

Base Listing Document
relating to Structured Products to be issued by
BOCI ASIA LIMITED



BOCI ASIA LIMITED

(Incorporated in Hong Kong with limited liability)

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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”) for the purpose of giving information with regard to us and our warrants (“Warrants”), callable bull/bear contracts (“CBBC”), equity linked instruments (“ELIs”) and other structured products (together, the “Structured Products”) to be listed on the Stock Exchange from time to time. We 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. This document may be updated and/or amended from time to time by way of addenda.

The Structured Products involve derivatives. Investors should not invest in the Structured Products unless they fully understand and are willing to assume the risks associated with them.

Investors are warned that the price of the Structured Products 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 Structured Products and carefully study the risk factors set out in this document and, when necessary, seek professional advice, before they invest in the Structured Products.

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

Base Listing Document dated 11 May 2010.

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GENERAL INFORMATION

WHAT IS THIS DOCUMENT ABOUT?

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

This document supersedes the previous base listing document dated 11 May 2009 issued by BOCI Asia Limited (referred to as “we”, “us” or “our” except in Appendix 2). In this document, the “Group” is referred to as BOCI Asia Limited and its subsidiaries except in Appendix 2.

WHAT DOCUMENTS SHOULD YOU READ BEFORE INVESTING IN THE STRUCTURED PRODUCTS?

A supplemental listing document will be issued on the issue date of each series of Structured Products, which will include detailed commercial terms of the relevant series. You must read this document (including any addendum to this document to be issued from time to time), 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 Structured Product. You should carefully study the risk factors set out in the Listing Documents.

WHAT ARE OUR CREDIT RATING?

We have not been assigned any ratings by any credit rating agencies as at the date of this document.

WHO IS RESPONSIBLE FOR THIS DOCUMENT?

We accept full responsibility for the accuracy of the information contained in this document.

We have included references to websites to guide you to sources of freely available information. The information on these websites does not form part of our Listing Document. We do not accept any responsibility for information on these websites. Such information has not been prepared for the purposes of our Structured Products.

This document is accurate at the date stated on the cover. You must not assume, however, that information in this document is accurate at any time after the date of this document.

The liquidity provider and the paying agent are not responsible in any way for ensuring the accuracy of our Listing Documents.

ARE WE REGULATED BY THE HONG KONG MONETARY AUTHORITY OR AN OVERSEAS REGULATORY AUTHORITY OR THE SECURITIES AND FUTURES COMMISSION OF HONG KONG (THE “SFC”)?

We are licensed for types 1 and 6 regulated activities by the SFC and are not regulated by any of the bodies referred to in Rule 15A.13(2) of the Stock Exchange’s Listing Rules.

WHEN WERE THE STRUCTURED PRODUCTS AUTHORISED?

The issue of our Structured Products was authorised by resolutions of our board of directors on 4 May 2010.

WILL THE STRUCTURED PRODUCTS BE LISTED?

We will apply to the Stock Exchange to list each series of the Structured Products which we issue and this document has been published for the purposes of obtaining a listing of each series of Structured Products.

WILL THE STRUCTURED PRODUCTS BE ADMITTED TO CCASS?

We will make arrangements to ensure that each series of Structured Products will be accepted by the HKSCC as eligible securities for deposit, clearance and settlement in the Central Clearing and Settlement System (the “CCASS”). All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

ARE WE SUBJECT TO ANY LITIGATION?

As of the date of this document, we and our subsidiaries have no litigation or claims of material importance pending or threatened against us or them.

HAS OUR FINANCIAL POSITION CHANGED SINCE LAST FINANCIAL YEAR-END?

There has been no material adverse change in our financial or trading position since 31 December 2009.

DO YOU NEED TO PAY ANY TRANSACTION COST?

The Stock Exchange charges a trading fee of 0.005 per cent and the SFC 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 Structured Products. The levy for the investor compensation fund is currently suspended.

WHERE CAN YOU INSPECT THE RELEVANT DOCUMENTS?

The following documents are available for inspection during usual business hours on any weekday (public holidays excepted) at 20/F., Bank of China Tower, 1 Garden Road, Hong Kong:

- (a) our annual consolidated financial statements for the year ended 31 December 2009 and the auditor’s report;
- (b) the consent letter issued by PricewaterhouseCoopers (the “**Auditor**”) dated 11 May 2010;
- (c) the instrument executed by us by way of deed poll on 7 May 2009 as defined in the Terms and Conditions of our Structured Products as set out in Appendix 1; and
- (d) this document (and any addendum to this document), the relevant supplemental listing document as long as the relevant series of Structured Products is listed on the Stock Exchange.

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

The Listing Documents are also available on the website of the Stock Exchange at <http://www.hkex.com.hk/eng/dwrc/search/listsearch.asp> or <http://www.hkex.com.hk/eng/cbbc/search/listsearch.asp>

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

This document is also available from the website of BOCI Financial Products Limited at <http://www.bocifp.com>.

本文件亦可於中銀國際金融產品有限公司的網站
(<http://www.bocifp.com>) 查閱。

HAS THE AUDITOR CONSENTED TO THE INCLUSION OF ITS REPORT IN THIS DOCUMENT?

Our Auditor has given and has not withdrawn its written consent to the inclusion of its report dated 17 March 2010 in this document and/or the references to its name in this document, in the form and context in which they are included. Its report was not prepared for incorporation into this document. The Auditor does not hold our shares or shares in our subsidiaries, nor does it has the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our securities or securities of any of our subsidiaries.

HOW CAN YOU GET FURTHER INFORMATION ABOUT US?

You may visit *www.bocifp.com* to obtain further information about us.

PLACING, SALE AND GREY MARKET DEALINGS

No offers, sales, re-sales, transfers or deliveries of any Structured Products, or distribution of any offering material relating to the Structured Products may be made in or from any jurisdictions except in circumstances which will result in compliance with any applicable laws or regulations and which will not impose any obligation on us. See the section headed "Purchase and Sale" in this document for further information.

Following the launch of a series of Structured Products, we may place all or part of that series with our related party.

The Structured Products 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 Structured Products by us and/or any of our subsidiaries or associated companies in the grey market to the Stock Exchange on the listing date through the website of the Stock Exchange at *www.hkex.com.hk*.

GOVERNING LAW OF THE STRUCTURED PRODUCTS

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

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 Structured Products or the underlying assets of the Structured Products.

No person has been authorized to give any information or to make any representation other than those contained in this document in connection with the Structured Products, and, if given or made, such information or representations must not be relied upon as having been authorised by us.

HKEX, the Stock Exchange and HKSCC have made no assessment of, nor taken any responsibility for, our financial soundness or the merits of investing in any Structured Products, nor have they verified the accuracy or the truthfulness of statements made or opinions expressed in this document.

OVERVIEW OF OUR WARRANTS

WHAT IS A DERIVATIVE WARRANT?

A derivative warrant linked to an underlying asset is an instrument which gives the holder a right to “buy” or “sell” an underlying asset at, or derives its value by reference to, a pre-set price called the exercise price on the expiry date or exercise date.

The underlying asset may be a stock, units in funds or trusts, a basket of stocks and/or units in funds or trusts, an index, a basket of indices, currency, commodity or other asset or combination of such assets.

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. A warrant will be exercised on the expiry date or the exercise date, entitling the holder to a cash amount called the “Cash Settlement Amount” (if positive) according to the relevant product conditions in the Listing Documents.

You will receive the cash settlement amount less any exercise expenses upon expiry or exercise. If the cash settlement amount is equal to or less than the exercise expenses, no amount is payable to you upon expiry or exercise.

WHAT ARE THE FEATURES OF OUR WARRANTS?

Our warrants comprise of: cash-settled stock warrants, basket warrants, index warrants and warrants over single unit trusts. Each type of our warrants will be subject to a separate set of master terms and conditions as set out in Appendix 1 of this document.

The main features of our warrants are described below:

Issuer:	BOCI Asia Limited
Ranking of our warrants:	Our warrants will rank equally with all our other present and future unsecured and unsubordinated obligations.
Agent:	BOCI Securities Limited
Liquidity Provider:	BOCI Securities Limited or any liquidity provider as appointed by us from time to time.
Form:	In registered form subject to and with the benefit of a deed poll made by us. Each issue will be represented by a global certificate registered in the name of HKSCC Nominees Limited (or its successors) as warrant holder and deposited within the CCASS.
	We will not issue any definitive certificates for our warrants.
Use of proceeds:	We will use the proceeds from the issue of our warrants for our general working capital or any other purposes permitted under our memorandum and articles of association.
Further issues:	We can create and issue further warrants to form a single series with an existing issue of our warrants.

Delisting of the company or companies underlying our warrants:

If the shares of the company or the shares of any of the companies underlying a particular issue of our warrants are delisted from the Stock Exchange, we may adjust the terms of that issue as further detailed in the relevant terms and conditions of our warrants.

Adjustments upon certain events affecting the underlying shares or index of our warrants:

If certain corporate events occur in connection with the company or any of the companies underlying our warrants, or if certain events occurred which materially modifies the underlying index, we may make adjustments to the terms of that issue to account for the effect of such events. Please see the relevant terms and conditions of our warrants for further details.

These events and the possible adjustments we may make are set out in detail in the applicable terms and conditions.

Governing law:

Our warrants are governed by the laws of Hong Kong.

WHAT ARE CASH-SETTLED STOCK WARRANTS?

The underlying asset of stock warrants is shares of a company. The shares may be listed in Hong Kong or overseas.

Generally, a physically-settled stock call warrant gives its holders the right, but not the obligation, to purchase from us, at a predetermined exercise price, a specific number of shares.

Generally, a physically-settled stock put warrant gives its holders the right, but not the obligation, to sell to us, at a predetermined exercise price, a specific number of shares.

Our cash-settled stock warrants provide for cash settlement only, which means that physical delivery of the underlying shares will not be available as a method of settlement; instead, upon the exercise of a number of warrants with an aggregate entitlement of one share, we will pay the warrant holder upon exercise a cash amount equal to the final price of underlying share less the exercise price (in the case of call warrants) or the exercise price less the final price of underlying share (in the case of put warrants) and in each case less any exercise expenses, so long as such amount is greater than zero.

WHAT ARE CASH-SETTLED BASKET WARRANTS?

The underlying asset of basket warrants is a basket comprising shares of a number of companies.

Generally, a physically-settled basket call warrant gives its holders the right, but not the obligation, to purchase from us, at a predetermined exercise price, the shares in the basket in a specified proportion.

Generally, a physically-settled basket put warrant gives its holders the right, but not the obligation, to sell to us, at a predetermined exercise price, the shares in the basket in a specified proportion.

Our basket warrants provide for cash settlement only, which means that physical delivery of the underlying shares will not be available as a method of settlement; instead, we will pay the warrant holder upon exercise a cash amount equal to the sum of the weighted final prices of the underlying shares in a basket less the exercise price (in the case of call warrants) or the exercise price less the sum of the weighted final prices of the underlying shares (in the case of put warrants) and in each case less any exercise expenses, so long as such amount is greater than zero.

For both our cash-settled stock warrants and basket warrants, the final price of an underlying share is determined by reference to market closing price on each valuation date, please see the terms and conditions of our warrants as set out in Appendix 1 of this document for further details.

WHAT ARE CASH-SETTLED INDEX WARRANTS?

The underlying asset of index warrants is an index published by an index compiler.

Our index call warrant gives its holders a right upon exercise to receive from us a cash amount equal to the excess (if any) of the level of an index on the date of exercise of the index call warrant over the predetermined strike level, times a predetermined amount and less any exercise expenses, converting such amount in the trading currency of the constituent stocks of the index into the settlement currency of our warrants if necessary.

Our index put warrant gives its holders a right upon exercise to receive from us a cash amount equal to the excess (if any) of the predetermined strike level over the level of the index on the date of exercise of the index put warrant, times a predetermined amount and less any exercise expenses, converting such amount in the trading currency of the constituent stocks of the index into the settlement currency of our warrants if necessary.

The level of the index on the date of exercise may be determined by reference to the official settlement price of an exchange traded contract relating to the index or some other means, please see the terms and conditions of our warrants as set out in Appendix 1 of this document for further details.

WHAT ARE CASH-SETTLED WARRANTS OVER SINGLE UNIT TRUSTS?

The underlying asset of warrants over single unit trusts is units of a trust. The units may be listed in Hong Kong or overseas.

Generally, a physically-settled call warrant over single unit trusts gives its holders the right, but not the obligation, to purchase from us, at a predetermined exercise price, a specific number of units.

Generally, a physically-settled put warrant over single unit trusts gives its holders the right, but not the obligation, to sell to us, at a predetermined exercise price, a specific number of units.

Our cash-settled warrants over single unit trusts provide for cash settlement only, which means that physical delivery of the underlying units will not be available as a method of settlement; instead, upon the exercise of a number of warrants with an aggregate entitlement of one unit, we will pay the warrant holder upon exercise a cash amount equal to the final price of underlying unit less the exercise price (in the case of call warrants) or the exercise price less the final price of underlying unit (in the case of put warrants) and in each case less any exercise expenses, so long as such amount is greater than zero.

WHAT IS YOUR MAXIMUM LOSS?

Your maximum loss in 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 www.hkex.com.hk/eng/prod/secprod/dwrc/dw.htm to obtain further information on our warrants or any notice given by us or the Stock Exchange in relation to our warrants.

OVERVIEW OF OUR CBBCs

WHAT ARE CBBCs?

CBBCs are a type of Structured Products that track the performance of an underlying asset. CBBCs can be issued on different types of underlying assets as prescribed by the Stock Exchange from time to time, including:

- (a) shares listed on the Stock Exchange;
- (b) Hang Seng Index, Hang Seng China Enterprises Index and Hang Seng China H-Financials Index;
- (c) unit trusts listed on the Stock Exchange; and/or
- (d) overseas shares, indices, currencies or commodities (such as oil, gold and platinum).

A list of eligible underlying assets for CBBCs is available on the website of the Stock Exchange at http://www.hkex.com.hk/eng/prod/secprod/cbbc/underlying_latest.htm.

CBBCs are issued either as bull CBBCs or bear CBBCs, allowing you to take either bullish or bearish positions on the underlying asset. Bull CBBCs are designed for investors who have an optimistic view on the underlying asset. Bear CBBCs are designed for investors who have a pessimistic view on the underlying Asset.

Your maximum potential loss in a series of CBBCs is limited to the purchase price, which is generally a fraction of the value of the underlying asset, for the CBBCs plus the cost involved in your purchase.

WHAT ARE THE FEATURES OF OUR CBBCs?

Our CBBCs comprise of: CBBCs relating to a share, CBBCs relating to an index and CBBCs relating to unit trusts. Each type of our CBBCs will be subject to a separate set of master terms and conditions as set out in Appendix 1 of this document. For each issue of our CBBCs, we will publish a supplemental listing document setting out their specific terms. Together with the specific terms set out in the relevant supplemental listing document, the terms and conditions set out in Appendix 1 hereto form the legally binding terms and conditions of that issue of CBBCs.

The main features of our CBBCs are described below:

Issuer:	BOCI Asia Limited
Ranking of our CBBCs:	Upon the occurrence of a mandatory call event or an automatic exercise on expiry, our CBBCs will become our direct, unconditional, unsecured and unsubordinated obligations ranking equally with all our other direct, unconditional, unsecured and unsubordinated obligations.
Liquidity Provider:	BOCI Securities Limited or any Liquidity provider as appointed by us from time to time

Form:	In registered form subject to and with the benefit of an instrument made by us. Each issue will be represented by a global certificate in the name of a nominee for HKSCC (currently HKSCC Nominees Limited) as holder of our CBBCs and deposited within the Central Clearing and Settlement System (CCASS).
	We will not issue any definitive certificates for our CBBCs.
Use of proceeds:	We will use the proceeds from the issue of our CBBCs for our general working capital or any other purposes permitted under our by-laws.
Further issues:	We can issue further CBBCs to form a single series with an existing issue of our CBBCs.
Delisting of the company underlying our CBBCs:	If the shares of the company underlying a particular issue of our CBBCs are delisted from the Stock Exchange, we may adjust the terms of that issue as further detailed in the relevant terms and conditions of our CBBCs.
Adjustments upon certain events affecting the company or the index underlying our CBBCs:	If certain corporate events occur in connection with the company or unit trust underlying our CBBCs, or if certain events occur which materially modifies the underlying index, we may make adjustments to the terms of that issue to account for the effect of such events and/or determine in good faith the closing level or closing price of the underlying asset. Please see the relevant terms and conditions of our CBBCs for further details.
	These events and the possible adjustments we may make are set out in detail in the applicable set of terms and conditions.
Governing law:	Our CBBCs are governed by the laws of the Hong Kong.

WHAT ARE THE SPECIFIC FEATURES OF OUR CBBCs?

- CBBCs relating to a share: The underlying asset of our CBBCs relating to a share are shares of a company. The shares may be listed in Hong Kong or overseas.

CBBCs relating to a share are issued either as Bull CBBCs or Bear CBBCs:

Bull CBBCs relating to a share

Generally for a series of Bull CBBCs relating to a share, when certain price of the underlying share as reported by the relevant exchange is at or below the predetermined call price for the first time during the observation period of the CBBCs, a mandatory call event occurs and the CBBCs will terminate. If no mandatory call event occurs during the observation period, upon expiry, for each number of CBBCs with an aggregate entitlement of one underlying share, we will pay the holder on expiry date of such CBBCs an amount equal to the final price of the underlying share less the strike price and less any expenses, so long as such amount is greater than zero. If the amount is equal to or less than zero, the CBBCs will expire worthless.

If a mandatory call event has occurred, whether the holder of our CBBCs may receive a cash settlement amount depends on whether the CBBCs are Category N Bull CBBCs or Category R Bull CBBCs.

For Category N Bull CBBCs (where the call price is equal to the strike price), the holder of the CBBCs will not receive any cash payment from us upon the occurrence of the mandatory call event.

For Category R Bull CBBCs (where the call price is above the strike price), the holder of a number of CBBCs with aggregate entitlement of one underlying share will receive from us a residual cash settlement amount, which will be the lowest price at which the underlying share has traded on the exchange in the trading session in which the mandatory call event occurred and the immediately following trading session, less the strike price and less any expenses. However, if this resultant amount is a negative number then the residual cash settlement amount shall be zero. On the occurrence of a mandatory call event, we may at our sole and absolute discretion elect to pay an additional amount to be determined by us at our sole and absolute discretion for each series of CBBCs, which may be zero. If we so elect, such discretionary additional amount shall be deemed to be included in the residual cash settlement amount at mandatory call termination as set out above.

Please note that during the life of a bull CBBC relating to a share, a given percentage change in the underlying share price may not result in the same percentage change in the theoretical value of the CBBC. The percentage change in theoretical value of the CBBC may be greater or smaller, in the same or opposite direction. The theoretical value of the CBBC may be different from the prices available in the market. You should be aware that you may be subject to, among other risks, the loss of a significant portion or the entire amount of your investment in our CBBCs. Please refer to the “Risk Factors” section of the relevant supplemental listing document.

Bear CBBCs relating to a share

Generally for a series of Bear CBBCs relating to a share, when certain price of the underlying share as reported by the relevant exchange is at or above the predetermined call price for the first time during the observation period of the CBBCs, a mandatory call event occurs and the CBBCs will terminate. If no mandatory call event occurs during the observation period, upon expiry, for each number of CBBCs with an aggregate entitlement of one underlying share, we will pay the holder on expiry date of such CBBCs an amount equal to the strike price less the final price of the underlying share and less any expenses, so long as such amount is greater than zero. If the amount is equal to or less than zero, the CBBCs will expire worthless.

If a mandatory call event has occurred, whether the holder of our CBBCs may receive a cash settlement amount depends on whether the CBBCs are Category N Bear CBBCs or Category R Bear CBBCs.

For Category N Bear CBBCs (where the call price is equal to the strike price), the holder of the CBBCs will not receive any cash payment from us upon the occurrence of the mandatory call event.

For Category R Bear CBBCs (where the call price is below the strike price), the holder of a number of CBBCs with aggregate entitlement of one underlying share will receive from us a residual cash settlement amount, which will be the strike price, less the highest price at which the underlying share has traded on the exchange in the trading session in which the mandatory call event occurred and the immediately following trading session, and less any expenses. However, if this resultant amount is a negative number then the residual cash settlement amount shall be zero. On the occurrence of a mandatory call event, we may at our sole and absolute discretion elect to pay an additional amount to be determined by us at our sole and absolute discretion for each series of CBBCs, which may be zero. If we so elect, such discretionary additional amount shall be deemed to be included in the residual cash settlement amount at mandatory call termination as set out above.

Please note that during the life of a bear CBBC relating to a share, a given percentage change in the underlying share price may not result in the same percentage change (in the opposite direction) in the theoretical value of the CBBC. The percentage change in theoretical value of the CBBC may be greater or smaller, in the same or opposite direction. The theoretical value of the CBBC may be different from the prices available in the market. You should be aware that you may be subject to, among other risks, the loss of a significant portion or the entire amount of your investment in our CBBCs. Please refer to the “Risk Factors” section of the relevant supplemental listing document.

For both our Bull CBBCs and Bear CBBCs relating to a share, the final price of an underlying share will be determined by reference to the market closing price on the valuation date, please see the terms and conditions of our CBBCs for further details.

- CBBCs relating to an index: The underlying asset of CBBCs relating to an index is an index published by an index sponsor.

CBBCs relating to an index are issued either as Bull CBBCs or Bear CBBCs:

Bull CBBCs relating to an index

Generally for a series of Bull CBBCs relating to an index, when the level of the underlying index as published by the index sponsor is at or below the predetermined call level for the first time during the observation period of the CBBCs, a mandatory call event occurs and the CBBCs will terminate. If no mandatory call event occurs during the observation period, upon the expiry of a CBBC, we will pay the holder on expiry date of such CBBC an amount equal to the final level of the underlying index less the strike level, multiplied by a predetermined amount and less any expenses. If this amount is equal to or less than zero, the CBBCs will expire worthless.

If a mandatory call event has occurred, whether the holder of our CBBCs may receive a cash settlement amount depends on whether the CBBCs are Category N Bull CBBCs or Category R Bull CBBCs.

For Category N Bull CBBCs (where the call level is equal to the strike level), the holder of the CBBCs will not receive any cash payment from us upon the occurrence of the mandatory call event.

For Category R Bull CBBCs (where the call level is above the strike level), the holder of each board lot of the CBBC will receive from us a residual cash settlement amount, which will be an amount equal to (i) the lowest level of the underlying index as published by the index sponsor in the trading session in which the mandatory call event occurred and the immediately following trading session, less the strike level, times (ii) the index currency amount and less (iii) any expenses. However, if this resultant amount is a negative number then the residual cash settlement amount shall be zero. On the occurrence of a mandatory call event, we may at our sole and absolute discretion elect to pay an additional amount to be determined by us at our sole and absolute discretion for each series of CBBCs, which may be zero. If we so elect, such discretionary additional amount shall be deemed to be included in the residual cash settlement amount at mandatory call termination as set out above.

Please note that during the life of a bull CBBC relating to an index, a given percentage change in the underlying index level may not result in the same percentage change in the theoretical value of the CBBC. The percentage change in theoretical value of the CBBC may be greater or smaller, in the same or opposite direction. The theoretical value of the CBBC may be different from the prices available in the market. You should be aware that you may be subject to, among other risks, the loss of a significant portion or the entire amount of your investment in our CBBCs. Please refer to the “Risk Factors” section of the relevant supplemental listing document.

Bear CBBCs relating to an index

Generally for a series of Bear CBBCs relating to an index, when the level of the underlying index as published by the index sponsor is at or above the predetermined call level for the first time during the observation period of the CBBCs, a mandatory call event occurs and the CBBCs will terminate. If no mandatory call event occurs during the observation period, upon the expiry of a CBBC, we will pay the holder on expiry date of such CBBC an amount equal to the strike level less the final level of the underlying index, multiplied by a predetermined amount and less any expenses. If this amount is equal to or less than zero, the CBBCs will expire worthless.

If a mandatory call event has occurred, whether the holder of our CBBCs may receive a cash settlement amount depends on whether the CBBCs are Category N Bear CBBCs or Category R Bear CBBCs.

For Category N Bear CBBCs (where the call level is equal to the strike level), the holder of the CBBCs will not receive any cash payment from us upon the occurrence of the mandatory call event.

For Category R Bear CBBCs (where the call level is below the strike level), the holder of a CBBC will receive from us a residual cash settlement amount, which will be an amount equal to (i) the strike level, less the highest level of the underlying index as published by the index sponsor in the trading session in which the mandatory call event occurred and the immediately following trading session occurred, times (ii) index currency amount and less (iii) any expenses. However, if this resultant amount is a negative number then the residual cash settlement amount shall be zero. On the occurrence of a mandatory call event, we may at our sole and absolute discretion elect to pay an additional amount to be determined by us in our sole and absolute discretion for each series of CBBCs, which may be zero. If we so elect, such discretionary additional amount shall be deemed to be included in the residual cash settlement amount at mandatory call termination as set out above.

Please note that during the life of a bear CBBC relating to an index, a given percentage change in the underlying index level may not result in the same percentage change (in the opposite direction) in the theoretical value of the CBBC. The percentage change in theoretical value of the CBBC may be greater or smaller, in the same or opposite direction. The theoretical value of the CBBC may be different from the prices available in the market. You should be aware that you may be subject to, among other risks, the loss of a significant portion or the entire amount of your investment in our CBBCs. Please refer to the “Risk Factors” section of the relevant supplemental listing document.

For both our Bull CBBCs and Bear CBBCs relating to an index, the final index level will be determined by reference to the index level calculated for the purpose of final settlement of the applicable futures contract specified in the relevant supplement listing document, please see the terms and conditions of our CBBCs for further details.

- CBBCs relating to the units of a fund or trust The underlying asset of CBBCs relating to the units of a fund or trust is units of the fund or trust (as the case may be).

CBBCs relating to the units of a fund or trust are issued as either Bull CBBCs or Bear CBBCs:

Bull CBBCs relating to the units of a fund or trust

Generally for a series of Bull CBBCs relating to the units of a fund or trust, when certain price of the underlying unit as reported by the relevant exchange is at or below the predetermined call price for the first time during the observation period of the CBBCs, a mandatory call event occurs and the CBBCs will terminate. If no mandatory call event occurs during the observation period, upon expiry, for each number of CBBCs with an aggregate entitlement of one unit, we will pay the holder on expiry date of such CBBCs an amount equal to the final price of the underlying unit less the strike price and less any expenses, so long as such amount is greater than zero. If the amount is equal to or less than zero, the CBBCs will expire worthless.

If a mandatory call event has occurred, whether the holder of our CBBCs may receive a cash settlement amount depends on whether the CBBCs are Category N Bull CBBCs or Category R Bull CBBCs.

For Category N Bull CBBCs (where the call price is equal to the strike price), the holder of the CBBCs will not receive any cash payment from us upon the occurrence of the mandatory call event.

For Category R Bull CBBCs (where the call price is above the strike price), the holder of a number of CBBCs with aggregate entitlement of one unit will receive from us a residual cash settlement amount, which will be the lowest price to which the underlying unit has traded on the exchange in the trading session in which the mandatory call event occurred and the immediately following trading session, less the strike price and less any expenses. However, if this resultant amount is a negative number then the residual cash settlement amount shall be zero. On the occurrence of a mandatory call event, we may at our sole and absolute discretion elect to pay an additional amount to be determined by us at our sole and absolute discretion for each series of CBBCs, which may be zero. If we so elect, such discretionary additional amount shall be deemed to be included in the residual cash settlement amount at mandatory call termination as set out above.

Please note that during the life of a Bull CBBCs relating to the units of a fund or trust, a given percentage change in the underlying unit price may not result in the same percentage change in the theoretical value of the CBBC. The percentage change in theoretical value of the CBBC may be greater or smaller, in the same or opposite direction. The theoretical value of the CBBC may be different from the prices available in the market. You should be aware that you may be subject to, among other risks, a significant portion or the entire loss of your investment in our CBBCs, which will be proportionately greater than the amount of loss you would sustain from investing in the same amount directly in the underlying unit, for a given change in the underlying unit price. Please refer to the “Risk Factors” section of this base listing document and the relevant supplemental listing document.

Bear CBBCs relating to the units of a fund or trust

Generally for a series of Bear CBBCs relating to the units of a fund or trust, when certain price of the underlying unit as reported by the relevant exchange is at or above the predetermined call price for the first time during the observation period of the CBBCs, a mandatory call event occurs and the CBBCs will terminate. If no mandatory call event occurs during the observation period, upon expiry, for each number of CBBCs with an aggregate entitlement of one unit, we will pay the holder on expiry date of such CBBCs an amount equal to the strike price less the final price of the underlying unit and less any expenses, so long as such amount is greater than zero. If the amount is equal to or less than zero, the CBBCs will expire worthless.

If a mandatory call event has occurred, whether the holder of our CBBCs may receive a cash settlement amount depends on whether the CBBCs are Category N Bear CBBCs or Category R Bear CBBCs.

For Category N Bear CBBCs (where the call price is equal to the strike price), the holder of the CBBCs will not receive any cash payment from us upon the occurrence of the mandatory call event.

For Category R Bear CBBCs (where the call price is below the strike price), the holder of a number of CBBCs with aggregate entitlement of one unit will receive from us a residual cash settlement amount, which will be the strike price, less the highest price to which the underlying unit has traded on the exchange in the trading session in which the mandatory call event occurred and the immediately following trading session, and less any expenses. However, if this resultant amount is a negative number then the residual cash settlement amount shall be zero. On the occurrence of a mandatory call event, we may at our sole and absolute discretion elect to pay an additional amount to be determined by us in our sole and absolute discretion for each series of CBBCs, which may be zero. If we so elect, such discretionary additional amount shall be deemed to be included in the residual cash settlement amount at mandatory call termination as set out above.

Please note that during the life of a Bear CBBC relating to the units of a fund or trust, a given percentage change in the underlying unit price may not result in the same percentage change (in the opposite direction) in the theoretical value of the CBBC. The percentage change in theoretical value of the CBBC may be greater or smaller, in the same or opposite direction. The theoretical value of the CBBC may be different from the prices available in the market. You should be aware that you may be subject to, among other risks, a significant portion or the entire loss of your investment in our CBBCs, which will be proportionately greater than the amount of loss you would sustain from investing in the same amount directly in the underlying unit, for a given change in the underlying unit price. Please refer to the “Risk Factors” section of this base listing document and the relevant supplemental listing document.

For both our Bull CBBCs and Bear CBBCs relating to the units of a fund or trust, the final price of an underlying unit will be determined by reference to the market closing price on the valuation date, please see the terms and conditions of our CBBCs for further details.

WHAT ARE THE FACTORS DETERMINING THE PRICE OF A CBBC?

The price of a CBBC tend to mirror the movement in the value of the underlying asset in dollar value (on the assumption of an entitlement ratio of one CBBC to one underlying asset). However, throughout the term of a CBBC, its price will be influenced by a number of factors, including:

- (a) the Strike Price/Strike Level and the Call Price/Call Level;
- (b) the likelihood of the occurrence of a Mandatory Call Event;
- (c) for Category R CBBCs only, the probable range of the residual value payable upon the occurrence of a Mandatory Call Event;
- (d) the time remaining to expiry;
- (e) any change(s) in interim interest rates;
- (f) expected dividend payments or other distribution on the Underlying Asset or on any components comprising the underlying index;
- (g) the supply and demand for the CBBCs;
- (h) the probable range of the Cash Settlement Amounts;
- (i) the depth of the market or liquidity of future contracts relating to the underlying index;
- (j) any related transaction cost; and
- (k) our creditworthiness.

WHAT IS YOUR MAXIMUM LOSS?

Your maximum loss in CBBCs will be limited to your investment amount plus any transaction cost.

HOW CAN YOU GET INFORMATION ABOUT THE CBBCs AFTER ISSUE?

You may visit the Stock Exchange website at <http://www.hkex.com.hk/eng/prod/secprod/cbbc/intro.htm> to obtain further information on CBBCs or any notice given by us or the Stock Exchange in relation to our CBBCs.

OVERVIEW OF OUR EQUITY LINKED INSTRUMENTS (“ELIs”)

WHAT ARE ELIs?

ELIs are structured financial instruments relating to shares listed in Hong Kong or elsewhere. The payback on an ELI is linked to a specific share or shares. The instruments evidence contracts under which you agree to purchase the relevant share or shares at a specified future date for an agreed purchase price. Depending on the terms of the particular type of ELI, the contract could result in physical delivery of the shares to the investors, or it could give rise to a cash payment linked to the value of the shares.

ELIs offer the potential to earn high returns, which in certain circumstances can exceed the returns available from both conventional equity investments and cash deposits. You should note that when you invest in ELIs for higher returns, you must be prepared to take higher risks. You may lose some or all of the money that you have invested in the ELI.

WHAT ARE THE KEY ELEMENTS OF AN ELI?

Generally, the key elements of an ELI are:

- the shares to which the ELIs are linked;
- the share unit value (this is the maximum value of shares you will be entitled to receive at the end of the investment terms);
- the purchase price (the amount you pay at the time of investment);
- the final reference price (a specified percentage of the closing price of the relevant shares at the time of your investment, which determines the risk and return of your investment); and
- the investment term.

WHAT TYPES OF ELIs MAY BE ISSUED?

The ELIs which we may issue are:

- (a) bull ELIs;
- (b) bear ELIs; and
- (c) range ELIs.

WHAT ARE BULL ELIs?

Investors taking a bullish view on the underlying equities may consider bull ELIs.

Generally, if on the expiry date, the closing price of the underlying security is at or above the strike price, you will receive a cash payment at the total par value of the ELI (the total investment sum plus interest).

Generally, if on the expiry date, the closing price of the underlying security is below the strike price, you will receive a predetermined quantity of the underlying security at the strike price (total par value/strike price). If the ELI is cash settled in lieu of share delivery, you will receive a cash payment based on the closing price of the underlying security.

WHAT ARE BEAR ELIs?

Investors taking a bearish view on the underlying equities may consider bear ELIs.

Generally, if on the expiry date, the closing price of the underlying security is below the strike price, investors will receive a cash payment at the total par value of the ELI (the total investment sum plus interest).

Generally, if on the expiry date, the closing price of the underlying security is at or above the strike price, you will receive a cash payment from us according to the following formula: Par value per board lot of the ELI – number of underlying shares at strike price per board lot of ELI x (closing price – strike price) where the number of underlying shares at strike price equals to the total par value divided by strike price. The cash payment will never be negative and the amount will be zero if the closing price is 2 times or more than the strike price.

WHAT ARE RANGE ELIs?

Investors foreseeing a neutral view on the underlying security may consider range ELIs, which offers three possible forms of payback on expiry.

Generally, if on the expiry date the closing price of the underlying security is within the range of the two strike prices (at or above the lower strike price and below the upper strike price), you will receive a cash payment at the total par value of the ELI (the total investment sum plus interest).

Generally, if on the expiry date the closing price of the underlying security is at or above the upper strike price, you will receive from us a cash payment according to the following formula: Par value per board lot of the ELIs – [number of underlying shares at lower strike price per board lot of ELIs x (closing price – upper strike price)] where the number of underlying shares at lower strike price is equal to the total par value divided by lower strike price. The cash payment will never be negative and the amount will be zero if the closing price equals or exceeds the sum of the lower and upper strike prices.

Generally, if on the expiry date the closing price of the underlying security is below the lower strike price, you will receive a predetermined quantity of the underlying security at the lower strike price. If the ELI is cash settled in lieu of share delivery, you will receive a cash payment based on the closing price of the underlying security.

WHAT ARE THE FEATURES OF OUR ELIs?

The main features of our ELIs are described below:

Issuer:	BOCI Asia Limited
Agent:	BOCI Securities Limited
Liquidity Provider:	BOCI Securities Limited or any liquidity provider as appointed by us from time to time.
Form:	In registered form subject to and with the benefit of a deed poll made by us. Each issue will be represented by a global ELI certificate registered in the name of HKSCC Nominees Limited (or its successors) as ELIs holder and deposited within the CCASS. We will not issue any definitive certificates for our ELIs.
Underlying share:	Each series of ELIs that we issue is linked to a share listed in Hong Kong.

Delisting of the company or companies underlying our ELIs:

If the shares of the company or the shares of any of the companies underlying a particular issue of our ELIs are delisted from the Stock Exchange, we may adjust the terms of that issue as further detailed in the relevant terms and conditions of our ELIs.

HOLDERS OF OUR ELIs RANK FOR PAYMENT EQUALLY WITH OUR OTHER UNSECURED CREDITORS

Our obligation under the ELIs is not a deposit liability of ours nor a debt of any kind. Our ELIs constitute our unsecured obligations. This means that if we become insolvent, ELI holders will rank for payment equally with all our other creditors whose claims are not (1) preferred by law; or (2) secured on our assets; or (3) subordinated, which means that they rank after the claims of other creditors.

WE OR OUR SUBSIDIARIES MAY BUY AND SELL OUR ELIs

We or our subsidiaries or affiliates may at any time buy our ELIs whether in the open market or by tender or by private treaty, at any price.

If we or our subsidiaries or affiliates do buy back our ELIs, we or our subsidiaries or affiliates may hold them, resell them or decide to cancel them, at our and their choice.

WE CAN RE-OPEN A SERIES OF ELIs TO ISSUE MORE ELIs OF THE SAME SERIES LATER

We reserve the right to create and issue more ELIs of a particular series after the initial offering has closed. The further ELIs will be issued so that they are interchangeable with the originally issued ELIs.

HOW CAN YOU GET MORE INFORMATION ABOUT THE ELIs AFTER ISSUE?

You may visit the Stock Exchange website at <http://www.hkex.com.hk/eng/prod/secprod/leli/leli.htm> to obtain further information on ELIs.

RISK FACTORS

You should carefully consider the following information together with the other information contained in this document and in the applicable supplemental listing document before purchasing our Structured Products of any series.

This section highlights only some of the risks of dealing in the Structured Products but their inclusion in this document does not mean these are the only significant or relevant risks of dealing in our Structured Products.

There are risks associated with investing in our Structured Products; our Structured Products are volatile instruments

Our Structured Products involve a high degree of risk and are subject to a number of risks which may include interest, foreign exchange, time value and/or political risks. The price of Structured Products generally may fall in value as rapidly as they may rise and you may sustain a total loss in your investment. Your investment in our Structured Products involves risks. Before investing in any series of our Structured Products, you should consider whether our Structured Products are suitable for you in light of your own financial circumstances and investment objectives. Not all of these risks are described in this document or a supplemental listing document. You should consider taking independent professional advice prior to making an investment in our Structured Products.

Our Structured Products are complex and volatile instruments

Potential investors in Structured Products should recognize that certain Structured Products may expire worthless, our Structured Products are complex instruments and their values at any time prior to expiry are governed by a number of factors, including but not limited to the time left until expiry, the volatility of price or level of the underlying asset, market interest rate movements, our financial condition and market's view of our credit quality. The values of our Structured Products may rise or fall rapidly over a short time due to changes in one or more factors. The interplay of these different factors also means that the effect on the value of our Structured Products from the change in one factor may offset or accentuate the effect from the change in another factor. The value or level of the underlying assets (and some of the other relevant factors) can also be unpredictable, it may change suddenly and in large magnitude or remain unchanged. You may risk losing your entire investment if the price or level of the underlying assets do not move at all. You may risk losing your entire investment if the price or level of the underlying assets do not move in your anticipated direction. You should also note that, assuming all other factors are held constant, the value of our Structured Products will decline over time.

The cash settlement amount of our certain series of Structured Products if calculated at any time prior to expiry may typically be less than the market price of such Structured Products at that time. The difference will reflect, among other things, a "time value" for the Structured Products which depends on a number of interrelated factors including those specified above.

Your ability to realize your investment in our Structured Products is dependent on the trading market for our Structured Products

Where our Structured Products are not exercisable prior to the expire date, the only way you may be able to realise the value of your investment in our Structured Products is to dispose of them either in the on-exchange market or over-the-counter market. If you dispose of your investment in our Structured Products before expiry in this way, the amount you will receive will depend on the price you are able to obtain from the market for our Structured Products. That price may depend on the quantity of our Structured Products you are trying to sell. The market price of our Structured Products may not be equal to the value of our Structured Products, and changes in the price of our Structured Products may not correspond (in direction and/or magnitude) with changes in the value of our Structured Products.

The liquidity provider appointed for our Structured Products will upon request provide bid and/or offer prices for our Structured Products on the Stock Exchange and may (but is not obliged to) provide such prices at other times too, but under certain circumstances it may not provide bid and/or offer prices even if requested. You should refer to the section regarding liquidity provider in the relevant supplemental listing document for further details. The prices provided by our liquidity provider are influenced by, among other things, the supply and demand of our Structured Products for a particular series in the market, and may not correspond with the values of such Structured Products or changes in such values.

You should note that the prices available in the market for our Structured Products may also come from other participants in the market, although we cannot predict if and to what extent a secondary market may develop in any series of Structured Products or whether that market will be liquid or illiquid. The fact that a particular series of Structured Products is listed does not necessarily lead to greater liquidity. In addition, no assurance can be given that the listing of any particular series of our Structured Products will be maintained. If our Structured Products of a particular series cease to be listed, they may not be transacted through the Stock Exchange or at all, and they may even be terminated early. Off-exchange transactions may involve greater risks than on-exchange transactions.

Only the liquidity provider appointed for our series of Structured Products is obliged to provide bid and/or offer prices for our Structured Products (subject to the terms set out in the relevant supplemental listing document), and at times it may be the only source of bid and/or offer prices for our Structured Products.

The liquidity of any series of our Structured Products may also be affected by restrictions on offers and sales of our Structured Products in some jurisdictions including the restrictions described in the section headed “Purchase and Sale” in this document.

If trading in the underlying asset is suspended, trading in the relevant series of Structured Products may also be suspended for a similar period.

You must rely on our creditworthiness; our obligations are not deposit liability or debt obligations

Our Structured Products are not secured on any assets. Our Structured Products represent our general contractual obligations and will rank equally with our other general unsecured obligations. The number of Structured Products outstanding at any given time may be substantial. When purchasing our Structured Products, you will be relying upon our creditworthiness and of no one else. We do not intend to create upon ourselves a deposit liability or a debt obligation by issue of any series of Structured Products.

You have no rights in the underlying assets and the market price for our Structured Products may fluctuate differently from that of the underlying assets

Our Structured Products are financial instruments issued by us and are separate from the underlying assets. You have no rights under our Structured Products against any company which issues or comprises the underlying assets of the relevant issue of Structured Products or the sponsor of any underlying asset that is an index. In addition, buying our Structured Products is not the same as buying the underlying assets or having a direct investment in the underlying assets. You will not be entitled to have voting rights, rights to receive dividends or distributions or any other rights under the underlying shares. As mentioned, there are many factors influencing the value and/or market price of our Structured Products, which are leveraged instruments. For example, increase in the price or level of the underlying assets may not lead to an increase in the value of our Structured Products by a proportionate amount or even any increase at all; however, a decrease in the price or level of the underlying assets may lead to a greater than proportionate decrease in the value and/or market price of our Structured Products. There is no assurance that a change in value and/or market price of our Structured Products will correspond in direction and/or magnitude with the change in price or level of the underlying assets. You should recognise the complexities of utilising our Structured Products to hedge against the market risk associated with investing in an underlying asset.

We or the sponsor of the underlying assets will have no involvement in the offer and sale of our Structured Products and no obligations to you as investors in our Structured Products. The decisions made by them on corporate actions, such as a merger or sale of assets, or adjustment of the method for calculation of an index may also have adverse impact on the value and/or market price of our Structured Products.

There could be conflicts of interest arising out of our other activities which may affect our Structured Products

We, our subsidiaries and affiliates may engage in transactions (whether for their proprietary accounts, including hedging, or trading for accounts under management or otherwise) involving, as well as provide investment banking and other services to, any company underlying our Structured Products or their securities and those transactions may have a positive or negative impact on the price or level of the underlying asset and in turn the value and/or market price of our Structured Products. We, our subsidiaries and affiliates may have officers who serve as directors of any of the companies underlying our Structured Products. Our proprietary trading activities (which include hedging of our Structured Products) in the underlying securities or related Structured Products may affect the value and/or market price of our Structured Products. We may issue other competing financial products which may affect the value and/or market price of our Structured Products. You should also note that potential conflicts of interest may arise from the different roles played by us, our subsidiaries and affiliates in connection with our Structured Products and the economic interests in each role may be adverse to your interests in our Structured Products. We owe no duty to you to avoid such conflicts.

We may early terminate our Structured Products due to illegality, force majeure or extraordinary reasons

If we determine (in good faith) that our obligations under any Structured Products have become unlawful or impractical, we may (with necessary approvals from regulatory authorities) decide to terminate that issue of Structured Products early. If this happens, we will pay the holder of those Structured Products an amount determined by the agent in its sole and absolute discretion to be the fair market value of the Structured Products immediately prior to such termination or otherwise as specified in the relevant supplemental listing documents. Such fair market value of the Structured Products could be substantially less than the amount you invested and can be as low as zero.

Liquidation of underlying company

In the event of liquidation, dissolution or winding up of company that issues the underlying asset or the appointment of a receiver or administrator or analogous person, to the company, the relevant Structured Products shall lapse and we, as the issuer, shall pay an amount equal to our good faith estimate (made in our sole discretion) of the value of our Structured Products to the holders, which may be as low as zero.

Time lag between the time of exercise and the time of determination of the settlement amount may affect the settlement amount

When exercising your Structured Products, there may be a time lag between the time of exercise and the time of determination of the settlement amount. Such delay could be significantly longer in the case of a market disruption event, delisting of the company that issues the underlying shares or other adjustment events. The settlement amount may change significantly during any such period and may result in such settlement amount being zero.

We may adjust the terms and conditions of our Structured Products upon the occurrence of certain corporate events or extraordinary events affecting the underlying assets

We and/or the agent may determine that certain corporate events or extraordinary events affecting the underlying assets have occurred and may make corresponding adjustments to the terms and conditions of our Structured Products, including adjustments to the value or level of the underlying assets or changing the composition of the underlying assets. Such events and/or adjustments (if any) may have adverse impact on the value and/or market price of our Structured Products. We may also in our sole discretion adjust the entitlement of any series of our Structured Products for dilution events such as stock splits and stock dividends.

However, we have no obligation to make adjustment for every event that can affect the underlying asset. The value and/or market price of our Structured Products may be adversely affected by such events in the absence of an adjustment by us. If adjustments were made, we do not assure that such adjustments can negate any adverse impact of such events on the value and/or market price of our Structured Products.

Our determination of the occurrence of a market or settlement disruption event may affect the value and/or market price of our Structured Products

We and/or the agent may determine that a market or settlement disruption event has occurred. Such determination may affect the value and/or market price of our Structured Products, and may delay settlement in respect of our Structured Products.

If the agent determines that a market disruption event exists, the valuation of the underlying assets for the purpose of calculating the cash settlement amount of our Structured Products will be postponed. If such market disruption event exists for a continuous period of time as specified in the terms of our Structured Products, we and/or the agent may determine the good faith estimate of the value or level of the underlying assets that would have prevailed on the relevant postponed valuation date but for such market disruption event.

Investment in our Structured Products may involve exchange rate risks and interest rate risks

An investment in our Structured Products may involve exchange rate risks. For example, the underlying asset may be denominated in a currency other than that of our Structured Products, our Structured Products may be denominated in a currency other than the currency of your home jurisdiction and our Structured Products may settle in a currency other than the currency in which you wish to receive funds. Changes in the exchange rate(s) between the currency of the underlying asset, the currency in which our Structured Products settle and/or the currency of your home jurisdiction may adversely affect the return of your investment in our Structured Products. We cannot assure that current exchange rates at the issue date of our Structured Products will be representative of the future exchange rates used in computing the value of our Structured Products. Fluctuations in exchange rates may therefore affect the value of our Structured Products.

An investment in our Structured Products may also involve interest rate risk as the intrinsic value of our Structured Product may be sensitive to fluctuations in interest rates. Fluctuations in the short term or long term interest rates of the currency in which our Structured Products are settled or the currency in which the underlying asset is denominated may affect the value and/or market price of our Structured Products.

Please consult your tax advisors if you are in any doubt of your tax position

You may be required to pay stamp taxes or other documentary charges in accordance with the laws and practices of the country where our Structured Products are transferred and such laws and practices may change from time to time. If you are in any doubt of your tax position, you should consult your own independent tax advisors.

Our Structured Products are issued in global registered form; you have to rely on your brokers to evidence title to your investment and to receive notices and the cash settlement amount

Our Structured Products are issued in global registered form and held on your behalf within a clearing system. This means that evidence of title to your interests, as well as the efficiency of ultimate delivery of the cash settlement amount, will be governed by the CCASS Rules.

Our Structured Products in global registered form will be registered in the name of HKSCC Nominees Limited (or its successors), which shall be treated by us as the holder of our Structured Products for all purposes. This means that you will not receive definitive certificates and the register will record at all times that our Structured Products are being held by HKSCC Nominees Limited (or its successors). You will have to rely solely upon your brokers and the statements received from your brokers to evidence title to your investments. You will also have to rely on your brokers to effectively inform you of any notices,

announcements and/or meetings issued or called by us (upon receipt by those brokers as CCASS participants of the same from CCASS and ultimately from us). The Listing Rules also provide that our obligations to deliver notices, announcements and/or meetings will be complied with by posting on the Stock Exchange website. Our obligations to deliver any cash settlement amount to you will be duly performed by the delivery of any such amount to HKSCC Nominees Limited (or its successors) as the holder of the Structured Products. You will therefore have to rely on your brokers for the ultimate delivery of any cash settlement amount to you as the investor.

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 Structured Products such that the effect of any individual risk factor may not be predictable. No assurance can be given as to the effect any combination of risk factors may have on the value of a series of Structured Products.

We do not give you any advice or credit analysis

We are not responsible for the lawfulness of your acquisition of our Structured Products. We are not giving you any advice or credit analysis of the underlying assets. You shall be deemed to have made a representation to such effect for each purchase of our Structured Products of any series.

Risks associated with our CBBCs

You may lose all or substantially all your investment at expiry

If you hold your CBBCs until expiry and no mandatory call event occurs during the observation period, the cash settlement amount payable upon exercise at expiry will depend on how much the closing price or level of the underlying asset is above (in the case of bull CBBCs) or below (in the case of bear CBBCs) the strike price or level. The cash settlement amount may be substantially less than your initial investment in the CBBCs, and may even be zero.

You may lose all or substantially all of your investment upon the occurrence of the mandatory call event

You may lose all or substantially all of your investment in our CBBCs if the mandatory call event occurs during the observation period of our CBBCs – meaning that the price or level of the underlying asset is for the first time during the observation period at or below (for our Bull CBBCs) or at or above (for our Bear CBBCs) the predetermined call price or call level. The mandatory call event may be triggered by a single, small trade in the underlying share or security comprised in the underlying index, regardless of the size of the trade. The trade that triggers the mandatory call event may only be the result of a temporary fall (or rise, as the case may be) in the price or level of the underlying asset caused by a number of factors. Subsequent to the occurrence of the mandatory call event, the price or level of the underlying asset may recover to above (or below, as the case may be) the call price or call level.

Upon the occurrence of a mandatory call event, a Category N CBBC will become worthless while a Category R CBBC will be settled by the payment of a residual cash amount (if any) by us. Such residual amount is determined by reference to the amount by which the minimum trade price or index level of the underlying asset in the trading session in which the mandatory call event occurs and the immediately following trading session exceeds the strike price or strike level (for our Category R Bull CBBCs) or the amount by which the strike price or strike level exceeds the maximum trade price or index level of the underlying asset in the trading session in which the mandatory call event occurs and the immediately following trading session (for our Category R Bear CBBCs). This resultant amount may be as low as zero.

On the occurrence of a mandatory call event, we may at our sole and absolute discretion elect to pay an additional amount determined at our sole and absolute discretion for the particular series of CBBCs, and may be as low as zero.

Where the mandatory call event occurs in a continuous trading session of the Stock Exchange, all trades of CBBCs concluded in that continuous trading session after the time at which the mandatory call event occurs will be cancelled. Where the mandatory call event occurs in a pre-opening session or a closing auction session (if any) of the Stock Exchange, all auction trades of CBBCs concluded in that pre-opening session or closing auction session (as the case may be) and all manual trades of CBBCs concluded after the end of the relevant pre-order matching period will be cancelled. We will announce the occurrence of the mandatory call event in accordance with the requirements of the Stock Exchange but the announcement of the same can be delayed by among other reasons, technical errors or system failures beyond our control. Your gain or loss from a trade that is subsequently cancelled will be reversed. If in the meantime you have entered into transactions with our CBBCs as a hedge, then upon cancellation of trades in our CBBCs, you will need to find a replacement hedge and may incur losses in doing so.

Termination of our CBBCs and cancellation of trades following the occurrence of the mandatory call event is irrevocable unless the mandatory call event is triggered by (i) system malfunction or other internal issues of the Stock Exchange (e.g. the setting up of wrong call price or call level and other parameters) and such event is reported by the Stock Exchange to us and confirmed by us or (ii) genuine errors caused by any other third party price sources (e.g. any miscalculation of the index level by the index sponsor) and such event is reported by us to the Stock Exchange and confirmed by the Stock Exchange. In each of the above cases, such reporting must be made no later than 30 minutes before the commencement of trading (including the pre-opening session) (Hong Kong time) on the trading day of the Stock Exchange immediately following the day on which the mandatory call event occurs.

Under the terms and conditions of our CBBCs, none of the Stock Exchange, us, the guarantor, the issuer or sponsor of the underlying asset or any of our or their affiliates or agent shall be responsible for any losses suffered as a result of the determination of the price or level of the underlying asset, any adjustments involved in determining the occurrence of the mandatory call event, the calculation of any cash settlement amount and the suspension of trading in connection with the mandatory call event, notwithstanding that such adjustments, calculation or suspension may have occurred as a result of an error.

The payment of the additional amount is at our sole and absolute discretion

The payment of the additional amount is at our sole and absolute discretion, as is the quantity of the additional amount, if we choose to pay it. In exercising such discretion, we may (but are not obliged to) take into account any factors that we consider relevant, and we are not bound by any exercise of the discretion in respect of previous mandatory call events of other CBBCs issued by ourselves or others.

Accordingly, you should not form any expectations regarding the exercise of such discretion upon the occurrence of mandatory call event in respect of any series of CBBCs. You should note that the cash settlement amount at mandatory call event may be zero, and in any event will never exceed, in the case of CBBCs relating to an index, an amount equal to (i) the index currency amount times (ii) the absolute value of the difference between the strike level and the maximum trade level for Bull CBBCs relating to an index or the minimum trade level for Bear CBBCs relating to an index; or, in the case of CBBCs relating to a share, an amount equal to (i) the absolute value of the difference between the strike price and the maximum trade price for Bull CBBCs or the minimum trade price for Bear CBBCs times (ii) number of CBBCs per board lot divided by (iii) number of CBBC(s) per entitlement.

A CBBC is different from a margin trading position over the same underlying asset

An investment in CBBC is similar to but not the same as a corresponding margin trading position.

Both are different from an actual position in the underlying asset in that an investor does not have to pay an amount equal to the maximum potential exposure of the position upon entry. Because the initial payment is small by comparison, a given change in the price or level of the underlying asset can result in a greater percentage change in the value of the investment.

Whilst the total gain or loss of investing in a CBBC upon exercise at expiry will be substantially equal to that of an equivalent margin trading position (of same size and strike price or level) on the same underlying asset, at other times a CBBC differs from an equivalent margin trading position in many ways:

Generally a margin trading position will be marked-to-market at the end of every trading day so that the holder would realise the day's gain or loss immediately, unless a mandatory call event or expiry occurs the gain or loss of a CBBC is realised only when it is sold. One can maintain a margin trading position even if the underlying asset price or level continues to moves against the direction anticipated, so long as the holder continues to put up additional margin, with the CBBC when the underlying asset price or level reaches the call level it is immediately terminated. Once the call level is reached, a CBBC investor would lose his entire investment (for a category N CBBC) or would only receive the residual cash amount (if any, for a category R CBBC) and due to the call termination, he would not benefit from the reversal of direction of the underlying asset price or level subsequent to the mandatory call event (for a category N CBBC) or the determination of residual cash amount (for a category R CBBC).

This call termination feature of CBBCs (among other reasons) also means that the theoretical value of a CBBC at a time prior to its expiry will be different from that of an equivalent margin trading position. A given percentage change in the price or level of the underlying asset may not result in the same percentage change (in the same direction for a bull CBBC or in the opposite direction for a bear CBBC) in the theoretical value of the CBBC. The percentage change in theoretical value of the CBBC may be greater or smaller (or may be zero), in the same or opposite direction.

The theoretical value of a CBBC at any time will also contain an amount which reflects our cost of maintaining the corresponding hedge position in the underlying asset (e.g. the cost of funding a long position in shares, the net cost of borrowing shares for short sale, or the cost of margin in maintaining the futures position). The purchase price of a CBBC you pay may include all or part of such cost and when the mandatory call event occurs, the cash settlement amount (if any) will not contain a refund of such cost. Other than at expiry (assuming mandatory call event does not occur prior to expiry) when the cash settlement amount will be set by the closing price or level of the underlying asset, at any time prior to the expiry you may sell your holding of CBBCs in the market and the price realised may or may not be the same as the theoretical value of the CBBCs, as the price will be determined by the levels of supply and demand in the market.

The funding costs of our CBBCs will fluctuate during the term of our CBBCs

The issue price of our CBBCs is set by reference to the difference between the initial reference spot level or spot price of the underlying asset as of the launch date and the strike price or strike level, plus the applicable funding cost. The initial funding cost applicable to our CBBCs is specified in the relevant supplemental listing document. It will fluctuate during the term of our CBBCs as the funding rate changes from time to time. The initial funding cost is an amount determined by us based on one or more factors, including but not limited to the strike price or strike level (as the case may be), the prevailing interest rate, the expected term of our CBBCs, any expected notional dividends in respect of the underlying asset and the margin financing provided by us.

TAXATION

The comments below are of a general nature and are based on current law and practice. They are not intended to provide guidance, potential investors in Structured Products are strongly advised to consult their own tax advisers as to their respective tax position on sale, purchase, ownership, transfer, holding or exercise of any Structured Products.

General

Investors in Structured Products may be required to pay stamp duties, taxes and other charges in accordance with the laws and practices of the country of purchase or their countries of residence in addition to the issue price of each Structured Product.

Taxation in Hong Kong

Profits Tax

No Hong Kong profit tax is payable by way of withholding or otherwise in respect of dividends of any company which has issued the underlying shares or in respect of any capital gains arising on the sale of the underlying shares or the Structured Products, except that Hong Kong profits tax may be chargeable on any such gains in the case of certain persons carrying on a trade, profession or business in Hong Kong and where such gains are of trading in nature and of a Hong Kong source.

Stamp Duty

No Hong Kong stamp duty liability should attach to either the entering into, transferring or the exercising of purely cash settled Structured Products.

Where shares are to be delivered to an investor pursuant to the conditions of the specific Structured Product, Hong Kong stamp duty will normally be payable since any person who effects a sale or purchase of Hong Kong Stock (as defined in the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong)), whether as principal or as agent and whether such transaction is effected in Hong Kong or elsewhere, is required to execute a contract note evidencing such sale or purchase and have such contract note stamped with Hong Kong stamp duty.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 commenced on 11 February 2006. Estates of persons who pass away on or after the commencement date of that ordinance are not subject to Hong Kong estate duty.

PURCHASE AND SALE

General

No action has been or will be taken by us that would permit a public offering of any series of Structured Products or possession or distribution of any offering material in relation to any Structured Products in any jurisdiction (other than Hong Kong) where action for the purpose is required. No offers, sales, re-sales, transfers or deliveries of any Structured Products, or distribution of any offering material relating to the Structured Products may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws or regulations and which will not impose any obligation on us.

United States of America

Each series of Structured Products has not been, and will not be, registered under the Securities Act. Subject to certain exceptions, Structured Products 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 US person or to others for offering, sale or resale in the United States or to such US persons. Offers and sales of Structured Products, or interests therein, in the United States or to US 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 Structured Products within the United States or to US 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 “**US person**” means any national or resident of the United States, including any corporation, partnership or other entity created or organized 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 US 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 Structured Products within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

United Kingdom

All applicable provisions of the Financial Services and Markets Act 2000 (the “**FSMA**”) must be complied with in respect of anything done in relation to the Structured Products in, from or otherwise involving the United Kingdom. An invitation or inducement to engaged in investment activity (within the meaning of Section 21 of the FSMA) may only be communicated or caused to be communicated in connection with the issue or sale of the Structured Products in circumstances in which Section 21(1) of the FSMA would not, if we were not an authorised person, apply to us.

Additional

The offer and sale of the Structured Products will also be subject to such other restrictions and requirements as may be set out in the relevant supplemental listing documents.

Persons interested in acquiring the Structured Products should inform themselves and obtain appropriate professional advice as to (i) the legal requirements within the countries of their nationality, residence, ordinary residence or domicile for such acquisition; (ii) any foreign exchange restrictions or exchange control requirements which they might encounter on the acquisition of the Structured Products or their redemption; or (iii) the acquisition, holding or disposal of the Structured Products.

INFORMATION IN RELATION TO US

History

We are a wholly-owned subsidiary of BOC International Holdings Limited (“**BOCI**”) and was incorporated in Hong Kong on 10 July 1998 with limited liability. Our registered office and principal place of business is located at 26/F, Bank of China Tower, 1 Garden Road, Central, Hong Kong. Our key functions are supported by BOCI and its other subsidiaries.

Group Profile

Bank of China Limited (“**BOCL**”) is China’s oldest commercial bank and since its inception in 1912, has enjoyed a pre-eminent position in China.

BOCL has two principal subsidiaries in Hong Kong, namely, BOCI and BOC Hong Kong (Holdings) Limited (“**BOCHK Holdings**”). BOCI and BOCHK Holdings are managed and operated independently in Hong Kong and report directly and independently to BOCL.

BOCL was listed on the Exchange (Stock Code 3988. HK) on 1 June 2006 after a successful global offering sponsored by us.

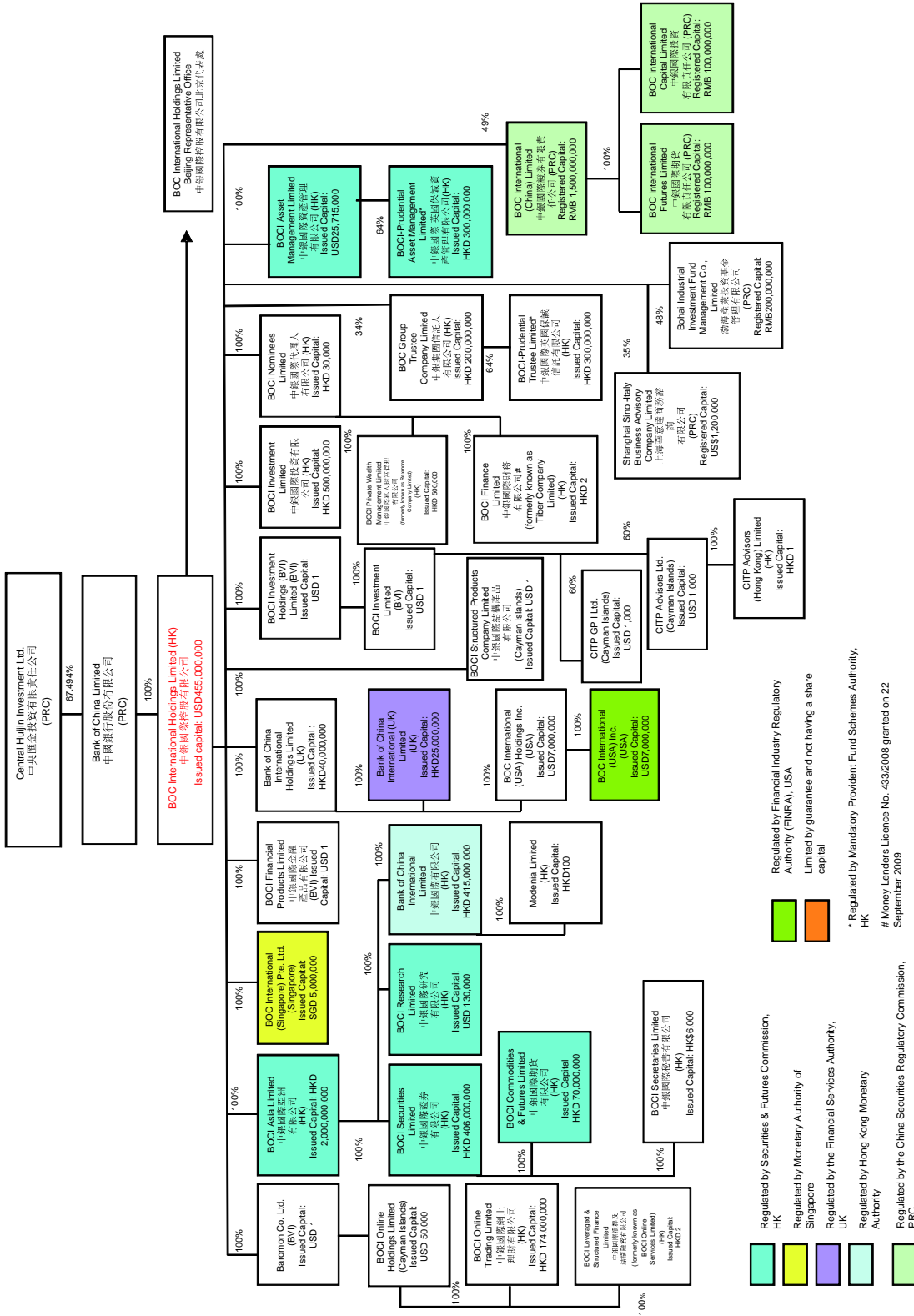
BOCI and BOCHK Holdings

BOCI was incorporated in Hong Kong on 10 July 1998 and is a wholly-owned subsidiary of BOCL. BOCI is the investment banking arm of BOCL. BOCI has offices and subsidiaries in Shanghai, Beijing, Singapore, London and New York and is capable of delivering sophisticated solutions in Hong Kong and mainland China.

BOCHK Holdings was incorporated in Hong Kong on 12 September 2001 to hold the entire equity interest in Bank of China (Hong Kong) Limited (“**BOCHK**”), its principal operating subsidiary. Other major subsidiaries of BOCHK include Nanyang Commercial Bank Limited, Chiyu Banking Corporation Limited and BOC Credit Card (International) Limited. BOCHK Holdings was listed on the Exchange (Stock Code 2388.HK) on 25 July 2002 and is now a constituent stock of the Hang Seng Index, Financial Times Index and MSCI Hong Kong Index.

BOCHK is one of three Hong Kong dollar note issuing banks. It operates in four strategic business units, including retail banking, corporate banking and treasury, business planning, and finance and business support services. The retail banking, corporate banking and treasury units constitute BOCHK’s principal business lines.

The following is the organisation chart of BOCI and its subsidiaries (the "BOCI Group").
BOCI Group Chart
 As at 29 December 2009



Our History, Financial Performance and Principal Businesses

Financial Performance

The turnover of the Group in 2008 was HK\$1,461,359,839. The turnover of the Group increased by HK\$1,541,165,617 from that in 2008 to HK\$3,002,252,456 for the year ended 31 December 2009. The turnover of the Group was earned mainly through commissions, brokerage, underwriting fees and dealing in securities and interest income. The total revenue of the Group in 2009 increased by HK\$1,612,430,383 to HK\$3,170,734,910 from that in 2008 (HK\$1,558,304,527).

Principal Businesses

We are one of the leading investment banking services providers in Hong Kong, serving institutional, corporate, governmental and high-net-worth-individual clients. We provide a wide range of investment banking services to our clients, including the sponsoring of initial public offering (“**IPO**”), the underwriting of equity and debt issues, advising in respect of mergers and acquisitions, private equity, restructuring of debt and assets, and arrangement of leveraged finance through some of our other affiliates. Our wholly owned subsidiary, BOCI Securities Limited (“**BOCI Securities**”), is also active in the Hong Kong equities agency business and is one of the top brokers in Hong Kong.

We are licensed under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) for Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities and have been so since 14 February 2005.

The principal businesses of BOCI Group include advising on corporate finance matters and lead managing equity and debt issues as described below:

Equity Offerings

We provide domestic and overseas listing services with international standards to clients across various industries. We are one of the market leaders in Hong Kong IPO underwriting over the past years.

The total fund raised by Hong Kong IPO issuers for which we acted as the lead underwriter was over US\$6,606 million in 2009 and US\$613 million in 2008.

In 2009, we acted as joint global coordinator, joint bookrunner, joint sponsor and joint lead manager for the listings of Ausnutria Dairy Corp Ltd and CPMC Holding Ltd. For the IPO of Evergrande Real Estate Group Ltd, we were joint global coordinator, joint bookrunner, and joint lead manager. We were joint bookrunner, joint lead manager, and joint sponsor for the IPOs of China Minsheng Banking Corp Ltd and Kaisa Group Holdings Ltd. We were joint bookrunner and joint lead manager for the IPOs of Fantasia Group (China) Co Ltd, China South City Holdings Ltd, Lumena Resources Corp, and Silver Base Group Holdings Ltd. We acted as sole bookrunner and placement agent for the placements of Minmetals Land Ltd (both in August and December), Digital China Holdings Limited, VODone Ltd, Capital Strategic Investment Ltd, Kingdee International Software Group Co Ltd, and Franshion Properties (China) Ltd. We were joint bookrunner for the placements of Poly (Hong Kong) Investments Ltd (both in June and December), GCL-Poly Energy Holdings Ltd, China Construction Bank Corp, and Renhe Commercial Holdings Co Ltd. We were sole bookrunner in PYI Corp Ltd’s rights issue, and joint bookrunner in New World China Land Ltd’s rights issue.

In 2008, we acted as joint global coordinator, joint bookrunner, joint sponsor and joint lead manager for the listing of Renhe Commercial Holdings Co. Ltd. We also acted as sole bookrunner and placing agent for a share placement deal of Fushan International Energy Group Ltd.

We ranked No. 3 for IPOs in the Hong Kong equity market from January 2006 to December 2009. During the same period, in the Hong Kong equity market, we were No. 4 in equity underwriting which includes both IPOs and equity placements.

Mergers & Acquisitions

Capitalizing on our domestic and international reach, we have been active in cross-border M&A activities and provided M&A advice to Hong Kong, international, and Chinese corporate clients. In early 2010, we acted as the financial advisor for China Sci-tech Holdings Limited in relation to its US\$250 million cross-border acquisition of Canadian-listed Chariot Resources Limited, along with the associated US\$800 million placement. In 2009, we acted as the sell-side financial advisor for NWS Holding Limited for its HK\$1.8 billion sale of Hong Kong brokerage Taifook Securities to PRC-based Haitong Securities; the buy-side financial advisor for Fushan International Energy Group on its two acquisitions of a minority stake in each of Australian-listed Mount Gibsons and Hong Kong-listed APAC Resources; and the buy-side financial advisor for Minmetals Land in its acquisition of three real estate projects. In 2008, we acted as the financial advisor for Fushan International Energy Group in relation to its HK\$10.53 billion acquisition of three coking coal mines in Shanxi Province, which acquisition has made it one of the largest coking coal producers in the PRC; TravelSky Technology Ltd.'s RMB1 billion acquisition of automated settlement systems from its parent company; and Changshu Bosideng Ltd.'s RMB385 million divestiture of a part of its men's apparel business. In 2007, we acted as financial advisor in Orient Resources Group Co. Ltd.'s US\$940 million acquisition of an oilfield in the PRC; Sinotrans Ltd.'s acquisition of related business and assets from its parent company; and Legend Holdings Ltd.'s US\$114 million strategic investment.

Debt Issues

DCM team has executed more than 22 debt transactions (including public offerings and private placements) since its reform in 2005. We have rewarded as Best High Yield Bond 2007 and 2007 Outstanding Bond Arranger from Asiamoney and Capital Weekly respectively.

Some of our recent transaction role has been acting as: joint lead managers/bookrunners of US\$2.5 billion Bank of China (HK) Limited 10 years subordinated debt due 2020 in both first issuance and reopen; joint lead managers/bookrunners of US\$750 million Evergrande Real Estate Group 5 years high yield issuance due 2015; joint lead managers/bookrunners of Lumena Resource Corporation 5 years high yield issuance due 2014. Our executed product ranges are wide; we have also been involving in acting as: joint lead managers/bookrunners of RMB3 billion Bank of China Limited RMB retail bond in 2008 and 2009 respectively; senior roles in some private placements of convertible bond and Pre – IPO exchangeable bond.

Asset Management

BOCI Group and Prudential Corporation Holdings Limited has jointly established BOCI-Prudential Asset Management Limited (“**BOCI-Prudential**”). BOCI-Prudential has over HK\$50 billion of assets under management (as at 31 December 2009).

BOCI-Prudential offers a comprehensive range of investment products, including Hong Kong Mandatory Provident Fund (MPF) scheme, pension funds, retail unit trusts, exchange traded funds (ETF), institutional mandates and other advisory funds. It also offers discretionary investment portfolios and charity fund management services to both private individuals and institutional clients. As one of the pioneers in the asset management industry, BOCI-Prudential launched its first ETF, namely the W.I.S.E. – CSI 300 China Tracker[®], in 2007 and there are now 3 sub-funds under the W.I.S.E. series.

Brokerage

BOCI Securities, our wholly-owned subsidiary, is one of the most active brokers in Hong Kong. BOCI Securities offers a wide range of multi-market investment products including equities and futures listed in Hong Kong and elsewhere, options, treasury bonds, corporate bonds, equity-linked investment product and equity-linked notes. BOCI Securities also offers financing services including margin financing, IPO margin financing, and financing for primary and secondary placements.

Private Equity

Benefit from extensive branch network and resources of BOC Group and an experienced team with local insight and in-depth knowledge in domestic and global capital markets, BOCI is uniquely positioned to

capitalize on the Greater China private equity markets. Through long-term investments in market leaders, BOCI aims to build up strong partnerships with our portfolio companies and to deliver resources to strengthen their market. BOCI focuses on the value creation and long-term benefits of our portfolio companies and targets to enhance competitiveness and shareholder's value of the companies through ongoing contribution to their corporate governance structures, management capabilities and risk management capacities.

BOCI launched the Bohai Industrial Investment Fund, the first RMB-denominated private equity fund in China, in December 2006. The fund size amounted to RMB20 billion (US\$2.8 billion) with an initial closing of RMB 6.08 billion (US\$845 million). Bohai Industrial Investment Fund actively invests in Tianjin New Coastal District (Binhai New Area), Bohai Rim Region and all over China. In recognition of the establishment of Bohai Industrial Investment Fund, BOCI received the "Most Innovative Product/China 2007" award and the "Most Innovative Fund of Year 2007" award from Asia Asset Management and Capital, respectively.

Leveraged and Structured Finance

Leveraged and Structured Finance Division was established in late 2007 to complement existing business of BOCI, by delivering creative financing solutions for Leveraged Buyouts, Strategic Mergers and Acquisitions, Build-ups, Recapitalizations, Restructurings, Assets Acquisitions, Project Finance and other capital market activities. Its products include Bridge Finance, Leveraged Finance, Structured Finance and Financial Advisory.

The division has positioned itself as a creative debt provider, filling the gap between equity providers and commercial banks. The addition of the division has enabled the provision of a one-stop banking service to our clientele, equipping the Bank with an additional edge in pursuing its existing business.

Private Banking

BOCI launched its private banking business in April 2009 as a restricted licence bank, Bank of China International Limited (formerly known as BOCI Capital Limited) after reactivating its licence. This strategic move is a significant step in realising BOCL's plan in establishing first-class private banks worldwide. By capitalizing on the breadth of investment banking services, diversified product ranges and the pool of exceptional resources available within BOCI as well as our meticulously selected and monitored partners, Bank of China International Limited offers a comprehensive suite of privileged wealth management services exclusively for affluent private banking clients, addressing their evolving financial needs, from deposit taking service to credit facility, from financial advisory to portfolio management, from income optimization to wealth transfer.

BOCI Group Awards

2010

Recognition for BOCI Group:

- Received the "Best Corporate Broker of the Year 2010 – East Asia" in the Best Corporate Broker of the Year 2010 Award, organized by World Finance.
- "The Best Brokerage House, Hong Kong" in The Asset Triple A Securities & Fund Services Awards 2010, organized by The Asset.
- Awarded "CIO 100 Honouree 2010" in the CIO Asia's annual index of Asia's top performing enterprise users of IT" .

Recognition for BOCI Securities:

- Received the "Capital Outstanding Securities Dealer" in The 10th Capital Outstanding Enterprise Awards BOCI Securities, organized by the Capital Magazine.

- “MetroFinance’s Hong Kong Leaders’ Choice Brands Awards 2010” in the Securities Excellent Brand of Securities Services Award, organized by MetroFinance.

In the “Lipper Hong Kong Fund Awards 2010”, BOCI-Prudential won the following awards:

- BOCHK Aggressive Growth Fund A won the “Best Mixed Asset USD Aggressive Fund over Five Years” and the “Best Mixed Asset USD Aggressive Fund over Three Years”
- BOCHK Conservative Growth Fund A won the “Best Mixed Asset USD Conservative Fund over Three Years”
- The “Best Group over Three Years – Mixed Asset”
- BOC-Prudential Easy-Choice MPF S-Japan Equity won the “Best Equity Japan Fund over Three Years”

In the “Asia Asset Management Awards 2009”, BOCI-Prudential won the following awards:

- W.I.S.E-CSI 300 China Tracker won the “Most Innovative Product”
- The “ETF Manager of the Year” and the “Best MPF Manager (Three Years)”

2009

- Certificate of commendation during the Relief Donors’ Award Ceremony in recognition of BOCI’s meritorious service, organised by the Hong Kong Red Cross.

In the “Lipper Hong Kong Fund Awards 2009”, BOCI-Prudential won the following awards:

- BOCHK Aggressive Growth Fund won the “Best Fund over Three Years-Mixed Asset USD Aggressive” & “Best Fund over Five Years-Mixed Asset USD Aggressive”
- BOCHK Balanced Growth Fund won the “Best Fund over Three Years-Mixed Asset USD Balanced – Global” & “Best Fund over Five Years-Mixed Asset USD Balanced – Global”
- BOCHK Conservative Growth Fund won the “Best Fund over Three Years-Mixed Asset USD Conservative”
- BOCHK China Golden Dragon Fund won the “Best Fund over Three Years-Equity China”
- BOCHK Hong Kong Dollar Income Fund won the “Best Fund over Three Years-Bond Hong Kong Dollar”
- BOC-Prudential Easy-Choice Mandatory Provident Fund Scheme – BOC-Prudential Balanced Fund won the “Best Mandatory Provident Fund over Three Years-Mixed Asset HKD Balanced”

Recognition for BOCI Securities:

- “Voted the Best Hong Kong Broker 2007/2008” and “Most Popular Broker in Hong Kong and China” by Hong Kong Commercial Daily and Global Commercial Daily Alliance.
- Received the “Outstanding Securities Services Brand” award in the Hong Kong Leaders’ Choice Award Ceremony, organized by Metro Finance.
- Recipient of the “Award of Excellence in Financial Services 2008” in the 4th Prime Awards for Brand Excellence in Financial Services, organized by Prime Magazine.
- Won the “Capital Outstanding Securities Dealer” award in the 9th Capital Outstanding Enterprise Awards organized by Capital Magazine.

Employees

As at the date of this document, we have 79 full time employees.

Competition

BOCI Group faces intense competition in all aspects of our businesses from investment banking firms, certain commercial banks and other investment services firms. In addition, the trend towards consolidation in the global financial services industry is creating competitors with broader range of products and services, increased access to capital, and greater efficiency and pricing power.

Share Capital and Indebtedness

As at the date of this document, our authorised share capital is HK\$2,000,000,000 divided into 200,000 shares of HK\$10,000 each, all of which have been issued and fully paid.

As at 31 December 2009, the retained profits of the Group were HK\$1,477,541,084, compared with the figure of HK\$721,829,135 as at 31 December 2008. As at 31 December 2009, the total indebtedness of the Group was HK\$13,630,352,928, compared with the figure of HK\$4,528,363,973 as at 31 December 2008.

As at the date of this document, we have no hire purchase commitments, guarantees or other material contingent liabilities and no bank overdrafts or other similar indebtedness except for general business commitments arising out of ordinary business practice, including but not limited to the underwriting commitments of IPO projects.

Risk Management

Risk is an integral part of the BOCI Group's business. Risk management and good corporate governance are critical to BOCI Group's profitability and business decision making process. Strong, independent and prudent management is exercised throughout the BOCI Group in order to manage the risks associated with the BOCI Group's business, such as market risks, operational risks, business risks and credit risks. We are a wholly owned subsidiary of BOCI and our risks are managed at the BOCI Group level. The BOCI Group has established risk control procedures at various levels of its business. Within the BOCI Group's risk management system, business managers have the first line of responsibility for managing business risk within certain prescribed limits based on their in depth understanding of the primary sources of risk in their particular business.

Risk Management System

The BOCI Group's risk management system seeks to maximise returns while maintaining a strong and prudent management of risks by promoting transparency in its risk assessment and management processes.

The BOCI Group's risk management system consists of the following main components:

(i) *The Board of BOCI*

The board of BOCI is responsible for setting the fundamental strategic goals and risk vision of the BOCI Group. The board of BOCI appoints the Risk Management Committee and the Audit Committees which assist the board in overseeing the BOCI Group's risk management functions.

(ii) *The Risk Committees*

The Executive Committee is comprised of the Chief Executive Officer, Deputy Chief Executive Officers, Chief Operating Officer, Head of Equity Sales & Research, Head of Financial Product, Head of Investment Banking and Chief Risk Officer all from the BOCI Group. It is also responsible for the appointment and oversight of the Risk Control Committee and the Commitment Committee. Both the Risk Control Committee and the Commitment Committee hold ad-hoc meetings to deal with risk issues or underwriting and financial advisory business activities as they arise.

The Risk Control Committee is responsible for overseeing the risk management process of the BOCI Group and is responsible for:

- managing exposures to market, credit, country, financial liquidity, legal compliance and operational risks;
- evaluating and approving BOCI's internal risk limits and delegations according to the authorization as set by the Board;
- supervising and coordinating the company's risk management activities, reviewing the completeness and effectiveness of BOCI's risk management infrastructures, and facilitating the building of the company's risk culture;
- monitoring BOCI's overall risk exposure and organizing investigations to any risk event that BOCI considers material;
- evaluating and approving new product and new business proposals in accordance to the policies and authorities delegated by the Board; proposals for new business are generally required to be submitted to RMC and Board for final endorsement; and
- evaluating and approving significant transactions.

The Risk Control Committee is chaired by the Chief Risk Officer of the BOCI Group and is comprised of senior management of the major functional areas.

The Commitment Committee is responsible for overseeing the BOCI Group's underwriting and financial advisory business activities and is comprised of senior management representing both the business and support units.

(iii) Risk Control Functions

The segregation of duties and the integrity of operating systems within the BOCI Group are two basic features of the BOCI Group's practice. Control and support units such as finance and treasury, risk management, legal and compliance, human resources, operations and information technology are independent of the business reporting lines. These units contribute to the BOCI Group's risk management system through their complementary reporting and control functions whilst the Risk Management Division itself evaluates and monitors the market, credit and operational frontline risk exposure.

The Risk Management Division operates separately and independently from the divisions of the BOCI Group and monitors, analyses and reports risk exposures of the BOCI Group to senior management and various business units. The Risk Management Division also provides analysis on counterparties' creditworthiness, approves transactions that exceed risk limits and continuously monitors the BOCI Group's transactions risk profile and risk concentration in light of market fluctuation.

In addition, the Risk Management Division is responsible for promoting a "risk awareness" culture within the BOCI Group so that risks control policies are implemented fully. In conjunction with this, BOCI Group also regularly has comprehensive internal and external audits of all aspects of its business operations.

Risk Control Process

There are six critical elements in the independent risk control process of the BOCI Group. The features of each element are described as follows:

- *Risk Identification*: seeks to identify risks, particularly in new businesses, new products or new markets and in complex or unusual transactions. Every effort is made to identify risks that should not be assumed prior to proceeding with a transaction;
- *Risk Measurement*: uses approved and independently validated methodologies and models to quantify risks in respect of products that are on the balance sheet and those that are off the balance sheet;
- *Risk Policies*: adopts policies which are consistent with the BOCI Group's risk vision and the evolving business requirements and international best practices. Policies are continuously reviewed to account for changes in market circumstances and the BOCI Group's business areas;
- *Risk Reporting*: reports are presented to management at all levels in accordance with the risk control framework, and where applicable, risk limits. A centralised risk management system that covers the whole of the BOCI Group is maintained to facilitate risk assessment from a group-wide perspective. The system is supported by sound channels of communication to ensure a consistent approach across all operating areas;
- *Risk Control and Hedge*: enforces compliance with the established risk management principles, policies and limits. The BOCI Group maintains a diversified business portfolio and manages appropriate exposure in all business areas within relevant limits.

Overview of the BOCI Group's Risk Management System and Policies

(1) Market Risk

Market risk is the exposure to adverse changes in the BOCI Group's trading portfolios as a result of market volatility. Market risks are encountered in various business units of the BOCI Group including underwriting, market making, proprietary trading, principal investment. The BOCI Group is exposed to the following risks in each of the markets in which it trades:

- *Foreign exchange* – changes in spot and forward exchange rates and the volatility of exchange rates;
- *Equities markets* – changes in the price and volatility of equities and their indices; and
- *Fixed income markets* – changes in the price and volatility of fixed income products such as bonds, interest rate products, certificates of deposit, commercial paper and derivatives.

Market Risk Management

BOCI Group uses "Sophis Risque" as its front office market risk monitoring system for its equity and fixed income trading. Operation and settlement staff reconcile positions and product information from Sophis Risque against various settlement systems. The Risk Management Division then produces daily profit and loss reports based on the reconciled data. Together with our market risk system-Riskmetrics, it provides a platform for the Risk Management Division to produce the relevant risk exposure reports.

Market Risk Measurement and Capital Adequacy

The Risk Management Division measures the BOCI Group's exposures in all markets for each dealing desk and in the aggregate markets. Risk exposures are measured on derivatives and underlying assets and liabilities in the same market together.

Market risk limits are set by the BOCI Group as follows:

- *Value at Risk measure (“VAR”)* estimates the potential change in portfolio value against a given level of statistical confidence over a pre-defined holding period. VAR is calculated using a one-day time period and a 99% confidence interval. This means that under normal market conditions, the BOCI Group would only expect to incur losses greater than those predicted by VAR estimates once in every 100 trading days, or about 2.5 times each year.
- *Stress analysis* provides useful insights into the changes in portfolio values in the event of large movements in key market variables. The BOCI Group performs stress analysis by repricing inventory positions for absolute and relative movements of the market variables and estimates the revenue implications by the repricing in a “worst case scenario”. Stress analysis considers the BOCI Group’s exposure to unlikely but possible events that might arise under abnormal market conditions and also provides useful data to the BOCI Group’s management in order to develop contingency plans in accordance with the risk tolerance of the BOCI Group.
- *Scenario analysis* is a strategic technique that enables the BOCI Group to evaluate the potential impact on its earnings in various eventualities and assists in assessing its longer term strategic vulnerabilities. Scenario analysis, through multi-dimensional projections, also helps the BOCI Group management understand the effects of major market changes on the value of the trading portfolios.

Market Risk Limit Approval Structure & Monitoring

VAR and Stress limits are the primary risk limits adopted by the Group and reflects how much the trading business can lose under normal and extreme market situations. These limits represent the risk appetite of the Group and are approved by Risk Management Committee and the Board. Risk Management Committee is a board sub-committee which may allocate a smaller limit to the Group considering the usage of the limits. On a business level, Risk Control Committee allocates the VAR and Stress sub-limits to each business unit according to the overall limits approved by RMC and the Board. All business units are expected to maintain risk exposures within their risk limits. If a limit is exceeded, the business unit is responsible for immediately reducing exposure to a level within the applicable limit. Subject to prevailing business conditions, the head of the business unit may seek approval from the limit approval authority for a temporary extension of any limits that may have been exceeded. Comprehensive reports (including reasons and proposed excess duration) that evidence such limit excesses are filed for future reference to facilitate subsequent reviews by internal auditors, external auditors, regulatory and compliance supervisors and other relevant parties.

The aforesaid limits are supplemented with restrictions on concentration risk, portfolio notional size and country risks. The Risk Management Division is responsible for monitoring the risk limits of the BOCI Group.

Periodic Market Risk Reporting

Regular market risk reports are produced by the Risk Management Division to provide information to senior management within the BOCI Group in order to assess the changing nature of the market risk profile and the trading performance of the BOCI Group. Market risk reports will also be produced on demand as market conditions require and the BOCI Group maintains a variety of separate but complementary reporting systems throughout its business, control and support functions.

Market risk reports provide the following information:

- Risk exposures, limit excesses and action taken;
- Analysis of revenue/profit performance based on risk capital;
- Results of stress analysis and VAR estimates in portfolio values;
- Large open position exposure and concentration risk; and
- Current market updates that would significantly change the risk profile.

In addition to the above, commentaries on limit excesses, significant changes in risk profile, risk concentrations and comparison of risk profiles with expected market movements may be included in the market risk reports.

(2) *Operational Risk*

Operational risk is the risk of loss resulting from inadequate or failed internal processes, personnel and systems, or from external events. It includes the risk of failing to comply with applicable laws, regulations and other BOC International internal policies. Operational risk could lead to reputation damage, financial loss or regulatory sanctions. Examples of operational risk include major failures and destructive events of information technology systems.

Operational Risk Management

The BOCI Group manages operational risk by establishing clear policies and employing sufficient human and technological resources. Besides, critical risks are properly identified before consideration of the effectiveness of the controls or other mitigation factors. Controls over operational risk are designed to ensure that all relevant transactions are appropriately done throughout the whole recording and reconciliation process. All transactions must be accurately recorded and properly reflected in the internal systems and records on a timely basis. Policies and procedures are reviewed and updated in light of changing market circumstances and regulatory requirements.

The managers of strategic business and support units within the BOCI Group are primarily responsible for supervising their own team members to ensure that the control standards established by the risk committees are met and applicable laws and regulations are fully complied with. To further enhance corporate governance, the Risk Management Division is responsible for overseeing and coordinating the implementation of the operational risk management framework within the BOCI Group. The division is also responsible for developing operational risk management policies and procedures for identifying, assessing and monitoring operational risk. Furthermore, BOCI Group's Internal Audit department audits the BOCI Group's operations and the effectiveness of operational risk framework in accordance with an audit schedule approved by the Audit Committee. Any failure in complying with the control standards has to be reported to the Audit Committee and Risk Management Division promptly.

Operational Risk Measurement

In terms of the qualitative approach, continuing risk awareness communication and development programmes are in place. In particular, each business and support departments within the BOCI Group carries out a formal operational risk and control assessment periodically. Based on the assessment results, the corresponding units develop adequate and effective control measures to further mitigate operational risks on a continuous basis. Quantitatively, business and supporting departments have to report all operational risk events to the operational risk event database so as to facilitate the recording of the operational loss event data. Risk Management Division can then review the risk events and escalate to senior management for any significant operational risk events and make recommendations on mitigation measures. Managing through a combination of quantitative and qualitative risk measures, the BOCI Group strives to ensure that any new operational risks are identified and dealt with in a pro-active manner whilst existing operational risks are regularly reviewed and accounted for.

(3) *Credit Risk*

Credit risk is the risk of loss as a result of the borrower, the trading counterparty or an issuer of debt securities being unable or unwilling to perform its obligations in a transaction. Such a breach would include a failure to make payment of principal and interest, settlement of derivatives transactions, repurchase agreements and securities purchases/sales.

Example of Credit Risk

The BOCI Group is exposed to various kinds of credit risk across its different business lines and operations. Credit risk management monitors not only current positions but also potential credit exposures derived from market movements in derivatives transactions. Over-the-counter (“**OTC**”) Derivatives Credit Risk – i.e. the risk that a counterparty in an OTC, transaction (such as a forward) is unable or unwilling to perform its contractual obligations. Such risk exposure is measured using a potential value of the market movement of the underlying product, over the product’s life. Netting and collateralisation techniques are applied to reduce credit risk exposure to its counterparties.

Cash and Margin Settlement Risk – i.e. the risk that a client either fails to deposit cash or other assets after a transaction is executed or fails to match a margin call arising from its derivative and/or securities position. Potential losses are determined by the market movements of underlying securities.

To manage credit risks associated with BOCI Group’s trading and brokerage businesses, the Risk Management Division has established formal credit policies and guidelines and clear principles for conducting such businesses. Such guidelines establish credit limits and approval processes via the delegation of credit authorities to different business units.

Credit Risk Management

The BOCI Group performs its credit risk management by establishing credit policies and guidelines, managing credit exposures by business professionals, monitoring collateral value and limit excess by independent control functions. Credit risk management begins with the overall limits as approved by the Risk Management Committee (a board sub-committee) and the Board. At the working level, there are two risk committees appointed by the Executive Committee. The Risk Control Committee formulates the BOCI Group’s credit policy and limit structure and oversees the credit risk profile. The Commitment Committee reviews the credit exposure in relation to the underwriting and financial advisory businesses. Credit limits are assigned to each debtor or counterparty based on many factors that influence default probability. The credit limits are reviewed regularly. All divisions/ departments within the BOCI Group are required to monitor and adhere to applicable credit limits at all times. Where a credit limit is violated, the credit risk exposure is required to be reduced unless a temporary credit limit extension is obtained. The Risk Management Division, in conjunction with other units, evaluates and monitors the limits of credit risk exposures. Periodic credit risk reports are produced by the Risk Management Division to provide senior management with limit usage information and changes in the creditworthiness of its borrowers and counterparties.

Credit Risk Measurement

The BOCI Group assesses the credit profiles of its debtors or counterparties by analysing many factors that influence default probability, including (but not limited to) a counterparty's financial profile, business prospects and management, macroeconomic development, industrial and sovereign risk, and historical obligation performance.

To reduce its credit exposure, the BOCI Group seeks to enter into netting agreements with counterparties that permit it to offset receivables and payables with such counterparties. Netting is mainly achieved by utilising the International Swap Dealers Association (ISDA) master agreement for swap and equity over-the-counter derivative counterparties.

As part of the credit approval process, the Risk Management Division is responsible for defining and assessing the acceptability of collateral that is offered. The recovery rates of its credit exposures are determined based on the debt structure of a debtor and its assessment of the collateral based upon such factors as the liquidity of the collateral (which reflects the ability to unwind a position), the price volatility of the collateral, the suitability of the collateral as a hedge to the BOCI Group's exposure and the legal ability to apply such collateral.

(4) *Liquidity Risk*

As we are in the financial services sector, the BOCI Group management believes that liquidity access is an important issue. In order to maintain an appropriate level of liquidity, the BOCI Group has established a liquidity policy to oversee its liquidity risk. The Finance & Treasury Division of BOCI Group, in conjunction with other units, limits liquidity risk exposure by managing the BOCI Group's capital structure, funding resources, balance sheet liquidity and relationships with correspondent banks. Liquidity is maintained by adherence to strict policies that are consistent with regulatory requirements.

To avoid breaches of these regulations, the Finance & Treasury Division maintains a liquidity cushion that consists principally of cash and securities that may be sold quickly to provide liquidity. Excess funds held by the BOCI Group may be lent to its subsidiaries and affiliates. Intercompany exposures are carefully monitored by controlling the maturity profile.

Liquidity Management

The BOCI Group seeks to maintain broad and diversified funding sources globally. As a wholly owned subsidiary of BOCI, we enjoy the full support of its parent company and its branches located globally. We also seek to diversify our funding sources through establishing relationship with other financial institutions.

The Finance & Treasury Division reports the cash levels and maturity profiles of intercompany exposures on a daily basis to senior management of the BOCI Group. Sufficient cash levels are always on hand for the BOCI Group to meet its business need.

(5) *Legal and Compliance Risk*

Senior management of BOCI Group has the ultimate responsibility to ensure legal and compliance risk is managed in a controlled manner with the assistance of the compliance function, which exercises independent oversight and control over the business activities of BOCI Group. The compliance function is set up primarily to assist senior management to establish an effective process where there is reasonable assurance that business practices comply with the relevant laws and regulations and that material legal and compliance risk is identified, monitored and reported to senior management timely. The process includes, but are not limited, to the following:

- oversight of senior management through regular reporting;
- implementation of relevant and effective policies, controls and procedures;

- use of monitoring and testing programs on the BOCI Group’s business activities;
- conduct of appropriate compliance training programs; and
- effective interaction with other control functions for early identification of relevant risks in new and existing business processes.

Management and Supervision

BOCI Group’s Level

The BOCI Group is managed by (i) the board of BOCI under which it has four committees: the Risk Management Committee, the Human Resources and Remuneration Committee, the Audit Committee and the Strategy Development Committee; and (ii) the Chief Executive Officer (“CEO”) and his executive management team which mainly includes other members of the Executive Committee.

While the board and committees of BOCI supervise and oversee the BOCI Group’s management and policies, the CEO supervises and oversees the day-to-day operations of the BOCI Group’s business. As we are wholly-owned by BOCI, BOCI oversees the operation of our Board of Directors as well as our risk management processes.

Our Level

We are managed by a Board of Directors, members of which are as follows:

Max Wang Yan (Age 44). Apart from being our Managing Director, Mr. Wang is also the CEO of BOCI. Previously, Mr. Wang was the Deputy General Manager and the Alternative Chief Executive Officer of The Industrial and Commercial Bank of China (Asia) Limited (“ICBC Asia”) and the Hong Kong Branch of The Industrial and Commercial Bank of China (“ICBC”) from 2000 to 2005. He was also a Director of ICBC Asia. Since he joined ICBC in 1989, Mr. Wang has held senior positions in their International Finance, Correspondent Banking, Corporate Banking, Treasury and Special Assets Divisions, and was its Representative and later its Chief Representative in New York from 1997 to 2000. Mr. Wang obtained his PhD in Economics from Peking University in 2005 after graduating with Masters and Bachelors of Arts Degrees in International Law from the same university.

Cao Yuanzheng (Age 55). Apart from being the Managing Director of BOCI, Mr. Cao is also a Director of our affiliate, BOC International (China) Limited. Having joined BOCI in 1998 he is presently its Chief Economist. Before joining BOCI, Mr Cao has held senior positions in research and academia, including being an Executive Director of SCRE Academy of Chinese Economic System Reform (now known as the “State Commission for Economic System Restructuring of the People’s Republic of China”), Head of the Bureau of International Economic Comparison of SCRE, the Deputy Head & Research Fellow of the Research Institute of Chinese Economic System Reform, Doctoral Supervisor of People’s University of China, Visiting Professor at Southern California University, Professor of Chinese Economic Research Center of Tsinghua University and Beijing University and the Deputy General Secretary of the China Association of Macro Economy. Mr. Cao obtained his Post Doctoral qualifications in Technical Economics from Darmstadt University in Germany and a Doctorate of Economics from the People’s University of China. He also holds a Master degree in Economics from Wuhan University and a Bachelors degree from Xi’an Foreign Language Institute.

Daniel Ng Meng Hua (Age 45). Apart from being our Managing Director, Mr. Ng is also our Head of Corporate Finance of the Investment Banking Division. In June 2009, Mr. Ng was appointed a member of the Listing Committee of the Main Board and the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. Mr. Ng has more than 19 years of investment banking experience. Prior to joining BOCI, Mr. Ng worked as an investment banker, specialising in corporate finance for a number of investment banks, including Schrodgers Asia Limited, Bear Stearns and Standard Chartered Asia. Mr. Ng was also a Director at KPMG Corporate Finance. Mr. Ng holds a Master of Laws degree from Northwestern University Law School, an MBA from the University of Rochester and a BSc in Business Administration from Indiana University (Bloomington). He has also completed the Financial Management Program at Harvard Business School.

Tse Yung Hoi (Age 57). Apart from being our Managing Director, Mr. Tse is also the Deputy CEO of BOCI. Mr. Tse has more than 18 years of management experience. Prior to joining BOCI, Mr. Tse was the Deputy General Manager of the Treasury Department of Bank of China (Head Office) in Beijing. Mr. Tse holds a Bachelor of Arts degree from Fudan University of Shanghai.

Chan Wing Chiu (Age 44). Mr. Chan is our Managing Director and the Head of Equity Derivatives of BOCI Securities Limited and has more than 15 years of trading experience in both cash equities and equity derivatives. Prior to joining the BOCI Group, he held various senior positions in various investment banks including Deutsche Bank, Barclays Bank and Credit Suisse First Boston. Mr. Chan holds an Accounting Bachelors degree in Idaho State University.

Wong Andrew Chung Lap (Age 58). Prior to joining BOCI in 2007 as Global Head of Investment Banking, Mr. Wong had worked in the investment banking divisions and equity capital markets in Morgan Stanley, Morgan Grenfell and ING Barings in New York, London and Hong Kong. In addition to his extensive experience in equity capital raising and M&A transactions in the U.S., Europe and Asia (incl. Korea, Thailand, Indonesia and Taiwan), Mr. Wong has participated in China's international equity fund raising activities since its market was first opened in late 1991 and has been involved in China's cross-border M&A transactions in recent years.

Mr. Wong earned his MBA at Harvard Business School. He also has a Master and a Ph.D degree in Chemistry from Case Western Reserve University and a Bachelor's degree from Davidson College, all in the US.

Wan Siu Wah Wilson (Age 49). Mr. Wan is a Managing Director of BOC International Holdings Limited. He established and heads the Leveraged and Structured Finance Division for BOCI since mid-2007. Before joining BOCI, he was the Assistant General Manager and Head of Corporate Banking Department of the Industrial and Commercial Bank of China (Asia) Limited. By now, he has over 26 years experience in the banking industry. Currently he is the Vice Chairman of the Asia Pacific Loan Market Association and chairs the China Sub-Committee. He holds an MBA from University of Pittsburgh, USA as well as a BBA from the Chinese University of Hong Kong.

All of the Directors listed above (except Mr. Cao Yuanzheng) are licensed with the Securities and Futures Commission as Responsible Officers.

The business address of the Directors listed above (except Mr. Cao Yuanzheng) is 26/F., Bank of China Tower, 1 Garden Road, Hong Kong. Mr. Cao's business address is 15/F, Tower 2, Yingtai Business Centre, No. 28, Finance Street, Xicheng District, Beijing 100032, the People's Republic of China.

General Meetings of Shareholders

The annual general meeting of our shareholders is held in each calendar year at such time and place as our Directors shall appoint.

At any general meeting, every question shall be decided either by a show of hands or by a poll and upon a poll every member present in person or by proxy shall have the vote for every share held by him. Resolutions proposed at annual general meetings of shareholders require a clear majority of the votes cast or, in the case of a resolution to dissolve us or to amend our articles, a majority of three-quarters of the votes cast in a meeting where at least three-quarters of the issued shares are represented.

Significant Subsidiaries

Details of our significant subsidiaries as at the date of this document are as follows:

Bank of China International Limited

Bank of China International Limited, formerly known as BOCI Capital Limited and China Development Finance Company (Hong Kong) Limited, was incorporated on 2 March 1979 in Hong Kong. It holds a restricted banking licence. Its registered office is 26/F., Bank of China Tower, 1 Garden Road, Hong Kong. We hold a 100% interest in the company. Its authorised share capital is HK\$415,000,000 divided into 415,000 shares of HK\$1,000.00 each all of which have been issued.

BOCI Research Limited

BOCI Research Limited was incorporated on 10 July 1998 in Hong Kong. It engages in research activities. Its registered office is 20/F., Bank of China Tower, 1 Garden Road, Hong Kong. We hold a 100% interest in the company. Its authorised capital is USD130,000.00 divided into 130 shares of USD1,000.00 each all of which have been issued.

BOCI Securities Limited

BOCI Securities Limited, formerly known as Chung Mao Securities Limited and Bank of China Group Securities Limited, was incorporated on 25 October 1983 in Hong Kong. Its principal business is securities brokerage. Its registered office is 20/F., Bank of China Tower, 1 Garden Road, Hong Kong. We hold a 100% interest in the company. Its authorised share capital is HK\$1,150,800,000.00 divided into 115,080,000 shares of HK\$10.00 each of which 40,600,000 shares have been issued.

BOCI Commodities & Futures Limited

BOCI Commodities & Futures Limited, formerly known as Union Sound Limited and Chung Mao Commodities & Futures Limited, was incorporated on 17 December 1982 in Hong Kong. Its principal business is commodities and futures brokerage. Its registered office is Suites 1601-1607, Cityplaza One, Taikoo Shing, Quarry Bay, Hong Kong. We hold a 100% interest in the company through BOCI Securities Limited. Its authorised share capital is HK\$70,000,000.00 divided into 7,000,000 shares of HK\$10.00 each all of which have been issued.

BOCI Secretaries Limited

BOCI Secretaries Limited, formerly known as Fairview (Nominees) Limited and subsequently Chung Mao (Nominees) Limited, was incorporated on 20 February 1981 in Hong Kong. Its principal business is to provide nominee services. Its registered office is 20/F., Bank of China Tower, 1 Garden Road, Hong Kong. We hold a 100% interest in the company through BOCI Securities Limited. Its authorised share capital is HK\$10,000.00 divided into 1,000 shares of HK\$10.00 each of which 600 shares have been issued.

Modenia Limited

Modenia Limited was incorporated on 1 October 1996 in Hong Kong. Its principal business is to provide nominee services. Its registered office is 26/F., Bank of China Tower, 1 Garden Road, Hong Kong. We hold a 100% interest in the company through Bank of China International Limited. Its authorised share capital is HK\$10,000.00 divided into 10,000 shares of HK\$1.00 each of which 100 shares have been issued.

APPENDIX 1
TERMS AND CONDITIONS OF
CASH-SETTLED WARRANTS OVER SINGLE EQUITIES

These Conditions will, together with the supplemental provisions contained in the relevant supplemental listing document, subject to completion and amendment, be endorsed on the back of the global warrant certificate. The applicable supplemental listing document in relation to the issue of any series of Warrants may specify other terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these Conditions, replace or modify these Conditions for the purpose of such series of Warrants. Capitalised terms used in these 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) 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 an instrument by way of deed poll (the “**Instrument**” as defined more fully in the supplemental listing document) executed by BOCI Asia Limited (the “**Issuer**”). The Warrantholder (as defined below) is entitled to the benefit of, is bound by and is deemed to have notice of all the provisions of the Instrument. A copy of the Instrument is available for inspection at the offices of the Agent as specified below.

The Warrants are represented by a global certificate registered in the name of HKSCC Nominees Limited (or such other nominee company as may be used by Hong Kong Securities Clearing Company Limited (“**HKSCC**”) from time to time in relation to the provision of nominee services to persons admitted for the time being by HKSCC as a participant of CCASS) (“**Nominee**”). No definitive certificate will be issued. The Warrants can only be exercised by HKSCC or the Nominee.

References in these Conditions to “**Shares**” shall be a reference to the shares of the Company.

- (B) The settlement obligation of the Issuer in respect of the Warrants represents general unsecured contractual obligations of the Issuer and of no other person which rank, and will rank, equally among themselves and *pari passu* with all other present and future unsecured and unsubordinated contractual obligations of the Issuer, except for obligations accorded preference by mandatory provisions of applicable law.

Warrants represent general contractual obligations of the Issuer, and are not, nor is it the intention (expressed, implicit or otherwise) of the Issuer to create by the issue of warrants deposit liabilities of the Issuer or a debt obligation of any kind.

- (C) Transfers of Warrants may be effected only in Board Lots or integral multiples thereof in CCASS in accordance with the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time (the “**CCASS Rules**”).
- (D) Each person who is for the time being shown in the register kept by or on behalf of the Issuer outside of Hong Kong as the holder shall be treated by the Issuer and the Agent as the absolute owner and holder of the Warrants. The expression “**Warrantholder**” shall be construed accordingly.
- (E) Trading in Warrants on the Stock Exchange shall be suspended prior to the Expiry Date in accordance with the requirements of the Stock Exchange.

2. Warrant Rights and Exercise Expenses

- (A) Every Board Lot initially entitles the Warrantholder, upon due exercise and upon compliance with these Conditions, in particular Condition 4, to payment of the Cash Settlement Amount (as defined below), if any.
- (B) Upon exercise of the Warrants, the Warrantholder will be required to pay a sum equal to all the expenses resulting from the exercise of such Warrants. To effect such payment an amount equivalent to the Exercise Expenses (defined below) shall be deducted from the Cash Settlement Amount in accordance with Condition 4(F).
- (C) For the purposes of these Conditions:

“**Average Price**” shall be the arithmetic mean of the closing prices of one Share (as derived from the Daily Quotation Sheet of the Stock Exchange, subject to any adjustments (as determined by the Issuer in accordance with these Conditions) to such closing prices as may be necessary to reflect any capitalisation, rights issue, distribution or the like) for each Valuation Date;

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

In the case of a series of Call Warrants:

$$\text{“Cash Settlement Amount” per Board Lot} = \frac{\text{Entitlement} \times (\text{Average Price} - \text{Exercise Price}) \times \text{one Board Lot}}{\text{Number of Warrant(s) per Entitlement}}$$

In the case of a series of Put Warrants:

$$\text{“Cash Settlement Amount” per Board Lot} = \frac{\text{Entitlement} \times (\text{Exercise Price} - \text{Average Price}) \times \text{one Board Lot}}{\text{Number of Warrant(s) per Entitlement}}$$

“**CCASS**” means the Central Clearing and Settlement System;

“**Entitlement**” means the number of Shares to which the Warrants relate, as specified in the relevant supplemental listing document;

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

“**Market Disruption Event**” means the occurrence or existence of any suspension of or limitation imposed on trading on the Stock Exchange in the Shares if such suspension or limitation is, in the determination of the Issuer, material;

For the avoidance of doubt, a Market Disruption Event shall include, but shall not be limited to, a limitation/closure of the Stock Exchange due to unforeseen circumstances such as an official tropical cyclone warning signal eight (or above) or black rain storm warning hoisted by the Hong Kong Observatory provided that so long as such warnings are lowered or suspended by the Hong Kong Observatory, and the Stock Exchange: (i) re-opens for the entire afternoon trading session; or (ii) opens late in the morning of the affected day and stays open for the entire afternoon trading session and closing only at the normal closing time for the Stock Exchange, the hoisting of such warning shall not by itself be a Market Disruption Event;

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

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

In the event that a Market Disruption Event has occurred and a Valuation Date is postponed in accordance with Condition 4(F), the closing price of the Shares on that first succeeding Business Day will be referenced more than once in the determination of the Cash Settlement Amount, so that in no event shall there be less than 5 closing prices to determine the Average Price.

3. Exercise Period

- (A) The Warrants may be exercised by valid delivery of an Exercise Notice (as defined below), in accordance with Condition 4 on any Business Day during the Exercise Period. In the case of an exercise of American style Warrants the Exercise Period is the period beginning (and including) at 10:00 a.m. (Hong Kong time) on the Dealing Commencement Date (or, if later, the first day of dealing in the Warrants on the Stock Exchange) ending at (and including) 10:00 a.m. (Hong Kong time) on the Expiry Date, subject to prior termination of the Warrants as provided for in Condition 11. If the Expiry Date is not a Business Day the immediately succeeding Business Day shall be deemed the Expiry Date for the purposes of this Condition 3(A). Warrants may not be exercised at any other time.

Subject to Conditions 4(B)(iii) and 4(G), in the case of an exercise of European style Warrants, a reference to Exercise Period shall mean 10:00 a.m. on the Expiry Date only.

- (B) Subject to Conditions 4(B)(iii) and 4(G) any Warrant which has not been exercised during the Exercise Period shall expire immediately 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 Board Lots or integral multiples thereof.

- (B) *Delivery of an Exercise Notice:*

- (i) In the case of an exercise of American style Warrants, in order to exercise Warrants, the Warrantholder shall deliver to the Agent a duly completed exercise notice in accordance with the Instrument (an “**Exercise Notice**”), such delivery to be made at any time during the Exercise Period.

In the case of an exercise of European style Warrants, there will be no requirement to deliver an Exercise Notice and Warrants will be automatically exercised (if in the money in accordance with Conditions 4B(iii) and 4(G)).

- (ii) The date upon which a Warrant is, or is to be treated as, exercised (an “**Exercise Date**”) shall be on the Business Day on which an Exercise Notice is delivered to the Agent and in respect of which there is a valid exercise of Warrants in accordance with the requirements as set out herein, provided that any Exercise Notice received by the Agent after 10:00 a.m. (Hong Kong time) on any Business Day (other than the Expiry Date) shall be deemed to have been delivered on the next following Business Day.

- (iii) Any Warrant with respect to which an Exercise Date (as defined above) has not occurred during the Exercise Period will automatically be exercised on the Expiry Date (without notice being given to the Warrantholder). The Warrantholder will not be required to deliver any Exercise Notice and the Issuer or its agent will pay to the Warrantholder the Cash Settlement Amount (if any) in accordance with Condition 4(F).
 - (iv) For the avoidance of doubt, where an Expiry Date is not a Business Day, a Warrant must be exercised before 10:00 a.m. (Hong Kong time) on the Business Day following the Expiry Date for the exercise of the Warrant to be valid.
- (C) Any Exercise Expenses which were not determined by the Agent on the Exercise Date and/or the Expiry Date and deducted from the Cash Settlement Amount prior to delivery to the Warrantholder in accordance with Condition 4, shall be notified to the Warrantholder as soon as practicable after determination thereof by the Agent and shall be paid by the Warrantholder to the Agent immediately upon demand.
 - (D) Delivery of an Exercise Notice in accordance with Condition 4(B) 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 determined Exercise Expenses from the Cash Settlement Amount.
 - (E) Subject to a valid exercise or deemed exercise of Warrants in accordance with these Conditions, or in the event that Warrants have expired worthless the Issuer will, with effect from the first Business Day following the Exercise Date and/or Expiry Date as the case may be, remove the name of the Warrantholder in respect of the Warrants which are the subject of a valid exercise or have expired worthless, as the case may be, and thereby cancel and destroy the Global Warrant Certificate.
 - (F) Upon a valid exercise or deemed exercise of Warrants in accordance with these Conditions, the Issuer will pay the Cash Settlement Amount minus determined Exercise Expenses to the relevant Warrantholder.

The aggregate Cash Settlement Amount minus the determined aggregate Exercise Expenses shall be despatched no later than three Business Days following the Last Valuation Date to the Warrantholder as appearing in the register kept by or on behalf of the Issuer.

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 is no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a day that is already or is deemed to be a Valuation Date, provided that if there is a Market Disruption Event on each of the four days immediately following the original date that, but for the Market Disruption Event, would have been a Valuation Date, then (i) that fifth 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 the bid price that would have prevailed on that fifth day but for the Market Disruption Event.

If the postponement of a Valuation Date as aforesaid would result in a Valuation Date falling on or after the Exercise Date or the Expiry Date then (i) the day immediately preceding the Exercise Date or the Expiry Date, as the case may be, (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 the bid price that would have prevailed on the last Valuation Date but for the Market Disruption Event.

“**Day**” means for the purposes of this Condition 4(F) a day on which (excluding, Saturday) banks and the Stock Exchange are normally open for business in Hong Kong.

(G) Any Warrants which have not been exercised in the manner set out in Condition 4(B) before the Expiry Date shall be automatically exercised on that date, without notice to the Warrantholder or the requirement of the service of an Exercise Notice if the Agent determines that the Cash Settlement Amount (calculated in accordance with these Conditions) will be positive. In respect of each Board Lot the Cash Settlement Amount shall be paid in the manner set out in Condition 4(F) above.

(H) 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 the Warrantholder and neither the Issuer nor its agent or nominee shall owe any duty of fiduciary nature to the Warrantholder.

None of the Issuer or the Agent shall have any responsibility for any errors or omissions in the calculation and dissemination of any variables published by a third party and used in any calculation made pursuant to these terms and conditions or in the calculation of the Cash Settlement Amount arising from such errors or omissions.

(I) The Issuer's obligations to pay the Cash Settlement Amount shall be discharged by payment in accordance with Condition 4(F) above.

5. Agent

(A) The Agent will be acting as agent of the Issuer in respect of the Warrants and will not assume any obligation or duty to or any relationship or agency or trust for the Warrantholder.

(B) The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the initial Agent and to appoint another agent provided that it will at all times maintain an agent in Hong Kong for so long as the Warrants are listed on the Stock Exchange. Notice of any such termination or appointment will be given to the Warrantholder in accordance with Condition 10.

6. Adjustments

Adjustments may be made by the Entitlement on the basis of the following provisions:

(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 shall be adjusted on the Business Day on which the trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{1 + M}{1 + (R/S) \times M}$$

E = Existing Entitlement immediately prior to the Rights Offer

S = Cum-Rights Share price being the closing price of an existing Share as derived from the Daily Quotation Sheet of the Stock Exchange on the Last Business Day on which the Shares are traded on a Cum-Rights basis

R = Subscription price per new Share specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Rights

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 above formula would result in an adjustment to the Entitlement which would amount to one per cent or less of the Entitlement immediately prior to the adjustment, 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 multiplying it by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. 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 shall be adjusted on the Business Day on which the trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = (1 + N)$$

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 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 one per cent or less 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 multiplying it by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. This adjustment shall take effect on the same day that the Entitlement is adjusted.

- (C) *Subdivisions and 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**”), then;
- (i) in the case of a Subdivision, the Entitlement in effect immediately prior thereto will be increased whereas the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) will be decreased in the same ratio as the Subdivision, and
 - (ii) in the case of a Consolidation, the Entitlement in effect immediately prior thereto will be decreased whereas the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) will be increased in the same ratio as the Consolidation.

in each case on the Business Day on which the Subdivision or Consolidation (as the case may be) takes effect.

- (D) *Restructuring Events.* 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 or controlled by any person or corporation) (except where the Company is the surviving corporation in a merger or consolidation) 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 (the “**Substituted Securities**”) 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) *Cash Distribution.* Generally, no capital adjustment will be made for an ordinary cash dividend (whether or not it is offered with a scrip alternative) (“**Ordinary dividend**”). For any other forms of cash distribution (“**Cash distribution**”) announced by the Company, such as a cash bonus, special dividend or extraordinary dividend, no capital adjustment will be made unless the value of the Cash distribution accounts for 2 per cent. or more of Share’s closing price on the day of announcement by the Company.

If and whenever the Company shall make a Cash Distribution credited as fully paid to the holders of Shares generally, the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Shares becomes ex-entitlement in respect of the relevant Cash Distribution (“**Cash Distribution Adjustment Date**”) in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{S - OD}{S - OD - CD}$$

E: The existing Entitlement immediately prior to the Cash Distribution

CD: The Cash Distribution per Share

OD: The Ordinary Dividend per Share, provided that the OD Shall be zero if the date on which the Shares are traded on an ex-Ordinary Dividend basis is not the Cash Distribution Adjustment Date

S: The closing price of an existing Share as derived from the Daily Quotation Sheet of the Stock Exchange on the Business Day immediately preceding the Cash Distribution Adjustment Date

In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by multiplying it by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. This adjustment shall take effect on the Cash Distribution Adjustment Date.

- (F) *Other Adjustments.* Except as provided in Conditions 6 and 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 and amendments 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 or, as the case may be, amendment provided that such adjustment or, as the case may be, amendment is considered by the Issuer not to be materially prejudicial to the Warrantholder generally (without considering the individual circumstances of any Warrantholder or the tax or other consequences of such adjustment in any particular jurisdiction) or is required to take account of provisions of Hong Kong law or Stock Exchange practice.
- (G) *Notice of Adjustments.* All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Warrantholder. 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. Purchase by the Issuer

The Issuer or any of its subsidiaries 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 Warrant Certificate

A global warrant certificate (the "**Global Warrant Certificate**") representing the Warrants will be deposited within CCASS and registered in the name of the Nominee. The Global Warrant Certificate will not be exchangeable for definitive warrant certificates.

9. Meetings of Warrantholder and Modification

- (A) *Meetings of Warrantholders.* Notices for convening meetings to consider any matter affecting the Warrantholder's interests will be given to the Warrantholder in accordance with the provisions of Condition 10.

Every question submitted to a meeting of the Warrantholder shall be decided by poll. A meeting may be convened by the Issuer or by the Warrantholder holding not less than 10 percent 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 (including any nominee appointed by the Warrantholder) holding or representing not less than 25 percent of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons (including any nominee appointed by the Warrantholder) being or representing Warrantholder 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 Warrantholder as, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Warrantholder shall be binding on all the holders of the Warrants, 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 Warranholder being held if passed unanimously.

- (B) *Modification.* The Issuer may, without the consent of the Warranholder, effect (i) any modification of the provisions of the Warrants or the Instrument which is not materially prejudicial to the interests of the Warranholder or (ii) any modification of the provisions of the Warrants or the Instrument which is of a formal, minor or technical nature, which is made to correct an obvious error or 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 Warranholder and shall be notified to them by the Agent as soon as practicable thereafter in accordance with Condition 10.

10. Notices

All notices in English and Chinese to the Warranholder will be validly given if published on the website of the Stock Exchange, www.hkex.com.hk ("the HKEx website"). In addition, copies of the notice will be despatched by the Issuer to the Warranholder at its registered address by the first day that such notice appears on the HKEx website.

11. Liquidation

In the event of a liquidation or dissolution or winding up of the Company or the appointment of a liquidator, receiver or administrator or analogous person under applicable 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 a 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 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 Warranholder, to create and issue further warrants, upon such terms as to issue price, commencement of the exercise period and otherwise as the Issuer may determine so as to form a single series with the Warrants.

13. Delisting of Company

- (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 and amendments 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 Warranholder generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of the Warranholder 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 Warranholder, make such adjustments to the entitlements of the Warranholder on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into Hong Kong dollars) as it shall consider appropriate in the circumstances.

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

14. Taxation

The Issuer is not liable for or otherwise obliged to pay any tax, duty, withholding or other payment which may arise as a result of the ownership, transfer or exercise of any Warrants.

15. Governing Law

The Warrants and the Instrument 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 and the Warrantholder (by its acquisition of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants and the Instrument to the non-exclusive jurisdiction of the courts of Hong Kong.

16. Language

A Chinese translation of these Conditions is available upon request during usual business hours on any weekday (Saturdays, Sundays and holidays excepted) at the office of the Agent. In the event of any inconsistency between the English version and the Chinese translation of these Conditions, the English version shall prevail and be governing.

Agent:

BOCI Securities Limited
20/F, Bank of China Tower
1 Garden Road
Hong Kong

TERMS AND CONDITIONS OF CASH-SETTLED CAPPED WARRANTS OVER SINGLE EQUITIES

These Conditions will, together with the supplemental provisions contained in the relevant supplemental listing document, subject to completion and amendment, be endorsed on the back of the global warrant certificate. The applicable supplemental listing document in relation to the issue of any series of Warrants may specify other terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these Conditions, replace or modify these Conditions for the purpose of such series of Warrants. Capitalised terms used in these 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) 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 an instrument by way of deed poll (the “**Instrument**” as defined more fully in the supplemental listing document) executed by BOCI Asia Limited (the “**Issuer**”). The Warrantholder (as defined below) is entitled to the benefit of, is bound by and is deemed to have notice of all the provisions of the Instrument. A copy of the Instrument is available for inspection at the offices of the Agent as specified below.

The Warrants are represented by a global certificate registered in the name of HKSCC Nominees Limited (or such other nominee company as may be used by Hong Kong Securities Clearing Company Limited (“**HKSCC**”) from time to time in relation to the provision of nominee services to persons admitted for the time being by HKSCC as a participant of CCASS) (“**Nominee**”). No definitive certificate will be issued. The Warrants can only be exercised by HKSCC or the Nominee.

References in these Conditions to “**Shares**” shall be a reference to the shares of the Company.

- (B) The settlement obligation of the Issuer in respect of the Warrants represents general unsecured contractual obligations of the Issuer and of no other person which rank, and will rank, equally among themselves and *pari passu* with all other present and future unsecured and unsubordinated contractual obligations of the Issuer, except for obligations accorded preference by mandatory provisions of applicable law.

Warrants represent general contractual obligations of the Issuer, and are not, nor is it the intention (expressed, implicit or otherwise) of the Issuer to create by the issue of warrants deposit liabilities of the Issuer or a debt obligation of any kind.

- (C) Transfers of Warrants may be effected only in Board Lots or integral multiples thereof in CCASS in accordance with the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time (the “**CCASS Rules**”).
- (D) Each person who is for the time being shown in the register kept by or on behalf of the Issuer outside of Hong Kong as the holder shall be treated by the Issuer and the Agent as the absolute owner and holder of the Warrants. The expression “**Warrantholder**” shall be construed accordingly.
- (E) Trading in Warrants on the Stock Exchange shall be suspended prior to the Expiry Date in accordance with the requirements of the Stock Exchange.

2. Warrant Rights and Exercise Expenses

- (A) Every Board Lot initially entitles the Warrantholder, upon due exercise and upon compliance with these Conditions, in particular Condition 4, to payment of the Cash Settlement Amount (as defined below), if any.
- (B) Upon exercise of the Warrants, the Warrantholder will be required to pay a sum equal to all the expenses resulting from the exercise of such Warrants. To effect such payment an amount equivalent to the Exercise Expenses (defined below) shall be deducted from the Cash Settlement Amount in accordance with Condition 4(F).
- (C) For the purposes of these Conditions:

“**Average Price**” shall be the arithmetic mean of the closing prices of one Share (as derived from the Daily Quotation Sheet of the Stock Exchange, subject to any adjustments (as determined by the Issuer in accordance with these Conditions) to such closing prices as may be necessary to reflect any capitalisation, rights issue, distribution or the like) for each Valuation Date;

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

In the case of a series of Capped Call Warrants:

“**Cash Settlement Amount**” per Board Lot = an amount in Hong Kong dollars calculated by the Issuer as equal to either:

If the Average Price is below the Capped Strike Price,

$$\frac{\text{Entitlement} \times (\text{Average Price} - \text{Exercise Price}) \times \text{one Board Lot}}{\text{Number of Warrant(s) per Entitlement}}$$

Or if the Average Price is at or above the Capped Strike Price,

$$\frac{\text{Entitlement} \times (\text{Capped Strike Price} - \text{Exercise Price}) \times \text{one Board Lot}}{\text{Number of Warrant(s) per Entitlement}}$$

In the case of a series of Capped Put Warrants:

“**Cash Settlement Amount**” per Board Lot = an amount in Hong Kong dollars calculated by the Issuer as equal to either:

If the Average Price is above the Capped Strike Price,

$$\frac{\text{Entitlement} \times (\text{Exercise Price} - \text{Average Price}) \times \text{one Board Lot}}{\text{Number of Warrant(s) per Entitlement}}$$

Or if the Average Price is at or below the Capped Strike Price,

$$\frac{\text{Entitlement} \times (\text{Exercise Price} - \text{Capped Strike Price}) \times \text{one Board Lot}}{\text{Number of Warrant(s) per Entitlement}}$$

“**CCASS**” means the Central Clearing and Settlement System;

“**Entitlement**” means the number of Shares to which the Warrants relate, as specified in the relevant supplemental listing document;

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

“**Market Disruption Event**” means the occurrence or existence of any suspension of or limitation imposed on trading on the Stock Exchange in the Shares if such suspension or limitation is, in the determination of the Issuer, material; For the avoidance of doubt, a Market Disruption Event shall include, but shall not be limited to, a limitation/closure of the Stock Exchange due to unforeseen circumstances such as an official tropical cyclone warning signal eight (or above) or black rain storm warning hoisted by the Hong Kong Observatory provided that so long as such warnings are lowered or suspended by the Hong Kong Observatory, and the Stock Exchange: (i) re-opens for the entire afternoon trading session; or (ii) opens late in the morning of the affected day and stays open for the entire afternoon trading session and closing only at the normal closing time for the Stock Exchange, the hoisting of such warning shall not by itself be a Market Disruption Event;

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

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

In the event that a Market Disruption Event has occurred and a Valuation Date is postponed in accordance with Condition 4(F), the closing price of the Shares on that first succeeding Business Day will be referenced more than once in the determination of the Cash Settlement Amount, so that in no event shall there be less than 5 closing prices to determine the Average Price.

3. Exercise Period

- (A) The Warrants may be exercised by valid delivery of an Exercise Notice (as defined below), in accordance with Condition 4 on any Business Day during the Exercise Period. In the case of an exercise of American style Warrants the Exercise Period is the period beginning (and including) at 10:00 a.m. (Hong Kong time) on the Dealing Commencement Date (or, if later, the first day of dealing in the Warrants on the Stock Exchange) ending at (and including) 10:00 a.m. (Hong Kong time) on the Expiry Date, subject to prior termination of the Warrants as provided for in Condition 11. If the Expiry Date is not a Business Day the immediately succeeding Business Day shall be deemed the Expiry Date for the purposes of this Condition 3(A). Warrants may not be exercised at any other time.

Subject to Conditions 4(B)(iii) and 4(G), in the case of an exercise of European style Warrants, a reference to Exercise Period shall mean 10:00 a.m. on the Expiry Date only.

- (B) Subject to Conditions 4(B)(iii) and 4(G) any Warrant which has not been exercised during the Exercise Period shall expire immediately 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 Board Lots or integral multiples thereof.

(B) *Delivery of an Exercise Notice:*

(i) In the case of an exercise of American style Warrants, in order to exercise Warrants, the Warrantholder shall deliver to the Agent a duly completed exercise notice in accordance with the Instrument (an “**Exercise Notice**”), such delivery to be made at any time during the Exercise Period.

In the case of an exercise of European style Warrants, there will be no requirement to deliver an Exercise Notice and Warrants will be automatically exercised (if in the money in accordance with Conditions 4B(iii) and 4(G)).

(ii) The date upon which a Warrant is, or is to be treated as, exercised (an “**Exercise Date**”) shall be on the Business Day on which an Exercise Notice is delivered to the Agent and in respect of which there is a valid exercise of Warrants in accordance with the requirements as set out herein, provided that any Exercise Notice received by the Agent after 10:00 a.m. (Hong Kong time) on any Business Day (other than the Expiry Date) shall be deemed to have been delivered on the next following Business Day.

(iii) Any Warrant with respect to which an Exercise Date (as defined above) has not occurred during the Exercise Period will automatically be exercised on the Expiry Date (without notice being given to the Warrantholder). The Warrantholder will not be required to deliver any Exercise Notice and the Issuer or its agent will pay to the Warrantholder the Cash Settlement Amount (if any) in accordance with Condition 4(F).

(iv) For the avoidance of doubt, where an Expiry Date is not a Business Day, a Warrant must be exercised before 10:00 a.m. (Hong Kong time) on the Business Day following the Expiry Date for the exercise of the Warrant to be valid.

(C) Any Exercise Expenses which were not determined by the Agent on the Exercise Date and/or the Expiry Date and deducted from the Cash Settlement Amount prior to delivery to the Warrantholder in accordance with Condition 4, shall be notified to the Warrantholder as soon as practicable after determination thereof by the Agent and shall be paid by the Warrantholder to the Agent immediately upon demand.

(D) Delivery of an Exercise Notice in accordance with Condition 4(B) 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 determined Exercise Expenses from the Cash Settlement Amount.

(E) Subject to a valid exercise or deemed exercise of Warrants in accordance with these Conditions, or in the event that Warrants have expired worthless the Issuer will, with effect from the first Business Day following the Exercise Date and/or Expiry Date as the case may be, remove the name of the Warrantholder in respect of the Warrants which are the subject of a valid exercise or have expired worthless, as the case may be, and thereby cancel and destroy the Global Warrant Certificate.

- (F) Upon a valid exercise or deemed exercise of Warrants in accordance with these Conditions, the Issuer will pay the Cash Settlement Amount minus determined Exercise Expenses to the relevant Warrantholder.

The aggregate Cash Settlement Amount minus the determined aggregate Exercise Expenses shall be despatched no later than three Business Days following the Last Valuation Date to the Warrantholder as appearing in the register kept by or on behalf of the Issuer.

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 is no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a day that is already or is deemed to be a Valuation Date, provided that if there is a Market Disruption Event on each of the four days immediately following the original date that, but for the Market Disruption Event, would have been a Valuation Date, then (i) that fifth 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 the bid price that would have prevailed on that fifth day but for the Market Disruption Event.

If the postponement of a Valuation Date as aforesaid would result in a Valuation Date falling on or after the Exercise Date or the Expiry Date then (i) the day immediately preceding the Exercise Date or the Expiry Date, as the case may be, (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 the bid price that would have prevailed on the last Valuation Date but for the Market Disruption Event.

“**Day**” means for the purposes of this Condition 4(F) a day on which (excluding, Saturday) banks and the Stock Exchange are normally open for business in Hong Kong.

- (G) Any Warrants which have not been exercised in the manner set out in Condition 4(B) before the Expiry Date shall be automatically exercised on that date, without notice to the Warrantholder or the requirement of the service of an Exercise Notice if the Agent determines that the Cash Settlement Amount (calculated in accordance with these Conditions) will be positive. In respect of each Board Lot the Cash Settlement Amount shall be paid in the manner set out in Condition 4(F) above.
- (H) 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 the Warrantholder and neither the Issuer nor its agent or nominee shall owe any duty of fiduciary nature to the Warrantholder.

None of the Issuer or the Agent shall have any responsibility for any errors or omissions in the calculation and dissemination of any variables published by a third party and used in any calculation made pursuant to these terms and conditions or in the calculation of the Cash Settlement Amount arising from such errors or omissions.

- (I) The Issuer’s obligations to pay the Cash Settlement Amount shall be discharged by payment in accordance with Condition 4(F) above.

5. Agent

- (A) The Agent will be acting as agent of the Issuer in respect of the Warrants and will not assume any obligation or duty to or any relationship or agency or trust for the Warrantholder.
- (B) The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the initial Agent and to appoint another agent provided that it will at all times maintain an agent in Hong Kong for so long as the Warrants are listed on the Stock Exchange. Notice of any such termination or appointment will be given to the Warrantholder in accordance with Condition 10.

6. Adjustments

Adjustments may be made by the Entitlement on the basis of the following provisions:

- (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 shall be adjusted on the Business Day on which the trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{1 + M}{1 + (R/S) \times M}$$

E = Existing Entitlement immediately prior to the Rights Offer

S = Cum-Rights Share price being the closing price of an existing Share as derived from the Daily Quotation Sheet of the Stock Exchange on the Last Business Day on which the Shares are traded on a Cum-Rights basis

R = Subscription price per new Share specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Rights

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 above formula would result in an adjustment to the Entitlement which would amount to one per cent or less of the Entitlement immediately prior to the adjustment, 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 multiplying it by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. 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 shall be adjusted on the Business Day on which the trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = (1 + N)$$

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 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 one per cent or less 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 multiplying it by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. This adjustment shall take effect on the same day that the Entitlement is adjusted.

- (C) *Subdivisions and 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**”), then:
- (i) in the case of a Subdivision, the Entitlement in effect immediately prior thereto will be increased whereas the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) will be decreased in the same ratio as the Subdivision, and
 - (ii) in the case of a Consolidation, the Entitlement in effect immediately prior thereto will be decreased whereas the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) will be increased in the same ratio as the Consolidation.

in each case on the Business Day on which the Subdivision or Consolidation (as the case may be) takes effect.

- (D) *Restructuring Events*. 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 or controlled by any person or corporation) (except where the Company is the surviving corporation in a merger or consolidation) 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 (the “**Substituted Securities**”) 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) *Cash Distribution.* Generally, no capital adjustment will be made for an ordinary cash dividend (whether or not it is offered with a scrip alternative) (“**Ordinary Dividend**”). For any other forms of cash distribution (“**Cash Distribution**”) announced by the Company, such as a cash bonus, special dividend or extraordinary dividend, no capital adjustment will be made unless the value of the Cash Distribution accounts for 2 per cent. or more of the Share’s closing price on the day of announcement by the Company.

If and whenever the Company shall make a Cash Distribution credited as fully paid to the holders of Shares generally, the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Shares becomes ex-entitlement in respect of the relevant Cash Distribution (“**Cash Distribution Adjustment Date**”) in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{S - OD}{S - OD - CD}$$

E: The existing Entitlement immediately prior to the Cash Distribution

CD: The Cash Distribution per Share

OD: The Ordinary Dividend per Share, provided that the OD shall be zero if the date on which the Shares are traded on an ex-Ordinary Dividend basis is not the Cash Distribution Adjustment Date

S: The closing price of an existing Share as derived from the Daily Quotation Sheet of the Stock Exchange on the Business Day immediately preceding the Cash Distribution Adjustment Date

In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by multiplying it by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. This adjustment shall take effect on the Cash Distribution Adjustment Date.

- (F) *Other Adjustments.* Except as provided in Conditions 6 and 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 and amendments 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 or, as the case may be, amendment provided that such adjustment or, as the case may be, amendment is considered by the Issuer

not to be materially prejudicial to the Warrantholder generally (without considering the individual circumstances of any Warrantholder or the tax or other consequences of such adjustment in any particular jurisdiction) or is required to take account of provisions of Hong Kong law or Stock Exchange practice.

- (G) *Notice of Adjustments.* All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Warrantholder. 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. Purchase by the Issuer

The Issuer or any of its subsidiaries 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 Warrant Certificate

A global warrant certificate (the “**Global Warrant Certificate**”) representing the Warrants will be deposited within CCASS and registered in the name of the Nominee. The Global Warrant Certificate will not be exchangeable for definitive warrant certificates.

9. Meetings of Warrantholder and Modification

- (A) *Meetings of Warrantholders.* Notices for convening meetings to consider any matter affecting the Warrantholder’s interests will be given to the Warrantholder in accordance with the provisions of Condition 10.

Every question submitted to a meeting of the Warrantholder shall be decided by poll. A meeting may be convened by the Issuer or by the Warrantholder holding not less than 10 percent 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 (including any nominee appointed by the Warrantholder) holding or representing not less than 25 percent of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons (including any nominee appointed by the Warrantholder) being or representing Warrantholder 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 Warrantholder as, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Warrantholder shall be binding on all the holders of the Warrants, 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 Warrantholder being held if passed unanimously.

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

Warrants or the Instrument which is of a formal, minor or technical nature, which is made to correct an obvious error or 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 Warrantholder and shall be notified to them by the Agent as soon as practicable thereafter in accordance with Condition 10.

10. Notices

All notices in English and Chinese to the Warrantholder will be validly given if published on the website of the Stock Exchange, www.hkex.com.hk (“the HKEx website”). In addition, copies of the notice will be despatched by the Issuer to the Warrantholder at its registered address by the first day that such notice appears on the HKEx website.

11. Liquidation

In the event of a liquidation or dissolution or winding up of the Company or the appointment of a liquidator, receiver or administrator or analogous person under applicable 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 a 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 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 Warrantholder, to create and issue further warrants, upon such terms as to issue price, commencement of the exercise period and otherwise as the Issuer may determine so as to form a single series with the Warrants.

13. Delisting of Company

- (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 and amendments 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 Warrantholder generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of the 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 Warrantholder, make such adjustments to the entitlements of the Warrantholder on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into Hong Kong dollars) as it shall consider appropriate in the circumstances.
- (C) The Issuer shall determine, in its absolute discretion, any such adjustment or amendment and its determination shall be conclusive and binding on the Warrantholder save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Warrantholder in accordance with Condition 10 as soon as practicable after they are determined.

14. Taxation

The Issuer is not liable for or otherwise obliged to pay any tax, duty, withholding or other payment which may arise as a result of the ownership, transfer or exercise of any Warrants.

15. Governing Law

The Warrants and the Instrument 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 and the Warrantholder (by its acquisition of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants and the Instrument to the non-exclusive jurisdiction of the courts of Hong Kong.

16. Language

A Chinese translation of these Conditions is available upon request during usual business hours on any weekday (Saturdays, Sundays and holidays excepted) at the office of the Agent. In the event of any inconsistency between the English version and the Chinese translation of these Conditions, the English version shall prevail and be governing.

Agent:

BOCI Securities Limited
20/F, Bank of China Tower
1 Garden Road
Hong Kong

TERMS AND CONDITIONS OF CASH-SETTLED BASKET WARRANTS

These Conditions will, together with the supplemental provisions contained in the relevant supplemental listing document, subject to completion and amendment, be endorsed on the back of the global warrant certificate. The applicable supplemental listing document in relation to the issue of any series of Warrants may specify other terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these Conditions, replace or modify these Conditions for the purpose of such series of Warrants. Capitalised terms used in these 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) The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 12) relating to a basket comprising Shares of each of the Companies are issued in registered form subject to and with the benefit of an instrument by way of deed poll (the “**Instrument**” as defined more fully in the supplemental listing document) executed by BOCI Asia Limited (the “**Issuer**”). The Warrantholder (as defined below) is entitled to the benefit of, is bound by and is deemed to have notice of all the provisions of the Instrument. A copy of the Instrument is available for inspection at the offices of the Agent as specified below.

The Warrants are represented by a global certificate registered in the name of HKSCC Nominees Limited (or such other nominee company as may be used by Hong Kong Securities Clearing Company Limited (“**HKSCC**”) from time to time in relation to the provision of nominee services to persons admitted for the time being by HKSCC as a participant of CCASS) (“**Nominee**”). No definitive certificate will be issued. The Warrants can only be exercised by HKSCC or the Nominee.

References in these Conditions to “Company” shall be a reference to a company, comprising one of the Companies and references to “Shares” shall be a reference to the shares of the Companies or, as the context requires, to the shares of a particular Company.

- (B) The settlement obligation of the Issuer in respect of the Warrants represents general unsecured contractual obligations of the Issuer and of no other person which rank, and will rank, equally among themselves and *pari passu* with all other present and future unsecured and unsubordinated contractual obligations of the Issuer, except for obligations accorded preference by mandatory provisions of applicable law.

Warrants represent general contractual obligations of the Issuer, and are not, nor is it the intention (expressed, implicit or otherwise) of the Issuer to create by the issue of warrants deposit liabilities of the Issuer or a debt obligation of any kind.

- (C) Transfers of Warrants may be effected only in Board Lots or integral multiples thereof in CCASS in accordance with the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time (the “**CCASS Rules**”).
- (D) Each person who is for the time being shown in the register kept by or on behalf of the Issuer outside of Hong Kong as the holder shall be treated by the Issuer and the Agent as the absolute owner and holder of the Warrants. The expression “**Warrantholder**” shall be construed accordingly.
- (E) Trading in Warrants on the Stock Exchange shall be suspended prior to the Expiry Date in accordance with the requirements of the Stock Exchange.

2. Warrant Rights and Exercise Expenses

- (A) Every Exercise Amount initially entitles the Warrantholder, upon due exercise and upon compliance with these Conditions, in particular Condition 4, to payment of the Cash Settlement Amount (as defined below), if any.
- (B) Upon exercise of the Warrants, the Warrantholder will be required to pay a sum equal to all the expenses resulting from the exercise of such Warrants. To effect such payment an amount equivalent to the Exercise Expenses (defined below) shall be deducted from the Cash Settlement Amount in accordance with Condition 4(F).
- (C) 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 and banks are open for business in Hong Kong;

In respect of call Warrants:

“**Cash Settlement Amount**” means for every Exercise Amount, an amount in Hong Kong dollars calculated by the Issuer as equal to (1) the sum of each of the Basket Components 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;

In respect of put warrants:

“**Cash Settlement Amount**” means for every Exercise Amount, an amount in Hong Kong dollars calculated by the Issuer as equal to (1) the Exercise Price less (2) the sum of each of the Basket Components 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;

“**CCASS**” means the Central Clearing and Settlement System;

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

“**Market Disruption Event**” means the occurrence or existence of any suspension of or limitation imposed on trading on the Stock Exchange in any of the Shares if that suspension or limitation is, in the determination of the Issuer, material;

For the avoidance of doubt, a Market Disruption Event shall include, but shall not be limited to, a limitation/closure of the Stock Exchange due to unforeseen circumstances such as an official tropical cyclone warning signal eight (or above) or black rain storm warning hoisted by the Hong Kong Observatory provided that so long as such warnings are lowered or suspended by the Hong Kong Observatory, and the Stock Exchange: (i) re-opens for the entire afternoon trading session; or (ii) opens late in the morning of the affected day and stays open for the entire afternoon trading session and closing only at the normal closing time for the Stock Exchange, the hoisting of such warning shall not by itself be a Market Disruption Event;

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

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

In the event that a Market Disruption Event has occurred and a Valuation Date is postponed in accordance with Condition 4(F), the closing price of the Shares on that first succeeding Business Day will be referenced more than once in the determination of the Cash Settlement Amount, so that in no event shall there be less than 5 closing prices to determine the Average Price.

3. Exercise Period

- (A) The Warrants may be exercised by valid delivery of an Exercise Notice (as defined below), in accordance with Condition 4 on any Business Day during the Exercise Period. In the case of an exercise of American style Warrants the Exercise Period is the period beginning (and including) at 10:00 a.m. (Hong Kong time) on the Dealing Commencement Date (or, if later, the first day of dealing in the Warrants on the Stock Exchange) ending at (and including) 10:00 a.m. (Hong Kong time) on the Expiry Date, subject to prior termination of the Warrants as provided for in Condition 11. If the Expiry Date is not a Business Day the immediately succeeding Business Day shall be deemed the Expiry Date for the purposes of this Condition 3(A). Warrants may not be exercised at any other time.

Subject to Conditions 4(B)(iii) and 4(G), in the case of an exercise of European style Warrants, a reference to Exercise Period shall mean 10:00 a.m. on the Expiry Date only.

- (B) Subject to Conditions 4(B)(iii) and 4(G) any Warrant which has not been exercised during the Exercise Period shall expire immediately 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 Board Lots or integral multiples thereof.

- (B) *Delivery of an Exercise Notice:*

- (i) In the case of an exercise of American style Warrants, in order to exercise Warrants, the Warrantholder shall deliver to the Agent a duly completed exercise notice in accordance with the Instrument (an “**Exercise Notice**”), such delivery to be made at any time during the Exercise Period.

In the case of an exercise of European style Warrants, there will be no requirement to deliver an Exercise Notice and Warrants will be automatically exercised (if in the money in accordance with Conditions 4B(iii) and 4(G)).

- (ii) The date upon which a Warrant is, or to be treated as, exercised (an “**Exercise Date**”) shall be on the Business Day on which an Exercise Notice is delivered to the Agent and in respect of which there is a valid exercise of Warrants in accordance with the requirements as set out herein, provided that any Exercise Notice received by the Agent after 10:00 a.m. (Hong Kong time) on any Business Day (other than the Expiry Date) shall be deemed to have been delivered on the next following Business Day.

- (iii) Any Warrant with respect to which an Exercise Date (as defined above) has not occurred during the Exercise Period will automatically be exercised on the Expiry Date (without notice being given to the Warrantholder). The Warrantholder will not be required to deliver any Exercise Notice and the Issuer or its agent will pay to the Warrantholder the Cash Settlement Amount (if any) in accordance with Condition 4(F).
 - (iv) For the avoidance of doubt, where an Expiry Date is not a Business Day, a Warrant must be exercised before 10:00 a.m. (Hong Kong time) on the Business Day following the Expiry Date for the exercise of the Warrant to be valid.
- (C) Any Exercise Expenses which were not determined by the Agent on the Exercise Date and/or the Expiry Date and deducted from the Cash Settlement Amount prior to delivery to the Warrantholder in accordance with Condition 4, shall be notified to the Warrantholder as soon as practicable after determination thereof by the Agent and shall be paid by the Warrantholder to the Agent immediately upon demand.
 - (D) Delivery of an Exercise Notice in accordance with Condition 4(B) 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 determined Exercise Expenses from the Cash Settlement Amount.
 - (E) Subject to a valid exercise or deemed exercise of Warrants in accordance with these Conditions, or in the event that Warrants have expired worthless the Issuer will, with effect from the first Business Day following the Exercise Date and/or Expiry Date as the case may be, remove the name of the Warrantholder in respect of the Warrants which are the subject of a valid exercise or have expired worthless, as the case may be, and thereby cancel and destroy the Global Warrant Certificate.
 - (F) Upon a valid exercise or deemed exercise of Warrants in accordance with these Conditions, the Issuer will pay the Cash Settlement Amount minus determined Exercise Expenses to the relevant Warrantholder.

The aggregate Cash Settlement Amount minus the determined aggregate Exercise Expenses shall be despatched no later than three Business Days following the Last Valuation Date to the Warrantholder as appearing in the register kept by or on behalf of the Issuer.

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 is no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a day that is already or is deemed to be a Valuation Date, provided that if there is a Market Disruption Event on each of the four days immediately following the original date that, but for the Market Disruption Event, would have been a Valuation Date, then (i) that fifth 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 the bid price that would have prevailed on that fifth day but for the Market Disruption Event.

If the postponement of a Valuation Date as aforesaid would result in a Valuation Date falling on or after the Exercise Date or the Expiry Date then (i) the day immediately preceding the Exercise Date or the Expiry Date, as the case may be, (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 the bid price that would have prevailed on the last Valuation Date but for the Market Disruption Event.

“**Day**” means for the purposes of this Condition 4(F) a day on which (excluding, Saturday) banks and the Stock Exchange are normally open for business in Hong Kong.

(G) Any Warrants which have not been exercised in the manner set out in Condition 4(B) before the Expiry Date shall be automatically exercised on that date, without notice to the Warrantholder or the requirement of the service of an Exercise Notice if the Agent determines that the Cash Settlement Amount (calculated in accordance with these Conditions) will be positive. In respect of each Exercise Amount the Cash Settlement Amount shall be paid in the manner set out in Condition 4(F) above.

(H) 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 the Warrantholder and neither the Issuer nor its agent or nominee shall owe any duty of fiduciary nature to the Warrantholder.

None of the Issuer or the Agent shall have any responsibility for any errors or omissions in the calculation and dissemination of any variables published by a third party and used in any calculation made pursuant to these terms and conditions or in the calculation of the Cash Settlement Amount arising from such errors or omissions.

(I) The Issuer's obligations to pay the Cash Settlement Amount shall be discharged by payment in accordance with Condition 4(F) above.

5. Agent

(A) The Agent will be acting as agent of the Issuer in respect of the Warrants and will not assume any obligation or duty to or any relationship or agency or trust for the Warrantholder.

(B) The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the initial Agent and to appoint another agent provided that it will at all times maintain an agent in Hong Kong for so long as the Warrants are listed on the Stock Exchange. Notice of any such termination or appointment will be given to the Warrantholder in accordance with Condition 10.

6. Adjustments

Adjustments may be made by the Issuer to the number of Shares comprising the basket to which the Warrants relate (the "**Entitlement**") on the basis of the following provisions:

(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 on the Business Day on which the trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Basket Component insofar as it relates to the Share(s) of the Company making the Rights Offer} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{1 + M}{1 + (R/S) \times M}$$

E = Existing Entitlement 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 being the closing price of an existing Share of the Company making the Rights Offer as derived from the Daily Quotation Sheet of the Stock Exchange on the Last Business Day on which shares are traded on a Cum-Rights basis

R = Subscription price per Share specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Rights

M = Number of new Share(s) each holder of Shares (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe

Provided that if the above formula would result in an adjustment to the Basket Component which would amount to one per cent. or less of the Basket Component immediately prior to the adjustment, 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 shall be adjusted on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Basket Component insofar as it relates to the Share(s) of the Company making the Bonus Issue} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = 1 + N$$

E = Existing Entitlement 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 Shares for each Share held prior to the Bonus Issue

Provided that if the above formula would result in an adjustment to the Basket Component which would amount to one per cent or less of the Basket Component, then no adjustment will be made to such Basket Component.

- (C) *Subdivisions and 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**”), then:

(i) in the case of a Subdivision, the Basket Component insofar as it relates to the Share(s) of the Company making the Subdivision, in effect immediately prior thereto shall be increased in the same ratio as the Subdivision, and

(ii) in the case of consolidation, the Basket Component, insofar as it relates to the Share(s) of the Company making the Consolidation, in effect immediately prior thereto shall be decreased in the same ratio as the Consolidation,

in each case on the Business Day on which the Subdivision or Consolidation (as the case may be) takes effect.

- (D) *Restructuring Events*. 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 or controlled by any person or corporation) (except where that Company is the surviving corporation in a merger or consolidation) 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**”) 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) *Cash Distribution.* Generally, no capital adjustment will be made for an ordinary cash dividend (whether or not it is offered with a scrip alternative) (“**Ordinary Dividend**”). For any other forms of cash distribution (“**Cash Distribution**”) announced by any of the Companies, such as a cash bonus, special dividend or extraordinary dividend, no capital adjustment will be made unless the value of the Cash Distribution accounts for 2 per cent. or more of the Share’s closing price on the day of announcement by the relevant Company.

If and whenever any of the Companies shall make a Cash Distribution credited as fully paid to the holders of Shares generally, the Basket Component that relates to the Share(s) of the relevant Company making the Cash Distribution shall be adjusted to take effect on the Business Day on which trading in the Shares becomes ex-entitlement in respect of the relevant Cash Distribution (“**Cash Distribution Adjustment Date**”) in accordance with the following formula:

$$\text{Adjusted Basket Component insofar as it relates to the Share(s) of the Company making the Cash distribution} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{S - OD}{S - OD - CD}$$

E: The existing Entitlement insofar as it relates to the Share(s) of the Company making the Cash Distribution immediately prior to the Cash Distribution

CD: The Cash Distribution per Share of the Company making the Cash Distribution

OD: The Ordinary Dividend per Share of the Company making the Cash Distribution, provided that the OD shall be zero if the date on which the relevant Shares are traded on an ex-Ordinary Dividend basis is not the Cash Distribution Adjustment Date

S: The closing price of an existing Share of the Company making the Cash Distribution as derived from the Daily Quotation Sheet of the Stock Exchange on the Business Day immediately preceding the Cash Distribution Adjustment Date

- (F) *Other Adjustments.* Except as provided in Conditions 6 and 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 and amendments 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 or, as the case may be, amendment provided that such adjustment or, as the case may be, amendment is considered by the Issuer not to be materially prejudicial to the Warrantholder generally (without considering the individual circumstances of any Warrantholder or the tax or other consequences of such adjustment in any particular jurisdiction) or is required to take account of provisions of Hong Kong law or Stock Exchange practice.
- (G) *Notice of Adjustments.* All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Warrantholder. 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. Purchase by the Issuer

The Issuer or any of its subsidiaries 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 Warrant Certificate

A global warrant certificate (the "**Global Warrant Certificate**") representing the Warrants will be deposited within CCASS and registered in the name of the Nominee. The Global Warrant Certificate will not be exchangeable for definitive warrant certificates.

9. Meetings of Warrantholder and Modification

- (A) *Meetings of Warrantholders.* Notices for convening meetings to consider any matter affecting the Warrantholder's interests will be given to the Warrantholder in accordance with the provisions of Condition 10.

Every question submitted to a meeting of the Warrantholder shall be decided by poll. A meeting may be convened by the Issuer or by the Warrantholder holding not less than 10 percent 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 (including any nominee appointed by the Warrantholder) holding or representing not less than 25 percent of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons (including any nominee appointed by the Warrantholder) being or representing Warrantholder 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 Warrantholder as, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Warrantholder shall be binding on all the holders of the Warrants, 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 Warrantholder being held if passed unanimously.

- (B) *Modification.* The Issuer may, without the consent of the Warrantholder, effect (i) any modification of the provisions of the Warrants or the Instrument which is not materially prejudicial to the interests of the Warrantholder or (ii) any modification of the provisions of the Warrants or the Instrument which is of a formal, minor or technical nature, which is made to correct an obvious error or 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 Warrantholder and shall be notified to them by the Agent as soon as practicable thereafter in accordance with Condition 10.

10. Notices

All notices in English and Chinese to the Warrantholder will be validly given if published on the website of the Stock Exchange, www.hkex.com.hk (“the HKEx website”). In addition, copies of the notice will be despatched by the Issuer to the Warrantholder at its registered address by the first day that such notice appears on the HKEx website.

11. Liquidation

In the event of a liquidation or dissolution or winding up of any of the Companies or the appointment of a liquidator, receiver or administrator or analogous person under applicable 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.

12. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Warrantholder, to create and issue further warrants, upon such terms as to issue price, commencement of the exercise period and otherwise as the Issuer may determine so as to form a single series with the Warrants.

13. Delisting of Company

- (A) If at any time any of the Shares ceases to be listed on the Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments and amendments 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 Warrantholder 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 Warrantholder, make such adjustments to the entitlements of the Warrantholder on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into Hong Kong dollars) as it shall consider appropriate in the circumstances.
- (C) The Issuer shall determine, in its absolute discretion, any such adjustment or amendment and its determination shall be conclusive and binding on the Warrantholder save in the case of

manifest error. Notice of any adjustments or amendments shall be given to the Warrantholder in accordance with Condition 10 as soon as practicable after they are determined.

14. Taxation

The Issuer is not liable for or otherwise obliged to pay any tax, duty, withholding or other payment which may arise as a result of the ownership, transfer or exercise of any Warrants.

15. Governing Law

The Warrants and the Instrument 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 and the Warrantholder (by its acquisition of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants and the Instrument to the non-exclusive jurisdiction of the courts of Hong Kong.

16. Language

A Chinese translation of these Conditions is available upon request during usual business hours on any weekday (Saturdays, Sundays and holidays excepted) at the office of the Agent. In the event of any inconsistency between the English Version and the Chinese translation of these Conditions, the English version shall prevail and be governing.

Agent:

BOCI Securities Limited
20/F, Bank of China Tower
1 Garden Road
Hong Kong

TERMS AND CONDITIONS OF CASH-SETTLED CAPPED BASKET WARRANTS

These Conditions will, together with the supplemental provisions contained in the relevant supplemental listing document, subject to completion and amendment, be endorsed on the back of the global warrant certificate. The applicable supplemental listing document in relation to the issue of any series of Warrants may specify other terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these Conditions, replace or modify these Conditions for the purpose of such series of Warrants. Capitalised terms used in these 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) The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 12) relating to a basket comprising Shares of each of the Companies are issued in registered form subject to and with the benefit of an instrument by way of deed poll (the “**Instrument**” as defined more fully in the supplemental listing document) executed by BOCI Asia Limited (the “**Issuer**”). The Warrantholder (as defined below) is entitled to the benefit of, is bound by and is deemed to have notice of all the provisions of the Instrument. A copy of the Instrument is available for inspection at the offices of the Agent as specified below.

The Warrants are represented by a global certificate registered in the name of HKSCC Nominees Limited (or such other nominee company as may be used by Hong Kong Securities Clearing Company Limited (“**HKSCC**”) from time to time in relation to the provision of nominee services to persons admitted for the time being by HKSCC as a participant of CCASS) (“**Nominee**”). No definitive certificate will be issued. The Warrants can only be exercised by HKSCC or the Nominee.

References in these Conditions to “Company” shall be a reference to a company, comprising one of the Companies and references to “Shares” shall be a reference to the shares of the Companies or, as the context requires, to the shares of a particular Company.

- (B) The settlement obligation of the Issuer in respect of the Warrants represents general unsecured contractual obligations of the Issuer and of no other person which rank, and will rank, equally among themselves and *pari passu* with all other present and future unsecured and unsubordinated contractual obligations of the Issuer, except for obligations accorded preference by mandatory provisions of applicable law.

Warrants represent general contractual obligations of the Issuer, and are not, nor is it the intention (expressed, implicit or otherwise) of the Issuer to create by the issue of warrants deposit liabilities of the Issuer or a debt obligation of any kind.

- (C) Transfers of Warrants may be effected only in Board Lots or integral multiples thereof in CCASS in accordance with the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time (the “**CCASS Rules**”).
- (D) Each person who is for the time being shown in the register kept by or on behalf of the Issuer outside of Hong Kong as the holder shall be treated by the Issuer and the Agent as the absolute owner and holder of the Warrants. The expression “**Warrantholder**” shall be construed accordingly.
- (E) Trading in Warrants on the Stock Exchange shall be suspended prior to the Expiry Date in accordance with the requirements of the Stock Exchange.

2. Warrant Rights and Exercise Expenses

- (A) Every Exercise Amount initially entitles the Warrantholder, upon due exercise and upon compliance with these Conditions, in particular Condition 4, to payment of the Cash Settlement Amount (as defined below), if any.
- (B) Upon exercise of the Warrants, the Warrantholder will be required to pay a sum equal to all the expenses resulting from the exercise of such Warrants. To effect such payment an amount equivalent to the Exercise Expenses (defined below) shall be deducted from the Cash Settlement Amount in accordance with Condition 4(F).
- (C) 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 and banks are open for business in Hong Kong;

In respect of CAPPED CALL WARRANTS:

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

If the Closing Price is below the Capped Strike Price:

The Closing Price less the Exercise Price;

Or if the Closing Price is at or above the Capped Strike Price:

The Capped Strike Price less the Exercise Price;

In respect of CAPPED PUT WARRANTS:

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

If the Closing Price is above the Capped Strike Price:

The Exercise Price less the Closing Price

Of if the Closing Price is at or below the Capped Strike Price:

The Exercise Price less the Capped Strike Price.

“**CCASS**” means the Central Clearing and Settlement System;

“**Closing Price**” means the sum of each of the Basket Components 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.

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

“**Market Disruption Event**” means the occurrence or existence of any suspension of or limitation imposed on trading on the Stock Exchange in any of the Shares if that suspension or limitation is, in the determination of the Issuer, material. For the avoidance of doubt, a

Market Disruption Event shall include, but shall not be limited to, a limitation/closure of the Stock Exchange due to unforeseen circumstances such as an official tropical cyclone warning signal eight (or above) or black rain storm warning hoisted by the Hong Kong Observatory provided that so long as such warnings are lowered or suspended by the Hong Kong Observatory, and the Stock Exchange: (i) re-opens for the entire afternoon trading session; or (ii) opens late in the morning of the affected day and stays open for the entire afternoon trading session and closing only at the normal closing time for the Stock Exchange, the hoisting of such warning shall not by itself be a Market Disruption Event;

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

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

In the event that a Market Disruption Event has occurred and a Valuation Date is postponed in accordance with Condition 4(F), the closing price of the Shares on that first succeeding Business Day will be referenced more than once in the determination of the Cash Settlement Amount, so that in no event shall there be less than 5 closing prices to determine the Average Price.

3. Exercise Period

(A) The Warrants may be exercised by valid delivery of an Exercise Notice (as defined below), in accordance with Condition 4 on any Business Day during the Exercise Period. In the case of an exercise of American style Warrants the Exercise Period is the period beginning (and including) at 10:00 a.m. (Hong Kong time) on the Dealing Commencement Date (or, if later, the first day of dealing in the Warrants on the Stock Exchange) ending at (and including) 10:00 a.m. (Hong Kong time) on the Expiry Date, subject to prior termination of the Warrants as provided for in Condition 11. If the Expiry Date is not a Business Day the immediately succeeding Business Day shall be deemed the Expiry Date for the purposes of this Condition 3(A). Warrants may not be exercised at any other time.

Subject to Conditions 4(B)(iii) and 4(G), in the case of an exercise of European style Warrants, a reference to Exercise Period shall mean 10:00 a.m. on the Expiry Date only.

(B) Subject to Conditions 4(B)(iii) and 4(G) any Warrant which has not been exercised during the Exercise Period shall expire immediately 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 Board Lots or integral multiples thereof.

(B) *Delivery of an Exercise Notice:*

(i) In the case of an exercise of American style Warrants, in order to exercise Warrants, the Warrantholder shall deliver to the Agent a duly completed exercise notice in accordance with the Instrument (an “**Exercise Notice**”), such delivery to be made at any time during the Exercise Period.

In the case of an exercise of European style Warrants, there will be no requirement to deliver an Exercise Notice and Warrants will be automatically exercised (if in the money in accordance with Conditions 4B(iii) and 4(G)).

(ii) The date upon which a Warrant is, or to be treated as, exercised (an “**Exercise Date**”) shall be on the Business Day on which an Exercise Notice is delivered to the Agent and in respect of which there is a valid exercise of Warrants in accordance with the

requirements as set out herein, provided that any Exercise Notice received by the Agent after 10:00 a.m. (Hong Kong time) on any Business Day (other than the Expiry Date) shall be deemed to have been delivered on the next following Business Day.

- (iii) Any Warrant with respect to which an Exercise Date (as defined above) has not occurred during the Exercise Period will automatically be exercised on the Expiry Date (without notice being given to the Warrantholder). The Warrantholder will not be required to deliver any Exercise Notice and the Issuer or its agent will pay to the Warrantholder the Cash Settlement Amount (if any) in accordance with Condition 4(F).
 - (iv) For the avoidance of doubt, where an Expiry Date is not a Business Day, a Warrant must be exercised before 10:00 a.m. (Hong Kong time) on the Business Day following the Expiry Date for the exercise of the Warrant to be valid.
- (C) Any Exercise Expenses which were not determined by the Agent on the Exercise Date and/or the Expiry Date and deducted from the Cash Settlement Amount prior to delivery to the Warrantholder in accordance with Condition 4, shall be notified to the Warrantholder as soon as practicable after determination thereof by the Agent and shall be paid by the Warrantholder to the Agent immediately upon demand.
 - (D) Delivery of an Exercise Notice in accordance with Condition 4(B) 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 determined Exercise Expenses from the Cash Settlement Amount.
 - (E) Subject to a valid exercise or deemed exercise of Warrants in accordance with these Conditions, or in the event that Warrants have expired worthless the Issuer will, with effect from the first Business Day following the Exercise Date and/or Expiry Date as the case may be, remove the name of the Warrantholder in respect of the Warrants which are the subject of a valid exercise or have expired worthless, as the case may be, and thereby cancel and destroy the Global Warrant Certificate.
 - (F) Upon a valid exercise or deemed exercise of Warrants in accordance with these Conditions, the Issuer will pay the Cash Settlement Amount minus determined Exercise Expenses to the relevant Warrantholder.

The aggregate Cash Settlement Amount minus the determined aggregate Exercise Expenses shall be despatched no later than three Business Days following the Last Valuation Date to the Warrantholder as appearing in the register kept by or on behalf of the Issuer.

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 is no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a day that is already or is deemed to be a Valuation Date, provided that if there is a Market Disruption Event on each of the four days immediately following the original date that, but for the Market Disruption Event, would have been a Valuation Date, then (i) that fifth 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 the bid price that would have prevailed on that fifth day but for the Market Disruption Event.

If the postponement of a Valuation Date as aforesaid would result in a Valuation Date falling on or after the Exercise Date or the Expiry Date then (i) the day immediately preceding the Exercise Date or the Expiry Date, as the case may be, (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 the bid price that would have prevailed on the last Valuation Date but for the Market Disruption Event.

“**day**” means for the purposes of this Condition 4(F) a day on which (excluding, Saturday) banks and the Stock Exchange are normally open for business in Hong Kong.

- (G) Any Warrants which have not been exercised in the manner set out in Condition 4(B) before the Expiry Date shall be automatically exercised on that date, without notice to the Warrantholder or the requirement of the service of an Exercise Notice if the Agent determines that the Cash Settlement Amount (calculated in accordance with these Conditions) will be positive. In respect of each Exercise Amount of the Cash Settlement Amount shall be paid in the manner set out in Condition 4(F) above.
- (H) 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 the Warrantholder and neither the Issuer nor its agent or nominee shall owe any duty of fiduciary nature to the Warrantholder.

None of the Issuer or the Agent shall have any responsibility for any errors or omissions in the calculation and dissemination of any variables published by a third party and used in any calculation made pursuant to these terms and conditions or in the calculation of the Cash Settlement Amount arising from such errors or omissions.

- (I) The Issuer’s obligations to pay the Cash Settlement Amount shall be discharged by payment in accordance with Condition 4(F) above.

5. Agent

- (A) The Agent will be acting as agent of the Issuer in respect of the Warrants and will not assume any obligation or duty to or any relationship or agency or trust for the Warrantholder.
- (B) The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the initial Agent and to appoint another agent provided that it will at all times maintain an agent in Hong Kong for so long as the Warrants are listed on the Stock Exchange. Notice of any such termination or appointment will be given to the Warrantholder in accordance with Condition 10.

6. Adjustments

Adjustments may be made by the Issuer to the number of Shares comprising the basket to which the Warrants relate (the “**Entitlement**”) on the basis of the following provisions:

- (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 on the Business Day on which the trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Basket Component insofar as it relates to the Share(s) of the Company making the Rights Offer} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{1 + M}{1 + (R/S) \times M}$$

E = Existing Entitlement 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 being the closing price of an existing Share of the Company making the Rights Offer as derived from the Daily Quotation Sheet of the Stock Exchange on the Last Business Day on which shares are traded on a Cum-Rights basis

- R = Subscription price per Share specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Rights
- M = Number of new Share(s) each holder of Shares (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe

Provided that if the above formula would result in an adjustment to the Basket Component which would amount to one per cent. or less of the Basket Component immediately prior to the adjustment, 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 shall be adjusted on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Basket Component insofar as it relates to the Share(s) of the Company making the Bonus Issue} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = 1 + N$$

- E = Existing Entitlement 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 Shares for each Share held prior to the Bonus Issue

Provided that if the above formula would result in an adjustment to the Basket Component which would amount to one per cent or less of the Basket Component, then no adjustment will be made to such Basket Component.

- (C) *Subdivisions and 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**”), then:

- (i) in the case of a subdivision, the Basket Component insofar as it relates to the Share(s) of the Company making the subdivision, in effect immediately prior thereto shall be increased in the same ratio as the Subdivision, and
- (ii) in the case of a Consolidation, the Basket Component insofar as it relates to the Share(s) of the Company making the Consolidation, in effect immediately prior thereto shall be decreased in the same ratio as the Consolidation,

in each case on the Business Day on which the Subdivision or Consolidation (as the case may be) takes effect.

- (D) *Restructuring Events*. 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 or controlled by any person or corporation) (except where that Company is the surviving corporation in a merger or consolidation) 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**”) 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) *Cash Distribution*. Generally, no capital adjustment will be made for an ordinary cash dividend (whether or not it is offered with a scrip alternative) (“**Ordinary Dividend**”). For any other forms of cash distribution (“**Cash Distribution**”) announced by any of the Companies, such as a cash bonus, special dividend or extraordinary dividend, no capital adjustment will be made unless the value of the Cash Distribution accounts for 2 per cent. or more of the Share’s closing price on the day of announcement by the relevant Company.

If and whenever any of the Companies shall make a Cash Distribution credited as fully paid to the holders of Shares generally, the Basket Component that relates to the Share(s) of the relevant Company making the Cash Distribution shall be adjusted to take effect on the Business Day on which trading in the Shares becomes ex-entitlement in respect of the relevant Cash Distribution (“Cash Distribution Adjustment Date”) in accordance with the following formula:

$$\text{Adjusted Basket Component insofar as it relates to the Share(s) of the Company making the Cash Distribution} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{S - OD}{S - OD - CD}$$

E: The existing Entitlement insofar as it relates to the Share(s) of the Company making the Cash Distribution immediately prior to the Cash Distribution

CD: The Cash Distribution per Share of the Company making the Cash Distribution

OD: The Ordinary Dividend per Share of the Company making the Cash Distribution, provided that the OD shall be zero if the date on which the relevant Shares are traded on an ex-Ordinary Dividend basis is not the Cash Distribution Adjustment Date

S: The closing price of an existing Share of the Company making the Cash Distribution as derived from the Daily Quotation Sheet of the Stock Exchange on the Business Day immediately preceding the Cash Distribution Adjustment Date

- (F) *Other Adjustments.* Except as provided in Conditions 6 and 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 and amendments 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 or, as the case may be, amendment provided that such adjustment or, as the case may be, amendment is considered by the Issuer not to be materially prejudicial to the Warrantholder generally (without considering the individual circumstances of any Warrantholder or the tax or other consequences of such adjustment in any particular jurisdiction) or is required to take account of provisions of Hong Kong law or Stock Exchange practice.
- (G) *Notice of Adjustments.* All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Warrantholder. 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. Purchase by the Issuer

The Issuer or any of its subsidiaries 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 Warrant Certificate

A global warrant certificate (the "**Global Warrant Certificate**") representing the Warrants will be deposited within CCASS and registered in the name of the Nominee. The Global Warrant Certificate will not be exchangeable for definitive warrant certificates.

9. Meetings of Warrantholder and Modification

- (A) *Meetings of Warrantholders.* Notices for convening meetings to consider any matter affecting the Warrantholder's interests will be given to the Warrantholder in accordance with the provisions of Condition 10.

Every question submitted to a meeting of the Warrantholder shall be decided by poll. A meeting may be convened by the Issuer or by the Warrantholder holding not less than 10 percent 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 (including any nominee appointed by the Warrantholder) holding or representing not less than 25 percent of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons (including any nominee appointed by the Warrantholder) being or representing Warrantholder 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 Warrantholder as, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Warrantholder shall be binding on all the holders of the Warrants, 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 Warrantholder being held if passed unanimously.

- (B) *Modification.* The Issuer may, without the consent of the Warrantholder, effect (i) any modification of the provisions of the Warrants or the Instrument which is not materially prejudicial to the interests of the Warrantholder or (ii) any modification of the provisions of the Warrants or the Instrument which is of a formal, minor or technical nature, which is made to correct an obvious error or 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 Warrantholder and shall be notified to them by the Agent as soon as practicable thereafter in accordance with Condition 10.

10. Notices

All notices in English and Chinese to the Warrantholder will be validly given if published on the website of the Stock Exchange, www.hkex.com.hk (“the HKEx website”). In addition, copies of the notice will be despatched by the Issuer to the Warrantholder at its registered address by the first day that such notice appears on the HKEx website.

11. Liquidation

In the event of a liquidation or dissolution or winding up of any of the Companies or the appointment of a liquidator, receiver or administrator or analogous person under applicable 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.

12. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Warrantholder, to create and issue further warrants, upon such terms as to issue price, commencement of the exercise period and otherwise as the Issuer may determine so as to form a single series with the Warrants.

13. Delisting of Company

- (A) If at any time any of the Shares ceases to be listed on the Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments and amendments 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 Warrantholder 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 Warrantholder, make such adjustments to the entitlements of the Warrantholder on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into Hong Kong dollars) as it shall consider appropriate in the circumstances.
- (C) The Issuer shall determine, in its absolute discretion, any such adjustment or amendment and its determination shall be conclusive and binding on the Warrantholder save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Warrantholder in accordance with Condition 10 as soon as practicable after they are determined.

14. Taxation

The Issuer is not liable for or otherwise obliged to pay any tax, duty, withholding or other payment which may arise as a result of the ownership, transfer or exercise of any Warrants.

15. Governing Law

The Warrants and the Instrument 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 and the Warrantholder (by its acquisition of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants and the Instrument to the non-exclusive jurisdiction of the courts of Hong Kong.

16. Language

A Chinese translation of these Conditions is available upon request during usual business hours on any weekday (Saturdays, Sundays and holidays excepted) at the office of the Agent. In the event of any inconsistency between the English Version and the Chinese translation of these Conditions, the English version shall prevail and be governing.

Agent:

BOCI Securities Limited
20/F, Bank of China Tower
1 Garden Road
Hong Kong

TERMS AND CONDITIONS OF CASH-SETTLED INDEX WARRANTS

These Conditions will, together with the supplemental provisions contained in the relevant supplemental listing document, subject to completion and amendment, be endorsed on the back of the global warrant certificate. The applicable supplemental listing document in relation to the issue of any series of Warrants may specify other terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these Conditions, replace or modify these Conditions for the purpose of such series of Warrants. Capitalised terms used in these 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) The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 11) relating to the Index as published by the Index Compiler are issued in registered form subject to and with the benefit of an instrument by way of deed poll (the “**Instrument**” as defined more fully in the supplemental listing document) executed by BOCI Asia Limited (the “**Issuer**”). The Warrantholder (as defined below) is entitled to the benefit of, is bound by and is deemed to have notice of all the provisions of the Instrument. A copy of the Instrument is available for inspection at the offices of the Agent as specified below.

The Warrants are represented by a global certificate registered in the name of HKSCC Nominees Limited (or such other nominee company as may be used by Hong Kong Securities Clearing Company Limited (“**HKSCC**”) from time to time in relation to the provision of nominee services to persons admitted for the time being by HKSCC as a participant of CCASS) (“**Nominee**”). No definitive certificate will be issued. The Warrants can only be exercised by HKSCC or the Nominee.

- (B) The settlement obligation of the Issuer in respect of the Warrants represents general unsecured contractual obligations of the Issuer and of no other person which rank, and will rank, equally among themselves and *pari passu* with all other present and future unsecured and unsubordinated contractual obligations of the Issuer, except for obligations accorded preference by mandatory provisions of applicable law.

Warrants represent general contractual obligations of the Issuer, and are not, nor is it the intention (expressed, implicit or otherwise) of the Issuer to create by the issue of warrants deposit liabilities of the Issuer or a debt obligation of any kind.

- (C) Transfers of Warrants may be effected only in Board Lots or integral multiples thereof in CCASS in accordance with the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time (the “**CCASS Rules**”).
- (D) Each person who is for the time being shown in the register kept by or on behalf of the Issuer outside of Hong Kong as the holder shall be treated by the Issuer and the Agent as the absolute owner and holder of the Warrants. The expression “**Warrantholder**” shall be construed accordingly.
- (E) Trading in Warrants on the Stock Exchange shall be suspended prior to the Expiry Date in accordance with the requirements of the Stock Exchange.

2. Warrant Rights and Exercise Expenses

- (A) Every Exercise Amount initially entitles the Warrantholder, upon due exercise and upon compliance with these Conditions, in particular Condition 4, to payment of the Cash Settlement Amount (as defined below), if any.
- (B) Upon exercise of the Warrants, the Warrantholder will be required to pay a sum equal to all the expenses resulting from the exercise of such Warrants. To effect such payment an amount equivalent to the Exercise Expenses (defined below) shall be deducted from the Cash Settlement Amount in accordance with Condition 4(F).
- (C) For the purposes of the these Conditions:

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

In respect of Index Call Warrants:

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

In respect of Index Put Warrants:

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

“**CCASS**” means the Central Clearing and Settlement System;

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

“**Index Business Day**” means a day on which the Index is published by the Index Compiler or, as the case may be, the Successor Index Compiler (as defined below);

“**Market Disruption Event**” means 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; and
- (iv) the imposition of any exchange controls in respect of any currencies involved in determining the Cash Settlement Amount.

For the avoidance of doubt, a Market Disruption Event shall include, but shall not be limited to, a limitation/closure of the Stock Exchange due to unforeseen circumstances such as an official tropical cyclone warning signal eight (or above) or black rain storm warning hoisted by the Hong Kong Observatory provided that so long as such warnings are lowered or suspended by the Hong Kong Observatory, and the Stock Exchange: (i) re-opens for the entire afternoon trading session; or (ii) opens late in the morning of the affected day and stays open for the entire afternoon trading session and closing only at the normal closing time for the Stock Exchange, the hoisting of such warning shall not by itself be a Market Disruption Event;

For the purposes of this definition, (i) the limitation on 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 (ii) 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;

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

“**Valuation Date**” means the Exercise Date or the Expiry Date, as the case may be.

3. Exercise Period

- (A) The Warrants may be exercised by valid delivery of an Exercise Notice (as defined below), in accordance with Condition 4 at any time during the Exercise Period. In the case of an exercise of American style Warrants the Exercise Period is the period beginning at (and including) 10:00 a.m. (Hong Kong time) on the Dealing Commencement Date (or, if later, the first day of dealing in the Warrants on the Stock Exchange) and ending on the Expiry Date, subject to prior termination of the Warrants as provided for in Condition 11. If the Expiry Date is not a Business Day the immediately succeeding Business Day shall be deemed the Expiry Date for the purposes of this Condition 3(A). Warrants may not be exercised at any other time.

Subject to Conditions 4(B)(iii) and 4(G), in the case of an exercise of European style Warrants, a reference to Exercise Period shall mean Expiry Date only.

- (B) Subject to Conditions 4(B)(iii) and 4(G) any Warrant which has not been exercised during the Exercise Period shall expire immediately 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 Board Lots or integral multiples thereof.

- (B) *Delivery of an Exercise Notice:*

- (i) In the case of an exercise of American style Warrants, in order to exercise Warrants, the Warrantholder shall deliver to the Agent a duly completed exercise notice in accordance with the Instrument (an “**Exercise Notice**”), such delivery to be made at any time during the Exercise Period.

In the case of an exercise of European style Warrants, there will be no requirement to deliver an Exercise Notice and Warrants will be automatically exercised (if in the money in accordance with Conditions 4B(iii) and 4(G)).

- (ii) The date upon which a Warrant is, or is to be treated as, exercised (an “**Exercise Date**”) shall be on the Business Day on which an Exercise Notice is delivered to the Agent and in respect of which there is a valid exercise of Warrants in accordance with the requirements as set out herein of these Conditions, provided that any Exercise Notice received by the Agent after 10:00 a.m. (Hong Kong time) on any Business Day (other than the Expiry Date) shall be deemed to have been delivered on the next following Business Day.

- (iii) Any Warrant with respect to which an Exercise Date (as defined above) has not occurred during the Exercise Period will automatically be exercised on the Expiry Date (without notice being given to the Warrantholder). The Warrantholder will not be required to deliver any Exercise Notice and the Issuer or its agent will pay to the Warrantholder the Cash Settlement Amount (if any) in accordance with Condition 4(F).
 - (iv) For the avoidance of doubt, where an Expiry Date is not a Business Day, a Warrant must be exercised before 10:00 a.m. (Hong Kong time) on the Business Day following the Expiry Date for the exercise of the Warrant to be valid.
- (C) Any Exercise Expenses which were not determined by the Agent on the Exercise Date and/or the Expiry Date and deducted from the Cash Settlement Amount prior to delivery to the Warrantholder in accordance with Condition 4, shall be notified to the Warrantholder as soon as practicable after determination thereof by the Agent and shall be paid by the Warrantholder to the Agent immediately upon demand.
 - (D) Delivery of an Exercise Notice in accordance with Condition 4(B) 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 determined Exercise Expenses from the Cash Settlement Amount.
 - (E) Subject to a valid exercise or deemed exercise of Warrants in accordance with these Conditions, or in the event that Warrants have expired worthless the Issuer will, with effect from the first Business Day following the Exercise Date and/or Expiry Date as the case may be, remove the name of the Warrantholder in respect of the Warrants which are the subject of a valid exercise or have expired worthless, as the case may be, and thereby cancel and destroy the Global Warrant Certificate.
 - (F) Upon a valid exercise or deemed exercise of Warrants in accordance with these Conditions, the Issuer will pay the Cash Settlement Amount minus determined Exercise Expenses to the relevant Warrantholder.

The aggregate Cash Settlement Amount minus the determined aggregate Exercise Expenses shall be despatched no later than three Business Days following the Valuation Date to the Warrantholder as appearing in the register kept by or on behalf of the Issuer.

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, but will not be obliged to, determine such Closing Level by having regard to the manner in which the Index Compiler, or the relevant body or entity, as the case may be, calculates the Closing Level.

- (G) Any Warrants which have not been exercised in the manner set out in Condition 4(B) before the Expiry Date shall be automatically exercised on that date without notice to the Warrantholder or the requirement of the service of an Exercise Notice if the Agent determines that the Cash Settlement Amount (calculated in accordance with these Conditions) will be positive. In respect of each Board Lot the Cash Settlement Amount shall be paid in the manner set out in Condition 4(F) above.
- (H) 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 the Warrantholder and neither the Issuer nor its agent or nominee shall owe any duty of fiduciary nature to the Warrantholder.

None of the Issuer or the Agent shall have any responsibility for any errors or omissions in the calculation and dissemination of any variables published by a third party and used in any calculation made pursuant to these terms and conditions or in the calculation of the Cash Settlement Amount arising from such errors or omissions.

- (I) The Issuer's obligations to pay the Cash Settlement Amount shall be discharged by payment in accordance with Condition 4(F) above.

5. Agent

- (A) The Agent will be acting as agent of the Issuer in respect of the Warrants and will not assume any obligation or duty to or any relationship or agency or trust for the Warrantholder.
- (B) The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the initial Agent and to appoint another agent provided that it will at all times maintain an agent in Hong Kong for so long as the Warrants are listed on the Stock Exchange. Notice of any such termination or appointment will be given to the Warrantholder in accordance with Condition 10.

6. Adjustments to the Index

- (A) *Successor Sponsor 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 the 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 the 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 the change or failure, but using only those securities/commodities that comprised the Index immediately prior to that change or failure (other than those securities that have since ceased to be listed on the relevant exchange).
- (C) 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 determinations by publication in accordance with Condition 10.

7. Purchase by the Issuer

The Issuer or any of its subsidiaries 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 Warrant Certificate

A global warrant certificate (the “**Global Warrant Certificate**”) representing the Warrants will be deposited within CCASS and registered in the name of the Nominee. The Global Warrant Certificate will not be exchangeable for definitive warrant certificates.

9. Meetings of Warrantholder and Modification

- (A) *Meetings of Warrantholders.* Notices for convening meetings to consider any matter affecting the Warrantholder's interests will be given to the Warrantholder in accordance with the provisions of Condition 10.

Every question submitted to a meeting of the Warrantholder shall be decided by poll. A meeting may be convened by the Issuer or by the Warrantholder holding not less than 10 percent 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 (including any nominee appointed by the Warrantholder) holding or representing not less than 25 percent of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons (including any nominee appointed by the Warrantholder) being or representing Warrantholder 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 Warrantholder as, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Warrantholder shall be binding on all the holders of the Warrants, 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 Warrantholder being held if passed unanimously.

- (B) *Modification.* The Issuer may, without the consent of the Warrantholder, effect (i) any modification of the provisions of the Warrants or the Instrument which is not materially prejudicial to the interests of the Warrantholder or (ii) any modification of the provisions of the Warrants or the Instrument which is of a formal, minor or technical nature, which is made to correct an obvious error or 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 Warrantholder and shall be notified to them by the Agent as soon as practicable thereafter in accordance with Condition 10.

10. Notices

All notices in English and Chinese to the Warrantholder will be validly given if published on the website of the Stock Exchange, www.hkex.com.hk ("the HKEx website"). In addition, copies of the notice will be despatched by the Issuer to the Warrantholder at its registered address by the first day that such notice appears on the HKEx website.

11. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Warrantholder, to create and issue further warrants, upon such terms as to issue price, commencement of the exercise period and otherwise as the Issuer may determine so as to form a single series with the Warrants.

12. Taxation

The Issuer is not liable for or otherwise obliged to pay any tax, duty, withholding or other payment which may arise as a result of the ownership, transfer or exercise of any Warrants.

13. Governing Law

The Warrants and the Instrument 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 and the Warrantholder (by its acquisition of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants and the Instrument to the non-exclusive jurisdiction of the courts of Hong Kong.

14. Language

A Chinese translation of these Conditions is available upon request during usual business hours on any weekday (Saturdays, Sundays, and holidays excepted) at the offices of the Agent. In the event of any inconsistency between the English version and the Chinese translation of these Conditions, the English version shall prevail and be governing.

Agent:

BOCI Securities Limited
20/F, Bank of China Tower
1 Garden Road
Hong Kong

TERMS AND CONDITIONS OF CASH-SETTLED INDEX CAPPED WARRANTS

These Conditions will, together with the supplemental provisions contained in the relevant supplemental listing document, subject to completion and amendment, be endorsed on the back of the global warrant certificate. The applicable supplemental listing document in relation to the issue of any series of Warrants may specify other terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these Conditions, replace or modify these Conditions for the purpose of such series of Warrants. Capitalised terms used in these 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) The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 11) relating to the Index as published by the Index Compiler are issued in registered form subject to and with the benefit of an instrument by way of deed poll (the “**Instrument**” as defined more fully in the supplemental listing document) executed by BOCI Asia Limited (the “**Issuer**”). The Warrantholder (as defined below) is entitled to the benefit of, is bound by and is deemed to have notice of all the provisions of the Instrument. A copy of the Instrument is available for inspection at the offices of the Agent as specified below.

The Warrants are represented by a global certificate registered in the name of HKSCC Nominees Limited (or such other nominee company as may be used by Hong Kong Securities Clearing Company Limited (“**HKSCC**”) from time to time in relation to the provision of nominee services to persons admitted for the time being by HKSCC as a participant of CCASS) (“**Nominee**”). No definitive certificate will be issued. The Warrants can only be exercised by HKSCC or the Nominee.

- (B) The settlement obligation of the Issuer in respect of the Warrants represents general unsecured contractual obligations of the Issuer and of no other person which rank, and will rank, equally among themselves and *pari passu* with all other present and future unsecured and unsubordinated contractual obligations of the Issuer, except for obligations accorded preference by mandatory provisions of applicable law.

Warrants represent general contractual obligations of the Issuer, and are not, nor is it the intention (expressed, implicit or otherwise) of the Issuer to create by the issue of warrants deposit liabilities of the Issuer or a debt obligation of any kind.

- (C) Transfers of Warrants may be effected only in Board Lots or integral multiples thereof in CCASS in accordance with the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time (the “**CCASS Rules**”).
- (D) Each person who is for the time being shown in the register kept by or on behalf of the Issuer outside of Hong Kong as the holder shall be treated by the Issuer and the Agent as the absolute owner and holder of the Warrants. The expression “**Warrantholder**” shall be construed accordingly.
- (E) Trading in Warrants on the Stock Exchange shall be suspended prior to the Expiry Date in accordance with the requirements of the Stock Exchange.

2. Warrant Rights and Exercise Expenses

- (A) Every Exercise Amount initially entitles the Warrantholder, upon due exercise and upon compliance with these Conditions, in particular Condition 4, to payment of the Cash Settlement Amount (as defined below), if any.
- (B) Upon exercise of the Warrants, the Warrantholder will be required to pay a sum equal to all the expenses resulting from the exercise of such Warrants. To effect such payment an amount equivalent to the Exercise Expenses (defined below) shall be deducted from the Cash Settlement Amount in accordance with Condition 4(F).
- (C) For the purposes of the these Conditions:

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

In respect of Index CAPPED CALL WARRANTS:

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

If the Closing Level is below the Capped Strike level:

the excess of the Closing Level on the Valuation Date over the Strike Level, multiplied by the Index Currency Amount, either (i) converted (if applicable) into the Settlement Currency at the Exchange Rate or, as the case may be, (ii) converted into the Interim Currency at the First Exchange Rate and then (if applicable) converted into the Settlement Currency at the Second Exchange Rate;

Or if the Closing Level is at or above the Capped Strike level:

The excess of the Capped Strike Level over the Strike Level., multiplied by the Index Currency Amount, either (i) converted (if applicable) into the Settlement Currency at the Exchange Rate or, as the case may be, (ii) converted into the Interim Currency at the First Exchange Rate and then (if applicable) converted into the Settlement Currency at the Second Exchange Rate;

In respect of Index CAPPED PUT WARRANTS:

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

If the Closing Level is above the Capped Strike Level:

the excess of the Strike Level over the Closing Level on the Valuation Date, multiplied by the Index Currency Amount, either (i) converted (if applicable) into the Settlement Currency at the Exchange Rate or, as the case may be, (ii) converted into the Interim Currency at the First Exchange Rate and then (if applicable) converted into Settlement Currency at the Second Exchange Rate;

or if the Closing Level is at or below the Capped Strike Level:

The excess of the Strike Level over the Capped Strike Level, multiplied by the Index Currency Amount, either (i) converted (if applicable) into the Settlement Currency at the Exchange Rate or, as the case may be, (ii) converted into the Interim Currency at the First Exchange Rate and then (if applicable) converted into Settlement Currency at the Second Exchange Rate;

“**CCASS**” means the Central Clearing and Settlement System;

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

“**Index Business Day**” means a day on which the Index is published by the Index Compiler or, as the case may be, the Successor Index Compiler (as defined below);

“**Market Disruption Event**” means 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; and
- (iv) the imposition of any exchange controls in respect of any currencies involved in determining the Cash Settlement Amount.

For the avoidance of doubt, a Market Disruption Event shall include, but shall not be limited to, a limitation/closure of the Stock Exchange due to unforeseen circumstances such as an official tropical cyclone warning signal eight (or above) or black rain storm warning hoisted by the Hong Kong Observatory provided that so long as such warnings are lowered or suspended by the Hong Kong Observatory, and the Stock Exchange: (i) re-opens for the entire afternoon trading session; or (ii) opens late in the morning of the affected day and stays open for the entire afternoon trading session and closing only at the normal closing time for the Stock Exchange, the hoisting of such warning shall not by itself be a Market Disruption Event;

For the purposes of this definition, (i) the limitation on 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 (ii) 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;

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

“**Valuation Date**” means the Exercise Date or the Expiry Date, as the case may be.

3. Exercise Period

- (A) The Warrants may be exercised by valid delivery of an Exercise Notice (as defined below), in accordance with Condition 4 at any time during the Exercise Period. In the case of an exercise of American style Warrants the Exercise Period is the period beginning at (and including) 10:00 a.m. (Hong Kong time) on the Dealing Commencement Date (or, if later, the first day of dealing in the Warrants on the Stock Exchange) and ending on the Expiry Date, subject to prior termination of the Warrants as provided for in Condition 11. If the Expiry Date is not a Business Day the immediately succeeding Business Day shall be deemed the Expiry Date for the purposes of this Condition 3(A). Warrants may not be exercised at any other time.

Subject to Conditions 4(B)(iii) and 4(G), in the case of an exercise of European style Warrants, a reference to Exercise Period shall mean Expiry Date only.

- (B) Subject to Conditions 4(B)(iii) and 4(G) any Warrant which has not been exercised during the Exercise Period shall expire immediately 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 Board Lots or integral multiples thereof.

- (B) *Delivery of an Exercise Notice:*

- (i) In the case of an exercise of American style Warrants, in order to exercise Warrants, the Warrantholder shall deliver to the Agent a duly completed exercise notice in accordance with the Instrument (an “**Exercise Notice**”), such delivery to be made at any time during the Exercise Period.

In the case of an exercise of European style Warrants, there will be no requirement to deliver an Exercise Notice and Warrants will be automatically exercised (if in the money in accordance with Conditions 4B(iii) and 4(G)).

- (ii) The date upon which a Warrant is, or is to be treated as, exercised (an “**Exercise Date**”) shall be on the Business Day on which an Exercise Notice is delivered to the Agent and in respect of which there is a valid exercise of Warrants in accordance with the requirements as set out herein of these Conditions, provided that any Exercise Notice received by the Agent after 10:00 a.m. (Hong Kong time) on any Business Day (other than the Expiry Date) shall be deemed to have been delivered on the next following Business Day.
- (iii) Any Warrant with respect to which an Exercise Date (as defined above) has not occurred during the Exercise Period will automatically be exercised on the Expiry Date (without notice being given to the Warrantholder). The Warrantholder will not be required to deliver any Exercise Notice and the Issuer or its agent will pay to the Warrantholder the Cash Settlement Amount (if any) in accordance with Condition 4(F).
- (iv) For the avoidance of doubt, where an Expiry Date is not a Business Day, a Warrant must be exercised before 10:00 a.m. (Hong Kong time) on the Business Day following the Expiry Date for the exercise of the Warrant to be valid.
- (C) Any Exercise Expenses which were not determined by the Agent on the Exercise Date and/or the Expiry Date and deducted from the Cash Settlement Amount prior to delivery to the Warrantholder in accordance with Condition 4, shall be notified to the Warrantholder as soon as practicable after determination thereof by the Agent and shall be paid by the Warrantholder to the Agent immediately upon demand.
- (D) Delivery of an Exercise Notice in accordance with Condition 4(B) 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 determined Exercise Expenses from the Cash Settlement Amount.
- (E) Subject to a valid exercise or deemed exercise of Warrants in accordance with these Conditions, or in the event that Warrants have expired worthless the Issuer will, with effect from the first Business Day following the Exercise Date and/or Expiry Date as the case may be, remove the name of the Warrantholder in respect of the Warrants which are the subject of a valid exercise or have expired worthless, as the case may be, and thereby cancel and destroy the Global Warrant Certificate.

- (F) Upon a valid exercise or deemed exercise of Warrants in accordance with these Conditions, the Issuer will pay the Cash Settlement Amount minus determined Exercise Expenses to the relevant Warrantholder.

The aggregate Cash Settlement Amount minus the determined aggregate Exercise Expenses shall be despatched no later than three Business Days following the Valuation Date to the Warrantholder as appearing in the register kept by or on behalf of the Issuer.

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, but will not be obliged to, determine such Closing Level by having regard to the manner in which the Index Compiler, or the relevant body or entity, as the case may be, calculates the Closing Level.

- (G) Any Warrants which have not been exercised in the manner set out in Condition 4(B) before the Expiry Date shall be automatically exercised on that date without notice to the Warrantholder or the requirement of the service of an Exercise Notice if the Agent determines that the Cash Settlement Amount (calculated in accordance with these Conditions) will be positive. In respect of each Board Lot the Cash Settlement Amount shall be paid in the manner set out in Condition 4(F) above.
- (H) 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 the Warrantholder and neither the Issuer nor its agent or nominee shall owe any duty of fiduciary nature to the Warrantholder.

Non of the Issuer or the Agent shall have any responsibility for any errors or omissions in the calculation and dissemination of any variables published by a third party and used in any calculation made pursuant to these terms and conditions or in the calculation of the Cash Settlement Amount arising from such errors or omissions.

- (I) The Issuer's obligations to pay the Cash Settlement Amount shall be discharged by payment in accordance with Condition 4(F) above.

5. Agent

- (A) The Agent will be acting as agent of the Issuer in respect of the Warrants and will not assume any obligation or duty to or any relationship or agency or trust for the Warrantholder.
- (B) The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the initial Agent and to appoint another agent provided that it will at all times maintain an agent in Hong Kong for so long as the Warrants are listed on the Stock Exchange. Notice of any such termination or appointment will be given to the Warrantholder in accordance with Condition 10.

6. Adjustments to the Index

- (A) *Successor Sponsor 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 the 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 the 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 the change or failure, but using only those securities/commodities that comprised the Index immediately prior to that change or failure (other than those securities that have since ceased to be listed on the relevant exchange).
- (C) 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 determinations by publication in accordance with Condition 10.

7. Purchase by the Issuer

The Issuer or any of its subsidiaries 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 Warrant Certificate

A global warrant certificate (the “**Global Warrant Certificate**”) representing the Warrants will be deposited within CCASS and registered in the name of the Nominee. The Global Warrant Certificate will not be exchangeable for definitive warrant certificates.

9. Meetings of Warrantholder and Modification

- (A) *Meetings of Warrantholders.* Notices for convening meetings to consider any matter affecting the Warrantholder’s interests will be given to the Warrantholder in accordance with the provisions of Condition 10.

Every question submitted to a meeting of the Warrantholder shall be decided by poll. A meeting may be convened by the Issuer or by the Warrantholder holding not less than 10 percent 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 (including any nominee appointed by the Warrantholder) holding or representing not less than 25 percent of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons (including any nominee appointed by the Warrantholder) being or representing Warrantholder 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 Warrantholder as, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Warrantholder shall be binding on all the holders of the Warrants, 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 Warrantholder being held if passed unanimously.

- (B) *Modification.* The Issuer may, without the consent of the Warrantholder, effect (i) any modification of the provisions of the Warrants or the Instrument which is not materially prejudicial to the interests of the Warrantholder or (ii) any modification of the provisions of the Warrants or the Instrument which is of a formal, minor or technical nature, which is made to correct an obvious error or 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 Warrantholder and shall be notified to them by the Agent as soon as practicable thereafter in accordance with Condition 10.

10. Notices

All notices in English and Chinese to the Warrantholder will be validly given if published on the website of the Stock Exchange, www.hkex.com.hk (“the HKEx website”). In addition, copies of the notice will be despatched by the Issuer to the Warrantholder at its registered address by the first day that such notice appears on the HKEx website.

11. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Warrantholder, to create and issue further warrants, upon such terms as to issue price, commencement of the exercise period and otherwise as the Issuer may determine so as to form a single series with the Warrants.

12. Taxation

The Issuer is not liable for or otherwise obliged to pay any tax, duty, withholding or other payment which may arise as a result of the ownership, transfer or exercise of any Warrants.

13. Governing Law

The Warrants and the Instrument 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 and the Warrantholder (by its acquisition of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants and the Instrument to the non-exclusive jurisdiction of the courts of Hong Kong.

14. Language

A Chinese translation of these Conditions is available upon request during usual business hours on any weekday (Saturdays, Sundays, and holidays excepted) at the offices of the Agent. In the event of any inconsistency between the English version and the Chinese translation of these Conditions, the English version shall prevail and be governing.

Agent:

BOCI Securities Limited
20/F, Bank of China Tower
1 Garden Road
Hong Kong

TERMS AND CONDITIONS OF EQUITY LINKED INSTRUMENTS OVER SINGLE EQUITIES

These Conditions will, together with the supplemental provisions contained in the relevant supplemental listing document, subject to completion and amendment, be endorsed on the back of the global ELI certificate. The applicable supplemental listing document in relation to the issue of any series of ELIs may specify other terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these Conditions, replace or modify these Conditions for the purpose of such series of ELIs. Capitalised terms used in these Conditions and not otherwise defined herein shall have the meaning given to them in the relevant supplemental listing document.

1. Form, Status, Transfer and Title

- (A) The equity linked instruments (“**ELIs**” which expression shall, unless the context otherwise requires, include any further equity linked instruments issued pursuant to Condition 11) relating to the Shares of the Company are issued subject to and with the benefit of an instrument by way of a deed poll (the “**Instrument**” as defined more fully in the supplemental listing document executed by BOCI Asia Limited (the “**Issuer**”). The holder (as defined below) is entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Instrument. A copy of the Instrument is available for inspection at the office of the Agent as specified below as specified below.

The ELIs are represented by a global certificate registered in the name of HKSCC Nominees Limited (or such other nominee company as may be used by Hong Kong Securities Clearing Company Limited (“**HKSCC**”) from time to time in relation to the provision of nominee services to persons admitted for the time being by HKSCC as a participant of CCASS) (“**Nominee**”). No definitive certificate will be issued. The ELIs can only be exercised by HKSCC or the Nominee.

References in these Conditions to “**Shares**” shall be a reference to the shares of the Company.

- (B) The settlement obligation of the Issuer in respect of the ELIs represents general unsecured contractual obligations of the Issuer and of no other person which rank, and will rank, equally among themselves and *pari passu* with all other present and future unsecured and unsubordinated contractual obligations of the Issuer, except for obligations accorded preference by mandatory provisions of applicable law.

ELIs represent general contractual obligations of the Issuer, and are not, nor is it the intention (expressed, implicit or otherwise) of the Issuer to create by the issue of ELIs deposit liabilities of the Issuer or a debt obligation of any kind.

- (C) Transfers of ELIs may be effected only in Board Lots or integral multiples thereof in CCASS in accordance with the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time (the “**CCASS Rules**”).
- (D) The person who is for the time being shown in the register kept by the Issuer outside of Hong Kong as the holder shall be treated by the Issuer and the Agent as the absolute owner and holder of the ELIs. The expression “**holder**” shall be construed accordingly.
- (E) Trading in ELIs on the Stock Exchange may be suspended prior to the Maturity Date in accordance with the requirements of the Stock Exchange.

2. Rights and Expenses

- (A) Every Exercise Amount initially entitles the relevant holder, upon due compliance with these Conditions, in particular Condition 3, to settlement of the aggregate Share Amount either by payment of the Cash Settlement Amount or to delivery of the Physical Settlement Amount (subject to adjustment in accordance with Condition 5).
- (B) On the Maturity Date the holder of the ELIs will be required to pay a sum equal to all the expenses resulting from the maturity and settlement of such ELIs. To effect such payment where relevant an amount equivalent to the Expenses (defined below) may be deducted from the Cash Settlement Amount in accordance with Condition 3(B). Where settlement is by delivery of the Physical Settlement Amount, then the delivery will not be effected until the Issuer has assumed that the determined Expenses have been received or will be received.

Any Expenses which were not determined by the Issuer on the Maturity Date and deducted from the Cash Settlement Amount or demanded and received from the holder in the case of settlement by Physical Settlement Amount prior to delivery of the Settlement Amount to the holder shall be notified to the holder as soon as practicable after determination thereof and shall be paid by the holder to the Issuer immediately upon demand in immediately available funds.

- (C) 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 and banks are open for business in Hong Kong;

“**CCASS**” means the Central Clearing and Settlement System;

“**Closing Price**” means the closing price of one Share as derived from the Daily Quotation Sheet of the Stock Exchange;

“**Expenses**” means any charges or expenses including any taxes or duties which are incurred upon the maturity or settlement of the ELIs in respect of every Exercise Amount. Where settlement is to be effected by delivery of the Physical Settlement Amount the holder will be required to pay all charges which are incurred in respect of the purchase and transfer of the Shares, including stamp duties, levies, registration charges and any other expenses payable in respect of documents of title to the Shares, including where necessary scrip fees payable on the share certificates representing the Shares;

“**Market Disruption Event**” means the occurrence or existence of any suspension of or limitation imposed on trading on the Stock Exchange in the Shares if that suspension or limitation is, in the determination of the Issuer, material;

For the avoidance of doubt, a Market Disruption Event shall include, but shall not be limited to, a limitation/closure of the Stock Exchange due to unforeseen circumstances such as an official typhoon signal eight (or above) or black rain storm warning hoisted by the Hong Kong Observatory; provided that it shall not be a Market Disruption Event once such warnings are lowered or suspended by the Hong Kong Observatory, and the Stock Exchange: (i) re-opens for the entire afternoon trading session; or (ii) opens late in the morning of the affected day and stays open for the entire afternoon trading session and closes only at the normal closing time for the Stock Exchange;

“**Settlement Amount**” means the Cash Settlement Amount or Physical Settlement Amount as the case may be;

“**Share Amount**” means the Entitlement, and “**Entitlement**” shall mean the “**Share Amount**” as the context so requires;

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

“**Valuation Date**” means, with respect to ELIs and subject as provided below in relation to a Market Disruption Event, the Maturity Date.

3. Maturity

- (A) The ELIs are issued with respect to the stated Share Amount. At maturity, the Issuer will settle its obligations in respect of the ELIs by making payment or delivery of the Settlement Amount which will be either the Cash Settlement Amount, the Physical Settlement Amount or the amount set out below in respect of the stated Share Amount. On the Valuation Date and at the Valuation Point the Agent on behalf of the Issuer shall determine subject to any adjustment in accordance with Condition 5, the Settlement Amount to which the holder of each Exercise Amount of ELI shall be entitled.

At maturity, settlement of the ELIs will be made in respect of the Share Amount as follows:

Bull ELIs:

(i) where the Closing Price on the Valuation Date of the Shares is at or above the Strike Level, by payment to the holder of the Cash Settlement Amount (as defined below); (ii) where the Closing Price of the Shares is below the Strike Level, settlement in respect of the Share Amount will be made by delivery to the holder of the Physical Settlement Amount (as defined below) or by payment to the holder of a cash amount calculated by reference to the Closing Price of one Share on the Valuation Date multiplied by the number of Shares constituting the Share Amount, less Expenses.

Bear ELIs:

(i) where the Closing Price of the Shares on the Valuation Date is below the Strike Level, a holder will receive the Cash Settlement Amount (as defined below); (ii) where the Closing Price of the Shares on the Valuation Date is at or above the Strike Level, the holder will receive the Cash Settlement Amount minus the Bear Option Settlement Amount (as defined below).

Range ELIs:

(i) where the Closing Price on the Valuation Date of the Shares is at or above the Lower Strike Level and below the Higher Strike Level, a holder will receive the Cash Settlement Amount; (ii) where the Closing Price of the Shares on the Valuation Date is at or above the Higher Strike Level, the holder will receive the Cash Settlement Amount (as defined below) minus the Bear Option Settlement Amount (as defined below); (iii) where the Closing Price of the Shares on the Valuation Date is below the Lower Strike Level, settlement in respect of the Share Amount will be made by delivery to the holder of the Physical Settlement Amount (as defined below) or by payment to the holder of a cash amount calculated by reference to the Closing Price of one Share on the Valuation Date multiplied by the number of Shares constituting the Share Amount, less Expenses.

For the purposes of this Condition 3(A):

“**Bear Option Settlement Amount**” means the number of Shares constituting the Share Amount multiplied by (1) the Closing Price of one Share on the Valuation Date minus (2) the Strike Level (in the case of Bear ELIs) or the Higher Strike Level (in the case of Range ELIs), as the case may be (provided that the Bear Option Settlement Amount shall never be greater than the Cash Settlement Amount);

“**Cash Settlement Amount**” means, in respect of every Share Amount, an amount in Hong Kong dollars calculated by the Issuer as equal to the Expiry Amount less Expenses;

“**Physical Settlement Amount**” means, in respect of every Exercise Amount, the delivery of the Entitlement (subject to adjustment as provided in Condition 5) subject to payment of Expenses.

If the Issuer determines in its sole discretion, that on the Valuation Date a Market Disruption Event has occurred, then the Valuation Date shall be postponed until the first succeeding Business Day on which there is no Market Disruption Event unless there is a Market Disruption Event on each of the five Business Days immediately following the original date that but for the Market Disruption Event would have been the Valuation Date then that fifth 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 the bid price that would have prevailed on that fifth day but for the Market Disruption Event.

“**Day**” means for the purposes of this Condition 3(A) a day on which (excluding Saturday) banks and the Stock Exchange are normally open for business in Hong Kong.

- (B) Following determination of the Settlement Amount and subject to Condition 2(B) the Issuer shall no later than two Business Days following the Valuation Date (i) despatch the net aggregate Cash Settlement Amounts or other cash amounts calculated in accordance with these Conditions or (ii) deliver the Physical Settlement Amounts by way of electronic settlement through CCASS.

Where settlement is to be effected by delivery of the Physical Settlement Amount the Issuer shall procure such transfer of the Shares to the holder as soon as reasonably practicable, but in any event not later than two Business Days following the Maturity Date (the “**Settlement Period**” and each day a “**Settlement Date**”) in accordance with the CCASS Rules.

If a Settlement Disruption Event exists on any Settlement Date, then the last Settlement Date shall be postponed by the number of Business Days upon which there has been a Settlement Disruption Event unless a Settlement Disruption Event prevents settlement on each of the ten Business Days immediately following the Valuation Date; in that case:

- (i) if the Shares can be delivered or transferred in any other commercially reasonable manner on the tenth Business Day immediately following the Valuation Date then the Shares shall be so delivered or transferred;
- (ii) if the Shares cannot be delivered or transferred in any other commercially reasonable manner then the Settlement Date shall be postponed until settlement can reasonably be effected under this Condition; and
- (iii) without prejudice to the foregoing where the Issuer determines in his absolute discretion that the payment of a cash amount in full settlement of its obligation to deliver the Physical Settlement Amount following a Settlement Disruption Event shall be the most efficient manner to fulfil its obligation under this Condition 3(B) then by delivering such cash amount which shall be calculated by reference to the Closing Price of one Share on the Valuation Date multiplied by the number of Shares constituting the Physical Settlement Amount that would have been delivered but for the Settlement Disruption Event, the Issuer’s obligations under these Conditions to deliver the Settlement Amount shall be discharged.

“Settlement Disruption Event” means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure the delivery of the Shares electronically through CCASS.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure the delivery of the Shares electronically through CCASS within the Settlement Period, the Issuer shall notify the holder (in accordance with Condition 9) of the postponement of the Settlement Date and or its election to deliver a cash amount in lieu of the Physical Settlement Amount.

As from the Valuation Date and until the Settlement Date (the **“Intervening Period”**), neither the Issuer nor any agent or nominee of it who may be registered as the legal owner of such Shares shall (i) exercise any rights (including voting rights) attaching to the Shares without the prior written consent of the holder, provided that neither the Issuer nor its agent or nominee shall be under any obligation to exercise any such rights during the Intervening Period or be under any liability to such holder or any subsequent beneficial owner of the Shares in respect of any loss or damage which such holder 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 and be under any obligation to deliver to such holder or any subsequent beneficial owner of the Shares any letter, certificate, notice, circular, or any other document or payment whatsoever received by the Issuer or its agent or nominee in its capacity as the registered holder of the Shares.

For the avoidance of doubt, where the Physical Settlement Amount is not equal to a board lot of the Shares or an integral multiple thereof, then the Issuer shall not deliver to the holder the number of Shares (the **“Excess Shares”**) which exceeds the amount of such board lot or an integral multiple thereof and the holder shall be entitled to receive a cash amount from the Issuer equal to the Closing Price of the Shares at the Valuation Date multiplied by the number of the Excess Shares.

- (C) Subject to a Market Disruption Event and Conditions 10 and 12 any ELI which has matured with a Settlement Amount of zero on the Maturity Date shall terminate immediately thereafter and all rights of the holder and obligations of the Issuer with respect to such ELI shall cease.
- (D) Cancellation. Following the Maturity Date the Issuer will procure that the Agent will with effect from the second Business Day following the Maturity Date cancel the Global ELI Certificate (as defined below).
- (E) The Issuer’s obligations under the ELIs shall be discharged by payment in accordance with Condition 3(B) above.

4. Agent

- (A) The Agent will be acting as agent of the Issuer in respect of the ELIs and will not assume any obligation or duty to or any relationship or agency or trust for the holder.
- (B) The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the initial Agent and to appoint another agent provided that it will at all times maintain an agent in Hong Kong for so long as the ELIs are listed on the Stock Exchange. Notice of any such termination or appointment will be given to the holder in accordance with Condition 9.

5. Adjustments

Adjustments may be made by the Issuer to the number of Shares to which the ELIs relate initially (the “**Entitlement**”) on the basis of the following provisions:

- (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 shall be adjusted on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{1 + M}{1 + (R/S) \times M}$$

E = Existing Entitlement immediately prior to the Rights Offer

S = Cum-Rights Share price being the closing price of an existing Share as derived from the Daily Quotation Sheet of the Stock Exchange on the Last Business Day on which the Shares are traded on a Cum-Rights basis

R = Subscription price per new Share specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Rights

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 above formula would result in an adjustment to the Entitlement which would amount to one per cent or less of the Entitlement immediately prior to the adjustment, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Strike Level (or the Higher Strike Level and/or the Lower Strike Level, as the case may be) (each of which shall be rounded to the nearest Hong Kong dollar 0.001) by multiplying each of them by the reciprocal of the Adjustment Factor where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. 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 shall be adjusted on the Business Day on which trading in the Shares of the Company becomes ex-entitlement accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = (1 + N)$$

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 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 one per cent or less of the Entitlement, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Strike Level (or the Higher Strike Level and/ or the Lower Strike Level, as the case may be) (each of which shall be rounded to the nearest Hong Kong dollar 0.001), by multiplying each of them by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. These adjustments shall take effect on the same day that the Entitlement is adjusted.

- (C) *Subdivisions and 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**”), then:
- (i) in the case of Subdivision, the Entitlement in effect immediately prior thereto shall be increased whereas the Strike Level (or the Higher Strike Level and/or the Lower Strike Level, as the case may be) (each of which shall be rounded to the nearest Hong Kong dollar 0.001) will be decreased in the same ratio as the Subdivision, and
 - (ii) in the case of a Consolidation, the Entitlement in effect immediately prior thereto shall be decreased whereas Strike Level (or the Higher Strike Level and/or the Lower Strike Level, as the case may be) (each of which shall be rounded to the nearest Hong Kong dollar 0.001) will be increased in the same ratio as the Consolidation, in each case on the Business Day on which the Subdivision or Consolidation (as the case may be) takes effect.
- (D) *Restructuring Events*. 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 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 ELIs 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) so that the ELIs 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**”) 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 ELIs related immediately before such Restructuring Event would have been entitled upon such

Restructuring Event and 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 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) *Cash Distribution.* Generally, no capital adjustment will be made for an ordinary cash dividend (whether or not it is offered with a scrip alternative) (“**Ordinary Dividend**”). For any other forms of cash distribution (“**Cash Distribution**”) announced by the Company, such as a cash bonus, special dividend or extraordinary dividend, no capital adjustment will be made unless the value of the Cash Distribution accounts for 2 per cent. or more of the Share’s closing price on the day of announcement by the Company.

If and whenever the Company shall make a Cash Distribution credited as fully paid to the holders of Shares generally, the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Shares becomes ex-entitlement in respect of the relevant Cash Distribution (“**Cash Distribution Adjustment Date**”) in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{S - OD}{S - OD - CD}$$

E: The existing Entitlement immediately prior to the Cash Distribution

CD: The Cash Distribution per Share

OD: The Ordinary Dividend per Share, provided that the OD shall be zero if the date on which the Shares are traded on an ex-Ordinary Dividend basis is not the Cash Distribution Adjustment Date

S: The closing price of an existing Share as derived from the Daily Quotation Sheet of the Stock Exchange on the Business Day immediately preceding the Cash Distribution Adjustment Date

In addition, the Issuer shall adjust the Strike Level (or the Higher Strike Level and/or the Lower Strike Level, as the case may be) (each of which shall be rounded to the nearest Hong Kong dollar 0.001) by multiplying each of them by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. These adjustments shall take effect on the Cash Distribution Adjustment Date.

- (F) *Other Adjustments.* Except as provided in Conditions 6 and 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 and amendments 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 ELIs and the obligations of the Issuer, give rise to such adjustment or, as the case may be, amendment provided that such adjustment or, as the case may be, amendment is considered by the Issuer not to be materially prejudicial to the holder generally (as determined by reference to the position of the holder generally prior to the relevant event or events) and without considering the circumstances of any individual holder or the tax or other consequences of such adjustment in any particular jurisdiction) or is required to take account of provisions of Hong Kong law or Stock Exchange practices.

- (G) *Notice of Adjustments.* All determinations made by the Issuer pursuant hereto will be conclusive and binding on the holder. 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 9.

6. Purchase

The Issuer or any of its subsidiaries may at any time purchase ELIs at any price in the open market or by tender or by private treaty. Any ELIs so purchased may be held or resold or surrendered for cancellation.

7. ELI Certificate

A global ELI certificate (the “**Global ELI Certificate**”) representing the ELIs will be deposited within CCASS in the name of HKSCC Nominees Limited. The Global ELI Certificate will not be exchangeable for definitive ELI certificates.

8. Meetings of Warrantholder and Modification

- (A) *Meetings of Warrantholders.* Notices for convening meetings to consider any matter affecting the Warrantholder’s interests will be given to the Warrantholder in accordance with the provisions of Condition 9.

Every question submitted to a meeting of the Warrantholder shall be decided by poll. A meeting may be convened by the Issuer or by the Warrantholder 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 (including any nominee appointed by the Warrantholder) 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 (including any nominee appointed by the Warrantholder) being or representing Warrantholder 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 Warrantholder as, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Warrantholder shall be binding on all the holders of the Warrants, 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 Warrantholder being held if passed unanimously.

- (B) *Modification.* The Issuer may, without the consent of the holder, effect (i) any modification of the provisions of the ELIs or the Instrument which is not materially prejudicial to the interests of the holder or (ii) any modification of the provisions of the ELIs or the Instrument which is of a formal, minor or technical nature, which is made to correct an obvious error or which is necessary in order to comply with mandatory provisions of the laws of Hong Kong. Any such modification shall be binding on the holder and shall be notified to them by the Agent as soon as practicable thereafter in accordance with Condition 9.

9. Notices

All notices to the ELI holder will be validly given if published in English and in Chinese on the HKEx website. In addition, copies of the notice will be despatched by the Issuer to the holder at its registered address by the first day that such notice appears on the HKEx website.

10. 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 any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, the ELIs 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.

11. Further Issues

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

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 and amendments to the rights attaching to the ELIs 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 holder generally is not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any holder 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 holder, make such adjustments to the entitlements of the holder upon maturity (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 holder save in the case of manifest error. Notice of any adjustments or amendments shall be given to the holder in accordance with Condition 9 as soon as practicable after they are determined.

13. Taxation

The Issuer is not liable for or otherwise obliged to pay any tax, duty, withholding or other payment which may arise as a result of the ownership, transfer or holding of any ELIs.

14. Governing Law

The ELIs and the Instrument 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 and each holder (by its purchase of the ELIs) shall be deemed to have submitted for all purposes in connection with the ELIs and the Instrument to the non-exclusive jurisdiction of the courts of Hong Kong.

15. Language

A Chinese translation of these Conditions will be made available for collection during normal office hours from the Agent. 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.

Agent:

BOCI Securities Limited
20/F, Bank of China Tower
1 Garden Road
Hong Kong

TERMS AND CONDITIONS OF CASH-SETTLED WARRANTS OVER SINGLE UNIT TRUSTS

These 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 warrant certificate. The relevant supplemental listing document in relation to the issue of any series of Warrants may specify other terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these Conditions, replace or modify these Conditions for the purpose of such series of Warrants. Capitalised terms used in these Conditions and not otherwise defined therein shall have the meaning given to them in the relevant supplemental listing document.

1. Form, Status, Transfer, Title and Additional Costs and Expenses

- (A) The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 12) relating to the Units of the Trust are issued in registered form subject to and with the benefit of an instrument by way of deed poll (the “**Instrument**” as defined more fully in the supplemental listing document) executed by BOCI Asia Limited (the “**Issuer**”). The Warrantholder (as defined below) is entitled to the benefit of, is bound by and is deemed to have notice of all the provisions of the Instrument. A copy of the Instrument is available for inspection at the offices of the Agent as specified below.

The Warrants are represented by a global certificate registered in the name of HKSCC Nominees Limited (or such other nominee company as may be used by Hong Kong Securities Clearing Company Limited (“**HKSCC**”) from time to time in relation to the provision of nominee services to persons admitted for the time being by HKSCC as a participant of CCASS) (the “**Nominee**”). No definitive certificate will be issued. The Warrants can only be exercised by HKSCC or the Nominee.

- (B) The settlement obligation of the Issuer in respect of the Warrants represents general unsecured contractual obligations of the Issuer and of no other person which rank, and will rank, equally among themselves and pari passu with all other present and future unsecured and unsubordinated contractual obligations of the Issuer, except for obligations accorded preference by mandatory provisions of applicable law.

Warrants represent general contractual obligations of the Issuer, and are not, nor is it the intention (expressed, implicit or otherwise) of the Issuer to create by the issue of warrants deposit liabilities of the Issuer or a debt obligation of any kind.

- (C) Transfers of Warrants may be effected only in Board Lots or integral multiples thereof in CCASS in accordance with the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time (the “**CCASS Rules**”).
- (D) Each person who is for the time being shown in the register kept by the Issuer in Hong Kong as the holder shall be treated by the Issuer and the Sponsor as the absolute owner and holder of the Warrants. The expression “**Warrantholder**” and “**Warrantholders**” shall be construed accordingly.
- (E) Trading in Warrants on the Stock Exchange shall be suspended prior to the Expiry Date in accordance with the requirements of the Stock Exchange.

2. Warrant Rights, Exercise Price and Exercise Expenses

- (A) Every Board Lot initially entitles the Warrantholders, upon due exercise and upon compliance with these Conditions, in particular Condition 4, to payment of the Cash Settlement Amount (as defined below), if any.

(B) Upon exercise of the Warrants, the Warrantholders will be required to pay a sum equal to all the expenses resulting from the exercise of such Warrants. To effect such payment an amount equivalent to the Exercise Expenses (defined below) shall be deducted from the Cash Settlement Amount in accordance with Condition 4(F).

(C) For the purposes of these Conditions:

“**Average Price**” shall be the arithmetic mean of the closing prices of one Unit (as derived from the Daily Quotation Sheet of the Stock Exchange, subject to any adjustments (as determined by the Issuer in accordance with these Conditions) to such closing prices as may be necessary to reflect any capitalisation, rights issue, distribution or the like) for each Valuation Date;

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

“**Cash Settlement Amount**” means:

In the case of a series of Call Warrants:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement} \times (\text{Average Price} - \text{Exercise Price}) \times \text{one Board Lot}}{\text{Number of Warrant(s) per Entitlement}}$$

In the case of a series of Put Warrants:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement} \times (\text{Exercise Price} - \text{Average Price}) \times \text{one Board Lot}}{\text{Number of Warrant(s) per Entitlement}}$$

“**CCASS**” means the Central Clearing and Settlement System;

“**Entitlement**” means the number specified as such in the relevant supplemental listing document, subject to any adjustment in accordance with Condition 6;

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

“**Exercise Price**” means the price specified as such in the relevant supplemental listing document, subject to any adjustment in accordance with Condition 6;

“**Expiry Date**” means the date specified as such in the relevant supplemental listing document;

“**Market Disruption Event**” means the occurrence or existence of any suspension of or limitation imposed on trading on the Stock Exchange in the Units if such suspension or limitation is, in the determination of the Issuer, material;

For the avoidance of doubt, a Market Disruption Event shall include, but shall not be limited to, a limitation/closure of the Stock Exchange due to unforeseen circumstances such as an official tropical cyclone warning signal eight (or above) or black rain storm warning hoisted by the Hong Kong Observatory provided that so long as such warnings are lowered or suspended by the Hong Kong Observatory, and the Stock Exchange: (i) re-opens for the entire afternoon trading session; or (ii) opens late in the morning of the affected day and stays open for the entire afternoon trading session and closing only at the normal closing time for the Stock Exchange, the hoisting of such warning shall not by itself be a Market Disruption Event;

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

“**Trust**” means the trust specified as such in the relevant supplemental listing document;

“Unit” means the unit specified as such in the relevant supplemental listing document; and

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

In the event that a Market Disruption Event has occurred and a Valuation Date is postponed in accordance with Condition 4(F), the closing price of the Units on that first succeeding Business Day will be referenced more than once in the determination of the Cash Settlement Amount, so that in no event shall there be less than 5 closing prices to determine the Average Price.

3. Exercise Period

- (A) The Warrants may be exercised by valid delivery of an Exercise Notice (as defined below), in accordance with Condition 4 at any time during the Exercise Period. In the case of an exercise of American Style Warrants the Exercise Period shall be the 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 sixth Business Day prior to the Expiry Date, subject to prior termination of the Warrants as provided for in Condition 11. If the Expiry Date is not a Business Day, the immediately succeeding Business Day shall be deemed to be the Expiry Date for the purposes of this Condition 3(A). Warrants may not be exercised at any other time.

Subject to Condition 4(B)(iii), in the case of an exercise of European Style Warrants, a reference to Exercise Period shall mean 10:00 a.m. (Hong Kong time) on the Expiry Date only.

- (B) Subject to Conditions 4(B)(iii) and 4(G), any Warrant which has not been exercised during the Exercise Period shall expire immediately thereafter and all rights of the Warrantholders and obligations of the Issuer with respect to such Warrant shall cease.

4. Exercise of Warrants

- (A) Warrants may only be exercised in Board Lots or integral multiples thereof.

- (B) Delivery of an Exercise Notice:

- (i) In the case of an exercise of American Style Warrants, in order to exercise Warrants, the Warrantholders shall deliver to the Sponsor a duly completed exercise notice obtainable from the Sponsor (an “Exercise Notice”), such delivery or deemed delivery to occur at any time during the Exercise Period.

In the case of an exercise of European Style Warrants, there will be no requirement to deliver an Exercise Notice and Warrants will be automatically exercised (if in the money) in accordance with Conditions 4(B)(iii) and 4(G).

- (ii) In the case of American Style Warrants, 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 Sponsor 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 Sponsor 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.
- (iii) Any Warrant with respect to which an Exercise Date has not occurred during the Exercise Period will automatically be exercised on the Expiry Date (without notice being given to the Warrantholders). The Warrantholders will not be required to deliver any Exercise Notice and the Issuer or its agent will pay to the Warrantholders the Cash Settlement Amount (if any) in accordance with Condition 4(F).

- (iv) For the avoidance of doubt, where an Expiry Date is not a Business Day, a Warrant must be exercised before 10:00 a.m. (Hong Kong time) on the Business Day following the Expiry Date for the exercise of the Warrant to be valid.
- (C) Any Exercise Expenses which are not determined by the Issuer on the Exercise Date and/or the Expiry Date and deducted from the Cash Settlement Amount prior to delivery to the Warrantheolders in accordance with this Condition 4, shall be notified by the Issuer to the Warrantheolders as soon as practicable after determination thereof and shall be paid by the Warrantheolders to the Issuer immediately upon demand.
- (D) Delivery of an Exercise Notice in accordance with Condition 4(B) shall constitute an irrevocable election and undertaking by the Warrantheolders to exercise the number of Warrants specified in such Exercise Notice and an irrevocable authority to the Issuer to deduct the determined Exercise Expenses from the Cash Settlement Amount.
- (E) Subject to a valid exercise or deemed exercise of Warrants in accordance with these Conditions, or in the event that Warrants have expired worthless, the Issuer will, with effect from the first Business Day following the Exercise Date and/or Expiry Date as the case may be, remove the name of each Warrantheolder from the register of Warrantheolders in respect of the number of Warrants which are the subject of a valid exercise or have expired worthless, as the case may be, and thereby cancel the relevant Warrants and, if applicable, cancel the Global Certificate (as defined below).
- (F) Upon a valid exercise or deemed exercise of Warrants in accordance with these Conditions, the Issuer will pay the Cash Settlement Amount minus the determined Exercise Expenses to the relevant Warrantheolder. If the Cash Settlement Amount is equal to or less than the determined Exercise Expenses, no amount is payable.

The aggregate Cash Settlement Amount minus the determined aggregate Exercise Expenses shall be despatched no later than three Business Days following the Last Valuation Date to the Warrantheolder as appearing in the register kept by or on behalf of the Issuer. 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 is no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a day that is already or is deemed to be a Valuation Date, provided that if there is a Market Disruption Event on each of the four days immediately following the original date that, but for the Market Disruption Event, would have been a Valuation Date, then (i) that fifth 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 Units on the basis of its good faith estimate of the bid price that would have prevailed on that fifth day but for the Market Disruption Event.

If the postponement of a Valuation Date as aforesaid would result in a Valuation Date falling on or after the Exercise Date or the Expiry Date then (i) the day immediately preceding the Exercise Date or the Expiry Date, as the case may be, (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 Units on the basis of its good faith estimate of the bid price that would have prevailed on the last Valuation Date but for the Market Disruption Event.

“**Day**” means for the purposes of this Condition 4(F) a day on which (excluding, Saturday) banks and the Stock Exchange are normally open for business in Hong Kong.

- (G) Any Warrants which have not been exercised in the manner set out in Condition 4(B) before the Expiry Date shall be automatically exercised on that date, without notice to the Warrantheolders or the requirement of the delivery of an Exercise Notice, if the Issuer determines that the Cash Settlement Amount (calculated in accordance with these Conditions) will be positive. In respect of each Board Lot the Cash Settlement Amount shall be paid in the manner set out in Condition 4(F) above.

- (H) 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 the Warrantholder and neither the Issuer nor its agent or nominee shall owe any duty of fiduciary nature to the Warrantholder. None of the Issuer or the Agent shall have any responsibility for any errors or omissions in the calculation and dissemination of any variables published by a third party and used in any calculation made pursuant to these terms and conditions or in the calculation of the Cash Settlement Amount arising from such errors or omissions.
- (I) The Issuer's obligations to pay the Cash Settlement Amount shall be discharged by payment in accordance with Condition 4(F) above.

5. Agent

- (A) The Agent will be acting as agent of the Issuer in respect of the Warrants and will not assume any obligation or duty to or any relationship or agency or trust for the Warrantholder.
- (B) The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the initial Agent and to appoint another agent provided that it will at all times maintain an agent in Hong Kong for so long as the Warrants are listed on the Stock Exchange. Notice of any such termination or appointment will be given to the Warrantholders in accordance with Condition 10.

6. Adjustments

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

Adjusted Entitlement = Adjustment Factor x E

Where:

$$\text{Adjustment Factor} = \frac{1 + M}{1 + (R/S) \times M}$$

- E: Existing Entitlement immediately prior to the Rights Offer
- S: Cum-Rights Unit price being the closing price of an existing Unit as derived from the Daily Quotation Sheet of the Stock Exchange on the last Business Day on which the Units are traded on a Cum-Rights basis
- R: Subscription price per new Unit specified in the Rights Offer plus an amount equal to any distributions or other benefits foregone to exercise the Rights
- M: Number of new Unit(s) (whether a whole or a fraction) per existing Unit each holder thereof is entitled to subscribe

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 immediately prior to the adjustment, then no adjustment will be made. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by multiplying it by the reciprocal of the Adjustment Factor, where the "**reciprocal of the Adjustment Factor**" means one divided by the relevant Adjustment Factor. 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 Unit or needed to acquire one new Unit (as the case may be) which are given to the holders of existing Units to subscribe at a fixed subscription price for new Units 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 Trust shall make an issue of Units credited as fully paid to the holders of Units generally (other than pursuant to a scrip distribution or similar scheme for the time being operated by the Trust or otherwise in lieu of a cash distribution and without any payment or other consideration being made or given by such holders) (a “**Bonus Issue**”) the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Units becomes ex-entitlement (“**Bonus Issue Adjustment Date**”) in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = (1 + N)$$

E: Existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Units (whether a whole or a fraction) received by a holder of Units for each Units 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 immediately prior to the adjustment, then no adjustment will be made. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by multiplying it by the reciprocal of the Adjustment Factor, where the “**reciprocal of the Adjustment Factor**” means one divided by the relevant Adjustment Factor. The adjustment to the Exercise Price shall take effect on the Bonus Issue Adjustment Date.

- (C) *Subdivisions and Consolidations*. If and whenever the Trust shall subdivide its Units or any class of its outstanding Units into a greater number of units (a “**Subdivision**”) or consolidate the Units or any class of its outstanding Units into a smaller number of units (a “**Consolidation**”), then:
- (i) in the case of a Subdivision, the Entitlement in effect immediately prior thereto will be increased whereas the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) will be decreased in the same ratio as the Subdivision; and
 - (ii) in the case of a Consolidation, the Entitlement in effect immediately prior thereto will be decreased whereas the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) will be increased in the same ratio as the Consolidation,

in each case on the day on which the Subdivision or Consolidation (as the case may be) takes effect.

- (D) *Restructuring Events*. If it is announced that the Trust is to or may merge with or into any other trust or consolidate with or into any other trust or corporation (including becoming, by agreement or otherwise, controlled by any person or corporation) (except where the Trust is the surviving entity 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) so that the Warrants shall, after such Restructuring Event, relate to the number of units of the trust(s) resulting from or surviving such Restructuring Event or other securities (“**Substituted Securities**”) and/or cash offered in substitution for the affected Units, as the case may be, to which the holder of such number

of Units to which the Warrants related immediately before such Restructuring Event would have been entitled upon such Restructuring Event, and 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 Units shall not be affected by this paragraph and, where cash is offered in substitution for Units or is deemed to replace Substituted Securities as described above, references in these Conditions to the Units shall include any such cash.

- (E) *Cash Distribution.* Generally, no capital adjustment will be made for an ordinary cash distribution (whether or not it is offered with a scrip alternative) (“**Ordinary Distribution**”). For any other forms of cash distribution (“**Cash Distribution**”) announced by the Trust, such as a cash bonus, special distribution or extraordinary distribution, no capital adjustment will be made unless the value of the Cash Distribution accounts for 2 per cent. or more of the Unit’s closing price on the day of announcement by the Trust.

If and whenever the Trust shall make a Cash Distribution credited as fully paid to the holders of Units generally, the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Units becomes ex-entitlement in respect of the relevant Cash Distribution (“**Cash Distribution Adjustment Date**”) in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{S - OD}{S - OD - CD}$$

E: The existing Entitlement immediately prior to the Cash Distribution

CD: The Cash Distribution per Unit

OD: The Ordinary Distribution per Unit, provided that the OD shall be zero if the date on which the Units are traded on an ex-Ordinary Distribution basis is not the Cash Distribution Adjustment Date

S: The closing price of an existing Unit as derived from the Daily Quotation Sheet of the Stock Exchange on the Business Day immediately preceding the Cash Distribution Adjustment Date

In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by multiplying it by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. This adjustment shall take effect on the Cash Distribution Adjustment Date.

- (F) *Other Adjustments.* Except as provided in this Condition 6 and in Conditions 9 and 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 and amendments as it believes appropriate in circumstances where an event or events (including the events as contemplated in Conditions 6(A) to 6(E)) occur which it believes in its sole discretion and irrespective of, in substitution for, or in addition to the provisions contemplated in Conditions 6(A) to 6(E) should, in the context of the issue of the Warrants and the obligations of the Issuer, give rise to such adjustment or, as the case may be, amendment provided that such adjustment or, as the case may be, amendment is (i) 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); or (ii) is otherwise considered by the Issuer to be appropriate and such adjustment or amendment is approved by the Stock Exchange.

- (G) *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. Purchase by the Issuer

The Issuer or any of its subsidiaries 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 Warrant Certificate

A global warrant certificate (the “**Global Warrant Certificate**”) representing the Warrants will be deposited with CCASS and registered in the name of the Nominee. The Global Warrant Certificate will not be exchangeable for definitive warrant certificates.

9. Meetings of Warrantheolders and Modification

- (A) *Meetings of Warrantheolders.* The Instrument contains provisions for convening meetings of the Warrantheolders 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 Warrantheolders shall be decided by poll. 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 who, 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 the 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 any modification of the provisions of the Warrants or the Instrument which is (i) not materially prejudicial to the interests of the Warrantheolders; (ii) of a formal, minor or technical nature; (iii) made to correct an obvious error; (iv) necessary in order to comply with mandatory provisions of the laws or regulations of Hong Kong (as defined below); or (v) considered by the Issuer to be appropriate and such modification is approved by the Stock Exchange. Any such modification shall be binding on the Warrantheolders and shall be notified to them by the Issuer as soon as practicable thereafter in accordance with Condition 10.

10. Notices

All notices in English and Chinese to the Warrantholder will be validly given if published on the website of the Stock Exchange, www.hkex.com.hk (“the HKEx website”). In addition, copies of the notice will be despatched by the Issuer to the Warrantholder at its registered address by the first day that such notice appears on the HKEx website.

11. Liquidation

In the event of a liquidation or dissolution of the trustee of the Trust or the appointment of a liquidator, receiver or administrator or analogous person under applicable 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 a 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 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, upon such terms as to issue price, commencement of the exercise period and otherwise as the Issuer may determine so as to form a single series with the Warrants.

13. Delisting

- (A) If at any time the Units cease to be listed on the Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments and amendments 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 circumstances of any individual 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 Units 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 the 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. Taxation

The Issuer is not liable for or otherwise obliged to pay any tax, duty, withholding or other payment which may arise as a result of the ownership, transfer or exercise of any Warrants.

15. Governing Law

The Warrants and the Instrument are 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 and the Warrantholder (by its acquisition of the Warrants) submit for all purposes in connection with the Warrants and the Instrument to the non-exclusive jurisdiction of the courts of Hong Kong.

16. Language

A Chinese translation of these Conditions is available upon request during usual business hours on any weekday (Saturdays, Sundays and holidays excepted) at the office of the Agent. In the event of any inconsistency between the English version and the Chinese translation of these Conditions, the English version shall prevail and be governing.

Agent:

BOCI Securities Limited
20/F, Bank of China Tower
1 Garden Road
Hong Kong

TERMS AND CONDITIONS OF CASH-SETTLED EQUITY CALLABLE BULL/BEAR CONTRACTS

These Conditions will, together with the supplemental provision contained in the relevant supplemental listing document, subject to completion and amendment, be endorsed on the back of global certificate. The relevant supplemental listing document in relation to the issue of any series of CBBCs may specify other terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these Conditions, replace or modify these Conditions for the purpose of such series of CBBCs. Capitalised terms used in these 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) The callable bull/bear contracts or CBBCs (which expression shall, unless the context otherwise requires, include any further CBBCs issued pursuant to Condition 13) relating to the Shares of the Company are issued in registered form subject to and with the benefit of an instrument by way of deed poll (the “**Instrument**” as defined more fully in the supplemental listing document) executed by BOCI Asia Limited (the “**Issuer**”). The Holder (as defined below) is entitled to the benefit of, is bound by and is deemed to have notice of all the provisions of the Instrument. A copy of the Instrument is available for inspection at the offices of the Agent as specified below.

The CBBCs are represented by a global certificate registered in the name of HKSCC Nominees Limited (or such other nominee company as may be used by Hong Kong Securities Clearing Company Limited (“**HKSCC**”) from time to time in relation to the provision of nominee services to persons admitted for the time being by HKSCC as a participant of CCASS) (“**Nominee**”). No definitive certificate will be issued. The CBBCs can only be exercised by HKSCC or the Nominee.

- (B) The settlement obligation of the Issuer in respect of the CBBCs represents general unsecured contractual obligations of the Issuer and of no other person which rank, and will rank, equally among themselves and pari passu with all other present and future unsecured and unsubordinated contractual obligations of the Issuer, except for obligation accorded preference by mandatory provisions of applicable law.

The CBBCs represent general contractual obligation of the Issuer, and are not, nor is it the intention (expressed, implicit or otherwise) of the Issuer to create by the issue of CBBCs deposit liabilities of the Issuer or a debt obligation of any kind.

- (C) Transfer of CBBCs may be effected only in Board Lots or integral multiples thereof in CCASS in accordance with the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time (the “**CCASS Rules**”).
- (D) Each person who is for the time being shown in the register kept by or on behalf of the Issuer outside of Hong Kong as the holder shall be treated by the Issuer and the Agent as the absolute owner and holder of the CBBCs. The expression “**Holder**” shall be construed accordingly.
- (E) Trading in CBBCs on the Stock Exchange shall be suspended prior to the Expiry Date in accordance with the requirements of the Stock Exchange.

2. CBBC Rights and Exercise Expenses

- (A) Every Exercise Amount initially entitles the Holder, (i) upon due exercise and compliance with these Conditions, in particular Condition 4, to payment of the Cash Settlement Amount (as defined below), if any or (ii) upon compliance with Condition 4, the right to receive the payment of the Mandatory Call Payoff (if any) following the occurrence of a Mandatory Call Event (as defined below).
- (B) Upon exercise of the CBBCs, the Holders will be required to pay a sum equal to all the expenses resulting from the exercise of such CBBCs. To effect such payment an amount equivalent to the Exercise Expenses (defined below) shall be deducted from the Cash Settlement Amount in accordance with Condition 4.
- (C) 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 and banks are open for business in Hong Kong;

In respect of a series of BEAR CBBCs:

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

In the respect of a series of BULL CBBCs:

“**Cash Settlement Amount**” means for every Exercise Amount, an amount in the Settlement Currency 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 Strike Price (subject to adjustment as provided in Condition 6); less (2) Exercise Expenses;

“**CCASS**” means the Central Clearing and Settlement System;

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

“**Closing Price**” means the closing price of the Shares (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 capitalization, rights issue, distribution or the like) on the Valuation Date;

“**Day High/Low Price**” means, in relation to any day, the highest/lowest price of a non-direct trade which is concluded by automatic order matching (including auction matching) during such day;

“**Exercise Amount**” has the meaning given to it in the relevant supplemental listing document;

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

“**Expiry Date**” means the date specified as such in the supplemental listing document or, if such day is not a Business Day, the immediately succeeding Business Day;

“**Mandatory Call Date**” means the Business Day during the Observation Period on which a Mandatory Call Event occurs;

In respect of a series of BEAR CBBCs:

“**Mandatory Call Event**” means the first occurrence on a Business Day during the Observation Period whereby the Spot Price is equal to or greater than the Call Price. For the avoidance of doubt, a Mandatory Call Event may occur in a pre-opening session or a closing auction session (if applicable) of a Business Day;

In respect of a series of BULL CBBCs:

“**Mandatory Call Event**” means the first occurrence on a Business Day during the Observation Period whereby the Spot Price is equal to or less than the Call Price. For the avoidance of doubt, a Mandatory Call Event may occur in a pre-opening session or a closing auction session (if applicable) of a 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 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 case, that suspension or limitation is, in the determination of the Issuer, material or (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) the occurrence or existence on a Business Day of any other event or circumstance which relates to an emergency or which otherwise falls within the ambit of paragraph 572 of the Rules of the Exchange prescribed by the Stock Exchange, as determined by the Stock Exchange;

In respect of a series of BEAR CBBCs:

“**Mandatory Call Payoff**” means:

- (1) in respect of every Exercise Amount of Category N CBBCs, zero; and
- (2) in respect of every Exercise Amount of Category R CBBCs, an amount in the Settlement Currency calculated by the Issuer as equal to (a) the Entitlement (subject to adjustment as provided in Condition 6) multiplied by (i) the Strike Price (subject to adjustment as provided in Condition 6) less (ii) the Maximum Trade Price; less (b) Exercise Expenses;

In respect of a series of BULL CBBCs:

“**Mandatory Call Payoff**” means:

- (1) in respect of every Exercise Amount of Category N CBBCs, zero; and
- (2) in respect of every Exercise Amount of Category R CBBCs, an amount in the Settlement Currency calculated by the Issuer as equal to the (a) Entitlement (subject to adjustment as provided in Condition 6) multiplied by (i) the Minimum Trade Price less (ii) the Strike Price (subject to adjustment as provided in Condition 6); less (b) Exercise Expenses;

“Maximum Trade Price” means, in respect of Bear CBBCs, the Day High Price of the Shares during the period from the time of the occurrence of the Mandatory Call Event up to the end of the next trading session (such next trading session, the **“Pricing Session”**) for callable bull/bear contracts on Hong Kong shares on the Stock Exchange; provided that if the Issuer determines, in its sole discretion, that a Trading Session Disruption Event has occurred in the Pricing Session, then the Pricing Session shall be postponed to the first succeeding trading session not affected by a Trading Session Disruption Event unless there is a Trading Session Disruption Event occurring in each of the trading session in the four Business Days immediately following the original date of the trading session that, but for the Trading Session Disruption Event, would have been the Pricing Session. In that case (1) the last trading session on such fourth Business Day shall be deemed to be the Pricing Session, notwithstanding the Trading Session Disruption Event, and (2) the Issuer shall determine the Maximum Trade Price on the basis of its good faith estimate of such price that would have prevailed but for the Trading Session Disruption Event during such last trading session. For the avoidance of doubt: (1) a Pricing Session may take place on or after the Valuation Date, (2) no postponement will be made in respect of any Trading Session Disruption Event occurring during the trading session in which the Mandatory Call Event occurs and (3) a postponement of the Price Session to a later trading session would not result in the prices of trades that occurred after the Mandatory Call Event but before the occurrence of the Trading Session Disruption Event being excluded from the determination of Maximum Trade Price;

“Minimum Trade Price” means, in respect of Bull CBBCs, the Day Low Price of the Shares during the period from the time of the occurrence of the Mandatory Call Event up to the end of the next trading session (such next trading session, the **“Pricing Session”**) for callable bull/bear contracts on Hong Kong shares on the Stock Exchange; provided that if the issuer determines, in its sole discretion, that a Trading Session Disruption Event has occurred in the Pricing Session, then the Pricing Session shall be postponed to the first succeeding trading session not affected by a Trading Session Disruption Event unless there is a Trading Session Disruption Event occurring in each of the trading sessions in the four Business Days immediately following the original date of the trading session that, but for the Trading Session Disruption Event, would have been the Pricing Session. In that case (1) the last trading session on such fourth Business Day shall be deemed to be the Pricing Session, notwithstanding the Trading Session Disruption Event, and (2) the Issuer shall determine the Minimum Trade Price on the basis of its good faith estimate of such price that would have prevailed but for the Trading Session Disruption Event during such last trading session. For the avoidance of doubt: (1) a Pricing Session may take place on or after the Valuation Date, (2) no postponement will be made in respect of any Trading Session Disruption Event occurring during the trading session in which the Mandatory Call Event occurs and (3) a postponement of the Pricing Session to a later trading session would not result in the prices of trades that occurred after the Mandatory Call Event but before the occurrence of the Trading Session Disruption Event being excluded from the determination of Minimum Trade Price;

For the purpose of determining the Minimum Trade Price and the Maximum Trade Price:

- (1) the pre-opening session, the morning session and, if there is no afternoon session, the closing auction session (if applicable) of the same day; and
- (2) the afternoon session and the closing auction session (if applicable) of the same day,

shall each be considered as one trading session only;

“Observation Commencement Date” means the date specified as such in the relevant Supplemental Listing Document;

“Observation Period” means the period from (and including) the Observation Commencement Date (or, if later, the first day of dealings in the CBBCs on the Stock Exchange) to (and including) the Trading Day immediately preceding the Expiry Date;

“Price Determination Date” means the date on which the Maximum Trade Price or the Minimum Trade Price, as the case may be, is determined by the Issuer;

“Settlement Day” means a Business Day on which the settlement services of CCASS (as prescribed in the CCASS Rules) are open for use by CCASS participants;

“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 Mandatory Call Payoff or the Cash Settlement Amount electronically through CCASS to the relevant bank account designated by the relevant Holder (**“Designated Bank Account”**);

“Spot Price” means the AMS Auto-matched Trade Price (excluding a trading price which does not lead to a Day High/Low Price) of the Shares traded on the Stock Exchange during the continuous trading session or the final indicative Equilibrium Price (**“IEP”**) excluding the final IEP that does not lead to a Day High/Low Price) calculated at the end of the pre-order matching period of the pre-opening session or the closing auction session (as the case may be);

“Stock Exchange” means The Stock Exchange of Hong Kong limited;

“Strike Price” means the price specified as such in the relevant supplemental listing document subject to any adjustment in accordance with Condition 6;

“Trading Session Disruption Event” means (1) the occurrence of existence during a trading session 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 or (2) the hoisting of the tropical cyclone warning signal number 8 or above or the hoisting of a “BLACK” rainstorm signal which results in the Stock Exchange being closed for dealings or (3) the occurrence or existence during a trading session of any other event or circumstance which relates to an emergency or which otherwise falls within the ambit of paragraph 572 of the Rules of the Exchange prescribed by the Stock Exchange, as determined by the Stock Exchange PROVIDED THAT in such relevant trading session, there shall be no Trading Session Disruption Event if there is a continuous period of at least one hour during which (1), (2) and/or (3) or any combination thereof does not subsist;

For the purpose of determining the Trading Session Disruption Event:

- (1) the pre-opening session, the morning session and, if there is no afternoon session, the closing auction session (if applicable) of the same day; and
- (2) the afternoon session and the closing auction session (if applicable) of the same day,

shall each be considered as one trading session only; and

“Valuation Date” means, with respect to the exercise of CBBCs, and subject as provided below in relation to a Market Disruption Event, the Business Day immediately preceding the Expiry Date.

3. Exercise of CBBCs, Mandatory Call Event, Automatic Exercise and Expiry

- (A) The CBBCs are exercisable on the Expiry Date, provided that a Mandatory Call Event has not occurred.
- (B) Upon the occurrence of a Mandatory Call Event, the CBBCs will terminate automatically on the Mandatory Call Date. Any CBBC in respect of which a Mandatory Call Event has occurred will entitle the Holder to receive the Mandatory Call Payoff (if any) in accordance with Condition 4(D).
- (C) Any CBBC which has not automatically expired on a Mandatory Call Date will automatically be exercised if, on the Expiry Date, the value of the Cash Settlement Amount is greater than zero (without prior notice being given to the Holders). The Holders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Holders the Cash Settlement Amount (if any) in accordance with Condition 4(D).
- (D) For the avoidance of doubt, where the CBBCs have been exercised on the Expiry Date or have automatically expired on a Mandatory Call Date (as the case may be), payment of the Cash Settlement Amount or the Mandatory Call Payoff (if any) (as the case may be) shall constitute full and final settlement of the obligations of the Issuer with respect to the CBBCs. Subject to such payment having been made, the Issuer shall have no obligation towards the relevant Holder under the CBBCs subsequent to such Expiry Date or Mandatory Call Date (as the case may be).
- (E) Any CBBC which does not automatically expire or which has not been automatically exercised in accordance with Condition 3(B) or Condition 3(C) (as the case may be) shall expire immediately without value thereafter and all rights of the Holder and obligations of the Issuer with respect to such CBBC shall cease.

4. Exercise of CBBCs, Cancellation and Payment

- (A) CBBCs may only be exercised in Board Lots or integral multiples thereof.
- (B) The Holders will not be required to deliver an exercise notice for any purpose in relation to the CBBCs.
- (C) The Issuer will procure that the Registrar will, with effect from the first Business Day following the Mandatory Call Date or the Expiry Date (as the case may be), remove from its register the name of the person in respect of the CBBCs which (i) are the subject of an occurrence of a Mandatory Call Event; (ii) are the subject of an exercise pursuant to automatic exercise in accordance with these Conditions; or (iii) have expired worthless, and thereby cancel the relevant CBBCs.
- (D) Subject to automatic exercise of CBBCs or the occurrence of a Mandatory Call Event in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Holder equal to the Mandatory Call Payoff or the Cash Settlement Amount (as the case may be).

The Mandatory Call Payoff or the Cash Settlement Amount shall be dispatched not later than the third Settlement Day following the Price Determination Date or the Valuation Date, as the case may be (“**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 Holder 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 Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of the Settlement Disruption Event, nor shall the Issuer be under any circumstances be liable for any acts or defaults of CCASS in relation to the performance of its duties in relation to the CBBCs.

If the Issuer determines, in its sole discretion, that on the Valuation Date a Market Disruption Event has occurred, then that Valuation Date shall be postponed to the first succeeding Business Day on which there is no Market Disruption Event unless there is a Market Disruption Event on each of the four Business Days immediately following the original date that, but for the Market Disruption Event, would have been the Valuation Date. In that case (i) that fourth Business Day following such original 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 but for the Market Disruption Event on that fourth Business Day.

5. Agent

- (A) The Agent will be acting as agent of the Issuer in respect of any CBBCs and will not assume any obligation or duty to or any relationship of agency or trust for the Holders.
- (B) The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the initial Agent and to appoint another agent provided that it will at all times maintain an agent in Hong Kong for so long as the CBBCs are listed on the Stock Exchange. Notice of any such termination or appointment will be given to the Holders in accordance with Condition 11.

6. Adjustments

- (A) *Right 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:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{1 + M}{1 + (R/S) \times M}$$

- 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 Rights
- 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 Strike Price and the Call Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by multiplying each of them by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. Such 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 capitalization 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 adjusted on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = 1 + N$$

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 Strike Price and the Call Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by multiplying each of them by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. Such adjustments shall take effect on the same day that the Entitlement is adjusted.

- (C) *Subdivisions and 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**”), then:

- (i) in the case of a Subdivision, the Entitlement in effect immediately prior thereto will be increased whereas the Strike Price and the Call Price (which shall be rounded to the nearest Hong Kong dollar 0.001) will be decreased in the same ratio as the Subdivision; and
- (ii) in the case of a Consolidation, the Entitlement in effect immediately prior thereto will be decreased whereas the Strike Price and the Call Price (which shall be rounded to the nearest Hong Kong dollar 0.001) will be increased in the same ratio as the Consolidation,

in each case on the day on which the relevant Subdivision or Consolidation takes effect.

- (D) *Restructuring Events*. 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 CBBCs 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 CBBCs 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 CBBCs 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) *Cash Distribution*. Generally, no capital adjustment will be made for an ordinary cash dividend (whether or not it is offered with a script alternative) (“**Ordinary Dividend**”). For any other forms of cash distribution (each a “**Cash Distribution**”) announced by the Company, such as a cash bonus, special dividend or extraordinary dividend, no capital adjustment will be made unless the value of the Cash Distribution accounts for 2 per cent. or more of the Share’s closing price on the day of announcement by the Company.

If and whenever the Company shall make a Cash Distribution credited as fully paid to the holders of Shares generally, the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in respect of the relevant Cash Distribution (“**Cash Distribution Adjustment Date**”) in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{S - OD}{S - OD - CD}$$

E: The existing Entitlement immediately prior to the Cash Distribution

CD: The Cash Distribution per Share

OD: The Ordinary Dividend per Share, provided that the OD shall be zero if the date on which the Shares are traded on an ex-Ordinary Dividend basis is not the Cash Distribution Adjustment Date

S: The closing price of an existing Share as derived from the Daily Quotation Sheet of the Stock Exchange on the Business Day immediately preceding the Cash Distribution Adjustment Date

In addition, the Issuer shall adjust the Strike Price and the Call Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by multiplying each of them by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. These adjustment shall take effect on the Cash Distribution Adjustment Date.

- (F) *Other Adjustments.* Except as provided in this Condition 6 and Condition 14, 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 CBBCs 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 Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction). For the avoidance of doubt, such adjustments may, but need not, be determined by reference to the adjustment(s) made in respect of such event or events by an options exchange to options on the relevant Shares traded on such options exchange.
- (G) *Notice of Adjustments.* All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Holders. 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 11.

7. Early Termination for Extraordinary Reasons, Illegality and Force Majeure

If the Issuer determines that, for reasons beyond its control, the performance of its obligations under the CBBCs has become illegal or impractical in whole or in part for any reason, or if the Issuer determines that, for reasons beyond its control, it is no longer legal or practical for it to maintain its hedging arrangements with respect to the CBBCs for any reason, the Issuer may at its discretion and without obligation terminate the CBBCs early by giving notice to the Holders in accordance with Condition 11.

Should any one or more of the provisions contained in the Conditions be or become invalid, the validity of the remaining provisions shall not in any way be affected thereby.

If the Issuer terminates the CBBCs early, then the Issuer will, if and to the extent permitted by applicable law, pay an amount to each Holder in respect of each CBBC held by such holder equal to the fair market value of a CBBC notwithstanding such illegality or impracticality less the cost to the Issuer of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion. Payment will be made in such manner as shall be notified to the Holders in accordance with Condition 11.

8. Purchases by the Issuer

The Issuer and/or any of its subsidiaries may at any time purchase CBBCs at any price in the open market or by tender or by private treaty. Any CBBCs so purchased may be held or resold or surrendered for cancellation.

9. Global Certificate

A global certificate (the "**Global Certificate**") representing the CBBCs will be deposited within CCASS and registered in the name of the Nominee. The Global Certificate will not be exchangeable for definitive certificates.

10. Meetings of Holders and Modification

- (A) *Meetings of Holders.* Notices for convening meetings to consider any matter affecting the Holder's interests will be given to the Holder in accordance with the provisions of Condition 11.

Every question submitted to a meeting of the Holder shall be decided by poll. A meeting may be convened by the Issuer or by Holders holding not less than 10 percent of the CBBCs for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons (including any nominee appointed by the Holder) holding or representing not less than 25 percent of the CBBCs for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Holders whatever the number of CBBCs 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 Holders as, being entitled to do so, vote in person or by proxy.

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

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

- (B) *Modification.* The Issuer may, without the consent of the Holders, effect (i) any modification of the provisions of the CBBCs or the Instrument which is not materially prejudicial to the interests of the Holders or (ii) any modification of the provisions of the CBBCs or the Instrument which is of a formal, minor or technical nature, which is made to correct an obvious error or 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 Holders and shall be notified to them by the Agent before the effective date or as soon as practicable thereafter in accordance with Condition 11.

11. Notices

All notices in English and Chinese to the Holder will be validly given if published on the website of the Stock Exchange, www.hkex.com.hk (“**the HKEx website**”). In addition, copies of the notice will be dispatched by the Issuer to the Holder at its registered address by the first day that such notice appears on the HKEx website.

12. 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 CBBCs 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. The Issuer shall pay a sum equal to its good faith estimate (determined at the Issuer’s sole discretion) of the value if any, of the CBBCs to the Holder.

13. Further Issues

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

14. 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 CBBCs 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 Holders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Holder or the tax or other consequences that may result in any particular jurisdiction).

- (B) Without prejudice to the generality of Condition 14(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 Holders, make such adjustments to the entitlements of Holders on automatic expiry or 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 Holders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Holders in accordance with Condition 11 as soon as practicable after they are determined.

15. Taxation

The Issuer is not liable for or otherwise obliged to pay any tax, duty, withholding or other payment which may arise as a result of the ownership, transfer or exercise of any CBBCs.

16. Governing Law

The CBBCs and the Instrument 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 and each Holder (by its purchase of the CBBCs) shall be deemed to have submitted for all purposes in connection with the CBBCs and the Instrument to the non-exclusive jurisdiction of the courts of Hong Kong.

17. Language

A Chinese translation of these Conditions is available upon request during usual business hours on any weekday (Saturdays, Sundays, and holidays excepted) at the offices of the Agent. In the event of any inconsistency between the English version and the Chinese translation of these Conditions, the English version shall prevail and be governing.

Agent

BOCI Securities Limited
20/F, Bank of China Tower
1 Garden Road
Hong Kong

TERMS AND CONDITIONS OF CASH-SETTLED INDEX CALLABLE BULL/BEAR CONTRACTS

These Conditions will, together with the supplemental provision contained in the relevant supplemental listing document, subject to completion and amendment, be endorsed on the back of global certificate. The relevant supplemental listing document in relation to the issue of any series of CBBCs may specify other terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these Conditions, replace or modify these Conditions for the purpose of such series of CBBCs. Capitalised terms used in these 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) The callable bull/bear contracts or CBBCs (which expression shall, unless the context otherwise requires, include any further CBBCs issued pursuant to Condition 13) relating to the Index as published by the Index Compiler are issued in registered form subject to and with the benefit of an instrument by way of deed poll (the “**Instrument**” as defined more fully in the supplemental listing document) executed by BOCI Asia Limited (the “**Issuer**”). The Holder (as defined below) is entitled to the benefit of, is bound by and is deemed to have notice of all the provision of the Instrument. A copy of the Instrument is available for inspection at the offices of the Agent as specified below.

The CBBCs are represented by a global certificate registered in the name of HKSCC Nominees Limited (or such other nominee company as may be used by Hong Kong Securities Clearing Company Limited (“**HKSCC**”) from time to time in relation to the provision of nominee services to persons admitted for the time being by HKSCC as a participant of CCASS) (“**Nominee**”). No definitive certificate will be issued. The CBBCs can only be exercised by HKSCC or the Nominee.

- (B) The settlement obligation of the Issuer in respect of the CBBCs represents general unsecured contractual obligations of the Issuer and of no other person which rank, and will rank, equally among themselves and *pari passu* with all other present and future unsecured and unsubordinated contractual obligations of the Issuer, except for obligation accorded preference by mandatory provisions of applicable law.

The CBBCs represent general contractual obligation of the Issuer, and are not, nor is it the intention (expressed, implicit or otherwise) of the Issuer to create by the issue of CBBCs deposit liabilities of the Issuer or a debt obligation of any kind.

- (C) Transfer of CBBCs may be effected only in Board Lots or integral multiples thereof in CCASS in accordance with the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time (the “**CCASS Rules**”).
- (D) Each person who is for the time being shown in the register kept by or on behalf of the Issuer outside of Hong Kong as the holder shall be treated by the Issuer and the Agent as the absolute owner and holder of the CBBCs. The expression “**Holder**” shall be construed accordingly.
- (E) Trading in CBBCs on the Stock Exchange shall be suspended prior to the Expiry Date in accordance with the requirements of the Stock Exchange.

2. CBBC Rights and Exercise Expenses

- (A) Every Exercise Amount initially entitles the Holder, (i) upon due exercise and compliance with these Conditions, in particular Condition 4, to payment of the Cash Settlement Amount (as defined below), if any or (ii) upon compliance with Condition 4, the right to receive the payment of the Mandatory Call Payoff (if any) following the occurrence of a Mandatory Call Event (as defined below).
- (B) Upon exercise of the CBBCs, the Holders will be required to pay a sum equal to all the expenses resulting from the exercise of such CBBCs. To effect such payment an amount equivalent to the Exercise Expenses (defined below) shall be deducted from the Cash Settlement Amount in accordance with Condition 4.
- (C) 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 and banks are open for business in Hong Kong;

In respect of a series of BEAR CONTRACTS:

“**Cash Settlement Amount**” means for 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 (subject to adjustment as provided in Condition 6), 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) Exercise Expenses;

In the respect of a series of BULL CONTRACTS:

“**Cash Settlement Amount**” means for every Exercise Amount, an amount in the Settlement Currency calculated by the Issuer as equal to (1) the excess of the Closing Level on the Valuation Date over the Strike Level (subject to adjustment as provided in Condition 6), 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) Exercise Expenses;

“**CCASS**” means the Central Clearing and Settlement System;

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

“**Closing Level**” means the closing level of the Index as compiled by HSI;

“**Exercise Amount**” has the meaning given to it in the relevant supplemental listing document;

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

“**Expiry Date**” means the date specified as such in the supplemental listing document or, if such day is not a Business Day, the immediately succeeding Business Day;

“**HSIS**” means the HSI Services Limited;

“**Index Exchange**” means the index exchange given to it in the relevant supplemental listing agreement;

“**Mandatory Call Date**” means the Business Day during the Observation Period on which a Mandatory Call Event occurs;

In respect of a series of BEAR CONTRACTS:

“**Mandatory Call Event**” means the first occurrence on a Business Day during the Mandatory Call Observation Period whereby the Spot Level is equal to or greater than the Call Level. For the avoidance of doubt, a Mandatory Call Event may occur in a pre-opening session or a closing auction session (if applicable) of a Business Day;

In respect of a series of BULL CONTRACTS:

“**Mandatory Call Event**” means the first occurrence on a Business Day during the Observation Period whereby the Spot Level is equal to or less than the Call Level. For the avoidance of doubt, a Mandatory Call Event may occur in a pre-opening session or a closing auction session (if applicable) of a 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 of 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), (x) 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 (y) 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) where the Index Exchange is the Stock Exchange, the occurrence or existence on a Business Day of any other event or circumstance which relates to an emergency or which otherwise falls within the ambit of paragraph 572 of the Rules of the Exchange prescribed by the Stock Exchange, as determined by the Stock Exchange;

In respect of a series of BEAR CONTRACTS:

“**Mandatory Call Payoff**” means:

- (1) in respect of every Exercise Amount of Category N CBBCs, zero; and
- (2) in respect of every Exercise Amount of Category R CBBCs, an amount in the Settlement Currency calculated by the Issuer as equal to (a) the excess of the Strike Level over the Maximum Index 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 (b) Exercise Expenses;

In respect of a series of BULL CONTRACTS:

“**Mandatory Call Payoff**” means:

- (1) in respect of every Exercise Amount of Category N CBBCs, zero; and
- (2) in respect of every Exercise Amount of Category R CBBCs, an amount in the Settlement Currency calculated by the Issuer as equal to the (a) the excess of the Minimum Index Level 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 (b) Exercise Expenses;

“**Maximum Index Level**” means, in respect of Bear CBBCs, the maximum index level of the Index during the period from the time of the occurrence of the Mandatory Call Event up to the end of the next trading session (such next trading session, the “**Pricing Session**”) for callable bull/bear contracts on Hong Kong indices as compiled by HSIS on the Stock Exchange; provided that if the Issuer determines, in its sole discretion, that a Trading Session Disruption Event has occurred in the Pricing Session, then the Pricing Session shall be postponed to the first succeeding trading session not affected by a Trading Session Disruption Event unless there is a Trading Session Disruption Event occurring in each of the trading session in the four Business Days immediately following the original date of the trading session that, but for the Trading Session Disruption Event, would have been the Pricing Session. In that case (1) the last trading session on such fourth Business Day shall be deemed to be the Pricing Session, notwithstanding the Trading Session Disruption Event, and (2) the Issuer shall determine the Maximum Index Level on the basis of its good faith estimate of such level that would have prevailed but for the Trading Session Disruption Event during such last trading session. For the avoidance of doubt: (1) a Pricing Session may take place on or after the Valuation Date, (2) no postponement will be made in respect of any Trading Session Disruption Event occurring during the trading session in which the Mandatory Call Event occurs and (3) a postponement of the Price Session to a later trading session would not result in the index levels of the Index that were published after the Mandatory Call Event but before the occurrence of the Trading Session Disruption Event being excluded from the determination of Maximum Trade Price;

“**Minimum Index Level**” means, in respect of Bull CBBCs, the minimum index level of the Index during the period from the time of the occurrence of the Mandatory Call Event up to the end of the next trading session (such next trading session, the “**Pricing Session**”) for callable bull/bear contracts on Hong Kong indices as compiled by HSIS on the Stock Exchange; provided that if the issuer determines, in its sole discretion, that a Trading Session Disruption Event has occurred in the Pricing Session, then the Pricing Session shall be postponed to the first succeeding trading session not affected by a Trading Session Disruption Event unless there is a Trading Session Disruption Event occurring in each of the trading sessions in the four Business Days immediately following the original date of the trading session that, but for the Trading Session Disruption Event, would have been the Pricing Session. In that case (1) the last trading session on such fourth Business Day shall be deemed to be the Pricing Session,

notwithstanding the Trading Session Disruption Event, and (2) the Issuer shall determine the Minimum Trade Price on the basis of its good faith estimate of such level that would have prevailed but for the Trading Session Disruption Event during such last trading session. For the avoidance of doubt: (1) a Pricing Session may take place on or after the Valuation Date, (2) no postponement will be made in respect of any Trading Session Disruption Event occurring during the trading session in which the Mandatory Call Event occurs and (3) a postponement of the Pricing Session to a later trading session would not result in the index levels of the Index that were published after the Mandatory Call Event but before the occurrence of the Trading Session Disruption Event being excluded from the determination of Minimum Index Level;

For the purpose of determining the Minimum Index Level and the Maximum Index Level:

- (1) the pre-opening session, the morning session and, if there is no afternoon session, the closing auction session (if applicable) of the same day; and
- (2) the afternoon session and the closing auction session (if applicable) of the same day,

shall each be considered as one trading session only;

“Observation Commencement Date” means the date specified as such in the relevant Supplemental Listing Document;

“Observation Period” means the period from (and including) the Observation Date (or, if later, the first day of dealings in the CBBCs on the Stock Exchange) to (and including) the Trading Day immediately preceding the Expiry Date;

“Price Determination Date” means the date on which the Maximum Index Level or the Minimum Index Level, as the case may be, is determined by the Issuer;

“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 Mandatory Call Payoff or the Cash Settlement Amount electronically through CCASS to the relevant bank account designated by the relevant Holder (**“Designated Bank Account”**);

“Spot Level” means the spot level of the Index as compiled by HSIS;

“Stock Exchange” means The Stock Exchange of Hong Kong limited;

“Strike Level” means the level specified as such in the relevant supplemental listing document subject to any adjustment in accordance with Condition 6;

“Trading Session Disruption Event” means (1) the occurrence of existence during a trading session on the Index Exchange, 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 Mandatory Call Payoff;

for the purposes of paragraph (1), (x) the limitation of the number of hours or days of trading will not constitute a Trading Session Disruption Event if it results from an announced change

in the regular business hours of any exchange, and (y) a limitation on trading imposed by reason of the movements in price exceeding the levels permitted by any relevant exchange will constitute a Trading Session Disruption Event; or

- (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 results in the Stock Exchange being closed for dealings; or
- (3) where the Index Exchange is the Stock Exchange, the occurrence or existence during a trading session of any other event or circumstance which relates to an emergency or which otherwise falls within the ambit of paragraph 572 of the Rules of the Exchange prescribed by the Stock Exchange, as determined by the Stock Exchange

PROVIDED THAT in such relevant trading session, there shall be no Trading Session Disruption Event if there is a continuous period of at least one hour during which (1), (2) and/or (3) or any combination thereof does not subsist;

For the purpose of determining the Trading Session Disruption Event:

- (1) the pre-opening session, the morning session and, if there is no afternoon session, the closing auction session (if applicable) of the same day; and
 - (2) the afternoon session and the closing auction session (if applicable) of the same day,
- shall each be considered as one trading session only; and

“**Valuation Date**” means the Expiry Date.

3. Exercise of CBBCs, Mandatory Call Event, Automatic Exercise and Expiry

- (A) The CBBCs are exercisable on the Expiry Date, provided that a Mandatory Call Event has not occurred.
- (B) Upon the occurrence of a Mandatory Call Event, the CBBCs will terminate automatically on the Mandatory Call Date. Any CBBC in respect of which a Mandatory Call Event has occurred will entitle the Holder to receive the Mandatory Call Payoff (if any) in accordance with Condition 4(D).
- (C) Any CBBC which has not automatically expired on a Mandatory Call Date will automatically be exercised if, on the Expiry Date, the value of the Cash Settlement Amount is greater than zero (without prior notice being given to the Holders). The Holders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Holders the Cash Settlement Amount (if any) in accordance with Condition 4(D).
- (D) For the avoidance of doubt, where the CBBCs have been exercised on the Expiry Date or have automatically expired on a Mandatory Call Date (as the case may be), payment of the Cash Settlement Amount or the Mandatory Call Payoff (if any) (as the case may be) shall constitute full and final settlement of the obligations of the Issuer with respect to the CBBCs. Subject to such payment having been made, the Issuer shall have no obligation towards the relevant Holder under the CBBCs subsequent to such Expiry Date or Mandatory Call Date (as the case may be).
- (E) Any CBBC which does not automatically expire or which has not been automatically exercised in accordance with Condition 3(D) or Condition 3(C) (as the case may be) shall expire immediately without value thereafter and all rights of the Holder and obligations of the Issuer with respect to such CBBC shall cease.

4. Exercise of CBBCs, Cancellation and Payment

- (A) CBBCs may only be exercised in Board Lots or integral multiples thereof.
- (B) The Holders will not be required to deliver an exercise notice for any purpose in relation to the CBBCs.
- (C) The Issuer will procure that the Registrar will, with effect from the first Business Day following the Mandatory Call Date or the Expiry Date (as the case may be), remove from its register the name of the person in respect of the CBBCs which (i) are the subject of an occurrence of a Mandatory Call Event; (ii) are the subject of an exercise whether pursuant to automatic exercise in accordance with these Conditions; or (iii) have expired worthless, and thereby cancel the relevant CBBCs.
- (D) Subject to automatic exercise of CBBCs or the occurrence of a Mandatory Call Event in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Holder equal to the Mandatory Call Payoff or the Cash Settlement Amount (as the case may be).

The Mandatory Call Payoff or the Cash Settlement Amount shall be dispatched not later than the third Settlement Day following the Price Determination Date or the Valuation Date, as the case may be (“**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 Holder 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 Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of the Settlement Disruption Event, nor shall the Issuer be under any circumstances be liable for any acts or defaults of CCASS in relation to the performance of its duties in relation to the CBBCs.

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. Agent

- (A) The Agent will be acting as agent of the Issuer in respect of any CBBC and will not assume any obligation or duty to or any relationship of agency or trust for the Holders.
- (B) The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the initial Agent and to appoint another agent provided that it will at all times maintain an agent in Hong Kong for so long as the CBBCs are listed on the Stock Exchange. Notice of any such termination or appointment will be given to the Holders in accordance with Condition 11.

6. Adjustments to the Index

- (A) 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) 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 and may make such other adjustments as it deems appropriate including, but not limited to, adjusting the Strike Level and the Call Level.
- (C) All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any determinations by publication in accordance with Condition 11.

7. Early Termination for Extraordinary Reasons, Illegality and Force Majeure

If the Issuer determines that, for reasons beyond its control, the performance of its obligations under the CBBCs has become illegal or impractical in whole or in part for any reason, or if the Issuer determines that, for reasons beyond its control, it is no longer legal or practical for it to maintain its hedging arrangements with respect to the CBBCs for any reason, the Issuer may at its discretion and without obligation terminate the CBBCs early by giving notice to the Holders in accordance with Condition 11.

Should any one or more of the provisions contained in the Conditions be or become invalid, the validity of the remaining provisions shall not in any way be affected thereby.

If the Issuer terminates the CBBCs early, then the Issuer will, if and to the extent permitted by applicable law, pay an amount to each Holder in respect of each CBBC held by such holder equal to the fair market value of a CBBC notwithstanding such illegality or impracticality less the cost to the Issuer of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion. Payment will be made in such manner as shall be notified to the Holders in accordance with Condition 11.

8. Purchases by the Issuer

The Issuer and/or any of its subsidiaries may at any time purchase CBBCs at any price in the open market or by tender or by private treaty. Any CBBCs so purchased may be held or resold or surrendered for cancellation.

9. Global Certificate

A global certificate (the “**Global Certificate**”) representing the CBBCs will be deposited within CCASS and registered in the name of the Nominee. The Global Certificate will not be exchangeable for definitive certificates.

10. Meetings of Holders and Modification

- (A) *Meetings of Holders.* Notices for convening meetings to consider any matter affecting the Holder’s interests will be given to the Holder in accordance with the provisions of Condition 11.

Every question submitted to a meeting of the Holder shall be decided by poll. A meeting may be convened by the Issuer or by Holders holding not less than 10 percent of the CBBCs for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons (including any nominee appointed by the Holder) holding or representing not less than 25 percent of the CBBCs for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Holders whatever the number of CBBCs 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 Holders as, being entitled to do so, vote in person or by proxy.

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

In the case of CBBCs which are expressed to be American Style, CBBCs 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 Holders.

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

- (B) *Modifications.* The Issuer may, without the consent of the Holders, effect (i) any modification of the provisions of the CBBCs or the Instrument which is not materially prejudicial to the interests of the Holders or (ii) any modification of the provisions of the CBBCs or the Instrument which is of a formal, minor or technical nature, which is made to correct an obvious error or 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 Holders and shall be notified to them by the Agent before the effective date or as soon as practicable thereafter in accordance with Condition 11.

11. Notices

All notices in English and Chinese to the Holder will be validly given if published on the website of the Stock Exchange, www.hkex.com.hk (“**the HKEx website**”). In addition, copies of the notice will be dispatched by the Issuer to the Holder at its registered address by the first day that such notice appears on the HKEx website.

12. Further Issues

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

13. Governing Law

The CBBCs and the Instrument 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 and each Holder (by its purchase of the CBBCs) shall be deemed to have submitted for all purposes in connection with the CBBCs and the Instrument to the non-exclusive jurisdiction of the courts of Hong Kong.

14. Language

A Chinese translation of these Conditions is available upon request during usual business hours on any weekday (Saturdays, Sundays, and holidays excepted) at the offices of the Agent. In the event of any inconsistency between the English version and the Chinese translation of these Conditions, the English version shall prevail and be governing.

Agent

BOCI Securities Limited
20/F, Bank of China Tower
1 Garden Road
Hong Kong

**TERMS AND CONDITIONS OF
CASH-SETTLED CALLABLE BULL/BEAR CONTRACTS OVER
SINGLE UNIT TRUSTS**

These Conditions will, together with the supplemental provision contained in the relevant supplemental listing document, subject to completion and amendment, be endorsed on the back of global certificate. The relevant supplemental listing document in relation to the issue of any series of CBBCs may specify other terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these Conditions, replace or modify these Conditions for the purpose of such series of CBBCs. Capitalised terms used in these 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) The callable bull/bear contracts or CBBCs (which expression shall, unless the context otherwise requires, include any further CBBCs issued pursuant to Condition 13) relating to the Units of the Trust are issued in registered form subject to and with the benefit of an instrument by way of deed poll (the “**Instrument**” as defined more fully in the supplemental listing document) executed by BOCI Asia Limited (the “**Issuer**”). The Holder (as defined below) is entitled to the benefit of, is bound by and is deemed to have notice of all the provisions of the Instrument. A copy of the Instrument is available for inspection at the offices of the Agent as specified below.

The CBBCs are represented by a global certificate registered in the name of HKSCC Nominees Limited (or such other nominee company as may be used by Hong Kong Securities Clearing Company Limited (“**HKSCC**”) from time to time in relation to the provision of nominee services to persons admitted for the time being by HKSCC as a participant of CCASS) (“**Nominee**”). No definitive certificate will be issued. The CBBCs can only be exercised by HKSCC or the Nominee.

- (B) The settlement obligation of the Issuer in respect of the CBBCs represents general unsecured contractual obligations of the Issuer and of no other person which rank, and will rank, equally among themselves and pari passu with all other present and future unsecured and unsubordinated contractual obligations of the Issuer, except for obligation accorded preference by mandatory provisions of applicable law.

The CBBCs represent general contractual obligation of the Issuer, and are not, nor is it the intention (expressed, implicit or otherwise) of the Issuer to create by the issue of CBBCs deposit liabilities of the Issuer or a debt obligation of any kind.

- (C) Transfer of CBBCs may be effected only in Board Lots or integral multiples thereof in CCASS in accordance with the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time (the “**CCASS Rules**”).
- (D) Each person who is for the time being shown in the register kept by or on behalf of the Issuer outside of Hong Kong as the holder shall be treated by the Issuer and the Agent as the absolute owner and holder of the CBBCs. The expression “**Holder**” shall be construed accordingly.
- (E) Trading in CBBCs on the Stock Exchange shall be suspended prior to the Expiry Date in accordance with the requirements of the Stock Exchange.

2. CBBC Rights and Exercise Expenses

- (A) Every Exercise Amount initially entitles the Holder, (i) upon due exercise and compliance with these Conditions, in particular Condition 4, to payment of the Cash Settlement Amount (as defined below), if any or (ii) upon compliance with Condition 4, the right to receive the payment of the Mandatory Call Payoff (if any) following the occurrence of a Mandatory Call Event (as defined below).
- (B) Upon exercise of the CBBCs, the Holders will be required to pay a sum equal to all the expenses resulting from the exercise of such CBBCs. To effect such payment an amount equivalent to the Exercise Expenses (defined below) shall be deducted from the Cash Settlement Amount in accordance with Condition 4.
- (C) 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 and banks are open for business in Hong Kong;

In respect of a series of BEAR CBBCs:

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

In the respect of a series of BULL CBBCs:

“Cash Settlement Amount” means for every Exercise Amount, an amount in the Settlement Currency 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 Strike Price (subject to adjustment as provided in Condition 6); less (2) Exercise Expenses;

“CCASS” means the Central Clearing and Settlement System;

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

“Closing Price” means the closing price of the Units (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 capitalization, rights issue, distribution or the like) on the Valuation Date;

“Day High/Low Price” means, in relation to any day, the highest/lowest price of a non-direct trade which is concluded by automatic order matching (including auction matching) during such day;

“Exercise Amount” has the meaning given to it in the relevant supplemental listing document;

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

“Expiry Date” means the date specified as such in the supplemental listing document or, if such day is not a Business Day, the immediately succeeding Business Day;

“Mandatory Call Date” means the Business Day during the Observation Period on which a Mandatory Call Event occurs;

In respect of a series of BEAR CBBCs:

“**Mandatory Call Event**” means the first occurrence on a Business Day during the Observation Period whereby the Spot Price is equal to or greater than the Call Price. For the avoidance of doubt, a Mandatory Call Event may occur in a pre-opening session or a closing auction session (if applicable) of a Business Day;

In respect of a series of BULL CBBCs:

“**Mandatory Call Event**” means the first occurrence on a Business Day during the Observation Period whereby the Spot Price is equal to or less than the Call Price. For the avoidance of doubt, a Mandatory Call Event may occur in a pre-opening session or a closing auction session (if applicable) of a 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 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 Units; or (b) any options or futures contracts relating to the Units if, in any case, that suspension or limitation is, in the determination of the Issuer, material or (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) the occurrence or existence on a Business Day of any other event or circumstance which relates to an emergency or which otherwise falls within the ambit of paragraph 572 of the Rules of the Exchange prescribed by the Stock Exchange, as determined by the Stock Exchange;

In respect of a series of BEAR CBBCs:

“**Mandatory Call Payoff**” means:

- (1) in respect of every Exercise Amount of Category N CBBCs, zero; and
- (2) in respect of every Exercise Amount of Category R CBBCs, an amount in the Settlement Currency calculated by the Issuer as equal to (a) the Entitlement (subject to adjustment as provided in Condition 6) multiplied by (i) the Strike Price (subject to adjustment as provided in Condition 6) less (ii) the Maximum Trade Price; less (b) Exercise Expenses;

In respect of a series of BULL CBBCs:

“**Mandatory Call Payoff**” means:

- (1) in respect of every Exercise Amount of Category N CBBCs, zero; and
- (2) in respect of every Exercise Amount of Category R CBBCs, an amount in the Settlement Currency calculated by the Issuer as equal to the (a) Entitlement (subject to adjustment as provided in Condition 6) multiplied by (i) the Minimum Trade Price less (ii) the Strike Price (subject to adjustment as provided in Condition 6); less (b) Exercise Expenses;

“Maximum Trade Price” means, in respect of Bear CBBCs, the Day High Price of the Units during the period from the time of the occurrence of the Mandatory Call Event up to the end of the next trading session (such next trading session, the **“Pricing Session”**) for callable bull/bear contracts on the Stock Exchange; provided that if the Issuer determines, in its sole discretion, that a Trading Session Disruption Event has occurred in the Pricing Session, then the Pricing Session shall be postponed to the first succeeding trading session not affected by a Trading Session Disruption Event unless there is a Trading Session Disruption Event occurring in each of the trading session in the four Business Days immediately following the original date of the trading session that, but for the Trading Session Disruption Event, would have been the Pricing Session. In that case (1) the last trading session on such fourth Business Day shall be deemed to be the Pricing Session, notwithstanding the Trading Session Disruption Event, and (2) the Issuer shall determine the Maximum Trade Price on the basis of its good faith estimate of such price that would have prevailed but for the Trading Session Disruption Event during such last trading session. For the avoidance of doubt: (1) a Pricing Session may take place on or after the Valuation Date, (2) no postponement will be made in respect of any Trading Session Disruption Event occurring during the trading session in which the Mandatory Call Event occurs and (3) a postponement of the Price Session to a later trading session would not result in the prices of trades that occurred after the Mandatory Call Event but before the occurrence of the Trading Session Disruption Event being excluded from the determination of Maximum Trade Price;

“Minimum Trade Price” means, in respect of Bull CBBCs, the Day Low Price of the Units during the period from the time of the occurrence of the Mandatory Call Event up to the end of the next trading session (such next trading session, the **“Pricing Session”**) for callable bull/bear contracts on the Stock Exchange; provided that if the issuer determines, in its sole discretion, that a Trading Session Disruption Event has occurred in the Pricing Session, then the Pricing Session shall be postponed to the first succeeding trading session not affected by a Trading Session Disruption Event unless there is a Trading Session Disruption Event occurring in each of the trading sessions in the four Business Days immediately following the original date of the trading session that, but for the Trading Session Disruption Event, would have been the Pricing Session. In that case (1) the last trading session on such fourth Business Day shall be deemed to be the Pricing Session, notwithstanding the Trading Session Disruption Event, and (2) the Issuer shall determine the Minimum Trade Price on the basis of its good faith estimate of such price that would have prevailed but for the Trading Session Disruption Event during such last trading session. For the avoidance of doubt: (1) a Pricing Session may take place on or after the Valuation Date, (2) no postponement will be made in respect of any Trading Session Disruption Event occurring during the trading session in which the Mandatory Call Event occurs and (3) a postponement of the Pricing Session to a later trading session would not result in the prices of trades that occurred after the Mandatory Call Event but before the occurrence of the Trading Session Disruption Event being excluded from the determination of Minimum Trade Price;

For the purpose of determining the Minimum Trade Price and the Maximum Trade Price:

- (1) the pre-opening session, the morning session and, if there is no afternoon session, the closing auction session (if applicable) of the same day; and
- (2) the afternoon session and the closing auction session (if applicable) of the same day, shall each be considered as one trading session only;

“Observation Commencement Date” means the date specified as such in the relevant Supplemental Listing Document;

“Observation Period” means the period from (and including) the Observation Commencement Date (or, if later, the first day of dealings in the CBBCs on the Stock Exchange) to (and including) the Trading Day immediately preceding the Expiry Date;

“Price Determination Date” means the date on which the Maximum Trade Price or the Minimum Trade Price, as the case may be, is determined by the Issuer;

“Settlement Day” means a Business Day on which the settlement services of CCASS (as prescribed in the CCASS Rules) are open for use by CCASS participants;

“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 Mandatory Call Payoff or the Cash Settlement Amount electronically through CCASS to the relevant bank account designated by the relevant Holder (**“Designated Bank Account”**);

“Spot Price” means the AMS Auto-matched Trade Price (excluding a trading price which does not lead to a Day High/Low Price) of the Units traded on the Stock Exchange during the continuous trading session or the final indicative Equilibrium Price (**“IEP”**) excluding the final IEP that does not lead to a Day High/Low Price) calculated at the end of the pre-order matching period of the pre-opening session or the closing auction session (as the case may be);

“Stock Exchange” means The Stock Exchange of Hong Kong limited;

“Strike Price” means the price specified as such in the relevant supplemental listing document subject to any adjustment in accordance with Condition 6;

“Trading Session Disruption Event” means (1) the occurrence of existence during a trading session 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 Units; or (b) any options or futures contracts relating to the Units if, in any such case, that suspension or limitation is, in the determination of the Issuer, material or (2) the hoisting of the tropical cyclone warning signal number 8 or above or the hoisting of a “BLACK” rainstorm signal which results in the Stock Exchange being closed for dealings or (3) the occurrence or existence during a trading session of any other event or circumstance which relates to an emergency or which otherwise falls within the ambit of paragraph 572 of the Rules of the Exchange prescribed by the Stock Exchange, as determined by the Stock Exchange PROVIDED THAT in such relevant trading session, there shall be no Trading Session Disruption Event if there is a continuous period of at least one hour during which (1), (2) and/or (3) or any combination thereof does not subsist;

For the purpose of determining the Trading Session Disruption Event:

- (1) the pre-opening session, the morning session and, if there is no afternoon session, the closing auction session (if applicable) of the same day; and
- (2) the afternoon session and the closing auction session (if applicable) of the same day, shall each be considered as one trading session only; and

“Trust” means the trust specified as such in the relevant supplemental listing document;

“Unit” means the unit specified as such in the relevant supplemental listing document;

“Valuation Date” means, with respect to the exercise of CBBCs, and subject as provided below in relation to a Market Disruption Event, the Business Day immediately preceding the Expiry Date.

3. Exercise of CBBCs, Mandatory Call Event, Automatic Exercise and Expiry

- (A) The CBBCs are exercisable on the Expiry Date, provided that a Mandatory Call Event has not occurred.
- (B) Upon the occurrence of a Mandatory Call Event, the CBBCs will terminate automatically on the Mandatory Call Date. Any CBBC in respect of which a Mandatory Call Event has occurred will entitle the Holder to receive the Mandatory Call Payoff (if any) in accordance with Condition 4(D).
- (C) Any CBBC which has not automatically expired on a Mandatory Call Date will automatically be exercised if, on the Expiry Date, the value of the Cash Settlement Amount is greater than zero (without prior notice being given to the Holders). The Holders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Holders the Cash Settlement Amount (if any) in accordance with Condition 4(D).
- (D) For the avoidance of doubt, where the CBBCs have been exercised on the Expiry Date or have automatically expired on a Mandatory Call Date (as the case may be), payment of the Cash Settlement Amount or the Mandatory Call Payoff (if any) (as the case may be) shall constitute full and final settlement of the obligations of the Issuer with respect to the CBBCs. Subject to such payment having been made, the Issuer shall have no obligation towards the relevant Holder under the CBBCs subsequent to such Expiry Date or Mandatory Call Date (as the case may be).
- (E) Any CBBC which does not automatically expire or which has not been automatically exercised in accordance with Condition 3(B) or Condition 3(C) (as the case may be) shall expire immediately without value thereafter and all rights of the Holder and obligations of the Issuer with respect to such CBBC shall cease.

4. Exercise of CBBCs, Cancellation and Payment

- (A) CBBCs may only be exercised in Board Lots or integral multiples thereof.
- (B) The Holders will not be required to deliver an exercise notice for any purpose in relation to the CBBCs.
- (C) The Issuer will procure that the Registrar will, with effect from the first Business Day following the Mandatory Call Date or the Expiry Date (as the case may be), remove from its register the name of the person in respect of the CBBCs which (i) are the subject of an occurrence of a Mandatory Call Event; (ii) are the subject of an exercise pursuant to automatic exercise in accordance with these Conditions; or (iii) have expired worthless, and thereby cancel the relevant CBBCs.
- (D) Subject to automatic exercise of CBBCs or the occurrence of a Mandatory Call Event in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Holder equal to the Mandatory Call Payoff or the Cash Settlement Amount (as the case may be).

The Mandatory Call Payoff or the Cash Settlement Amount shall be dispatched not later than the third Settlement Day following the Price Determination Date or the Valuation Date, as the case may be (“**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 Holder 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 Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of the Settlement Disruption Event, nor shall the Issuer be under any circumstances be liable for any acts or defaults of CCASS in relation to the performance of its duties in relation to the CBBCs.

If the Issuer determines, in its sole discretion, that on the Valuation Date a Market Disruption Event has occurred, then that Valuation Date shall be postponed to the first succeeding Business Day on which there is no Market Disruption Event unless there is a Market Disruption Event on each of the four Business Days immediately following the original date that, but for the Market Disruption Event, would have been the Valuation Date. In that case (i) that fourth Business Day following such original 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 Units on the basis of its good faith estimate of such price that would have prevailed but for the Market Disruption Event on that fourth Business Day.

5. Agent

- (A) The Agent will be acting as agent of the Issuer in respect of any CBBCs and will not assume any obligation or duty to or any relationship of agency or trust for the Holders.
- (B) The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the initial Agent and to appoint another agent provided that it will at all times maintain an agent in Hong Kong for so long as the CBBCs are listed on the Stock Exchange. Notice of any such termination or appointment will be given to the Holders in accordance with Condition 11.

6. Adjustments

- (A) *Rights Issues*. If and whenever the Trust shall, by way of Rights (as defined below), offer new Units for subscription at a fixed subscription price to the holders of existing Units 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 Units of the Trust becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{1 + M}{1 + (R/S) \times M}$$

- E: Existing Entitlement immediately prior to the Rights Offer
- S: Cum-Rights Unit price determined by the closing price on the Stock Exchange on the last Business Day on which Units are traded on a cum-Rights basis
- R: Subscription price per Unit as specified in the Rights Offer plus an amount equal to any distributions or other benefits foregone to exercise the Rights

M: Number of new Unit(s) (whether a whole or a fraction) per existing Unit 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 Strike Price and the Call Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by multiplying each of them by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. Such 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 Unit or needed to acquire one new Unit (as the case may be) which are given to the holders of existing Units to subscribe at a fixed subscription price for new Units 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 Trust shall make an issue of Units credited as fully paid to the holders of Units generally by way of capitalization of profits or reserves (other than pursuant to a scrip distribution or similar scheme for the time being operated by the Trust or otherwise in lieu of a cash distribution and without any payment or other consideration being made or given by such holders) (a **“Bonus Issue”**) the Entitlement will be adjusted on the Business Day on which trading in the Units of the Trust becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

Adjustment Factor = $1 + N$

E: Existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Units (whether a whole or a fraction) received by a holder of existing Units for each Unit 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 Strike Price and the Call Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by multiplying each of them by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. Such adjustments shall take effect on the same day that the Entitlement is adjusted.

- (C) *Subdivisions and Consolidations*. If and whenever the Trust shall subdivide its Units or any class of its outstanding Units into a greater number of units (a **“Subdivision”**) or consolidate the Units or any class of its outstanding Units into a smaller number of units (a **“Consolidation”**), then:

(i) in the case of a Subdivision, the Entitlement in effect immediately prior thereto will be increased whereas the Strike Price and the Call Price (which shall be rounded to the nearest Hong Kong dollar 0.001) will be decreased in the same ratio as the Subdivision; and

(ii) in the case of a Consolidation, the Entitlement in effect immediately prior thereto will be decreased whereas the Strike Price and the Call Price (which shall be rounded to the nearest Hong Kong dollar 0.001) will be increased in the same ratio as the Consolidation,

in each case on the day on which the relevant Subdivision or Consolidation (as the case may be) takes effect.

- (D) *Restructuring Events.* If it is announced that the Trust 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 Trust 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 CBBCs 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 CBBCs after the adjustment shall, after such Restructuring Event, relate to the number of units of the trust(s) resulting from or surviving such Restructuring Event or other securities (“**Substituted Securities**”) and/or cash offered in substitution for the affected Units, as the case may be, to which the holder of such number of Units to which the CBBCs 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 Units shall not be affected by this paragraph (D) and, where cash is offered in substitution for Units or is deemed to replace Substituted Securities as described above, references in these Conditions to the Units shall include any such cash.

- (E) *Cash Distribution.* Generally, no capital adjustment will be made for an ordinary cash distribution (whether or not it is offered with a script alternative) (“**Ordinary Distribution**”). For any other forms of cash distribution (each a “**Cash Distribution**”) announced by the Trust, such as a cash bonus, special distribution or extraordinary distribution, no capital adjustment will be made unless the value of the Cash Distribution accounts for 2 per cent. or more of the Unit’s closing price on the day of announcement by the Trust.

If and whenever the Trust shall make a Cash Distribution credited as fully paid to the holders of Units generally, the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Units of the Trust becomes ex-entitlement in respect of the relevant Cash Distribution (“**Cash Distribution Adjustment Date**”) in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{S - OD}{S - OD - CD}$$

E: The existing Entitlement immediately prior to the Cash Distribution

CD: The Cash Distribution per Unit

OD: The Ordinary Distribution per Unit, provided that the OD shall be zero if the date on which the Units are traded on an ex-Ordinary Distribution basis is not the Cash Distribution Adjustment Date

S: The closing price of an existing Unit on the Stock Exchange on the Business Day immediately preceding the Cash Distribution Adjustment Date

In addition, the Issuer shall adjust the Strike Price and the Call Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by multiplying each of them by the reciprocal of the

Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. These adjustment shall take effect on the Cash Distribution Adjustment Date.

(F) *Other Adjustments.* Except as provided in this Condition 6 and Condition 14, 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 CBBCs 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 Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction). For the avoidance of doubt, such adjustments may, but need not, be determined by reference to the adjustment(s) made in respect of such event or events by an options exchange to options on the relevant Units traded on such options exchange.

(G) *Notice of Adjustments.* All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Holders. 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 11.

7. Early Termination for Extraordinary Reasons, Illegality and Force Majeure

If the Issuer determines that, for reasons beyond its control, the performance of its obligations under the CBBCs has become illegal or impractical in whole or in part for any reason, or if the Issuer determines that, for reasons beyond its control, it is no longer legal or practical for it to maintain its hedging arrangements with respect to the CBBCs for any reason, the Issuer may at its discretion and without obligation terminate the CBBCs early by giving notice to the Holders in accordance with Condition 11.

Should any one or more of the provisions contained in the Conditions be or become invalid, the validity of the remaining provisions shall not in any way be affected thereby.

If the Issuer terminates the CBBCs early, then the Issuer will, if and to the extent permitted by applicable law, pay an amount to each Holder in respect of each CBBC held by such holder equal to the fair market value of a CBBC notwithstanding such illegality or impracticality less the cost to the Issuer of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion. Payment will be made in such manner as shall be notified to the Holders in accordance with Condition 11.

8. Purchases by the Issuer

The Issuer and/or any of its subsidiaries may at any time purchase CBBCs at any price in the open market or by tender or by private treaty. Any CBBCs so purchased may be held or resold or surrendered for cancellation.

9. Global Certificate

A global certificate (the “**Global Certificate**”) representing the CBBCs will be deposited within CCASS and registered in the name of the Nominee. The Global Certificate will not be exchangeable for definitive certificates.

10. Meetings of Holders and Modification

(A) *Meetings of Holders.* Notices for convening meetings to consider any matter affecting the Holder 's interests will be given to the Holder in accordance with the provisions of Condition 11.

Every question submitted to a meeting of the Holder shall be decided by poll. A meeting may be convened by the Issuer or by Holders holding not less than 10 percent of the CBBCs for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons (including any nominee appointed by the Holder) holding or representing not less than 25 percent of the CBBCs for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Holders whatever the number of CBBCs 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 Holders as, being entitled to do so, vote in person or by proxy.

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

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

- (B) *Modification.* The Issuer may, without the consent of the Holders, effect (i) any modification of the provisions of the CBBCs or the Instrument which is not materially prejudicial to the interests of the Holders or (ii) any modification of the provisions of the CBBCs or the Instrument which is of a formal, minor or technical nature, which is made to correct an obvious error or 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 Holders and shall be notified to them by the Agent before the effective date or as soon as practicable thereafter in accordance with Condition 11.

11. Notices

All notices in English and Chinese to the Holder will be validly given if published on the website of the Stock Exchange, www.hkex.com.hk (“**the HKEx website**”). In addition, copies of the notice will be dispatched by the Issuer to the Holder at its registered address by the first day that such notice appears on the HKEx website.

12. Liquidation

In the event of a liquidation or dissolution of the Trust 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 CBBCs 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. The Issuer shall pay a sum equal to its good faith estimate (determined at the Issuer’s sole discretion) of the value if any, of the CBBCs to the Holder.

13. Further Issues

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

14. Delisting

- (A) If at any time the Units 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 CBBCs 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 Holders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Holder or the tax or other consequences that may result in any particular jurisdiction).

- (B) Without prejudice to the generality of Condition 14(A), where the Units 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 Holders, make such adjustments to the entitlements of Holders on automatic expiry or 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 Holders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Holders in accordance with Condition 11 as soon as practicable after they are determined.

15. Taxation

The Issuer is not liable for or otherwise obliged to pay any tax, duty, withholding or other payment which may arise as a result of the ownership, transfer or exercise of any CBBCs.

16. Governing Law

The CBBCs and the Instrument 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 and each Holder (by its purchase of the CBBCs) shall be deemed to have submitted for all purposes in connection with the CBBCs and the Instrument to the non-exclusive jurisdiction of the courts of Hong Kong.

17. Language

A Chinese translation of these Conditions is available upon request during usual business hours on any weekday (Saturdays, Sundays, and holidays excepted) at the offices of the Agent. In the event of any inconsistency between the English version and the Chinese translation of these Conditions, the English version shall prevail and be governing.

Agent:

BOCI Securities Limited
20/F, Bank of China Tower
1 Garden Road
Hong Kong

APPENDIX 2
AUDITOR'S REPORT AND OUR CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

The information in this Appendix 2 has been extracted from our consolidated financial statements for the year ended 31 December 2009. The square bracketed page numbers in this Appendix refer to the pages of such document.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BOCI ASIA LIMITED

中銀國際亞洲有限公司

(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of BOCI Asia Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 4 to 76, which comprise the consolidated and Company statement of financial position as at 31 December 2009, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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 the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true 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. In addition, the directors also have a responsibility to ensure that the financial statements are in accordance with the records kept under the Hong Kong Securities and Futures (Keeping of Records) Rules and satisfy the requirements of the Hong Kong Securities and Futures (Accounts and Audit) Rules.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing and with reference to Practice Note 820 "The Audit of Licensed Corporations and Associated Entities of Intermediaries" issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement and whether the financial statements are in accordance with the records kept under the Hong Kong Securities and Futures (Keeping of Records) Rules and satisfy the requirements of the Hong Kong Securities and Futures (Accounts and Audit) Rules.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, 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 true 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.

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF BOCI ASIA LIMITED (Continued)**

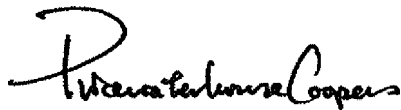
中銀國際亞洲有限公司
(incorporated in Hong Kong with limited liability)

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of the affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Report on matters under the Hong Kong Securities and Futures (Keeping of Records) Rules and the Hong Kong Securities and Futures (Accounts and Audit) Rules of the Hong Kong Securities and Futures Ordinance

In our opinion, the financial statements are in accordance with the records kept under the Hong Kong Securities and Futures (Keeping of Records) Rules and satisfy the requirements of the Hong Kong Securities and Futures (Accounts and Audit) Rules.



PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 17 March 2010

BOCI ASIA LIMITED
中銀國際亞洲有限公司

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	2009 HK\$	2008 HK\$
Revenue	5	3,002,525,456	1,461,359,839
Other revenue	6	<u>168,209,454</u>	<u>96,944,688</u>
Total revenue		<u>3,170,734,910</u>	<u>1,558,304,527</u>
Staff costs	7	(764,441,280)	(142,521,910)
Commission and clearing expenses		(790,835,296)	(465,161,416)
Operating lease rental in respect of leased premises		(37,895,720)	(39,050,133)
Depreciation		(49,745,253)	(40,961,416)
Information technology and communications expenses		(104,864,755)	(87,581,163)
Management fee to related companies		(392,617,632)	(160,369,947)
Other operating expenses	9	<u>(99,092,196)</u>	<u>(79,522,045)</u>
		<u>(2,239,492,132)</u>	<u>(1,015,168,030)</u>
Finance costs	10	<u>(31,842,533)</u>	<u>(94,902,939)</u>
Profit before taxation		899,400,245	448,233,558
Income tax expense	11	<u>(143,688,296)</u>	<u>(49,730,736)</u>
Profit after taxation for the year		<u>755,711,949</u>	<u>398,502,822</u>
Attributable to:			
Equity holders of the Company		<u>755,711,949</u>	<u>398,502,822</u>
Dividends	13	<u>–</u>	<u>1,046,000,000</u>

The notes on pages 11 to 76 are an integral part of these consolidated financial statements.

BOCI ASIA LIMITED
中銀國際亞洲有限公司

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	2009 HK\$	2008 HK\$
Profit after taxation for the year		755,711,949	398,502,822
		-----	-----
Other comprehensive income:			
Release of reserve upon disposal of available-for-sale financial assets		—	155,289
		-----	-----
Total comprehensive income for the year		755,711,949	398,658,111
		=====	=====
Attributable to:			
Equity holders of the Company		755,711,949	398,658,111
		=====	=====

The notes on pages 11 to 76 are an integral part of these consolidated financial statements.

BOCI ASIA LIMITED
中銀國際亞洲有限公司

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009

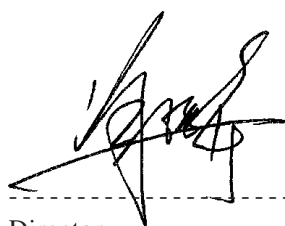
	Note	2009 HK\$	2008 HK\$
ASSETS			
Non-current assets			
Plant and equipment	14	71,365,907	114,452,156
Intangible assets	15	49,715,218	49,715,218
Deferred income tax assets	17	16,871,034	57,848,520
Available-for-sale financial assets	18	855,000	855,000
Statutory deposits and other assets		11,581,169	9,613,770
		<u>150,388,328</u>	<u>232,484,664</u>
Current assets			
Financial assets at fair value through profit or loss	19	636,276,692	424,620,211
Derivative financial instruments	20	6,717,645	12,994,806
Loans and receivables	21	11,610,635,261	4,008,442,743
Amounts due from immediate holding company	23	1,383,212,737	904,607,509
Cash and balances with banks	22	3,320,758,349	1,667,138,175
		<u>16,957,600,684</u>	<u>7,017,803,444</u>
Total assets		<u>17,107,989,012</u>	<u>7,250,288,108</u>
LIABILITIES			
Current liabilities			
Subordinated loans from immediate holding company	24	2,645,000,000	385,000,000
Amounts due to immediate holding company	23	1,708,229,419	46,616,451
Accounts and other payables	25	6,285,426,483	3,273,339,765
Deposits from customers	26	2,469,792,088	389,766,577
Derivative financial instruments	20	88,503,216	91,725,712
Financial liabilities at fair value through profit or loss	27	402,170,295	288,146,386
Taxation payable		24,385,144	51,901,919
		<u>13,623,506,645</u>	<u>4,526,496,810</u>
Non-current liabilities			
Deferred income tax liabilities	17	6,846,283	1,867,163
Total liabilities		<u>13,630,352,928</u>	<u>4,528,363,973</u>

The notes on pages 11 to 76 are an integral part of these consolidated financial statements.

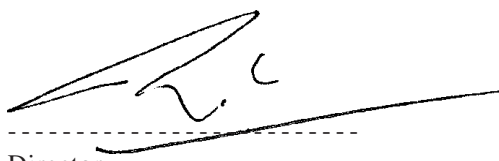
BOCI ASIA LIMITED
中銀國際亞洲有限公司

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2009

	Note	2009 HK\$	2008 HK\$
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	28	2,000,000,000	2,000,000,000
Reserve for fair value changes of available-for-sale financial assets		95,000	95,000
Retained earnings		<u>1,477,541,084</u>	<u>721,829,135</u>
		<u>3,477,636,084</u>	<u>2,721,924,135</u>
Total liabilities and equity		<u>17,107,989,012</u>	<u>7,250,288,108</u>



 Director



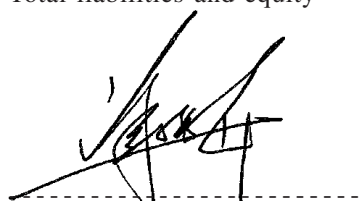
 Director

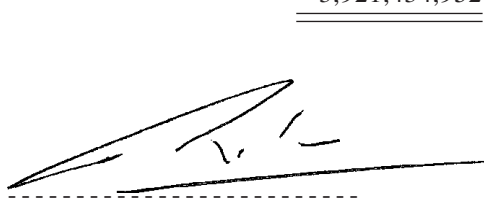
The notes on pages 11 to 76 are an integral part of these consolidated financial statements.

BOCI ASIA LIMITED
中銀國際亞洲有限公司

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009

	Note	2009 HK\$	2008 HK\$
ASSETS			
Non-current assets			
Plant and equipment	14	1,367,316	2,083,117
Investment in subsidiaries	16	1,137,792,046	822,792,045
Statutory deposits and other assets		55,000	55,000
Deferred income tax assets	17	16,871,034	57,848,520
		<u>1,156,085,396</u>	<u>882,778,682</u>
Current assets			
Financial assets at fair value through profit or loss	19	635,656,010	424,360,372
Derivative financial instruments	20	1,018,858	5,649,718
Loans and receivables	21	415,560,464	166,982,158
Amounts due from immediate holding company	23	1,274,581,044	1,169,056,613
Cash and balances with banks	22	438,533,180	539,990,978
		<u>2,765,349,556</u>	<u>2,306,039,839</u>
Total assets		<u>3,921,434,952</u>	<u>3,188,818,521</u>
LIABILITIES			
Current liabilities			
Subordinated loans from immediate holding company	24	385,000,000	385,000,000
Amounts due to immediate holding company	23	206,041,050	46,620,000
Accounts and other payables	25	312,905,985	71,992,260
Derivative financial instruments	20	82,810,321	84,395,859
Financial liabilities at fair value through profit or loss	27	402,170,295	288,146,386
Taxation payable		19,051,813	18,572,095
		<u>1,407,979,464</u>	<u>894,726,600</u>
Total liabilities		<u>1,407,979,464</u>	<u>894,726,600</u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	28	2,000,000,000	2,000,000,000
Retained earnings	29	513,455,488	294,091,921
		<u>2,513,455,488</u>	<u>2,294,091,921</u>
Total liabilities and equity		<u>3,921,434,952</u>	<u>3,188,818,521</u>


 Director


 Director

The notes on pages 11 to 76 are an integral part of these consolidated financial statements.

BOCI ASIA LIMITED
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	Attributable to equity holders of the Company			Total HK\$
		Share capital HK\$	Reserve for fair value changes of available-for-sale financial assets HK\$	Retained earnings HK\$	
Balance at 1 January 2008		2,000,000,000	(60,289)	1,369,326,313	3,369,266,024
Other comprehensive income:					
Release of reserve upon disposal of available-for-sale financial assets		–	155,289	–	155,289
Net profit for the year		–	–	398,502,822	398,502,822
Total comprehensive income		–	155,289	398,502,822	398,658,111
Interim dividend paid relating to 2008	13	–	–	(1,046,000,000)	(1,046,000,000)
Balance at 31 December 2008		2,000,000,000	95,000	721,829,135	2,721,924,135
Balance at 1 January 2009		2,000,000,000	95,000	721,829,135	2,721,924,135
Total Comprehensive income		–	–	755,711,949	755,711,949
Balance at 31 December 2009		2,000,000,000	95,000	1,477,541,084	3,477,636,084

The notes on pages 11 to 76 are an integral part of these consolidated financial statements.

BOCI ASIA LIMITED
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CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	2009 HK\$	2008 HK\$
Cash flow from operating activities			
Net cash (outflow)/inflow from operating activities	30	<u>(596,910,229)</u>	<u>2,919,473,375</u>
Investing activities			
Purchase of plant and equipment		(7,502,198)	(68,434,801)
Sale proceed of plant and equipment		–	81,965
Increase in statutory deposits and other assets		<u>(1,967,399)</u>	<u>(1,468,922)</u>
Net cash outflow from investing activities		<u>(9,469,597)</u>	<u>(69,821,758)</u>
Net cash (outflow)/inflow before financing activities		<u>(606,379,826)</u>	<u>2,849,651,617</u>
Financing activities			
Net proceeds/(repayment) from subordinated loans		2,260,000,000	(2,450,000,000)
Dividends paid to equity holders		–	<u>(1,046,000,000)</u>
Net cash inflow/(outflow) from financing activities		<u>2,260,000,000</u>	<u>(3,496,000,000)</u>
Increase/(decrease) in cash and cash equivalents		1,653,620,174	(646,348,383)
Cash and cash equivalents at 1 January		<u>1,667,138,175</u>	<u>2,313,486,558</u>
Cash and cash equivalents at 31 December		<u><u>3,320,758,349</u></u>	<u><u>1,667,138,175</u></u>
Analysis of balance of cash and cash equivalents			
Bank and cash balances	22	<u><u>3,320,758,349</u></u>	<u><u>1,667,138,175</u></u>

The notes on pages 11 to 76 are an integral part of these consolidated financial statements.

BOCI ASIA LIMITED
中銀國際亞洲有限公司

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

BOCI Asia Limited (“the Company”) is a limited liability company incorporated in Hong Kong. The address of its registered office is 26/F, Bank of China Tower, 1 Garden Road, Central, Hong Kong.

The consolidated financial statements of the Company for the year ended 31 December 2009 comprise the Company and its subsidiaries (together referred to as the “Group”).

The Group provides a broad range of investment banking services for a diverse group of domestic and international companies, financial institutions, government agencies and individuals through its subsidiaries and affiliates in Hong Kong. The Group engages in underwriting and financial advisory, sales and trading of securities, and trading of financial instruments.

These consolidated financial statements are presented in Hong Kong dollars (HK\$), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 17 March 2010.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of BOCI Asia Limited have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRSs which is a collective term including all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale investments, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 33.

BOCI ASIA LIMITED
中銀國際亞洲有限公司

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(a) Standards, amendment and interpretations effective in 2009 and relevant to the Group's operations

- Amendments to HKFRS 7, 'Financial instruments: Disclosures'. The amendment requires enhanced disclosures about fair value measurements and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment results in additional disclosures but does not have an impact on the financial position or the comprehensive income of the Group.
- HKAS 1 (revised), 'Presentation of financial statements'. It prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Since the change in accounting policy only impacts presentation aspects, there is no impact on retained earnings.
- HKFRS 8, 'Operating segments'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in additional segment information presented in the financial statements. The segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker.

(b) Interpretations that are effective in 2009 but not relevant to the Group's operations

The following interpretation to published standards is mandatory for accounting periods beginning on or after 1 January 2009 but is not relevant to the Group's operations:

- HKFRS 2, 'Share-based payment' - Vesting conditions and cancellations.
- HKAS 23, 'Borrowing costs'.
- HKAS 32 and HKAS 1, 'Puttable financial instruments and obligations arising on liquidation'.
- HKFRIC 16, 'Hedges of a net investment in a foreign operation'.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(c) Standards, amendments and interpretations that are relevant to the Group's operations but are not yet effective and have not been early adopted by the Group

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods, but the Group has early adopted them:

- HKAS 24 (Revised), 'Related party disclosures', was early adopted in 2009. The amendment introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government-related entities and the government. Those disclosures are replaced with a requirement to disclose 1) the name of the government and the nature of their relationship; and 2) the nature and amount of any individually-significant transactions; and 3) the extent of any collectively-significant transactions qualitatively or quantitatively. It also clarifies and simplifies the definition of a related party.
- Amendment to HKFRS 8 'Operating segments', effective for periods beginning on or after 1 January 2010, was early adopted in 2009. Disclosure of information about total assets and liabilities for each reportable segment is required only if such amounts are regularly provided to the chief operating decision maker. Early adoption is allowed. The Group has early adopted this HKFRS 8 for the period beginning 1 January 2009.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(d) Standards, amendments and interpretations that not yet effective and have not been early adopted by the Group

The following standards and amendments to existing standards have been published and are mandatory and relevant for the Group's accounting periods beginning on or after 1 January 2010 or later periods, but the Group has not early adopted them:

- HKFRS 1 and HKAS 27, 'Cost of an investment in a subsidiary, jointly-controlled entity or associate'. The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from HKAS 27 and requires an entity to present dividends from investments in subsidiaries, jointly controlled entities and associates as income in the separate financial statements of the investor.
- HKFRS 3, 'Business combinations'. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (revised) prospectively to all business combinations from 1 January 2010.
- HKAS 27, 'Consolidated and separate financial statements'. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost; any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply HKAS 27 (revised) prospectively to transactions with non-controlling interests from 1 January 2010. In the future, this guidance will also tend to produce higher volatility in equity and/or earnings in connection with the acquisition of interests by the Group.
- HKAS 39, 'Financial instruments: Recognition and measurement – Eligible hedged items'. It provides guidance for two situations. On the designation of a one-sided risk in a hedged item, HKAS 39 concludes that a purchased option designated in its entirety as the hedging instrument of a one-sided risk will not be perfectly effective. The designation of inflation as a hedged risk or portion is not permitted unless in particular situations. This will not give rise to any changes to the Group's financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(d) Standards, amendments and interpretations that not yet effective and have not been early adopted by the Group (Continued)

- 'Improvements to HKFRS' contains numerous amendments to HKFRS that the HKICPA considers non-urgent but necessary. 'Improvements to HKFRS' comprise amendments that result in accounting changes for presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual HKFRS standards. Most of the amendments are effective for annual periods beginning on or after 1 January 2009 and 1 January 2010 respectively, with earlier application permitted. No material changes to accounting policies are expected as a result of these amendments.
- HKFRS 9, 'Financial instruments part 1: Classification and measurement'. Key features are as follows:

Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

An instrument is subsequently measured at amortised cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (that is, it has only 'basic loan features'). All other debt instruments are to be measured at fair value through profit or loss.

All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognize unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

While adoption of HKFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted. The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

There are other standards and amendments to existing standards have been published and are mandatory for accounting periods beginning on or after 1 January 2010 or later periods, but are not relevant to the Group.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.2 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December.

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's statement of financial position, the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the available-for-sale reserve in equity.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

BOCI ASIA LIMITED
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.4 Plant and equipment

Plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Costs include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Depreciation of plant and equipment is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

- Leasehold improvements 5 years
- Furniture, fixtures and equipment 3 – 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2.5 Intangible assets – goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary and associate entity at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investment in associates and is tested annually for impairment as part of the overall balance separately recognised. Goodwill is carried at cost less accumulated impairment loss and is tested annually for impairment. Impairment losses on goodwill are not reversed. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Group allocates goodwill to each business segment in each country in which it operates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.6 Impairment of investment in subsidiaries and associates and non-financial assets

Assets that have an indefinite useful life are not subject to amortisation, but are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets others than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its investments at initial recognition.

(a) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the short term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of recent actual pattern of short-term profit-making.

A financial asset is typically classified as fair value through profit or loss at inception if it meets the following criteria:

- (i) The designation eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as "accounting mismatch") that would otherwise arise from measuring the financial assets or financial liabilities or recognising the gains and losses on them on different bases; or
- (ii) A group of financial assets and/ or financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and this is the basis on which information about the financial assets and/ or financial liabilities is provided internally to the management.
- (iii) The designation relates to financial instruments containing one or more embedded derivative that significantly modifies the cash flow resulting from those financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.7 Financial assets (Continued)

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in accounts and other receivables in the balance sheet.

(c) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

(d) Available-for-sale investments

Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale investments and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement when the Group's right to receive payments is established.

Unrealised gains and losses arising from changes in the fair value of available-for-sale investments are recognised in equity, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in the equity should be recognised in the income statement. However, interest calculated using the effective interest method is recognised in the income statement.

BOCI ASIA LIMITED
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.7 Financial assets (Continued)

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the securities and other changes in the carrying amount of the securities. The translation differences on monetary securities are recognised in income statement; translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active or the securities are unlisted, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

2.8 Impairment of financial assets

(a) Assets carried at amortised cost

A provision for impairment of loans and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within other operating expenses. When a loan or receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against other operating expenses in the income statement.

(b) Assets classified as available-for-sale

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.10 Financial liabilities

Financial liabilities are classified into two categories: financial liabilities at fair value through profit or loss and other financial liabilities. All financial liabilities are classified at inception and recognised initially at fair value. Fair value represents quoted prices if active market exists. When no active market exists, fair value is estimated by valuation techniques that are commonly used by market participants or dealer quotes. Changes in fair values of such instruments are recognised in the income statement.

(a) Financial liabilities at fair value through profit or loss

This category has two sub-categories: financial liabilities held for trading, and those designated at fair value through profit or loss at inception.

A financial liability is classified as held for trading if it is incurred principally for the purpose of repurchasing in the short term. It is carried at fair value and any gains and losses from changes in fair value are recognised in the income statement.

A financial liability is typically classified as fair value through profit or loss at inception if it meets the following criteria:

- (i) The designation eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as “an accounting mismatch”) that would otherwise arise from measuring the financial assets or financial liabilities or recognising the gains and losses on them on different bases;
- (ii) A group of financial assets and/ or financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and this is the basis on which information about the financial assets and/ or financial liabilities is provided internally to the management; or
- (iii) The designation relates to financial instruments containing one or more embedded derivative that significantly modifies the cash flow resulting from those financial instruments.

Financial liabilities at fair value through profit or loss, including structured notes issued embedded with certain derivatives, are designated as such at inception. Financial liabilities designated at fair value through profit or loss are carried at fair value and any gains and losses from changes in fair value are recognised in the income statement.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.10 Financial liabilities (Continued)

(b) Other financial liabilities

Other financial liabilities are carried at amortised cost. Any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the other financial liabilities using the effective interest method.

2.11 Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are recognised immediately in the income statement.

Certain derivatives embedded in other financial instruments, such as the conversion option in a convertible bond, are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.12 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.12 Provisions (Continued)

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

2.13 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave or paternity leave are not recognised until the time of leave.

(b) Bonus plans

Provisions for bonus plans are recognised when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

The Group recognises a liability and an expense for bonuses, with reference to the performance of the Group. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation. Liabilities for bonus plans that are expected to be settled within twelve months are measured at the amounts expected to be paid when they are settled.

Bonus payments that are not due wholly within twelve months after the end of the year in which the employees render the related services are included as other long-term employee benefits. The long-term employee benefits are measured at the present value of the expected payments which also reflects the possibility that some employees may leave without receiving the bonus.

(c) Pension obligations

The Group offers a mandatory provident fund scheme and a defined contribution plan, the assets of which are generally held in separate trustee-administered funds. These pension plans are generally funded by payments from employees and by the Group.

The Group's contributions to the mandatory provident fund scheme and the defined contribution retirement schemes are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.14 Income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates entities, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not be reversed in the foreseeable future.

Income tax payable on profits, based on the applicable tax law in each jurisdiction, is recognised as an expense in the period in which profits arise. The tax effects of income tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred tax related to fair value re-measurement of available-for-sale investments and cash flow hedges, which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the income statement together with the deferred gain or loss.

2.15 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the period of the lease.

2.16 Dividend distribution

Dividend distribution to the Company's equity holders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Board of Directors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.17 Turnover and revenue recognition

Turnover comprises (i) brokerage commission, (ii) underwriting and placement commission, (iii) corporate finance and other fees, (iv) net realised / unrealised gain on financial assets and financial liabilities, (v) dividend income from financial assets held for trading, and (vi) interest income from bank deposits, loans and margin loans to customers.

Brokerage commission is recognised on a trade-date basis.

Underwriting and placement commission is recognised in accordance with the terms of the underlying agreements and mandates.

Corporate finance and other fees are recognised when services are rendered.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of available-for-sale investments are recognised directly in equity, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in the equity should be recognised in the income statement.

Dividend income is recognised when the right to receive payment is established.

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

2.18 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.19 Fiduciary activities

Trust accounts maintained by the Group to hold clients' monies are treated as the off-balance sheet items and disclosed in notes to the financial statements.

3 Financial risk management

The activities of the Group exposed it to a variety of financial risks: market risk (e.g. currency risk, interest rate risk and equity risk), credit risk and liquidity risk.

The Company is a wholly owned subsidiary of BOC International Holdings Limited. Its risk management policies follow consistently with that of its immediate holding company (collectively refer to "BOCI Group" in this section). The BOCI Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to recognise potential adverse effects on BOCI Group's financial performance.

The Company is managed under BOCI Group's risk management structure as follows:

Risk management organisation

BOCI Group's risk management organisation seeks to maximize returns while maintaining a strong and prudent risk management by promoting transparency and accuracy in its risk assessment and management processes. BOCI Group's risk management organisation consists of the following main components:

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

Board level

The Board of Directors of the immediate holding company is responsible for setting the fundamental strategic goals and risk vision of BOCI Group. The Board of Directors appoints the Risk Management Committee (“RMC”) and the Audit Committee (“AC”), which assist the Board in overseeing BOCI Group’s risk management functions.

RMC is responsible for assisting the Board of Directors in fulfilling their oversight responsibilities by providing guidance regarding the risk governance and the development of acceptable risk profile. RMC approves new business proposal and conducts regular review of major risk exposures and the approval of risk limits to ensure that BOCI Group’s risk-taking activities are consistent with its business strategy, capital structure, and risk tolerance.

AC is responsible for assisting the Board of Directors in fulfilling their oversight responsibilities by monitoring the entire risk management process. Additionally, it is responsible for ensuring the independence of the internal and external auditors.

Management level

The Executive Committee is composed of the Chief Executive Officer, Deputy Chief Executive Officer, Chief Operating Officer, Chief Risk Officer and heads of major divisions. It operates on a partnership model to provide integrated executive leadership. Moreover, it is responsible for the appointment and operation of the Risk Control Committee (“RCC”) and the Commitment Committee (“CC”).

RCC and CC derive their decision-making authority from RMC and the Executive Committee. They meet regularly and consist of BOCI Group’s senior management, business heads and heads of the control and support units:

The RCC is responsible for overseeing the risk management process of BOCI Group and is responsible for:

- Approving new product proposal in business units;
- Setting risk tolerance and limits for business units; and
- Supervising and coordinating BOCI Group’s risk management activities, and reviewing the completeness and effectiveness of risk management infrastructures, to facilitate the building of risk culture.

The CC is composed of senior management representing the business, compliance and support units. It is responsible for overseeing BOCI Group’s underwriting, distribution and financial advisory business activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

Risk control functions

The segregation of duties and the integrity of operating systems within BOCI Group are two basic features of BOCI Group's practice. Control and support units such as risk management, finance and treasury, legal and compliance, human resources, operations and information technology are independent of the business reporting lines. These units contribute to BOCI Group's risk management system through their complementary reporting and control functions. The Risk Management Division ("RMD") evaluates and monitors the market risk of trading book and credit risk exposure on regular basis. RMD reports any risk issues and risk analysis on business proposals to RCC, RMC and the Board. Finance & Treasury Division ("FTD") evaluates and monitors the market risk of non-trading book.

3.1 Market risk

BOCI Group takes on exposure to market risks, which is the risk that the market value or fair value of a financial instrument will fluctuate because of changes in market parameters. Market risks arise from open positions in interest rate, currency and equity products.

BOCI Group's market risk mainly arises from its proprietary trading business, which comprises equity derivatives and fixed income trading units, and is regularly monitored by RMD (hereafter collectively refer to as "trading book" and refer to 3.1.1, 3.1.2, 3.1.3 and 3.1.4 for details on risk monitoring). The trading book in the Group mainly represents the financial positions classified as financial assets at fair value through profit and loss in the balance sheets.

The remaining market risk of the Group arises from non-trading activities (hereafter collectively refer to as "non-trading book") and is managed by FTD. Non-trading book market risk generally arises from investment in available-for-sale debt securities held for liquidity purposes as well as investments in available-for-sale debt securities are restricted to high quality securities and subject to daily mark-to-market and monitoring.

3.1.1 Value at risk and stress test

BOCI Group adopts the Value at Risk ("VaR") approach to derive quantitative measures for trading book market risks under normal market conditions. The Board sets VaR limits on both equity derivatives and fixed income units that may be undertaken. BOCI Group monitors VaR separately for equity derivatives unit and fixed income unit and each on a group basis, therefore no separate VaR is prepared. BOCI Group's exposure to non-trading book is not considered to be significant and no VAR is prepared.

VaR is an estimate of the maximum potential loss in a defined period under defined confidence level in normal market conditions. Diversification effects within and across portfolios are taken into account either explicitly through the use of analytical formulae with pre-determined correlations or implicitly through the use of historical simulations. BOCI Group calculates VaR using a 99% confidence level and a holding period of 1 day. However, the use of this approach does not prevent losses outside these limits in the event of more significant market movement.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.1.1 Value at risk and stress test (Continued)

BOCI Group performs back testing on a regular basis to assess the predictive power of the VaR calculations. Back testing involves comparing actual daily profit and loss with VaR estimates. BOCI Group will review the VaR model if the back testing does not show a satisfactory result.

Stress testing is used as a supplement to BOCI Group's VaR analysis. The Board sets stress limits on both equity derivatives and fixed income desks that may be undertaken. Potential future stress loss is assessed using a number of hypothetical extreme market scenarios include the stress scenarios of different risk parameters such as equity level, volatilities, interest rate and credit spread. Stress scenarios are regularly reviewed to reflect a more updated and relevant market conditions and company business operations.

3.1.2 Equity risk

The value of the equity derivative portfolio held by BOCI Group is mainly subject to change in market volatility and share price of the underlying equity securities.

The table below shows the equity risk in the Group's equity positions for hypothetical changes in underlying prices and volatilities. No correlation is taken into consideration in presenting the below analysis.

31 December 2009		Change in volatility		
HK\$ million				
Change in equity price		10%	0%	-10%
10%		(13.1)	5.4	23.9
-10%		(24.1)	(5.6)	(12.8)

31 December 2008		Change in volatility		
HK\$ million				
Change in equity price		10%	0%	-10%
10%		7.7	17.4	27.2
-10%		(27.3)	(17.6)	(7.7)

The Group does not have non-trading book exposure to equity price risk as at 31 December 2009 and 31 December 2008.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.1.3 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in interest rates. BOCI Group takes on exposure on both fair value and cash flow interest rate risks.

Interest rate risk from trading book is monitored by RMD by using VaR tools on daily basis. For non-trading book interest rate risk, the Board sets limits on the level of mismatch of interest rate repricing, duration gap and stress test that may be undertaken, which is monitored on a regular basis by FTD.

The table below summarises the Group's exposure to interest rate risks. Included in the table are the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

The following table shows the expected repricing dates (or maturity dates whichever are earlier) for assets and liabilities at the balance sheet date.

	Less than 1 month HK\$'000	Between 1-3 months HK\$'000	Between 3-12 months HK\$'000	Between 1-5 years HK\$'000	Non-interest bearing HK\$'000	Total HK\$'000
At 31 December 2009						
Amounts due from immediate holding company	–	–	–	–	1,383,213	1,383,213
Statutory deposits and other assets	–	–	–	–	11,581	11,581
Available-for-sale financial assets	–	–	–	–	855	855
Financial assets at fair value through profit or loss	–	–	–	81,481	554,796	636,277
Derivative financial instruments	–	–	–	–	6,718	6,718
Accounts and other receivables	–	–	–	–	5,961,710	5,961,710
Loans to customers	5,489,805	147,120	12,000	–	–	5,648,925
Cash and cash equivalents	2,147,476	788,201	277,740	–	107,341	3,320,758
Others	–	–	–	–	137,952	137,952
Total assets	7,637,281	935,321	289,740	81,481	8,164,167	17,107,989
Amounts due to immediate holding company	–	–	–	–	1,708,229	1,708,229
Subordinated loans from immediate holding company	2,645,000	–	–	–	–	2,645,000
Accounts and other payables	–	–	–	–	6,285,426	6,285,426
Deposits from customers	1,652,211	735,774	81,807	–	–	2,469,792
Derivative financial instruments	–	–	–	–	88,503	88,503
Financial liabilities at fair value through profit or loss	–	–	80,710	–	321,460	402,170
Others	–	–	–	–	31,231	31,231
Total liabilities	4,297,211	735,774	162,517	–	8,434,848	13,630,351
Total interest repricing gap	3,340,070	199,547	127,223	81,481		

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.1.3 Interest rate risk (Continued)

At 31 December 2008	Less than 1 month HK\$'000	Between 1-3 months HK\$'000	Between 3-12 months HK\$'000	Between 1-5 years HK\$'000	Non-interest bearing HK\$'000	Total HK\$'000
Amounts due from immediate holding company	–	–	–	–	904,608	904,608
Statutory deposits and other assets	–	–	–	–	9,614	9,614
Available-for-sale financial assets	–	–	–	–	855	855
Financial assets at fair value through profit or loss	–	–	–	80,056	344,564	424,620
Derivative financial instruments	–	–	–	–	12,995	12,995
Accounts and other receivables	–	–	–	–	3,215,238	3,215,238
Loans to customers	793,204	–	–	–	–	793,204
Cash and cash equivalents	1,502,409	10,724	–	–	154,005	1,667,138
Others	–	–	–	–	222,016	222,016
Total assets	2,295,613	10,724	–	80,056	4,863,895	7,250,288
Amounts due to immediate holding company	–	–	–	–	46,616	46,616
Subordinated loans from immediate holding company	385,000	–	–	–	–	385,000
Accounts and other payables	–	–	–	–	3,273,340	3,273,340
Deposits from customers	373,212	16,455	100	–	–	389,767
Derivative financial instruments	–	–	–	–	91,726	91,726
Financial liabilities at fair value through profit or loss	–	–	45,787	79,308	163,051	288,146
Others	–	–	–	–	53,769	53,769
Total liabilities	758,212	16,455	45,887	79,308	3,628,502	4,528,364
Total interest repricing gap	1,537,401	(5,731)	(45,887)	748		

As at 31 December 2009, if market interest rates for HK dollars, US dollars, Euro, and Yen had been 100 basis point higher or lower with other variables held constant, profit before taxation for the year would have been approximately HK\$37 million (2008: HK\$15 million) higher or lower, mainly as a result of higher or lower net interest income earned on floating rate bank balances, loans to customers, subordinated loan from immediate holding company, deposits from customers, and higher or lower net income from financial instruments designated at fair value through profit or loss as a result of revaluation of fixed rate financial instruments.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.1.4 Foreign exchange risk

BOCI Group operates internationally and is exposed to foreign exchange risk arising from various currency rates fluctuations.

The foreign exchange risk of trading book is managed in BOCI Group either by using foreign exchange spots or other derivative transactions. It is controlled under the risk management framework, including VaR and stress limits.

For non-trading book, the Board set limits on individual and aggregate open positions of various currencies. Stress loss limits of non-trading book are also set. The foreign exchange risk of non-trading book is monitored by FTD on daily basis. As at 31 December 2009, the Group did not have significant open foreign currency positions, except for USD. The USD net long open position amounted to approximately HK\$59 million (2008: net long position of HK\$107 million).

USD denominated assets mainly consists of short-term deposits, loans and receivables, while USD denominated liabilities include accounts and other payables, deposits from customers and amounts due to fellow subsidiaries.

As HKD is pegged to USD, the Group does not expose to significant exchange risk.

3.2 Credit risk

Credit risk represents the loss that the Group would suffer if a client or counterparty fails to meet its contractual obligations. Credit exposures arise principally in loans and receivables, debt securities and derivative financial instruments. There is also credit risk in off-balance sheet financial arrangements such as loan commitments. The credit risk management and control are centralised in RMD.

3.2.1 Loans and receivables

BOCI Group assesses credit risk of loans to corporate and individual clients and to financial institutions by performing credit assessment.

The credit risk management system of BOCI Group comprises of pre-trade and post-trade credit control functions.

Regarding the pre-trade credit control functions, BOCI Group has policies and procedures in place to ensure that credits are granted to clients with appropriate creditworthiness. BOCI Group has its own in-house assessment methodologies for evaluating the creditworthiness of its counterparties. BOCI Group credit approval process involves a detailed assessment of the counterparty's creditworthiness and also the risks related to the specific type of credit facility applied for.

Credit limits are set up to cap the maximum credit exposures that BOCI Group intends to assume over specified periods. BOCI Group's credit policy and procedure also sets out the procedures for the approval of exceptional cases when BOCI Group may assume exposures beyond the set limits.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.2 Credit risk (Continued)

3.2.1 Loans and receivables (Continued)

Exposure to credit risk is managed in part by obtaining collateral from the counterparties. BOCI Group has maintained relationships with various financial institutions and other counterparties, and has credit limits in place for these counterparties.

Post-trade credit control encompasses exposure and collateral monitoring and reporting. Collaterals covering the credit risk exposure in case of default are subject to mark-to-market and monitoring on a daily basis (refer to 3.2.4 for details).

In, particular, credit risk from customer securities dealing receivables under securities brokerage business is normally controlled through delivery-against-payment settlement and custody arrangement.

3.2.2 Debt securities and derivatives

Credit risk is inherent in debt securities and derivatives.

BOCI Group assesses credit risk of derivative counterparties using external credit ratings and internal credit assessment. BOCI Group controls the credit exposures by imposing potential market exposure limits. At any one time, the amount subject to credit risk includes (i) the current fair value of instruments that are favourable to BOCI Group (i.e., assets where their fair values are positive) and (ii) the potential exposures of each counterparty from market movements. The credit risk exposure is monitored on a daily basis and collateral is obtained to mitigate the credit risk depending on credit assessment of the counterparty.

Settlement risk arises in any situation where a payment in cash, securities or equities is made in the expectation of a corresponding receipt in cash, securities or equities. Daily settlement limits are established for each counterparty to cover the aggregate settlement risk arising from BOCI Group's market transactions on any single day.

Credit risk management of trading book debt securities is mainly on portfolio basis. Issuer concentration limit and country concentration limit are set. Debt securities in trading book are monitored under the risk management framework, including VaR and stress limits.

3.2.3 Netting arrangement

BOCI Group further restricts its exposure to credit losses by entering into netting arrangements with counterparties with which it undertakes a significant volume of foreign exchange and exchange rate option transactions.

3.2.4 Collateral

BOCI Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.2 Credit risk (Continued)

3.2.4 Collateral (Continued)

Mortgage loans to individuals are secured. For margin financing, the collateral for covering the credit risk exposure in case of default are subject to mark-to-market and monitoring on a daily basis. A margin call to margin client would be made if there is an excess in margin loan limit or insufficient margin value to cover his/her risk credit exposure. Term loans are generally secured by various forms of collateral including listed stocks, properties, debt securities, and other credit enhancements.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the execution of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

For derivative transactions, generally the Group will normally require that non-investment grade financial institutions, non-financial institutions and individuals to collateralise potential market exposure. Among other factors, the approval will be based upon the liquidity of the collateral (which reflects the ability to unwind a position as necessary), the price volatility of the collateral, the suitability of the collateral as a hedge to the exposure and the legal ability to apply such collateral.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.2 Credit risk (Continued)

3.2.5 Maximum exposure to credit risk before collateral held or other credit enhancement

	Note	2009 HK\$	2008 HK\$
Loans and receivables			
To individuals			
– Margin loans		2,072,486,689	537,107,497
– Term loans		28,319,279	2,361,949
– Mortgage loans		–	1,930,118
To corporate entities			
– Margin loans		3,388,999,827	251,804,776
– Term loans		159,119,533	–
		<u>5,648,925,328</u>	<u>793,204,340</u>
Accounts and other receivables		5,961,709,933	3,215,238,403
Available-for-sale assets			
– Club debentures		855,000	855,000
Trading assets			
– Debt securities		81,480,951	80,055,602
Derivative financial instruments		6,717,645	12,994,806
Cash and balances with banks		3,320,758,349	1,667,138,175
Credit risk exposure relating to off-balance sheet items			
Loan commitment	(31(b))	12,787,051	–
At 31 December		<u>15,033,234,257</u>	<u>5,769,486,326</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.2 Credit risk (Continued)

3.2.5 Maximum exposure to credit risk before collateral held or other credit enhancement (Continued)

The above table represents a worse case scenario of credit risk exposure to the Group at 31 December 2009 and 2008, without taking account of any collateral held or other credit enhancements attached.

For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position. Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to BOCI Group resulting from both its loans and receivables, debt securities, derivatives and cash and bank balances based on the following:

- Margin loans, which represent the biggest group in the portfolio, are backed by collateral. BOCI Group generally accepts collateral in the form of cash, the US treasuries and liquid stocks. No margin loans were considered to be impaired.
- Term loans to individuals and mortgage loans are backed by collateral as at 31 December 2009. They were not considered to be impaired as at 31 December.
- All available-for-sale debt securities are short-term securities and of high credit quality.
- All trading debt securities are above investment grade or issued by high credit rating financial institutions. No US sub-prime, US mortgage-backed securities or collateralised debt/loan obligations were held as at 31 December 2009 and 2008.
- Cash and balances with banks were deposited in reputable large commercial banks.
- BOCI Group mainly enters into derivative transactions with international stock exchanges, international banks and financially strong corporates. There was no impairment arising from derivative counterparties as at 31 December 2009 and 2008. The Group also reduces credit risk by obtaining collateral.
- There was no impairment on accounts and other receivables as at 31 December 2009 and 2008. Among those unimpaired accounts and other receivables, approximately HK\$5,563 million (2008: HK\$2,890 million) was receivables from dealing in securities, which normally had a delivery-against-payment settlement term of 2 days. There is no concentration of credit risk with respect to the receivables, as BOCI Group has a large number of customers who are internationally dispersed.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.2 Credit risk (Continued)

3.2.6 Loans and receivables – Overdue and provision

Significant loans and receivables as at 31 December are summarised as follows:

	2009 HK\$	2008 HK\$
Loans to customers		
Neither past due nor impaired	5,447,822,260	731,545,127
Past due but not impaired	201,103,068	61,659,213
Impaired	–	–
Gross	<u>5,648,925,328</u>	<u>793,204,340</u>
Accounts and other receivables		
Neither past due nor impaired	5,957,383,435	3,215,011,162
Past due but not impaired	4,326,498	227,241
Impaired	–	–
Gross	<u>5,961,709,933</u>	<u>3,215,238,403</u>

There were no individually impaired loans or receivables as at 31 December 2008 and 2009.

Gross amount of loans and receivables by class to customers that were past due but not impaired were as follows:

	2009 HK\$		2008 HK\$	
Individual	Margin loans	Account receivables from dealing in securities	Margin loans	Account receivables from dealing in securities
Past due 1 day	–	72,835	–	102,210
Past due 2 – 5 days	84,391,641	–	54,477,164	–
Past due 6 – 30 days	2,159,575	3,266,218	744,154	–
Past due over 30 days	74,725	2,204	105,033	53,909
Total	<u>86,625,941</u>	<u>3,341,257</u>	<u>55,326,351</u>	<u>156,119</u>
Fair value of collateral	<u>138,950,473</u>	<u>25,135,587</u>	<u>89,704,789</u>	<u>7,184,331</u>
Corporate				
Past due 1 day	–	985,241	–	71,122
Past due 2 – 5 days	28,000,657	–	1,431,794	–
Past due 6 – 30 days	81,265,509	–	–	–
Past due over 30 days	5,210,961	–	4,901,068	–
Total	<u>114,477,127</u>	<u>985,241</u>	<u>6,332,862</u>	<u>71,122</u>
Fair value of collateral	<u>263,688,327</u>	<u>376,635,332</u>	<u>11,507,848</u>	<u>32,668,370</u>

All other financial assets in loans and receivables are neither past due nor impaired.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.2 Credit risk (Continued)

3.2.7 Debt securities – external credit rating

The table below presents an analysis of debt securities by rating agency designation, based on Standard & Poor's ratings or their equivalent:

	Available for sale assets HK\$	Trading assets HK\$
At 31 December 2009		
Unrated (note)	855,000	81,480,951
	<hr/>	<hr/>
At 31 December 2008		
Unrated (note)	855,000	80,055,602
	<hr/>	<hr/>

Note:

Unrated trading debt securities mainly consisted of equity-linked structured notes issued by an international investment bank with credit rating of AA+.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.2 Credit risk (Continued)

3.2.8 Concentration of risks of financial assets with credit risk exposure

The following table breaks down the Group's main credit exposure at their carrying amounts, as categorised by geographical region and industry sectors as of 31 December. For this table, the Group has allocated exposures to regions based on the country of domicile of its counterparties, which may differ from their place of operations.

	Hong Kong HK\$'000	Asia Pacific excluding Hong Kong HK\$'000	North America HK\$'000	Europe HK\$'000	Others HK\$'000	Total HK\$'000
At 31 December 2009						
Loans and receivables						
To individuals						
– Margin loans	768,219	1,294,127	5,446	975	3,720	2,072,487
– Term loans	18,654	9,665	–	–	–	28,319
To corporate entities						
– Margin loans	1,088,815	–	2,259,431	–	40,754	3,389,000
– Term loans	12,000	–	147,119	–	–	159,119
Available-for-sale assets						
– Corporate	855	–	–	–	–	855
Trading assets – debt securities						
– Bank and financial institution	–	–	–	81,481	–	81,481
Derivative financial instruments						
– Bank and financial institution	6,718	–	–	–	–	6,718
Accounts and other receivables						
– Bank and financial institution	4,001,872	166,507	77,634	206,240	–	4,452,253
– Corporate	381,185	68,897	210,809	–	–	660,891
– Individual	326,506	507,935	9,259	3,186	1,680	848,566
Cash and cash equivalents						
– Bank and financial institution	1,690,567	1,612,392	696	17,103	–	3,320,758
	8,295,391	3,659,523	2,710,394	308,985	46,154	15,020,447

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.2 Credit risk (Continued)

3.2.8 Concentration of risks of financial assets with credit risk exposure (Continued)

	Hong Kong HK\$'000	Asia Pacific excluding Hong Kong HK\$'000	North America HK\$'000	Europe HK\$'000	Others HK\$'000	Total HK\$'000
At 31 December 2008						
Loans and receivables						
To individuals						
– Margin loans	231,614	301,400	733	3,360	–	537,107
– Term loans	–	2,362	–	–	–	2,362
– Mortgage loans	1,930	–	–	–	–	1,930
To corporate entities						
– Margin loans	37,032	575	155,865	–	58,333	251,805
Available-for-sale assets						
– Corporate	855	–	–	–	–	855
Trading assets – debt securities						
– Bank and financial institution	–	–	–	80,056	–	80,056
Derivative financial instruments						
– Bank and financial institution	12,995	–	–	–	–	12,995
Accounts and other receivables						
– Bank and financial institution	2,250,172	178,631	3,611	241,432	–	2,673,846
– Corporate	68,274	1,414	82,351	12,199	50	164,288
– Individual	141,938	205,494	6,863	22,748	61	377,104
Cash and cash equivalents						
– Bank and financial institution	898,485	750,703	7,836	10,114	–	1,667,138
	<u>3,643,295</u>	<u>1,440,579</u>	<u>257,259</u>	<u>369,909</u>	<u>58,444</u>	<u>5,769,486</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.3 Liquidity risk

Liquidity risk is the risk that BOCI Group is unable to meet its payment obligations associated with financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfill commitments to lend. FTD is responsible for the management of liquidity risk with the aim to:

- Maintain sufficient cash and marketable securities;
- Ensure the availability of funding through an adequate amount of committed credit facilities, and;
- Assess the ability to close out market positions.

BOCI Group measures and monitors their net funding requirements by constructing maturity profile that projects future cash flows arising from assets, liabilities and off balance sheet transactions. The Board sets liquidity ratios and limits on the mismatch that may be taken.

3.3.1 Undiscounted cash flows by contractual maturities

The table below presents the cash flows payable by the Group under non-derivative financial liabilities, derivative financial liabilities that will be settled on a net basis and derivative financial assets/liabilities that will be settled on gross basis by remaining contractual maturities at the balance sheet date.

The Group's derivatives that will be settled on a net basis include:

- Interest rate derivatives: interest rate swaps, futures, forwards and swaptions;
- Equity derivatives: listed and over-the-counter stock options, listed index options, equity swaps, exchange-traded futures;
- Credit derivatives: credit default swaps; and
- Foreign exchange rate derivatives: non-deliverable forwards, options;

The Group's derivatives that will be settled on a gross basis include:

- Interest rate derivatives: cross currency interest rate swaps; and
- Foreign exchange rate derivatives: currency forward.

The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Group manages the inherent liquidity risk based on expected undiscounted cash inflows.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.3 Liquidity risk (Continued)

3.3.1 Undiscounted cash flows by contractual maturities (Continued)

At 31 December 2009	Up to 1 month HK\$'000	1-3 months HK\$'000	3-12 months HK\$'000	1-5 years HK\$'000	Total HK\$'000
Non-derivative cash flow					
Liabilities					
Amounts due to immediate holding company	1,708,229	–	–	–	1,708,229
Subordinated loans from immediate holding company	2,645,233	–	–	–	2,645,233
Accounts and other payables	5,697,578	434,201	81,735	71,912	6,285,426
Deposits from customers	1,652,258	735,763	81,907	–	2,469,928
Financial liabilities at fair value through profit or loss	321,460	–	80,710	–	402,170
	12,024,758	1,169,964	244,352	71,912	13,510,986
Derivative financial instrument cash flow					
Settled on net basis	6,964	426	2,908	–	10,298
Settled on gross basis					
Total inflow	(270,526)	–	–	–	(270,526)
Total outflow	270,062	–	–	–	270,062
	(464)	–	–	–	(464)
At 31 December 2008					
	Up to 1 month HK\$'000	1-3 months HK\$'000	3-12 months HK\$'000	1-5 years HK\$'000	Total HK\$'000
Non-derivative cash flow					
Liabilities					
Amounts due to immediate holding company	46,617	–	–	–	46,617
Subordinated loans from immediate holding company	385,025	–	–	–	385,025
Accounts and other payables	3,134,897	4,128	81,691	52,624	3,273,340
Deposits from customers	363,469	26,467	102	–	390,038
Financial liabilities at fair value through profit or loss	163,051	–	45,322	79,084	287,457
	4,093,059	30,595	127,115	131,708	4,382,477
Derivative financial instrument cash flow					
Settled on net basis	330	(2,994)	28,249	–	25,585
Settled on gross basis					
Total inflow	(853,276)	–	–	–	(853,276)
Total outflow	853,271	–	–	–	853,271
	(5)	–	–	–	(5)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.4 Fair value of financial assets and liabilities

(a) Financial instruments measured at fair value using valuation technique

For financial instruments measured at fair value using a valuation technique, the total amount of the change in fair value estimated using a valuation technique that was recognised in profit or loss during the year is a gain of HK\$6,782,948 (2008: gain of HK\$2,259,031).

(b) Financial instruments not measured at fair value

For financial instruments that are not measured in fair value, including loans and receivables, cash and cash equivalents, amounts due to immediate holding company, subordinated loan from immediate holding company, amounts due to fellow subsidiaries, accounts and other payables, and deposits from customers, their fair values approximates the carrying amounts.

(c) Fair value hierarchy

HKFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges and exchanges traded derivatives like bond futures.

Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of debt securities without active secondary markets, the OTC derivative contracts and issued structured notes. The sources of input parameters like LIBOR yield curve or counterparty credit risk are Bloomberg and Reuters.

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes debt or equity instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.4 Fair value of financial assets and liabilities (Continued)

3.4.1 Assets and liabilities measured at fair value

At 31 December 2009	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets at fair value through profit and loss				
– Debt securities	–	81,481	–	81,481
– Equity securities	554,796	–	–	554,796
Derivatives financial instruments	–	6,718	–	6,718
Available-for-sale financial assets				
– Debt securities	–	855	–	855
Total assets	554,796	89,054	–	643,850
Financial liabilities at fair value through profit and loss				
– Equity securities	321,460	–	–	321,460
– Equity Linked instruments	–	80,710	–	80,710
Derivatives financial instruments	67,152	21,351	–	88,503
Total liabilities	388,612	102,061	–	490,673

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.5 Capital management

The Group's objectives when managing capital, which is a broader concept than the "equity" on the face of statement of financial position, are:

- To comply with the capital requirements under the Banking (Capital) Rules of the Banking Ordinance for the subsidiary carrying out banking business;
- To comply with the requirements of Securities and Futures Ordinance for the Company and its subsidiaries in carrying various types of authorised activities;
- To support the BOCI Group's stability and growth;
- To optimise risk adjusted return to the shareholder; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy of the banking subsidiary of the Group are monitored daily by the Group's management, employing techniques based on the Banking (Capital) Rules. The required information is filed with the Hong Kong Monetary Authority ("HKMA") on a quarterly basis.

The HKMA requires each bank to maintain a ratio of total regulatory capital to the risk-weighted asset (the capital adequacy ratio) at or above the minimum of 10%. In addition, certain subsidiaries of the Group are also subject to statutory capital requirement issued by the Securities and Futures Commission ("SFC") ranging from HK\$5,000,000 to HK\$10,000,000.

During the year ended 31 December 2008 and 2009, the banking subsidiary complied with all externally imposed capital requirements by the HKMA. The subsidiaries regulated by SFC complied with the statutory capital requirement.

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4 Segment Information

The operating business of BOC International Holdings Limited (“BOCI Group”), the Group’s immediate holding company, are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products. The Group’s operating business segment and structure follows that of BOCI Group.

The main business segments of BOCI Group are as follows:

Investment banking:	Provides a wide range of securities origination services for issuer clients, including underwriting and placement of public and private equity, debt and related securities.
	Advices clients on mergers, acquisitions and restructurings.
Brokerage & wealth: management	Provides brokerage and securities margin financing services to individual and institutional clients.
Fixed income &: equity market	Facilitates client transactions and makes markets in securities, derivatives, currencies, commodities and other financial instruments to satisfy client demands.
	Engages in principal and in proprietary trading activities.
Leverage &: structured finance	Provides structured financing and financial advisory services.

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4 Segment information (Continued)

The Group's segment results for the year ended 31 December 2009 is as follows:

	Investment banking HK\$'000	Brokerage & wealth management HK\$'000	Fixed income & equity market HK\$'000	Leveraged & structured finance HK\$'000	Others HK\$'000	Elimination HK\$'000	Total HK\$'000
Total revenue – external	432,181	2,310,521	281,098	128,879	18,056	–	3,170,735
Total revenue – inter-segment	–	–	–	–	28,453	(28,453)	–
Commission and clearing expense	(1,086)	(784,582)	(4,869)	–	(298)	–	(790,835)
Depreciation	(640)	(45,218)	(3,674)	(134)	(79)	–	(49,745)
Other operating expenses	(340,685)	(708,329)	(70,679)	(51,939)	(52,435)	–	(1,224,067)
Finance costs – external	–	(3,698)	(2)	(156)	(27,987)	–	(31,843)
Finance costs – inter-segment	–	(25,721)	(2,569)	(163)	–	28,453	–
Segment results	89,770	742,973	199,305	76,487	(34,289)	–	1,074,245
Unallocated cost							(174,845)
Operating profits							<u>899,400</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Segment information (Continued)

The Group's segment results for the year ended 31 December 2008 is as follows:

	Investment banking HK\$'000	Brokerage & wealth management HK\$'000	Fixed income & equity market HK\$'000	Leveraged & structured finance HK\$'000	Others HK\$'000	Elimination HK\$'000	Total HK\$'000
Total revenue – external	329,336	1,615,238	(475,052)	61,277	27,505	–	1,558,304
Total revenue – inter-segment	–	–	–	–	81,174	(81,174)	–
Commission and clearing expense	–	(460,112)	(4,871)	–	(178)	–	(465,161)
Depreciation	(562)	(37,545)	(2,655)	(107)	(92)	–	(40,961)
Other operating expenses	(70,847)	(183,005)	(73,628)	(11,878)	(47,179)	–	(386,537)
Finance costs – external	–	(21,111)	(15)	(4)	(73,773)	–	(94,903)
Finance costs – inter-segment	–	(54,137)	(10,432)	(16,605)	–	81,174	–
Segment results	257,927	859,328	(566,653)	32,683	(12,543)	–	570,742
Unallocated cost							(122,509)
Operating profits							<u>448,233</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Revenue

	2009 HK\$	2008 HK\$
Brokerage commission	1,878,338,308	1,245,564,851
Underwriting and placement commission	648,166,764	332,890,136
Corporate finance and other fees	53,545,838	75,661,489
Net realised/unrealised gain/(loss) on financial assets and financial liabilities (Note)		
– Equity securities	96,127,612	(425,758,089)
– Debt securities	21,654,575	7,622,684
– Derivative financial instruments	134,227,667	(133,289,754)
– Equity/credit linked instruments	(4,262,657)	(6,877,032)
Interest income from bank deposits and loans to customers	166,523,274	333,506,122
Dividend income from financial assets held for trading	8,204,075	32,039,432
	<u>3,002,525,456</u>	<u>1,461,359,839</u>

Note:

Net realised/unrealised gain/(loss) on financial assets and financial liabilities includes interest income and interest expenses arising from financial assets and financial liabilities at fair value through profit or loss.

The amounts of net realised/unrealised gain/(loss) on financial assets and financial liabilities designated by the Group as at fair value through profit or loss includes a loss of HK\$4,262,657 (2008: loss of HK\$6,877,032). Net realised/unrealised (loss)/gain on trading financial assets or financial liabilities amounted to gain of HK\$252,009,854 (2008: loss of HK\$551,425,159).

The net realised/unrealised gain/(loss) on financial assets and financial liabilities included:

	2009 HK\$	2008 HK\$
Trading gain/(loss) from listed investments	242,188,383	(483,110,446)
Trading gain/(loss) from unlisted investments	5,558,814	(75,191,745)
	<u>247,747,197</u>	<u>(558,302,191)</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Other revenue

	Note	2009 HK\$	2008 HK\$
Management fee income from related companies	32	103,474,437	56,411,774
Handling and custodian fees		48,227,078	39,663,607
Foreign exchange gain/(loss)		5,660,646	(8,598,864)
Others		10,847,293	9,468,171
		<u>168,209,454</u>	<u>96,944,688</u>

7 Staff costs

		2009 HK\$	2008 HK\$
Wages, salaries, other allowances and unutilised annual leave		168,396,858	148,377,714
Discretionary bonus			
– Short term employee benefits (Note)		480,809,450	–
– Other long-term employee benefits		95,192,813	–
– Forfeited short term employee benefits		–	(21,827,526)
Pension costs – defined contribution plans		10,029,266	9,976,978
Staff medical, recruitment, training and welfare expenses		10,012,893	5,994,744
		<u>764,441,280</u>	<u>142,521,910</u>

Note:

Staff costs include directors' emoluments (note 8).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 Directors' emoluments

The aggregate amounts of emoluments payable to directors of the Company during the year are as follows:

	2009 HK\$	2008 HK\$
Fees	–	–
Other emoluments:		
Basic salaries, housing allowances, share options, other allowances and benefits in kind	9,130,062	9,627,340
Contributions to pension schemes	327,334	253,501
Discretionary bonus		
– Short term employee benefits	42,300,000	–
– Other long-term employee benefits	12,200,000	–
	<u>63,957,396</u>	<u>9,880,841</u>

During the year, there were no loans to directors and officers which are required to be disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance.

In addition to the directors' emoluments disclosed above, certain directors of the Company received emoluments from the immediate holding company and a fellow subsidiary, which totals HK\$39,643,605 (2008: HK\$8,376,384), part of which is in respect of their services to the Group and its subsidiaries. No apportionment has been made as the directors consider that it is impracticable to apportion this amount between their services to the Group and their services to the Company's immediate holding company and the fellow subsidiaries.

9 Other operating expenses

	2009 HK\$	2008 HK\$
Advertising expenses	7,015,355	8,735,201
Auditors' remuneration	821,484	752,250
Bank charges	6,007,401	7,823,086
Insurance	1,116,479	1,056,511
Legal and professional fees	6,065,921	16,061,383
Printing and stationary	3,276,494	3,639,603
Repairs and maintenance	704,919	608,817
Travel and entertainment	19,856,791	23,483,537
Utilities	3,943,051	3,936,653
Loss on disposal/write-off of plant and equipment	843,194	69,444
License and registration fees	7,812,380	5,330,901
Donations	14,000,000	–
Others	27,628,727	8,024,659
	<u>99,092,196</u>	<u>79,522,045</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Finance costs

	2009 HK\$	2008 HK\$
Interest expenses:		
– deposits from customers	2,405,614	2,470,855
– securities brokerage clients	692,307	20,338,329
– bank loans and other borrowings-unsecured	28,744,612	72,093,755
	<u>31,842,533</u>	<u>94,902,939</u>

11 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the consolidated income statement represents:

	Note	2009 HK\$	2008 HK\$
Current income tax:			
– Hong Kong profits tax		97,174,343	105,639,755
– PRC withholding tax		559,271	(4,287,225)
– Over provisions in prior years		(1,924)	–
Deferred income tax	17	<u>45,956,606</u>	<u>(51,621,794)</u>
		<u>143,688,296</u>	<u>49,730,736</u>

The tax on the Group's profit before taxation differs from the theoretical amount that would arise using the tax rate of Hong Kong as follow:

	2009 HK\$	2008 HK\$
Profit before taxation	<u>899,400,245</u>	<u>448,233,558</u>
Tax calculated at 16.5% (2008: 16.5%)	148,401,040	73,958,537
Effect of change in tax rates	–	248,143
Income not subject to tax	(4,951,850)	(25,484,779)
Expenses not deductible for tax purposes	252,249	1,001,458
Over provisions in prior years	(1,924)	–
Tax losses not recognised	7,373	7,378
Others	<u>(18,592)</u>	<u>–</u>
Income tax expense	<u>143,688,296</u>	<u>49,730,737</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 Profit attributable to equity holders

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK\$219,363,567 (2008: HK\$810,138,360).

13 Dividends

	2009 HK\$	2008 HK\$
Interim, declared and paid, of HK\$ Nil (2008: HK\$5,230) per ordinary share	—	1,046,000,000

14 Plant and equipment

The Group

	Leasehold improvements HK\$	Furniture, fixtures and equipment HK\$	Electronic equipment HK\$	Total HK\$
At 1 January 2008				
Cost	13,688,303	7,048,497	102,951,239	123,688,039
Accumulated depreciation	(2,743,335)	(5,303,880)	(28,510,644)	(36,557,859)
Net book amount	<u>10,944,968</u>	<u>1,744,617</u>	<u>74,440,595</u>	<u>87,130,180</u>
Year ended 31 December 2008				
Opening net book amount	10,944,968	1,744,617	74,440,595	87,130,180
Additions	2,217,481	233,292	65,984,028	68,434,801
Disposal	—	(144,000)	(7,409)	(151,409)
Depreciation	(2,851,030)	(431,057)	(37,679,329)	(40,961,416)
Net book amount	<u>10,311,419</u>	<u>1,402,852</u>	<u>102,737,885</u>	<u>114,452,156</u>
At 31 December 2008				
Cost	15,905,784	6,974,954	168,880,916	191,761,654
Accumulated depreciation	(5,594,365)	(5,572,102)	(66,143,031)	(77,309,498)
Net book amount	<u>10,311,419</u>	<u>1,402,852</u>	<u>102,737,885</u>	<u>114,452,156</u>
Year ended 31 December 2009				
Opening net book amount	10,311,419	1,402,852	102,737,885	114,452,156
Additions	707,438	40,767	6,753,993	7,502,198
Write off	(260,715)	(61,391)	(521,088)	(843,194)
Depreciation	(2,764,328)	(405,087)	(46,575,838)	(49,745,253)
Net book amount	<u>7,993,814</u>	<u>977,141</u>	<u>62,394,952</u>	<u>71,365,907</u>
At 31 December 2009				
Cost	16,284,764	2,311,623	172,720,255	191,316,642
Accumulated depreciation	(8,290,950)	(1,334,482)	(110,325,303)	(119,950,735)
Net book amount	<u>7,993,814</u>	<u>977,141</u>	<u>62,394,952</u>	<u>71,365,907</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 Plant and equipment (Continued)

The Company

	Leasehold improvement HK\$	Furniture, fixtures and equipment HK\$	Electronic equipment HK\$	Total HK\$
At 1 January 2008				
Cost	182,262	428,895	2,331,540	2,942,697
Accumulated depreciation	(20,908)	(118,166)	(1,231,314)	(1,370,388)
Net book amount	<u>161,354</u>	<u>310,729</u>	<u>1,100,226</u>	<u>1,572,309</u>
Year ended 31 December 2008				
Opening net book amount	161,354	310,729	1,100,226	1,572,309
Additions	635,577	88,485	611,261	1,335,323
Disposal	–	(144,000)	(4,035)	(148,035)
Depreciation	(91,513)	(48,586)	(536,381)	(676,480)
Closing net book amount	<u>705,418</u>	<u>206,628</u>	<u>1,171,071</u>	<u>2,083,117</u>
At 31 December 2008				
Cost	817,839	325,379	2,935,652	4,078,870
Accumulated depreciation	(112,421)	(118,751)	(1,764,581)	(1,995,753)
Net book amount	<u>705,418</u>	<u>206,628</u>	<u>1,171,071</u>	<u>2,083,117</u>
Year ended 31 December 2009				
Opening net book amount	705,418	206,628	1,171,071	2,083,117
Additions	–	13,905	48,318	62,268
Write off	–	(810)	–	(810)
Depreciation	(161,034)	(58,096)	(558,129)	(777,259)
Closing net book amount	<u>544,384</u>	<u>161,672</u>	<u>661,260</u>	<u>1,367,316</u>
At 31 December 2009				
Cost	817,839	327,426	2,637,689	3,782,954
Accumulated depreciation	(273,455)	(165,754)	(1,976,429)	(2,415,638)
Net book amount	<u>544,384</u>	<u>161,672</u>	<u>661,260</u>	<u>1,367,316</u>

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15 Intangible assets

The cost and net book amounts of positive goodwill as at 31 December 2009 and 2008 amounted to HK\$49,715,218. There were no movements of this balance during the year ended 31 December 2009 and 2008.

The goodwill in the Group is mostly attributable to securities brokerage business, the cash-generating units (CGU). No impairment loss was noted in 2009 and 2008, as the CGU involved was highly profitable.

16 Investment in subsidiaries

	2009 HK\$	2008 HK\$
Investment at cost:		
Unlisted shares	<u>1,137,792,046</u>	<u>822,792,045</u>

The following is a list of the subsidiaries at 31 December 2009:

Name	Place of incorporation	Principal activities	Particulars of issued share capital	Interest held
Bank of China International Limited 中銀國際有限公司	Hong Kong	Banking and related financing services	HK\$415,000,000 (Note)	100%#
BOCI Research Limited 中銀國際研究有限公司	Hong Kong	Research	US\$130,000	100%#
BOCI Securities Limited 中銀國際證券有限公司	Hong Kong	Securities dealing and brokerage	HK\$406,000,000	100%#
BOCI Commodities & Futures Limited 中銀國際期貨有限公司	Hong Kong	Commodities and futures brokerage	HK\$70,000,000	100%
BOCI Secretaries Limited 中銀國際秘書有限公司	Hong Kong	Nominees services	HK\$6,000	100%
Modenia Limited	Hong Kong	Nominees services	HK\$100	100%

Shares held directly by the Company.

Note:

During the year, the Company further subscribed 315,000,00 ordinary shares of Bank of China International Limited issued at par at HK\$1 each, totaling HK\$315,000,000.

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17 Deferred income tax

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2008: 16.5%).

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet.

	The Group	
	2009	2008
	HK\$	HK\$
Deferred tax assets to be recovered after more than 12 months	16,871,034	57,848,520
Deferred tax liabilities to be recovered after more than 12 months	<u>(6,846,283)</u>	<u>(1,867,163)</u>
	<u>10,024,751</u>	<u>55,981,357</u>
	The Company	
	2009	2008
	HK\$	HK\$
Deferred tax assets to be recovered after more than 12 months	<u>16,871,034</u>	<u>57,848,520</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 Deferred income tax (Continued)

The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred tax assets – The Group

	Note	Provision	Tax losses HK\$	Total HK\$
At 1 January 2008		15,750,000	17,054	15,767,054
Recognised in the income statement	11	<u>(1,395,000)</u>	<u>57,831,466</u>	<u>56,436,466</u>
At 31 December 2008 and 1 January 2009		14,355,000	57,848,520	72,203,520
Recognised in the income statement	11	<u>(14,355,000)</u>	<u>(40,977,486)</u>	<u>(55,322,486)</u>
At 31 December 2009		<u>–</u>	<u>16,871,034</u>	<u>16,871,034</u>

Deferred tax liabilities – The Group

	Note	Accelerated tax depreciation HK\$
At 1 January 2008		11,407,491
Recognised in the income statement	11	<u>4,814,672</u>
At 31 December 2008 and 1 January 2009		16,222,163
Recognised in the income statement	11	<u>(9,375,880)</u>
At 31 December 2009		<u>6,846,283</u>

Deferred tax assets – The Company

	Tax losses HK\$
At 1 January 2008	17,054
Recognised in the income statement	<u>57,831,466</u>
At 31 December 2008 and 1 January 2009	57,848,520
Recognised in the income statement	<u>(40,977,486)</u>
At 31 December 2009	<u>16,871,034</u>

The Company has no deferred tax liabilities as at 31 December 2009 (2008: HK\$ Nil).

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18 Available-for-sale financial assets

The Group

	2009 HK\$	2008 HK\$
Non-current assets – others	855,000	855,000

The movement in available-for-sale investments is summarised as follows:

The Group	2009 HK\$	2008 HK\$
At 1 January	855,000	146,153,619
Disposal (sales and redemption)	–	(145,298,619)
At 31 December	855,000	855,000

19 Financial assets at fair value through profit or loss

The Group

	2009 HK\$	2008 HK\$
Trading securities – at fair value		
– Equity securities, listed in Hong Kong	554,795,741	344,564,609
– Debt securities, unlisted	81,480,951	80,055,602
Total trading securities – at fair value	636,276,692	424,620,211
Market value of listed securities	554,795,741	344,564,609

The Company

	2009 HK\$	2008 HK\$
Trading securities – at fair value		
– Equity securities, listed in Hong Kong	554,175,059	344,304,770
– Debt securities, unlisted	81,480,951	80,055,602
Total trading securities – at fair value	635,656,010	424,360,372
Market value of listed securities	554,175,059	344,304,770

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 Derivative financial instruments

The Group enters into equity and foreign exchange derivative financial instruments for trading and risk management purposes. The types of derivatives utilised by the Group are shown in the following table:

Derivatives	Description
Forwards and futures	These instruments are contractual obligations to buy or sell financial instruments or commodities on a future date at a specified price. Forward contracts are tailor-made agreements that are transacted between counterparties in the over-the-counter (OTC) market, whereas futures are standardised contracts transacted on regulated exchanges. The major types of forward and futures transactions undertaken by the Group are index futures.
Options	Options are contractual agreements under which, typically, the seller (writer) grants the purchaser the right, but not the obligation, either to buy (call option) or to sell (put option) by or at a set date, a specified quantity of a financial instrument or commodity at a predetermined price. The purchaser pays a premium to the seller for this right. Options involving more complex payment structures are also transacted. Options may be traded OTC or on a regulated exchange, and may be traded in the form of a security (warrant).
Swaps	<p>These are transactions in which two parties exchange cash flows on a specified notional amount for a predetermined period. Most swaps are traded OTC. The major types of swap transactions undertaken by the Group are as follows:</p> <ul style="list-style-type: none">● Interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an exchange of currencies or interest rates (for example, fixed rate for floating rate);● Credit default swaps are the most common form of credit derivative, under which the party buying protection makes one or more payments to the party selling protection in exchange for an undertaking by the seller to make a payment to the buyer following a credit event (as defined in the contract) with respect to a third party. Settlement following a credit event may be a net cash amount, or cash in return for physical delivery of one or more obligations of the credit entity (as defined in the contract) and is made regardless of whether the protection buyer has actually suffered a loss. After a credit event and settlement, the contract is terminated; and● Equity swaps give the receiver exposure to the cash flows and economic benefits and risks of an underlying asset, without having to own the asset, in exchange for a series of payments, often based on a reference interest rate, e. g. LIBOR. The equity swap payer has an equal and opposite position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 Derivative financial instruments (Continued)

The contract/notional amounts and fair values of derivative financial instruments held by the Group are set out in the following tables. The contract/notional amounts of these instruments indicate the volume of transactions outstanding at the balance sheet dates and certain of them provide a basis for comparison with fair value instruments recognised in the consolidated balance sheet. However, they do not necessarily indicate the amounts of future cash flows involved or the current fair values of the instruments and, therefore, do not indicate the Group's exposure to credit or market risks. The derivative financial instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate fair values of derivative financial instruments assets and liabilities can fluctuate significantly from time to time.

Trading derivatives

Most of the Group's trading derivative transactions relate to sales and trading activities. Sales activities include the structuring and marketing of derivative products to customers to enable them to take, transfer, modify or reduce current or expected risks. Trading activities in derivatives are entered into principally for the purpose of generating profits from short-term fluctuations in price or margin. Positions may be traded actively or be held over a period of time to benefit from expected changes in currency rates, interest rates, equity prices or other market parameters.

Trading derivatives also include non-qualifying hedging derivatives, ineffective hedging derivatives and the components of hedging derivatives that are excluded from assessing hedge effectiveness. Non-qualifying hedging derivatives are entered into for risk management purposes but do not meet the criteria for hedge accounting. These include derivatives managed in conjunction with financial instruments designated at fair value.

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20 Derivative financial instruments (Continued)

The Group

	Notional Amount HK\$'000	Assets HK\$	Liabilities HK\$
At 31 December 2009			
Exchange rate contracts	253,676	18,285	18,148
Equity contracts	2,482,341	6,699,360	88,485,068
		<u>6,717,645</u>	<u>88,503,216</u>

	Notional Amount HK\$'000	Assets HK\$	Liabilities HK\$
At 31 December 2008			
Exchange rate contracts	1,077,989	23,426	330
Equity contracts	1,055,390	12,971,380	91,725,382
		<u>12,994,806</u>	<u>91,725,712</u>

The Company

	Notional Amount HK\$'000	Assets HK\$	Liabilities HK\$
At 31 December 2009			
Exchange rate contracts	38,775	–	5,755
Equity contracts	1,757,366	1,018,858	82,804,566
		<u>1,018,858</u>	<u>82,810,321</u>

	Notional Amount HK\$'000	Assets HK\$	Liabilities HK\$
At 31 December 2008			
Exchange rate contracts	54,250	7,861	–
Equity contracts	989,873	5,641,857	84,395,859
		<u>5,649,718</u>	<u>84,395,859</u>

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21 Loans and receivables

The Group

	2009 HK\$	2008 HK\$
Accounts receivable from dealing in securities	5,562,594,304	3,045,332,696
Accounts receivable from securities trading	48,314,923	72,008,443
Amount due from an associate company	11,147,000	9,342,000
Loans to customers	5,648,925,328	793,204,340
Fees and commission receivable	303,692,825	8,742,673
Deposits, prepayments and other receivables	35,960,881	79,812,591
	<u>11,610,635,261</u>	<u>4,008,442,743</u>

The Company

	2009 HK\$	2008 HK\$
Accounts receivable from securities trading	96,603,419	75,338,668
Loans to customers	–	3,892,324
Amount due from an associate company	11,147,000	9,342,000
Fees and commission receivable	303,692,825	8,739,623
Deposits, prepayments and other receivables	4,117,220	69,669,543
	<u>415,560,464</u>	<u>166,982,158</u>

The carrying amounts of accounts and other receivables approximate their fair value.

As at 31 December 2009, the loans to customers, which included approximately HK\$5,462 million (2008: HK\$789 million) of receivables from margin clients, were secured by listed securities held as collateral of fair value of HK\$40,306 million (2008: HK\$14,666 million). The Group is permitted to sell or re-pledge such collateral. As at 31 December, there were no collateral re-pledged.

The receivables had excluded the brokerage client monies maintained in the trust accounts with Hong Kong Futures Exchange Clearing Corporation Limited and the Stock Exchange Options Clearing House of approximately HK\$111 million and HK\$147 million as at 31 December 2009 (2008: HK\$181 million and HK\$45 million) respectively.

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22 Cash and balances with banks

	The Group		The Company	
	2009 HK\$	2008 HK\$	2009 HK\$	2008 HK\$
Cash at bank and in hand	1,761,119,862	495,629,518	413,899,110	277,311,847
Short-term bank deposits	315,999,030	1,171,508,657	24,634,070	262,679,131
Placements with bank	1,243,639,457	—	—	—
	<u>3,320,758,349</u>	<u>1,667,138,175</u>	<u>438,533,180</u>	<u>539,990,978</u>

The Group maintains trust accounts with authorized institutions as part of its normal business transactions. At 31 December 2009, trust accounts with authorized institutions not otherwise dealt with in the financial statements amounted to approximately HK\$11,609 million (2008: HK\$7,996 million).

23 Amounts due from/to immediate holding company

Amounts due from/to immediate holding company are non-interest bearing. The carrying balance of the amounts due from/to immediate holding company approximate their fair value.

During the year, the Company has entered into securities borrowing and lending arrangements with a fellow subsidiary. Under securities borrowing and lending agreement, cash collateral was required for securities borrowed. No interest was charged on the collateral deposits received.

As at 31 December 2009, the Company has borrowed securities with market value of HK\$328,588,690 (2008: HK\$172,558,180) from a fellow subsidiary and placed a cash collateral of HK\$337,405,361 (2008: HK\$154,054,240) and lent securities with market value of HK\$212,429,730 (2008: HK\$88,427,210) to the fellow subsidiary and received a cash collateral of HK\$205,992,050 (2008: HK\$200,625,240). The amounts due from/to the fellow subsidiary were included as part of the amounts due from/to immediate holding company as a results of an intra-group arrangement under which, the Company transfers its payment obligations or indebtedness liabilities to immediate holding company. The immediate holding company is also entitled to set off payments, sums and/or liabilities owed by it to any subsidiaries against any payments, sums and/or liabilities owed to it by any subsidiaries.

24 Subordinated loans from immediate holding company

As at 31 December 2009, the Company was provided subordinated loans of HK\$385 million (2008: HK\$385 million) bearing interest at an annual rate of one month HIBOR plus 50 basis points. As at 31 December 2009, a subsidiary of the Company was also provided with a subordinated loan of HK\$2,260 million, also bearing interest at an annual rate of one month HIBOR plus 50 basis points.

Total subordinated loans obtained by the Group amounted to HK\$2,645 million (2008: HK\$385 million) as at 31 December 2009.

All the above loans were approved by the Hong Kong Securities and Futures Commission as subordinated loans for exclusion from ranking liabilities in accordance with section 53(2) of the Hong Kong Securities and Futures (Financial Resources) Rules in the computation of regulatory liquid capital.

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25 Accounts and other payables

The Group

	2009 HK\$	2008 HK\$
Accounts payable from dealing in securities	5,569,769,448	2,773,868,107
Accounts payable from securities trading	563	66,557,784
Discretionary bonus payable	531,358,700	117,764,532
Others payables and accrued expenses	<u>184,297,772</u>	<u>315,149,342</u>
	<u>6,285,426,483</u>	<u>3,273,339,765</u>

The Company

	2009 HK\$	2008 HK\$
Accounts payable from securities trading	21,894,683	–
Discretionary bonus payable	257,175,648	58,713,600
Other payables and accrued expenses	<u>33,835,654</u>	<u>13,278,660</u>
	<u>312,905,985</u>	<u>71,992,260</u>

The carrying amounts of accounts payable approximate their fair value. All accounts payables are non-interest bearing.

Accounts payable represent amounts due to brokerage clients, brokers and clearing houses, and are due within one month. Accounts payable to clients exclude those payables placed in trust accounts with authorized institutions, Hong Kong Futures Exchange Clearing Corporation Limited and Stock Exchange Options Clearing House, which amounted to approximately HK\$11,758 million as at 31 December 2009 (2008: HK\$8,221 million).

26 Deposits from customers

All the deposits from customers are time, call and notice deposits and maturing within three months. Deposit from related parties are set out in note 32.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 Financial liabilities at fair value through profit or loss

The Group and the Company

	2009 HK\$	2008 HK\$
Trading securities – at fair value		
– Equity securities, listed in Hong Kong	321,460,578	162,789,476
Designated at initial recognition		
– Equity linked instruments	80,709,717	79,569,847
– Other structured notes	–	45,787,063
	<u>402,170,295</u>	<u>288,146,386</u>

For financial liabilities designated at fair value through profit or loss upon initial recognition, the amount of fair value change is attributable to a number of factors, including changes in benchmark interest rate, changes in credit rating of underlying securities and changes in share prices of the underlying equity securities. The amount of change in their fair value attributable to the credit risk changes is minimal.

Majority of the financial liabilities designated at fair value through profit or loss upon initial recognition allow the Group to settle the obligation either by cash or by shares upon meeting certain market conditions such as the movement in share price of the underlying shares. The amount that the Group would be contractually required to pay at maturity to the holder of these financial liabilities may be different from the carrying amounts above. No estimation on the difference can be made as at the balance sheet date.

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28 Share capital

	2009 HK\$	2008 HK\$
Authorised, issued and fully paid: 200,000 ordinary shares of HK\$10,000 each	<u>2,000,000,000</u>	<u>2,000,000,000</u>

29 Retained earnings

The Company

	Note	2009 HK\$	2008 HK\$
Balance at 1 January		294,091,921	529,953,561
Profit for the year	12	219,363,567	810,138,360
Dividends	13	<u>–</u>	<u>(1,046,000,000)</u>
At 31 December		<u>513,455,488</u>	<u>294,091,921</u>

The movements of the Group's retained earnings during the year are set out in the consolidated statement of changes in equity on page 9 of the consolidated financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 Consolidated cash flow statement

(a) Reconciliation of profit before taxation to net cash (outflow)/inflow from operating activities

	2009 HK\$	2008 HK\$
Profit before taxation	899,400,245	448,233,558
Interest income	(166,523,274)	(333,506,122)
Interest expense	31,842,533	94,902,939
Depreciation	49,745,253	40,961,416
Loss on disposal/write-off of plant and equipment	843,194	69,444
(Increase)/decrease in loans and receivables	(7,611,022,970)	9,595,142,789
Increase in amounts due from immediate holding company	(478,605,228)	(812,441,826)
Decrease in derivative financial instruments (assets)	6,277,161	469,164,037
(Increase)/decrease in financial assets at fair value through profit or loss	(211,656,481)	1,250,730,926
Decrease in available-for-sale financial assets	–	145,453,908
(Increase)/decrease in amounts due to immediate holding company	1,661,612,968	709,884,099
Decrease in derivative financial instruments (liabilities)	(3,222,496)	(27,641,478)
Increase/(decrease) in accounts and other payables	3,012,086,718	(6,226,379,768)
Increase/(decrease) in deposits from customers	2,079,931,314	(779,913,761)
Increase/(decrease) in financial liabilities at fair value through profit or loss	114,023,909	(250,721,349)
Interest received	175,353,726	341,906,764
Interest paid	(31,748,336)	(95,301,008)
Hong Kong and China profits tax paid	(125,248,465)	(234,856,700)
Hong Kong profits tax refunded	–	3,553,705
	<hr/>	<hr/>
Net cash (outflow)/inflow from operating activities	<u>(596,910,229)</u>	<u>2,919,473,375</u>

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31 Commitments

(a) Commitments under operating leases

At 31 December, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	The Group	
	2009	2008
	HK\$	HK\$
Land and buildings:		
Less than one year	16,003,536	33,140,088
Between one and five years	<u>3,292,163</u>	<u>16,860,962</u>
	<u>19,295,699</u>	<u>50,001,050</u>
	2009	2008
	HK\$	HK\$
Equipment:		
Less than one year	136,153	627,240
Between one and five years	<u>201,040</u>	<u>1,886,100</u>
	<u>337,193</u>	<u>2,513,340</u>

(b) Loan commitments

The Group has a non-cancellable loan commitment as at 31 December 2009 of 12,787,051 (2008: HK\$ Nil) for a period expiring within one year.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 Related-party transactions

Related parties are those parties that have the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties can be individuals or other entities.

The major transactions with related parties, which the Group entered into during the year are summarised as follows:

Summary of transactions entered into during the ordinary course of business with group companies in BOC International Holdings Limited (“BOCI Group”), other subsidiaries of Bank of China Limited, and associates of BOC International Holdings Limited

2009		BOCI Group HK\$'000	Other subsidiaries of Bank of China Limited HK\$'000	Associates of BOC International Holdings Limited HK\$'000
Statement of comprehensive income items				
Interest income from bank deposits	i	–	5,822	–
Brokerage commission	ii	77,044	856,999	1,110
Underwriting and placement commission	iii	–	–	10,905
Management fee income	iv	103,474	–	–
Other income		–	1,229	–
Interest expense from loans and other borrowings	vii	(24,361)	(967)	(7)
Interest expense on customer deposits	viii	(1,157)	(19)	(1)
Commission expenses arising from brokerage activities	ii	(42,105)	(338,639)	(7,020)
Management fee expense	v	184,615	–	–
Operating lease rental in respect of leased premises	ix	–	(25,652)	–
		<u>–</u>	<u>(25,652)</u>	<u>–</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 Related-party transactions (Continued)

2008		BOCI Group HK\$'000	Other subsidiaries of Bank of China Limited HK\$'000	Associates of BOC International Holdings Limited HK\$'000
Statement of comprehensive income items				
Interest income from bank deposits	i	–	94,626	–
Brokerage commission	ii	83,037	539,997	852
Underwriting and placement commission	iii	–	4,351	29,043
Corporate finance fee income	iv	–	–	–
Management fee income	iv	56,412	–	–
Other income		110	85,808	–
Interest expense from loans and other borrowings	vii	(54,696)	(91,668)	–
Interest expense on customer deposits	viii	(6,704)	(47)	–
Commission expenses arising from brokerage activities	ii	(51,941)	(150,714)	(2,430)
Management fee expense	v	(160,370)	–	–
Operating lease rental in respect of leased premises	ix	–	(35,136)	–
		<u>–</u>	<u>(35,136)</u>	<u>–</u>

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32 Related-party transactions (Continued)

2009		BOCI Group HK\$'000	Other subsidiaries Bank of China Limited HK\$'000	Associates of BOC International Holdings Limited HK\$'000
Statement of financial position items				
Bank balances and cash	i	–	2,031,849	–
Accounts receivable arising from dealing in securities	ii	144,987	3,927,584	6,509
Derivative financial instruments (assets)	vi	–	2	–
<hr/>				
Deposits from customers	viii	455,471	61,251	–
Accounts payable arising from dealing in securities	ii	142,970	4,227,334	–
Other payables and accruals	iii	–	–	13,987
Derivative financial instruments (liabilities)	vi	–	3	–
<hr/>				
2008				
		BOCI Group HK\$'000	Other subsidiaries Bank of China Limited HK\$'000	Associates of BOC International Holdings Limited HK\$'000
Statement of financial position items				
Bank balances and cash	i	–	1,615,345	–
Accounts receivable arising from dealing in securities	ii	164,396	2,529,219	4,504
Derivative financial instruments (assets)	vi	20	4	–
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Deposits from customers	viii	147,219	1,980	–
Accounts payable arising from dealing in securities	ii	82,645	2,264,656	–
Other payables and accruals	iii	47	465	29,043
Derivative financial instruments (liabilities)	vi	–	–	–
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BOCI ASIA LIMITED
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 Related-party transactions (Continued)

(i) Interest income from bank deposits and bank balances

In the ordinary course of business, the Group placed its cash and short-term funds with BOC Hong Kong (Holdings) Limited and its related entities. These deposits were conducted at prices and terms that were no more favourable than those contracted with other third party customers.

(ii) Commission income and expense arising from brokerage activities

During the year, the Group earned brokerage commission from securities dealing of approximately HK\$77,044,000 and HK\$856,999,000 (2008: HK\$83,037,000 and HK\$539,997,000) from fellow subsidiaries in BOC International Holdings Limited and BOC Hong Kong (Holdings) Limited and its related entities as a result of securities transactions executed in Hong Kong. In return, the Group paid approximately HK\$42,105,000 and HK\$338,639,000 (2008: HK\$51,941,000 and HK\$150,714,000) to fellow subsidiaries in BOC International Holdings Limited and BOC Hong Kong (Holdings) Limited for the business entered. As at 31 December 2009, the Group had a net receivable of HK\$2,017,000 from fellow subsidiaries in BOC International Holdings Limited and net payable of HK\$299,750,000 to BOC Hong Kong (Holdings) Limited (2008: net receivable of HK\$81,751,000 from fellow subsidiaries in BOC International Holdings Limited and net receivable of HK\$264,563,000 to BOC Hong Kong (Holdings) Limited) as a result of the above transactions executed.

(iii) Underwriting and placement commission

In the ordinary course of business, the Group provided underwriting and placement services to customers and received underwriting and placement fee income. During the year, no commission was earned (2008: HK\$4,351,000) from Bank of China Limited. These commissions earned were executed at the relevant market rates at the time of the transactions.

Also, certain underwriting and placement activities were jointly conducted by the Group and one of the associates of the immediate holding company. As at 31 December 2009, the Group had outstanding fee payable to the associate of the immediate holding company, amounted to HK\$13,987,000 (2008: HK\$29,043,000) which was received on its behalf, for the services provided.

BOCI ASIA LIMITED
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 Related-party transactions (Continued)

(iv) Management fee income

The Group has an agreement with BOCI Financial Products Limited, a fellow subsidiary in BOC International Holdings Limited, under which the Company provides management and administrative services in return for a fee which is agreed and reviewed on an annual basis. This agreement can be terminated by either party giving not less than one month's written notice.

(v) Management fee expense

The Group has an agreement with its immediate holding company (BOC International Holdings Limited) and its fellow subsidiaries (BOCI Leveraged & Structured Finance Limited and BOC International (Singapore) Pte. Ltd.) under which the immediate holding company, its fellow subsidiary and its subsidiary provide administration and support services to the Company in return for a fee which is agreed and reviewed on an annual basis. This agreement can be terminated by either party giving not less than one month's written notice.

(vi) Derivative financial instruments assets/liabilities

In the ordinary course of business, the Group entered into equity contracts, exchange rate contracts and interest rate contracts with other subsidiaries of Bank of China Limited. These transactions were executed at the relevant market rates at the time of the transactions.

(vii) Bank loans and related interest expenses

In the ordinary course of business, the Group obtained loans from BOC International Holdings Limited and other subsidiaries of Bank of China Limited and other state-controlled financial institutions to finance its margin financing activities and daily operations. The above borrowings were entered at the relevant market rates at the time of the transactions. During the year, the Group paid an interest expense of HK\$24,361,000 and 967,000 (2008: HK\$54,696,000 and HK\$91,668,000) for the bank loans obtained from BOC International Holdings Limited and other subsidiaries of Bank of China Limited respectively.

BOCI ASIA LIMITED
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 Related-party transactions (Continued)

(viii) Deposits from customers and interest expense on customer deposits

In the ordinary course of business, the Group accepted deposits from fellow subsidiaries in BOC International Holdings Limited and other subsidiaries of Bank of China Limited. As at 31 December 2009, the outstanding customer deposits amounted to HK\$455,471,000 and HK\$61,251,000 (2008: HK\$147,219,000 and HK\$1,980,000) and interest expenses of HK\$1,157,000 and HK\$19,000 (2008: HK\$6,704,000 and HK\$47,000) were paid during the year.

(ix) Operating lease rental in respect of leased premises

In the ordinary course of business, the Group entered into an office lease agreement with a subsidiary of Bank of China (Hong Kong) Limited. The leases were executed at the relevant market rates at the time of the transactions.

(x) Key management compensation

Key management are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors and Senior Management. Key management compensation was disclosed in note 8 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 Critical accounting estimates, and judgements in applying accounting policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Fair value of derivatives or other financial instruments

The fair value of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data. Changes in methodologies about these valuation techniques could affect reported fair value of financial instruments.

Income taxes

Determining income tax provisions involves significant judgement. There are many transactions and calculation for which the ultimate tax determination is uncertain. The Group evaluates tax implications of transactions and tax provisions are set up accordingly. Deferred tax assets are recognised for tax losses not yet used and temporary deductible difference arising from donation provisions and hedging reserve. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

Should future taxable profit become totally unavailable, the Group would need to decrease the deferred tax assets and increase its deferred tax expenses by approximately HK\$17 million (2008: HK\$72 million).

34 Immediate holding company and ultimate holding company

The parent company and ultimate holding company are Bank of China Limited and Central Huijin Investment Ltd. (previously known as Central SAFE Investments Limited), respectively.

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