall have the meaning given to them in the relevant Supplemental Listing Document.

1. Form, Status, Transfer and Title

- (a) *Form.* The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 12) relating to the Shares of the Company are issued in registered form subject to and with the benefit of a global certificate by way of deed poll (the “**Global Certificate**”) dated the Issue Date made by Calyon Financial Products (Guernsey) Limited (the “**Issuer**”), a deed poll guarantee (the “**Guarantee**”) dated 5 June 2008 made by Calyon (the “**Guarantor**”) and a base registrar’s and warrant agency agreement dated 29 July 2004 made between, inter alia, the Issuer and the Guarantor and a letter agreement dated 17 September 2007 made between the Issuer and Calyon, Hong Kong Branch as registrar and warrant agent for the Warrants (the “**Registrar**” and “**Warrant Agent**” respectively, which expressions shall include any successors) (as amended, varied or supplemented from time to time or any successor document, the “**Registrar’s Agreement**”) as supplemented by a Confirmation (as defined in the Registrar’s Agreement) relating to the Warrants. Copies of the Global Certificate, the Guarantee and the Registrar’s Agreement are available for inspection at the specified office of the Registrar (the “**Transfer Office**”). The initial Transfer Office is set out below. The Warrantholders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Global Certificate and the Registrar’s Agreement.
- (b) *Status.* The Warrants represent general, unsecured, contractual obligations of the Issuer and of no other person and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations of the Issuer. The obligations of the Guarantor under the Guarantee represent general, unsecured, contractual obligations of the Guarantor and of no other person and rank *pari passu* (save for certain obligations required to be preferred by law) with all other unsecured obligations of the Guarantor.
- (c) *Transfer.* Transfers of beneficial interests in the Warrants may be effected only in Board Lots or integral multiples thereof in CCASS in accordance with the CCASS Rules.
- (d) *Title.* Each person who is for the time being shown in the register kept by the Registrar as entitled to a particular number of Warrants shall be treated by the Issuer, the Guarantor and the Registrar as the absolute owner and holder of such number of Warrants. The expression “**Warrantholder**” shall be construed accordingly.

2. Warrant Rights and Exercise Expenses

- (a) *Warrant Rights*. Every Exercise Amount entitles each Warrantholder, upon due exercise and compliance with Condition 4(A) or 4(B), as the case may be, to payment of the Cash Settlement Amount (as defined below), if any.
- (b) *Exercise Expenses*. On exercise of the Warrants, Warrantholders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses (as defined below) in accordance with Condition 4(A) or 4(B), as the case may be.
- (c) *Definitions*. For the purposes of these Conditions:

“Business Day” means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong (as defined below) and banks are open for business in Hong Kong;

Where the Warrants are expressed to be Index Put Spread Warrants:

“Cash Settlement Amount” means, in respect of every Exercise Amount, an amount calculated by the Issuer as equal to either:

- (A) where the Closing Level on the Valuation Date is equal to or greater than the Floor Level, (i) the excess of the Strike Level over the Closing Level, multiplied by the Index Currency Amount, either converted (if applicable) (a) into the Settlement Currency at the Exchange Rate or, as the case may be, (b) into the Interim Currency at the First Exchange Rate and then converted into the Settlement Currency at the Second Exchange Rate, less (ii) the Exercise Expenses; or
- (B) where the Closing Level on the Valuation Date is less than the Floor Level, (i) the excess of the Strike Level over the Floor Level, multiplied by the Index Currency Amount, either converted (if applicable) (a) into the Settlement Currency at the Exchange Rate or, as the case may be, (b) into the Interim Currency at the First Exchange Rate and then converted into the Settlement Currency at the Second Exchange Rate, less (ii) the Exercise Expenses;

Where the Warrants are not expressed to be Index Put Spread Warrants:

“Cash Settlement Amount” means, in respect of every Exercise Amount an amount calculated by the Issuer equal to (1) the excess of the Strike Level over the Closing Level on the Valuation Date, multiplied by the Index Currency Amount, either converted (if applicable) (i) into the Settlement Currency at the Exchange Rate or, as the case may be, (ii) into the Interim Currency at the First Exchange Rate and then converted into the Settlement Currency at the Second Exchange Rate less (2) the Exercise Expenses;

“CCASS” means the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited;

“CCASS Rules” means the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time;

“Exercise Expenses” means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the Warrants;

“Expiry Date” means the Expiry Date specified in the relevant supplemental listing document or if the Expiry Date is not a Business Day the immediately preceding Business Day;

“Market Disruption Event” means:

- (1) the occurrence or existence, on the Valuation Date during the one-half hour period that ends at the close of trading on the Index Exchange, of any of:
 - (i) the suspension or material limitation of the trading of a material number of securities that comprise the Index; or
 - (ii) the suspension or material limitation of the trading of securities on the Index Exchange; or
 - (iii) the suspension or material limitation of the trading of options or futures contracts relating to the Index on any exchanges on which such contracts are traded; or
 - (iv) the imposition of any exchange controls in respect of any currencies involved in determining the Cash Settlement Amount.

For the purposes of paragraph (1), (a) the limitation of the number of hours or days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of any exchange, and (b) a limitation on trading imposed by reason of the movements in price exceeding the levels permitted by any relevant exchange will constitute a Market Disruption Event;

- (2) where the Index Exchange is the Stock Exchange, the hoisting of the tropical cyclone warning signal number 8 or above or the hoisting of a “BLACK” rainstorm signal which either results in the Stock Exchange being closed for dealings for an entire day or results in the Stock Exchange being closed prior to its regular time for close of trading on any day PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening later than its regular time for open of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been hoisted; or
- (3) a limitation or closure of the Stock Exchange due to any unforeseen circumstances;

“Settlement Disruption Event” means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the relevant bank account designated by the relevant Warrantheolders (**“Designated Bank Account”**);

“Stock Exchange” means The Stock Exchange of Hong Kong Limited; and

“Valuation Date” means the Exercise Date (as defined below) or the Expiry Date.

3. Exercise of American Style Warrants and European Style Warrants, Automatic Exercise and Expiry

(A) American Style Warrants

The following provisions of this Condition 3(A) shall apply to Warrants which are expressed to be American Style.

- (a) *Exercise Period.* The Warrants may be exercised by delivery of an Exercise Notice (as defined below), in accordance with Condition 4(A) at any time during the period (the “**Exercise Period**”) beginning at 10:00 a.m. (Hong Kong time) on the Dealing Commencement Date (or, if later, the first day of dealings in the Warrants on the Stock Exchange) and ending at 10:00 a.m. (Hong Kong time) on the Expiry Date.
- (b) *Automatic Exercise.* Any Warrant with respect to which an Exercise Date (as defined below) has not occurred during the Exercise Period will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Warranholders). The Warranholders will not be required to deliver any Exercise Notice and the Issuer or its agent will pay to the Warranholders the Cash Settlement Amount (if any) in accordance with Condition 4(A)(f).
- (c) *Expiry.* Any Warrant with respect to which an Exercise Date (as defined below) has not occurred during the Exercise Period or which has not been automatically exercised in accordance with Condition 3(A)(b) shall expire immediately without value thereafter and all rights of the Warranholder and obligations of the Issuer with respect to such Warrant shall cease.

(B) European Style Warrants

The following provisions of this Condition 3(B) shall apply to Warrants which are expressed to be European Style.

- (a) *Exercise of Warrants.* The Warrants are exercisable only on the Expiry Date.
- (b) *Automatic Exercise.* Any Warrant will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Warranholders). The Warranholders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Warranholders the Cash Settlement Amount (if any) in accordance with Condition 4(B)(d).
- (c) *Expiry.* Any Warrant which has not been automatically exercised in accordance with Condition 3(B)(b) shall expire immediately without value thereafter and all rights of the Warranholder and obligations of the Issuer with respect to such Warrant shall cease.

4. Exercise of Warrants

(A) *American Style Warrants*

The following provisions of this Condition 4(A) shall apply to Warrants which are expressed to be American Style.

- (a) Warrants may only be exercised in a Board Lot or integral multiples thereof.
- (b) *Delivery of an Exercise Notice.*
 - (i) In order to exercise Warrants, the Warrantholder shall deliver to the Transfer Office a duly completed exercise notice obtainable from the Registrar (an “**Exercise Notice**”), such delivery to be made at any time during the Exercise Period. Warrants may not be exercised at any other time.
 - (ii) The date upon which a Warrant is, or is to be treated as, exercised (an “**Exercise Date**”) shall be the Business Day on which an Exercise Notice is delivered to the Registrar and in respect of which there is a valid exercise of Warrants in accordance with the requirements of these Conditions, provided that any Exercise Notice received by the Registrar after 10:00 a.m. (Hong Kong time) on any Business Day shall be deemed to have been delivered on the next following Business Day.
- (c) *Exercise Notice.* The Exercise Notice shall:
 - (i) specify the name(s) of the Warrantholder(s) and the number of Warrants being exercised;
 - (ii) be accompanied by the Global Certificate in the name(s) of the exercising Warrantholder(s); and
 - (iii) specify the person in whose favour the cheque representing the Cash Settlement Amount should be drawn and the name and address of the bank, broker or other agent to whom the cheque should be sent or, as the case may be, specify the relevant account to which the Cash Settlement Amount should be credited.
- (d) *Consequences of delivery of an Exercise Notice.* Delivery of an Exercise Notice in accordance with Conditions 4(A)(b) and 4(A)(c) shall constitute an irrevocable election and undertaking by the Warrantholder specified in such Exercise Notice to exercise the number of Warrants specified in such Exercise Notice and an irrevocable authorisation to deduct the Exercise Expenses in accordance with the calculation set out in the definition of the Cash Settlement Amount.
- (e) *Cancellation.* The Issuer will procure that the Registrar will, with effect from the first Business Day following the Exercise Date or the Expiry Date, as the case may be, remove from its register the name of the person in respect of the Warrants which (i) are the subject of a valid exercise in accordance with these Conditions whether pursuant to an Exercise Notice or automatic exercise; or (ii) have expired worthless, and thereby cancel the relevant Warrants.
- (f) *Cash Settlement.* Subject to a valid exercise, or automatic exercise, of Warrants in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Warrantholder (or such other person as the Warrantholder may have directed, if applicable) equal to the Cash Settlement Amount.

The Cash Settlement Amount shall be despatched not later than three Business Days following the Valuation Date (the “**Settlement Date**”) by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event.

If the Issuer determines, in its sole discretion, that on the Valuation Date a Market Disruption Event has occurred, then the Issuer shall determine the Closing Level on the basis of its good faith estimate of the Closing Level that would have prevailed on that day but for the occurrence of the Market Disruption Event provided that the Issuer may, if applicable, but shall not be obliged, to determine such Closing Level by having regard to the manner in which futures contracts relating to the Index are calculated.

(B) European Style Warrants

The following provisions of this Condition 4(B) shall apply to Warrants which are expressed to be European Style.

- (a) Warrants may only be exercised in a Board Lot or integral multiples thereof.
- (b) *No requirement to deliver an exercise notice.* The Warrantholders will not be required to deliver an exercise notice for any purpose in relation to the Warrants.
- (c) *Cancellation.* Subject to automatic exercise of Warrants in accordance with these Conditions, the Issuer will procure that the Registrar will, with effect from the first Business Day following the Expiry Date, remove from its register the name of the person in respect of the Warrants which (i) are the subject of an exercise pursuant to automatic exercise in accordance with these Conditions or (ii) have expired worthless, and thereby cancel the relevant Warrants.
- (d) *Cash Settlement.* Subject to automatic exercise of Warrants in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Warrantholder equal to the Cash Settlement Amount.

The Cash Settlement Amount shall be despatched not later than three Business Days following the Valuation Date (the “**Settlement Date**”) by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event.

If the Issuer determines, in its sole discretion, that on the Valuation Date a Market Disruption Event has occurred, then the Issuer shall determine the Closing Level on the basis of its good faith estimate of the Closing Level that would have prevailed on that day but for the occurrence of the Market Disruption Event provided that the Issuer may, if applicable, but shall not be obliged, to determine such Closing Level by having regard to the manner in which futures contracts relating to the Index are calculated.

5. Registrar

- (a) The initial Registrar and the Transfer Office, are set out below. The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Registrar and to appoint another Registrar provided that it will at all times maintain a Registrar which, so long as the Warrants are listed on the Stock Exchange, shall be in Hong Kong. Notice of any such termination or appointment and of any change in the Transfer Office or the specified office of the Registrar will be given to the Warrantheolders in accordance with Condition 10.
- (b) The Registrar will be acting as agent of the Issuer in respect of any Warrants and will not assume any obligation or duty to or any relationship of agency or trust for the Warrantheolders.

6. Adjustments to the Index

- (a) *Successor Index Compiler Calculates and Reports Index.* If the Index is (i) not calculated and announced by the Index Compiler but is calculated and published by a successor to the Index Compiler (the “**Successor Index Compiler**”) acceptable to the Issuer or (ii) replaced by a successor index using, in the determination of the Issuer, the same or a substantially similar formula for and method of calculation as used in the calculation of the Index, then the Index will be deemed to be the index so calculated and announced by the Successor Index Compiler or that successor index, as the case may be.
- (b) *Modification and Cessation of Calculation of Index.* If:
 - (i) on or prior to a Valuation Date the Index Compiler or (if applicable) the Successor Index Compiler makes a material change in the formula for or the method of calculating the Index or in any other way materially modifies the Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent stock, contracts or commodities and other routine events); or
 - (ii) on a Valuation Date the Index Compiler or (if applicable) the Successor Index Compiler fails to calculate and publish the Index (other than as a result of a Market Disruption Event),

then the Issuer shall determine the Closing Level using, in lieu of a published level for the Index, the level for the Index as at that Valuation Date as determined by the Issuer in accordance with the formula for and method of calculating the Index last in effect prior to that change or failure, but using only those securities/commodities that comprised the Index immediately prior to that change or failure.

- (c) *Notice of Determinations.* All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Warrantheolders. The Issuer will give, or procure that there is given, notice as soon as practicable of any determinations by publication in accordance with Condition 10.

7. Purchases

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

8. Global Certificate

The Warrants are represented by the Global Certificate registered in the name of HKSCC Nominees Limited and deposited with CCASS in accordance with the CCASS Rules. Warranholders will not be entitled to definitive certificates in respect of any Warrants issued or transferred to them.

9. Meetings of Warranholders; Modification

- (a) *Meetings of Warranholders.* The Registrar's Agreement contains provisions for the convening of meetings of the Warranholders to consider any matter affecting their interest, including sanctioning by Extraordinary Resolution (as defined in the Registrar's Agreement) of a modification of the provisions of the Warrants or of the Global Certificate.

Any resolution to be passed in a meeting of the Warranholders shall be decided by poll. Such a meeting may be convened by the Issuer or by Warranholders holding not less than 10 per cent. of the Warrants for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Warranholders whatever the number of Warrants so held or represented.

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

An Extraordinary Resolution passed at any meeting of the Warranholders shall be binding on all the Warranholders, whether or not they are present at the meeting, save, in the case of Warrants which are expressed to be American Style, for those Warrants remaining unexercised but for which an Exercise Notice shall have been submitted prior to the date of the meeting.

In the case of Warrants which are expressed to be American Style, Warrants which have not been exercised but in respect of which an Exercise Notice has been submitted will not confer the right to attend or vote at, or join in convening, or be counted in quorum for, any meeting of the Warranholders.

Resolutions can be passed in writing without a meeting of the Warranholders being held if passed unanimously.

- (b) *Modification.* The Issuer may, without the consent of the Warranholders, effect (i) any modification of the provisions of the Warrants or the Global Certificate which is not materially prejudicial to the interests of the Warranholders or (ii) any modification of the provisions of the Warrants or the Global Certificate (A) which is of a formal, minor or technical nature, (B) which is made to correct an obvious error or (C) which is necessary in order to comply with mandatory provisions of the laws of Hong Kong. Any

such modification shall be binding on the Warrantheolders and shall be notified to them by the Registrar before the effective date or as soon as practicable thereafter in accordance with Condition 10.

10. Notices

- (a) All documents required or permitted by these Conditions to be sent to a Warrantheolder or to which a Warrantheolder is entitled or which the Issuer shall have agreed to deliver to a Warrantheolder may be delivered by hand or sent by post addressed to the Warrantheolder (unless otherwise, in the case of Warrants which are expressed to be American Style, specified in an Exercise Notice) to the Warrantheolder's address (or, in the case of joint Warrantheolders, to the address of the first-named Warrantheolder) appearing in the register kept by the Registrar, and airmail post shall be used if such address is not in Hong Kong. All documents delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of the relevant Warrantheolder.
- (b) All notices to Warrantheolders will be validly given if published in English and in Chinese on the website of Hong Kong Exchanges and Clearing Limited. Such notices shall be deemed to have been given on the date of the first such publication. If publication is not practicable, notice will be given in such other manner as the Issuer may determine. In addition, copies of the notices will be sent on the same date by mail to the holders of Warrants at their addresses appearing in the register of Warrantheolders kept by the Registrar.

11. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Warrantheolders, to create and issue further warrants so as to form a single series with the Warrants.

12. Governing Law

The Warrants, the Guarantee, the Global Certificate and the Registrar's Agreement will be governed by and construed in accordance with the laws of the Hong Kong Special Administrative Region of the People's Republic of China ("**Hong Kong**"). The Issuer, the Guarantor and each Warrantheolder (by its purchase of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants, the Guarantee, the Global Certificate and the Registrar's Agreement to the non-exclusive jurisdiction of the courts of Hong Kong.

13. Language

In the event of any inconsistency between the Chinese translation of these Conditions and the English version of these Conditions, the English version of these Conditions shall prevail.

Registrar, Warrant Agent and Transfer Office

Calyon, Hong Kong Branch
26/F, 27/F, 29/F and 30/F
Two Pacific Place
88 Queensway
Hong Kong

PART M – TERMS AND CONDITIONS OF THE STRADDLE WARRANTS (CASH SETTLED)

The relevant Conditions will, together with the supplemental provisions contained in the relevant Supplemental Listing Document and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Supplemental Listing Document in relation to the issue of any series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with the relevant Conditions, replace or modify the relevant Conditions for the purpose of such series of Warrants. Capitalised terms used in the relevant Conditions and not otherwise defined therein shall have the meaning given to them in the relevant Supplemental Listing Document.

1. Form, Status, Transfer and Title

- (a) *Form.* The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 12) relating to the Shares of the Company are issued in registered form subject to and with the benefit of a global certificate by way of deed poll (the “**Global Certificate**”) dated the Issue Date made by Calyon Financial Products (Guernsey) Limited (the “**Issuer**”), a deed poll guarantee (the “**Guarantee**”) dated 5 June 2008 made by Calyon (the “**Guarantor**”) and a base registrar’s and warrant agency agreement dated 29 July 2004 made between, inter alia, the Issuer and the Guarantor and a letter agreement dated 17 September 2007 made between the Issuer and Calyon, Hong Kong Branch as registrar and warrant agent for the Warrants (the “**Registrar**” and “**Warrant Agent**” respectively, which expressions shall include any successors) (as amended, varied or supplemented from time to time or any successor document, the “**Registrar’s Agreement**”) as supplemented by a Confirmation (as defined in the Registrar’s Agreement) relating to the Warrants. Copies of the Global Certificate, the Guarantee and the Registrar’s Agreement are available for inspection at the specified office of the Registrar (the “**Transfer Office**”). The initial Transfer Office is set out below. The Warrantholders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Global Certificate and the Registrar’s Agreement.

References in these Conditions to “**Shares**” shall be a reference to the shares of the Company.

- (b) *Status.* The Warrants represent general, unsecured, contractual obligations of the Issuer and of no other person and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations of the Issuer. The obligations of the Guarantor under the Guarantee represent general, unsecured, contractual obligations of the Guarantor and of no other person and rank *pari passu* (save for certain obligations required to be preferred by law) with all other unsecured obligations of the Guarantor.
- (c) *Transfer.* Transfers of beneficial interests in the Warrants may be effected only in Board Lots or integral multiples thereof in CCASS in accordance with the CCASS Rules (as defined below).
- (d) *Title.* Each person who is for the time being shown in the register kept by the Issuer outside of Hong Kong as entitled to a particular number of Warrants shall be treated by the Issuer, the Guarantor and the Sponsor as the absolute owner and holder of such number of Warrants. The expression “**Warrantholder**” shall be construed accordingly.

2. Warrant Rights and Exercise Expenses

- (a) *Warrant Rights*. Every Exercise Amount gives each Warrantholder, upon due exercise and compliance with Condition 4(A) or 4(B), as the case may be, the right to receive the payment of the Cash Settlement Amount (as defined below), if any.
- (b) *Exercise Expenses*. On exercise of the Warrants, Warrantholders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses (as defined below) in accordance with Condition 4(A) or 4(B), as the case may be.
- (c) *Definitions*. For the purposes of these Conditions:

“**Business Day**” means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong (as defined below) and banks are open for business in Hong Kong;

“**Cash Settlement Amount**” means, in respect of every Exercise Amount, an amount in Hong Kong dollars calculated by the Issuer as equal to either:

- (A) where the Closing Price is greater than the Exercise Price:

Entitlement x (Closing Price – Exercise Price) – Exercise Expenses

or

- (B) where the Closing Price is less than the Exercise Price:

Entitlement x (Exercise Price – Closing Price) – Exercise Expenses

The Cash Settlement Amount will be less than or equal to zero if (i) the Closing Price is equal to the Exercise Price or (ii) the difference between the Closing Price and the Exercise Price does not exceed the Exercise Expenses (if any). For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

“**CCASS**” means the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited;

“**CCASS Participants**” means a person admitted for the time being by Hong Kong Securities Clearing Company Limited as a participant of CCASS;

“**CCASS Rules**” means the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time;

“**Closing Price**” means,

- (A) with respect to the automatic exercise of Warrants on the Expiry Date in accordance with Condition 3(A)(b) or 3(B)(b), the arithmetic mean of the closing price of the Shares (as derived from the Daily Quotation Sheet of the Stock Exchange) for each Valuation Date; or
- (B) with respect to the exercise of American Style Warrants on any Exercise Date prior to 10:00 a.m. (Hong Kong time) on the Expiry Date in accordance with Condition 3(A)(a), the closing price of the Shares (as derived from the Daily Quotation Sheet of the Stock Exchange) on the Valuation Date,

subject to any adjustments to such closing price(s) as may be necessary to reflect any capitalisation, rights issue, distribution or the like;

“Exercise Expenses” means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the Warrants;

“Expiry Date” means the Expiry Date specified in the relevant supplemental listing document or if the Expiry Date is not a Business Day the immediately preceding Business Day;

“Market Disruption Event” means (1) the occurrence or existence on any Valuation Date during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in (a) the Shares; or (b) any options or futures contracts relating to the Shares if, in any such case, that suspension or limitation is, in the determination of the Issuer, material; (2) the hoisting of the tropical cyclone warning signal number 8 or above or the hoisting of a “BLACK” rainstorm signal which either results in the Stock Exchange being closed for dealings for an entire day or results in the Stock Exchange being closed prior to its regular time for close of trading on any day PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening later than its regular time for open of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been hoisted; or (3) a limitation or closure of the Stock Exchange due to any unforeseen circumstances;

“Settlement Disruption Event” means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the relevant bank account designated by the relevant Warrantheolders (**“Designated Bank Account”**);

“Stock Exchange” means The Stock Exchange of Hong Kong Limited, and

“Valuation Date” means,

- (A) with respect to the automatic exercise of Warrants on the Expiry Date in accordance with Condition 3(A)(b) or 3(B)(b), each of the five Business Days immediately preceding the Expiry Date, provided that if the Issuer determines, in its sole discretion, that on any Valuation Date a Market Disruption Event has occurred, then that Valuation Date shall be postponed until the first succeeding Business Day on which there was no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a day that already is or is deemed to be a Valuation Date. For the avoidance of doubt, in the event that a Valuation Date is postponed due to the occurrence of a Market Disruption Event, the closing price of the Shares for such postponed Valuation Date will be the closing price of the Shares on the first succeeding Business Day on which there was no Market Disruption Event. Accordingly, the closing price of a Valuation Date may be used more than once in calculating the Closing Price for the determination of the Cash Settlement Amount, so that in no event shall there be less than five closing prices to determine the Closing Price; or
- (B) with respect to the exercise of American Style Warrants on any Exercise Date prior to 10:00 a.m. (Hong Kong time) on the Expiry Date in accordance with Condition 3(A)(a), the Exercise Date, provided that if the Issuer determines, in its sole discretion, that on such Exercise Date a Market Disruption Event has occurred, then the Valuation Date shall be postponed until the first succeeding

Business Day on which there was no Market Disruption Event, provided that if there is a Market Disruption Event on each of the five Business Days immediately following such Exercise Date that, but for the Market Disruption Event, would have been the Valuation Date, then:

- (i) that fifth Business Day shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event, and
- (ii) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of such price that would have prevailed on that fifth Business Day but for the Market Disruption Event,

provided that if the postponement of a Valuation Date as aforesaid would result in a Valuation Date falling on or after the Expiry Date, then:

- (a) the Business Day immediately preceding the Expiry Date (the “**Last Valuation Date**”) shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and
- (b) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of such price that would have prevailed on the Last Valuation Date but for the Market Disruption Event.

3. Exercise of American Style Warrants and European Style Warrants, Automatic Exercise and Expiry

(A) American Style Warrants

The following provisions of this Condition 3(A) shall apply to Warrants which are expressed to be American Style.

- (a) *Exercise Period.* The Warrants may be exercised by delivery of an Exercise Notice (as defined below), in accordance with Condition 4(A) at any time during the period (the “**Exercise Period**”) beginning at 10:00 a.m. (Hong Kong time) on the Dealing Commencement Date (or, if later, the first day of dealings in the Warrants on the Stock Exchange) and ending at 10:00 a.m. (Hong Kong time) on the Expiry Date.
- (b) *Automatic Exercise.* Any Warrant with respect to which an Exercise Date (as defined below) has not occurred during the Exercise Period will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Warranholders). The Warranholders will not be required to deliver any Exercise Notice and the Issuer or its agent will pay to the Warranholders the Cash Settlement Amount (if any) in accordance with Condition 4(A)(f).
- (c) *Expiry.* Any Warrant with respect to which an Exercise Date (as defined below) has not occurred during the Exercise Period or which has not been automatically exercised in accordance with Condition 3(A)(b) shall expire immediately without value thereafter and all rights of the Warranholder and obligations of the Issuer with respect to such Warrant shall cease.

(B) *European Style Warrants*

The following provisions of this Condition 3(B) shall apply to Warrants which are expressed to be European Style.

- (a) *Exercise of Warrants.* The Warrants are exercisable only on the Expiry Date.
- (b) *Automatic Exercise.* Any Warrant will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Warrantheholders). The Warrantheholders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Warrantheholders the Cash Settlement Amount (if any) in accordance with Condition 4(B)(d).
- (c) *Expiry.* Any Warrant which has not been automatically exercised in accordance with Condition 3(B)(b) shall expire immediately without value thereafter and all rights of the Warrantheholder and obligations of the Issuer with respect to such Warrant shall cease.

4. *Exercise of Warrants*

(A) *American Style Warrants*

The following provisions of this Condition 4(A) shall apply to Warrants which are expressed to be American Style.

- (a) Warrants may only be exercised in Board Lots or integral multiples thereof.
- (b) *Delivery of an Exercise Notice.*
 - (i) In order to exercise Warrants, the Warrantheholder shall deliver to the Transfer Office a duly completed exercise notice obtainable from the Registrar (an “**Exercise Notice**”), such delivery to be made at any time during the Exercise Period. Warrants may not be exercised at any other time.
 - (ii) The date upon which a Warrant is, or is to be treated as, exercised (an “**Exercise Date**”) shall be the Business Day on which an Exercise Notice is delivered to the Registrar and in respect of which there is a valid exercise of Warrants in accordance with the requirements of these Conditions, provided that any Exercise Notice received by the Registrar after 10:00 a.m. (Hong Kong time) on any Business Day shall be deemed to have been delivered on the next following Business Day.
- (c) *Exercise Notice.* The Exercise Notice shall:
 - (i) specify the name(s) of the Warrantheholder(s) and the number of Warrants being exercised;
 - (ii) be accompanied by the Global Certificate in the name(s) of the exercising Warrantheholder(s); and
 - (iii) specify the person in whose favour the cheque representing the Cash Settlement Amount should be drawn and the name and address of the bank, broker or other agent to whom the cheque should be sent or, as the case may be, specify the relevant account to which the Cash Settlement Amount should be credited.

- (d) *Consequences of delivery of an Exercise Notice.* Delivery of an Exercise Notice in accordance with Conditions 4(A)(b) and 4(A)(c) shall constitute an irrevocable election and undertaking by the Warrantholder specified in such Exercise Notice to exercise the number of Warrants specified in such Exercise Notice and an irrevocable authorisation to deduct the Exercise Expenses in accordance with the calculation set out in the definition of the Cash Settlement Amount.
- (e) *Cancellation.* The Issuer will procure that the Registrar will, with effect from the first Business Day following the Exercise Date or the Expiry Date, as the case may be, remove from its register the name of the person in respect of the Warrants which (i) are the subject of a valid exercise in accordance with these Conditions whether pursuant to an Exercise Notice or automatic exercise; or (ii) have expired worthless, and thereby cancel the relevant Warrants.
- (f) *Cash Settlement.* Subject to a valid exercise, or automatic exercise, of Warrants in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Warrantholder (or such other person as the Warrantholder may have directed, if applicable) equal to the Cash Settlement Amount.

The Cash Settlement Amount shall be despatched not later than three Business Days following:

- (i) with respect to the exercise of American Style Warrants on any Exercise Date prior to 10:00 a.m. (Hong Kong time) on the Expiry Date in accordance with Condition 3(A)(a), the Valuation Date; or
- (ii) with respect to the automatic exercise of American Style Warrants on the Expiry Date in accordance with Condition 3(A)(b), the Expiry Date,

(the “**Settlement Date**”) by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event.

(B) *European Style Warrants*

The following provisions of this Condition 4(B) shall apply to Warrants which are expressed to be European Style.

- (a) Warrants may only be exercised in Board Lots or integral multiples thereof.
- (b) *No requirement to deliver an exercise notice.* The Warrantholders will not be required to deliver an exercise notice for any purpose in relation to the Warrants.

- (c) *Cancellation.* The Issuer will procure that the Registrar will, with effect from the first Business Day following the Expiry Date, remove from its register the name of the person in respect of the Warrants which (i) are the subject of an exercise pursuant to automatic exercise in accordance with these Conditions; or (ii) have expired worthless, and thereby cancel the relevant Warrants.
- (d) *Cash Settlement.* Subject to automatic exercise of Warrants in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Warrantholder equal to the Cash Settlement Amount.

The Cash Settlement Amount will be despatched no later than three Business Days following the Expiry Date (the “**Settlement Date**”) by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event.

5. Registrar

- (a) The initial Registrar and the Transfer Office are set out below. The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Registrar and to appoint another Registrar provided that it will at all times maintain a Registrar which, so long as the Warrants are listed on the Stock Exchange, shall be in Hong Kong. Notice of any such termination or appointment and of any change in the Transfer Office or the specified office of the Registrar will be given to the Warrantholders in accordance with Condition 10.
- (b) The Registrar will be acting as agent of the Issuer in respect of any Warrants and will not assume any obligation or duty to or any relationship of agency or trust for the Warrantholders.

6. Adjustments

- (a) *Rights Issues.* If and whenever the Company shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a “**Rights Offer**”), the Entitlement will be adjusted to take effect on the Business Day (“**Rights Issue Adjustment Date**”) on which trading in the Shares becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = \frac{1 + M}{1 + (R/S) \times M} \times E$$

Where:

- E: Existing Entitlement immediately prior to the Rights Offer
- S: Cum-Rights Share price determined by the closing price on the Stock Exchange on the last Business Day on which Shares are traded on a cum-Rights basis
- R: Subscription price per Share as specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Right
- M: Number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. The adjustment to the Exercise Price shall take effect on the Rights Issue Adjustment Date.

For the purposes of these Conditions:

“**Rights**” means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

- (b) *Bonus Issues*. If and whenever the Company shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the Company or otherwise in lieu of a cash dividend and without any payment or other consideration being made or given by such holders) (a “**Bonus Issue**”) the Entitlement will be increased on the Business Day (“**Bonus Issue Adjustment Date**”) on which trading in the Shares becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = (1 + N) \times E$$

Where:

- E: Existing Entitlement immediately prior to the Bonus Issue
- N: Number of additional Shares (whether a whole or a fraction) received by a holder of existing Shares for each Share held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. The adjustment to the Exercise Price shall take effect on the Bonus Issue Adjustment Date.

- (c) *Share Splits or Consolidations.* If and whenever the Company shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a “**Subdivision**”) or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a “**Consolidation**”), the Entitlement in effect immediately prior thereto will be increased (in the case of a Subdivision) or decreased (in the case of a Consolidation) accordingly (the adjusted Entitlement is called “**Adjusted Entitlement**”) in each case on the day on which the relevant Subdivision or Consolidation shall have taken effect. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Entitlement. The adjustment to the Exercise Price shall take effect on the same day that the Entitlement is adjusted.
- (d) *Merger or Consolidation.* If it is announced that the Company is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of any corporation or controlled by any person or corporation) (except where the Company is the surviving corporation in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the Warrants may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “**Restructuring Event**”) (as determined by the Issuer in its absolute discretion).

The rights attaching to the Warrants after the adjustment shall, after such Restructuring Event, relate to the number of shares of the corporation(s) resulting from or surviving such Restructuring Event or other securities (“**Substituted Securities**”) and/or cash offered in substitution for the affected Shares, as the case may be, to which the holder of such number of Shares to which the Warrants related immediately before such Restructuring Event would have been entitled upon such Restructuring Event. Thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in Hong Kong dollars equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected.

For the avoidance of doubt, any remaining Shares shall not be affected by this paragraph (d) and, where cash is offered in substitution for Shares or is deemed to replace Substituted Securities as described above, references in these Conditions to the Shares shall include any such cash.

- (e) *Other Adjustments.* Except as provided in this Condition 6 and Condition 13, adjustments will not be made in any other circumstances, subject to the right reserved by the Issuer (such right to be exercised in the Issuer’s sole and unfettered discretion and without any obligation whatsoever) to make such adjustments as it believes appropriate in circumstances where an event or events occur which it believes in its sole discretion and notwithstanding any prior adjustment made pursuant to the above should, in the context of the issue of the Warrants and the obligations of the Issuer, give rise to such adjustment provided that such adjustment is considered by the Issuer not to be materially prejudicial to the Warrantholders generally (without considering the circumstances of any individual Warrantholder or the tax or other consequences of such adjustment in any particular jurisdiction).

- (f) *Notice of Adjustments.* All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Warrantheolders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with Condition 10.

7. Purchases

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

8. Global Certificate

The Warrants are represented by the Global Certificate registered in the name of HKSCC Nominees Limited and deposited with CCASS in accordance with the CCASS Rules. Warrantheolders will not be entitled to definitive certificates in respect of any Warrants issued or transferred to them.

9. Meetings of Warrantheolders; Modification

- (a) *Meetings of Warrantheolders.* The Registrar's Agreement contains provisions for the convening of meetings of the Warrantheolders to consider any matter affecting their interest, including sanctioning by Extraordinary Resolution (as defined in the Registrar's Agreement) of a modification of the provisions of the Warrants or of the Global Certificate.

Any resolution to be passed in a meeting of the Warrantheolders shall be decided by poll. Such a meeting may be convened by the Issuer or by Warrantheolders holding not less than 10 per cent. of the Warrants for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Warrantheolders whatever the number of Warrants so held or represented.

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

An Extraordinary Resolution passed at any meeting of the Warrantheolders shall be binding on all the Warrantheolders, whether or not they are present at the meeting, save, in the case of Warrants which are expressed to be American Style, for those Warrants remaining unexercised but for which an Exercise Notice shall have been submitted prior to the date of the meeting.

In the case of Warrants which are expressed to be American Style, Warrants which have not been exercised but in respect of which an Exercise Notice has been submitted will not confer the right to attend or vote at, or join in convening, or be counted in quorum for, any meeting of the Warrantheolders.

Resolutions can be passed in writing without a meeting of the Warrantheolders being held if passed unanimously.

- (b) *Modification.* The Issuer may, without the consent of the Warrantheolders, effect (i) any modification of the provisions of the Warrants or the Global Certificate which is not materially prejudicial to the interests of the Warrantheolders or (ii) any modification of

the provisions of the Warrants or the Global Certificate (A) which is of a formal, minor or technical nature, (B) which is made to correct an obvious error or (C) which is necessary in order to comply with mandatory provisions of the laws of Hong Kong. Any such modification shall be binding on the Warrantheolders and shall be notified to them by the Registrar before the effective date or as soon as practicable thereafter in accordance with Condition 10.

10. Notices

- (a) All notices required or permitted by these Conditions to be sent to a Warrantheolder or to which a Warrantheolder is entitled or which the Issuer shall have agreed to deliver to a Warrantheolder may be delivered by hand or sent by post addressed to the Warrantheolder (otherwise, in the case of Warrants which are expressed to be American Style, than in accordance with an Exercise Notice) to the Warrantheolder's address (or, in the case of joint Warrantheolders, to the address of the first named Warrantheolder) appearing in the register kept by the Registrar, and airmail post shall be used if such address is not in Hong Kong. All documents delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of the relevant Warrantheolder.
- (b) All notices to Warrantheolders will be validly given if published in English and in Chinese on the website of Hong Kong Exchanges and Clearing Limited. Such notices shall be deemed to have been given on the date of the first such publication. If publication is not practicable, notice will be given in such other manner as the Issuer may determine. In addition, copies of the notices will be sent on the same date by mail to the holders of Warrants at their addresses appearing in the register of Warrantheolders kept by the Registrar.

11. Liquidation

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator, receiver or administrator or analogous person under Hong Kong law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised Warrants will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

12. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Warrantheolders, to create and issue further warrants so as to form a single series with the Warrants.

13. Delisting

- (a) If at any time the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments to the rights attaching to the Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Warrantheolders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Warrantheolder or the tax or other consequences that may result in any particular jurisdiction).

- (b) Without prejudice to the generality of Condition 13(a), where the Shares are, or, upon the delisting, become, listed on any other stock exchange, these Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Warrantholders, make such adjustments to the entitlements of Warrantholders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into Hong Kong currency) as may be appropriate in the circumstances.
- (c) The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Warrantholders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Warrantholders in accordance with Condition 10 as soon as practicable after they are determined.

14. Governing Law

The Warrants, the Global Certificate, the Guarantee and the Registrar's Agreement will be governed by and construed in accordance with the laws of the Hong Kong Special Administrative Region of the People's Republic of China ("**Hong Kong**"). The Issuer, the Guarantor and each Warrantholder (by its purchase of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants, the Global Certificate, the Guarantee and the Registrar's Agreement to the non-exclusive jurisdiction of the courts of Hong Kong.

15. Language

In the event of any inconsistency between the Chinese translation of these Conditions and the English version of these Conditions, the English version of these Conditions shall prevail.

Registrar, Warrant Agent and Transfer Office

Calyon, Hong Kong Branch
26/F, 27/F, 29/F and 30/F
Two Pacific Place
88 Queensway
Hong Kong

APPENDIX 2 – DESCRIPTION OF THE ISSUER

Basic information about the Issuer

The Issuer was incorporated on 8 December 1995 under the Issuer laws of Guernsey as a limited liability company.

The Issuer is registered under no. 30322, and its registered office is at Suites 13 & 15, Sarnia House, Le Truchot, St. Peter Port, Guernsey. It has not established a place of business in Hong Kong.

The authorised share capital of the Issuer is 15,250 Euro, divided into 100,000 shares of 0.1525 Euro each.

The number of shares issued is 100,000, all of which are fully paid.

The issued shares are all beneficially owned by Calyon Capital Markets International S.A., which is a wholly-owned subsidiary of Calyon.

Objects of the Issuer

The objects of the Issuer as set in its memorandum of association include the power to carry on business as a finance company and to borrow or raise money by the issue of financial instruments of whatsoever nature.

Business of the Issuer

The Issuer is a finance company, and its principal activity is the issuance of warrants, notes and other financial instruments.

Directors

The Board of Directors of the Issuer consists of the following members as at 31 March 2008:

Name	Business Address
Jean-Pierre ANDREI	25, quai du Président Paul Doumer – 92920 Paris La Défense Cedex, France
Olivier ESCANDE	25, quai du Président Paul Doumer – 92920 Paris La Défense Cedex, France
Frédéric MÉRON	9, quai du Président Paul Doumer – 92920 Paris La Défense Cedex, France
Fabien Raymond Louis HAJJAR	25, quai du Président Paul Doumer – 92920 Paris La Défense Cedex, France
Pascal Clicquot de MENTQUE	25, quai du Président Paul Doumer – 92920 Paris La Défense Cedex, France
Robert Hart FEARIS	Suites 13 & 15, Sarnia House, Le Truchot, St. Peter Port, Guernsey
John Stephen BRADLEY	Suites 13 & 15, Sarnia House, Le Truchot, St. Peter Port, Guernsey

APPENDIX 3 – DESCRIPTION OF THE GUARANTOR

GENERAL INFORMATION RELATING TO CALYON

1. Incorporation and Registration

Calyon is a limited liability company incorporated in France as a “*société anonyme*” governed by a Board of Directors. Calyon is registered at the *Registre du Commerce et des Sociétés Nanterre* under the reference SIREN 304 187 701. Its registered office is at 9 quai du Président Paul Doumer, 92920 Paris La Défense Cedex, Paris, France.

As a French corporation with limited liability, Calyon is subject to the dispositions of the *Code de Commerce*, and also, as financial institution, to the dispositions of the *Code monétaire et financier*.

Unless subject to winding up proceedings or an extension of its term, the term of incorporation of Calyon will expire on 25 November 2064 as provided for in its constitutional documents.

2. Historical background

Calyon (previously known as Crédit Agricole Indosuez) is a result of several successive mergers. On 30 September 1975, two French banks, Banque de l'Indochine and Banque de Suez et de l'Union des Mines, merged to form Banque Indosuez. In 1996, Banque Indosuez was acquired by Caisse Nationale de Crédit Agricole, (“**CNCA**” renamed Crédit Agricole S.A. in November 2001). In 1997, CNCA merged Banque Indosuez with Unicredit, the French corporate banking specialised subsidiary of CNCA and also contributed CNCA's international markets, corporate and trade finance activities to Banque Indosuez. The bank which resulted from these transactions was renamed Crédit Agricole Indosuez (“**CAI**”) on 1 July 1997.

In 1999, the private banking activity of CAI was strengthened by the contribution of CNCA's specialised subsidiaries (Banque de Gestion Privée in France and Banque de Crédit Agricole Suisse SA). The bank also expanded its market activities: in 2001 CAI took full control of CPR, a French specialised bank (notably active in asset management, structured products, on-line brokerage activities, as well as trading in hybrid products). The merger of CPR with CAI was decided by the Shareholder's Meeting of CAI held on 15 May 2002.

Finally, following completion of the successful takeover bid of Crédit Lyonnais by Crédit Agricole S.A., on 30 April 2004, CAI benefited from the contribution of the corporate and investment banking activities of Crédit Lyonnais. CAI was then renamed Calyon.

3. Structure of the Crédit Agricole Group and Calyon

Calyon is by more than 95% directly owned by Crédit Agricole S.A.

Crédit Agricole S.A. operates as the central banking institution of the Crédit Agricole Group, a full-service banking group with the largest banking distribution network in France. The shares of Crédit Agricole S.A. have been listed on the French Stock Exchange (le “*Premier marché d'Euronext Paris*”) since 14 December 2001.

Crédit Agricole S.A. represents all Group business lines and entities, and has three main roles within the Group. These roles are:

- the leading institution,
- the central banker,
- the entity responsible for ensuring consistent development.

Crédit Agricole S.A. owns 25% of the capital of the 41 Crédit Agricole regional banks, as well as all Group interests in foreign banks and operating subsidiaries specialising in certain specific business lines.

Crédit Agricole S.A. is a universal bank with a presence throughout the activities of banking and insurance. This is due to the leadership positions in retail banking of the various Crédit Agricole regional banks, as well as those of its subsidiaries in their respective businesses.

Its strategic aims are to consolidate the Group's leadership in French retail banking and to build a strong European base.

In 2003, Crédit Agricole took over Crédit Lyonnais. Due to its straightforward and mutually-agreed business plan, the Crédit Agricole-Crédit Lyonnais tie-up has given birth to a major bank in France, as well as a leading player in Europe.

Detailed financial statements and comments on the Crédit Agricole S.A. Group are available on the website "<http://www.actionnaires.creditagricolesa.fr>".

4. Business Description of Calyon

Calyon is the corporate and investment banking arm of the Crédit Agricole Group.

Calyon has two main areas of activity:

- *Financing*
 - Financing of large corporates and loan syndications,
 - Project finance,
 - Acquisition finance,
 - Aircraft and shipping financing,
 - Export trade and commodity finance, and
 - Real estate.
- *Capital Markets and Investment Banking*
 - Treasury & liquidity management,
 - Fixed income, foreign exchange and commodities derivatives,
 - Credit markets,
 - Equity derivatives,

- Mergers & acquisitions,
- Equity capital market, and
- Equity brokerage.

Calyon can thus offer a global banking service to its customers and ranks amongst the top banks in France in terms of product lines in its business lines.

Calyon has also an important activity of *International private banking* in Europe due to its strong presence in the three main European private banking markets: Switzerland, Luxembourg and Monaco.

5. Shareholders' Capital

As of 31 December 2007, the shareholders' capital of Calyon amounted to EUR3,714,724,584 and is divided into 137,582,392 fully paid shares of EUR 27 each.

6. Ratings

The current rating for Calyon is as follows:

Rating agency	Short term debt	Senior long term debt
Fitch Ratings	F1+	AA
Moody's	Prime-1	Aa1
Standard & Poor's	A-1+	AA-

These short and long-term debt ratings covering Calyon's debt obligations are subject to change and Calyon undertakes no responsibility to update or notify anyone of any changes to the ratings of its short or long-term debt obligations.

7. Financial Statements

The audited consolidated financial statements of Calyon, the management discussion and analysis, as well as the two auditors' reports for the years ended 31 December 2006 and 31 December 2005 are published in the documents, respectively called "Document de Référence" for the year 2005 and "Document de Référence" for the year 2006 which is available in Calyon's website.

The audited consolidated financial statements of Calyon, the management discussion and analysis, as well as the auditors' report for the year ended 31 December 2007 are published in the document called "Document de Référence" for the year 2007 which is available in Calyon's website.

8. Board of Directors and Management of Calyon

Calyon is a *société anonyme* governed by a Board of Directors.

Calyon is managed through the Board of Directors of which the composition, at the date of 15 May 2008 is detailed below.

Name	Functions in the board of directors	Title
Georges PAUGET	Chairman	Chief Executive Officer of Crédit Agricole S.A. Chairman of Crédit Lyonnais
Edmond ALPHANDERY	Director	Former Minister Chairman of the Supervisory Board of CNP Assurances
Pierre BRU	Director	Chairman of Crédit Agricole Nord Midi-Pyrénées
Jean-Paul CHIFFLET	Director	Corporate Secretary of FNCA Chief Executive Officer of Crédit Agricole Centre-Est
Jean-Dominique COMOLLI	Director	Chairman of the Board of Directors of ALTADIS Chairman of the Board of Directors of SEITA
Frank E. DANGARD	Director	
Jean-Frédéric de LEUSSE	Director	Deputy Chief Executive Officer of Crédit Agricole S.A.
Jean-Frédéric DREYFUS	Director	
Philippe GESLIN	Director	
François IMBAULT	Director	Chairman of Crédit Agricole de Paris et d'Ile de France
Marc KYRIACOU	Director	
Jean LE VOURCH	Director	Chairman of Crédit Agricole Finistère
Bernard LOLLLOT	Director	Chief Executive Officer of Crédit Agricole Centre-France
François MACE	Director	Chief Executive Officer of Crédit Agricole Charente-Périgord
Didier MARTIN	Director	Lawyer-Cabinet Bredin Prat
Jean PHILIPPE	Director	Chief Executive Officer of Crédit Agricole Pyrénées Gascogne

Name	Functions in the board of directors	Title
Jean-Marie SANDER	Director	Chairman of FNCA Chairman of Crédit Agricole Alsace-Vosges Chairman of S.A.S. La Boétie
Henri MOULARD	Non-voting director	Chairman of HM & Associés

FNCA – Fédération Nationale du Crédit Agricole

Calyon has a General Management Committee with the following members (composition as of 15 May 2008):

Name	Title
Patrick VALROFF	Chief Executive Officer
Jérôme GRIVET	Deputy Chief Executive Officer
Alain MASSIERA	Deputy Chief Executive Officer

Calyon also has an Executive Committee which consists of the following members (composition as of 15 May 2008):

Name	Title
Georges PAUGET	CA s.a. CEO (permanent guest)
Jean-Frédéric de LEUSSE	CA s.a. Deputy CEO (permanent guest)
Patrick VALROFF	Chief Executive Officer
Jérôme GRIVET	Deputy Chief Executive Officer
Alain MASSIERA	Deputy Chief Executive Officer
Gilles de DUMAST	Deputy General Manager/Global Investment Banking
Ishan KAPUR	Financial Institutions Group
Guy LAFFINEUR	Fixed Income Markets
Jean François MARCHAL	Structured Finance
Bernard MIGNUCCI	International
Pascal POUPELLE	Deputy General Manager Corporate Coverage Group
François SIMON	CA Cheuvreux

The business address of each of the officers named above in his/her capacity as such is c/o Calyon, 9, quai du Président Paul Doumer, 92920 Paris La Défense Cedex, France.

9. Material Litigation

In the normal course of its business, Calyon is involved in a number of litigation and arbitration proceedings in several countries.

Reserves are booked in respect of these litigation and arbitration proceedings when it is likely that they will result in an outflow of cash.

- In 2007, the main change in reserves resulted from proceedings brought by Calyon before the court of the State of New York against one of its counterparties, relating to a sale of protection on transactions linked to residential real estate. The purpose of these proceedings is to gain acknowledgement that the commitment made by this counterparty is valid.
- On 10 March 2008, one of Calyon's guarantors filed a lawsuit with the court of the State of New York. As regards Calyon, the aim of this lawsuit is to have the US judge void an undertaking made as part of a sale of protection covering transactions related to US residential real estate. At this stage, this lawsuit does not alter the analysis of risks related to this counterparty that was made at the accounts closing. On 17 March 2008, Calyon filed a suit before a court in England aimed at gaining acknowledgement of the validity and enforceability of the undertaking made by the UK subsidiary of this counterparty as part of this transaction.

10. Recent Press Release

The following information is extracted from a recent press release of Crédit Agricole S.A. dated 15 May 2008 and relates only to results by selected business lines of Calyon. Neither the extracted information below nor the said press release provide a full description of all the business lines of Calyon.

3. CORPORATE AND INVESTMENT BANKING

In the first quarter of 2008, the results of Corporate and investment banking were severely affected by market turmoils.

€m	Q1-08	Q1-07	Q1-08*	Q1-07*	ΔQ1/Q1*
Net banking income	(81)	1620	860	1,753	(50.9%)
Operating expenses	(936)	(913)	(936)	(913)	+2.5%
Gross operating income	(1,017)	707	(76)	840	
Risk-related costs	(170)	14	(126)	14	
Operating income	(1,187)	721	(202)	854	
Equity affiliates	32	36	32	36	
Pre-tax income	(1,155)	757	(170)	890	
Net income, Group share	(795)	539	(149)	632	

Cost/income ratio	nm	56.4%	nm	52.1%
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* Excluding impact of subprime crisis

During the first quarter, Corporate and investment banking recognised new impairment charges due to the crisis in the US residential mortgage market, with a negative impact of €646 million on **net income, Group share**, which, in total, is a loss of €795 million.

Excluding the crisis impact, **net income, Group share** for the quarter was a loss of €149 million, reflecting a mixed performance.

Financing activities delivered a respectable performance in a deteriorated environment, with net banking income of €569 million. Excluding sales of repackaged debt in the first quarter of 2007 and a €34m discount on syndication loans in the first quarter of 2008, revenues were stable over the period (down 1%). Structured finance made a handsome showing over the quarter in all segments, with net banking income of €316 million. Business slowed only in acquisition finance. In Commercial banking, NBI was €253 million.

Expenses remained under control and the cost/income ratio remained low, at around 40%.

Risk-related costs (€101 million) mainly reflect a €98 million increase in collective provisions, which amounted to €1,226 million at 31 March 2008.

Operating income was €239 million and **net income, Group share** came to €170 million.

In terms of risks, the **Basle II risk-weighted assets** declined to €96.9 billion over the quarter, reflecting a favourable foreign currency impact, more stringent selection criteria in origination and a persistently good distribution capacity in a less favourable climate in the first quarter of 2008.

In **Capital markets and investment banking**, the first quarter was adversely affected by strong volatility in the financial markets. Net banking income was a loss of €650 million, or a profit of €291 million excluding the crisis impact. NBI includes of €509 million in net impairment charges for US mortgage-backed CDOs and ABSs, €696 million in allowances for monoline insurers, and a positive €264 million mark to market adjustment for structured issues.

In the Equity segment, income (€294 million) was impacted by several factors: the value of equity derivative positions were severely affected by market conditions, which offset a solid business performance over the period. The brokers showed resilience despite the downturn in market indices, Newedge got off to a satisfactory start, and advisory business was stable.

The Fixed income segment registered a loss of €3 million excluding the crisis impact, due to the poor performance of credit operations in the wake of widening spreads and market dislocation and despite the resilience of fixed income business and the sharp rise in treasury and foreign exchange business.

Operating expenses declined 3.6% year-on-year to €707 million, excluding the effect from the creation of Newedge.

Risk-related costs came to €69 million during the quarter. These consisted of one-time operations, primarily the unwinding of repo transactions.

As for **market risk**, despite the continued policy of reducing exposure to such risk, VaR was again adversely affected by market volatility.

4. PROPRIETARY ASSET MANAGEMENT AND OTHER ACTIVITIES

€m	Q1-08	Q1-07	△ Q1/Q1
Net banking income	660	239	x2.8
Operating expenses	(236)	(252)	(6.6%)
Gross operating income	424	(13)	n.m.
Risk-related costs	11	(11)	n.m.
Operating income	435	(24)	n.m.
Equity affiliates	(1)	(11)	(94.7%)
Net gain/(loss) on disposal of other assets	421	1,046	(59.7%)
Pre-tax income	855	1,011	(15.2%)
Net income, Group share	685	1,059	(35.4%)

In Proprietary asset management and other activities, several non-recurring items were recognised during the first quarter of 2008. Hence, results are not directly comparable with the first quarter of 2007, which was also affected by large gains on disposal.

In the first quarter of 2008, net banking income included a €882 million gain on the disposal of the investment in Suez and net income on other assets includes a €420 million gain arising from the creation of Newedge.

In the first quarter of 2007, the business line's net banking income included a €448 million gain on the sale of Intesa shares and a €1,043 million gain on dilution recognised in net income on other assets, following the creation of the new Intesa Sanpaolo group.

The business line's net income, Group share totalled €685 million, down 35.4% on the first quarter of 2007.

APPENDIX 4 – OUR FINANCIAL STATEMENTS AND AUDITORS’ REPORT

The text of our audited financial statements for the year ended 31 December 2007 together with the auditors’ report thereon are set out in this Appendix 4. References to page numbers in this Appendix 4 are to pages of our “Report and Financial Statements, December 31, 2007” and not to pages of this document. The page numbers of such document appear on the bottom right or top right in this Appendix 4.

CALYON FINANCIAL PRODUCTS (GUERNSEY) LIMITED

(Incorporated in Guernsey)

Report and Financial Statements

December 31, 2007

CALYON FINANCIAL PRODUCTS (GUERNSEY) LIMITED

REPORT AND FINANCIAL STATEMENTS December 31, 2007

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Statement of directors' responsibilities	3
Independent auditors' report	4
Profit and loss account	5
Balance sheet	6
Statement of changes in shareholders' equity	7
Cash flow statement	8
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CALYON FINANCIAL PRODUCTS (GUERNSEY) LIMITED

REPORT AND FINANCIAL STATEMENTS December 31, 2007

OFFICERS AND PROFESSIONAL ADVISERS

BOARD OF DIRECTORS

J-P Andrei, President

O Escande, Director

F Hajjar, Director

F Meron, Director

P Clicquot de Mentque, Director

JS Bradley, Director

R H Fearis, Director

SECRETARY

Praxis Secretaries Limited

REGISTERED OFFICE

Suites 13 & 15

Sarnia House

Le Truchot

St Peter Port

Guernsey

INDEPENDENT AUDITORS

PricewaterhouseCoopers CI LLP

National Westminster House

Le Truchot

St Peter Port

Guernsey

GY1 4ND

CALYON FINANCIAL PRODUCTS (GUERNSEY) LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2007.

ACTIVITIES

The principal activity of the company is unchanged since last year and is the issuing of foreign exchange, stock warrants, Euro Notes and purchasing options.

On 30 April 2004, following the merger of the company's parent group, CREDIT LYONNAIS with CREDIT AGRICOLE, the company changed its name from CREDIT LYONNAIS FINANCIAL PRODUCTS (GUERNSEY) LIMITED to CALYON FINANCIAL PRODUCTS (GUERNSEY) LIMITED.

RESULTS AND DIVIDENDS

The profit and loss account for the year is set out on page 5.
The directors do not recommend a dividend for the year ended 31 December 2007.

DIRECTORS

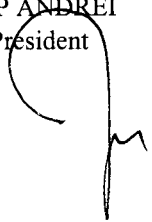
The present membership of the Board is set out on page 1.

INDEPENDENT AUDITORS

The independent auditors PricewaterhouseCoopers CI LLP are eligible for reappointment.

Approved by the Board of Directors
and signed on behalf of the Board on May 13th, 2008.

J-P ANDREI
President



O ESCANDE
Director



STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required by The Companies (Guernsey) Law, 1994 to prepare financial statements for each financial year which give a true and fair view, in accordance with applicable Guernsey law, of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with The Companies (Guernsey) Law, 1994. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CALYON
FINANCIAL PRODUCTS (GUERNSEY) LIMITED**

Report on the financial statements

We have audited the accompanying financial statements of Calyon Financial Products (Guernsey) Limited which comprise the balance sheet as of 31 December 2007 and the Profit and Loss Account, the Statement of Changes in Shareholders' Equity and the Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of Guernsey law. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

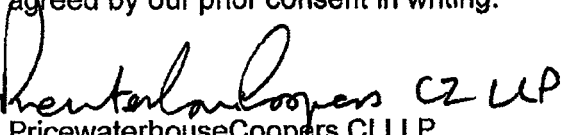
In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the requirements of The Companies (Guernsey) Law, 1994.

Report on other legal and regulatory requirements

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

In our opinion the information given in the directors' report is consistent with the financial statements.

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 64 of The Companies (Guernsey) Law, 1994 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.


PricewaterhouseCoopers CI LLP
Chartered Accountants
Guernsey, Channel Islands
19 May 2008

CALYON FINANCIAL PRODUCTS (GUERNSEY) LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 December 2007

CALYON FINANCIAL PRODUCTS (GUERNSEY) LIMITED

PROFIT AND LOSS ACCOUNT - 31 December 2007

	2007	2006
	EUR	EUR
Net gains (losses) on financial instruments at fair value through profit or loss		
- Term loans and time deposits	459 595 669	234 390 050
- Index swaps	241 858 908	1 929 121 044
- Euro Medium Term Notes	-694 246 096	-2 163 511 094
- Options	-1 792 311 283	105 274 534
- Warrants	1 792 311 283	-105 274 534
Other income - operating costs recharged	-	5 283 190
General operating expenses	-7 205 790	-5 283 190
NET INCOME	2 691	-

All activities derive from continuing operations.

There are no recognised gains and losses or other movements in shareholders' funds for the current or preceding financial years other than as stated in the profit and loss account.

2007 net income comes from the margin applied on the funds raised by CALYON FINANCIAL PRODUCTS (GUERNSEY) LIMITED, lent to CALYON S.A., less the operating expenses supported by CALYON FINANCIAL PRODUCTS (GUERNSEY) LIMITED (cf. note 1).

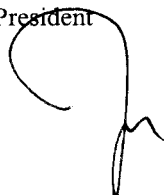
CALYON FINANCIAL PRODUCTS (GUERNSEY) LIMITED

BALANCE SHEET - 31 December 2007

	Note	2007	2006
ASSETS		EUR	EUR
Due from banks		756 926	323 959
Financial assets designated at fair value through profit or loss	2	8 481 190 819	9 062 506 832
Financial assets held for trading	3	7 316 433 503	8 345 380 387
Sundry assets		19 157 755	12 797 066
TOTAL ASSETS		<u>15 817 539 003</u>	<u>17 421 008 244</u>
 LIABILITIES AND EQUITY SHAREHOLDERS' FUNDS			
CAPITAL AND RESERVES			
Called up share capital	4	15 250	15 250
Unappropriated retained earnings - brought forward		4 831	4 831
Net income/deficit for current year		2 691	-
EQUITY SHAREHOLDERS' FUNDS		<u>22 772</u>	<u>20 081</u>
Due to banks		-	-
Financial liabilities held for trading	5	15 797 621 746	17 407 887 326
Sundry liabilities		19 894 485	13 100 837
TOTAL LIABILITIES AND EQUITY SHAREHOLDERS' FUNDS		<u>15 817 516 231</u>	<u>17 420 988 163</u>
		<u>15 817 539 003</u>	<u>17 421 008 244</u>

These financial statements were approved by the Board of Directors on
Signed on behalf of the Board of Directors on May 13th, 2008

J-P ANDREI
President



O. ESCANDE
Director



CALYON FINANCIAL PRODUCTS (GUERNSEY) LIMITED

STATEMENT OF CHANGES IN EQUITY ITEMS

31 December 2007

CALYON FINANCIAL PRODUCTS (GUERNSEY) LIMITED

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital EUR	Retained earnings EUR	Net income EUR	Total Equity EUR
Equity at 31 December 2005	15 250	4 831	-	20 081
Capital increase	-	-	-	-
Dividends paid in 2006	-	-	-	-
2006 net income	-	-	-	-
Other changes	-	-	-	-
Equity at 31 December 2006	15 250	4 831	-	20 081
Capital increase	-	-	-	-
Dividends paid in 2007	-	-	-	-
2007 net income	-	-	2 691	2 691
Other changes	-	-	-	-
Equity at 31 December 2007	15 250	4 831	2 691	22 772

CALYON FINANCIAL PRODUCTS (GUERNSEY) LIMITED

CASH FLOW STATEMENT Year ended 31 Décembre 2007

CALYON FINANCIAL PRODUCTS (GUERNSEY) LIMITED

CASH FLOW STATEMENT

The cash flow statement is presented using the indirect method.

in euros

	31 December 2007 12 months	31 December 2006 12 months
Net income before taxes	2 691	-
Amortisation and depreciation of property, plant & equipemnt and intangible assets	-	-
Depreciation and impairment of goodwill and other fixed assets	-	-
Net charge to provisions	-	-
Share of net income of affiliates	-	-
Net loss / (gain) on investing activities	-	-
Net loss / (gain) on financing activities	-	-
Other movements	822 403 373	135 832 843
Change in interbank items	-	-
Change in customer items	-	-
Change in financial assets and liabilities	1 221 114 259	2 933 196 318
Change in non-financial assets and liabilities	-	-
Taxes paid	-	-
TOTAL NET CASH PROVIDED / (USED) BY OPERATING ACTIVITIES (A)	398 713 577	- 3 069 029 161
Change in equity investments	-	-
Change in property, plant & equipment and intangible assets	-	-
TOTAL NET CASH PROVIDED / (USED) BY INVESTING ACTIVITIES (B)	0	0
Cash received from (paid) to shareholders	-	-
Other cash provided / (used) by financing activities	398 280 610	3 069 029 274
TOTAL NET CASH PROVIDED/(USED) BY FINANCING ACTIVITIES (C)	- 398 280 610	3 069 029 274
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS (D)	0	0
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C + D)	432 967	113
Opening cash and cash equivalents	323 959	323 846
Cash, central banks and Franch postal system (assets & liabilities)	-	-
Interbank call balances	323 959	323 846
Closing cash and cash equivalents	756 926	323 959
Cash, central banks and postal checking accounts (assets & liabilities)	0	-
Interbank accounts (assets & liabilities) and loans/deposits at call	756 926	323 959
CHANGE IN NET CASH AND CASH EQUIVALENTS	432 967	113

NOTES TO THE ACCOUNTS

31 December 2007

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

Financial instruments (IAS 32 and 39)

In the financial statements, financial assets and liabilities are treated in accordance with IAS 39 as endorsed by the European Commission on 19 November 2004, together with EC regulations 1751/2005 of 25 October 2005 and 1864/2005 of 15 November 2005 on use of the fair value option.

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. Market-quoted rates provide the best estimate of fair value for financial instruments quoted in an active market. For financial instruments that are not quoted in an active market, fair value is determined using recognised valuation techniques.

Financial assets at fair value through profit or loss classified as held for trading and financial assets designated as at fair value through profit or loss

According to IAS 39, this portfolio comprises financial instruments that are classified under financial assets at fair value through profit or loss either as a result of a genuine intention to trade them or designated as at fair value by CALYON FINANCIAL PRODUCTS (GUERNSEY) LIMITED at inception.

Financial assets or liabilities at fair value through profit or loss classified as held for trading are i) assets or liabilities acquired or generated by the enterprise primarily for purposes of making a profit from short-term price fluctuations or an arbitrage margin or ii) derivatives.

Issued securities that are classified as financial liabilities at fair value through profit or loss are recognised at fair value at inception, excluding transaction costs attributable directly to their acquisition (which are taken directly to profit or loss) and including accrued interest. They are carried at fair value and changes in fair value are taken to profit or loss. No impairment provisions are booked for this category of securities.

Term loans are designated as at fair value through profit or loss upon initial recognition because it reduces a measurement inconsistency ("accounting mismatch") that would otherwise arise from measuring assets and liabilities on different basis.

Covering of operating expenses

Since 1st January 2007, under an agreement between CALYON FINANCIAL PRODUCTS (GUERNSEY) LIMITED and CALYON SA, it has been decided that the funds raised by CALYON FINANCIAL PRODUCTS (GUERNSEY) LIMITED, lent to CALYON S.A., bear interest based on the one supported by CALYON FINANCIAL PRODUCTS (GUERNSEY) LIMITED, plus a margin materializing direct and indirect costs.

Foreign exchange

Transactions denominated in foreign currencies are translated into Euro at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. Translation differences arising are dealt with in the profit and loss account.

CALYON FINANCIAL PRODUCTS (GUERNSEY) LIMITED

NOTES TO THE ACCOUNTS

31 December 2007

2. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2007	2006
	EUR	EUR
Term loans designated at fair value through profit or loss		
- Notional Outstandings	8 431 880 359	9 069 498 201
- Marked-to-market adjustment	49 310 460	-6 991 369
	8 481 190 819	9 062 506 832

3. FINANCIAL ASSETS HELD FOR TRADING

	2007	2006
	EUR	EUR
Financial Assets held for trading		
- Options	6 345 020 637	5 725 037 808
- Index swaps	971 412 866	2 620 342 579
	7 316 433 503	8 345 380 387

4. CALLED UP SHARE CAPITAL

	2007	2006
	EUR	EUR
Authorised, called up, issued and fully paid		
100,000 ordinary shares of Eur 0.1525 each	15 250	15 250

5. FINANCIAL LIABILITIES HELD FOR TRADING

	2007	2006
	EUR	EUR
Financial Liabilities held for trading		
- Euro Medium Term Notes	9 337 967 463	10 665 421 240
- Warrants	6 345 020 637	5 725 037 808
- Index swaps	114 633 646	1 017 428 278
	15 797 621 746	17 407 887 326

NOTES TO THE ACCOUNTS

31 December 2007

6. COMMITMENTS GIVEN

The company has the following commitments outstanding at 31 December 2007 and 2006:

	2007	2006
	EUR	EUR
Shares and index call warrants	37 492 313 102	78 051 641 233
Shares and index put options	5 397 592 685	8 795 267 017
Shares and index call options	-	-
Other commitments given	16 176 943	4 877 686
	<u>42 906 082 730</u>	<u>86 851 785 936</u>

7. COMMITMENTS RECEIVED

These commitments were hedged by the following commitments given in favour of the company outstanding at 31 December 2007 and 2006:

	2007	2006
	EUR	EUR
Guarantees and endorsements received	49 653 397 310	37 337 993 797
Shares and index call options	37 492 313 102	78 051 641 233
Shares and index put warrants	5 397 592 685	8 795 267 017
Index swap	10 302 663 310	9 540 703 039
	<u>102 845 966 407</u>	<u>133 725 605 086</u>

8. RISK MANAGEMENT

The company's financial instruments, other than derivatives, comprise money market assets (loans to the parent company) and debt securities issued.

The company also enters into derivative transactions (principally swaps and options).

Risk management

The Management regards the monitoring and controlling of risk as a fundamental part of the management process and accordingly involves its most senior staff in developing risk policy and in monitoring its application. The evaluation of the risks inherent in our activities and the development of policies and procedures to control them is carried out by the Board of Directors or senior management.

Credit risk

Credit risk is the risk that a customer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the company. The company manages its credit risk through transacting only with the parent company or other group companies.

Interest rate risk

Exposure to interest rate risk is the risk that arises when there is an imbalance between rate and non-rate sensitive assets, liabilities and off balance sheet items. The company's policy is to maintain the interest rate risk at a nil level.

CALYON FINANCIAL PRODUCTS (GUERNSEY) LIMITED

NOTES TO THE ACCOUNTS

31 December 2007

Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in realising assets or otherwise raising funds to meet commitments. The company perfectly hedges the issue of debt securities through the loans to the parent company which match in all respects the issued debt. The table below shows liquidity gap by maturity as at 31 December 2007.

	Notional redeemable within three months	Notional redeemable after three months but within six months	Notional redeemable after six months but within one year	Notional redeemable after one year but within five years	Notional redeemable after five years	Other funds / valuation adjustment	Total 2007
Assets	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Due from banks	-	-	-	-	-	756 926	756 926
Financial assets designated at fair value through profit or loss	405 562 243	302 002 684	779 329 438	6 039 930 755	905 055 239	49 310 460	8 481 190 819
Financial assets held for trading	3 043 599 953	861 911 513	1 155 641 208	2 157 895 316	97 385 513	-	7 316 433 503
Sundry assets	-	-	-	-	-	19 157 755	19 157 755
	<u>3 449 162 196</u>	<u>1 163 914 197</u>	<u>1 934 970 646</u>	<u>8 197 826 071</u>	<u>1 002 440 752</u>	<u>69 225 141</u>	<u>15 817 539 003</u>
Liabilities							
Equity shareholders' funds	-	-	-	-	-	22 772	22 772
Due to banks	-	-	-	-	-	-	-
Financial liabilities held for trading	3 449 162 196	1 163 914 197	1 934 970 646	8 197 826 071	1 002 440 752	49 307 884	15 797 621 746
Sundry liabilities	-	-	-	-	-	19 894 485	19 894 485
	<u>3 449 162 196</u>	<u>1 163 914 197</u>	<u>1 934 970 646</u>	<u>8 197 826 071</u>	<u>1 002 440 752</u>	<u>69 225 141</u>	<u>15 817 539 003</u>
Liquidity gap	-	-	-	-	-	-	-

The table below shows liquidity gap by maturity as at 31 December 2006.

	Notional redeemable within three months	Notional redeemable after three months but within six months	Notional redeemable after six months but within one year	Notional redeemable after one year but within five years	Notional redeemable after five years	Other funds / valuation adjustment	Total 2006
Assets	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Due from banks	-	-	-	-	-	323 959	323 959
Financial assets designated at fair value through profit or loss	455 116 864	597 218 921	1 095 074 270	6 088 980 923	833 107 223	(6 991 369)	9 062 506 832
Financial assets held for trading	2 751 961 206	1 101 177 395	860 648 778	3 351 154 377	280 438 631	-	8 345 380 387
Sundry assets	-	-	-	-	-	12 797 066	12 797 066
	<u>3 207 078 070</u>	<u>1 698 396 316</u>	<u>1 955 723 048</u>	<u>9 440 135 300</u>	<u>1 113 545 854</u>	<u>6 129 656</u>	<u>17 421 008 244</u>
Liabilities							
Equity shareholders' funds	-	-	-	-	-	20 081	20 081
Due to banks	-	-	-	-	-	-	-
Financial liabilities held for trading	3 207 078 070	1 698 396 316	1 955 723 048	9 440 135 300	1 113 545 854	(6 991 262)	17 407 887 326
Sundry liabilities	-	-	-	-	-	13 100 837	13 100 837
	<u>3 207 078 070</u>	<u>1 698 396 316</u>	<u>1 955 723 048</u>	<u>9 440 135 300</u>	<u>1 113 545 854</u>	<u>6 129 656</u>	<u>17 421 008 244</u>
Liquidity gap	-	-	-	-	-	-	-

CALYON FINANCIAL PRODUCTS (GUERNSEY) LIMITED

NOTES TO THE ACCOUNTS
31 December 2007

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The company's foreign exchange exposure arises from issuing debt in currencies other than Euro. The company's policy is to hedge against foreign exchange risks by engaging in exchange rate swaps with the parent company.

The table below shows the company's exposure to currencies at 31 December 2007 (in the Euro equivalent) :

	AUD	CAD	CHF	CZK	EUR	GBP	HKD	ILS	JPY	NOK	NZD	SEK	SGD	USD	Total
Assets															
Due from banks	-	-	-	-	756 926	-	-	-	-	-	-	-	-	-	756 926
Financial assets designated at fair value through profit or loss	2 140 834	9 075 498	88 135 799	-	5 368 482 046	23 804 113	179 105 459	-	88 844 627	-	7 668 684	-	2 386 546	2 711 547 213	8 481 190 819
Financial assets held for trading	220 030 525	-	109 086 616	9 100 942	2 248 206 946	107 188 805	2 275 198 470	4 009 765	44 704 775	125 437 566	15 051 140	172 938 370	1 958 077	1 983 520 906	7 316 433 503
Sundry assets	-	-	-	-	19 155 659	-	-	-	-	-	-	-	-	2 096	19 157 755
Total Assets	222 171 359	9 075 498	197 222 415	9 100 942	7 636 601 577	130 992 918	2 454 303 929	4 009 765	133 549 402	125 437 566	22 719 824	172 938 370	4 345 223	4 695 070 215	15 817 539 003
Liabilities															
Equity shareholders' funds	-	-	-	-	22 772	-	-	-	-	-	-	-	-	-	22 772
Due to banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial liabilities held for trading	222 171 359	9 075 498	197 222 415	9 100 942	7 616 684 320	130 992 918	2 454 303 929	4 009 765	133 549 402	125 437 566	22 719 824	172 938 370	4 345 223	4 695 070 215	15 797 621 746
Sundry liabilities	-	-	-	-	19 894 485	-	-	-	-	-	-	-	-	-	19 894 485
Total Liabilities	222 171 359	9 075 498	197 222 415	9 100 942	7 636 601 577	130 992 918	2 454 303 929	4 009 765	133 549 402	125 437 566	22 719 824	172 938 370	4 345 223	4 695 070 215	15 817 539 003

The table below shows the company's exposure to currencies at 31 December 2006 (in the Euro equivalent) :

	AUD	CAD	CHF	CZK	EUR	GBP	HKD	ILS	JPY	NOK	NZD	SEK	SGD	USD	Total
Assets															
Due from banks	-	-	-	-	323 959	-	-	-	-	-	-	-	-	-	323 959
Financial assets designated at fair value through profit or loss	20 786 724	15 901 618	123 153 227	-	5 013 846 014	23 537 561	492 897 312	-	106 434 458	-	55 795 969	6 929 310	-	3 203 224 639	9 062 506 832
Financial assets held for trading	137 540 175	53 537 253	154 183 738	-	2 454 990 780	183 874 790	2 103 317 746	-	45 923 856	150 623 998	12 334 566	177 674 843	156 773 962	2 714 604 880	8 345 380 387
Sundry assets	-	-	-	-	12 797 066	-	-	-	-	-	-	-	-	-	12 797 066
Total Assets	158 326 899	69 438 871	277 336 965	-	7 481 957 819	207 412 351	2 596 215 058	-	152 358 314	150 623 998	68 130 535	184 604 153	156 773 962	5 917 829 519	17 421 008 244
Liabilities															
Equity shareholders' funds	-	-	-	-	20 081	-	-	-	-	-	-	-	-	-	20 081
Due to banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial liabilities held for trading	158 326 899	69 438 871	277 336 965	-	7 468 836 901	207 412 351	2 596 215 058	-	152 358 314	150 623 998	68 130 535	184 604 153	156 773 962	5 917 829 519	17 407 887 326
Sundry liabilities	-	-	-	-	13 100 837	-	-	-	-	-	-	-	-	-	13 100 837
Total Liabilities	158 326 899	69 438 871	277 336 965	-	7 481 957 819	207 412 351	2 596 215 058	-	152 358 314	150 623 998	68 130 535	184 604 153	156 773 962	5 917 829 519	17 421 008 244

CALYON FINANCIAL PRODUCTS (GUERNSEY) LIMITED

NOTES TO THE ACCOUNTS

31 December 2007

Net gains or losses on financial instruments (excluding margin to cover operating expenses)

	2007	2006
	EUR	EUR
Realized or unrealized gains or losses on hedged instruments	1 098 065 187	-2 268 785 628
Realized or unrealized gains or losses on hedging instruments	-1 098 065 187	2 268 785 628
Total of net gains or losses on financial instruments (excluding margin to cover operating expenses)	-	-

The net income of CALYON FINANCIAL PRODUCTS (GUERNSEY) LIMITED is not linked to any market risk due to the perfect hedging of each issue (EMTN or warrant).

Therefore, there is no need to put in place detailed indicators on market data sensitivity.

Due to structuration constraints on each issue, any change on market of the hedged instrument is neutralized by a symmetric change of the hedging instruments.

9. GEOGRAPHICAL ANALYSIS OF BUSINESS LINE INFORMATION

All the transactions (Euro Medium Term Notes and Warrants) issued by CALYON FINANCIAL PRODUCTS (GUERNSEY) LIMITED in Guernsey are purchased by CALYON S.A. in France.

CALYON FINANCIAL PRODUCTS (GUERNSEY) LIMITED hedges all its positions by purchasing index swaps or options from CALYON S.A.

10. RELATED PARTY TRANSACTIONS

The sale and purchase of all warrants and options are from CALYON S.A. The majority of warrant and option issues are guaranteed by CALYON S.A.

Under an agreement between CALYON FINANCIAL PRODUCTS (GUERNSEY) LIMITED and CALYON SA, it has been decided that the funds raised, lent to CALYON S.A., bear interest based on the rates of the loans, plus a margin in order to cover direct and indirect costs.

11. TAXATION

The company has tax exempt status in Guernsey where it pays an annual tax exemption fee of £600 subject to the provisions of the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989.

The company is liable to French tax on any taxable profits.

12. PARENT COMPANY

The company's immediate parent company is CALYON S.A., incorporated in France.

The ultimate parent company and controlling party is CREDIT AGRICOLE S.A., incorporated in France.

APPENDIX 5 – THE GUARANTOR’S MANAGEMENT REPORT, FINANCIAL STATEMENTS AND AUDITORS’ REPORT

These are the management report and the audited Consolidated Financial Statements of the Guarantor for the year ended 31 December 2007 which, together with the statutory auditors’ report, are extracted from Calyon Shelf Registration Document 2007. References to page numbers in this Appendix 5 are to pages of those documents and not to pages of this document. The page numbers of those documents appear on the top left or right in this Appendix 5.

The financial management, exposure to risk and hedging policy of the Guarantor are set out in Note 4 of the “Notes to the consolidated financial statements” on pages 134 to 145 of such document in this Appendix 5.

»» Management report

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CALYON GROUP BUSINESS REVIEW AND FINANCIAL RESULTS

PRESENTATION OF THE CALYON GROUP'S FINANCIAL STATEMENTS

CHANGES TO ACCOUNTING PRINCIPLES AND POLICIES

Application of IAS/IFRS accounting standards

Note 1 to the Calyon group's financial statements for the year ended 31 December 2007 sets out the regulatory framework and highlights comparability issues with respect to 2006 figures.

The consolidated financial statements were prepared according to IFRSs applicable to annual financial statements and disclosures at 31 December 2007. These include IAS/IFRS standards and new interpretations by the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Union, the application of which was mandatory at 31 December 2007. These standards are the same as those used to prepare the 2006 consolidated financial statements, with the exception of a change in method relating to the treatment of minority interests. This change is described in note 1 to the consolidated financial statements. These standards are supplemented by standards and interpretations whose application became mandatory for the first time in 2007.

The differences relate to:

- IFRS 7 (Financial Instruments: Disclosures);
- the amendment of IAS 1 (Presentation of Financial Statements) relating to additional quantitative and qualitative disclosures on shareholders' equity;
- IFRIC 7 relating to adjustments to financial statements in accordance with IAS 29 (Financial Reporting in Hyperinflationary Economies);

- IFRIC 8 relating to the scope of application of IFRS 2 (Share-based Payment);
- IFRIC 9 (Reassessment of Embedded Derivatives);
- IFRIC 10 (Interim Financial Reporting and Impairment).

The application of these new arrangements did not have a material impact on the income statement or net equity in 2007.

The Group did not apply optional standards and interpretations in 2007.

Changes in accounting policy

We draw the reader's attention to the change in accounting policy relating to changes in minority interests in fully consolidated subsidiaries, which was implemented from 1 January 2007 in order to bring the policy into line with local practices.

To ensure comparability over time, the change in policy was applied retroactively to opening net equity at 1 January 2006 and to the consolidated financial statements for 2006.

This change in policy and its accounting impact are described in note 1 to the 2007 consolidated financial statements.

CHANGE IN THE SCOPE OF CONSOLIDATION

In 2007, changes in Calyon's scope of consolidation had no material impact on the financial statements. These changes are detailed in note 3 to the consolidated financial statements.

The main change was Crédit Agricole Luxembourg's acquisition of Bank Sarasin Europe S.A., the Luxembourg subsidiary of

Bank Sarasin. Since 2 July 2007, Bank Sarasin Europe S.A. has operated under the name Crédit Agricole Luxembourg Bank, which is a 98%-owned subsidiary of Calyon that is fully consolidated by Crédit Agricole S.A. Crédit Agricole Luxembourg Bank and Crédit Agricole Luxembourg are scheduled to merge by mid-2008.

ECONOMIC AND FINANCIAL ENVIRONMENT

2007 was a year of two contrasting periods. In the first part of the year, world growth remained surprisingly strong. The US slowdown remained confined to the real-estate market, and showed few signs of spreading to other sectors. The economy remained resilient in the rest of the world. European growth was above its long-run potential. Emerging markets remained a strong driver of global growth and continued to close the gap on developed countries. The first signs of financial stress appeared in the spring with an increase in defaults on subprime mortgages and the first bankruptcies among mortgage institutions in the USA. However, stockmarkets quickly resumed their uptrend and risk premiums fell back to historic lows. Still, the episode was a reminder that strong global growth had a fragile foundation, since it was built on ever-growing financial imbalances: the US trade deficit, increasing consumer debt and real-estate prices, and investors seeking to boost returns by taking on increasing leverage. The whole structure was based

on low interest rates, leading to cheap credit and abundant global liquidity.

The crisis that broke in the summer of 2007 revealed the excesses that had been committed in the large-scale securitisation of mortgages granted to risky clients in the USA. With the recession in the real-estate market, defaults on these subprime mortgages increased sharply, affecting various tranches of securitised paper and causing their prices to collapse. Structures were then unable to refinance maturing paper, leading to a sudden surge in demand for liquidity just as the money market was seizing up. This prompted the liquidity crisis that broke on 9 August. Central banks had no choice but to provide this liquidity through the summer and beyond. In September, given the risk of the crisis worsening and possibly spilling over into the real economy, the US Federal Reserve cut interest rates.

The loss of confidence in securitised finance quickly spread. Faced with this dual crisis, and starting with their accounts for the period ended 30 June, banks started to write down heavily the value of their US mortgage-related assets.

Confidence had not been restored by the end of the year, and the crisis had become entrenched. However, despite the bad news from the financial markets, economic data was reassuring, and the world economy remained resilient.

CONSOLIDATED RESULTS

CONSOLIDATED INCOME STATEMENT HIGHLIGHTS

€ million	2007	2007 adjusted ⁽²⁾	2006	Change 2007 adjusted /2006
Net banking income	3,359	6,579	5,862	12%
Operating expenses	(3,829)	(3,829)	(3,574)	7%
Gross operating income	(470)	2,750	2,288	20%
Risk-related costs	(960)	(78)	9	nm
Income from equity affiliates	143	143	166	(14%)
Gains/(losses) on other assets	(1)	(1)	⁽¹⁾ (28)	nm
Pre-tax income	(1288)	2,814	2,435	16%
Corporate income tax	682	(689)	(620)	11%
Net income/(loss)	(606)	2,125	1,815	17%
Net income, Group share	(714)	2,017	1,738	16%

(1) By comparison with previously published figures, gains or losses on other assets for 2006 have been reduced by €33 million due to the change in method relating to changes in minority interests (see note 1 to the consolidated financial statements).

(2) Adjusted for crisis-related losses.

The credit markets deteriorated constantly in 2007, due to the crisis in the US mortgage market, the weakening position of credit enhancement companies and the slowdown in LBO transactions. In addition to these adverse trends, there was high volatility in equity markets, rising commodity prices and a decline in the dollar, which fell by 10.5% against the euro in the space of a year.

The credit market crisis dragged Calyon's net income down by €2.7 billion. The €4.1 billion negative impact on pre-tax income was due to:

- write-downs on US residential mortgage-backed ABSs and CDOs: -€2.2 billion;
- counterparty risk allowances on monoline insurers: -€1.2 billion;
- reserves for counterparty risks, included in risk-related costs: -€0.9 billion, including -€0.8 billion on monoline insurer ACA;
- a gain on the revaluation of structured products at fair value: €0.2 billion.

In addition, Calyon suffered an isolated trading loss in the USA in the third quarter, with a €230 million negative impact on net income.

As a result, Calyon posted a net loss of €714 million in 2007, versus a profit of €1,738 million the previous year.

After adjusting for losses related to the credit market crisis: Calyon's net income (shown in the "2007 adjusted" column) would have been €2,017 million, up 16% on 2006.

Net banking income rose by 12%, maintaining the growth trend in place since Calyon was created in 2004. Excluding the structured credit business, all of Calyon's business lines contributed to this very strong performance.

Operating expenses were up 7% as a result of ongoing investment in certain business lines, as well as in technology and control systems. Average headcount rose by 5.5%.

After three good years, risk-related costs totalled a net €78 million, reflecting a deterioration, albeit limited, in counterparty risk. Collective reserves totalled €1,168 million at 31 December 2007 versus €1,125 million a year earlier.

Income from equity affiliates consisted almost exclusively of the contribution from Banque Saudi Fransi, and fell by 14% in 2007, primarily because of the decline in the Saudi currency, after a 33% rise in 2006.

RESULTS BY BUSINESS LINE

The organisation of Calyon's business lines is described on page 151 of this document in note 6 to the consolidated financial statements ("Segment reporting").

FINANCING

€ million	2007	2006	Change 2007/2006
Net banking income	2,268	2,091	8%
Operating expenses	(893)	(843)	6%
Gross operating income	1,375	1,248	10%
Risk-related costs	(107)	5	nm
Income from equity affiliates	130	158	(18%)
Gains/(losses) on other assets	(1)	(5)	nm
Pre-tax income	1,397	1,406	(1%)
Corporate income tax	(279)	(337)	(17%)
Net income/(loss)	1,118	1,069	5%

The financing business continued to improve its operational and financial performance in 2007, despite a slightly less favourable operating environment in the second half.

It maintained its return on risk-weighted assets while generating strong volume growth and remaining very efficient, with a cost/income ratio down from 40.3% in 2006 to 39.4% in 2007.

Net banking income rose by 8% even though slower syndication business in the second half led to a net €55 million discount on paper still to be placed.

The structured finance business has an excellent market position, and achieved a 20% increase in revenues (excluding the

syndication discount). It accounted for 61% of the Financing segment's net banking income. Commercial momentum was particularly strong in international trade finance, acquisition finance and project finance.

Commercial banking, both in France and internationally, also posted substantial revenue growth of 20%, although the large volume of loan restructuring revenues seen in 2006 did not recur.

Risk-related costs mainly reflect the increase in collective reserves.

Net income was €1,118 million, up 5% compared with 2006.

CAPITAL MARKETS AND INVESTMENT BANKING

€ million	2007	2007 adjusted ⁽²⁾	2006	Change 2007 adjusted /2006
Net banking income	439	3,659	3,306	11%
Operating expenses	(2,572)	(2,572)	(2,406)	7%
Gross operating income	(2,133)	1,087	900	21%
Risk-related costs	(853)	29		nm
Income from equity affiliates	5	5	1	nm
Gains/(losses) on other assets			⁽¹⁾ (13)	nm
Pre-tax income	(2,981)	1,121	888	26%
Corporate income tax	1,048	(323)	(243)	33%
Net income/(loss)	(1,933)	798	645	24%

(1) By comparison with previously published figures, gains or losses on other assets for 2006 have been reduced by €13 million due to the change in method relating to changes in minority interests (see note 1 to the consolidated financial statements).

(2) Adjusted for crisis-related losses.

Capital markets and investment banking revenues were hit hard by losses and write-downs resulting from the US mortgage crisis, as described above.

Excluding the impact of the crisis and the trading loss in New York, capital markets and investment banking revenues rose by 22% to €3,329 million in 2007, after a 29% increase in 2006.

Capital markets revenues grew by 16% after adjusting for losses in the structured credit business. The interest-rate derivatives, equity derivatives, primary debt securities and forex businesses showed strong commercial impetus and posted significant revenue growth. Treasury activities also performed well in the second half.

2007 was another good year in brokerage. Brokerage revenues rose by 29%. Excluding gains realised on sales of brokerage head offices, the increase was still 21%. This excellent performance was driven by CLSA in Asia, where revenues rose by a remarkable 38% in 2007, followed by CA Cheuvreux (+10%) and the listed derivatives business of Calyon Financial (+8%), which was renamed NewEdge in early 2008.

Within investment banking, there was strong growth in advising corporate customers and assisting them with equity and long-term financing through equity derivatives. Primary equity revenues also remained strong.

Operating expenses rose by 7%, as a result of ongoing targeted investments, particularly in brokerage units, and projects to strengthen market infrastructure.

The sharp increase in risk-related costs reflects the rise in counterparty risks, along with the write-down on monoline insurer ACA.

Excluding subprime-related items, net income was €789 million, up 24% relative to 2006.

If we include credit market losses, and after recognising the deferred tax asset arising from these write-downs, the capital markets and investment banking business made a net loss of €1,933 million.

INTERNATIONAL PRIVATE BANKING

€ million	2007	2006	Change 2007/2006
Net banking income	538	474	14%
Operating expenses	(340)	(322)	6%
Gross operating income	198	152	30%
Risk-related costs		4	nm
Income from equity affiliates	8	7	14%
Gains/(losses) on other assets		^(a) 0	nm
Pre-tax income	206	163	26%
Corporate income tax	(55)	(42)	31%
Net income/(loss)	151	121	25%

(a) By comparison with previously published figures, gains or losses on other assets for 2006 have been reduced by €20 million due to the change in method relating to changes in minority interests (see note 1 to the consolidated financial statements).

Net banking income rose by 14% to €538 million in 2007, with contributions from all geographical markets, i.e. Switzerland, Luxembourg, Monaco, Spain, Brazil and Miami. The Luxembourg business was bolstered through the mid-year acquisition of Banque Sarasin's local operations.

Private banking kept up its strong commercial momentum in 2007, despite the market environment, which was less favourable than in 2006. New money inflows boosted wealth

management Asset under Management (AuM) to €61.4 billion, a year-on-year increase of 11% (7% at constant scope), in spite of the weak dollar.

A firm grip on costs caused the cost/income ratio to fall by 5 percentage points to 63.2%.

International private banking's contribution to Calyon's net income was €151 million, up 25% relative to 2006.

PROPRIETARY ASSET MANAGEMENT AND OTHER ACTIVITIES

€ million	2007	2006	Change 2007/2006
Net banking income	114	(9)	nm
Operating expenses	(24)	(3)	nm
Gross operating income	90	(12)	nm
Risk-related costs			nm
Income from equity affiliates			nm
Gains/(losses) on other assets		(10)	nm
Pre-tax income	90	(22)	nm
Corporate income tax	(32)	2	nm
Net income/(loss)	58	(20)	nm

CONSOLIDATED BALANCE SHEET

At 31 December 2007, Calyon had total assets of €642 billion, up €54 billion or 9% relative to 31 December 2006. Most of the increase came from the rise in outstanding book positions in

the capital markets business (securities held for trading and derivatives). The decline in the dollar against the euro in 2007 dragged down total assets by €13 billion.

ASSETS

€ billion	31.12.2007	31.12.2006
Cash, due from central banks and other banks (excluding repos)	40.0	30.6
Financial assets at fair value (excluding repos)	294.2	260.5
Derivative financial instruments held for hedging	0.5	0.3
Available-for-sale financial assets	16.5	24.6
Loans and advances to customers (excluding repos)	108.8	89.1
Repos	131.3	142.6
Accruals, prepayments and sundry assets	47.9	37.8
Investments in equity affiliates	0.7	0.7
Non-current assets	0.8	0.7
Goodwill	1.2	⁽¹⁾ 1.1
Total	641.9	588.0

(1) By comparison with previously published figures, goodwill at 31 December 2006 has been reduced by €179 million due to the change in method relating to changes in minority interests (see note 1 to the consolidated financial statements).

LIABILITIES AND SHAREHOLDERS' EQUITY

€ billion	31.12.2007	31.12.2006
Due to central banks and other banks (excluding repos)	59.3	59.7
Financial liabilities at fair value (excluding repos)	227.4	192.9
Derivative financial instruments held for hedging	1.5	0.2
Customer accounts (excluding repos)	89.5	80.8
Repos	133.9	132.6
Debt securities in issue	72.3	62.8
Accruals, deferred income and sundry liabilities	36.7	38.8
Reserves	1.0	0.9
Subordinated debt	9.6	6.3
Minority interests	0.9	0.8
Shareholders' equity, Group share (excluding net income for the year)	10.5	⁽¹⁾ 10.5
Net income, group share	(0.7)	⁽²⁾ 1.7
Total	641.9	588.0

(1) By comparison with previously published figures, shareholders' equity at 31 December 2006 has been reduced by €146 million due to the change in method relating to changes in minority interests (see note 1 to the consolidated financial statements).

(2) By comparison with previously published figures, net income for 2006 has been reduced by €33 million due to the change in method relating to changes in minority interests (see note 1 to the consolidated financial statements).

Interbank transactions

Calyon has access to all the world's major liquidity centres, with a particular focus on the larger markets of Paris, New York, London, Hong Kong and Tokyo. This optimises the uses and sources of interbank funds within the group.

Financial assets and liabilities at fair value through profit or loss (excluding repos)

Financial assets at fair value through profit or loss (excluding repos) rose by €33.7 billion, while financial liabilities at fair value through profit or loss (excluding repos) rose by €34.5 billion. Financial assets consist mainly of the positive fair value of derivative financial instruments and the portfolio of securities held for trading. Financial liabilities consist mainly of the negative fair value of derivatives and securities sold short.

The increase in these items arose mainly from derivative instruments. Although Calyon generally has netting agreements with its counterparties that reduce the credit risk relating to these instruments, IFRS rules only allow limited netting of positive and negative fair values on derivatives with the same counterparty.

As a result, the rapid growth in capital markets activities involving this kind of financial instrument automatically increased the book balances of these items.

Securities purchased or sold under repurchase agreements

Repo activities are mainly focused on Paris, which accounted for 79% of securities purchased and 89% of securities sold under repo agreements. The trading and arbitrage businesses make heavy use of this kind of financial instrument.

Loans and advances to customers

Outstanding customer loans increased by 22% or €19.7 billion, reflecting strong business levels in Calyon's Financing business. International lending continued to account for most of the total.

Debt securities in issue

Apart from traditional refinancing via interbank borrowings, Calyon raises liquidity via issuing paper in the main financial markets (particularly in the US, via Calyon North America and Calyon's US branch, the UK, via Calyon's UK branch, and France).

Shareholders' equity, Group share

Shareholders' equity, Group share excluding net income for the period was €10.5 billion at year-end, unchanged with respect to end-2006. A €2.25 billion shareholders' advance available for capitalisation was recorded in the "subordinated debt" item.

PRUDENTIAL RATIOS

EUROPEAN SOLVENCY RATIO

In accordance with regulations, Calyon calculates its European solvency ratio on a half-yearly basis.

The table below shows Calyon's risk assets measured in terms of credit risk equivalents (after counterparty weighting) and the regulatory capital levels on the dates indicated, calculated in accordance with the French CRBF regulations on solvency ratios (91-05 and 95-02) and capital (90-02).

€ million	31.12.2007	31.12.2006
Risk assets		
Credit risk	139,673	113,715
Market risk	17,986	12,072
Interest-rate risk	2,337	8,406
Equity risk	346	351
Foreign-exchange risk	867	273
Commodity risk	–	12
Risks calculated by internal model	14,436	3,030
Total risk-weighted assets (denominator)	157,659	125,787
Available capital		
Tier 1	14,165	12,080
Tier 2	3,645	4,115
Tier 3	801	258
Deductions	(2,008)	(2,165)
Total available capital	16,546	14,288
Tier 1 solvency ratio	9.0%	9.6%
Total solvency ratio	10.5%	11.4%

At 31 December 2007, Calyon's total solvency ratio was 10.5%, as opposed to 11.4% at 31 December 2006. Its Tier 1 solvency ratio was 9.0%, down from 9.6% at 31 December 2006.

Risk-weighted assets stood at €157.7 billion at 31 December 2007, up €31.9 billion compared with 31 December 2006 (+25%).

Credit risks increased by €26 billion. This increase was mainly the result of Calyon's commercial success, particularly in the first half of 2007, and to a lesser extent to the deterioration in the credit markets, resulting in a decline in securitisation and syndication transactions.

Market risk assets increased by €6 billion with respect to 31 December 2006. This rise was driven by the rise in Value at Risk (VaR), mainly in the credit market portfolio.

The main components of shareholders' equity were as follows:

- Tier 1 capital was €14,165 million, after deducting a total of €1,304 million, mainly for intangible assets and first-time consolidation differences. Tier 1 capital included \$630 million of preferred shares and \$3,535 million of deeply subordinated notes taken up by Credit Agricole S.A., which help protect solvency ratios against movements in the dollar. To enable Calyon to maintain its ratios, Crédit Agricole S.A. made two shareholder advances to Calyon, totalling €2,250 million.
- Tier 2 capital of €3,645 million included €3,461 million of redeemable subordinated notes, the balance being made up of participating securities and unrealised capital gains.
- The €2,008 million of deductions included €1,057 million of non-consolidated investments in affiliates and other items of capital in credit institutions.
- Tier 3 capital was €801 million.

CAPITAL MANAGEMENT

Calyon's capital management policy is defined in two stages, in close liaison with its majority shareholder:

- compliance with the total ratio objectives set by the Crédit Agricole SA group (percentage capital allocation per Crédit Agricole group business line) and those set in discussion with the Commission Bancaire;
- allocation between Calyon's business lines based on their risk profile, their profitability and the development targeted.

REFORM OF SOLVENCY RATIOS

The plan to transpose the European Capital Requirements Directive into French law (2006/48/EC and 2006/49/EC) was adopted on 20 February 2007. This involved two orders: the first relating to "capital requirements applicable to credit institutions and investment companies" and the other "amending CRB and CRBF regulations".

From the 30 June 2007 accounts closing, and as part of the parallel calculation phase preceding application of the new ratio, Calyon has reported its CRD ratio to the Commission Bancaire every quarter in the new COREP regulatory format.

RECENT TRENDS AND OUTLOOK

2008 OUTLOOK

In early 2008, the crisis spread beyond the subprime mortgage market. The question of whether the financial shock would reach the real economy has become more pressing, and has led to speculation about a possible global recession. However, the USA's policy response has been rapid and pragmatic. Although the US economy is showing clear signs of weakening in early 2008, a rebound is possible starting in the second half, due to the effect of monetary and fiscal stimuli.

As a result, the central scenario involves a very sharp downturn – but not a collapse – in the US economy, combined with weak growth in Europe and a gradual slowdown elsewhere, particularly in emerging-market countries.

In the USA, the first half of 2008 is likely to be a critical period, during which the economy will flirt with recession. US policy mix will remain highly pro-active. The US Federal Reserve cut its key interest rate from 5.25% to 3% between September 2007 and January 2008. Further cuts totalling between 50 and 100 basis points are expected in 2008. A fiscal stimulus package of around \$150 billion will have a visible impact on growth starting mid-year. In 2008, US growth is likely to be around 1.8% after 2.2% in 2007.

In Europe, growth will slow as a result of various factors. These include the US slowdown, the ongoing tightening in lending conditions, the strong euro, high commodity prices and European real-estate markets, which will weaken to varying degrees. Growth may fall to 1.6% in the eurozone.

French growth is likely to be slightly lower than the 2007 figure of 1.9%. It may be supported by domestic demand, particularly consumer spending, since the delayed impact of the more buoyant labour market and the various aspects of the "fiscal package" should ensure continuing increases in disposable income. As regards corporate investment, although the prospects for selling the resulting production in domestic markets will remain bright overall, the international environment and financing conditions will be less positive.

The financial markets could start to return to normal gradually from mid-year, although the crisis will probably leave some scars. Long-term interest rates are likely to rise gradually, and this should result in renewed yield-curve steepening in most markets, particularly in the USA given rate cuts at the short end. The dollar is likely to recover in 2008 once the major concerns about US growth have eased.

Outlook for Calyon

In 2008, although visibility in the markets remains low, Calyon will maintain its policy of developing positions in high-growth geographical zones where it has a well established network (mainly Asia, Middle East and Eastern Europe). This effort will be accompanied by changes in the allocation of capital between geographical zones and business lines.

The multi-year plan to strengthen control systems that began in 2007 will continue at a faster pace in 2008.

Outside France, Calyon will step up its co-operation with the Crédit Agricole Group's retail banking networks.

Overall, Calyon's various business lines will further strengthen their commercial positions, and this should enable them to deal with any economic weakness.

Newedge offers clients a full range of clearing and execution services covering options and futures contracts for financial products and commodities, as well as for money market instruments, bonds, FX, equities, and commodities on OTC markets. Newedge also provides a range of value added services, including prime brokerage, asset financing, an electronic platform for trading and order routing, cross margining, and the processing and centralized reporting of client portfolios.

Newedge gives its institutional clients access to over 70 markets worldwide. Headquartered in Paris and with operations worldwide, Newedge has around 3,000 staff, located in the world's 25 major financial centres.

RECENT EVENTS

Press release dated 2 January 2008

Operational launch of Newedge, brokerage subsidiary of Société Générale and Calyon

Société Générale and Calyon have [on 2 January 2008] concluded the merger of the brokerage activities of their respective subsidiaries, Fimat and Calyon Financial, which was announced on August 8th, 2007. This makes effective the operational launch of Newedge, a world leader in the execution and clearing of listed derivative products. The objective of both shareholders is to arrange an IPO for the new entity within 18 to 24 months.

Newedge is controlled 50/50 by Société Générale and Calyon. Its Chairman, Marc Litzler, CEO of Calyon and the Vice-Chairman, Philippe Collas, Deputy CEO of Société Générale with responsibility for its Global Investment Management and Services division, have been appointed for a period of two years, with an alternation between Société Générale and Calyon.

Patrice Blanc, Chairman and CEO of Fimat, has been appointed CEO of Newedge and Richard Ferina, Chairman and CEO of Calyon Financial, will be Deputy CEO.

ANALYSIS OF CALYON PARENT-COMPANY FINANCIAL STATEMENTS

ANALYSIS OF CALYON PARENT-COMPANY RESULTS

The Calyon parent company operates in all Group business lines except international brokerage and private banking, which are handled by subsidiaries.

At 31 December 2007, Calyon's total assets were €495.0 billion, an increase of €9.1 billion or 1.9% relative to the 31 December 2006 figure of €486.8 billion. This growth was reflected in key balance sheet items.

Amounts due from banks declined by €32.5 billion, mainly due to the lower volume of securities bought under repurchase agreements, which fell from €136.6 billion at 31 December 2006 to €101.4 billion at 31 December 2007.

The same trend was seen in liabilities, with amounts due to banks falling by €10.9 billion (securities sold under repurchase agreements: -€8.7 billion; sight deposits and borrowings: -€11.6 billion and time deposits: +€9.4 billion).

Loans to customers rose by 24.7% to €117.7 billion at 31 December 2007. This was mainly due to the increase in securities bought from customers under repurchase agreements (+€7.6 billion), equipment loans (+€2.8 billion) and other loans to customers (+€5.5 billion).

Similarly, customer accounts rose by 14.5% to €11.1 billion in 2007. Most of this increase was due to ordinary customer accounts (+€7 billion).

Assets and liabilities related to the securities portfolio fell slightly, excluding securities bought or sold under repurchase agreements. On the asset side, most of the decrease was in the bond portfolio (-€11.6 billion). On the liabilities side, securities sold short and liabilities on borrowed securities fell by €8 billion.

Premiums on purchased options (assets) rose by €5.4 billion relative to 31 December 2006. A similar trend took place on the liabilities side, with premiums on sold options rising by €6.9 billion.

Net issuance of negotiable debt instruments rose by €14.3 billion in 2007.

Following the decisions taken by the shareholders' meeting of 14 May 2007, the payment of some dividends in shares led to a €279 million capital increase and a share premium of €298 million. After the payment of dividends, shareholders' equity totalled €5.9 billion at end-2007 compared with €9.9 billion at end-2006.

In 2007, Calyon generated net banking income of €440 million, down €3,735 million compared with 2006 (€4,175 million). This sharp decline in revenue was driven by trading portfolio operations (transactions involving trading securities and interest-rate and forex derivatives).

Operating expenses reached €2,230 million, compared to €2,231 million in 2006. Personnel costs came in at €1,361 million, little changed relative to the 2006 figure of €1,364 million.

Calyon made a gross operating loss of €1,861 million in 2007, a deterioration of €3,739 million relative to 2006.

Risk levels were very high in 2007, and this resulted in a significant €958 million net addition to reserves under risk-related costs as opposed to a net release of €5 million in 2006.

The tax charge was €95 million, substantially lower than the €399 million in 2006. This reflects the sharp decline in taxable income in 2007, both in France and abroad.

Calyon made a net loss of €2,855 million in 2007, as opposed to a profit of €1,531 million in 2006. The loss at Calyon Paris was €2,671 million, while branches made a loss of €184 million.

FIVE-YEAR FINANCIAL SUMMARY

	2003	2004	2005	2006	2007
Share capital at year-end (€)	1,142,480,673	3,119,771,484	3,119,771,484	3,435,953,121	3,714,724,584
Number of shares issued	42,314,099	115,547,092	115,547,092	127,257,523	137,582,392
Results and transactions for the financial year (€ million)					
Gross revenues	121,991	465,813	497,286	382,645	367,761
Income before tax, depreciation, amortisation and reserves	640	37	704	1,790	(2,237)
Corporate income tax	35	135	120	318	(12)
Income after tax, depreciation, amortisation and reserves	562	745	1,350	1,531	(2,855)
Dividends paid	432	250	1,551	2,049	-
Earnings per share (€)					
Income after tax but before depreciation, amortisation and reserves	⁽¹⁾ 14.36	⁽²⁾ (0.85)	⁽³⁾ 5.05	⁽⁴⁾ 11.57	⁽⁵⁾ (16.17)
Income after tax, depreciation, amortisation and reserves	⁽¹⁾ 13.32	⁽²⁾ 6.45	⁽³⁾ 11.68	⁽⁴⁾ 12.03	⁽⁵⁾ (20.75)
Dividend per share	10.25	2.16	13.42	16.10	-
Personnel					
Number of employees	⁽⁶⁾ 4,905	⁽⁶⁾ 6,562	⁽⁶⁾ 7,782	⁽⁶⁾ 7,735	⁽⁶⁾ 8,363
Wages and salaries paid during the financial year (€ million)	534	756	869	962	1,011
Employee benefits and social contributions (€ million)	166	257	289	337	323
Payroll taxes (€ million)	25	44	47	54	30

(1) Calculation based on number of shares in issue excluding treasury stock at end-2003, i.e. 42,179,533.

(2) Calculation based on number of shares in issue excluding treasury stock at end-2004, i.e. 115,547,092.

(3) Calculation based on number of shares in issue excluding treasury stock at end-2005, i.e. 115,547,092.

(4) Calculation based on number of shares in issue excluding treasury stock at end-2006, i.e. 127,257,523.

(5) Calculation based on number of shares in issue excluding treasury stock at end-2007, i.e. 137,582,392.

(6) Average headcount.

RECENT CHANGES IN SHARE CAPITAL

The table below shows changes in Calyon's share capital over the last five years.

Date and type of transaction	Amount of share capital (€)	Number of shares
Share capital at 31 December 2002	992,250,432	36,750,016
30.06.2003		
Scrip dividend payment	+ 68,712,435	+ 2,544,905
Cancellation of treasury shares	(2,743,902)	(101,626)
18.11.2003		
Capital increase following transfer of CAIC shares to Crédit Agricole S.A.	+ 82,522,908	+3,056,404
Exercise of options	+ 1,738,800	+ 64,400
Share capital at 31 December 2003	1,142,480,673	42,314,099
30.04.2004		
Capital increase following Crédit Agricole S.A.'s transfer of a portfolio of debt instruments to Calyon	+ 163,974,240	+ 6,073,120
Share issue for cash	+ 297,000,000	+ 11,000,000
01.05.2004		
Capital increase following transfer of Crédit Lyonnais' corporate and investment banking activities to Calyon	+ 1,380,335,229	+ 51,123,527
27.05.2004		
Cancellation of treasury shares	(3,633,282)	(134,566)
Scrip dividend payment	+ 139,614,624	+ 5,170,912
Share capital at 31 December 2004	3,119,771,484	115,547,092
Share capital at 31 December 2005	3,119,771,484	115,547,092
Scrip dividend payment	316,181,637	11,710,431
Share capital at 31 December 2006	3 435,953,121	127,257,523
Scrip dividend payment	278,771,463	10,324,869
Share capital at 31 December 2007	3,714,724,584	137,582,392

AUTHORISATIONS TO EFFECT CAPITAL INCREASES

Information required by Order 2004-604 of 24 June 2004, reforming the system applicable to negotiable securities: Table summarising authorisations in force granted by the shareholders' meeting to the Board of Directors to effect capital increases (article L.225-100 of the Code de Commerce).

Authorisation valid at 31 December 2007

Shareholders' meeting - Resolution	Duration	Purpose, extent and limits of authorisations	Use made of authorisations in 2007
Joint Board of directors 16 May 2006 (12 th resolution)	26 months, i.e. until 16 July 2008	Grant of authority to the Board of Directors to increase the capital by a nominal amount of up to €400,000,000 <ul style="list-style-type: none"> • through the issue of shares for cash, with preferential subscription rights maintained, • and/or through the capitalisation of reserves, earnings or share premiums 	None

INFORMATION ON CORPORATE OFFICERS

Information relating to the compensation, terms of office and functions of corporate officers as required by article L.225-102-1 of the Code de Commerce, the new economic regulations act of 15 May 2001, the financial security act of 1 August 2003 and order 2004-604 of 24 June 2004, is provided in the "Governance and internal control" chapter on pages 37 to 49 of this document.

Information relating to trading in the Company's shares by Calyon's executives in 2007, required by article L.621-18-2 of the Code Monétaire et Financier, and article 223-26 of the Autorité des Marchés Financiers' general regulations as amended by the order of 4 January 2007, is provided in the "Governance and internal control" chapter on page 54 of this document.

RISK MANAGEMENT IN THE CALYON GROUP

This section of the report sets out the types of risks to which the Group is exposed, their extent and the systems used to manage them.

It includes information relating to financial instruments as required by IFRS 7, which forms an integral part of the consolidated financial statements for the period ended 31 December 2007^(a) and is provided under the following four headings:

- management of structural financial risks: risks of losses arising from changes in interest rates (global interest-rate risk) and exchange rates (exchange-rate risk), and the risk of not having the necessary resources to meet commitments (liquidity risk);
- credit risks: risks of losses arising from default by a counterparty leading to that counterparty's inability to meet its commitments to the group;
- market risks: risks of losses arising from changes in market parameters (interest rates, exchange rates, prices, credit spreads);
- risks related to the US residential real-estate sector;

Additional information not covered by IFRS 7:

- operational risks: risks of losses resulting primarily from the unsuitability or failure of processes, systems or people in charge of transaction processing;
- legal risks: risks of the group being exposed to civil or criminal proceedings;
- non-compliance risks: risks related to the failure to comply with laws and regulations in the group's banking and financial activities.

INTERNAL CONTROL

Under the French financial security act (Loi de Sécurité Financière or LSF) of 1 August 2003, the Chairman of the Board of Directors must submit a report to the annual shareholders' meeting, detailing how the Board prepares and organises its work and

describing internal control procedures implemented by the company, on a consolidated basis.

This report, which is published in accordance with terms set by the Autorité des Marchés Financiers and included in this document in the "Governance and Internal Control" chapter (pages 20 to 35), comprises two sections.

- the first relates to the work done by Calyon's Board of Directors, and includes a presentation of the principles and rules adopted by the Board to determine compensation and any other benefits granted to corporate officers in accordance with the act of 30 December 2006;
- the second section contains information about the organisational principles behind the internal control systems and procedures in force within the Calyon group. The second section covers permanent control, prevention and control of non-compliance risks and periodic control.

MANAGEMENT OF STRUCTURAL FINANCIAL RISKS

The Asset and Liability Committee defines the financial and ALM policies of Calyon in close cooperation with Credit Agricole S.A. The committee is chaired by the Deputy CEO in charge of Finance, and comprises the Executive Committee members, the Head of Finance, Treasury and Credit Portfolio Management, and a Finance representative from Crédit Agricole S.A., along with representatives from Calyon and Crédit Agricole S.A.'s market risk control teams. It is co-ordinated by Calyon's Head of Asset-Liability Management.

The Committee meets once per quarter, and is the ALM decision-making body for all of Calyon. It intervenes either directly or, in ALM areas that have been formally delegated to foreign branches and subsidiaries, in a general co-ordination and supervisory role.

^(a) This information is covered by the statutory auditors' report on the consolidated financial statements (except for information flagged as "unaudited").

The management of financial risks covers the monitoring and supervision of the Calyon group's structural and operational financial risks in France and abroad, excluding risks taken on trading floors. It includes the direct management of Calyon's equity and long-term financing positions, the consolidation of such positions taken at group level and special monitoring of entities specifically exposed to either interest-rate risk outside of capital markets activities or to liquidity risks incurred in their operations.

Global interest-rate risk

Management of global interest-rate risk is aimed at protecting the intrinsic value of the Group's assets and liabilities, as well as optimising returns and stability when investing working capital. Movements in intrinsic value arise from the sensitivity to interest-rate changes of the net present value and cash flows of on- and off-balance sheet financial instruments. This sensitivity arises when assets and liabilities have interest rates that are reset on dates that do not coincide.

Exposure

Calyon uses the gap method to measure its overall interest-rate risk. This consists of determining maturity schedules and interest rates for all assets, liabilities and hedging derivatives at fixed, adjustable and inflation-linked interest rates: until the adjustment date for adjustable-rate items, until the contractual date for fixed-rate items and using model-based conventions for items without a contractual maturity.

Calyon manages its interest-rate risk exposure through a gap limit set by Crédit Agricole S.A. at €3 billion, amortisable over 10 years.

Calyon's exposure to interest-rate risk in its customer transactions is limited through interest-rate matching on customer assets by its market teams, and through the low level of non-remunerated deposits.

The remaining measured exposure includes interest-rate risk arising from equity capital and equity investments.

The Group is mainly exposed to changes in interest rates in the euro currency zone, and to a lesser extent to changes in US dollar interest rates.

Measurement

Interest-rate gaps measure the surplus or deficit of fixed-rate resources. Conventionally, a positive gap represents an exposure to a risk of falling interest rates during the period under consideration.

The results of these measurements at 31 December 2007 for entities fully consolidated by Calyon show that Calyon is exposed to a fall in interest rates:

(€ billion)	0-1 year	1-5 years	5-10 years
Average gaps (on all currencies)	1.9	1.6	0.8

In terms of the sensitivity of NBI in the first year (2008), Calyon could lose €19 million of revenue in the event of a sustained 100-basis-point fall in interest rates, i.e. sensitivity of 0.6% based on its reference NBI of €3.3 billion in 2007.

Based on these same sensitivity calculations, the net present value of the loss incurred in the next ten years in the event of an adverse 200-basis-point movement in the yield curve equals less than 2% of the Group's prudential capital.

Stress scenarios

In addition, the income impacts of five stress scenarios (three historical and two hypothetical) are measured and reported to the ALM Committee.

The scenarios are those used by Calyon's Treasury department.

The historical scenarios are: a major equity market crash (Black Monday in 1987); a surge in interest rates (bond crash in 1994); a sharp rise in issuer spreads (rise in credit spreads in 1998).

Hypothetical scenarios are based on expectations of an economic recovery (rising equity markets, interest rates, USD spot exchange rate and oil prices, and falling issuer spreads), and on a liquidity crisis following the central bank's decision to raise its official rates.

Simulations are made using the sensitivity of Calyon's interest-rate mismatch. Sensitivity is defined as the gain or loss arising from a 1% change in interest rates. This sensitivity is calculated in EUR and USD. The calculation is based on average outstandings over a rolling 1-year period.

The shocks contained in these scenarios are calculated on a 10-day basis, according to Calyon's stress scenario methodology. Sensitivity is "shocked" in various ways. The result of a stress test corresponds to the net present value of changes in the scenario's characteristics.

These stress scenarios show relatively limited impacts, since the net present value of the maximum potential loss equalled 0.3% of prudential capital and 1.1% of net banking income at 31 December 2007.

Liquidity risks

Liquidity and financing risk is the risk of loss if a company is unable to meet its financial commitments in a timely fashion and at reasonable prices when they become due.

These commitments include obligations to depositors and suppliers, as well as commitments in respect of loans and investments.

Calyon, as a credit institution, complies with the liquidity requirements set out in the following texts:

- CRBF regulation 88-01 of 22 February 1988 relating to liquidity,
- Commission Bancaire instruction 88-03 of 22 April 1988 on liquidity,
- Commission Bancaire instruction 89-03 of 20 April 1989 on how to take account of refinancing agreements in calculating liquidity.

Liquidity management

Calyon's policy for managing its short-term and medium-term liquidity risk is set by its Asset-Liability Management Committee as part of the Crédit Agricole group's policy.

The Financing Committee shared by the Treasury Department and the Finance Department's Asset-Liability Management unit meets periodically to analyse developments in long-term resource requirements and in market conditions. It sets the financial terms of new transactions.

Medium- and long-term management

Calyon's medium-to long-term liquidity management is performed centrally by the Asset-Liability Management Department of the Finance Division. It defines internal transformation policies, rules and procedures, both on an overall basis for major currencies and on a specific basis for certain local currencies. It determines medium-and long-term financing needs, as well as needs arising from financial transactions concerning equity and long-term financing.

Short-term management

Short-term liquidity management is handled by the Bank's Treasury Department. It renews financing and manages portfolios of liquid assets. It sets rules and limits for the Bank's various global liquidity centres. It ensures compliance with the applicable regulatory liquidity coefficient.

Liquidity risk measurement

Liquidity risk is measured using various indicators, depending on the term (see note 4.4 to the consolidated financial statements):

Short-term risk

Short-term liquidity risk is measured by calculating the 1-month regulatory liquidity ratio, based on the comparison between the maturity schedule of assets to be reimbursed and liabilities due, and based on the Contingency Funding Plan.

The Contingency Funding Plan is intended to assess the impact of various stress scenarios and the bank's ability to carry out the necessary remedial action to maintain its positive three-month treasury position. It covers the global scope of consolidation. Since the summer 2007 crisis, production has switched from quarterly to monthly.

The Treasury department also carries out daily calculations concerning the projected liquidity gaps of the main liquidity centres. These gaps are calculated assuming stable assets, and various renewal assumptions are applied to liabilities depending on their nature. The calculation horizon is three months.

Medium- and long-term risk

Medium- and long-term risk is measured by calculating the Bank's 1- and 5-year transformation mismatches. These mismatches are the difference between long-term uses of funds (comprising bank lending, securities and non-current assets)

and available long-term financial resources. The transformation mismatch is calculated by applying various run-off assumptions to assets and liabilities with no contractual maturity, and by taking into account the contingent financing commitments made by the Bank. Exceptionally, run-off assumptions are also applied to term deposits in the private banking business.

The 1-year transformation mismatch must remain below a set limit, taking into account the pressure placed on short-term markets by treasury operations. Specific sets of limits are applied to the most sensitive areas of Calyon's activities.

Financing

Short-term financing

In addition to traditional sources of short-term liquidity, Calyon also has a policy of actively diversifying its financing sources. In 2007, this resulted in a programme of structured issues specific to the US market, a domestic commercial paper issuance programme in Japan and a CD programme based in London and intended for sale in Asia.

Medium- and long-term financing

Calyon's long-term liquidity sources consist of customer deposits, interbank borrowings and issues of various types of debt securities (e.g. certificates of deposit, BMTNs and EMTNs). Equity and long-term financing transactions are also used to finance the Bank, although this is not their primary purpose.

• Euro Medium Term Notes

Calyon makes extensive use of its Euro Medium Term Notes (EMTN) programmes: There is a programme governed by English law for a maximum amount of €40 billion, and a programme governed by French law for a maximum amount of €4 billion.

Unless stated otherwise, issues carried out under these programmes for Calyon's international and domestic customers are "structured", meaning that the coupon paid and/or the amount redeemed on maturity comprises a component which is linked to one or more market indexes (equity, interest rate, currency or commodity indexes).

Similarly, certain issues are termed "Credit Linked Notes", meaning that the amount redeemed is reduced in the event of default on the part of a third party that is contractually defined at the time of issue.

Calyon New York and Calyon Hong Kong regularly issue long-term certificates of deposit. Calyon Australia and Calyon South Africa have their own local long-term issuance programmes.

• Redeemable subordinated notes

Considering the current operating structure of the Credit Agricole S.A. group, Calyon no longer issues redeemable subordinated notes, but uses subordinated borrowings entered into with Credit Agricole S.A. These borrowings are generally at an adjustable rate.

The subordinated borrowings may be distinguished from ordinary loans and bonds due to the ranking of the debt contractually defined in the subordination clause. In the event of liquidation, borrowings obtained by Calyon will be reimbursed after secured and ordinary-ranking creditors have been paid, but before reimbursement of Calyon's participating securities and loans.

• Deeply subordinated notes

The deeply subordinated notes issued by Calyon are fixed-rate or adjustable-rate perpetual borrowings, senior to ordinary shares but subordinated to all subordinated debt. The coupons are non-cumulative and subordinated to Calyon's annual net income which must be sufficient to remain positive after payment of the coupon due for the financial year in question. Notes issued by Calyon provide for the possibility of early redemption by the issuer after the tenth anniversary of their issue, subject to the prior agreement of the Secretary-General of the Commission Bancaire. Depending on the issue, the interest rate may be increased after the first possible date for early redemption by the issuer.

To date, seven issues of deeply subordinated notes have been made, three at a fixed rate and four at an adjustable rate. They were all underwritten by Credit Agricole S.A.

Exchange-rate risk

Currency risk is assessed mainly by measuring net residual exposure, taking into account gross foreign exchange positions and hedging.

Structural exchange-rate risk

The Group's structural exchange-rate risk results from its other-than-temporary investments in assets denominated in foreign currencies, mainly the equity of its foreign operating entities, whether they result from acquisitions, transfers of funds from Head Office or the capitalisation of local earnings.

Structural foreign exchange positions are determined in the accounting currency of each Group entity, based on accounting

figures used in the consolidated financial statements. Positions not useful in immunising the solvency ratio against exchange-rate fluctuations were more than 95% hedged at 31 December 2007.

In most cases, the Group's policy is to borrow the currency in which the investment is made in order to immunise that investment from currency risk. These borrowings are documented as investment hedging instruments. In some cases, particularly for illiquid currencies, the investment gives rise to purchases of the local currency. Currency risk is then hedged, if possible, through forward transactions.

The Group's policy for managing structural foreign exchange positions aims to achieve two main goals:

- first, to protect prudential ratios by immunising the Group's solvency ratio from currency fluctuations; unhedged structural currency positions will be scaled so as to equal the proportion of risk-weighted assets denominated in the currencies concerned and unhedged by other types of equity in the same currency;
- second, to protect assets by reducing the risk of a fall in value in the assets under consideration.

Hedging of structural currency risk is managed centrally and arranged following decisions by the Bank's Asset-Liability Management Committee.

Calyon's structural currency positions are also included with those of Crédit Agricole S.A., which are presented five times a year to its Asset-Liability Management Committee, chaired by its CEO.

Operational exchange-rate risk

The Bank is further exposed to operational exchange-rate positions on its foreign-currency income and expenses, both at Head Office and in its foreign operations.

The Group's general policy is to limit net operational exchange-rate positions as far as possible by periodically hedging them, usually without prior hedging of earnings not yet generated except if they have a high probability and a high risk of impairment.

Almost all operational foreign exchange positions shown by 2007 results and intended to be hedged were hedged.

Rules and authorisations applicable to the management of operational positions are put in place by decision of the Asset-Liability Management Committee.

Exchange-rate risk control and monitoring

In the Group's branches and subsidiaries, the Chief Operating Officers are responsible for implementing and monitoring currency risk management principles under the control of the Senior Country Officer, who may be supported by local control teams. It is the responsibility of each entity's ALM Committee to ensure the proper application of all of these requirements.

At head office level, currency risk is managed by a dedicated team within Asset-Liability Financial Management.

The statement of foreign exchange positions, the implementation of decisions adopted and the results of stress scenarios are presented quarterly in ALM Committee meetings.

MANAGEMENT OF COUNTERPARTY, MARKET, OPERATIONAL AND OTHER RISKS

Organisation of the risk function

The Risk Management and Permanent Controls (RPC) division is in charge of the supervision and permanent control of risks across the whole of the Calyon group's scope of internal control. It carries out second-level supervision and permanent control of credit, market and operational risks. It also supervises units in charge of financial internal control, along with those in charge of information continuity and security.

Calyon's Risk Management and Permanent Controls organisation is integrated into the Credit Agricole S.A. group's Risk Management and Permanent Controls business line. Risk management is delegated to Calyon under formally adopted subsidiarity and delegation principles. Within this framework, the RPC regularly reports its major risks to Credit Agricole S.A.'s Group Risk Management Division, and has Credit Agricole S.A.'s Group Risk Management Committee approve those cases which exceed its authorised limits as well as substantial risk strategies at the Credit Agricole S.A. group level.

Within Calyon, the RPC is a worldwide organisation, and

- all risk management tasks and business lines, whatever their nature or location, are grouped together within the division. The RPC has six departments: Individual Counterparty Risks, Administration of Counterparty Risks, Country and Portfolio Risks, Market Risks (including methods for measuring market risk and counterparty risks on market transactions), Permanent Controls and Operational Risks, and Corporate Secretariat and Research;
- all of Calyon's local and regional RPC managers within the international network report directly to the RPC's managers at Head Office;
- internal financial control officers and information continuity and security officers report functionally to the head of the Permanent Controls and Operational Risks department;
- Calyon's head of Risk Management and Permanent Controls reports hierarchically to Credit Agricole S.A.'s head of Group Risk Management;

- Calyon's head of Risk Management and Permanent Control reports functionally to Calyon's Management Board and is a member of Calyon's Executive Committee;
- governance is structured around the following decision-making bodies:
 - a Counterparty Risk Committee, which decides on individual risks (ad hoc approvals or annual facility renewals), whatever the nature of the operation (on-or off-balance sheet, credit or market transaction);
 - a Market Risk Committee, which sets the overall amount of market limits, and closely monitors market positions and the control system,
 - a Strategy and Portfolio Committee, which studies and decides on the main development guidelines for each business line and each geographical unit; it also decides on the main risk limits used in the global portfolio, and periodically reviews their utilisation.

The RPC is also in charge of implementing the Basel II project across Calyon as a whole.

Credit risk

A credit risk is realised when a counterparty is unable to honour its obligations and when the book value of these obligations in the bank's records is positive. The counterparty may be a bank, an industrial or commercial enterprise, a government or government entity, an investment fund or a natural person.

The exposure may be a loan, debt security, deed of property, performance exchange contract, guarantee or unused confirmed commitment.

The risk also includes the settlement risk inherent in any transaction entailing an exchange of cash or physical goods outside a secure settlement system.

Credit risk management

General principles of credit risk management

Credit decisions depend on upstream risk strategies that define the boundaries within which each business line or geographical entity must conduct its activities: industrial sectors included (or excluded), type of counterparty, nature and duration of transactions and products authorised, category or intensity of risks incurred, existence and value of guarantees, overall portfolio volume, definition of individual and overall risk level, diversification criteria.

Limits are set for all counterparties and groups of counterparties, in order to control the amount of commitments, whatever the type of counterparty (corporate, sovereign, banks, financial institutions, local authorities, SPEs, etc.). Authorisations vary according to the quality of the risk, assessed by an internal rating of the counterparty. The credit decision must form part of the formally approved risk strategies.

Second-level controls on compliance with limits are performed by the RPC, supplemented by a process for monitoring individual risks and portfolio risks, in order to detect any possible deterioration in the quality of the counterparty and Calyon's commitments as far ahead as possible.

Where the risk is substantiated, a collective and specific impairment policy is put into effect.

Lending decision process

New transactions are approved according to a decision-making process based on two front-office signatures, one by a commitment analysis unit, the other by a front-office manager as signing officer. The decision is supported by an independent opinion by the RPC and must take Basel II parameters into account, including the internal rating of the counterparty and the predictive Loss Given Default (LGD) attributed to the proposed transactions; a calculation of ex-ante profitability (RAROC) must also be included in the credit file. In the event that the risk management team's opinion is negative, the decision-making power is passed up to the chairman of the higher committee and, if necessary, all the way up to the Management Board via the Counterparty Risks Committee.

Risk measurement methods and systems

Completion of the Basel II project

To complete the Basel II system, the main work done in 2007 consisted of:

- the finalisation of methodology work and the back-testing and benchmarking of the various rating methods;
- the completion of default definition and management work;
- ongoing adjustments to IT systems,
- increased efforts to raise awareness of the reforms within the bank, for example through broadly implemented training programmes;
- supervision of the rating process and the quality of data;
- work to ensure the reliability of risk data by introducing or enhancing controls at each key stage of production, and in particular reconciling risk data with accounting data.

In late 2007, Calyon received authorisation from the Commission Bancaire to use its internal credit risk rating system to calculate regulatory capital requirements.

Internal rating system

The internal rating system covers all methods, procedures and controls used to calculate credit risk, borrower ratings and loss given default figures for all of our exposures.

Calyon uses an internal rating system that assesses the quality of risks taken on all counterparties on which it bears risk. Methods used cover all types of counterparty and combine quantitative and qualitative criteria. They are devised using the expertise of the various financing activities within Calyon or the Crédit Agricole group if they cover customers shared by the whole Group. The rating scale has 15 notches. All of these methods are presented and validated by Crédit Agricole S.A.'s Standards and Methodology Committee, which ensures that they are consistent with the group's other methods.

The internal ratings of corporate customers are monitored using a system deployed across the whole Credit Agricole Group, known as "FRANE" (corporate rating regulatory support functions), which ensures that uniform ratings are applied throughout the group and organises back-testing work on shared customers.

Within Calyon, the internal rating of counterparties forms the basis for the approval of commitments and is one of the fundamental aspects of the process for approving loans and monitoring and quantifying credit risks.

Since Calyon has opted for the advanced approach to internal ratings as part of the Basel II reform, methods for rating borrowers and estimating losses given default have been defined. These models have been implemented through tools for granting loans and quantifying credit risk.

Overall, Calyon has ensured that the risk parameters that are required by Basel II and allow the calculation of capital requirements are implemented as part of the Bank's internal management. They are used by all people involved in the process of granting loans and measuring and monitoring credit risks. When a loan is granted, the projected returns on the loan are calculated using these risk parameters defined in accordance with Basel II.

Portfolio risks

Decision-making and individual risk monitoring within Calyon are backed up by a portfolio risk monitoring system that enables the group to assess counterparty risks for its overall portfolio and for each of the constituent sub-portfolios, according to a breakdown by business line, sector, geographic zone, or any delineation that brings out specific risk characteristics in the overall portfolio.

Portfolio reviews are conducted periodically at each profit centre in order to check that the portfolio is consistent with the risk strategy in force, to assess the various segments of the portfolio against one another and against any aspects of the operating environment or external impacts that may be influencing them, and finally to reassess the internal rating of the counterparties under review.

An analysis is carried out to detect any concentration deemed to be excessive for both the overall portfolio and the constituent sub-portfolios.

Calyon employs credit risk modelling tools to implement this portfolio approach. In particular, it uses an internal portfolio model that enables it to calculate expected loss, volatility and unexpected loss indicators, while factoring in the positive impact of any protection purchased (credit default swaps, securitisations), and to measure the effects of diversification via a correlation model.

Finally, stress scenarios are regularly produced to estimate the impact of extreme shocks on some or all of the portfolio.

Sector risks

Calyon's portfolio is analysed by major industrial sector at regular intervals, at least once a quarter. Risks within each sector in terms of commitments, level of risk (expected loss, economic capital) and concentration are examined. Concentration is assessed on two levels: the sector's weighting within Calyon's overall portfolio and the level of diversification within each sector.

At the same time, the economic and financial risks of each significant sector are analysed and leading indicators of deterioration are monitored.

Stress scenarios are also prepared where necessary.

In the light of these various analyses, measures to diversify or protect sectors at risk of deterioration are recommended.

Country risk

Country risk is the risk that economic, financial, political or social conditions in a foreign country will affect the bank's financial interests. It does not differ in nature from "elementary" risks (credit, market and operational risks). It constitutes a set of risks resulting from the bank's vulnerability to a specific political, macroeconomic and financial environment.

The system for assessing and monitoring country risk within Calyon is based on an internal rating model. Internal country ratings are based on criteria relating to the economy's structural solidity, ability to pay, governance and political stability.

Annually reviewed limits and risk strategies are applied to each country whose rating is lower than the threshold set by procedures.

In addition, the Bank performs scenario analyses to test adverse macroeconomic and financial assumptions, which give an integrated overview of the risks to which it may be exposed in situations of extreme tension.

The Group manages and controls its country risks according to the following principles:

- Activities exposed to country risk are defined and identified through the development and monitoring of analytical country risk management tools.
- Acceptable country risk exposure limits are determined through annual reviews of country strategies, depending on the portfolio's vulnerability to country risk. This degree of vulnerability is determined by the type and structure of transactions, the quality of counterparties and the term of commitments. These exposure limits may be reviewed more frequently if developments in a particular country make this necessary. These strategies and limits are validated by Calyon's Strategy and Portfolio Committee (CSP) or Country Risk Committee (CRP) and by Crédit Agricole S.A.'s Risk Management Committee (CRG).
- Country risk is evaluated on a regular basis through the production and quarterly updating of ratings on each country to which the Group is exposed. These ratings are produced using an internal country rating model based on various criteria (structural solidity, governance, political stability and ability/desire to pay). Specific events may cause ratings to be adjusted before the next quarterly review.
- Calyon's Country and Portfolio Risk Department validates transactions whose size, maturity and country risk intensity may potentially affect the quality of the portfolio.
- Country-risk exposure is monitored and controlled in both quantitative (amount and term of exposure) and qualitative (portfolio vulnerability) terms through specific and regular reports on all country risk exposures.

Country risk policy

[Calyon's exposure to risk in emerging-market countries increased substantially in 2007, by 43% in US dollar terms (+27% in euro). The increase resulted from exposure to risk among local entities and offshore operations.]

Emerging-market countries continued to enjoy positive economic conditions in the first nine months of 2007, and their fundamentals improved, with firm growth, current-account surpluses, growing foreign exchange reserves and so forth. This led to rating upgrades for 17 countries and no downgrades.

The increase in assets was driven mainly by the least risky emerging-market countries. Countries in which economic, financial or political developments are deemed to be a potential cause for concern are monitored closely in terms of both ratings and management of the Group's exposures and exposure limits.

Monitoring of commitments

First-degree controls on compliance with the conditions that accompany a credit decision are carried out by the front office. The Risk Management and Permanent Controls division is in charge of second-level controls.

Commitments are supervised for this purpose, and portfolio business is monitored constantly in order to identify at an early stage any assets that could deteriorate. The aim is to adopt practical initiatives as early as possible so as to protect the Bank's interests.

The main methods used in this monitoring are:

- Control Committees which meet monthly to examine deviations and exceptions (arrears, excess drawings and breaches of limits, ongoing syndications, flawed legal documentation, review frequency etc.);
- Early Warning Committees, which meet monthly and endeavour, by various means, to identify early signs of potential deterioration in loans which are healthy but deemed sensitive, in order to reduce or cover the risk exposure;
- quarterly reviews of major risks regardless of the quality of borrowers concerned;
- a regular search for excessive concentrations with respect to the amount of economic capital employed and the amount of existing commitments.

These steps lead to:

- changes in internal ratings of counterparties which are, where necessary, classified as sensitive;
- practical decisions to reduce or cover commitments at risk;
- possible transfers of assets to the specialised recovery unit.

Monitoring of sensitive items and impairment

“Sensitive items”, whether performing debts on the watch list or doubtful or bad debts, are managed on a daily basis within the entities, and enhanced surveillance is carried out on a quarterly basis:

- sensitive items review committees are held locally every quarter, to provide an update of the scope and changes in impairment for each entity. Central committees are also convened under the chairmanship of the Risk Management and Permanent Controls division, in order to proceed with a joint examination of these loans' classification as Doubtful or Sensitive Items.
- These committees propose specific impairment decisions which are then validated by the Management Board.
- The definition of default complies with the required Basel II definition; rigorous default identification procedures have been introduced on this basis.

Stress scenarios

Credit stress scenarios are devised to assess Calyon's risk of loss in the event of a serious deterioration in the economic and financial environment. There are two types of stress scenario: the first aims to reflect the impact of a macroeconomic deterioration affecting the whole portfolio in terms of Basel II regulatory capital and revenues. The second focuses on a sector or geographical zone that constitutes a homogeneous set of risks. Scenarios are devised either as part of risk strategies to support decisions, or for occasional enhanced surveillance requirements.

Credit risk mitigation mechanism

Guarantees received

The principles for accepting, taking into account and managing guarantees and collateral are defined by the Crédit Agricole Group's Standards and Methodology Committee. This common framework ensures a consistent approach across the Group's various entities. The Committee documents aspects including the conditions for prudential use, valuation and revaluation methods and all credit risk mitigation techniques used within the Calyon group. Calyon then devises its own operational procedures and arrangements for the detailed management of these guarantees and collateral.

Commitments given and received are presented in Note 9 to the consolidated financial statements.

Use of netting contracts

If a “framework” contract has been signed with the counterparty, Calyon applies netting to the counterparty's exposures. Calyon also use collateralisation techniques (deposits of cash or securities).

Use of credit derivatives

The Bank uses credit derivatives and a range of risk transfer instruments, including securitisation, in managing its banking book.

The aim is to reduce concentration of corporate credit exposures, to diversify the portfolio and to reduce loss levels.

The risks relating to these operations are monitored by the Market Risk Management Division with the help of indicators such as VaR for all liquid transactions through which Calyon buys and sells protection on its own account.

Outstanding nominal amounts of protection purchased in the form of credit derivatives came to €14.7 billion at end-2007. The notional amount of sell positions totalled €2 billion.

Exposures

Maximum exposure

Calyon's maximum exposure to credit risk is the net book value of loans and advances, debt instruments and derivative instruments before the effect of unrecognised netting agreements and collateral.

€ million	Notes	31.12.2007	31.12.2006
Financial assets at fair value through profit or loss (excluding variable-income securities)	7.2	362,434	324,900
Derivative financial instruments held for hedging	4.4	472	344
Available-for-sale assets (excluding variable-income securities)	7.4	15,251	22,538
Due from banks	7.5	55,662	59,519
Loans and advances to customers	7.5	118,891	101,942
Exposure to on-balance-sheet commitments (net of impairment)		552,710	509,439
Financing commitments given	9	114,741	124,751
Financial guarantee commitments given	9	39,226	40,589
Reserves - Financing commitments	7.18	(19)	(26)
Exposure to off-balance sheet commitments (net of reserves)		153,948	165,314
Total net exposure		706,658	674,753

Source: consolidated financial statements

Concentration

Breakdown of counterparty risks by geographical zone

[At 31 December 2007, loans granted to customers by Calyon (€403,825 million) broke down by geographical zone as follows:

percentage	31.12.2007	31.12.2006
Africa and Middle-East	6.3%	5.3%
North America	18.1%	19.7%
Latin America	2.4%	2.1%
Asia (excluding Japan)	7.9%	7.4%
Other and supranational	0.7%	1.2%
Rest of Europe	3.4%	2.3%
Other Western European countries	32.5%	34.8%
France	25.7%	23.6%
Japan	2.6%	3.4%
Other	0.3%	0.3%

Source: Risk data (on- and off-balance sheet commercial commitments and counterparty risk on banking-book market transactions measured with an internal add-on, after the effect of netting and collateralisation)

In geographical terms, the portfolio is focused on Western Europe, which has a weighting of almost 60%, of which more than half relates to France. The US proportion of Calyon's risks

has declined to around 20% due to the dollar/euro exchange rate. Average emerging-market ratings have improved, and these countries' weightings have increased substantially.]

[Unaudited information]

Breakdown of Calyon's gross outstandings by customer type

Gross outstandings ⁽¹⁾ € million	31.12.2007	31.12.2006	% of 2007 total
Central governments and non-bank institutions	10,033	3,743	6%
Banks	55,389	58,562	31%
Corporates	104,282	95,937	59%
Retail customers	6,393	3,505	4%
Total	176,097	161,747	100%

(1) Including leasing, but excluding receivables from subsidiaries.
Source: consolidated financial statements

The breakdown of outstandings by customer type shows a focus on corporates, which account for 59% of consolidated gross outstandings.

Breakdown of risks by economic sector

[At 31 December 2007, loans granted to customers by Calyon (€403,825 million) broke down by economic sector as follows:

percentage	31.12.2007	31.12.2006
Banks	24.0%	27.8%
Other financial (non-banks)	11.4%	9.6%
Miscellaneous (including securitisation for third parties)	11.1%	10.7%
Energy	10.4%	10.0%
Heavy industry	5.4%	3.7%
Real estate	4.4%	3.5%
Public sector/local authorities	4.0%	5.5%
Shipping	3.5%	2.6%
Insurance	3.3%	2.6%
Consumer goods	2.7%	3.3%
Aerospace	2.6%	2.4%
Telecoms	2.6%	2.9%
Automotive	2.5%	3.0%
Construction	1.9%	1.5%
Other industries	1.8%	1.8%
Food	1.7%	1.6%
Other transport	1.3%	1.3%
Tourism, hotels and restaurants	1.1%	1.3%
Media and publishing	1.0%	1.2%
Healthcare and pharmaceuticals	0.9%	1.1%
IT and technology	0.9%	1.1%
Utilities	0.5%	0.6%
Wood, paper and packaging	0.5%	0.5%
Other	0.3%	0.3%

Source: Risk data (on- and off-balance sheet commercial commitments and counterparty risk on banking-book market transactions measured with an internal add-on, after the effect of netting and collateralisation)

[Unaudited information]

[More than a third of Calyon's counterparties are financial companies (excluding insurance companies, which make up 3.3% of the total) in terms of gross risk, based on a mark-to-market calculation of variation risks (derivatives transactions) plus internal add-ons that increase outstandings (peak exposure). Ratings in this "financial" category are excellent, with 89% of counterparties having an investment-grade rating. Around 80% of the category consists of financial institutions in Western Europe and the USA.

Overall, manufacturing and commercial sectors account for 68.8% of the portfolio.

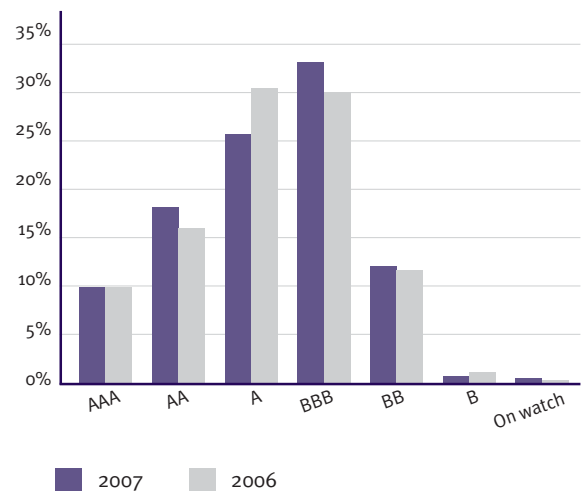
- The energy sector remains the largest. It includes counterparties operating at various stages of the oil industry value chain (production/exploration, trading, refining etc.) and integrated majors, along with major European electricity companies. The rest of this portfolio consists of project financing exposures (particularly in the Middle East). The size of the portfolio is consistent with the sector's importance in the world economy, particularly given the high oil price.
- Heavy industry includes sectors like steel, chemicals and cement, which are benefiting from strong growth worldwide and particularly in emerging-market countries. The main exposures are to leading players in these industries, which are heavily globalised. The growth in the portfolio is partly due to the rising price of several products and the financing of sector M&A transactions.
- Real estate's share of the portfolio has increased substantially, due to growth in structured finance outstandings. The UK and Spanish residential real estate portfolios are very small. The US portfolio is contracting.
- Calyon is a leading player in shipping financing, and is taking advantage of growth in global trade. This is leading to an increase in shipping's share of the portfolio.
- The consumer goods category consists mainly of retailers, not producers. Most counterparties in this category are European, and its share of the total portfolio is diminishing.
- Growth in the telecoms category has been deliberately restricted. Exposure remains heavily focused on the major European operators. Diversification is increasing gradually, with exposure to mobile operators in certain emerging-market countries.
- Automotive's share of the portfolio is falling, particularly in the USA due to the effect of the global economic outlook on this sector.

No other sector accounts for more than 2% of total exposure.]

Quality of exposure

Quality of the portfolio exposed to credit risk

[At 31 December 2007, loans granted to performing clients by the Calyon group totalled €394,223 million. Their breakdown by credit rating was as follows:



On the basis of Calyon's internal ratings, grouped by Standard & Poor-equivalent rating category, the portfolio's average quality is good. The proportion of counterparties with investment-grade ratings was 82.6% in 2007, stable relative to 2006.]

Impairment policy

The impairment policy involves setting aside two types of reserves:

- collective impairment is booked on performing loans, country risks and sensitive sectors;
- individual reserves are set aside based on individual assessments of counterparty situations and of collateral provided to the Bank.

Collective reserves

In accordance with IAS 39, collective reserves are set aside when objective indications of impairment are identified:

- assets that already show increased risk: impairment is based on statistics relating to expected losses until the transactions mature;

[Unaudited information]

- sectors and countries under supervision: impairment is intended to cover estimated sector or geographical risks for which there is statistical or historical risk of partial non-recovery.

At end-2007, sector reserves existed on selected LBO, automotive and real-estate sub-portfolios in certain geographical zones. Risky countries on which collective impairment exists are those whose ratings are below a certain threshold in our

internal rating scale, giving them the status of countries under supervision.

Collective impairment totalled €1,168 million at 31 December 2007.

Individual reserves

- Bad and doubtful debts and impairment by geographical zone

€ million	31.12.2007					Total
	Gross outstandings	of which doubtful debt	Impairment on doubtful debt	of which bad debt	Impairment on bad debt	
France (including overseas departments and territories)	37,365	24	(13)	957	(906)	36,446
Other EU countries	57,890	79	(28)	943	(138)	57,724
Other European countries	12,402	11	(9)	6	(5)	12,388
North America	24,118	9	(5)	264	(61)	24,052
Central and South America	12,405	45	(12)	136	(101)	12,292
Africa and Middle-East	9,456	3	(1)	105	(84)	9,371
Asia and Pacific (excluding Japan)	15,538	12	(3)	26	(26)	15,509
Japan	6,923	4				6,923
Total	176,097	187	(71)	2,437	(1,321)	174,705

Source: consolidated financial statements

Doubtful loans and advances to banks and customers amounted to €2,624 million, or 1.5% of gross loans and advances on the balance sheet at 31 December 2007. Individual impairment totalled €1,392 million.

The increase in the coverage rate of impaired debt with individual reserves from 42% to 53% was mainly due to impairment on monoline insurer ACA (€807 million in 2007).

• Bad and doubtful debts and impairment by type of customer

€ million	31.12.2007					Total
	Gross outstandings	of which doubtful debt	Impairment on doubtful debt	of which bad debt	Impairment on bad debt	
Central governments and non-bank institutions	10,033	3		71	(71)	9,962
Banks	55,389	4	(3)	43	(43)	55,343
Corporates	104,282	172	(67)	1,458	(1,169)	103,046
Retail customers	6,393	8	(1)	865	(38)	6,354
Total	176,097	187	(71)	2,437	(1,321)	174,705

Source: consolidated financial statements

Counterparty risks on capital market activities

Calyon uses an internal approach to estimate current and potential risk inherent in derivative instruments (such as swaps and structured products). The risk basis is calculated by adding together the positive market value of each instrument and an add-on coefficient applied to the nominal amount. This add-on coefficient represents the potential credit risk arising from the change in market value of derivative instruments during their residual lifespan. It is calculated taking into account the type and residual lifespan of the instrument, based on a statistical observation of movements in its underlyings.

Moreover, to reduce exposure to counterparty risks on derivatives, Calyon enters into collateralisation contracts with counterparties, in addition to netting agreements, which are negotiated during the documentation process prior to setting up the transactions.

Market risks

Market risk is the risk of a negative impact on the income statement or balance sheet caused by adverse fluctuations in the value of financial instruments following changes in market parameters:

- interest rates: interest-rate risk is the risk of a change in the fair value of a financial instrument or the future cash flows from a financial instrument due to a change in the interest rate;
- exchange rates: currency risk is the risk of a change in the fair value of a financial instrument due to a change in an exchange rate;
- prices: price risk is the risk of a change in the price or volatility of equities and commodities, baskets of equities or stock indexes. The instruments most exposed to this risk are variable-income securities, equity derivatives and commodity derivatives;
- credit risks: credit risk is the risk of a change in the fair value of a financial instrument due to a change in the credit spreads of indexes or issuers. For more exotic credit products, there is also the risk of a change in fair value arising from a change in the correlation between issuer defaults.

Calyon has a well-developed system for controlling market risks, comprising an independent Risk Management organisation, robust and consistent control and reporting procedures and a reliable and exhaustive assessment system.

Work undertaken to consolidate these parts of the system has led to the internal model being validated by the regulatory authorities across a most of Calyon's activities. The internal model applies mainly to the trading book.

Market risk monitoring organisation

Decision-making and risk monitoring committees

The entire system falls under the authority of the Market Risk Committee.

The Committee is chaired by a member of Calyon's Management Board and meets twice a month. It monitors and analyses market risks and their evolution. It ensures compliance with supervision indicators, specific management rules and defined limits. It sets limits for the operational units within the overall limit fixed by the Strategy and Portfolio Committee.

This committee includes members of Calyon's Executive Committee, a representative of Credit Agricole S.A. Group Risk Management Division, heads of Market Risk Management and officers in charge of capital markets activities.

Minutes from committee meetings are sent to Calyon's CEO, who is also informed about the situation in terms of risks, strategies and outlook as part of Strategy and Portfolio Committee meetings.

Finally, Internal Audit carries out regular audits to ensure compliance with the Group's internal control standards.

Risk control

Market risk control forms an independent global function within the Risk Management and Permanent Controls division, which is based on three teams:

- At the global level, Risk Management monitors, controls and reports on market risks for all product lines. Its duties include:
 - setting limits and ensuring compliance with them,
 - analysing market portfolio risks on a permanent basis,
 - validating risks and results,
 - analysing and monitoring complex transactions.

Limit monitoring

General product line limits are determined at group level, after which more specific limits are defined if necessary.

Risk Management monitors all limits on a daily basis, and reports any breaches to the appropriate levels of the group. Limit breaches and significant variations in results are reported to the Market Risk Committee.

- Quantitative analysis:
 - identifies and analyses market risks,
 - validates valuation models,
 - proposes reserves and valuation adjustments,
 - proposes methods for assessing the model's parameters.
- The Activity Monitoring Team is in charge of producing management results data and risk indicators for all activities subject to market risk limits. Its functions include:
 - independently collecting market data,
 - producing management results,
 - producing risk indicators.

Cross-company teams supplement this system and their tasks include international consolidation, reporting, defining the overall risk policy, ensuring the consistency of market parameters and monitoring the quality of the internal model.

Market risk monitoring indicators

The management of market risks is based on several indicators that are used to devise overall or specific risk limits. These limits are intended to cover all risk factors.

Value at Risk (VaR)

VaR is the central plank of the risk measurement system. The regulatory authorities' validation of the internal model supports the use of VaR in the operational monitoring of market risks:

- VaR is a measure of the potential loss that Calyon's portfolio could suffer in the event of adverse movements in market parameters over a one-day period and with a confidence interval of 99%, based on one year of historical data.
- Calyon's internal model is based on an historic VaR model, except in the case of commodities, for which a Monte Carlo model is applied.

In addition, the VaR method undergoes constant improvement

and adjustment to take account of the changing sensitivity of positions to risk factors and the relevance of methods to new market conditions. For example, efforts are made to integrate new risk factors and to achieve greater detail on existing risk factors.

- Interest-rate VaR was €18 million, relating to the treasury and interest-rate derivatives activities.
- Foreign-exchange VaR was €3 million, relating to spot forex and currency option activities.
- Commodity VaR was €2 million.

As at 31 December 2007:

- Credit VaR amounted to €33 million, based on credit market activities.
- Equity VaR totalled €13 million, covering the equity derivatives, equity funds and brokerage activities (mainly CLSA and Cheuvreux).

For all capital markets activities after netting, VaR was €44 million at 31 December 2007.

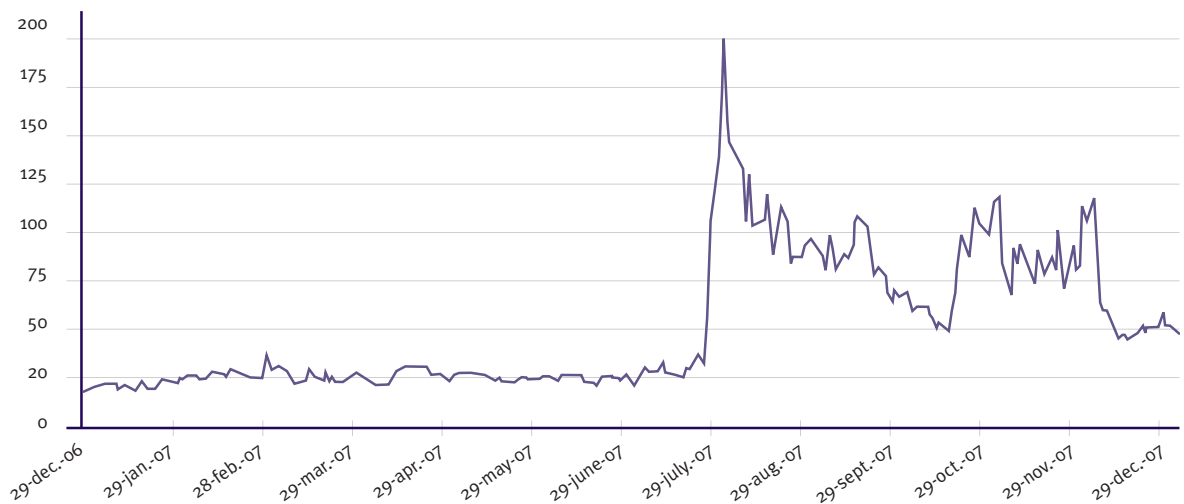
In 2007, average VaR was €48 million, reaching a peak of €196 million.

The table below shows changes in the VaR of activities grouped according to principal risk factor in 2007:

	Commodities	Forex	Interest rate	Credit	Equities	Netting	Calyon
Max 2007	3	6	23	220	23	(74)	196
Min 2007	1	1	6	6	9	(10)	14
Average 2007	2	3	11	48	15	(31)	48

Overall VaR trends for capital markets activities in 2007 were as follows:

(€ million)



Calyon's VaR rose very sharply from end-July 2007. Almost all of the increase was attributable to credit market activities.

The increase resulted from sharp daily variations in the main risk factors used in the Credit VaR calculation during summer 2007 and at the end of the year. These risk factors consisted of credit spreads and the default correlation structure for exotic credit products.

Other risk factors (equity, interest-rate, currency), were very stable overall throughout 2007.

Stress scenarios

Since VaR does not reflect the potential impact of extreme market conditions, Calyon uses a set of stress scenarios, developed using three complementary approaches:

- historical scenarios which replicate the impact of crises observed in the past on the current portfolio,
- hypothetical scenarios anticipating plausible shocks, which are developed in conjunction with economists,
- adverse scenarios, which anticipate unfavourable market movements in the light of Calyon's current positions.

These scenarios are adjusted to the risks existing in the various portfolios on which they are calculated.

Portfolios at all levels, from the most specific to the most general, are evaluated on a regular basis and on request. The results are presented to the Market Risk Committee.

Other indicators

VaR measurement is associated with a set of complementary and explanatory indicators, most of which are subject to limits:

- tighter risk management is achieved by adopting sets of limits on a range of indicators. These indicators are calculated for each activity (issuer risk, authorised currencies, maximum time to maturity), and include a system of loss alerts and stop losses;
- analytical indicators are used by Risk Management for explanatory purposes.

These market activities are managed through a system of market risk indicators accompanied by limits designed to cover all market risk factors, including market movements (fixed income, equities, forex), correlations and so forth.

Backtesting

Under the internal model, a daily loss should not exceed VaR more than two or three times per year.

Backtesting allows permanent comparisons between VaR and the daily results of product lines, calculated both on the basis of real positions and assuming unchanged positions. This allows the relevance of VaR measurements to be assessed. In 2007, there were two exceptions to Calyon's global VaR: on two days, the previous day's loss estimate underestimated the actual loss.

Sensitivity of fair value to non-observable parameters

The sensitivity of the fair value of super-senior tranches of CDOs is described on page 88. The sensitivity of the fair value of other non-observable products, making up 12% of the total fair value of non-observable products, is not available.

Use of credit derivatives

Within the capital markets business, Calyon has developed a credit derivatives business encompassing trading, structuring and selling products to its customers. The products handled range from simple products (credit default swaps), where the principal risk factor is credit spreads, to more structured products that introduce other more complex risk factors (e.g. correlation).

Positions are measured at fair value with deductions for model and data uncertainties.

These activities are managed through a system of market-risk indicators accompanied by limits designed to cover all risk factors. These indicators are:

- VaR (historical, 99%, daily, including credit spread and correlation risk);
- credit sensitivity;
- sensitivity to correlation;
- sensitivity to recovery rates;
- sensitivity to interest rates.

The system also includes stop loss limits and stress testing. Independent teams belonging to the Risk Management and Permanent Controls division are responsible for valuing positions, calculating risk indicators, setting limits and validating models.

Equity risks

Calyon's equity risk results mainly from trading and arbitrage transactions involving equities, carried out as part of capital markets activities involving equity derivatives and funds. It also results, to a lesser extent, from CA Cheuvreux and CLSA's equity brokerage activities.

Equity risk arising from trading and arbitrage activities is monitored using a 99% "Value at Risk" (VaR) method. This measures the greatest risk, based on a number of parameters and scenarios, once the most adverse 1% of occurrences have been eliminated.

Average, minimum and maximum VaR figures and the VaR figure on 31 December 2007 are analysed by risk factor – and equity risk in particular – in the "Market risks" section of the management report (see p83 above).

Operational risk

[Operational risk is the risk of loss resulting from shortcomings in internal procedures or information systems, human error or external events that are not linked to a credit, market or liquidity risk.

In accordance with principles in force within the Credit Agricole S.A. group, Calyon's Risk Management and Permanent Controls division has set up a qualitative and quantitative system for identifying, evaluating, preventing and supervising operational risks in accordance with Basel II regulations.

This operational risk management system comprises the following five components:

Organisation of the operational risk management function

The Risk Management and Permanent Controls division is responsible for supervising the system, and it is overseen by the Management Board through the operational risk section of Calyon's Internal Control committee.

Operational risk management specifically relies on a network of permanent controllers, who also perform the functions of operational risk managers, covering all Group subsidiaries and business lines, and who are supervised by the Risk Management and Permanent Controls division.

The system is monitored by internal control committees under the authority of each entity's management. Head office control functions are invited to the meetings of these committees.

Risk identification and qualitative assessment

The operational risk mapping process is applied to all group entities and is updated every year. These risk maps allow Calyon to supervise the most sensitive processes and to draw up control plans.

Operational loss detection and alert procedure for significant incidents

A unified procedure for loss detection and for submitting alerts has been set up across the whole scope of Calyon. The data required by the internal model for calculating the economic capital allocation, in accordance with the Basel II advanced method, are consolidated into a single database that provides five years of historical data.

Calculation and allocation of economic capital with respect to operational risks

Capital requirements are calculated annually at the Calyon level, based on historical loss data together with risk scenarios. They are then allocated by business line and entity.]

Production of operational risk scorecards

[The Risk Management and Permanent Controls division produces a quarterly operational risk scorecard, highlighting key events and movements in costs related to these risks. These scorecards provide global confirmation of the main sources of risks: litigation with customers and management of processes (including those relating to market transactions) which determine the priorities of preventative or remedial action plans.

This system forms part of the authorisation conditions for using the advanced measurement approach (AMA) for calculating capital requirements with respect to operational risk. It was validated by the Commission Bancaire in late 2007.

[Unaudited information (not required under IFRS)]

Specific measures introduced following the trading incident at the New York branch

In the summer of 2007, an incident took place in the proprietary trading business of the New York Credit Markets & CDO unit. It resulted in a loss of €230 million, taken to income. In response to this incident, Calyon launched a project in September 2007 consisting of various initiatives in three areas:

- tightening the control system by strengthening alert procedures;
- making front offices and the chain of command more accountable;
- improving the detection mechanism through a review of the operating procedures of the Market Risks Committees and the New Activities and Products Committees.

Given the need to maintain these efforts over a longer period, and given events in the banking industry that came to light in January 2008, the Management Board has decided to maintain the project structure until the end of 2008. Accordingly, a series of additional initiatives has been launched.]

Legal risks

[In the normal course of its business, Calyon is involved in a number of litigation and arbitration proceedings in several countries.

Reserves are booked in respect of these litigation and arbitration proceedings when it is likely that they will result in an outflow of cash.

In 2007, the main change in reserves resulted from proceedings brought by Calyon before the court of the State of New York against one of its counterparties, relating to a sale of protection on transactions linked to residential real estate. The purpose of these proceedings is to gain acknowledgement that the commitment made by this counterparty is valid.

To Calyon's knowledge, on the date this document was registered, there were no exceptional events, litigation or arbitration proceedings, other than those mentioned below, that have recently had or may in future have a significant impact on the group's financial position, activity, assets or results, and that are not reflected in the financial statements at 31 December 2007.]

Insurance and risk coverage

[Calyon has broad insurance coverage of its operating risks in accordance with guidelines set by its parent company, Crédit Agricole S.A., with the aim of protecting its balance sheet and its income statement.

Calyon is covered by all group policies taken out by Crédit Agricole S.A. from major insurers (including AXA, AIG, ACE, AGF, Chubb, GAN Eurocourtage and Zurich) for major risks including fraud, all-risk securities (or theft), operating loss, professional liability, operational liability, directors and officers liability and property damage (furniture and IT).

In addition, Calyon, like all the Group's business-line subsidiaries, manages smaller risks itself.

Small and common risks that cannot be insured in an economically satisfactory manner are kept in the form of deductibles or spread within the Crédit Agricole S.A. group by the one of the Crédit Agricole Group's insurance companies.

This general framework may vary according to local regulations and the specific requirements of countries in which the Calyon group operates. It is generally complemented by local insurance.]

[Unaudited information (not required under IFRS)]

CRISIS IN THE US RESIDENTIAL REAL ESTATE SECTOR

Management of the crisis relating to the US residential real-estate market

In the first quarter of 2007, Calyon stopped originating new CDO transactions with US real-estate underlyings. A committee was set up to monitor structured credit activities, meeting every week. It is chaired by the Management Board and consists of risk management, capital markets and finance staff.

In the second half of 2007, given the impact of the financial crisis on liquidity, the group set up a liquidity monitoring committee jointly with Crédit Agricole S.A., chaired by Crédit Agricole S.A.'s Management Board. This committee also examined the liquidity of securitisation conduits on behalf of customers.

The committee for monitoring structured credit activities continued to meet weekly throughout 2007. It supervised the collection of data relating to Group positions that may be affected by guarantor risks, along with measurement methods.

Calyon's exposures

Calyon's exposures fall into two categories:

- non-guaranteed exposures to US residential real estate;
- exposures guaranteed by guarantors deemed risky.

Exposure not covered by guarantors

Exposure at 31 December 2007

in € billion	Net value		Discount rate			
	31.12.2007	30.09.2007	31.12.2007	30.09.2007	30.06.2007	31.03.2007
ABS portfolio ⁽¹⁾	1.0	1.1	29%	15%	2%	1%
CDO tranches						
Mezzanine	0.1	0.2	89%	80%	47%	21%
Super senior	2.7	4.0	33%	5%	1%	-
Total	3.8	5.3				

(1) of which 41% rated AAA and 46% rated AA at 31 December 2007.

This portfolio is partly covered by purchased protection (with a mark-to-market value of €639 million at 31 December 2007 versus €564 million at 30 September 2007).

- ABS (Asset-Backed Securities)
Valuation based on independent prices
- Mezzanine tranches of ABS CDOs
Uniform valuation depending on the rating of the corresponding mezzanine tranche

Net impact on 2007 NBI: -€2,198 million

- ABS -€327 million
- CDO - super senior -€1,344 million
- CDO - mezzanine -€527 million

Breakdown of super-senior CDO tranches at 31 December 2007

€ million	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5	Tranche 6	Tranche 7	Total
Nominal	812	598	507	566	397	612	523	4,015
Discount	81	60	459	57	40	353	290	1,340
Net value	731	538	48	509	357	259	233	2,675
Discount rate	10%	10%	91%	10%	10%	58%	56%	33%
Attachment point	51%	51%	7%	51%	51%	40%	30%	
Underlying	High Grade	High Grade	High Grade	High Grade	Mezzanine	Mezzanine	Mezzanine	
% of assets with subprime underlyings produced before 2006	12%	33%	27%	27%	71%	0%	38%	
% of assets with subprime underlyings produced in 2006 and 2007	27%	10%	31%	31%	22%	98%	50%	

In 2007, super-senior tranches were valued by applying a credit scenario to the underlyings (mainly residential mortgages) of the ABSs making up each CDO.

This scenario involves:

- final losses, depending on the quality and origination date of each residential mortgage:
 - subprime mortgages produced in 2006 and 2007: 20%;
 - subprime mortgages produced before 2006: 10%;

- the period over which these losses are recognised has been set at 40 months;

the resulting valuation was compared with a valuation resulting from the application of ABX indexes.

A 10% discount was applied to super-senior tranches not affected by this scenario (those whose attachment point is over 51%).

Sensitivity of the fair value to non-observable parameters:

Sensitivity to a change in the estimated loss rate per year of production is as follows:

- a 12.5% increase in the estimated loss rate (e.g. from 20% to 22.5%) would cause a further €217 million of impairment taken to income;
- a 12.5% fall in the estimated loss rate would cause a €265 million reduction in impairment taken to income.

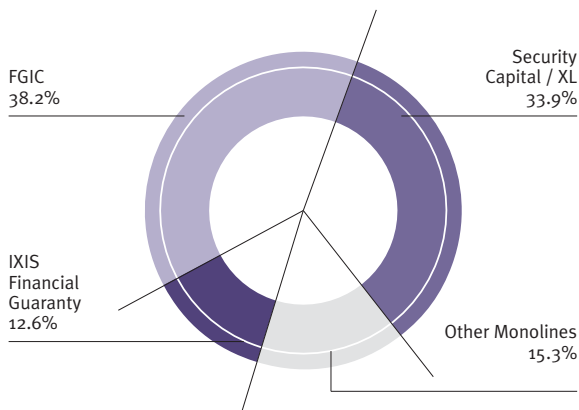
Exposure covered by guarantors (monolines)

The financial situation of all sellers of protection, as known and assessed at the accounts closing, has been examined. Monolines were considered to be the main guarantors at risk.

By making estimates on each monoline’s ability to honour its commitments, Calyon was able to calculate an allowance on its exposure at 31 December 2007. This exposure corresponds to the positive fair value of protection bought on CDO tranches, valued according to the same principles as unhedged CDOs (see previous paragraph).

In 2007, Calyon booked a €807 million impairment charge on the monoline ACA (in the “risk-related costs” item) and a €1,210 million allowance on other monolines (in the “net banking income” item).

Exposure of €4.1 billion, after €2 billion of impairment and allowances, gives net exposure of €2.1 billion, breaking down as follows:



Other crisis-related impacts

Movements in the issuer spread led to a €188 million gain, taken to income, on structured issues measured at fair value.

Conduits

Calyon did not consolidate any conduits in 2007.

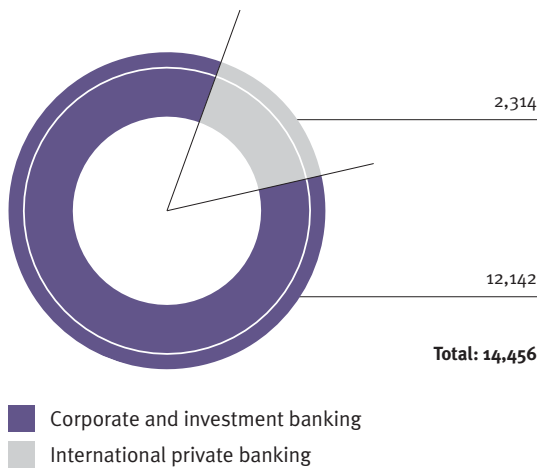
WORKFORCE AND ENVIRONMENTAL INFORMATION

WORKFORCE INFORMATION

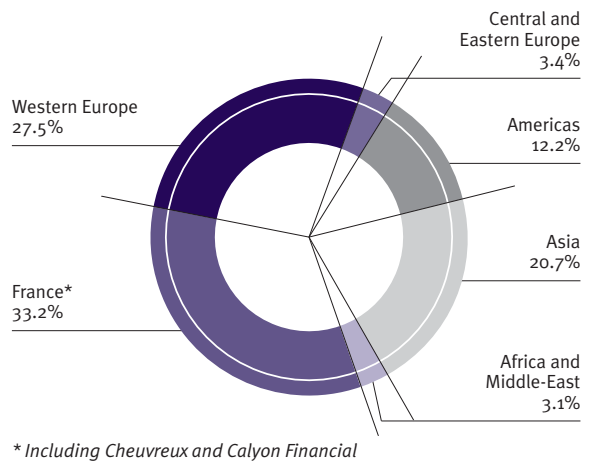
Total headcount

Source: Human Resources Department

Breakdown by business line at 31 December 2007



Breakdown by region at 31 December 2007

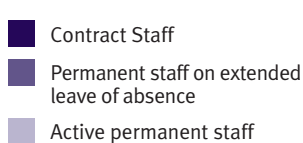


Calyon employees in France

Source: Human Resources Department

Breakdown by type of contract at 31 December

(number)

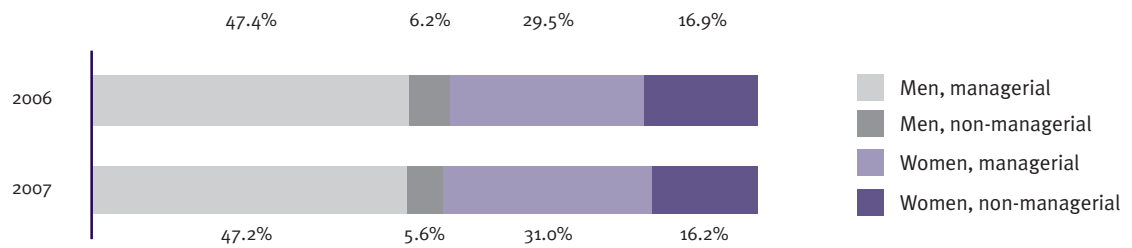


Training contracts

(number of contracts signed)	2006	2007
Student interns	272	328
Professionalisation contracts (e.g.: qualification, orientation and adaptation contracts)	32	15
Apprenticeship contracts	4	121

Breakdown of the active permanent workforce at end-2007

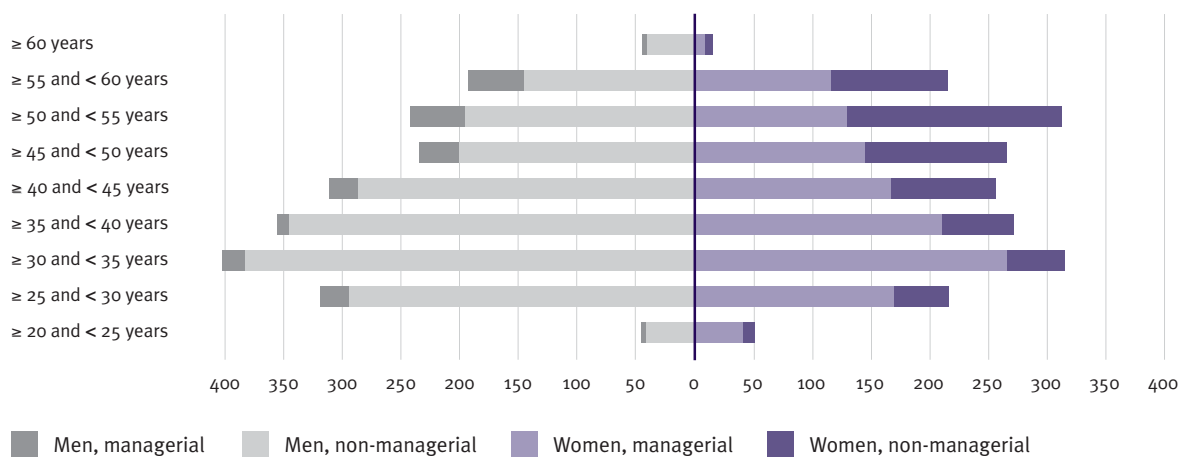
Breakdown by gender and category



Age and length of service

The average age and length of service did not change significantly in 2007, and were 44 years and 17 years respectively.

Age structure



Working time

Contractual working time

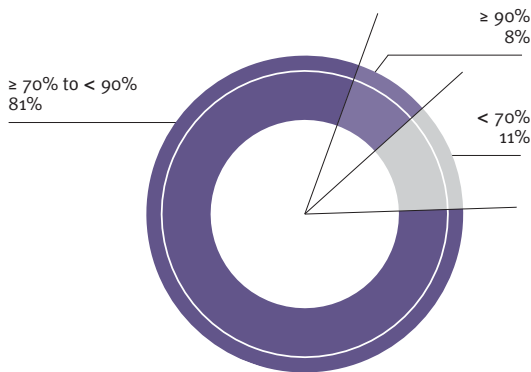
Active permanent employees (number)	Managerial	%	Non-managerial	%	Total	%
Hourly	85	3%	886	100%	971	24%
Daily	3,098	97%	0		3,098	76%
Total	3,183	100%	886	100%	4,069	100%

Part-time staff

(number of active permanent part-time staff by working time in 2007)	Managerial	Non-managerial	Total
< 70%	18	25	43
≥ 70% to < 90%	153	153	306
≥ 90%	16	15	31
Total	187	193	380
% of permanent part-time staff	5.9%	21.8%	9.3%

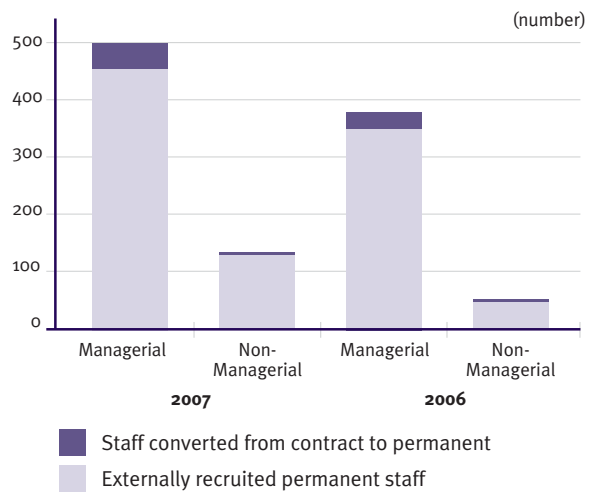
Breakdown of part-time staff

by working time in 2007



Changes in the workforce

New permanent employees



Permanent staff departures (final departures)

(number)	2007				2006	
	Managerial	Non-managerial	Total	%	Total	%
Resignation	149	3	152	54%	107	39%
Voluntary departure (external transfer)		1	1	nm	28	10%
Retirement and early retirement	62	36	98	35%	76	29%
Redundancy	14	1	15	5%	47	17%
Death	7	2	9	3%	8	3%
Other (departure during trial period etc.)	6	2	8	3%	5	2%
Total	238	45	283	100%	271	100%

Promotions

(number)	2007			2006		
	Men	Women	Total	Men	Women	Total
Promotion within non-managerial category	33	101	134	40	106	146
Promotion from non-managerial to managerial	15	36	51	21	52	73
Promotion within managerial category	212	159	371	190	118	308
Total	260	296	556	251	276	527
%	47%	53%	100%	48%	52%	100%

Compensation

Individual salaries

Average monthly basic salaries for active permanent employees in 2007 (in euros)	Men	Women	Average salary total
Managerial	5,823	4,274	5,209
Non-managerial	2,428	2,452	2,446
Total	5,464	3,650	4,607

Collective incentive plans

Total variable compensation paid in 2007 (in euros)	Gross amount paid	Number of beneficiaries	Average amount
Employee profit-sharing			
2006 incentive plan payment made in 2007	41,489,998	4,617	8,986
Employee savings plan top-up	6,005,553	4,100	1,465

Company-wide agreements

Company-wide agreements signed during the year

Knowledge area	Number
Salary and related	3
Staff representation bodies	1
Training	0
Relocation	1
Total	5

Absenteeism

Absenteeism (number of calendar days) / reason / status

Reason for absence	2007						2006	
	Managerial		Non-managerial		Total		Total	
	Men	Women	Men	Women	Number	%	Number	%
Illness, 1-3 days	575	677	195	683	2,130	4%	1,923	3%
Illness, 4 days and over	5,479	6,110	2,079	8,268	21,936	37%	24,542	41%
Travel accidents	69	35	428	169	701	1%	1,396	2%
Workplace accidents	10	109	17	490	626	1%	746	1%
Maternity/paternity leave	1,243	14,007	161	2,076	17,487	30%	⁽¹⁾ 20,759	34%
Authorised leave	1,134	3,442	208	1,426	6,210	11%	⁽²⁾ 3,560	6%
Other reasons ⁽³⁾	3,528	5,060	343	583	9,514	16%	⁽²⁾ 7,382	12%
Total	12,038	29,440	3,431	13,695	58,604	100%	60,308	100%

(1) Previously reported information on maternity/paternity leave did not include absences for adoption leave.

(2) The 2006 shelf registration document also included non-active staff in "other reasons" and "authorised leave", i.e.:

- staff on sabbatical leave

- staff on parental leave

- staff on redeployment leave related to the redundancy plan etc.

(3) Absences related to strike action (28 days in 2006) are now included in "other reasons" for 2006. In 2007, there were no absences related to strike action.

Training

		Managerial	Non-managerial	Total
Number of employees trained	Men	1,358	526	1,884
	Women	1,138	562	1,700
	Total	2,496	1,088	3,584
Number of hours of training		78,791	21,823	100,614

Knowledge area	2007		2006	
	Number of hours	%	Number of hours	%
Knowledge of the Crédit Agricole S.A. group	2,288	3%	1,216	1%
Personnel and business management	10,826	15%	7,900	9%
Insurance		nm	88	nm
Financial management	37,250	50%	39,947	47%
Method, organisation, quality, security	320	nm		
Purchasing, marketing, distribution	121	nm	3,544	4%
IT, networks, telecommunications	6,046	8%	7,610	9%
Office systems, business-specific software, new technology	8,581	12%	7,328	9%
Foreign languages	2,007	3%	12,000	14%
Health and safety	293	nm	88	nm
Personal development and communication	6,576	9%	4,864	6%
Human resources	215	nm	1,159	1%
Total	74,523	100%	85,744	100%

ENVIRONMENTAL INFORMATION

Financing of environmental investments

In 2007, Calyon continued financing renewable energy, which forms an integral part of its strategy in the Project Finance business. Calyon has been involved in this sector for around 10 years now, having financed its first wind farms in 1997.

Wind projects now account for around 10% of the project financing provided by Calyon in the field of power generation.

In addition, Calyon arranged financing for a solar energy project for the first time in 2007. The project involves two thermo solar projects located in southern Spain, each delivering 50MW of power.

Calyon also supported the construction of the first Antarctic research station, Princess Elisabeth, designed to run exclusively on renewable energy.

Calyon sponsored all solar panels for the new polar station, inaugurated in Brussels in September 2007, as part of International Polar Year. This station should be operational for at least 25 years. It will be open to researchers between November and February 2008, during the Antarctic summer.

Partnerships and external initiatives

Since 2007, Calyon has been involved in a three-year programme to preserve diversity and promote community development in Tengchong, Yunnan province, China. The programme is being co-ordinated by Heifer International. This non-profit organisation is dedicated to combating hunger throughout the world by providing animals and training to help poor families become independent.

This project was initiated by, and is being financed by, Calyon Fixed Income Markets Asia (ex-Japan). It is intended not only to fight poverty by providing direct help to local farmers, but also to prepare them and train them to protect their environment by raising awareness about biodiversity.

Through this programme, around 200 households will receive interest-free loans, which they will use to buy livestock.

The selected families undertake to repay the amounts borrowed within two or three years, so that a further 200 families can benefit from the programme. In this way, future generations of these families will be able to obtain loans through the programme when the first generation has paid off their borrowings.

Equator Principles

In June 2003, six banks including Calyon made public their intention to adopt a common set of environmental and social criteria, which were named the Equator Principles.

Today, more than 50 financial institutions have voluntarily signed up to these principles, vindicating the approach and confirming the Equator Principles as the dominant standard in the field. The Equator Principles form an integral part of the Crédit Agricole Group's sustainable development policy.

They provide methodological assistance to companies when taking into account and preventing social and environmental impacts as part of the project financing process. They allow assessment of these impacts arising from projects costing more than €10 million.

Project classification system

Projects are classified according to the International Finance Corporation's system, which has three levels: A, B and C.

- Category A consists of projects with potential significant adverse social or environmental impacts that are diverse, irreversible or unprecedented.
- Category B consists of projects with potential limited adverse social or environmental impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures.
- Category C consists of projects with minimal or no social or environmental impacts.

Following the International Finance Corporation's review of social and environmental standards and after consultation with a group of clients and NGOs, the Equator Principles signatory banks proposed a revised set of principles (EP2).

The aim of EP2 is to ensure clearer and broader application of the principles, while maintaining the balance between constraints and requirements. New standards have been included – particularly social standards relating to working conditions such as freedom to join a union, freedom from discrimination etc. – in compliance with local laws.

To meet ever-growing transparency requirements, EP2 signatories are now committed to making public, every year, the process used to implement the Equator Principles along with statistics on the categorisation of projects.

In 2007, this model of good governance resulted in a Financial Times Sustainability Award for the 11 main personalities from the banking sector who made this collaboration possible. Calyon's proactive approach in this field was recognised through the award given to the person responsible for setting up the Equator Principles, who in September 2007 became head of sustainable development at Calyon.

Enhanced project evaluation method

In January 2007, Calyon started using new software developed in conjunction with Sustainable Finance Limited.

The new method involves an assessment matrix, and makes the process of rating projects – by business sector (oil, chemicals, power generation, infrastructure etc.) and by location – more consistent, more uniform and more detailed.

The themes used are based on EP2, and directly use the International Finance Corporation's social and environmental performance criteria. By asking more precise questions, they cover most potential impacts arising from projects. A project's final rating is given directly by the appraisal system, which also carries out consistency checks between the various answers.

The tool also deals with the client's social and environmental prerogatives and its ability to comply with them.

Assessment of new transactions and the portfolio

At Calyon, the project finance business line has been the driving force behind implementation of the Equator Principles. Social and environmental risks are in the first instance assessed and managed by client relationship managers, assisted by a network of local EP correspondents who provide the necessary support in each project finance geographical area, and in constant collaboration with a co-ordination unit.

The Industrial and Sector Research unit, which is an integral part of Crédit Agricole S.A., provides help and additional insight, adding its skills in environmental and technical issues and helping to refine the analysis and identification of risks depending on the business sector.

This unit, consisting of operational staff from the project financing business, co-ordinates the practical aspects of implementing the Equator Principles. It manages the network of local correspondents and provides special training for staff concerned.

The Equator Principles committee was set up in 2006 and meets formally at least twice per year. It validates the classification of projects into categories A, B and C. However, specific consultations are held for all projects likely to fall into the A category and for any urgent matters.

At end-2007, all projects in Calyon's portfolio had been assessed by client relationship managers and the risk management department, and all projects, with for some rare exceptions requiring additional information, had been reviewed and validated by the Equator Principles committee.

Overall, 433 projects have been rated:

- 27 projects were placed in category A,
- 358 were placed in category B,
- and 48 were placed in category C.

Involvement in the collective effort to improve the EP procedure

In 2007, working parties were set up within the group of EP banks to deal with subjects as diverse and important as governance, sharing of best practice and dialogue with civil society. Calyon co-ordinated the working party dealing with dialogue with civil society, which organised a meeting in Amsterdam on 4 December 2007 between 18 EP banks and 15 NGOs.

In 2008, dialogue with civil society relating to these important themes will continue, with the aim of achieving ongoing improvement in the way in which social and environmental issues are addressed in the banking industry.

2008 should also see the completion of discussions started in 2007 by EP banks concerning major governance principles.

Responsible financial research

The Calyon – EDF Quantitative Finance and Sustainable Development Chair at Paris Dauphine University

This Chair was set up under the aegis of Institut Europlace de Finance with sponsorship from EDF and Calyon, and opened its doors at the start of the 2006-2007 academic year. The Chair's team works with international specialists in mathematics and quantitative finance, to get them to collaborate with experts on sustainable development and environmental issues.

Calyon has chosen to support this project by providing financial assistance and expertise, in order to increase knowledge about these complex issues and to use the tools developed by the chair so that it can continue integrating sustainable development into the heart of its activities.

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Information required under IFRS 7 is disclosed in the Management report (pages 67 to 85 and 87 to 89) and represents an integral part of the financial statements.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

Approved by the Board of Directors in its meeting of 3 March 2008
and put to shareholders for their approval in the 13 May 2008 AGM

The financial statements consist of the general background, the income statement, the balance sheet, the statement of changes in shareholders' equity, the cash flow statement and the notes to the financial statements.

GENERAL BACKGROUND

LEGAL PRESENTATION

Since the extraordinary general meeting of 30 April 2004, the company's name has been Calyon. Its trading name is Calyon Corporate and Investment Bank.

Address and registered office:
9 quai du Président Paul Doumer,
92920 Paris La Défense cedex France.

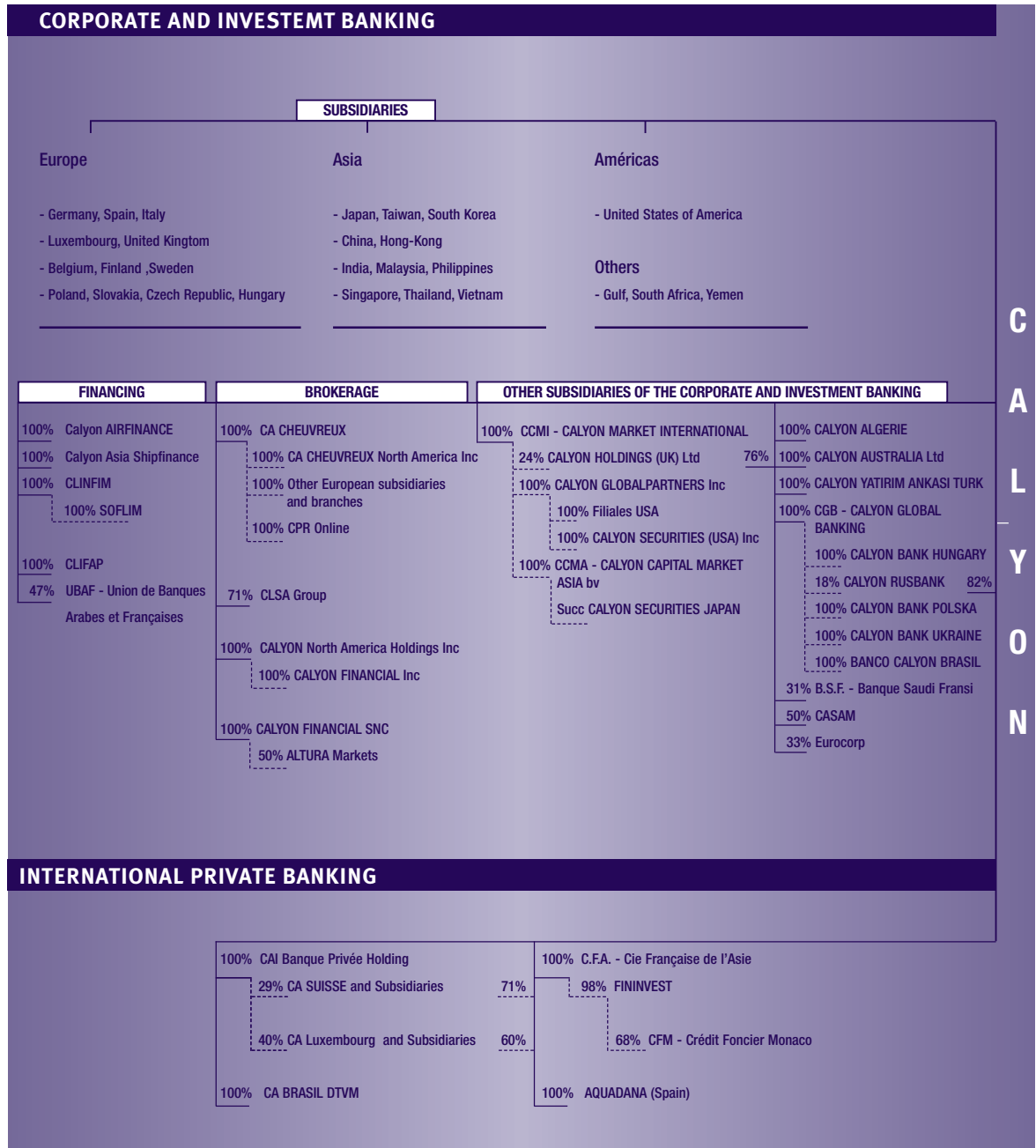
Registration number: 304 187 701, Nanterre Trade and Companies Registry.

APE code: 6419 Z.

Corporate form:

Calyon is a société anonyme (joint stock corporation) with a Board of Directors, governed by the laws and regulations applicable to credit institutions and joint stock corporations and by its Articles of Association.

SIMPLIFIED ORGANISATIONAL STRUCTURE



RELATED PARTIES

The Calyon group's related parties comprise companies within the Credit Agricole S.A. group with which it has a stockholding relationship and/or joint directors.

The information provided in this report is supplemented by the information given in the statutory auditors' special report on regulated agreements on pages 228-231.

Relations with the Credit Agricole S.A. group

On-and off-balance sheet sums outstanding representing transactions between the Calyon group and the rest of the Credit Agricole S.A. group are summarised in the following table:

Outstandings € million	31.12.2007
ASSETS	
Loans and advances	6,249
Derivative financial instruments held for trading	8,006
LIABILITIES	
Loans and advances	1,440
Derivative financial instruments held for trading	7,542
Subordinated debt	⁽¹⁾ 9,497
Preferred shares	374
FINANCING COMMITMENTS	
Financing commitments given	94
Guarantees received	8,216

(1) including €2,250 million of shareholder advances.

Outstanding loans and advances represent cash relations between Calyon and Credit Agricole S.A.

Trading derivatives outstandings mainly represent Crédit Agricole Group interest-rate hedging transactions arranged by Calyon in the market.

Information concerning preferred shares appears in note 7.19.

Relations between consolidated companies within the Calyon group

A list of the Calyon group's consolidated companies can be found in note 12.

Transactions between two fully consolidated entities are eliminated in full.

Period-end outstandings between fully consolidated and proportionally consolidated companies are only eliminated to the extent of the interests held by group shareholders. The remaining balances are included in Calyon's consolidated financial statements. At 31 December 2007, non-eliminated outstandings with UBAF, Altura and Chauray on the balance sheet were as follows:

- due from banks: €40 million;
- due to banks: €78 million.

Relations with the executive officers and senior management

Detailed information on senior management compensation is provided in note 8.7 "Executive officers' compensation".

CONSOLIDATED BALANCE SHEETS

ASSETS

€ million	Notes	31.12.2007	31.12.2006
Cash, due from central banks	7.1	10,367	1,787
Financial assets at fair value through profit or loss	7.2	389,364	359,535
Derivative hedging instruments	4.2, 4.5	472	344
Available-for-sale financial assets	7.4, 7.6	16,508	24,551
Due from banks	4.1, 4.4, 7.5, 7.6	55,662	59,519
Loans and advances to customers	4.1, 4.4, 7.5, 7.6	118,891	101,942
Valuation adjustment on portfolios of hedged items		6	3
Held-to-maturity financial assets	7.6, 7.8		
Current tax assets		179	31
Deferred tax assets	7.10	1,841	743
Accruals, prepayments and sundry assets	7.11	45,815	37,053
Non-current assets held for sale	7.12	77	
Investments in affiliates	3.3	734	668
Investment property	7.14	6	16
Property, plant and equipment	7.15	698	646
Intangible assets	7.15	147	82
Goodwill	3.6	1,161	⁽¹⁾ 1,071
TOTAL ASSETS		641,928	587,991

(1) By comparison with previously published figures, goodwill for 2006 has been reduced by €179 million due to the change in method relating to changes in minority interests (see note 1).

LIABILITIES AND SHAREHOLDERS' EQUITY

€ million	Notes	31.12.2007	31.12.2006
Due to central banks	7.1	383	80
Financial liabilities at fair value through profit or loss	7.2	332,943	302,991
Derivative hedging instruments	4.2, 4.5	1,493	188
Due to banks	4.4, 7.7	78,505	78,810
Customer accounts	4.1, 4.4, 7.7	98,221	84,035
Debt securities in issue	4.2, 4.4, 7.9	72,350	62,830
Valuation adjustment on portfolios of hedged items			
Current tax liabilities		397	438
Deferred tax liabilities	7.10	137	191
Accruals, deferred income and sundry liabilities	7.11	36,213	38,175
Liabilities associated with non-current assets held for sale	7.12		
Insurance companies' technical reserves	7.17	7	
Reserves	7.18	1,004	920
Subordinated debt	4.2, 4.4, 7.9	9,642	6,277
Shareholders' equity	7.19	10,633	13,056
Shareholders' equity, Group share		9,768	12,217
Share capital and reserves		8,263	7,686
Consolidated reserves		2,141	⁽¹⁾ 2,423
Unrealised or deferred gains or losses		78	370
Net income for the year		(714)	⁽²⁾ 1,738
Minority interests		865	839
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		641,928	587,991

(1) By comparison with previously published figures, consolidated reserves for 2006 have been reduced by €146 million due to the change in method relating to changes in minority interests (see note 1).

(2) By comparison with previously published figures, net income for 2006 has been reduced by €33 million due to the change in method relating to changes in minority interests (see note 1).

INCOME STATEMENT

€ million	Notes	31.12.2007	31.12.2006
Interest receivable and similar income	5.1	17,371	11,729
Interest payable and similar expense	5.1	(19,605)	(13,689)
Fee and commission income	5.2	3,656	3,173
Fee and commission expense	5.2	(1,497)	(1,249)
Net gains (losses) on financial instruments at fair value through profit or loss	5.3	2,768	5,390
Net gains (losses) on available-for-sale financial assets	5.4, 7.4	509	297
Income related to other activities	5.5	333	297
Expenses related to other activities	5.5	(176)	(86)
Net banking income		3,359	5,862
Operating expenses	5.6, 8.1, 8.4, 8.6	(3,707)	(3,468)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	5.7	(122)	(106)
Gross operating income		(470)	2,288
Risk-related costs	5.8	(960)	9
Net operating income		(1,430)	2,297
Share of net income of affiliates	3.3	143	166
Net income on other assets	5.9	(1)	⁽¹⁾ (28)
Goodwill	3.6		
Pre-tax income		(1,288)	2,435
Income tax	5.10	682	(620)
Net income		(606)	1,815
Minority interests		108	77
Net income - Group share		(714)	1,738
Earnings per share	7.19	(5.39)	14.32
Diluted earnings per share	7.19	(5.39)	14.32

(1) By comparison with previously published figures, gains or losses on other assets for 2006 have been reduced by €33 million due to the change in method relating to changes in minority interests (see note 1).

CHANGE IN SHAREHOLDERS' EQUITY

€ million	Share capital and reserves			Retained earnings, group share	Unrealised or deferred gains or losses			Net income, Group share	Total Equity, Group share	Minority interests	Total shareholders' equity
	Share capital	Share premiums and reserves	Elimination of treasury shares		On foreign exchange	Change in fair value of available-for-sale financial assets	Change in fair value of hedging instruments				
Shareholders' equity at 31 December 2005	3,120	6,127		9,247	233	296	88	1,632	11,496	716	12,212
Appropriation of 2005 earnings		1,632		1,632				(1,632)			
Change in accounting policies ⁽¹⁾		(115)		(115)					(115)		(115)
Shareholders' equity at 1 January 2006	3,120	7,644	0	10,764	233	296	88	0	11,381	716	12,097
Capital increase	316	692		1,008					1,008		1,008
Dividends paid in 2006		(1,551)		(1,551)					(1,551)	(56)	(1,607)
Change in value of available for sale securities (IAS 39)						100			100	1	101
Cash flow hedges (IAS 39)							(138)		(138)	(1)	(139)
2006 net income ⁽²⁾								1,738	1,738	77	1,815
Impact of acquisitions / disposals on minority interests ⁽¹⁾		(31)		(31)					(31)	157	126
Share of change in equity of affiliates accounted for under the equity method		(32)		(32)					(32)		(32)
Change in foreign exchange					(222)				(222)	(50)	(272)
Other changes		(36)		(36)					(36)	(5)	(41)
Shareholders' equity at 1 January 2007	3,436	6,686	0	10,122	11	396	(50)	1,738	12,217	839	13,056
Appropriation of 2006 earnings		1,738		1,738				(1,738)			
Shareholders' equity at 1 January 2007	3,436	8,424	0	11,860	11	396	(50)	0	12,217	839	13,056
Capital increase	279	561		840					840	91	931
Dividends paid in 2007		(2,049)		(2,049)					(2,049)	(66)	(2,115)
Impact of acquisitions / disposals on minority interests		(205)		(205)					(205)	(47)	(252)
Change in fair value						102	(46)		56		56
Transfer to income statement						(255)			(255)		(255)
2007 net income								(714)	(714)	108	(606)
Share of change in equity of affiliates accounted for under the equity method		(66)		(66)					(66)		(66)
Movements related to stock options and discount on reserved capital increase		25		25					25		25
Change in foreign exchange				0	(80)				(80)	(60)	(140)
Other changes		(1)		(1)					(1)		(1)
Shareholders' equity at 31 December 2007	3,715	6,689	0	10,404	(69)	243	(96)	(714)	9,768	865	10,633
Shareholder advances									2,250		2,250
Shareholders' equity and shareholder advances at 31 December 2007	3,715	6,689	0	10,404	(69)	243	(96)	(714)	12,018	865	12,883

(1) Change in accounting method relating to the treatment of changes in minority interests (see note 1).

(2) By comparison with previously published figures, net income for 2006 has been reduced by €33 million due to the change in method relating to changes in minority interests (see note 1).

CASH FLOW STATEMENT

The cash flow statement is presented using the indirect method.

Operating activities are Calyon's revenue generating activities. Tax inflows and outflows are included in full within operating activities.

Investing activities show the impact of cash inflows and outflows associated with purchases and sales of investments in consolidated and non-consolidated companies, property,

plant and equipment and intangible assets. This section includes strategic investments classified as available for sale.

Financing activities show the impact of cash inflows and outflows associated with shareholders' equity and long-term financing.

Net cash and cash equivalents include cash, debit and credit balances with central banks, and debit and credit sight balances with banks.

€ million	2007	2006
Pre-tax income	(1,288)	⁽¹⁾2,435
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	123	109
Impairment of goodwill and other non-current assets		
Net charge to impairment	794	(118)
Share of net income of affiliates	(143)	(166)
Net loss/(gain) on investing activities	117	(7)
Net loss/(gain) on financing activities	383	1,467
Other movements	(987)	1,119
Total non-cash items included in pre-tax income and other adjustments	287	2,404
Change in interbank items	12,868	(16,545)
Change in customer items	(3,809)	(942)
Change in financial assets and liabilities	19,625	3,788
Change in non-financial assets and liabilities	(10,295)	(3,347)
Taxes paid	(581)	(107)
Net decrease/(increase) in assets and liabilities used in operating activities	17,808	(17,153)
TOTAL net cash provided/(used) by operating activities (A)	16,807	(12,314)
Change in equity investments	296	45
Change in property, plant and equipment and intangible assets	(253)	(145)
TOTAL net cash provided/(used) by investing activities (B)	43	(100)
Cash received from/(paid to) shareholders	1,070	(543)
Other cash provided/(used) by financing activities	1,222	297
TOTAL net cash provided/(used) by financing activities (C)	2,292	(246)
Effect of exchange rate changes on cash and cash equivalents (D)	942	1,064
Net increase/(decrease) in cash and cash equivalents (A + B + C + D)	20,084	(11,596)
Opening cash and cash equivalents	(17,669)	(6,073)
Cash and central banks (assets and liabilities) ⁽²⁾	1,705	4,433
Interbank sight balances (assets and liabilities) ⁽³⁾	(19,374)	(10,506)
Closing cash and cash equivalents	2,415	(17,669)
Cash and central banks (assets and liabilities) ⁽²⁾	9,982	1,705
Interbank sight balances (assets and liabilities) ⁽³⁾	(7,567)	(19,374)
CHANGE IN NET CASH AND CASH EQUIVALENTS	20,084	(11,596)

(1) By comparison with previously published figures, pre-tax income for 2006 has been reduced by €33 million due to the change in method relating to changes in minority interests (see note 1).

(2) Consisting of the net balance of the "Cash and central banks" items as detailed in note 7.1.

(3) Consisting of the balance of performing current accounts in debit and receivables and performing overnight time accounts and loans as detailed in note 7.5 and "current accounts in credit" and "overnight accounts and borrowings" as detailed in note 7.7.

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NOTE 1: ACCOUNTING PRINCIPLES AND METHODS

Regulatory framework

On 19 July 2002, the European Union adopted EC Regulation 1606/2002, which requires European companies whose securities are traded on a regulated market to produce consolidated financial statements under IFRS as from 2005.

This regulation was supplemented by EC Regulation 1725/2003 of 29 September 2003 on the application of international accounting standards, by EC Regulation 2086/2004 of 19 November 2004 allowing the adoption of IAS 39 in an amended format, and by EC Regulations 2236/2004, 2237/2004 and 2238/2004 of 29 December 2004, 211/2005 of 4 February 2005, 1073/2005 of 7 July 2005, 1751/2005 of 25 October 2005, 1864/2005 of 15 November 2005, 1910/2005 of 8 November 2005, 2106/2005 of 21 December 2005, 108/2006 of 11 January 2006, 708/2006 of 8 May 2006, 1329/2006 of 8 September 2006, 610/2007 and 611/2007 of 1 June 2007 and 1358/2007 of 21 November 2007.

Applicable standards and comparability

The consolidated financial statements have been prepared in accordance with IASs/IFRSs and IFRIC interpretations as adopted by the European Union and applicable at 31 December 2007 (including the “carve out” version of IAS 39).

These standards and interpretations are identical to those used and described in the Group’s financial statements for the year ended 31 December 2006, with the exception of the change in method relating to the treatment of minority interests as described in note 1.2. They have been supplemented by IFRSs and IFRIC interpretations as adopted by the European Union at 31/12/2007, the application of which is mandatory for the first time in 2007. The differences relate to:

- IFRS 7 (Financial Instruments: Disclosures). The main impact of this new standard is increase the entity’s disclosure requirements in terms of quantitative and qualitative information on financial instruments, the type and extent of risks resulting from these instruments and their management;
- the amendment of IAS 1 (Presentation of Financial Statements) relating to additional quantitative and qualitative disclosures on shareholders’ equity;

- IFRIC 7 relating to adjustments to financial statements in accordance with IAS 29 (Financial Reporting in Hyperinflationary Economies);
- IFRIC 8 relating to the scope of application of IFRS 2 (Share-based Payment);
- IFRIC 9 (Reassessment of Embedded Derivatives);
- IFRIC 10 (Interim Financial Reporting and Impairment).

The application of these new standards and interpretations did not have a significant impact on net income or shareholders’ equity during the period.

Where the application of standards and interpretations is optional in a given period, they are not used by the Group unless otherwise mentioned.

This applies to:

- IFRIC 11 (Group and Treasury Share Transactions) arising from EC regulation 611/2007 of 1 June 2007, relating to IFRS 2 (Share-based Payment). This interpretation will be applied for the first time on 1 January 2008.
- IFRS 8 (Operating Segments) arising from EC regulation 1358/2007 of 21 November 2007, replacing IAS 14 (Segment Reporting). This interpretation will be applied for the first time on 1 January 2009.

Calyon does not expect these applications to have a significant effect on its net income or shareholders’ equity.

Finally, standards and interpretations published by the IASB but not yet adopted by the European Union will not become mandatory until they are adopted by the European Union, and so were not applied by the Group at 31 December 2007.

Presentation of financial statements

The balance sheet, income statement, statement of changes in shareholders’ equity and cash flow statement are presented in the format set out in CNC Recommendation 2004-R.03 of 27 October 2004.

Significant accounting policies

Financial instruments (IAS 32 et 39)

In the financial statements, financial assets and liabilities are treated in accordance with IAS 39 as adopted by the European Commission on 19 November 2004, together with EC regulations 1751/2005 of 25 October 2005 and 1864/2005 of 15 November 2005 on use of the fair value option.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The existence of published price quotations in an active market is the best evidence of fair value. For financial instruments that are not quoted in an active market, fair value is determined using recognised valuation techniques based on observable and non-observable market data.

Securities

Classification of financial assets

Under IAS 39, financial assets are divided into four categories:

- Financial assets at fair value through profit or loss classified as held for trading and financial assets designated as at fair value through profit or loss,
- available-for-sale financial assets,
- held-to-maturity investments,
- loans and receivables.

Financial assets at fair value through profit or loss classified as held for trading and financial assets designated as at fair value through profit or loss

According to IAS 39, this portfolio comprises securities that are classified under financial assets at fair value through profit or loss either as a result of a genuine intention to trade them or designated as at fair value by Calyon.

Financial assets at fair value through profit or loss classified as held for trading are assets acquired or generated by the enterprise primarily for purposes of making a profit from short-term price fluctuations or an arbitrage margin.

Financial assets may be designated as at fair value through profit and loss if they meet the conditions set out in the standard, in the three following cases: for hybrid instruments including one or more embedded derivatives, to reduce distortions in accounting treatment or if there is a group of managed financial assets whose performance is measured at fair value. Calyon generally uses this approach for certain minority interests in venture capital companies measured at fair value.

Securities that are classified under financial assets at fair value through profit or loss are recognised at fair value at inception, excluding transaction costs attributable directly to their acquisition (which are taken directly to profit or loss) and including accrued interest. They are carried at fair value and changes in fair value are taken to profit or loss. No impairment is booked for this category of securities.

Held-to-maturity investments

This category includes securities with fixed or determinable payments and fixed maturities that Calyon has the intention and ability to hold until maturity other than:

- securities that are initially classified as financial assets at fair value through profit or loss at the time of initial recognition;
- securities that fall into the "loans and receivables" category. Hence, debt securities that are not traded in an active market cannot be included in the "Held-to-maturity investments" category.

To classify investments as held to maturity, an entity must have the positive intention and ability to hold them to maturity, otherwise the entire portfolio must be reclassified as available for sale and may not subsequently be reclassified as held to maturity for a period of two years.

However, there are certain exceptions to this rule:

- the investment is close to maturity (less than three months);
- the sale occurs after the entity has collected substantially all of the financial asset's original principal (about 90%);
- the sale is justified by an isolated or unforeseeable event beyond the entity's control.
- it is anticipated that the investment will be impaired, due to a worsening of the issuer's condition (in which case the asset must be recorded in the available-for-sale category).

Hedging of interest rate risk on these securities is not allowed.

Held-to-maturity securities are initially recognised at acquisition cost, including transaction costs that are directly attributable to the acquisition and including accrued interest. They are subsequently measured at amortised cost using the effective interest method.

Where there is objective evidence of impairment, impairment is booked to match the difference between the carrying amount and the estimated recoverable amount discounted at the initial effective interest rate. In case of subsequent enhancements, the surplus impairment is recovered.

Loans and receivables

Loans and receivables comprise financial assets that are not listed "on an active market" and that generate fixed or determinable payments.

Securities are initially recognised at purchase price, including directly attributable transaction costs and accrued interest, and subsequently at amortised cost using the effective interest method, adjusted for any impairment.

Where there is objective evidence of impairment, impairment is booked to match the difference between the carrying amount and the estimated recoverable amount discounted at the original effective interest rate.

Available-for-sale financial assets

IAS 39 defines available-for-sale financial assets as the default category.

The methods of accounting for available-for-sale securities are as follows:

- Available-for-sale securities are initially recognised at acquisition cost, including transaction costs that are directly attributable to the acquisition and including accrued interest.
- Accrued interest is recognised in the balance sheet under the appropriate category of loans and advances and booked to the income statement as interest and similar income.
- Changes in fair value are recorded in reversible shareholders' equity. If the securities are sold, these changes are reversed out and recognised in profit or loss. Amortisation of any premiums or discounts on fixed-income securities is taken to profit and loss using the effective interest rate method.
- Where there is objective evidence of significant or prolonged impairment for equity securities or impairment evidenced by the appearance of a credit risk for debt securities, the unrealised loss recognised under shareholders' equity is reversed out and recorded in profit or loss for the year. In case of a subsequent positive change in fair value, such impairment is recovered through profit or loss for debt instruments and through equity for equity instruments.

Valuation of investments

All financial instruments classified as financial assets at fair value through profit or loss or as available-for-sale financial assets are measured at fair value.

The fundamental valuation method is the price quoted in an active market. If this is not possible, Calyon uses recognised valuation techniques based mainly on recent transactions.

When there is no quoted price on an active market for an equity security and no recognised valuation method, Calyon uses, where possible, methods based on objective, verifiable criteria, such as revalued net assets or any other method of valuing equity securities.

If there is no satisfactory method, or if the estimates obtained using the various methods differ excessively, the security is valued at cost and is recorded under "Available-for-sale securities".

Impairment

Impairment is booked when there are objective signs of impairment of assets other than assets classified as at fair value through profit and loss.

Impairment is evidenced by a prolonged or significant decline in the value of the security for equity securities or by the appearance of significant deterioration in credit risk evidenced by a risk of non-recovery for debt securities.

Calyon uses a quantitative guide criterion to identify material and other-than-temporary declines: impairment is presumed necessary when the equity instrument has lost 30% or more of its value over a period of six consecutive months.

This criterion of prolonged or significant decline in the value of the security is a necessary but not sufficient condition to justify the booking of impairment. Impairment is booked only if it will result in a probable loss of all or part of the invested amount.

This impairment is recognised as follows:

- for securities measured at amortised cost, through the use of an impairment account, with the amount of the loss recognised on the income statement with the possibility of write-back in the event of a subsequent improvement;
- for available-for-sale securities, through a transfer from equity to profit and loss of the cumulative loss, with the possibility, in the event of a subsequent improvement in the price of the securities, of the loss being reversed through profit and loss where circumstances justify it for debt instruments.

Recognition date

Calyon recognises securities classified as held-to-maturity on the settlement date. Other securities, regardless of type or classification, are recognised on the trading date.

Financial liabilities (IAS 32):

- *Distinction between liabilities and shareholders' equity*

A debt instrument or financial liability is a contractual obligation to:

- deliver cash or another financial asset;
- exchange instruments under potentially unfavourable conditions.

An equity instrument is a contract evidencing a residual interest in an enterprise after deduction of all of its liabilities (net assets).

Purchase of treasury shares:

Treasury shares (or equivalent derivatives, such as options to buy shares) purchased by the Calyon group, including shares held to hedge stock option plans, do not meet the definition of a financial asset and are deducted from shareholders' equity. They do not generate any impact on the income statement.

- *Temporary purchases and sales of securities*

Temporary sales of securities (securities lending/ borrowing, repurchase agreements) do not fulfil the derecognition conditions of IAS 39 and are regarded as collateralised financing. Assets lent or sold under repurchase agreements are kept on the balance sheet. If applicable, monies received, representing the liability to the transferee, are recognised on the liabilities side of the balance sheet. Items borrowed or bought under repurchase agreements are not recognised on the transferee's balance sheet. Instead, if the items are subsequently sold, the transferee recognises the amount paid out representing its receivable from the transferor.

Revenue and expenses relating to such transactions are taken to profit and loss on a pro rata temporis basis, except in the case of assets and liabilities designated at fair value through profit or loss.

Lending operations

Loans are principally allocated to the "Loans and receivables" category. In accordance with IAS 39, they are initially valued at fair value and subsequently valued at amortised cost using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments to the original net loan amount, including any discounts and any transaction income or costs that are an integral part of the effective interest rate.

Loans intended to be sold in the near term are allocated to the "financial assets at fair value through profit or loss classified as held for trading" category.

Subordinated loans and repurchase agreements (represented by certificates or securities) are included under the various categories of loans and advances according to counterparty type.

Revenue calculated using the effective interest rate on receivables is booked to profit and loss as interest and similar income.

Impaired loans or receivables

In accordance with IAS 39, loans recorded under “loans and receivables” are impaired when one or more loss events occurs in the collection of such loans. Once these loans and receivables have been identified, they may be individually or collectively assessed for impairment. In this way, expected losses are recognised through impairment equal to the difference between the book value of loans (amortised cost) and the sum of expected future cash flows, discounted using the original effective interest rate, or in the form of discounts on loans restructured due to client default.

The following distinctions are made:

- loans individually assessed for impairment: these are doubtful loans covered by impairment and loans restructured due to customer default that have been discounted;
- loans collectively assessed for impairment: these are loans that are not individually assessed for impairment, for which impairment is determined for a uniform class of loans displaying similar credit risk characteristics.

Among loans individually assessed for impairment, Calyon distinguishes between doubtful loans (themselves breaking down into bad debts and other debts) and restructured performing loans.

Doubtful loans

Loans and advances of all kinds, even those which are guaranteed, are classified as bad or doubtful if they carry an identified credit risk arising from one of the following events:

- the loan or advance is at least three months in arrears (six months for mortgage loans and property leases and six months for loans to local authorities) to take account of their specific characteristics;
- the borrower’s financial position is such that an identified risk exists regardless of whether the loan or advance is in arrears;
- the bank and borrower are in legal proceedings.

When a loan is recorded as doubtful, all other loans or commitments relating to that borrower are also recorded in their entirety as doubtful debts, whether or not they are collateralised.

Calyon makes the following distinction between doubtful and bad debts:

Bad debts are those for which the prospects of recovery are highly impaired and which are likely to be written off in time.

All doubtful debts and advances which do not fall into the bad debt category are classified as doubtful debts.

Restructured performing loans

These are loans on which the entity has changed the initial financial terms and conditions (interest rate, duration) due to a counterparty risk, while reclassifying the outstanding amount into performing loans. The reduction in future payments to the counterparty at the time of restructuring gives rise to recognition of a discount.

Credit risk reserves for loans individually assessed for impairment

Once a loan is classified as doubtful, an impairment is deducted from the asset in an amount equal to the probable loss. Probable losses in respect of off-balance sheet items are covered by reserves recognised as liabilities in the balance sheet.

Calyon books impairment for all foreseeable losses in respect of bad and doubtful debts, discounted at the initial effective interest rate. Foreseeable losses in respect of portfolios of small loans with similar characteristics may be estimated on a statistical basis rather than individually assessed.

Treatment of discounts and impairment

Discounts in respect of restructured loans and impairment charges against doubtful debts are recognised in profit or loss under risk-related costs.

This discount corresponds to the shortfall in future cash flow, discounted at the original effective interest rate. It is equal to the difference between:

- the nominal value of the loan,
- the sum of the restructured loan's theoretical future cash flows discounted at the original effective interest rate (defined on the date the financing commitment was made).

For restructured loans classified as performing, the discount is amortised to profit or loss in net interest income over the life of the loan. For restructured loans classified as doubtful and all non-restructured doubtful loans, impairment charges and write-backs are recognised in risk-related costs and any increase in the carrying amount of the loan arising from an impairment write-back or discount amortisation resulting from accretion is recognised in net interest income.

Credit risk reserves for loans collectively assessed for impairment

Statistical and historical customer default experience shows that there is an identified risk of partial uncollectibility of loans classified as performing. To cover these risks, which cannot by nature be allocated to individual loans, Calyon takes various collective impairment charges by way of deduction from asset values, such as impairment charges for sensitive exposure (still under surveillance), sector impairment charges and country impairment charges and using models based on statistical experience or external data. All of these impairment charges are calculated on the basis of Basel II models:

- Impairment on sensitive exposure:
As part of the implementation of Basel II, Calyon's Risk Management and Permanent Controls Division entity calculates the amount of losses anticipated within one year, using statistical tools and databases, based on multiple observation criteria meeting the definition of a loss event within the meaning of IAS 39. Impairment is calculated by applying a timeframe lasting until the maturity of transactions to the anticipated loss.

- Other loans collectively assessed for impairment:

Calyon also sets aside collective impairment to cover customer risks that are not individually allocated to individual loans, such as sector or country impairment. This impairment is intended to cover estimated risks based on a sector, business-line or geographical analysis for which there is statistical or historical risk of partial non-recovery.

Financial liabilities

IAS 39 as adopted by the European Union recognises three categories of financial liabilities:

- financial liabilities at fair value through profit or loss classified as held for trading: Fair value changes on this portfolio are recognised in profit or loss;
- financial liabilities at fair value through profit or loss classified as held for trading. Financial liabilities may be designated as at fair value through profit and loss if they meet the conditions set out in the standard, in the three following cases: for hybrid instruments including one or more embedded derivative, to reduce distortions in accounting treatment or if there is a group of managed financial liabilities whose performance is measured at fair value;
- other financial liabilities: this category includes all other financial liabilities. These liabilities are initially measured at fair value (including transaction income and costs) and subsequently at amortised cost using the effective interest method.

Derivatives

Derivatives are financial assets or liabilities and are recognised on the balance sheet at fair value at inception of the transaction. At each balance sheet date, derivatives are measured at fair value, whether they are held for trading purposes or used for hedging.

Any change in the value of derivatives on the balance sheet is recorded in an account in the income statement (except in the special case of a cash flow hedging relationship).

If the counterparty defaults, any impairment is recorded under risk-related costs.

Hedge accounting

Fair value hedges reduce the risk of a change in the fair value of a recognised asset or liability or an unrecognised firm commitment. Cash flow hedges are intended to reduce exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction.

Hedging of a net investment in a foreign activity is intended to reduce the risk of a fall in fair value arising from the exchange rate risk on an investment made abroad in a currency other than the euro.

Micro-hedges must meet the following criteria in order to be eligible for hedge accounting:

- the hedging instrument and the instrument hedged must be eligible;
- there must be formal documentation from inception, primarily including the individual identification and characteristics of the hedged item, the hedging instrument, the nature of the hedging relationship and the nature of the hedged risk;
- the effectiveness of the hedge must be demonstrated, at inception and retrospectively.

The change in value of the derivative is recorded in the accounts as follows:

- fair value hedges: the change in value of the derivative is recognised in the income statement symmetrically with the change in value of the hedged item in the amount of the hedged risk and only the net amount of any hedging ineffectiveness is recognised in the income statement;
- cash flow hedges: the change in value of the derivative is recognised in the balance sheet in a special reversible shareholders' equity account and any inefficient portion of the hedge is recognised in the income statement. Gains and losses on the derivative under shareholders' equity are then taken to profit or loss symmetrically with the hedged transactions;
- hedging of a net investment in a foreign activity: the change in value of the derivative is recognised in the balance sheet in a shareholders' equity translation adjustment account and the inefficient component of the hedge is recognised in the income statement.

In the case of macro-hedging of interest rates (i.e. hedging a group of assets or liabilities with the same exposure to the risks that is designated as being hedged), the Group documents such hedging relationships based on a gross position in derivative instruments and hedged items.

The effectiveness of macro-hedging relationships is measured by maturity schedules based on average outstandings. In addition, the effectiveness of macro-hedging relationships must be measured through prospective and retrospective testing.

Depending on whether a macro cash flow hedging or fair value hedging relationship has been documented, the change in the value of the derivative is recorded by applying the same principles as those previously described for micro-hedging.

Embedded derivatives

An embedded derivative is the component of a hybrid contract that meets the definition of a derivative product. Embedded derivatives must be accounted for separately from the host contract if the following three conditions are met:

- the hybrid contract is not measured at fair value through profit or loss;
- the embedded component taken separately from the host contract has the characteristics of a derivative;
- the characteristics of the derivative are not closely related to those of the host contract.

Recognition of margins on structured financial instruments at inception

Under IAS 39, margins on structured products and complex financial instruments may be recognised at inception only if these financial instruments can be reliably measured from inception. This condition is only met when such instruments are measured using prices in an active market or based on "standard" internal models that use "observable" market data.

• Instruments traded in an active market

If there is an active market, the instrument is stated at the quoted price on that market. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The market values adopted are buying prices for net selling positions and selling prices for net buying positions. These values also factor in counterparty risks.

• **Instruments not traded in an active market**

In the absence of an active market, fair value is determined using valuation techniques and models incorporating all factors that market participants would consider in setting a price.

These fair values are determined by factoring in liquidity risk and counterparty risk.

These models must undergo prior validation via an independent control.

- Instruments valued using internal models based on observable market data:

When models used are based on standard models (e.g. discounted cash flows or Black-Scholes) using observable market data (e.g. yield curves or implied volatility ranges for options), the margin at inception on such instruments is recognised immediately in profit or loss.

- Instruments valued using internal models based on non-observable market data:

In this case, the transaction price is deemed to reflect the instrument's market value. The margin at inception is deferred and amortised to profit or loss generally over the period during which the market data is deemed to be non-observable. If market data subsequently become "observable", the remaining deferred margin is recognised immediately in profit or loss.

Net gains (losses) on financial instruments

Net gains (losses) on financial instruments at fair value through profit and loss

For financial instruments designated as at fair value through profit and loss and financial assets and liabilities held for trading, this caption includes the following income items:

- dividends and other revenues from equities and other variable-income securities classified in financial assets at fair value through profit and loss;
- changes in the fair value of financial assets and liabilities at fair value through profit and loss;
- disposal gains and losses realised on financial assets at fair value through profit and loss;
- changes in fair value and disposal or termination gains/losses on derivative instruments not involved in a fair-value or cash-flow hedge relationship.

This caption also includes the inefficient portion of fair-value, cash-flow and net-foreign-currency hedging operations.

Net gains (losses) on available-for-sale financial assets

For available-for-sale financial assets, this caption includes the following income items:

- dividends and other revenues from equities and other variable-income securities classified as available-for-sale financial assets;
- disposal gains and losses realised on fixed- and variable-income securities classified as available-for-sale financial assets;
- impairment losses on variable-income securities;
- gains/losses on the disposal or termination of fair-value hedges on available-for-sale financial assets when the hedged item is sold;
- gains/losses on the disposal or termination of loans, receivables and held-to-maturity securities in cases set out by IAS 39.

Financial guarantees and financing commitments

Financial guarantees are contracts that call for specific payments to be made to reimburse the holder for a loss incurred due to a specified debtor's failure to make a payment when due under the terms of a debt instrument.

Financial guarantee contracts are recognised at fair value initially then subsequently at the higher of:

- the amount calculated in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets";
- the amount initially recognised, less any amortization recognised in accordance with IAS 18 "Revenue".

Financing commitments that are not designated as assets at fair value through profit and loss or that are not treated as derivative instruments within the meaning of IAS 39 are not recognised on the balance sheet. They are, however, covered by reserves in accordance with IAS 37.

Derecognition of financial instruments

A financial asset (or group of financial assets) is fully or partially derecognised if:

- the contractual rights to the cash flows from the financial asset expire or are transferred or are deemed to have expired or been transferred because they belong de facto to one or more beneficiaries;
- substantially all the risks and rewards of ownership in the financial assets are transferred.

In this case, any rights or obligations created or retained at the time of transfer are recognised separately as assets and liabilities.

If the contractual rights to the cash flows are transferred but some of the risks and rewards of ownership, as well as control, are retained, the financial assets are recognised to the extent of the entity's continuing involvement in the asset.

A financial liability is fully or partially derecognised only when this liability is settled.

Reserves (IAS 37, 19)

The Calyon group identifies all obligations (legal or constructive) resulting from a past event for which it is probable that an outflow of resources will be required to settle the obligation, and for which the due date or amount of the settlement is uncertain but can be reliably estimated. These estimates are updated as required if the effect is significant.

As regards obligations other than those related to credit risk, Calyon has set aside reserves covering:

- operational risks;
- employee benefits;
- financing commitment execution risks;
- claims and liability guarantees;
- tax risks.

Employee benefits (IAS 19)

In accordance with IAS 19, employee benefits are recorded in four categories:

- short-term employee benefits, such as wages, salaries, security contributions and bonuses payable within 12 months of the end of the period;
- long-term employee benefits (long-service awards, bonuses and compensation payable 12 months or more after the end of the period),
- termination benefits,
- post-employment benefits, which in turn are recorded in the two following categories: defined-benefit plans and defined-contribution plans.

Retirement and early retirement benefits - defined benefit plans

At each accounts closing, the Calyon group determines its liabilities for retirement and similar benefits and all other employee benefits falling in the category of defined-benefit plans.

In keeping with IAS 19, these commitments are stated based on a set of actuarial, financial and demographic assumptions, and in accordance with the projected unit credit method. Under this method, for each year of service, a charge is booked in an amount corresponding to the employee's vested benefits for the period. The charge is calculated based on the discounted future benefit.

The Calyon group does not use the optional "corridor" approach and recognises all actuarial differences in profit and loss. Calyon has opted not to apply the option allowed under IAS 19, section 93, under which actuarial gains or losses are recognised in a special statement of changes in shareholders' equity rather than in the income statement. Consequently, the amount of the reserve is equal to:

- the present value of the obligation to provide the defined benefits as of the balance sheet date, calculated in accordance with the actuarial method recommended by IAS 19;
- less the fair value of any assets allocated to covering these commitments. These assets may be in the form of an eligible insurance policy. In the event that 100% of the obligation is fully covered by such a policy, the fair value of the policy is deemed to be the value of the corresponding obligation, i.e. the amount of the corresponding actuarial liability.

Pension plans – defined contribution plans

French employers contribute to a variety of compulsory pension plans. Plan assets are managed by independent organisations and the contributing companies have no legal or implicit obligation to pay additional contributions if the funds do not have sufficient assets to cover all benefits corresponding to services rendered by employees during the year and during prior years. Consequently, Calyon has no liabilities in this respect other than its contributions due for the past financial year.

Share-based payments (IFRS 2)

IFRS 2 (Share-based Payment) requires share-based payment transactions to be measured and recognised in the income statement and balance sheet. The standard applies to share option plans granted after 7 November 2002, in accordance with IFRS 2, and which had not yet vested at 1 January 2005. It covers two possible cases:

- share-based payment transactions settled in equity instruments,
- share-based payment transactions settled in cash.

The share-based payments initiated by the Calyon group that are eligible for IFRS 2 are mainly transactions settled in equity instruments.

Options granted are measured at their fair value on the date of grant, mainly using the Black-Scholes model. These options are recognised as a charge under “Personnel costs”, with a corresponding adjustment to equity, spread over the vesting period (4 years for all existing plans).

Issues of Crédit Agricole S.A. shares proposed to employees as part of an employee share ownership plan are also governed by IFRS 2. The Calyon group applies the treatment set out in the release issued by the CNC on 21 December 2004, supplemented by the release issued by the CNC on 7 February 2007. Shares may be offered to employees with a discount of no more than 20%. These plans have no vesting period but the shares are subject to a lock-up period of 5 years. The benefit granted to employees is measured as the difference between the fair value per share acquired taking account of the lock-up period and the purchase price paid by the employee on the issue date multiplied by the number of shares issued. The method is described in greater detail in note 8.6 “Share-based payments”.

IFRIC 11 has clarified the application of IFRS 2, which was already applied by the Calyon group. The consequences of this clarification were taken into account as of 1 January 2007. The charge relating to share plans settled in Crédit Agricole S.A. equity instruments, and the charge relating to share subscriptions, are now recognised in the accounts of the Calyon group entities that employ the plan beneficiaries. The impact on 2007 is a €20 million charge under personnel costs, with a balancing increase in “consolidated reserves, Group share”.

Current and deferred tax

Calyon has been 99.9%-owned by the Credit Agricole group since 27 December 1996 and some of its subsidiaries form part of the tax consolidation group at the Credit Agricole S.A. level.

In accordance with IAS 12, income tax includes all taxes based on income, both current and deferred.

IAS 12 defines current tax as “the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for a period”. The taxable profit is the income (or loss) of a given period, determined according to rules established by the tax authorities.

The rates and rules used to determine the current tax charge are those in force in each country in which Group companies are located.

Current tax includes all income tax, due or receivable, the payment of which is not contingent on future operations, even if settlement is spread over several periods.

Until it is paid, current tax must be recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess should be recognised as an asset.

Certain transactions carried out by the entity may have fiscal consequences that are not taken into account in determining current tax. The differences between the book value of an asset or liability and its tax basis are qualified by IAS 12 as temporary differences.

IAS 12 requires that deferred taxes be recognised in the following cases:

A deferred tax liability should be recognised for any taxable temporary differences between the carrying amount of an asset or liability on the balance sheet and its tax base, unless the deferred tax liability arises from:

- initial recognition of goodwill;
- initial recognition of an asset or liability in a transaction:
 - that is not a business combination, and
 - that does not affect either the accounting or the taxable profit (tax loss) as of the transaction date.

A deferred tax asset should be recognised for any deductible temporary differences between the carrying amount of an asset or liability on the balance sheet and its tax basis, insofar as it is probable that a future taxable profit will be available against which such deductible temporary differences can be allocated.

A deferred tax asset should also be recognised for carrying forward unused tax losses and tax credits insofar as it is probable that a future taxable profit will be available against which the unused tax losses and tax credits can be allocated.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantially enacted by the balance sheet date.

The tax rates applicable in each country are used.

In France, the rate of tax on income from ordinary activities and deferred tax is 34.43%.

Deferred taxes are not discounted.

Taxable unrealised gains on securities do not generate any taxable temporary differences between the carrying value of the asset and the tax basis. As a result, deferred tax is not recognised on these gains. When the relevant securities are classified as available-for-sale securities, unrealised gains and losses are recognised directly through equity. The tax charge effectively borne by the entity arising from these unrealised gains is reclassified as a deduction from these gains.

In France, all but 5% of long-term capital gains on the sale of investments in participating interests, as defined by the General Tax Code and which come under long-term tax rules, are exempt from tax as from the tax year commencing on 1 January 2007; this 5% is taxed at the standard tax rate. Hence, unrealised gains at the end of the financial year do not generate temporary differences likely to give rise to the recognition of deferred tax

Current and deferred tax is recognised in net income for the year, unless the tax arises from:

- either a transaction or event that is recognised directly through equity, during the same year or during another year, in which case it is directly debited or credited to equity;
- or a business combination.

Deferred tax assets and liabilities are offset against each other if, and only if:

- the entity has a legal right to offset current tax assets against current tax liabilities;
- the deferred tax assets and liabilities apply to taxes levied by the same taxing authority:
 - either on the same taxable entity;
 - or on different taxable entities that intend either to settle current tax assets and liabilities on a net basis, or to settle their tax assets and liabilities at the same time during each future financial year in which it is expected that substantial deferred tax assets or liabilities will be paid or recovered.

Tax credits on income from receivables and securities portfolios, where they are effectively used to pay corporate income tax due with respect to the period, are recognised in the same item as the income to which they relate. The corresponding tax charge is kept in the "Income tax" caption on the income statement.

Non-current assets (IAS 16, 36, 38, 40)

The Calyon group applies component accounting for all of its non-current tangible and intangible assets. In accordance with the provisions of IAS 16, the depreciable amount takes account of the potential residual value of property, plant and equipment.

Land is measured at cost less any impairment charges.

Property used in operations, investment property and equipment are measured at cost less accumulated depreciation and impairment charges.

Purchased software is measured at purchase price less accumulated depreciation and impairment charges.

Proprietary software is measured at cost less accumulated depreciation and impairment charges.

Other than software, intangible assets principally comprise purchased goodwill, which is measured on the basis of the corresponding future economic benefits or expected service potential.

Non-current assets are depreciated over their estimated useful life.

The following components and depreciation periods have been adopted by the Calyon group following the application of component accounting for non-current assets. These depreciation periods are adjusted according to the type of asset and its location:

Component	Depreciation period
Land	Not depreciable
Structural works	30 to 80 years
Non-structural works	8 to 40 years
Plant and equipment	5 to 25 years
Fixtures and fittings	5 to 15 years
Computer equipment	3 to 7 years
Specialist equipment	4 to 5 years

Exceptional depreciation charges corresponding to tax-related depreciation and not to any real impairment in the value of the asset are eliminated in the consolidated financial statements.

Based on available information on the value of its depreciable non-current assets, Calyon has concluded that impairment testing would not lead to any change in the amounts recorded on the balance sheet.

Currency transactions (IAS 21)

In accordance with IAS 21, a distinction is made between monetary and non-monetary items.

At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are converted into the functional currency of Calyon at the closing exchange rate.

Foreign exchange differences arising from translation are recorded in the income statement. There are two exceptions to this rule:

- for available-for-sale financial assets, only the foreign exchange difference calculated on amortised cost is taken to the income statement; the balance is recorded in shareholders' equity
- foreign exchange differences on items classified as cash flow hedges or that are part of a net investment in a foreign entity are recorded in shareholders' equity.

Non-monetary assets are treated differently depending on the type of asset:

- assets at historical cost are valued at the exchange rate on the transaction date;
- assets at fair value are measured at the exchange rate on the closing date.

Foreign exchange differences on non-monetary items are recognised:

- in the income statement if the gain or loss on the non-monetary item is recorded in the income statement;
- in shareholders' equity if the gain or loss on the non-monetary item is recorded in shareholders' equity.

Leases (IAS 17)

As required by IAS 17, leases are analysed in accordance with their substance and financial reality. They are classified as operating leases or finance leases.

Operating leases are treated as an acquisition of a fixed asset by the lessee financed by a loan from the lessor.

In the lessor's accounts, analysis of the economic substance of the transactions results in the following:

- a financial receivable from the customer is recognised, which is amortised by the lease payments received;
- lease payments are broken down into interest and principal, known as financial amortisation.

In the lessee's accounts, finance leases are restated such that they are recognised in the same way as if the asset had been purchased on credit, by recognising a debt, recording the asset purchased on the asset side of the balance sheet and depreciating the asset.

In the income statement, the theoretical depreciation charge (the charge that would have been recognised if the asset had been purchased) and the finance charges (incurred in connection with the financing) are recorded in the place of the lease payments.

In operating leases, the lessee recognises the payments and the lessor records the revenues corresponding to the lease payments, as well as the assets leased on the asset side of its balance sheet.

Consolidation principles and methods (IAS 27, 28, 31)

Change in accounting method

From 1 January 2007, to ensure comparability with broad market practices, the difference between the purchase cost and the portion of net assets acquired arising from an increase in the ownership percentage of an entity that is already under exclusive control, is recognised as a deduction from the "consolidated reserves, Group share" item.

Symmetrically, in the event of a decrease in Calyon's ownership percentage in an entity that remains under its exclusive control, the difference between the selling price and the book value of minority interests sold is also recognised directly in "consolidated reserves, Group share".

The impact of this change in method is presented in the statement of changes in shareholders' equity. It reduces shareholders' equity Group share by €179 million, balancing the amount of goodwill entered on the balance sheet at 1 January 2007.

If this change in accounting method had been applied in 2006, the net gain/(loss) on disposal of non-current assets would have been reduced by €33 million in the second half of 2006, balancing the change in consolidated reserves.

The Calyon group has granted shareholders of certain fully consolidated subsidiaries an undertaking to acquire their holdings in these subsidiaries, at a price to be determined according to a predefined formula which takes account of future developments in their business. These undertakings are in substance put options granted to the minority shareholders, which in accordance with the provisions of IAS 32, means that the minority interests are treated as a liability rather than as shareholders' equity.

As a result, the accounting treatment of put options granted to minority shareholders is now as follows:

- when a put option is granted to the minority shareholders of an already-fully consolidated subsidiary, a liability is recognised in the balance sheet in the amount of the estimated present value of the strike price of the options granted to these shareholders;
- the value of this liability, along with subsequent changes, is deducted from minority interests in shareholders' equity, and by default from consolidated reserves, Group share.

Scope of consolidation

The consolidated financial statements include the accounts of Calyon and of all companies over which Calyon exercises control, in accordance with IAS 27, IAS 28 and IAS 31.

Exceptionally, entities that have a non-material impact on the overall consolidated financial statements are not included in the scope of consolidation.

The materiality of this impact may be assessed through various criteria, such as the size of the company's earnings or shareholders' equity to be consolidated in relation to the earnings or shareholders' equity of the consolidated group.

Materiality is deemed to exist when the following criteria are met:

- total assets exceed €10 million;
- Calyon directly or indirectly holds more than 20% of existing and potential voting rights.

Definitions of control

In accordance with international standards, all entities falling under Calyon's exclusive control, joint control or material influence are consolidated, providing that their contribution is deemed to be material and that they are not covered under the exclusions described below.

Exclusive control is presumed to exist if Calyon owns over half of the existing or potential voting rights in an entity, whether directly or indirectly through subsidiaries, except if, in exceptional circumstances, it can be clearly demonstrated that such ownership does not give it control.

Exclusive control also exists if Calyon, as the owner of half or less than half of the voting rights (including potential voting rights) in an entity, holds majority power within management bodies. Joint control is exercised in joint ventures in which each of the two or more co-owners are bound by a contractual contribution that provides for joint control.

Significant influence is defined as the power to influence but not control a company's financial and operational policies. Calyon is presumed to have significant influence if it owns 20% or more of the voting rights in an entity, whether directly or indirectly through subsidiaries.

Consolidation of special-purpose entities

The consolidation of special-purpose entities (structures created to manage a transaction or group of similar transactions) is specified by SIC 12.

A special-purpose entity (SPE) is consolidated if it is in substance controlled by the Calyon group, even in the absence of a capital link.

Whether or not a special-purpose entity is controlled in substance is determined by considering the following criteria:

- the activities of the SPE, in substance, are conducted on behalf of a Calyon group company according to its specific business needs, such that this company obtains benefits from the SPE's activities;
- this company, in substance, has the decision-making powers to obtain a majority of the benefits of the SPE's activities or

has delegated such decision-making powers by establishing an "autopilot" mechanism;

- this company, in substance, has rights to obtain a majority of the benefits of the SPE's activities and as a result may be exposed to the risks related to the SPE's activities; or
- this company, in substance, retains the majority of the residual risks or risks arising from ownership relating to the SPE or its assets, in order to obtain benefits from its activities.

Exclusions from the scope of consolidation

Minority equity interests held by venture capital entities are also excluded from the scope of consolidation insofar as they are classified under financial assets designated as at fair value through profit or loss.

Consolidation methods

The consolidation methods are respectively defined by IAS 27, 28 and 31, based on the type of control exercised by Calyon over the entities that can be consolidated, regardless of their business or of whether or not they have legal entity status :

- entities under exclusive control are fully consolidated, including entities with different account structures, even if their business is not an extension of that of Calyon;
- entities under joint control are proportionally consolidated, including entities with different account structures, even if their business is not an extension of that of Calyon;
- entities over which Calyon exercises significant influence are accounted for under the equity method.

Full consolidation consists of eliminating the book value of the shares held in the consolidating company's financial statements and aggregating all assets and liabilities carried by the consolidated companies, and determining and separately identifying the value of the minority interests in their net assets and earnings.

Proportional consolidation consists of eliminating the book value of the shares held in the consolidating company's financial statements and aggregating a proportion of the assets, liabilities and results of the company concerned representing the consolidating company's interest.

The equity method consists of eliminating the book value of the shares held in the Group's financial statements and accounting for its interest in the underlying equity and results of the companies concerned.

Consolidation adjustments and eliminations

The Group makes all adjustments required to ensure the application of consistent accounting policies in the consolidated financial statements, unless they are deemed not to be material.

Group internal transactions affecting the consolidated balance sheet and income statement are eliminated.

Capital gains or losses arising from intra-group asset transfers are eliminated; capital losses on the disposal of assets at reference prices determined independently of the Group are retained.

Translation of foreign subsidiaries' financial statements (IAS 21)

Financial statements of subsidiaries expressed in foreign currencies are translated into euros in two stages:

- the local currency (or, if applicable, the currency in which the accounts are prepared) is converted into the functional currency using the historical rate method, and all foreign exchange gains or losses are fully and immediately taken to the income statement;
- the functional currency is then converted into the consolidation currency using the closing exchange rate for assets and liabilities and the average exchange rate for the period for the income statement and the translation adjustment is recorded in a separate line under shareholders' equity, showing the share attributable to Calyon and the share attributable to minority interests. This adjustment is taken to the income statement when all or part of the interest in the foreign subsidiary is sold or liquidated.

The functional currency of an entity is closely linked to whether or not the entity is independent or not independent:

- the functional currency of an entity that is not independent is the functional currency on which it is dependent, i.e. the currency in which its main transactions are denominated;
- the functional currency of an independent entity is its local currency, other than in exceptional circumstances.

Business combinations – Goodwill (IFRS 3)

Business combinations after the transition date (1 January 2004) are accounted for using the purchase method in accordance with IFRS 3.

The cost of a business combination is the aggregate of the fair values, on the date of acquisition, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

On the date of acquisition (or on the date of each transaction in the case of an acquisition through successive share purchases), the acquiree's identifiable assets, liabilities and contingent liabilities that satisfy the conditions for recognition set out in IFRS 3 are recognised at their fair value. Restructuring liabilities are only recognised as a liability if the acquiree is under an obligation to complete the restructuring on the date of acquisition.

The initial valuation of assets, liabilities and contingent liabilities may be revised within a period of twelve months after the date of acquisition.

The excess of the cost of acquisition over the fair value of the Group's share in the net assets acquired is recognised in the balance sheet as goodwill if the acquiree is fully or proportionately consolidated. If the acquiree is accounted for using the equity method, the excess is included under the heading "investments in affiliates".

Any negative goodwill is recognised immediately through profit or loss.

When Calyon increases its ownership percentage in an entity over which it already has exclusive control, the difference between the purchase cost and the portion of assets arising from this increase is now recognised as a deduction from the "consolidated reserves, Group share" item. When Calyon decreases its ownership percentage in an entity that remains under its exclusive control, the difference between the selling price and the book value of minority interests sold is also recognised, since 1 January 2007, directly in "consolidated reserves, Group share".

Goodwill is carried in the balance sheet at its initial amount in the currency of the acquiree and translated at the year-end exchange rate.

It is tested for impairment whenever there is objective evidence that it may be impaired and at least once a year.

For the purpose of impairment testing, goodwill is allocated to the Cash Generating Units (CGUs) that are expected to benefit from the business combination. The Group defines a CGU as the smallest identifiable group of assets and liabilities within its core businesses that can operate on the basis of a specific business model.

Impairment testing consists of comparing the carrying amount of each CGU, including any goodwill allocated to it, with its recoverable amount.

Recoverable amount is defined as the higher of fair value less costs to sell and value in use, which is the present value of the future cash flows expected to be derived from continuing use of the CGU, as set out in medium-term business plans prepared by the Group for management purposes.

When the recoverable amount is lower than the carrying amount, an irreversible impairment loss is recognised through profit or loss and deducted from the goodwill allocated to the CGU.

Non-current assets held for sale and discontinued operations (IFRS 5)

A non-current asset (or a disposal group) is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition and its sale must be highly probable.

The relevant assets and liabilities are shown separately on the balance sheet under “Non-current assets held for sale” and “Liabilities associated with non-current assets held for sale”.

A non-current asset (or disposal group) classified as held for sale is measured at the lower of its carrying amount and fair value less costs to sell. In the event of unrealised losses, an impairment charge is made in the income statement, and such impaired assets are no longer depreciated.

A discontinued operation is a component of the entity that has either been disposed of, or is classified as held for sale and:

- represents a separate major line of business or geographical zone of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical zone of operations;
- is a subsidiary acquired exclusively with a view to resale.

The following are disclosed on a separate line of the income statement:

- the post-tax profit or loss of discontinued operations until the date of disposal;
- the post-tax gain or loss recognised on the disposal or on measurement at fair value less costs to sell of the assets and liabilities constituting the discontinued operations.

NOTE 2: ASSESSMENTS AND ESTIMATES USED TO PREPARE THE FINANCIAL STATEMENTS

A certain number of estimates have been made by management to prepare the financial statements at 31 December 2007. These estimates are based on certain assumptions and involve risks and uncertainties as to their actual achievement in the future.

Actual results may be influenced by many factors, including but not limited to:

- activity in domestic and international markets,
- fluctuations in interest and exchange rates;
- the economic and political climate in certain industries or countries;
- changes in regulations or legislation.

This list is not exhaustive.

Accounting estimates based on assumptions are principally used to value the following assets and liabilities:

Financial instruments at fair value through profit or loss

The fair value of these instruments is determined using valuation techniques that include observable and non-observable parameters.

Classification of parameters as “observable” and “non-observable”

Market data is classified as “observable” and “non-observable” by a monthly valuation committee which comprises representatives from the front office, the independent Market Risks Division and the Finance Division.

- Market data is regarded as observable if the Market Risks Division can obtain data from several sources independent of the front offices on a regular basis (daily if possible), for example from brokers or pricing services that collect data from a sufficient number of market participants. A dedicated team, which reports to the Market Risks Division, regularly checks the relevance of data obtained in this way and formally documents it.

Most instruments traded over the counter are measured using models that are based on observable market data.

For example, the fair value of interest rate swaps is usually determined using market yield curves on the reporting date.

Other financial instruments are generally measured on a discounted cash flow basis.

- Conversely, some complex products with a basket component whose valuation requires, for example, correlation or volatility data that are not directly comparable with market data, may be regarded as non-observable.

For products based on non-observable parameters, the instruments concerned are mostly complex fixed-income products, credit derivatives (certain correlation products or products whose measurement incorporates non-observable credit spreads), equity derivatives (certain products with multiple underlying instruments), or hybrid products and, to a lesser extent, foreign exchange and commodities products. Certain traditional market financial instruments with a long maturity may also be classified as “non-observable” if the only market data available to measure them are for terms that are shorter than the contractual maturity of such instruments and must be extrapolated in order to measure fair value. The Market Risks Division is also in charge of validating the method for calculating these various non-observable parameters.

As described in the section on significant accounting policies, the margin at inception is only immediately recognised in profit or loss where the valuation models used are based on market data that are regarded as observable.

All market products, regardless of their method of recognition in profit or loss, are subject to the risk management system described in the note on market risks. As a result, products for which the variables are regarded as “non-observable” within the meaning of IAS 39 are subject to the same control rules as other products (risk indicator monitoring, stress tests, limits, etc.).

Products that became observable in 2007

In 2007, the following products became observable:

- certain credit derivatives (Collateralized Debt Obligations or “synthetic CDOs”) with underlyings consisting of corporate or financial institution debt where their structure was sufficiently close to standard baskets (subject to valuation by organisations collecting data from a sufficient number of market participants);
- certain interest-rate derivatives were deemed observable up to longer maturities than previously, due to increased availability of data in the market.

Method for valuing CDOs with US residential real estate underlyings

In 2007, CDOs with US residential real estate underlyings were deemed non-observable. The same was true of any items hedging these CDOs.

- Mezzanine tranches:
 - In the absence of external prices, mezzanine tranches of CDOs were valued by applying to each tranche a discount rate based on its external rating at the closing date.
- Super-senior tranches:
 - Super-senior tranches were valued by applying a credit scenario to the underlyings (mainly residential mortgages) of the ABSs making up each CDO. This scenario involves:
 - final losses, depending on the quality and origination date of each residential mortgage
 - the period over which these losses are recognised ;
 The resulting valuation was compared with a valuation resulting from the application of ABX indexes.

Exposure covered by guarantors (monolines)

The financial situation of all sellers of protection, as known and assessed at the accounts closing, has been examined. Monolines were considered to be the main guarantors at risk.

By making estimates on each monoline's ability to honour its commitments, Calyon was able to calculate an allowance on its exposure at 31 December 2007. This exposure corresponds to the positive fair value of protection bought on CDO tranches, valued according to the same principles as unhedged CDOs (see previous paragraph).

Contribution of non-observable products at 31 December 2007

The contribution of products including non-observable parameters is set out in note 10 (on-balance sheet outstandings, changes in fair value on the income statement, recognition of the initial margin).

Syndication outstandings

Outstandings intended to be syndicated are classified as assets at fair value through profit and loss and are valued on a mark-to-market basis.

Structured issues recognised at fair value

The valuation of issues recognised at fair value factors in the change in the Calyon group's own credit risk.

Employee benefits

Pension plans

Liabilities for retirement and other employee benefits are based on assumptions made by management with respect to the discount rate, staff turnover rate and probable increases in salary and social security costs. If the actual figures differ from the assumptions made, the liability may increase or decrease in future years (see note 8.3).

The return on plan assets is also estimated by management. Returns are estimated on the basis of expected returns on fixed-income securities, and notably bonds.

Stock options

Payment plans based on Crédit Agricole S.A. shares are measured primarily at fair value using the Black-Scholes model. A description of the plans and valuation methods is given in note 8.6 "Share-based payments".

Impairment of securities

Equity instruments (other than those held for trading) are tested for impairment and an impairment charge recognised in the event of a prolonged or significant decline in their value. In general, a prolonged or significant decline is presumed to have occurred when the instrument has lost at least 30% of its value over a period of six consecutive months. However, the Finance Division may also take account of other factors (type of investment, issuer's financial position, short-term prospects, etc.), which are not intangible in nature.

Impairment of unrecoverable debts

Impairment is deducted from the carrying value of loans and advances when there is objective evidence of a risk of non-recovery.

The impairment is discounted and estimated on the basis of several factors, notably business or sector-related. It is possible that future assessments of the credit risk may differ significantly from current estimates, which may lead to an increase or decrease in the amount of the impairment.

Collective impairment is also taken against performing loans. The amount is based on the probability of default in each rating class assigned to borrowers, but also on management's experienced judgement.

The sub-portfolios on which sector impairment existed at end-2007 related to LBOs, the automotive sector in Europe and the USA, the real estate and construction sector in the USA, Spain, the UK and Australia, and a selection of US electrical projects. Risky countries on which collective impairment exists are those whose ratings are below a certain threshold in our internal rating scale, giving them the status of countries under supervision.

Reserves

Certain estimates may be made to determine the amount of reserves: the reserve for legal and tax risks is based on management's estimate in light of the information in its possession at the accounts closing date.

Tax investigation in progress at Calyon

Accounting checks relating to the 2004 and 2005 financial years have been underway at Calyon since 2 February 2007.

A proposed rectification, which would interrupt the limitation period with respect to 2004, was received in late December 2007. Calyon disputed all counts of this proposal, and gave its grounds for doing so, in February 2008. A reserve has been set aside in the amount of the risk estimated by Calyon's Tax Division.

Goodwill impairment

Goodwill is tested for impairment at least once a year.

The assumptions made to measure the fair value of goodwill may influence the amount of any impairment loss taken.

The method used is described in note 3.6 "Goodwill".

Deferred tax assets

Deferred tax assets are recognised on all deductible timing differences to the extent that management believes there will be sufficient taxable profits in the future to offset these differences.

NOTE 3 : SCOPE OF CONSOLIDATION

The detailed scope of consolidation at 31 December 2007 is given in note 12.

3.1 - Change in the scope of consolidation during the period

Details of changes in Calyon's scope of consolidation in 2007 are provided below. These changes did not have any material impact on the financial statements.

The main changes in the scope of consolidation between 31 December 2006 and 31 December 2007 were as follows:

Removals

The following companies whose activities were discontinued or became insignificant were deconsolidated:

- GETIC (formerly Ergifrance),
- Calyon Investment Products Limited,
- Indosuez International Finance BV,
- CL Uruguay SA,
- European Sovereign Funding SA,
- FCC Masterace,
- CAI Derivatives Products PLC,
- SNC Haussmann Anjou,
- Alternative Investment & Research Technologies,
- CASAM Cayman Ltd.

Calyon reduced its stakes in the Casam Systeïa Pair Trading, Casam Systeïa Futures Euros and MezzAsia funds, either selling its entire stake or reducing its stake to less than 50%. As a result, these funds were deconsolidated in 2007.

CISA SA was absorbed by Calyon France, and was therefore removed from the scope of consolidation as an individual entity.

Additions

The following entities entered the scope of consolidation in 2007:

- Aguadana S.L.,
- Calliope Srl,
- Indosuez Finance Ltd,
- Calyon Algérie,
- Calyon CLP,
- CA Luxembourg Bank,
- Calyon Financing Luxembourg SARL,
- CAFI KEDROS,
- CAIRS Assurance SA,
- SNC Shaun,
- EDELAAR EESV.

Calyon also set up:

- a branch in Miami that acquired the business of CL Miami, carrying out private banking activities;
- a branch in Hungary that acquired the business of Calyon Bank Hungary Ltd, Calyon's subsidiary in Hungary, which will be liquidated in the next few months.

Changes in corporate names

- Indosuez Norte became CA PB Norte,
- Indosuez Levante became CA PB Levante,

- CAI Merchant Bank Asia Ltd became Calyon Merchant Bank Asia Ltd,
- Minerva Srl became Sagrantino Italy Srl.

Change in consolidation method

The following entities are now consolidated as a sub-group, with Calyon Global Partners Group being the parent of the sub-group:

- Calyon North America Inc,
- CASI,
- Calyon Leasing Corp.

3.2 - Main acquisitions during the year

In the third quarter of 2007, Crédit Agricole Luxembourg acquired Bank Sarasin Europe S.A., the Luxembourg subsidiary of Banque Sarasin. Bank Sarasin Europe S.A. now operates under the name of Crédit Agricole Luxembourg Bank.

There are plans to merge Crédit Agricole Luxembourg Bank with Crédit Agricole Luxembourg by mid-2008.

The purchase price was €144 million, resulting in goodwill of €96 million. The company is 100% consolidated, and contributes to the earnings of the asset management business line.

3.3 - Investments in equity affiliates

€ million	31.12.2007					
	Equity-accounted value	Market value	Total assets	Net banking income	Net income	Share of net income
Financial companies (breakdown):	650	3,669	20,506	741	533	131
Banque Saudi Fransi	628	3,669	18,077	716	525	129
Crédit Agricole Financement Suisse	22		2,429	25	8	2
Non-financial companies (breakdown):	84		424	114	25	12
CASAM	24		178	46	7	4
CA AM Espana Holding	16		52	28	14	6
Groupe Cholet Dupont	9		122	25	4	1
CASAM (USA) affiliates	18		72	15		(1)
CLSA BV affiliate	17					2
Net book value of investments in affiliates	734	3,669	20,930	855	558	143

€ million	31.12.2006					
	Equity-accounted value	Market value	Total assets	Net banking income	Net income	Share of net income
Financial Companies (breakdown):	596	2,934	18,517	853	638	159
Banque Saudi Fransi	574	2,934	16,112	832	635	158
Crédit Agricole Financement Suisse	22		2,405	21	3	1
Non-financial companies (breakdown):	72		450	90	19	7
CASAM	18		179	37	2	1
CA AM Espana Holding	9		38	27	14	6
Groupe Cholet Dupont	8		102	23	4	1
CASAM (USA) affiliates	21		131	3	(1)	(1)
CLSA BV affiliate	16					
Net book value of investments in affiliates	668	2,934	18,967	943	657	166

The market value shown in the above table is the quoted price of the shares on their trading market at 31 December. It may not be representative of the realisable value of the securities.

3.4 - Securitisation transactions and special-purpose vehicles

Securitisation transactions carried out on behalf of customers

These transactions usually involve the creation of special purpose entities (SPEs) which are not consolidated if Calyon does not exercise control. The criterion of control is usually assessed on an "in substance" basis (i.e. based on ownership of the risks and rewards).

Calyon has carried out various types of transactions on behalf of its customers:

- it manages four non-consolidated SPEs in Europe and America (Hexagon Finance a.r.l., LMA, Atlantic Asset Securitization Corp and La Fayette Asset Securitization) in relation to transactions carried out by customers. These SPEs finance themselves by issuing commercial paper in the euro and US dollar money markets. Calyon grants letters of credit, which amounted to €1.12 billion at 31 December 2007, to these entities to guarantee a portion of the risk of default attaching to the assets securitised by its customers. Calyon had also granted a total of €23.03 billion in cash lines to these SPEs at 31 December 2007. Overall outstandings on conduits were €16.77 billion at 31 December 2007.

- Calyon also manages an SPE (ESF) that is dormant, and which was deconsolidated in 2007.
- Calyon manages a consolidated French credit institution, Ester Finance Titrisation, to which it had granted €162.6 million of guarantees at 31 December 2007.

At 31 December 2007, Calyon had granted €263 million in letters of credit and €1.92 billion in cash lines to SPEs that are neither consolidated nor managed by the Bank.

Securitisation transactions on own account

As part of its portfolio management strategy, Calyon carries out synthetic securitisation transactions to transfer the credit risk on some of its portfolios to the market.

In 2007, the Bank carried out a new securitisation in Europe and the USA for a total of €2.37 billion. This transaction formed part of efforts to manage outstanding risks in the financing business.

At 31 December 2007, there were 13 outstanding synthetic securitisation transactions maturing between 2009 and 2013, with a total nominal value of €50.9 billion.

Calyon has retained a total of €1,329 million in non-investment-grade risk, plus a residual share in the investment-grade tranches amounting to €678 million.

In accounting terms, the credit outstandings concerned are recognised on- and off-balance sheet. Most protection purchased is recorded under financial instruments.

Other special purpose entities - Units in funds

Special purpose entities and funds are consolidated when the Group exercises control in substance, in accordance with criteria defined in note 1.2.

Consolidated entities are included in the scope of consolidation listed in note 12. At 31 December 2007, Calyon fully consolidated five funds: Casam Systeia Global Macro, Casam Systeia Event Driven, Casam Systeia Equity Quant, Alcor and Korea 21st Century Trust.

3.5 - Investments in non-consolidated companies

€ million	31.12.2007		31.12.2006	
	Book Value	% interest.	Book Value	% interest.
Attijari Wafa Bank (formerly Banque Commerciale du Maroc)	74	1.44	57	1.44
SIIC de Paris	12	2.00	12	2.00
Gestion Immobilière de Sites Industriels et Commerciaux (GISIC)	17	99.99	16	99.99
1301 Avenue of Americas Ltd Partnership	27	18.26	30	18.26
CA Preferred Funding LLC	15	50,00	16	50,00
CA Preferred Funding II LLC	30	50,00	33	50,00
CLCM Limited Partnership	11	99.90	13	99.90
Bolsas Y Mercados ⁽⁵⁾			56	2.20
Immarex	14	100,00	30	100,00
GATX	9	nm	17	nm
BFO ⁽⁴⁾	44	98,95	138	99,71
CAI Risk Solutions Assurances ⁽²⁾			56	100,00
CAI Risk Solutions Insurances	16	100,00	16	100,00
Sicovam Holding	42	6.37	15	6.37
Indosuez W.I Carr Malaysia ⁽³⁾			11	100,00
Indosuez Beteiligungs und Verwaltungs	14	100,00	13	100,00
Banque Libano Française SAL	19	8.57	19	8.57
Pagson Holding CY	20	100,00	22	100,00
Calyon Algérie ⁽²⁾			26	100,00
Redcliffe Investments Ltd	10	100,00	11	100,00
FX Alliance	10	4.34	12	4,34
Crédit Agricole Egypte SAE	123	13.07	81	13.09
Financière Saint Nicaise ⁽⁵⁾			10	16.70
CL Rouse Ltd	36	100,00	38	100,00
CPR BK ⁽³⁾			337	100,00
CLIAM	14	100,00	14	100,00
Sufinair	19	100,00	19	100,00
Other shares	124		185	
Net book value⁽¹⁾	700		1,303	

(1) taking into account a €21 million impairment charge to income in 2007. (2) companies consolidated in 2007. (3) companies liquidated in 2007. (4) partial reimbursement of capital. (5) shares sold in 2007

3.6 - Goodwill

€ million	01.01.2007	Increases (Acquisitions)	Decreases (disposals)	Impairment losses during the period	Translation adjustments	Other movements	31.12.2007
Corporate and investment banking							
Crédit Agricole Cheuvreux SA	132						132
Crédit Lyonnais Securities Asia BV	⁽¹⁾ 2				(1)		1
Calyon SA (incl. transfer of Crédit Lyonnais activities)	682						682
CPR Online	9						9
International private banking							
CA Suisse S.A.	286				(5)		281
Crédit Agricole Luxembourg	10						10
Crédit Agricole Luxembourg Bank		96					96
CA Brasil DTVM	2						2
Private Bank in Spain	3						3
Gross value	1,126	96	-	-	(6)	-	1,216
Calyon (incl. transfer of Crédit Lyonnais activities)	(55)						(55)
Accumulated impairment losses	(55)	-	-	-	-	-	(55)
Corporate and investment banking							
Crédit Agricole Cheuvreux S.A.	132						132
Crédit Lyonnais Securities Asia BV	2				(1)		1
Calyon SA (incl. transfer of Crédit Lyonnais activities)	627						627
CPR Online	9						9
International private banking							
CA Suisse S.A.	286				(5)		281
Crédit Agricole Luxembourg	10						10
Crédit Agricole Luxembourg Bank	0	96					96
CA Brasil DTVM	2						2
Private Bank in Spain	3						3
Net book value⁽¹⁾	1,071	96	-	-	(6)	-	1,161

(1) By comparison with previously published figures, goodwill for 2006 has been reduced by €179 million due to the change in method relating to changes in minority interests (see note 1).

In 2007, goodwill was the subject of impairment tests, based on the assessment of the fair value or value in use of the cash-generating units (CGUs) to which they are attached.

Fair value is the amount that could be obtained by selling a CGU through a transaction under normal market conditions.

It is based on observed prices in recent transactions involving comparable entities or on multiples that are in line with valuation practices common in the CGU's market (e.g. a percentage of assets under management).

Value in use is determined by calculating the present value of the CGU's estimated future cash flows based on its medium-term plans. The following assumptions were used:

- estimated future cash flows: projections between 3 and 6 years,
- perpetual growth rate: rates ranging between 0% and 3.5% depending on the CGU,
- discount rate: rates ranging between 10% and 15% depending on the CGU.

These tests led to no impairment charge being recorded over the 2007 financial year.

We estimate that a reasonable change in the assumptions used to determine the recoverable value of CGUs would not require further goodwill reserves.

€ million	01.01.2006	Increases (Acquisitions)	Decreases (disposals)	Impairment losses during the period	Translation adjustments	Other movements	31.12.2006
Corporate and investment banking							
Calyon Egypt SAE	25		(25)				0
Crédit Agricole Cheuvreux SA	132						132
Crédit Lyonnais Securities Asia BV	116	93	(14)		(14)		181
Calyon SA (incl. transfer of Crédit Lyonnais activities)	682						682
CPR Online	9						9
International private banking							
CA Suisse SA	292				(6)		286
Crédit Agricole Luxembourg	11					(1)	10
CA Brasil DTVM	2						2
Private Bank in Spain		3					3
Gross value	1,269	96	(39)		(20)	(1)	1,305
Calyon SA (incl. transfer of Crédit Lyonnais activities)	(55)						(55)
Accumulated impairment losses	(55)						(55)
Corporate and investment banking							
Calyon Egypt SAE	25		(25)				0
Crédit Agricole Cheuvreux SA	132						132
Crédit Lyonnais Securities Asia BV	116	93	(14)		(14)		181
Calyon SA (incl. transfer of Crédit Lyonnais activities)	627						627
CPR Online	9						9
International private banking							
CA Suisse SA	292				(6)		286
Crédit Agricole Luxembourg	11					(1)	10
CA Brasil DTVM	2						2
Private Bank in Spain		3					3
Net book value	1,214	96	(39)		(20)	(1)	1,250

NOTE 4 : FINANCIAL MANAGEMENT, EXPOSURE TO RISK AND HEDGING POLICY

Narrative information is now included in the “risk management” section of the management report, as allowed by IFRS 7. The accounting breakdown tables are still included in the financial statements.

4.1 - Credit risk**4.1.1 - Concentration by type of customer
(counterparty’s country of residence)**

As regards the breakdown by type of customer, information now follows FINREP reporting definitions and correspondences. The customer categories have been amended as follows:

Former customer category	New corresponding customer category
Central government, government agencies and local authorities	Central governments and non-bank institutions
Financial institutions	Banks
Companies and other economic agents	Corporates
Personal and small business customers	Retail customers

The only identified change in correspondence relates to the former “Financial institutions” category, which consisted of “Banks” and Financial sector institutions resulting from client receivables. The latter sub-category is now included in the “Corporates” category. The impact of this change is detailed in the tables below.

Loans and advances to customers: analysis by customer type

€ million	31.12.2007					Total
	Gross outstandings ⁽¹⁾	of which doubtful debt	Impairment on doubtful debt	of which bad debt	Impairment on bad debt	
Central governments and non-bank institutions	10,033	3		71	(71)	9,962
Banks	55,389	4	(3)	43	(43)	55,343
Corporates	104,282	172	(67)	⁽²⁾ 1,458	⁽²⁾ (1,169)	103,046
Retail customers	6,393	8	(1)	865	(38)	6,354
Total	176,097	187	(71)	2,437	(1,321)	174,705
Accrued interest, net						1,016
Collective impairment						(1,168)
Net book value						174,553

(1) including €283 million of restructured, non-impaired assets, €88 million of assets less than 90 days past due, and €183 million of guarantees received

(2) including €807 million of impairment on monoline insurer ACA

€ million	31.12.2006					Total
	Gross outstandings	of which doubtful debt	Impairments on doubtful debt	of which bad debt	Impairment on bad debt	
Central governments and non-bank institutions	3,743			101	(90)	3,653
Banks ⁽¹⁾	58,562	9	(3)	146	(146)	58,413
Corporates ⁽¹⁾	95,937	347	(108)	1,315	(419)	95,410
Retail customers	3,505	24	(14)	117	(85)	3,406
Total	161,747	380	(125)	1,679	(740)	160,882
Accrued interest, net						1,704
Collective impairment						(1,125)
Net book value						161,461
(1) of which reclassified from "Financial institutions"	22,797			39	(38)	22,759

Commitments given to customers by customer type

€ million	31.12.2007	31.12.2006
Financing commitments given to customers		
Central governments and non-bank institutions	8,108	4,917
Corporates ⁽¹⁾	94,239	84,829
Retail customers	4,048	3,914
Total	106,395	93,660
Guarantee commitments given to customers		
Central governments and non-bank institutions	1,326	179
Corporates ⁽¹⁾	32,042	34,445
Retail customers	324	922
Total	33,692	35,546
(1) of which reclassified from "Financial institutions"		32,989

Customer accounts by customer type

€ million	31.12.2007	31.12.2006
Central governments and non-bank institutions	40,810	6,501
Corporates ⁽¹⁾	48,768	58,924
Retail customers	8,337	18,334
TOTAL	97,915	83,759
Accrued interest	306	276
Book value	98,221	84,035
(1) of which reclassified from "Financial institutions"		32,215

Commitments given to customers
 by geographical zone

€ million	31.12.2007	31.12.2006
Financing commitments given to customers		
France (including overseas departments and territories)	33,553	30,449
Other EU countries	24,063	22,822
Other European countries	8,430	4,626
North America	25,003	25,738
Central and South America	4,762	2,411
Africa and Middle-East	4,368	2,464
Asia and Pacific (excluding Japan)	5,206	4,075
Japan	1,010	1,075
Total	106,395	93,660
Guarantee commitments given to customers		
France (including overseas departments and territories)	11,551	11,367
Other EU countries	7,520	8,815
Other European countries	2,361	1,595
North America	5,063	4,025
Central and South America	1,699	3,557
Africa and Middle-East	2,020	1,306
Asia and Pacific (excluding Japan)	3,262	4,603
Japan	216	278
Total	33,692	35,546

Customer accounts by geographical zone

€ million	31.12.2007	31.12.2006
France (including overseas departments and territories)	18,707	17,831
Other EU countries	19,770	21,342
Other European countries	9,098	6,881
North America	19,273	8,783
Central and South America	7,835	4,966
Africa and Middle-East	7,415	6,296
Asia and Pacific (excluding Japan)	8,526	10,870
Japan	7,291	6,790
Total	97,915	83,759
Accrued interest	306	276
Book value	98,221	84,035

4.1.3 - Derivative financial instruments – Counterparty risk

€ million	31.12.2007		31.12.2006	
	Market value	Potential credit risk	Market value	Potential credit risk
OECD governments, central banks and similar	1,319	553	783	508
OECD financial institutions and similar	85,427	75,458	85,180	75,836
Other counterparties	24,414	10,202	9,839	11,387
Total	111,160	86,213	95,802	87,731
Risk on:				
- interest rates, exchange rates and commodities	97,399	60,344	81,671	75,216
- equity and index derivatives	13,760	25,869	14,131	12,515
Impact of netting agreements	82,438	50,872	82,141	53,250
Total after impact of netting agreements	28,722	35,341	13,661	34,481

4.2 - Market risks

4.2.1 - Breakdown of debt securities in issue and subordinated debt by currency

€ million	31.12.2007			31.12.2006		
	Bonds	Fixed-term subordinated debt	Perpetual subordinated debt	Bonds	Fixed-term subordinated debt	Perpetual subordinated debt
EUR						
Fixed-rate		3		333	1	
Floating-rate	226	⁽¹⁾ 4,717	675		1,967	31
USD						
Fixed-rate		3			3	
Floating-rate		1,736	2,426		2,094	1,989
JPY						
Fixed-rate		62			64	
Floating-rate						
Other currencies						
Fixed-rate	96			248		
Floating-rate	30			29		
TOTAL	352	6,521	3,101	610	4,129	2,020
Fixed-rate	96	68		581	68	
Floating-rate	256	6,453	3,101	29	4,061	2,020

(1) of which €2,250 million of shareholder advances

4.2.2 - Derivative instruments: analysis by remaining maturity

Hedging instruments - Fair value of assets

€ million	31.12.2007						31.12.2006	
	Exchange-traded			Over-the-counter			Total fair value	Total fair value
	Under 1 year	1-5 years	Over 5 years	Under 1 year	1-5 years	Over 5 years		
Interest rate instruments	36			79	23	217	355	168
Futures	33						33	2
Forward rate agreements								
Interest rate swaps				76	23	217	316	164
Interest rate options, caps, floors, collars				3			3	1
Other options	3						3	1
Currency and gold				9	1		10	9
Currency futures				9	1		10	6
Currency options								3
Other								2
Equity and index derivatives								2
Precious metal derivatives								
Commodity derivatives								
Credit derivatives and other								
Sub-total	36			88	24	217	365	179
Forward currency transactions				107			107	165
Net book value	36			195	24	217	472	344

Derivative financial instruments held for trading - Fair value of assets

€ million	31.12.2007							31.12.2006	
	Exchange-traded			Over-the-counter			Total fair value	Total fair value	
	Under 1 year	1-5 years	Over 5 years	Under 1 year	1-5 years	Over 5 years			
Interest rate instruments	17			31,557	25,255	59,379	116,208	97,331	
Futures									
Forward rate agreements				184	22		206	2	
Interest rate swaps				29,813	18,571	34,689	83,073	79,653	
Interest rate options, caps, floors, collars				1,297	5,327	12,252	18,876	17,651	
Other options	17			263	1,335	12,438	14,053	25	
Currency and gold				3,161	1,931	75	5,167	9,101	
Currency futures				147	1,305	17	1,469	6,119	
Currency options				3,014	626	58	3,698	2,982	
Other instruments	3,051	5,333	1,524	6,099	19,965	17,881	53,853	25,064	
Equity and index derivatives	3,051	5,333	1,524	4,728	7,776	902	23,314	8,440	
Precious metal derivatives									
Commodity derivatives				1,068			1,068	1,009	
Credit derivatives and other				303	12,189	16,979	29,471	15,615	
Sub-total	3,068	5,333	1,524	40,817	47,151	77,335	175,228	131,496	
Forward currency transactions				213	4,531	2	4,746	273	
Net book value	3,068	5,333	1,524	41,030	51,682	77,337	179,974	131,769	

Hedging instruments - Fair value of liabilities

€ million	31.12.2007							31.12.2006	
	Exchange-traded			Over-the-counter			Total fair value	Total fair value	
	Under 1 year	1-5 years	Over 5 years	Under 1 year	1-5 years	Over 5 years			
Interest rate instruments				22	296	24	342	157	
Futures									
Forward rate agreements									
Interest rate swaps				16	295	21	332	153	
Interest rate options, caps, floors, collars				2	1	3	6	3	
Other options				4			4	1	
Currency and gold				1,002	72		1,074	6	
Currency futures				1,002	72		1,074	4	
Currency options								2	
Other instruments									
Equity and index derivatives									
Precious metal derivatives									
Commodity derivatives									
Credit derivatives and other									
Sub-total				1,024	368	24	1,416	163	
Forward currency transactions				76	1		77	25	
Net book value				1,100	369	24	1,493	188	

Derivative financial instruments held for trading - Fair value of liabilities

€ million	31.12.2007						31.12.2006	
	Exchange-traded			Over-the-counter			Total fair value	Total fair value
	Under 1 year	1-5 years	Over 5 years	Under 1 year	1-5 years	Over 5 years		
Interest rate instruments	4			33,421	26,963	59,141	119,529	96,801
Futures								
Forward rate agreements					174		174	1
Interest rate swaps				31,113	19,198	33,234	83,545	76,757
Interest rate options, caps, floors, collars				1,519	5,787	13,966	21,272	19,878
Other options	4			789	1,804	11,941	14,538	165
Currency and gold				389	5,572	233	6,194	8,273
Currency futures				178	1,348	8	1,534	5,610
Currency options				211	4,224	225	4,660	2,663
Other instruments	2,730	4,394	1,221	6,522	19,013	13,576	47,456	21,371
Equity and index derivatives	2,730	4,394	1,221	4,174	5,739	1,468	19,726	5,677
Precious metal derivatives								
Commodity derivatives				1,123			1,123	533
Credit derivatives and other				1,225	13,274	12,108	26,607	15,161
Sub-total	2,734	4,394	1,221	40,332	51,548	72,950	173,179	126,445
Forward currency transactions				191	4,007		4,198	346
Net book value	2,734	4,394	1,221	40,523	55,555	72,950	177,377	126,791

4.2.3 - Derivative instruments: commitments

€ million	31.12.2007	31.12.2006
	Total notional amount outstanding	Total notional amount outstanding
Interest rate instruments:	11,437,347	10,339,334
Futures	211,293	2,875
Forward rate agreements	802,755	707,321
Interest rate swaps	6,683,571	6,308,202
Interest rate options, caps, floors, collars	3,739,728	3,320,936
Currency and gold	1,607,720	1,192,791
Currency futures	841,864	761,855
Currency options	765,856	430,936
Other	2,158,690	870,447
Equity and index derivatives	361,477	249,246
Precious metal derivatives	293	150
Commodity derivatives	40,364	39,202
Credit derivatives	1,756,556	581,849
Sub-total	15,203,757	12,402,572
Forward currency transactions	1,181,589	589,848
TOTAL	16,385,346	12,992,420

4.3 - Currency risk

Analysis of the consolidated balance sheet by currency

€ million	31.12.2007		31.12.2006	
	Assets	Liabilities and shareholders' equity	Assets	Liabilities and shareholders' equity
EUR	384,420	363,366	371,872	345,153
Other EU currencies	38,845	37,097	34,736	49,113
USD	149,204	182,509	⁽¹⁾ 120,412	⁽¹⁾ 139,735
JPY	26,178	26,017	22,019	24,008
Other currencies	43,281	32,939	38,952	29,982
Total Bilan	641,928	641,928	587,991	587,991

(1) By comparison with previously published figures, total assets at 31 December 2006 have been reduced by €179 million due to the change in method relating to changes in minority interests (see note 1).

4.4 - Liquidity and financing risk

4.4.1 - Due from banks and loans and advances to customers: analysis by residual maturity

€ million	31.12.2007				
	Under 3 months	3 months to 1 year	1-5 years	Over 5 years	Total
Loans and advances to banks	41,037	5,325	5,941	3,086	55,389
Loans and advances to customers (including lease finance)	42,671	17,280	40,143	20,614	120,708
Total	83,708	22,605	46,084	23,700	176,097
Accrued interest					1,160
Impairment					(2,704)
Net book value					174,553

€ million	31.12.2006				
	Under 3 months	3 months to 1 year	1-5 years	Over 5 years	Total
Loans and advances to banks	44,554	5,224	5,780	3,004	58,562
Loans and advances to customers (including lease finance)	47,627	9,497	28,593	17,468	103,185
Total	92,181	14,721	34,373	20,472	161,747
Accrued interest					1,949
Impairment					(2,235)
Net book value					161,461

4.4.2 - Due to banks and customer accounts: analysis by residual maturity

€ million	31.12.2007				
	Under 3 months	3 months to 1 year	1-5 years	Over 5 years	Total
Due to banks	70,797	5,827	815	706	78,145
Customer accounts	77,844	2,758	12,888	4,425	97,915
Total	148,641	8,585	13,703	5,131	176,060
Accrued interest					666
Book value					176 726

€ million	31.12.2006				
	Under 3 months	3 months to 1 year	1-5 years	Over 5 years	Total
Due to banks	68,070	5,478	1,805	1,472	76,825
Customer accounts	68,229	4,209	8,255	3,066	83,759
Total	136,299	9,687	10,060	4,538	160,584
Accrued interest					2,261
Book value					162,845

4.4.3 - Debt securities in issue and subordinated debt

€ million	31.12.2007				
	Under 3 months	3 months to 1 year	1-5 years	Over 5 years	Total
Debt securities in issue					
Interest-bearing notes			35		35
Negotiable debt securities					
. Issued in France	20,660	3,053	1,770	38	25,521
. Issued in other countries	26,802	11,578	7,342		45,722
Bonds			126	226	352
Other debt securities in issue			7		7
Total	47,462	14,631	9,280	264	71,637
Accrued interest					713
Book value					72,350
Subordinated debt					
Fixed-term subordinated debt	2,482	197	502	3,340	6,521
Perpetual subordinated debt				3,101	3,101
Total	2,482	197	502	6,441	9,622
Accrued interest					20
Book value					9,642

€ million	31.12.2006				Total
	Under 3 months	3 months to 1 year	1-5 years	Over 5 years	
Debt securities in issue					
Interest-bearing notes	1		21	24	46
Negotiable debt securities:					
- Issued in France	12,201	395	3,105	3,429	19,130
- Issued in other countries	19,547	19,197	3,493	123	42,360
Bonds	260	190	144	16	610
Other debt securities in issue			8		8
Total	32,009	19,782	6,771	3,592	62,154
Accrued interest					676
Book value					62,830
Subordinated debt					
Fixed-term subordinated debt			589	3,540	4,129
Perpetual subordinated debt				2,020	2,020
Total			589	5,560	6,149
Accrued interest					128
Book value					6,277

4.5 - Derivative hedging instruments

Derivative hedging instruments by type of risk

€ million	31.12.2007		
	Positive market value	Negative market value	Notional amount
Fair value hedges	204	1,346	7,041
Interest rate	94	319	4,281
Shareholders' equity			
Foreign exchange	110	1,027	2,760
Credit			
Commodities			
Other			
Cash flow hedges	268	150	2,249
Interest rate	261	23	1,907
Shareholders' equity			
Foreign exchange	7	124	342
Credit			
Commodities			
Other			
Hedging of net investments in a foreign activity			
Total	472	1,493	9,290

€ million	31.12.2006	
	Positive market value	Negative market value
Micro-hedging	320	154
fair value hedges	280	127
cash flow hedges	40	27
hedges of net investments in a foreign activity		
Macro-hedges (fair value)	23	33
Macro-hedges (cash flow)	1	1
Total	344	188

NOTE 5 : NOTES TO THE INCOME STATEMENT

5.1 - Interest income and expense

€ million	31.12.2007	31.12.2006
Loans and advances to banks	7,997	4,697
Loans and advances to customers	6,878	4,919
Accrued interest receivable on available-for-sale financial assets	697	822
Accrued interest receivable on hedging instruments	1,734	1,208
Lease finance	65	65
Other interest and similar income		18
Interest income⁽¹⁾	17,371	11,729
Deposits by banks	(8,931)	(6,184)
Customer accounts	(4,916)	(2,829)
Available-for-sale financial assets		(190)
Debt securities in issue	(3,656)	(2,779)
Subordinated debt	(214)	(289)
Accrued interest payable on hedging instruments	(1,846)	(1,374)
Lease finance	(42)	(44)
Other interest and similar expense		
Interest expense	(19,605)	(13,689)

(1) of which €153 million on individually impaired receivables

5.2 - Net fee and commission income

€ million	31.12.2007			31.12.2006		
	Income	Expense	Net	Income	Expense	Net
Interbank transactions	157	(130)	27	29	(134)	(105)
Customer transactions	404	(78)	326	500	(27)	473
Securities transactions	1,618	(583)	1,035	1,159	(286)	873
Foreign exchange transactions	24	(11)	13	7	(20)	(13)
Transactions on derivative instruments and other off-balance sheet transactions (including brokerage)	1,004	(548)	456	863	(340)	523
Payment instruments and other banking and financial services	280	(45)	235	191	(41)	150
Trust and similar activities	169	(102)	67	424	(401)	23
Net fee and commission income	3,656	(1,497)	2,159	3,173	(1,249)	1,924

5.3 - Net gains (losses) on financial instruments at fair value through profit or loss

€ million	31.12.2007	31.12.2006
Dividends received	137	126
Unrealised or realised gains or losses on financial assets/liabilities at fair value through profit or loss	1,630	4,490
Unrealised or realised gains or losses on financial assets/liabilities designated as at fair value through profit or loss	18	-
Gain/loss on currency transactions and similar financial instruments (excluding gain/loss on hedges on net investments in foreign activities)	982	771
Hedge accounting gain/loss	1	3
Net gains (losses) on financial instruments at fair value through profit or loss	2,768	5,390

In 2007, realised or unrealised gains or losses on assets/liabilities at fair value through profit and loss include impairment on CDOs with US residential real-estate underlyings and allowances on monoline and guarantor risks, described in note 2.

Net gain/loss resulting from hedge accounting

€ million	2007			2006
	Gains	Losses	Net	Net
Fair value hedges				
Changes in the fair value of hedged items attributable to hedged risks	69	153	(84)	–
Changes in the fair value of hedging derivatives (including termination of coverage)	154	69	85	3
Cash flow hedges				
Changes in the fair value of hedging derivatives - ineffective portion			–	–
Hedging of net investments in a foreign activity				
Changes in the fair value of hedging derivatives - ineffective portion			–	–
Fair-value hedging of the interest-rate risk exposure of a portfolio of financial instruments				
Changes in the fair value of hedged items	9	9	–	8
Changes in the fair value of hedging derivatives	9	9	–	(8)
Cash-flow hedging of the interest-rate risk exposure of a portfolio of financial instruments				
Changes in the fair value of the hedging instrument - ineffective portion			–	–
Termination of hedge accounting in the case of a cash flow hedge				
			–	–
Total hedge accounting gain/loss	241	240	1	3

5.4 - Net gains (losses) on available-for-sale financial assets

€ million	31.12.2007	31.12.2006
Dividends received	56	59
Realised gains or losses on available-for-sale financial assets	431	214
Impairment losses on variable-income securities	(41)	24
Disposal gains/(losses) on loans and advances	63	–
Net gains/(losses) on available-for-sale financial assets	509	297

In 2007, disposal gains realised on available-for-sale financial assets included the sale of exchange shares.

5.5 - Net income and expenses related to other activities

€ million	31.12.2007	31.12.2006
Gains or losses on non-current assets not used in operations		
Policyholders' with-profits entitlement		
Other net income from insurance activities	15	
Change in insurance technical reserves		
Net income from investment properties	4	86
Other net income (expense)	138	125
Net income (expense) related to other activities	157	211

5.6 - General operating expenses

€ million	31.12.2007	31.12.2006
Personnel costs	(2,526)	(2,435)
Taxes other than on income or payroll-related	(55)	(42)
External services and other expenses	(1,126)	(991)
Operating expenses	(3,707)	(3,468)

5.7 - Depreciation, amortisation and impairment of property, plant and equipment and intangible assets

€ million	31.12.2007	31.12.2006
Depreciation and amortisation	(123)	(107)
Impairment	1	1
Total	(122)	(106)

This item comprises depreciation, amortisation and impairment of property, plant and equipment and intangible assets used in operations.

5.8 - Risk-related costs

€ million	31.12.2007	31.12.2006
Charge to reserves and impairment	(1,180)	(392)
Available-for-sale financial assets	(37)	(1)
Loans and advances	(1,094)	(221)
Held-to-maturity financial assets		
Accruals, prepayments and sundry assets	(18)	(52)
Financing commitments	(1)	(9)
Risks and expenses	(30)	(109)
Write-backs of reserves and impairment	203	389
Available-for-sale financial assets		6
Loans and advances	163	310
Held-to-maturity financial assets		
Accruals, prepayments and sundry assets	1	9
Financing commitments	7	28
Risks and expenses	32	36
Charges to reserves and impairment net of write-backs	(977)	(3)
Gains or losses on disposal of available-for-sale financial assets		
Bad debts written off - not impaired	(9)	(21)
Recoveries on bad debts written off	27	38
Discounts on restructured loans		
Losses on financing commitments		
Other losses	(1)	(5)
Risk-related costs	(960)	9

In 2007, the main impairment charges under risk-related costs related to loans and advances (net charge of €979 million).

These charges break down as follows:

- €872 million of net charges relating to individual risks, including €807 million on the monoline ACA;
- €107 million euros of net charges to collective reserves.

5.9 - Net gains/(losses) on other assets

€ million	31.12.2007	31.12.2006
Property, plant and equipment and intangible assets	(2)	0
Gains	1	1
Losses	(3)	(1)
Consolidated equity investments	1	(28)
Gains	2	⁽¹⁾ 2
Losses	(1)	(30)
Net gains/(losses) on other assets	(1)	(28)

(1) By comparison with previously published figures, disposal gains for 2006 have been reduced by €33 million due to the change in method relating to changes in minority interests (see note 1).

5.10 - Income tax

Tax charge

€ million	31.12.2007	31.12.2006
Current tax charge	(445)	(652)
Deferred tax charge	1,127	32
Tax charge for the period	682	(620)

Reconciliation of theoretical tax rate and effective tax rate

€ million	31 december 2007			31 december 2006		
	Base	Tax rate	Tax charge	Base	Tax rate	Tax charge
Income before tax, goodwill impairment and share of net income of equity affiliates	(1,431)	34.43%	493	⁽¹⁾ 2,269	34.43%	(781)
Impact of permanent timing differences		3.63%	52		2.51%	(57)
Impact of different rates on foreign subsidiaries		5.17%	74		(3.75%)	85
Impact of losses for the year, utilisation of tax loss carryforwards and timing differences		1.6%	23		(8.77%)	199
Impact of other items		2.80%	40		2.91%	(66)
Effective tax rate and tax charge		47.64%	682		27.33%	(620)

(1) By comparison with previously published figures, pre-tax income for 2006 has been reduced by €33 million due to the change in method relating to changes in minority interests (see note 1).

NOTE 6 : SEGMENT REPORTING
Definition of business segments

The naming of Calyon's business lines corresponds to the definitions applied within the Credit Agricole S.A. group.

Presentation of business lines

The Bank's activities are based around two predominant business segments: financing on the one hand, and capital markets and investment banking on the other. Together, these represent virtually all of Credit Agricole S.A.'s corporate and investment banking business.

The financing activities encompass syndication, commercial banking in France and internationally, and structured financing (project, aircraft, shipping, telecoms, acquisition, real estate, trade, export and structured commodities finance).

The capital markets and investment banking business encompasses the capital markets activities (treasury, foreign exchange, commodities, interest-rate derivatives, debt markets, credit markets and CDOs, and equity derivatives), the investment banking activities (mergers and acquisitions and equity capital market), as well as equity and futures brokerage activities carried out by CA Cheuvreux, CLSA and Calyon Financial.

Calyon is also present in international private banking through its establishments in Switzerland, Luxembourg, Monaco, Spain and Brazil.

6.1 - Analysis by business line

	31.12.2007					Total
	Financing	Capital markets and investment banking	Total Corporate and investment banking	Asset management	Proprietary asset management and other activities	
€ million						
Net banking income	2,268	439	2,707	538	114	3,359
Operating expenses	(893)	(2,572)	(3,465)	(340)	(24)	(3,829)
Gross operating income	1,375	(2,133)	(758)	198	90	(470)
Risk-related costs	(107)	(853)	(960)			(960)
Operating income	1,268	(2,986)	(1,718)	198	90	(1,430)
Share of net income of affiliates	130	5	135	8		143
Net gains (losses) on other assets	(1)		(1)			(1)
Pre-tax income	1,397	(2,981)	(1,584)	206	90	(1,288)
Income tax	(279)	1,048	769	(55)	(32)	682
Net income	1,118	(1,933)	(815)	151	58	(606)
Minority interests	(41)	(52)	(93)	(15)		(108)
Net income, Group share	1,077	(1,985)	(908)	136	58	(714)
Business line assets:						
- of which investments in affiliates			696	38		734
- of which goodwill arising during the period			(1)	91		90
Total assets			635,373	6,555		641,928
Allocated capital at 31 December 2007			9,900	190		10,090

	31/12/2006					
€ million	Financing	Capital markets and investment banking	Total Corporate and investment banking	Asset management	Proprietary asset management and other activities	Total
Net banking income	2,091	3,306	5,397	474	(9)	5,862
Operating expenses	(843)	(2,406)	(3,249)	(322)	(3)	(3,574)
Gross operating income	1,248	900	2,148	152	(12)	2,288
Risk-related costs	5		5	4		9
Operating income	1,253	900	2,153	156	(12)	2,297
Share of net income of affiliates	158	1	159	7	-	166
Net gains (losses) on other assets ⁽¹⁾	(5)	(13)	(18)	-	(10)	(28)
Pre-tax income	1,406	888	2,294	163	(22)	2,435
Income tax	(337)	(243)	(580)	(42)	2	(620)
Net income	1,069	645	1,714	121	(20)	1,815
Minority interests	(38)	(28)	(66)	(11)	-	(77)
Net income, Group share	1,031	617	1,648	110	(20)	1,738
Business line assets:						
- of which investments in affiliates			637	31		668
- of which goodwill arising during the period			(27)	(2)		(29)
Total assets⁽²⁾			582,259	5,732		587,991
Allocated capital at 31 December 2006			8,100	150		8,250

(1) By comparison with previously published figures, gains or losses on other assets for 2006 have been reduced by €33 million (International private banking: Statutory Auditors 20 million - Capital markets and investment banking: €13 million) due to the change in method relating to changes in minority interests (see note 1).
(2) By comparison with previously published figures, goodwill for 2006 has been reduced by €179 million due to the change in method relating to changes in minority interests (see note 1).

Each segment's assets are determined on the basis of balance sheet accounting items for each business line.

Allocated capital represents 6% of risk-weighted assets as defined for the international solvency ratio.

Each segment's liabilities, equivalent to allocated shareholders' equity, are determined using a normalised calculation of capital allocation by business line.

The capital requirements thus calculated are incremented by 50% of the value of shares in equity affiliates.

The allocation of Calyon's capital to each business line is based on regulatory prudential ratio requirements.

6.2 - Analysis by geographical zone

The geographical analysis of business-line assets and results is based on the countries where operations are booked for accounting purposes.

€ million	31.12.2007			31.12.2006		
	Net income, Group share	Net banking income	Business-line assets	Résultat net part du	Net banking income	Business-line assets
France (including overseas departments and territories)	(1,566)	93	498,504	⁽¹⁾ 390	2,283	431,474
Other European Union countries	68	852	50,608	356	1,191	38,906
Rest of Europe	169	476	3,205	131	418	27,543
North America	71	465	40,157	470	933	39,254
Central and South America	3	28	385	(2)	19	215
Africa and Middle-East	172	98	4,914	189	84	4,767
Asia and Pacific (excluding Japan)	319	1,136	29,598	⁽¹⁾ 154	772	⁽²⁾ 32,040
Japan	50	211	14,557	50	162	13,792
Total	(714)	3,359	641,928	1,738	5,862	587,991

(1) By comparison with previously published figures, net income Group share for 2006 has been reduced by €33 million (France - including overseas departments and territories: €20 million - Asia and Pacific excluding Japan: €13 million) due to the change in method relating to changes in minority interests (see note 1).

(2) By comparison with previously published figures, business-line assets for 2006 have been reduced by €179 million due to the change in method relating to changes in minority interests (see note 1).

NOTE 7 : NOTES TO THE BALANCE SHEET AT 31 DECEMBER 2007

7.1 - Cash, due from central banks

€ million	31.12.2007		31.12.2006	
	Assets	Liabilities	Assets	Liabilities
Cash	54		28	
Due to central banks	10,304	376	1,757	80
Total principal	10,358	376	1785	80
Accrued interest	9	7	2	-
Book value	10,367	383	1,787	80

7.2 - Financial assets and liabilities at fair value through profit or loss

Financial assets at fair value through profit or loss

€ million	31.12.2007	31.12.2006
Financial assets held for trading	389,273	359,497
Financial assets designated as at fair value	91	38
Fair value on balance sheet	389,364	359,535
Of which lent securities	3,979	4,729

Financial assets held for trading

€ million	31.12.2007	31.12.2006
Loans and advances to customers	3,215	
Securities bought under repurchase agreements	95,074	99,057
Securities held for trading	111,010	128,671
Treasury bills and similar items	33,074	27,568
Bonds and other fixed-income securities ^(a)	51,097	66,506
Listed securities	42,677	59,137
Unlisted securities	8,420	7,369
Equities and other variable-income securities	26,839	34,597
Listed securities	26,742	34,487
Unlisted securities	97	110
Derivative instruments	179,974	131,769
Fair value on balance sheet	389,273	359,497

(a) Including mutual funds.

Amounts relating to securities bought under repurchase agreements include securities that the entity is authorised to provide as collateral.

Financial assets designated as at fair value

€ million	31.12.2007	31.12.2006
Securities held for trading	91	38
Equities and other variable-income securities	91	38
Listed securities		
Unlisted securities	91	38
Fair value on balance sheet	91	38

Financial liabilities at fair value through profit or loss

€ million	31.12.2007	31.12.2006
Securities sold short	23,270	38,040
Securities sold under repurchase agreements	105,540	110,087
Debt securities in issue	26,214	28,073
Amounts due to customers	542	
Derivative instruments	177,377	126,791
Fair value on balance sheet	332,943	302,991

7.3 - Derivative trading instruments

Detailed information is provided in note 4.2 on market risk, particularly for interest rates.

7.4 - Available-for-sale financial assets

€ million	31.12.2007	31.12.2006
Treasury bills and similar items	6,326	12,376
Bonds and other fixed-income securities	8,816	10,002
Listed securities	5,729	9,567
Unlisted securities	3,087	435
Equities and other variable-income securities	1,257	2,013
Listed securities	502	647
Unlisted securities	755	1,366
Total available-for-sale securities	16,399	24,391
Total available-for-sale receivables	3	3
Accrued interest	106	157
Fair value on balance sheet⁽¹⁾	16,508	24,551

(1) of which: €43 million relating to impaired available-for-sale fixed-income securities
 €714 million relating to impaired available-for-sale variable-income securities
 No guarantees received on impaired outstandings
 No significant item less than 90 days past due
 €556 million in impairment of available-for-sale securities and receivables at 31 December 2007 and
 €786 million at 31 December 2006

Unrealised gains and losses on available-for-sale financial assets

€ million	31.12.2007			31.12.2006		
	Fair value	Unrealised gains	Unrealised losses	Fair value	Unrealised gains	Unrealised losses
Treasury bills and similar items	6,326	6	23	12,376	2	1
Bonds and other fixed-income securities	8,816	13	27	10,002	42	
Equities and other variable-income securities	561	215	2	710	223	
Non-consolidated investments	696	136	13	1,303	269	35
Available-for-sale receivables	3			3		
Accrued interest	106			157		
Book value of available-for-sale financial assets	16,508	370	65	24,551	536	36
Deferred tax		(73)	(11)		(103)	
Total unrealised gains and losses on available-for-sale financial assets, net of tax	16,508	297	54	24,551	433	36

7.5 - Due from banks and loans and advances to customers

Due from banks

€ million	31.12.2007	31.12.2006
Banks		
Loans and advances	29,220	28,603
Performing current accounts in debit and receivables	5,206	3,603
Performing overnight time accounts and loans	1,857	1,082
Pledged securities	2,763	20
Securities bought under repurchase agreements	23,273	29,870
Subordinated loans	5	4
Securities not traded in an active market	112	56
Other loans and advances	16	9
Total	55,389	58,562
Accrued interest	364	1,153
Impairment	(91)	(196)
Net book value	55,662	59,519

Loans and advances to customers

€ million	31.12.2007	31.12.2006
Customer items		
Bills discounted	9,572	8,264
Other loans	92,538	74,045
Securities bought under repurchase agreements	10,088	12,876
Subordinated loans	422	440
Securities not traded in an active market	2,443	2,624
Short-term advances	3	
Current accounts in debit	5,208	4,463
Total	120,274	102,712
Accrued interest	793	793
Impairment	(2,613)	(2,039)
Net book value	118,454	101,466
Lease finance		
Property leasing	434	472
Equipment leasing, operating leases and similar transactions		1
Total	434	473
Accrued interest	3	3
Impairment		
Net book value	437	476
Total	118,891	101,942

7.6 - Impairment deducted from financial assets

€ million	01.01.2007	Change in scope	Charges	Write-backs and utilisations	Translation and adjustments	Other movements	31.12.2007
Available-for-sale financial assets	786	16	78	(284)	(29)	(11)	556
Interbank loans	196		9	(108)	(6)		91
Customer loans	2,039	(1)	1,159	(496)	(113)	25	2,613
of which collective reserves	1,125		107		(64)		1,168
Lease finance							
Held-to-maturity securities							
Other financial assets	131		20	(4)			147
Total impairment of financial assets	3,152	15	1,266	(892)	(148)	14	3,407

€ million	01.01.2006	Change in scope	Charges	Write-backs and utilisations	Translation and adjustments	Other movements	31.12.2006
Available-for-sale financial assets	612	240	44	(91)	(19)		786
Interbank loans	266	2	3	(63)		(12)	196
Customer loans	2,552	(46)	330	(611)	(139)	(47)	2,039
of which collective reserves	1,119		73		(67)		1,125
Lease finance	1			(1)			
Held-to-maturity securities							
Other financial assets	18		51	(9)		71	131
Total impairment of financial assets	3,449	196	428	(775)	(158)	12	3,152

7.7 - Due to banks and customer accounts

Due to banks

€ million	31.12.2007	31.12.2006
Deposits	58,576	59,298
of which current accounts in credit	10,477	9,068
of which overnight accounts and borrowings	4,153	14,991
Pledged assets	1,325	347
Securities sold under repurchase agreements	18,244	17,180
Total	78,145	76,825
Accrued interest	360	1,985
Book value of amounts due to banks	78,505	78,810

Customer accounts

€ million	31.12.2007	31.12.2006
Current accounts in credit	18,512	19,823
Other accounts	70,718	60,736
Securities sold under repurchase agreements	8,685	3,200
Total	97,915	83,759
Accrued interest	306	276
Book value	98,221	84,035

7.8 - Held-to-maturity financial assets

Calyon does not have a portfolio of held-to-maturity financial assets.

7.9 - Debt securities in issue and subordinated debt

€ million	31.12.2007	31.12.2006
Debt securities in issue		
Interest-bearing notes	35	46
Negotiable debt securities	71,243	61,490
Issued in France	25,521	19,130
Issued in other countries	45,722	42,360
Bonds	352	610
Other debt securities in issue	7	8
Total	71,637	62,154
Accrued interest	713	676
Book value	72,350	62,830
Subordinated debt		
Fixed-term subordinated debt	⁽¹⁾ 6,521	4,129
Perpetual subordinated debt	3,101	2,020
Total	9,622	6,149
Accrued interest	20	128
Book value	9,642	6,277

(1) of which €2,250 million of shareholder advances

7.10 - Deferred tax assets and liabilities

Deferred tax liabilities

€ million	31.12.2007	31.12.2006
Available-for-sale assets	60	100
Cash flow hedges	–	(1)
Other timing differences	37	46
Other deferred tax liabilities	40	46
Total deferred tax liabilities	137	191

Deferred tax assets

€ million	31.12.2007	31.12.2006
Non-deductible reserves for risks and expenses	560	404
Non-deductible accrued expenses	128	146
Cash flow hedges	50	23
Other deferred tax assets	1,103	170
Total deferred tax assets	1,841	743

The increase in deferred tax assets relative to 2006 results mainly from the accounting consequences of the credit market crisis described in the management report. For some Calyon group entities, the reserves and impairment booked in 2007 resulted in a tax loss that can be carried forward, and therefore in the accounting recognition of a deferred tax asset. As regards

impairment that was not tax-deductible in 2007, the timing difference between accounting income and income for tax purposes also resulted in the recognition of a deferred tax asset, in accordance with the accounting policies described in note 1.2.

7.11 - Accruals, prepayments and sundry assets and liabilities

Prepayments, accrued income and sundry assets

€ million	31.12.2007	31.12.2006
Sundry assets	37,045	24,231
Inventory accounts and miscellaneous		
Miscellaneous debtors ⁽¹⁾	22,229	19,598
Settlement accounts	14,816	4,633
Prepayments and accrued income	8,770	12,822
Items in course of transmission to other banks	3,815	3,464
Adjustment and suspense accounts	1,987	7,976
Accrued income	791	1,133
Prepayments	190	152
Other	1,987	97
Net book value	45,815	37,053

(1) of which impaired amounts: €147 billion

Accruals, deferred income and sundry liabilities

€ million	31.12.2007	31.12.2006
Sundry liabilities⁽¹⁾	30,292	22,993
Settlement accounts	13,940	5,218
Miscellaneous creditors and others	16,351	17,775
Liabilities related to trading securities	1	
Accrued expenses and deferred income	5,921	15,182
Items in course of transmission to other banks ⁽²⁾	2,502	4,154
Adjustment and suspense accounts	1,283	7,700
Deferred income	433	865
Accrued expenses	1,565	2,327
Other	138	136
Book value	36,213	38,175

(1) Amounts include accrued interest.

(2) Amounts are shown net.

7.12 - Non-current assets held for sale and associated liabilities

€ million	31.12.2007	31.12.2006
Non-current assets held for sale	77	
Liabilities associated with non-current assets held for sale		

7.13 - Investments in equity affiliates

Details are given in note 3.3 under “scope of consolidation”.

7.14 - Investment property

€ million	Balance 01.01.2007	Changes in scope	Increases (acquisitions)	Decreases (disposals and redemptions)	Translation adjustments	Other movements	Balance 31.12.2007
Gross value	34		4	(11)		(19)	8
Depreciation and impairment	(18)			3		13	(2)
Net book value	16	0	4	(8)	0	(6)	6

Including investment property let to third parties.

€ million	Balance 01.01.2006	Changes in scope	Increases (acquisitions)	Decreases (disposals and redemptions)	Translation adjustments	Other movements	Balance 31.12.2006
Gross value	322	(7)	5	(169)	(8)	(109)	34
Depreciation and impairment	(122)	7	(6)	13	6	84	(18)
Net book value	200	0	(1)	(156)	(2)	(25)	16

Including investment property let to third parties.

7.15 - Property, plant and equipment and intangible assets (excluding goodwill)

€ million	01.01.2007	Changes in scope	Increases (acquisitions, business combinations)	Decreases (disposals and redemptions)	Translation adjustments	Other movements	31.12.2007
Property, plant and equipment							
Gross value	1,230	8	167	(44)	(37)	7	1,331
Accrued interest ⁽¹⁾							
Depreciation and impairment	(584)	(9)	(96)	37	21	(2)	(633)
Net book value	646	(1)	71	(7)	(16)	5	698
Intangible assets							
Gross value	256	9	92	(13)	(7)	12	349
Amortisation and impairment	(174)	(7)	(27)	12	4	(10)	(202)
Net book value	82	2	65	(1)	(3)	2	147

(1) Accrued rents on assets let to third parties.

€ million	01.01.2006	Changes in scope	Increases (acquisitions, business combinations)	Decreases (disposals and redemptions)	Translation adjustments	Other movements	31.12.2006
Property, plant and equipment							
Gross value	1,120	(2)	109	(73)	(31)	107	1,230
Accrued interest ⁽¹⁾							
Depreciation and impairment	(504)		(89)	66	18	(75)	(584)
Net book value	616	(2)	20	(7)	(13)	32	646
Intangible assets							
Gross value	228	11	32	(12)	(4)	1	256
Amortisation and impairment	(171)		(18)	12	4	(1)	(174)
Net book value	57	11	14	0	0	0	82

(1) Accrued rents on assets let to third parties.

7.16 - Goodwill

An analysis of this item is provided in note 3.6 under "scope of consolidation".

7.17 - Insurance company technical reserves

At 31 December 2007, the amount of insurance company technical reserves was not significant.

7.18 - Reserves

€ million	31.12.2006	Changes in scope	Charges	Write-backs, amounts used	Write-backs, amounts released	Translation adjustments	Other movements	31.12.2007
Financing commitment execution risks	26		1		(7)		(1)	19
Operational risk								
Employee retirement and similar benefits ⁽¹⁾	305	2	55	(15)	(13)	(13)	44	365
Litigation ⁽²⁾	478	(14)	130	(34)	(31)	(4)	(8)	517
Equity investments								
Restructuring								
Other risks	111	11	20	(4)	(29)	(2)	(4)	103
Reserves	920	(1)	206	(53)	(80)	(19)	31	1,004

(1) including €232 million with respect to post-employment benefits on defined-benefit pension plans as detailed in note 8.4, including €5 million with respect to long-service awards at 31 December 2007.

(2) At 31 December 2007, the €517 million of litigation reserves break down as follows:

- tax disputes: €94 million
- legal disputes: €423 million

7.19 - Shareholders' equity

Ownership structure at 31 December 2007

No shares are held by Calyon (parent-company) or by any of its subsidiaries.

To the best of the company's knowledge, there is no shareholders' agreement.

At 31 December 2007, ownership of the Calyon parent-company's capital and voting rights was as follows:

Shareholder	Number of shares 31.12.2007	% of share capital	% of voting rights
Crédit Agricole S.A.	131,083,951	95.28	95.28
SACAM Développement ⁽²⁾	3,068,465	2.23	2.23
C.A. Bourse ⁽¹⁾	2,776,832	2.02	2.02
Delfinances ⁽¹⁾	604,589	0.44	0.44
CPR G ⁽¹⁾	48 539	0.03	0.03
Individuals	16		
Total	137,582,392	100.00	100.00

(1) Owned by the Crédit Agricole S.A. group.

(2) Owned by the Crédit Agricole group.

Preferred shares

Issuing entity	Date of issue	Amount of issue in \$ million	31.12.2007 € million	31.12.2006 € million
Calyon Preferred Funding LLC	Dec 1998	230	156	175
Calyon Preferred Funding II LLC	Jun 2002	320	217	243
Total		550	374	418

The par value of shares is €27.
All the shares are fully paid up.

Earnings per share

	31.12.2007	31.12.2006
Net income used to calculate earnings per share (in millions of euros)	(714)	⁽¹⁾ 1,738
Average number of ordinary shares in issue during the year	132,419,957.5	121,402,307.5
Number of potentially dilutive shares		0
Weighted average number of ordinary shares used to calculate diluted earnings per share	132,419,957.5	121,402,307.5
Basic earnings per share (in euros)	(5.39)	14.32
Diluted earnings per share (in euros)	(5.39)	14.32

(1) By comparison with previously published figures, net income for 2006 has been reduced by €33 million due to the change in method relating to changes in minority interests (see note 1)

Dividends

Calyon SA's Board of Directors has not proposed a dividend with respect to 2007, subject to shareholders' approval in the general meeting of shareholders.

Dividend paid in respect of year	Net amount € million
2004	250
2005	1,551
2006	2,049

Appropriation of net income and proposed dividend for 2006

The appropriation of net income and the fixing of the dividend for 2007 are proposed in the draft resolutions presented by the Board of Directors to Calyon's general meeting of shareholders to be held on 13 May 2008.

The proposed resolution reads as follows:

First resolution

Having heard the Board of Directors' report to the meeting, the Board of Directors' management report, the chairman's report and the statutory auditors' reports, and voting in accordance with the requirements to transact ordinary business, the shareholders approve the parent-company financial statements for the period ended 31 December 2007 as presented to them.

Second resolution

Having heard the Board of Directors' report to the meeting, the Board of Directors' management report and the statutory auditors' report, and voting in accordance with the requirements to transact ordinary business, the shareholders approve the consolidated financial statements for the period ended 31 December 2007 as presented to them.

Third resolution

Voting in accordance with the requirements to transact ordinary business, the shareholders resolve to appropriate the loss for 2007 (€2,855,360,275.11) to the following items:

- €1,949,057,503.99 to issue premiums;
- €356,755,610.15 to merger premiums;
- €549,547,169.97 to premiums on issues for non-cash consideration.

In accordance with the law, the shareholders formally take note of the amounts of dividends paid for the last three financial years:

Year	Number of shares receiving dividends	Net dividend per share (in euros)
2004	115,547,092	⁽¹⁾ 2.16
2005	115,547,092	⁽²⁾ 13.42
2006	127,257,523	⁽²⁾ 16.10

(1) Dividend eligible for the 50% tax allowance provided for in article 158/3/2 of the General Tax Code, solely for shareholders who are natural persons.

(2) Dividend eligible for the 40% tax allowance provided for in article 158/3/2 of the General Tax Code, solely for shareholders who are natural persons.

NOTE 8 : EMPLOYEE BENEFITS AND OTHER COMPENSATION

8.1 - Personnel costs

Analysis of expenses € million	31.12.2007	31.12.2006
Salaries ⁽¹⁾	(2,014)	(1,845)
Other social security expenses	(465)	(474)
Incentive plans and profit-sharing	(8)	(52)
Payroll-related tax	(39)	(64)
Total personnel costs	(2,526)	(2,435)

(1) including other long-term benefits: €5 million of long-service benefits including €19.5 million of charges relating to stock-option plans

8.2 - Average headcount

(Full-time equivalent)	31.12.2007	31.12.2006
France	4,587	4,474
Outside France	9,230	8,627
Total	13,817	13,101

8.3 - Post-employment benefits, defined contribution plans

French employers contribute to a variety of compulsory pension plans. Plan assets are managed by independent organisations and the contributing companies have no legal or implicit obligation to pay additional contributions if the funds do not have sufficient assets to cover all benefits corresponding to services rendered by employees during the year and during prior years. Consequently, Calyon has no liability in this respect other than the contributions payable.

Within Calyon, there are several compulsory defined contribution plans, the main ones being Agirc/Arrco, which are French supplementary retirement plans, supplemented by an "Article 83" - type plan.

8.4 - Post-employment obligations, defined benefit plans

Change in actuarial liability

€ million	31.12.2007	31.12.2006	31.12.2005
Actuarial liability at 31/12/ N-1	853	774	720
Foreign exchange difference	(49)		
Current service cost	36	30	26
Interest cost	37	34	31
Employee contributions	6	7	7
Plan revision / curtailment / settlement	1	9	(12)
Acquisitions, divestments (change in scope of consolidation)	14		1
Early retirement allowances	(1)	1	
Benefits paid (obligatory)	(31)	(29)	(16)
Actuarial gains/(losses) ⁽¹⁾	75	27	31
Actuarial liability at 31/12/N	941	853	788

The difference between the closing figure in 2005 and the opening figure in 2006 is due in part to changes in scope.

Breakdown of net charge recognised in the income statement

€ million	31.12.2007	31.12.2006	31.12.2005
Current service cost	36	30	26
Interest cost	37	34	31
Expected return on assets during the period	(32)	(29)	(6)
Amortisation of past service cost	(1)	2	
Amortisation of actuarial gains/(losses)	8	13	16
Gains/(losses) on plan curtailment / settlement		5	(6)
Gains/(losses) on asset ceiling			
Net charge recognised in the income statement	48	55	61

Fair value of plan assets and reimbursement rights

€ million	31.12.2007	31.12.2006	31.12.2005
Fair value of assets/reimbursement rights at 31/12/N-1	599	540	470
Foreign exchange difference	(36)		
Expected return on assets	32	29	15
Actuarial gains/(losses) on plan assets ⁽¹⁾	70	23	15
Employer's contributions	38	25	44
Employee contributions	6	8	7
Plan revision / curtailment / settlement	7		
Acquisitions, divestments (change in scope of consolidation)	18	1	1
Early retirement allowances			
Benefits paid	(31)	(27)	(12)
Fair value of assets/reimbursement rights at 31/12/N	703	599	540

Net position

€ million	31.12.2007	31.12.2006	31.12.2005
Closing actuarial liability	941	853	788
Unrecognised past service cost			
Gains/(losses) on asset ceiling			
Closing actuarial liability	941	853	788
Closing fair value of assets / reimbursement rights	703	599	540
Closing net position (liability) asset	(238)	(254)	(248)

The net position is covered by a reserve for employee liabilities.

Plan assets⁽²⁾

	2007	2006	2005
Breakdown of assets			
- % bonds	74%	74%	74%
- % equities	16%	16%	16%
- % other	10%	10%	10%

Defined benefit plans: key actuarial assumptions

	2007	2006	2005
Discount rate ⁽³⁾		2.25% to 4.25%	2.5% to 4.09%
Expected return on plan assets and reimbursement rights	4.5%	4%	4%
Expected salary increases ⁽⁴⁾		2.65% to 3.55%	2.50%
Increase in healthcare costs	5%	4%	4%

(1) Certain pension plans are covered by a contract shared between all Crédit Agricole Group entities.

The allocation formula for contributions, liabilities and constituted funds was changed in 2007. This method is now based on the financial data of the populations concerned, instead on the number of full-time-equivalent staff. As a result, the effect is entirely neutral across the whole of the Crédit Agricole Group. However, the change caused a €74 million increase in Calyon's liabilities, although this had no impact on income since it was offset by the change in managed funds.

(2) Calculated on the assets of Calyon (parent-company) in France.

(3) Calculated on the discount rates defined by the Group and on the residual term of the commitments.

(4) Depending on the populations concerned (executive or non-executive).

8.5 - Other employee benefits

Calyon gives its employees an interest in its development and in its results via a number of mechanisms.

Under the profit-sharing agreement, the special reserve has since 2005 been calculated according to the statutory formula pursuant to article L.442-2 of the Employment Code. It is shared among beneficiaries in proportion to their gross salary subject to statutory caps.

As regards incentive plans, a new agreement has been signed for 2007, 2008 and 2009. This agreement retains the principles of the previous agreement for 2004-2006. It rewards employees for improvements in the cost/income ratio and overall performance, before the impact of exceptional factors.

The amounts distributed in the last five years have been as follows:

Financial year € million	Year of payment	Employee profit-sharing	Incentive plans
2006	2007	–	41.5
2005	2006	–	37.1
2004	2005	29.1	–
2003	2004	23.4	10.0
2002	2003	10.7	–

Calyon also has an employee savings plan which supplements the above plans. It offers a diverse selection of mutual funds. Calyon tops up employees' voluntary contributions. The top-up rate has been 150% from 1 May 2007, limited to €1,500 per year (under the agreement of 24 April 2007, which is valid until 31 December 2009).

Calyon also grants long-service awards.

- in April 2003, with a strike price of €14.59;
 - in December 2003, with a strike price of €18.09;
- corresponding to the average share price in the twenty trading sessions preceding these Board meetings.

In December 2003, using the authority granted at the AGM held on 21 May 2003, Crédit Agricole S.A. also harmonised the various stock option plans existing within the Group by converting the stock option plans granted by certain of its subsidiaries (including Crédit Agricole Indosuez) into Crédit Agricole S.A. options, and accordingly granted Crédit Agricole S.A. stock options to the beneficiaries in the subsidiaries concerned.

8.6 - Share-based payments

Using the authorities granted by extraordinary resolution of the Crédit Agricole S.A. shareholders on 22 May 2002, 21 May 2003 and 17 May 2006, Crédit Agricole S.A.'s Board of Directors have implemented five stock option plans for the benefit of Calyon staff.

2003 stock option plans

Using the authority granted by extraordinary resolution of Crédit Agricole S.A. shareholders on 22 May 2002 and 21 May 2003, Crédit Agricole S.A.'s Board of Directors created two stock-option plans for executive officers and certain senior managers of Crédit Agricole S.A. and its subsidiaries including Crédit Agricole Indosuez, which is the former name of Calyon:

2004 stock option plans

On 23 June 2004, Crédit Agricole S.A.'s Board of Directors created a stock option plan for executive officers and certain senior managers of Crédit Agricole S.A. and its subsidiaries (including Calyon), using the authority granted by extraordinary resolution of the shareholders at the AGM held on 21 May 2003. The total number of shares that may potentially be issued under this plan for Calyon is 5,168,000 at a price of €20.48, which is equal to the average price quoted during the twenty trading sessions preceding the date of the Crédit Agricole S.A. board meeting, with no discount.

2005 stock option plans

On 19 June 2005, Crédit Agricole S.A.'s Board of Directors granted 5,000 stock options to a new Calyon employee with a strike price of €20.99, equal to the average price quoted during the twenty trading sessions preceding the date of the Crédit Agricole S.A. board meeting, with no discount.

On 6 October 2006, the Board of Directors created a stock option plan for executive officers and certain senior managers of Crédit Agricole S.A. and its subsidiaries, comprising 5,146,500 options for Calyon staff at a strike price of €33.61.

2006 stock option plans

On 18 July 2006, using the authorisation granted by extraordinary resolution of Crédit Agricole S.A. shareholders in their meeting of 17 May 2006, the Board of Directors of Crédit Agricole S.A. set the terms and conditions for granting a stock option plan and granted the necessary powers to its Chairman to carry out this plan.

Since the options granted under the April and December 2003 plans can now be exercised, and in accordance with the Board's decisions, the number of options and strike prices in these two plans have been adjusted to take into account transactions affecting the capital in November 2003 and January 2007.

Description of the aforementioned five Crédit Agricole S.A. stock option plans:

Crédit Agricole S.A. stock option plans	2003		2004	2005	2006	Total
Date of Crédit Agricole S.A. AGM authorising the plan	22/05/2002	21/05/2003	21/05/2003	21/05/2003	17/05/2006	
Date of Crédit Agricole S.A. board meeting	15/04/2003	17/12/2003	23/06/2004	19/07/2005	18/07/2006	
Option grant date	15/04/2003	17/12/2003	05/07/2004	19/07/2005	06/10/2006	
Term of plan	7 years	7 years	7 years	7 years	7 years	
Vesting period	4 years	4 years	4 years	4 years	4 years	
First exercise date	15/04/2007	17/12/2007	05/07/2008	19/07/2009	06/10/2010	
Expiry date	15/04/2010	17/12/2010	05/07/2011	19/07/2012	07/10/2013	
Number of Calyon grantees	162	157	588	1	745	
Number of options granted to Calyon staff ⁽¹⁾	1,714,447	3,746,001	5,168,000	5,000	5,416,500	
Strike price ⁽²⁾	€14.38	€17.83	€20.48	€20.99	€33.61	16,049,948
Performance conditions	No	No	No	No	No	
Conditions in case of departure from Group						
Resignation	Forfeit	Forfeit	Forfeit	Forfeit	Forfeit	
Dismissal	Forfeit	Forfeit	Forfeit	Forfeit	Forfeit	
Retirement	Retain	Retain	Retain	Retain	Retain	
Death	Retain ⁽²⁾	Retain ⁽²⁾	Retain ⁽²⁾	Retain ⁽²⁾	Retain ⁽²⁾	
Number of options granted to the ten largest grantees ^{(1) (3)}		1,483,917	400,000	5,000	390,000	
granted to Calyon executive officers ⁽¹⁾		756,016	170,000		180,000	
Valuation method used	Black-Scholes	Black-Scholes	Black-Scholes	Black-Scholes	Black-Scholes	

(1) Based on information reported by Crédit Agricole S.A.

(2) If heirs and successors exercise within six months of death.

(3) Excluding Calyon corporate officers.

Key assumptions used to value the stock option plans

Crédit Agricole S.A. values the options granted and invoices Calyon on the grant date based on the market value of the options on that date. The only assumptions that may be revised during the vesting period, resulting in an adjustment to this expense, are those relating to the beneficiaries (options forfeited on resignation or dismissal).

Plans - Date of grant	15/04/2003	17/12/2003	05/07/2004	19/07/2005	06/10/2006
Estimated length of plan	5 years	5 years	5 years	5 years	7 years
Rate of forfeiture	5%	5%	5%	5%	1.25%
Estimated dividend rate	3.46%	3.01%	3.34%	3.22%	3.03%
Volatility on the date of grant	40%	27%	25%	25%	28%

The Black-Scholes model has been used for all Crédit Agricole S.A. stock option plans.

Share subscription plans proposed to employees as part of the Employee Share Ownership Plan

The 2007 employee share issue amounted to €500 million (before discount). In the Calyon group, there were 5,258 applicants investing an average amount of €14,268.

Crédit Agricole S.A. shares were bought at a price of €22.01 each (€23.38 in the USA). This price is equal to the average Crédit Agricole S.A. share price in the trading sessions from 24 September to 19 October 2007 inclusive, minus a 20% discount (15% in the USA).

The calculation used to measure the discount follows the method recommended by the CNC communiqué of 21 December 2004. The calculation measures the vesting cost, based on a strategy involving forward sales of the non-vested shares and spot purchases of the same number of shares, financed by a loan.

The average interest rate used to assess the cost of this financing is 6.38% (risk-free rate plus an average spread).

The result of the calculation has led to the recognition of 33% of the discount, resulting in an accounting charge of €5 million.

8.7 - Executive officers' compensation

The term "executive officers" here refers to members of Calyon's Executive Committee and Board of Directors.

The membership of the Executive Committee is set out in the Governance and Internal Control chapter on page 50 of this shelf registration document.

Compensation and benefits paid to the members of the Executive Committee in 2007 were as follows:

- short-term benefits: €34.9 million including fixed and variable compensation and benefits in kind;
- post-employment benefits at 31 December 2007: €6.2 million in end-of-career and pension rights under the supplementary plan in place for the Group's senior executives;
- other long-term benefits: the amount granted under long-service bonuses is insignificant;
- employment contract termination indemnities: not meaningful.

Directors' fees paid to members of Calyon's Board of Directors in 2007 amounted to €0.4 million.

NOTE 9 : FINANCING AND GUARANTEE COMMITMENTS

Commitments given and received and assets given as guarantees

€ million	31.12.2007	31.12.2006
COMMITMENTS GIVEN	153,967	165,340
Financing commitments	114,741	124,751
Banks	8,346	31,091
Customers	106,395	93,660
Confirmed credit lines	105,585	92,844
Confirmed documentary credits	12,020	7,499
Other confirmed credit lines	93,565	85,345
Other	810	816
Guarantee commitments	39,226	40,589
Banks	5,534	5,043
Confirmed credit lines	2,233	1,971
Other	3,301	3,072
Customers	33,692	35,546
Property guarantees	2,154	1,801
Loan repayment guarantees	8,597	7,047
Other guarantees	22,941	26,698
COMMITMENTS RECEIVED	99,699	56,281
Financing commitments	2,029	5,771
Banks	1,373	4,959
Customers	656	812
Guarantee commitments	97,670	50,510
Banks	14,453	11,533
Customers	83,217	38,977
Guarantees received from government bodies or similar	10,878	7,994
Other	72,339	30,983

The majority of guarantees and enhancements held correspond to mortgages, collateral and guarantee deposits received, regardless of the quality of the assets guaranteed.

Assets given as guarantees

€ million	31.12.2007	31.12.2006
ASSETS GIVEN AS LIABILITY GUARANTEES		
Liabilities	144,922	137,929
Contingent liabilities		

Amounts relate to loaned securities, securities sold under repurchase agreements and guarantee deposits on market transactions.

NOTE 10 : FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The fair values shown below are estimates made on the reporting date. They are likely to change in subsequent periods due to developments in market conditions or other factors.

Fair value of assets and liabilities measured at amortised cost

€ million	31.12.2007		31.12.2006	
	Book value	Estimated market value	Book value	Estimated market value
Assets				
Due from banks	55,662	55,662	59,519	59,519
Loans and advances to customers	118,891	118,803	101,942	101,892
Held-to-maturity financial assets				
Investment property	6	6	16	16
Liabilities				
Due to banks	78,505	78,505	78,810	78,810
Customer accounts	98,221	98,221	84,035	84,035
Debt securities in issue	72,350	72,328	62,830	62,830
Subordinated debt	9,642	9,642	6,277	6,277

Seized collateral

Calyon's policy is to sell seized collateral as soon as possible. Calyon did not own any such seized collateral at 31 December 2007.

Assets accepted as collateral that Calyon has the capacity to alienate

Assets accepted as collateral by the Calyon group that it is authorised to sell or repledge are not meaningful, and the use of this collateral is not covered by a systematic policy, given its marginal place in the Calyon group's activities.

These values represent the best estimate that can be made and are based on a certain number of assumptions. To the extent that these models contain uncertainties, the fair values shown may not be achieved upon actual sale or immediate settlement of the financial instruments concerned.

In practice, and in line with the going-concern principle, not all these financial instruments would necessarily be settled immediately at the values estimated below.

In some cases, market values are close to book values. This is particularly the case for:

- floating-rate assets or liabilities where changes in interest rates have no significant influence on fair value, as the rates on these instruments are frequently adjusted to market rates;
- short-term assets or liabilities where the redemption value is considered to be close to the market value;
- sight liabilities;
- transactions for which there are no reliable observable data.

Fair value of assets and liabilities valued on the basis of non-observable data

As described in note 2, the fair value of certain financial instruments is determined using valuation techniques that are not based on observable market data. At 31 December 2007, this was particularly the case for:

- CDOs with US residential real estate underlyings;
- hedges on some of the aforementioned CDOs with US residential real estate underlyings;
- to a lesser extent, other interest-rate, equity and credit derivatives.

The €3.179 million fall in fair value in 2007 mainly reflects impairment on CDOs and CDO hedges.

At 31 December 2006, market data were available for valuing CDOs and CDO hedges.

	31.12.2007			
	Book value (if different from fair value)	Fair value recognised or provided in the financial statements	Of which determined using valuation techniques not based on market data ⁽¹⁾	Change during the period in fair value resulting from valuation techniques not based on market data ⁽¹⁾
€ million				
Financial assets held for trading		389,273	14,506	(3,179)
Financial assets designated as at fair value through profit and loss		91		
Available-for-sale financial assets		16,508		
Loans and advances	174,553	174,465		
Other financial assets	11,573	11,573		
Financial liabilities held for trading		332,943	272	
Financial liabilities designated as at fair value through profit and loss				
Other financial liabilities	260,594	260,572		

(1) These valuation techniques are set out in the "risk factors" section of the management report.

€ million	31.12.2006		
	Book value (if different from fair value)	Fair value recognised or provided in the financial statements	Of which determined using valuation techniques not based on market data ⁽ⁱ⁾
Financial assets held for trading		359,497	1,329
Financial assets designated as at fair value through profit and loss		38	
Available-for-sale financial assets		24,551	
Loans and advances	161,461	161,411	
Other financial assets	2,799	2,799	
Financial liabilities held for trading		302,991	199
Financial liabilities designated as at fair value through profit and loss		0	
Other financial liabilities	232,220	232,220	

(i) These valuation techniques are set out in the "risk factors" section of the management report.

Information on the change during the period in fair value resulting from valuation techniques not based on market data is not available for 2006.

Measurement of the impact of taking into account day-one gains

€ million	2007	2006
Deferred gains at 1 January	444	399
Deferred gains generated by new transactions during the period	292	218
Recognised in income during the period		
Amortisation and cancelled/redeemed/expired transactions	(211)	(166)
Effect of parameters or products that became observable during the year	(75)	(7)
Deferred gains at 31 December	450	444

NOTE 11 : POST-BALANCE-SHEET EVENTS**Press release of 2 January 2008**

Operational launch of Newedge, brokerage subsidiary of Société Générale and Calyon

Société Générale and Calyon have today concluded the merger of the brokerage activities of their respective subsidiaries, Fimat and Calyon Financial, which was announced on August 8th, 2007. This makes effective the operational launch of Newedge, a world leader in the execution and clearing of listed derivative products. The objective of both shareholders is to arrange an IPO for the new entity within 18 to 24 months.

Newedge is controlled 50/50 by Société Générale and Calyon. Its Chairman, Marc Litzler, CEO of Calyon and the Vice-Chairman, Philippe Collas, Deputy CEO of Société Générale with responsibility for its Global Investment Management and Services division, have been appointed for a period of two years, with an alternation between Société Générale and Calyon.

Patrice Blanc, Chairman and CEO of Fimat, has been appointed CEO of Newedge and Richard Ferina, Chairman and CEO of Calyon Financial, will be Deputy CEO.

Newedge offers clients a full range of clearing and execution services covering options and futures contracts for financial products and commodities, as well as for money market instruments, bonds, FX, equities, and commodities on OTC markets. Newedge also provides a range of value added services, including prime brokerage, asset financing, an electronic platform for trading and order routing, cross margining, and the processing and centralized reporting of client portfolios.

Newedge gives its institutional clients access to over 70 markets worldwide. Headquartered in Paris and with operations worldwide, Newedge has around 3,000 staff, located in the world's 25 major financial centres.

NOTE 12 : SCOPE OF CONSOLIDATION AT 31 DECEMBER 2007

Subsidiaries, joint ventures and associates	(a)	Country	Method	% control		% interest	
				31.12. 2007	31.12. 2006	31.12. 2007	31.12. 2006
Parent company							
Calyon		France	Parent	100.00	100.00	100.00	100.00
Banks and financial institutions							
Banque Saudi Fransi - BSF		Saudi Arabia	equity	31.11	31.11	31.11	31.11
Banco Calyon Brasil		Brazil	full	100.00	100.00	100.00	100.00
Calyon Algérie	E	Algeria	full	99.98		99.98	
Calyon Australia Ltd		Australia	full	100.00	100.00	100.00	100.00
Calyon Bank Hungary Ltd		Hungary	full	100.00	100.00	100.00	100.00
Calyon Bank Polska SA		Poland	full	100.00	100.00	100.00	100.00
Calyon Bank Slovakia AS		Slovakia	full	100.00	100.00	100.00	100.00
Calyon Bank Ukraine		Ukraine	full	100.00	100.00	100.00	100.00
Calyon Merchant Bank Asia LTD		Singapore	full	100.00	100.00	100.00	100.00
Calyon Rusbank SA		Russia	full	100.00	100.00	100.00	100.00
Calyon Yatirim Bankasi Turk AS		Turkey	full	100.00	100.00	100.00	100.00
CogeneC		Monaco	full	99.99	99.99	99.99	99.99
Crédit Agricole Financement		Switzerland	equity	20.00	20.00	20.00	20.00
Crédit Agricole Luxembourg		Luxembourg	full	100.00	100.00	100.00	100.00
Crédit Agricole Luxembourg Bank	E	Luxembourg	full	100.00		100.00	
Crédit Agricole Suisse		Switzerland	full	100.00	100.00	100.00	100.00
Crédit Agricole Suisse (Bahamas)		Bahamas	full	100.00	100.00	100.00	100.00
Crédit Foncier de Monaco		Monaco	full	70.13	70.12	68.95	68.94
Finanziaria Indosuez International Ltd		Switzerland	full	100.00	100.00	100.00	100.00
CL Uruguay S.A.	nm	Uruguay	full		100.00		100.00
UBAF		France	proportional	47.32	47.32	47.32	47.32
CPR Online		France	full	100.00	100.00	100.00	100.00
Crédit Lyonnais Leasing Japan Company Ltd		Japan	full	100.00	100.00	100.00	100.00
LF Investments LP		USA	full	99.00	100.00	99.00	100.00
Brokerage companies							
Altura		Spain	proportional	50.00	50.00	34.20	35.00
Calyon Financial Inc		USA	full	100.00	100.00	100.00	100.00
Calyon Financial Pte Singapore		Singapore	full	100.00	100.00	100.00	100.00
Calyon Financial SNC		France	full	100.00	100.00	100.00	100.00
Crédit Agricole Cheuvreux Nordic AB SB		Sweden	full	100.00	100.00	100.00	100.00
Crédit Agricole Cheuvreux S.A.		France	full	100.00	100.00	100.00	100.00
Crédit Agricole Cheuvreux Italia SIM SPA		Italy	full	100.00	100.00	100.00	100.00
Credit Agricole Cheuvreux North America, Inc		USA	full	100.00	100.00	100.00	100.00
Cholet Dupont (group)		France	equity	33.40	33.40	33.40	33.40
Crédit Agricole Cheuvreux Espana S.A.		Spain	full	100.00	100.00	100.00	100.00
Crédit Agricole Cheuvreux International Ltd		UK	full	100.00	100.00	100.00	100.00
Crédit Agricole Cheuvreux Securities Ltd		Hong Kong	full	100.00	100.00	100.00	100.00
CAI Derivatives Products PLC	nm	Ireland	full		99.98		99.98
Calyon Financial Canada		Canada	full	100.00	100.00	100.00	100.00
Calyon Securities USA Inc.		USA	full	100.00	100.00	100.00	100.00
CLSA BV (group)		Hong Kong	full	100.00	100.00	70.61	77.74
Calyon Financial Hong Kong		Hong Kong	full	100.00	100.00	100.00	100.00

Subsidiaries, joint ventures and associates	(a)	Country	Method	% control		% interest	
				31.12. 2007	31.12. 2006	31.12. 2007	31.12. 2006
Investment companies							
Compagnie Française de l'Asie (CFA)		France	full	100.00	100.00	100.00	100.00
Doumer Finance SAS		France	full	100.00	100.00	100.00	100.00
CAFI Kedros	E	France	full	100.00		100.00	
Fletirec (group)		France	full	100.00	100.00	100.00	100.00
Fininvest		France	full	98.27	98.27	98.27	98.27
ICF Cayman Holdings		Cayman	full	100.00	100.00	100.00	100.00
Calyon Air Finance SA		France	full	100.00	100.00	100.00	100.00
CAI BP Holding		France	full	100.00	100.00	100.00	100.00
Calyon North America Holding		USA	full	100.00	100.00	100.00	100.00
IPFO		France	full	100.00	100.00	100.00	100.00
Mescas		France	full	100.00	100.00	100.00	100.00
SAFEC		Switzerland	full	100.00	100.00	100.00	100.00
Crédit Agricole Assets Management							
Espana Holding		Spain	equity	45.00	45.00	45.00	45.00
European Sovereign Funding SA	nm	France	full		100.00		100.00
FCC Masterace	nm	France	full		100.00		100.00
Calyon Investments		UK	full	100.00	100.00	100.00	100.00
CASI	SG	USA	full		100.00		100.00
Calyon Leasing Corporation	SG	USA	full		100.00		100.00
Calyon Global Partners Group		USA	full	100.00	100.00	100.00	100.00
Calyon North America Inc.	SG	USA	full		100.00		100.00
Calyon Holdings		UK	full	100.00	100.00	100.00	100.00
Calyon Capital Market Asia BV		Netherlands	full	100.00	100.00	100.00	100.00
Calyon Capital Market International		France	full	100.00	100.00	100.00	100.00
Calyon Securities Japan		Japan	full	100.00	100.00	100.00	100.00
Doumer Philemon		France	full	100.00	100.00	100.00	100.00
Lyra Capital LLC		USA	equity	50.00	50.00	50.00	50.00
Alternative Investment and Research							
Technologies	S	USA	equity		50.00		50.00
Lyra Partners LLC		USA	equity	50.00	50.00	50.00	50.00
Leasing companies							
GETIC (formerly Ergifrance)	nm	France	full		100.00		100.00
Financière Immobilière Calyon		France	full	100.00	100.00	100.00	100.00
Cardinalimmo		France	full	49.61	49.61	49.61	49.61
Other							
CA Brasil DTVM		Brazil	full	100.00	100.00	100.00	100.00
CA Conseil SA		Luxembourg	full	99.99	99.99	99.99	99.99
Calyon Preferred Funding LLC		USA	full	100.00	100.00	100.00	100.00
Calyon Preferred Funding II LLC		USA	full	100.00	100.00	100.00	100.00
CAIRS Assurance SA	E	France	full	100.00		100.00	
Calyon CLP	E	France	full	100.00		100.00	
Calyon Financing Luxembourg SARL	E	Luxembourg	full	100.00		100.00	
Fonds Mezzasia	S	Hong Kong	full		100.00		88.87
Fonds Alcor		Hong Kong	full	99.05	99.05	99.05	93.62

CONSOLIDATED FINANCIAL STATEMENTS

Subsidiaries, joint ventures and associates	(a)	Country	Method	% control		% interest	
				31.12. 2007	31.12. 2006	31.12. 2007	31.12. 2006
Other (continued)							
Merisma		France	full	100.00	100.00	100.00	100.00
Calixis Finance		France	full	89.80	89.80	89.80	89.80
LSF Italian Finance Company SRL		Italy	full	90.00	60.00	67.00	60.00
Sagrantino Italy srl		Italy	full	90.00	90.00	67.00	90.00
Sagrantino BV		Netherlands	full	100.00	100.00	67.00	67.00
European NPL S.A.		Luxembourg	full	67.00	67.00	67.00	67.00
DGAD International SARL		Luxembourg	full	100.00	100.00	100.00	100.00
Calliope srl	E	Italy	full	90.00		60.30	
Indosuez Holding SCA II		Luxembourg	full	100.00	100.00	100.00	100.00
Indosuez Management Luxembourg II		Luxembourg	full	100.00	100.00	100.00	100.00
Indosuez International Finance BV	nm	Netherlands	full		100.00		100.00
SNC Doumer		France	full	99.94	99.94	99.94	99.94
Chauray Contrôle SAS		France	proportional	34.00	34.00	34.00	34.00
SNC Haussmann Anjou	nm	France	full		100.00		100.00
Crédit Agricole Private Banking Levante		Spain	full	100.00	100.00	100.00	100.00
Crédit Agricole Private Banking Norte		Spain	full	95.00	95.00	95.00	95.00
Aguadana SL	E	Spain	full	100.00		100.00	
Calyon Finance Guernsey		UK	full	99.90	99.90	99.90	99.90
Calyon Financial Products		UK	full	99.90	99.90	99.90	99.90
Indosuez Finance Ltd	E	UK	full	100.00		100.00	
Ester Finance		France	full	99.99	99.99	99.99	99.99
Capital Plus		Cayman	full	100.00	100.00	100.00	100.00
CLINFIM		France	full	100.00	100.00	100.00	100.00
Calyon Global Banking		France	full	100.00	100.00	100.00	100.00
CLIFAP		France	full	100.00	100.00	100.00	100.00
Carr Indosuez Asia SA	M	France	full		100.00		100.00
Calyon Asia Shipfinance Service Ltd		Hong Kong	full	99.99	99.99	99.99	99.99
Calyon Investment Products Ltd	nm	Cayman	full		100.00		100.00
Aylesbury BV		UK	full	100.00	100.00	100.00	100.00
Bletchley Investments Ltd		UK	full	82.22	82.22	100.00	82.22
SNC Shaun	E	France	full	100.00		100.00	
EDELAAR EESV	E	Netherlands	full	90.00		90.00	
Korea 21st Century Trust		South Korea	full	100.00	100.00	100.00	100.00
Casam Cayman Ltd	nm	USA	equity		50.00		50.00
Casam US Holding Inc		USA	equity	50.00	50.00	50.00	50.00
Casam Systeia Global Macro		Ireland	full	97.75	99.60	97.75	99.60
Casam Systeia Pair Trading	S	Ireland	full		99.57		99.57
Casam Systeia Event Driven		Ireland	full	99.86	99.63	99.86	99.63
Casam Systeia Equity Quant		Ireland	full	99.90	96.90	99.90	96.90
Casam Systeia Futures Euro	S	Ireland	full		97.22		97.22
CASAM		France	equity	50.00	50.00	50.00	50.00
Casam Americas LLC		USA	equity	50.00	50.00	50.00	50.00
Casam Advisers LLC		USA	equity	50.00	50.00	50.00	50.00

(a) "E" signifies that the company has entered the scope of consolidation.

Companies removed from the scope of consolidation are flagged with "nm" (not meaningful), "S" (sold), "M" (merged) and "SG" (consolidated within a sub-group).

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS STATUTORY AUDITORS'

Year ended 31 December 2007

This is a free translation into English of the Statutory Auditors' report issued in the French language and is provided solely for the convenience of English speaking readers.

The Statutory Auditors' report includes information specifically required by French law in all audit reports, whether qualified or not, and this is presented below the opinion on the consolidated financial statements. This information includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Shareholders' Meeting, we have audited the accompanying consolidated financial statements of Calyon for the year ending 31 December 2007.

The consolidated financial statements are the responsibility of the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform our audit to obtain reasonable assurance that the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made in the preparation of the financial statements and evaluating their

overall presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and results of the companies and entities included in the consolidated group in accordance with the IFRS standards as adopted in the European Union.

Without prejudice to the opinion expressed above, we draw your attention to note 1.3 to the financial statements, which describes the change in accounting methods relating to changes in minority interests.

II. SUBSTANTIATION OF OUR OPINION

In accordance with the requirements of article L. 823-9 of the Code de Commerce relating to the substantiation of our opinion, we bring to your attention the following matters:

Changes in accounting policies and presentation

Note 1.3 to the financial statements describes the change in accounting methods relating to changes in minority interests

in entities that are already controlled. As part of our assessment of the accounting principles used by your company, we have examined the appropriateness of this change in method, and of the information reported in the financial statements.

Accounting estimates

- As stated in note 2 to the financial statements, the Group books impairment reserves to cover identified non-recovery risks relating to certain loans, which are inherent to its business activities. We have reviewed the arrangements put in place by management to identify and evaluate these risks and to determine the amount of impairment it considers necessary, and we have verified that these accounting estimates were based on documented methods that conform to the principles described in notes 1.1 and 2 to the consolidated financial statements.
- As stated in note 2 to the financial statements, the Group uses internal models to assess the fair value of financial instruments that are not traded on organised markets. We have reviewed the procedures used by management to determine and control these models and the parameters used and whether they reflect the risks associated with such instruments. We have verified that accounting estimates were based on documented methods that conform to the principles described in notes 1.1 and 2 to the consolidated financial statements.
- As stated in note 2 to the financial statements, the Group has introduced, given the specific circumstances arising from the financial crisis, arrangements for valuing financial instruments that are directly or indirectly exposed to the US residential real-estate market. We have reviewed the arrangements put in place by management to identify and evaluate risks related to these instruments, and we have verified that accounting

estimates were based on documented methods that conform to the principles described in notes 1.1 and 2 to the financial statements.

- As stated in note 2 to the financial statements, the Group has made estimates to factor changes in its own credit risk into the measurement of “liabilities at fair value through profit and loss”. We assessed whether these estimates were reasonable.
- As a customary part of the process of preparing financial statements, the Group’s management has made a number of other accounting estimates as explained in note 2 to the financial statements, notably regarding the costs of pension provision and future employee benefits, the valuation and impairment of non-consolidated participating interests, reserves for legal risks, impairment of goodwill and deferred taxes. We have reviewed the methods and assumptions used as described in notes 1.1 and 2 of the financial statements, assessed the resulting valuations and checked that the notes give appropriate information.

Our assessments were made in the context of our audit of the consolidated financial statements, taken as a whole, and therefore assisted us in reaching our unqualified opinion as expressed in the first part of this report.

III. SPECIFIC VERIFICATION

In accordance with professional standards applicable in France, we have also verified the information given in the Group management report. We are satisfied that the information is fairly stated and agrees with the consolidated financial statements.

Neuilly-sur-Seine, 21 March 2008

Statutory Auditors

PRICEWATERHOUSECOOPERS AUDIT
Gérard Hautefeuille

ERNST & YOUNG ET AUTRES
Valérie Meeus

PARTIES

OUR REGISTERED OFFICE

Suites 13 & 15, Sarnia House
Le Truchot
St. Peter Port
Guernsey

THE GUARANTOR'S REGISTERED OFFICE

9, quai du Président Paul Doumer
92920 Paris La Défense Cédex
France

MANAGER AND SPONSOR

Calyon, Hong Kong Branch

26/F, 27/F, 29/F and 30/F
Two Pacific Place
88 Queensway
Hong Kong

REGISTRAR AND TRANSFER OFFICE

Calyon, Hong Kong Branch

26/F, 27/F, 29/F and 30/F
Two Pacific Place
88 Queensway
Hong Kong

AUDITORS TO THE ISSUER

PricewaterhouseCoopers CI LLP

National Westminster House
Le Truchot
St. Peter Port
Guernsey
GY1 4ND

THE GUARANTOR'S AUDITORS

Ernst & Young et Autres

41, rue Ybry
92576 Neuilly sur Seine Cedex
France

PricewaterhouseCoopers Audit

63, rue de Villiers
92200 Neuilly sur Seine Cedex
France