



**Daiwa Capital Markets Hong Kong Limited**

**Base Listing Document relating to  
Hong Kong Listed Structured Products  
to be issued by**

**Daiwa Capital Markets Hong Kong Limited**

(the "Issuer")

*(incorporated with limited liability in Hong Kong)*

Daiwa Capital Markets Hong Kong Limited ("Issuer") has published this document in respect of call warrants on single equities ("single equities call warrants"), put warrants on single equities ("single equities put warrants"), call warrants on a single index ("index call warrants"), put warrants on a single index ("index put warrants"), call warrants on a single commodity ("commodity call warrants"), put warrants on a single commodity ("commodity put warrants" and, together with the single equities call warrants, single equities put warrants, the index call warrants, the index put warrants, the commodity call warrants, the "warrants"), callable contracts on single equities ("equity callable contracts") and callable contracts on indices ("index callable contracts", and, together with the equity callable contracts, the "CBBCs") and any other structured products approved by The Stock Exchange of Hong Kong Limited ("stock exchange") from time to time (such other structured products, together with the warrants and the CBBCs, being referred to as the "structured products") to be issued by the Issuer in series (each a "series") from time to time and listed on the stock exchange.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited ("HKSCC") take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

This document includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "rules") for the purpose of giving information with regard to the Issuer. The Issuer accepts full responsibility for the accuracy of the information contained in this document and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement in this document misleading. Additional terms relating to each series of our structured products will be set out in a supplemental listing document (each a "supplemental listing document") which will be supplemental to, and should be read in conjunction with, this document.

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 base listing document and the relevant supplemental listing document and, where necessary, seek professional advice, before they invest in the structured products.

The structured products constitute our general unsecured contractual obligations and are obligations of no other person and if you purchase the structured products you are relying upon the creditworthiness of the Issuer and have no rights under the structured products against, as applicable, the underlying, any company which has issued the underlying or any company which sponsors the underlying or whose securities are comprised in the underlying.

## IMPORTANT

If you are in any doubt as to any of the contents of this document, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

This base listing document may be updated from time to time, in which case we will publish an addendum.

You should read this document, together with any addendum to it and the relevant supplemental listing document, before deciding whether to invest in the structured products.

We cannot give you investment advice. You must decide for yourself whether the structured products meet your investment needs, and take professional advice if appropriate. This document is not intended to be, and should not be considered as, a recommendation or advice by us or any of our affiliates that you should purchase any of our structured products, and you must make your own independent investigation of our financial condition and affairs and your own appraisal of our creditworthiness.

We undertake during the period in which our structured products are listed on the stock exchange to make available to you for inspection at the office of Computershare Hong Kong Investor Services Limited, which is presently at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong:

- (a) a copy of this document and any addendum that we publish to this document (both the English version and the Chinese translation);
- (b) a copy of the applicable supplemental listing document in respect of any issue of structured products (both the English version and the Chinese translation);
- (c) a copy of our latest publicly available annual report and interim report or quarterly financial statements (if any); and
- (d) a copy of the consent letter from our auditors referred to in this document.

我們保證閣下可於結構性產品在聯交所上市的期間在香港中央證券登記有限公司辦事處(地址為香港皇后大道東183號合和中心17樓1712-1716室)查閱下列文件：

- (a) 本基礎上市文件及我們刊發的任何增編(英文版本及中文譯本)；
- (b) 結構性產品的適用補充上市文件(英文版本及中文譯本)；
- (c) 我們最近期公開的年報及中期報告或季度財務報表(如有)；及
- (d) 基礎上市文件所述我們核數師的同意書。

The structured products are not available to, or for the benefit of, U.S. persons (as defined in the U.S. Securities Act of 1933, as amended) (the "Securities Act").

All references in this document to "Hong Kong dollars" and to "HK\$" are to the lawful currency of Hong Kong, to "U.S. Dollars" and "U.S.\$" are to the lawful currency of the United States of America, to "EUR" or "euros" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended and to "GBP", "Sterling" or "£" are to the lawful currency of the United Kingdom. All references in this document to "Hong Kong" are to the Hong Kong Special Administrative Region of the People's Republic of China.



## OVERVIEW OF OUR PROGRAMME

We have set up this programme for the purpose of offering from time to time to the public in Hong Kong structured products listed on the stock exchange. The following is an overview of the main features of the programme.

<b>Who issues the structured products?</b>	Daiwa Capital Markets Hong Kong Limited is the <b>Issuer</b> of the structured products. References in this base listing document to “we”, “our” and “us” are to the Issuer.
<b>Will the structured products be guaranteed?</b>	No.
<b>What types of structured products may be issued under the programme?</b>	We may issue warrants and CBBCs as described below. We may also issue from time to time under the programme other structured products approved by the stock exchange.
<b>What types of warrants may be issued under the programme?</b>	<p>The <b>warrants</b> which we may issue under the programme are:</p> <ul style="list-style-type: none"><li>(a) call warrants on single equities (“single equities call warrants”);</li><li>(b) put warrants on single equities (“single equities put warrants”);</li><li>(c) call warrants on a single index (“index call warrants”);</li><li>(d) put warrants on a single index (“index put warrants”);</li><li>(e) call warrants on a single commodity (“commodity call warrants”); and</li><li>(f) put warrants on a single commodity (“commodity put warrants”).</li></ul>
<b>What types of CBBCs may be issued under the programme?</b>	<p>The callable bull bear contracts (the “CBBCs”) which we may issue under the programme are:</p> <ul style="list-style-type: none"><li>(a) callable contracts on single equities (“equity callable contracts”); and</li><li>(b) callable contracts on a single index (“index callable contracts”).</li></ul> <p>There are two categories of CBBCs, namely Category N and Category R. A Category N CBBC is a type of CBBC where the call price is equal to the strike price and you will not receive any payment upon the occurrence of a mandatory call event (as defined in the relevant conditions) while a Category R CBBC refers to a CBBC where the call price is different from the strike price and you may or may not receive a small amount of cash payment upon the occurrence of a mandatory call event (as defined in the relevant conditions). If the strike price of a Category N CBBC is equal to that of a Category R CBBC, the Category R CBBC may be called at an earlier level than the Category N CBBC.</p>
<b>How are the structured products issued?</b>	Our structured products will be issued in one or more <b>series</b> . Structured products within a series will have the same terms, but the terms of one series of structured products may be different from another.

<b>What is the legal status of the structured products?</b>	The structured products represent our general unsecured contractual obligations and are obligations of no other person and rank <i>pari passu</i> among themselves and (save for certain obligations required to be preferred by law) equally with all our other unsecured obligations.
<b>Will the structured products be listed?</b>	Yes. We will apply to the stock exchange to list each series of structured products which we issue under the programme. This base listing document has been published for the purposes of obtaining a listing of each series of structured products which we issue under the programme.
<b>Will the structured products be admitted to CCASS?</b>	Yes. We will make arrangements to ensure that each series of structured products will be accepted by the Hong Kong Securities Clearing Company Limited (“HKSCC”) as eligible securities for deposit, clearance and settlement in the Central Clearing and Settlement System (“CCASS”). All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time (the “CCASS Rules”).
<b>What are the listing documents for the structured products?</b>	We have published this base listing document to permit the listing of the structured products on the stock exchange. This base listing document sets out the terms and conditions of the structured products, common features of the structured products, the legal terms relating to the programme and information about us. This base listing document includes particulars given in compliance with the rules for the purpose of giving information with regard to us and the structured products.  When we apply to list one or more series of structured products, we will publish a <b>supplemental listing document</b> , which will include information on the particular structured products to be listed. The supplemental listing document will be available in an English and Chinese versions (which may be printed together in the same document).
<b>What will a supplemental listing document specify?</b>	The supplemental listing document will, amongst other things, summarise the terms of the series of structured products being offered, which will include the following:
<i>Type of structured product</i>	The supplemental listing document will specify the type of the series of structured products offered.
<i>Exercise</i>	The supplemental listing document will specify the date (or dates) on which the structured products may be exercised. If a structured product is expressed to be <b>European style</b> , it may be exercised only upon the specified expiry date. If a structured product is expressed to be <b>American style</b> , it may be exercised at any time during a specified period.
<i>Settlement Basis</i>	The structured product is <b>cash settled</b> , the holder will be entitled to a cash payment upon exercise of the structured product (assuming that the cash payment is greater than zero).
<i>Issue price</i>	The supplemental listing document will specify the issue price of the structured product.
<i>Underlying</i>	The supplemental listing document will specify the <b>underlying</b> for the structured product, which may be a share, an index, a commodity or any other underlying approved by the stock exchange.

<i>Expiry Date</i>	The supplemental listing document will specify the expiry date for the series of structured products offered.
<i>Liquidity Provider</i>	The supplemental listing document will specify the name and contact details of the liquidity provider for the series of structured products offered, and the basis on which the liquidity provider will provide liquidity in the relevant structured products.
<b>How will the structured products be represented?</b>	The structured products of each series will be represented by a global certificate which will be registered in the name of HKSCC Nominees Limited (or such other nominee company as HKSCC may specify from time to time) and will be deposited with CCASS in accordance with the CCASS Rules.
<b>Will you get any individual certificate representing an investment in a series of structured products?</b>	No, you will not receive any individual certificates.
<b>In the Terms and Conditions for the structured products, there are references to “holders”. Who are they?</b>	<p>The registrar will maintain a register showing the details of each person who is entitled to a particular number of structured products of a series. The person registered will be treated by us and the registrar as the absolute owner and <b>holder</b> of that number of structured products.</p> <p>The register for each series of structured products will record at all times that HKSCC Nominees Limited (or such other nominee company as HKSCC may specify for that series) is the holder of 100 per cent. of the structured products of that series.</p> <p>Accordingly you will not be recognised by us or the registrar as the holder of the structured products in which you invest, and you must refer to the records of CCASS and/or your brokers/custodians, and the statements that you receive, to determine your beneficial interest in the structured products.</p>
<b>How do we give notices and make payments and deliveries under the structured products?</b>	We will give any necessary notices, and make all payments and deliveries that are due, under our structured products to the registered holder of the structured products, which will be HKSCC Nominees Limited (or such other nominee company as HKSCC may specify for that series). In this situation, the notices will then be given to you or your broker/custodian, and the payments and deliveries to which you are entitled will be made to you or to your broker/custodian, through CCASS in accordance with the CCASS Rules.
<b>Can we repurchase the structured products?</b>	Yes, we or our affiliates may repurchase our structured products at any time, including in the grey market. We may offer for sale any structured products which we repurchase, and may do so at prevailing market prices or in negotiated transactions at our discretion. You should not therefore make any assumptions as to the number of the structured products of any series which may be in issue from time to time.

## RISK FACTORS

The following summary does not necessarily set out all the risks related to the structured products and you should not rely on it without reference to the relevant conditions of this document. If you have any concerns or doubts about the structured products, you should obtain independent professional advice.

### General Risk Factors relating to us and the Structured Products

#### (1) *Our Creditworthiness*

You should note that the structured products are not rated. If you purchase the structured products, you rely on our creditworthiness and you have no rights under the structured products against any company which has issued the shares (in respect of equity-linked structured products) or any company constituting the index or the index compiler (in respect of index-linked structured products).

#### (2) *The price of the structured products may fluctuate to a great extent*

The price of the structured products may fall or rise rapidly in value and the structured products may expire or become worthless, resulting in a total loss of your investment. Before selling or exercising any rights under the structured products, you should carefully consider, among other things, (i) the trading price of the structured products; (ii) the value and volatility of the underlying as specified in the applicable supplemental listing document; (iii) the time remaining to expiration; (iv) any change(s) in interim interest rates and dividend yields; (v) any change(s) in currency exchange rates; (vi) the depth of the market or liquidity of the underlying as specified in the applicable supplemental listing document; (vii) any related transaction costs; and (viii) our creditworthiness.

#### (3) *The secondary market for the structured products may be limited*

We intend to apply to list each series of structured products on the stock exchange. If a series of structured products is listed on the stock exchange, there can be no assurance that any such listing can be maintained. In the event that such listing cannot be maintained, we will use our best efforts to list such structured products on another exchange. We (acting through the appointed liquidity provider) may be the only person quoting prices on the stock exchange for the structured products. Therefore, the secondary market may be limited.

#### (4) *The structured products constitute our unsecured and unsubordinated contractual obligations*

The structured products constitute our direct, general, unsecured and unsubordinated contractual obligations and are obligations of no other person and shall rank equally (*pari passu*) with our other existing and future unsecured, unsubordinated contractual obligations (save for certain obligations required to be preferred by law). We issue a large number of financial instruments on a global basis. We have substantially no obligation to you other than to pay amounts in accordance with the terms set out in the applicable supplemental listing document. We do not underwrite or guarantee the performance of any structured product in any respect. We shall have the absolute discretion to put in place any hedging transaction or arrangement appropriate in connection with any structured product or the applicable underlying.

#### (5) *Trading in the structured products may be affected by suspension of trading in the underlying*

If trading in the underlying is suspended on the stock exchange, trading in the structured products may be suspended for a similar period.

#### (6) *There is a time lag between exercise of the structured products and payment or delivery to you.*

Any delay between exercise of the structured products and payment or delivery to you will be specified in the applicable supplemental listing document or in the conditions. We will not compensate you for any loss you suffer as a result of any time lag.

#### (7) *The value of the underlying may fluctuate*

An investment in the structured products involves risks relating to changes in the value of the underlying. The value of the underlying will vary over time, including as a result of corporate actions (where the underlying is a share), fluctuations in commodity price (where the underlying is a commodity) or changes in computation (where the underlying is an index). Certain of such events which affect the value of the underlying may require an adjustment to the structured products. However, even if such event does not require an adjustment to the

structured products, the price of the structured products or the return on an investment in the structured products may be affected.

***(8) Investments in the structured products are not the same as investments in the underlying***

The value of the structured products may not correlate directly with the movements of the underlying and may be affected by the time remaining to expiry. Also, where the underlying is a share, as holder of the structured products, you will not have the same rights (including voting rights and rights to dividends) as if you were a direct holder of the underlying.

***(9) Gearing Effects***

Since our structured products are leveraged the percentage change in the price of a structured product is greater compared with that of the underlying. Investors may suffer higher losses in percentage terms if they expect the price of the underlying to move one way but it moves in the opposite direction.

***(10) There could be conflicts of interests which may affect the structured products***

Various potential and actual conflicts of interest may arise from our overall activities or activities of our group companies, subsidiaries and affiliates. Such actions and conflicts may include, without limitation, the exercise of voting power, the purchase and sale of securities, financial advisory relationships and exercise of creditor rights. In the ordinary course of our business, we, our group companies, subsidiaries and affiliates may effect transactions on our own account, or the accounts of our customers, and hold positions in the underlying shares.

***(11) Our structured products are issued in global registered form***

The structured products are issued in global registered form, in which case HKSCC Nominees Limited will be the only legal owner of the structured products. You are not entitled to any definitive certificates representing your beneficial interests in the structured products. You will have to rely on CCASS and/or your brokers/custodians to (a) determine your beneficial interest in the structured products, (b) receive announcements and/or information relating to the structured products and (c) receive payments under the structured products. Our obligation to you will be duly performed by the delivery of the cash settlement amount or the settlement amount in accordance with the conditions to HKSCC Nominees Limited as the registered holder of the structured products. The amounts and/or securities will be delivered to you or your broker/

custodian through CCASS participants in accordance with the general rules of CCASS and the CCASS operational procedures in effect from time to time.

***(12) There may be an exchange rate risk***

You should note that there may be an exchange rate risk in the case of structured products where the cash settlement amount is converted from a foreign currency into Hong Kong dollars, for example, the underlying may be denominated in a currency other than Hong Kong dollars.

Changes in the exchange rate(s) between the currency of the underlying, 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.

***(13) There may be certain events relating to an index underlying that affect index linked structured products***

In the case of index-linked structured products, a level for the index may be published by the index compiler (as defined in the relevant conditions) at a time when one or more shares comprised in the relevant index are not trading. If this occurs on a valuation date (as defined in the relevant conditions) and there is no market disruption event (as defined in the relevant conditions) under the terms of the relevant index-linked structured products, then the closing level of the index will be calculated by reference to the remaining shares comprised in the relevant index. Certain events relating to the index permit us to determine the level of the index on the basis of the formula or method last in effect prior to such change to formula.

***(14) There may be certain events relating to a commodity underlying that affect commodity linked structured products***

In the case of commodity-linked structured products, the commodity is traded outside the trading hours of the stock exchange and the prices outside such trading hours can be volatile. A commodity market is generally subject to greater risks than other markets. The price of the commodity is highly volatile. Price movement of the commodity may be influenced by, among other things, interest rates, changing market supply and demand relationships, trade, fiscal, monetary and exchange control



programmes and policies of governments, and international political and economic events and policies.

***(15) Two or more risk factors may simultaneously affect the structured products***

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

***(16) Our hedging activities may affect the value of our structured products***

We may enter into hedging transactions in the market in order to enable us to meet our obligations under the structured products. Alternatively any of our group companies, subsidiaries or affiliates may enter into hedging transactions in the market in order to enable them to meet their obligations under the hedging arrangements between them and such group companies. These hedging transactions would typically involve contracts for the purchase and/or sale of the underlying (or, if the underlying is an index, constituent securities of such index), futures or option contracts over the relevant underlying, the establishment of long or short positions (or both) in the underlying, or some or all of the above. These transactions may be constantly adjusted. The unwinding or adjustment of those positions could itself affect the prices or levels of the underlying (or, if the underlying is an index, constituent securities of such index), particularly if there is otherwise low trading volume in the underlying (or, if the underlying is an index, its constituent securities) at that time. It is possible that this activity could cause the price or level of an underlying to fall, resulting in a lower return or a loss for you on your investment in the structured products.

***(17) Impact of a market disruption event on a valuation date***

If we determine that a market disruption event relating to any of the structured products has occurred or exists on a valuation date in relation to such structured product, any consequential postponement of the valuation date or any alternative valuation may have an adverse effect on the value of such structured product.

***(18) We may terminate early our structured products for illegality, force majeure or cessation of trading***

If we determine that the performance of our obligations under any structured products has become illegal or impractical in whole or in part for any

reason, or if we determine that, for reasons beyond our control, it is no longer legal or practical for us to maintain our hedging arrangements, we may decide to terminate that issue of structured products early.

In the case of commodity warrants, if we determine that the Price Source (as defined in the relevant conditions) has announced that the commodity ceases (or will cease) to be traded or publicly quoted on the Price Source, we may terminate that issue of Warrants early.

If this happens, we will pay the holder of those structured products an amount equal to the fair market value of the structured products notwithstanding such illegality or impracticality or cessation of trading less the cost of unwinding any underlying hedging arrangements.

***(19) Risks in using the structured products for hedging***

If you intend to purchase our structured products to hedge against the market risks associated with investing in or having an exposure to any underlying, you should recognise the risks of utilising the structured products in this manner. There is no assurance that the value of the structured products will correlate with movements of the relevant underlying. You may therefore incur substantial losses by investing in our structured products for such purpose, notwithstanding any other losses already incurred with respect to your investments in or exposure to the relevant underlying.

***(20) The trading price of our structured products may not be the same as their exercise value***

The exercise value of our structured products at any time is typically expected to be less than their trading price. "Exercise value" means the cash settlement amount. The difference between the trading price and the exercise value will reflect, among other things, a "time value" for the structured products. The "time value" of the structured products will depend, amongst other factors, partly upon the length of the period remaining to expiration, and expectations concerning the value of the underlying.

***(21) We are not the holding company of our group***

We are not the ultimate holding company of our group. The ultimate holding company of our group is Daiwa Securities Group Inc.

## **Risk Factors relating to CBBCs**

### **(22) *The CBBCs could automatically expire worthless in certain circumstances***

In the case of CBBCs, you should note that you can lose your entire investment on or prior to the expiry date. If a mandatory call event (as defined in the relevant conditions) occurs, the CBBCs will automatically expire. The Category N CBBCs will automatically become worthless upon the occurrence of a mandatory call event. The Category R CBBCs may also become worthless.

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, which may be as low as zero.

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 a mandatory call event in respect of any series of CBBCs. You should note that the mandatory call payoff 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 trading level for Bull Contracts (as defined in the relevant conditions) relating to an index or the minimum trading level for Bear Contracts (as defined in the relevant conditions) relating to an index; or, in the case of CBBCs relating to a share, an amount equal to (i) the Entitlement (as defined in the relevant conditions) multiplied by (ii) the absolute value of the difference between the strike price and the maximum trading price for Bull Contracts (as defined in the relevant conditions) or the minimum trading price for Bear Contracts (as defined in the relevant conditions).

### **(23) *The trading price of a CBBC may not be the same as the theoretical value of such CBBC***

A CBBC can be terminated when the price or level of the underlying reaches or goes beyond the call price or call level. When the price or level of the underlying approaches the call price or call level (as defined in the relevant conditions), the trading price and theoretical value of the CBBC will likely be more volatile. This is because it is more likely that a mandatory call event will occur.

Once a mandatory call event has occurred in respect of a CBBC, the CBBC will be settled at the mandatory call payoff (as defined in the relevant conditions), and you will not be able to benefit under that CBBC from any changes to the price or level of the underlying after the mandatory call payoff is determined.

Further, when you sell your CBBC holdings in the market at any time prior to the expiry of such CBBC, the price realised may not be the same as the theoretical value of the CBBC, as the price will be determined by the levels of supply and demand in the market at that time.

### **(24) *Additional risk factors relating to CBBCs***

You should note that when a mandatory call event occurs in the pre-opening session or the closing auction session (as the case may be) of the stock exchange, all trades in the CBBCs concluded via auction during the order matching period will be cancelled, and all manual trades concluded after the determination of the final indicative equilibrium price will not be recognised. If the mandatory call event occurs in the continuous trading session, all trades concluded via auto-matching or manually after the mandatory call event (“post MCE trades”) will be cancelled. Announcements relating to a mandatory call event may also be delayed due to technical errors or system failures.

The stock exchange or us (or any of our group companies, subsidiaries or affiliates) shall not be liable for any loss or damage suffered by you arising from or in connection with any mandatory call event, the suspension of trading or the non-recognition of post MCE trades.

## **TERMS AND CONDITIONS OF THE SINGLE EQUITIES CALL WARRANTS (CASH SETTLED)**

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

### **1. Form, Status, Transfer and Title**

#### *(a) Form*

The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 13) relating to the Shares of the Company are issued in registered form subject to and with the benefit of a global certificate by way of deed poll (the “Global Certificate”) dated the Issue Date, made by Daiwa Capital Markets Hong Kong Limited (the “Issuer”) and a base registrar’s and structured product agency agreement (as amended, varied or supplemented from time to time or any successor document, the “Registrar’s Agreement”) dated 13 September 2010 as supplemented by a Confirmation (as defined in the Registrar’s Agreement) relating to the Warrants made between the Issuer and Computershare Hong Kong Investor Services Limited as registrar and agent for the Warrants (the “Registrar” and “Agent”, which expressions shall include any successors). Copies of the Global Certificate and the Registrar’s Agreement are available for inspection at the specified office of the Registrar (the “Transfer Office”). The initial Transfer Office is set out below. The Warrantholders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Global Certificate and the Registrar’s Agreement.

#### *(b) Status*

The Warrants represent general, unsecured, contractual obligations of the Issuer and of no other person and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations of the Issuer.

#### *(c) Transfer*

Transfers of beneficial interests in the Warrants may be effected only in Board Lots or integral multiples thereof in CCASS (as defined below) in accordance with the CCASS Rules (as defined below).

#### *(d) Title*

Each person who is for the time being shown in the register kept by the Registrar as entitled to a particular number of Warrants shall be treated by the Issuer and the Registrar as the absolute owner and holder of such number of Warrants. The expression “Warrantholder” shall be construed accordingly.

### **2. Warrant Rights and Exercise Expenses**

#### *(a) Warrant Rights*

Every Exercise Amount gives each Warrantholder, upon due exercise and compliance with Condition 4(A) or 4(B), as the case may be, the right to receive the payment of the Cash Settlement Amount (each as defined below), if any.

#### *(b) Exercise Expenses*

On exercise of the Warrants, Warrantholders are required to pay all Exercise Expenses (as defined below). To effect such payment, an irrevocable authorisation to deduct all Exercise Expenses in accordance with the calculation set out in this definition of Cash Settlement Amount is deemed to be given by a Warrantholder to the Issuer upon purchase of the Warrants.

(c) *Definitions*

For the purposes of these Conditions:

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

“Cash Settlement Amount” means in respect of every Exercise Amount, an amount in Hong Kong dollars calculated by the Issuer as equal to (1) the Entitlement (subject to adjustment as provided in Condition 6) multiplied by (i) (A) in the case of Warrants exercised prior to the Expiry Date, the Closing Price on the Valuation Date; or (B) in the case of Warrants exercised on the Expiry Date, the arithmetic mean of the Closing Price for each Valuation Date less (ii) the Exercise Price (subject to adjustment as provided in Condition 6) less (2) the Exercise Expenses;

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

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

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

“Designated Bank Account” means the relevant bank account designated by the relevant Warrantholder for the purpose of procuring payment of the Cash Settlement Amount electronically through CCASS;

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

“Exercise Notice” means a duly completed exercise notice obtainable from the Registrar;

“Expiry Date” means the Maturity Date or if the Maturity Date is not a Business Day the immediately succeeding Business Day;

“Market Disruption Event” means:

- (1) the occurrence or existence on any Valuation Date during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in (a) the Shares; and/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 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) an outbreak or escalation of hostilities or other national or international calamity or crisis (including, without limitation, act of terrorism and natural calamities) or the breakdown of the Stock Exchange’s price quotation system if, in the determination of the Issuer, the occurrence or existence of any of the aforesaid events will have a material adverse effect on the ability of the Issuer to perform its obligations in connection with or on the ability of the Issuer or its affiliates to hedge the Issuer’s or its affiliates’ position with respect to the Warrants;

“Settlement Disruption Event” means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the Designated Bank Account;

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

“Valuation Date” means, with respect to the exercise of Warrants, and subject as provided below in relation to a Market Disruption Event, (1) in the case of Warrants exercised prior to the Expiry Date, the Exercise Date; or (2) in the case of Warrants exercised on the Expiry Date, each of the five Business Days immediately preceding the Expiry Date.

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

#### **(A) American Style Warrants**

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

##### *(a) Exercise Period*

The Warrants may be exercised by delivery of an Exercise Notice, in accordance with Condition 4(A) at any time during the period (the “Exercise Period”) beginning at 10:00 a.m. (Hong Kong time) on the Dealing Commencement Date (or, if later, the first day of dealings in the Warrants on the Stock Exchange) and ending at 10:00 a.m. (Hong Kong time) on the sixth Business Day immediately preceding the Expiry Date.

##### *(b) Automatic Exercise*

All Warrants with respect to which an Exercise Date (as defined below) has not occurred during the Exercise Period will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the 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(A)(f).

##### *(c) Expiry*

Any Warrant with respect to which an Exercise Date has not occurred during the Exercise Period or which has not been automatically exercised in accordance with Condition 3(A)(b) shall expire immediately without value on the Expiry Date and all rights of the Warrantholder and obligations of the Issuer with respect to such Warrant shall cease.

#### **(B) European Style Warrants**

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

##### *(a) Exercise of Warrants*

The Warrants are exercisable only on the Expiry Date.

##### *(b) Automatic Exercise*

All Warrants will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (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(B)(d).

##### *(c) Expiry*

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

#### 4. Exercise of Warrants

##### (A) American Style Warrants

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

(a) Warrants may only be exercised in a Board Lot or integral multiples thereof.

##### (b) Delivery of an Exercise Notice

(i) In order to exercise Warrants, the Warrantholder shall deliver to the Transfer Office an Exercise Notice, such delivery to be made at any time during the Exercise Period. Warrants may not be exercised at any other time.

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

##### (c) Exercise Notice

The Exercise Notice shall:

(i) specify the name(s) of the Warrantholder(s) and the number of Warrants being exercised;

(ii) be accompanied by the Global Certificate in the name(s) of the exercising Warrantholder(s); and

(iii) specify the relevant account to which the Cash Settlement Amount should be sent.

##### (d) Consequences of delivery of an Exercise Notice

Delivery of an Exercise Notice in accordance with Condition 4(A) 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.

##### (e) Cancellation

Subject to a valid exercise, or automatic exercise, of Warrants in accordance with these Conditions, the Issuer will procure that the Registrar will, with effect from the first Business Day following the Exercise Date or the Expiry Date, as the case may be, remove from its register the name of the person in respect of the Warrants which are the subject of an exercise whether pursuant to an Exercise Notice, automatic exercise or if the Warrants have expired worthless and thereby cancel the relevant Warrants.

##### (f) Cash Settlement

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

The Cash Settlement Amount, shall be despatched not later than three Business Days following the Exercise Date or the Expiry Date, as the case may be, (the "Settlement Date") by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to (i) procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder and (ii) notify the Warrantholder in accordance with Condition 11, as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event, nor shall the Issuer be liable under any circumstances for any acts or defaults of CCASS in relation to the performance of duties in relation to the Warrants.

In the case of Warrants exercised prior to the Expiry Date:

If the Issuer determines, in its sole discretion, that on any Valuation Date a Market Disruption Event has occurred, then that Valuation Date shall be postponed until the first succeeding Business Day on which there was no Market Disruption Event unless (1) the postponement of a Valuation Date as aforesaid would result in a Valuation Date falling after the Expiry Date or (2) 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. In the case of (1) (i) the Expiry Date shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event, and (ii) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of such price that would have prevailed on the Valuation Date but for the Market Disruption Event; and in the case of (2) (i) that fifth Business Day (or, if earlier, the Expiry 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 fifth Business Day (or Expiry Date if applicable).

In the case of Warrants exercised on the Expiry Date:

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

**(B) European Style Warrants**

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

- (a) Warrants may only be exercised in a Board Lot or integral multiples thereof.
- (b) *No requirement to deliver an exercise notice*

The Warrantholders will not be required to deliver an exercise notice for any purpose in relation to the Warrants.

(c) *Cancellation*

The Issuer will procure that the Registrar will, with effect from the first Business Day following the Expiry Date, remove from its register the name of the person in respect of the Warrants which are the subject of an automatic exercise or if the Warrants have expired worthless and thereby cancel the relevant Warrants.

(d) *Cash Settlement*

Subject to and in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Warrantholder equal to the Cash Settlement Amount.

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

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to (i) procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder and (ii) notify the Warrantholder in accordance with Condition 11, as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event, nor shall the Issuer be liable under any circumstances for any acts or defaults of CCASS in relation to the performance of its duties in relation to the Warrants.

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

## **5. Registrar and Transfer Office**

- (a) The initial Registrar and the Transfer Office, are set out below. The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Registrar and to appoint another Registrar provided that it will at all times maintain a Registrar which, so long as the Warrants are listed on the Stock Exchange, shall be in Hong Kong. Notice of any such termination or appointment and of any change in the Transfer Office or the specified office of the Registrar will be given to the Warrantholders in accordance with Condition 11.
- (b) The Registrar will be acting as agent of the Issuer in respect of any Warrant and will not assume any obligation or duty to or any relationship of agency or trust for the Warrantholders.



## 6. Adjustments

### (a) Rights Issues

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

$$\text{adjusted Entitlement} = \text{Adjustment Component} \times E$$

Where:

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

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 Right

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

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price in accordance with the following formula:

$$\begin{aligned} \text{adjusted Exercise Price} &= \text{Exercise Price} \times \frac{1}{\text{Adjustment Component}} \\ &\text{(rounded to the nearest} \\ &\text{Hong Kong dollar 0.001)} \end{aligned}$$

This adjustment to the Exercise Price shall take effect on the same day that the Entitlement is adjusted.

For the purposes of these Conditions:

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

### (b) Bonus Issues

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

$$\text{adjusted Entitlement} = \text{Adjustment Component} \times E$$

Where:

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

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 Exercise Price in accordance with the following formula:

$$\begin{array}{l} \text{adjusted Exercise Price} \\ \text{(rounded to the nearest} \\ \text{Hong Kong dollar 0.001)} \end{array} = \text{Exercise Price} \times \frac{1}{\text{Adjustment Component}}$$

This adjustment to the Exercise Price shall take effect on the same day that the Entitlement is adjusted.

*(c) Share Splits or Consolidations*

If and whenever the Company shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a “Subdivision”) or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a “Consolidation”), the Entitlement in effect immediately prior thereto will be increased (in the case of a Subdivision) or decreased (in the case of a Consolidation) accordingly in each case on the day on which the relevant Subdivision or Consolidation shall have taken effect. In addition, the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) will be decreased (in the case of a Subdivision) or increased (in the case of a Consolidation) accordingly. This adjustment to the Exercise Price shall take effect on the same day that the Entitlement is adjusted.

*(d) Merger or Consolidation*

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

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

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

*(e) Cash Distributions*

Generally, no capital adjustment will be made for an ordinary cash dividend (whether or not it is offered with a script alternative). 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 two per cent. or more of the Shares’ 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 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:

$$\text{adjusted Entitlement} = \text{Adjustment Component} \times E$$

Where:

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

provided that OD shall be deducted from S only if the Business Day on which trading in the Shares of the Company becomes ex-entitlement with respect to the Cash Distribution and the distribution of the ordinary cash dividend by the Company falls on the same date.

OD: Amount of the relevant ordinary cash dividend per Share

CD: Amount of the relevant Cash Distribution per Share

E: Existing Entitlement immediately prior to the Cash Distribution

S: The closing price of the Shares on the Stock Exchange on the Business Day immediately prior to the day on which trading in the Shares of the Company becomes ex-entitlement

In addition, the Issuer shall adjust the Exercise Price in accordance with the following formula:

$$\begin{aligned} \text{adjusted Exercise Price} &= \text{Exercise Price} \times \frac{1}{\text{Adjustment Component}} \\ &\text{(rounded to the nearest} \\ &\text{Hong Kong dollar 0.001)} \end{aligned}$$

This adjustment to the Exercise Price shall take effect on the same day that the Entitlement is adjusted.

*(f) Other Adjustments*

Without prejudice to the provisions of this Condition 6 and Condition 14, the Issuer may (but shall not be obliged to) make such adjustments to the terms of the Warrants which, in its sole and unfettered discretion and notwithstanding any prior adjustment made pursuant to the above, it considers appropriate, in the context of the issue of the Warrants and the obligations of the Issuer, to take account of (a) any event which may have a diluting or concentrative effect on the theoretical value of Shares or (b) any other event (including any corporate actions) affecting the Shares or the Company provided that such adjustment is considered by the Issuer not to be materially prejudicial to the Warrantholders generally. The Issuer shall not be required to have regard to the circumstances of any individual Warrantholder or the tax or other consequences of such adjustment in any particular jurisdiction in considering or making any such adjustments, and may, but need not, determine the appropriate adjustment(s) by reference to (i) the adjustment(s) in respect of such events made by an option exchange to options on the relevant Shares traded on such option exchange and (ii) the proceeds or assets which may be received by a holder of the Shares in connection with such event.

*(g) Notice of Adjustments*

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Warrantholders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with Condition 11.

## **7. Early Termination for Illegality and Force Majeure**

If the Issuer determines that, for reasons beyond its control, the performance of its obligations under the Warrants 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 Warrants (i) due to the adoption of or any change in any applicable law or regulation, or

(ii) due to the promulgation of or any change in the interpretation of any applicable law or regulation, the Issuer may at its discretion and without obligation terminate the Warrants early by giving notice to the Warrantholders 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 Warrants early, the Issuer will, if and to the extent permitted by applicable law, pay an amount to each Warrantholder in respect of each Warrant held by such holder equal to the fair market value of a Warrant 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 Warrantholders in accordance with Condition 11.

## **8. Purchases**

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

## **9. Global Certificate**

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

## **10. Meetings of Warrantholders; Modification**

### *(a) Meetings of Warrantholders*

The Registrar's Agreement contains provisions for convening meetings of the Warrantholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Registrar's Agreement) of a modification of the provisions of the Warrants or of the Global Certificate. Any resolutions to be passed in a meeting of the Warrantholders shall be decided by poll.

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

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

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

In the case of Warrants which are expressed to be American Style, Warrants which have not been exercised but in respect of which an Exercise Notice has been submitted will not confer the right to attend or vote at, or join in convening, or be counted in quorum for, any meeting of the Warrantholders. Resolutions can be passed in writing without a meeting of the Warrantholders being held if passed unanimously.

### *(b) Modification*

The Issuer may, without the consent of the Warrantholders, effect (i) any modification of the provisions of the Warrants or the Global Certificate which is not materially prejudicial to the interests of the Warrantholders or (ii) any modification of the provisions of the Warrants or the Global Certificate 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 Warrantholders and shall be notified to them by the Registrar before the effective date or as soon as practicable thereafter in accordance with Condition 11.

## **11. Notices**

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

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

## **13. Further Issues**

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

## **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 Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Warrantholders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Warrantholder or the tax or other consequences that may result in any particular jurisdiction).
- (b) Without prejudice to the generality of Condition 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 Warrantholders, make such adjustments to the entitlements of Warrantholders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into Hong Kong currency) as may be appropriate in the circumstances.
- (c) The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Warrantholders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Warrantholders in accordance with Condition 11 as soon as practicable after they are determined.

## **15. Governing Law**

The Warrants, the Global Certificate, the Registrar's Agreement and any non-contractual obligations arising out of or in connection with them 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 Warrantholder (by its purchase of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants, the Global Certificate, the Registrar's Agreement and any non-contractual obligations arising out of or in connection with them to the non-exclusive jurisdiction of the courts of Hong Kong.

## **16. Language**

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

### **Registrar, Agent and Transfer Office:**

#### **Computershare Hong Kong Investor Services Limited**

Rooms 1712-1716, 17th Floor, Hopewell Centre

183 Queen's Road East

Hong Kong

## **TERMS AND CONDITIONS OF THE SINGLE EQUITIES PUT WARRANTS (CASH SETTLED)**

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

### **1. Form, Status, Transfer and Title**

#### *(a) Form*

The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 13) relating to the Shares of the Company are issued in registered form subject to and with the benefit of an global certificate by way of deed poll (the “Global Certificate”) dated the Issue Date, made by Daiwa Capital Markets Hong Kong Limited (the “Issuer”) and a base registrar’s and structured product agency agreement (as amended, varied or supplemented from time to time or any successor document, the “Registrar’s Agreement”) dated 13 September 2010 as supplemented by a Confirmation (as defined in the Registrar’s Agreement) relating to the Warrants made between the Issuer and Computershare Hong Kong Investor Services Limited as registrar and agent for the Warrants (the “Registrar” and “Agent”, which expressions shall include any successors). Copies of the Global Certificate and the Registrar’s Agreement are available for inspection at the specified office of the Registrar (the “Transfer Office”). The initial Transfer Office is set out below. The Warrantholders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Global Certificate and the Registrar’s Agreement.

#### *(b) Status*

The Warrants represent general, unsecured, contractual obligations of the Issuer and of no other person and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations of the Issuer.

#### *(c) Transfer*

Transfers of beneficial interests in the Warrants may be effected only in Board Lots or integral multiples thereof in CCASS (as defined below) in accordance with the CCASS Rules (as defined below).

#### *(d) Title*

Each person who is for the time being shown in the register kept by the Registrar as entitled to a particular number of Warrants shall be treated by the Issuer and the Registrar as the absolute owner and holder of such number of Warrants. The expression “Warrantholder” shall be construed accordingly.

### **2. Warrant Rights and Exercise Expenses**

#### *(a) Warrant Rights*

Every Exercise Amount gives each Warrantholder, upon due exercise and compliance with Condition 4(A) or 4(B), as the case may be, the right to receive the payment of the Cash Settlement Amount (each as defined below), if any.

#### *(b) Exercise Expenses*

On exercise of the Warrants, Warrantholders are required to pay all Exercise Expenses (as defined below). To effect such payment, an irrevocable authorisation to deduct all Exercise Expenses in accordance with the calculation set out in the definition of Cash Settlement Amount is deemed to be given by a Warrantholder to the Issuer upon purchase of the Warrants.

(c) *Definitions*

For the purposes of these Conditions:

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

“Cash Settlement Amount” means in respect of every Exercise Amount, an amount in Hong Kong dollars calculated by the Issuer as equal to (1) the Entitlement (subject to adjustment as provided in Condition 6) multiplied by (i) the Exercise Price (subject to adjustment as provided in Condition 6) less (ii) (A) in the case of Warrants exercised prior to the Expiry Date, the Closing Price on the Valuation Date; or (B) in the case of Warrants exercised on the Expiry Date, the arithmetic mean of the Closing Price for each Valuation Date less (2) the Exercise Expenses;

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

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

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

“Designated Bank Account” means the relevant bank account designated by the relevant Warrantheader for the purpose of procuring payment of the Cash Settlement Amount electronically through CCASS;

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

“Exercise Notice” means a duly completed exercise notice obtainable from the Registrar;

“Expiry Date” means the Maturity Date or if the Maturity Date is not a Business Day the immediately succeeding Business Day;

“Market Disruption Event” means:

- (1) the occurrence or existence on any Valuation Date during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in (a) the Shares; and/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 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) an outbreak or escalation of hostilities or other national or international calamity or crisis (including, without limitation, act of terrorism and natural calamities) or the breakdown of the Stock Exchange’s price quotation system if, in the determination of the Issuer, the occurrence or existence of any of the aforesaid events will have a material adverse effect on the ability of the Issuer to perform its obligations in connection with or on the ability of the Issuer or its affiliates to hedge the Issuer’s or its affiliates’ position with respect to the Warrants;

“Settlement Disruption Event” means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the Designated Bank Account;



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

“Valuation Date” means, with respect to the exercise of Warrants, and subject as provided below in relation to a Market Disruption Event, (1) in the case of Warrants exercised prior to the Expiry Date, the Exercise Date; or (2) in the case of Warrants exercised on the Expiry Date, each of the five Business Days immediately preceding the Expiry Date, as the case may be.

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

#### **(A) American Style Warrants**

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

##### *(a) Exercise Period*

The Warrants may be exercised by delivery of an Exercise Notice, in accordance with Condition 4(A) at any time during the period (the “Exercise Period”) beginning at 10:00 a.m. (Hong Kong time) on the Dealing Commencement Date (or, if later, the first day of dealings in the Warrants on the Stock Exchange) and ending at 10:00 a.m. (Hong Kong time) on the sixth Business Day immediately preceding the Expiry Date.

##### *(b) Automatic Exercise*

All Warrants with respect to which an Exercise Date (as defined below) has not occurred during the Exercise Period will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the 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(A)(f).

##### *(c) Expiry*

Any Warrant with respect to which an Exercise Date has not occurred during the Exercise Period or which has not been automatically exercised in accordance with Condition 3(A)(b) shall expire immediately without value on the Expiry Date and all rights of the Warrantholder and obligations of the Issuer with respect to such Warrants shall cease.

#### **(B) European Style Warrants**

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

##### *(a) Exercise of Warrants*

The Warrants are exercisable only on the Expiry Date.

##### *(b) Automatic Exercise*

All Warrants will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (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(B)(d).

##### *(c) Expiry*

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

#### 4. Exercise of Warrants

##### (A) American Style Warrants

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

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

##### (c) *Exercise Notice*

The Exercise Notice shall:

- (i) specify the name(s) of the Warrantholder(s) and the number of Warrants being exercised;
- (ii) be accompanied by the Global Certificate(s) in the name(s) of the exercising Warrantholder(s); and
- (iii) specify the relevant account to which the Cash Settlement Amount should be sent.

##### (d) *Consequences of delivery of an Exercise Notice*

Delivery of an Exercise Notice in accordance with Condition 4(A) 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.

##### (e) *Cancellation*

Subject to a valid exercise, or automatic exercise, of Warrants in accordance with these Conditions, the Issuer will procure that the Registrar will, with effect from the first Business Day following the Exercise Date or the Expiry Date, as the case may be, remove from its register the name of the person in respect of the Warrants which are the subject of an exercise whether pursuant to an Exercise Notice, automatic exercise or if the Warrants have expired worthless and thereby cancel the relevant Warrants.

##### (f) *Cash Settlement*

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

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

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to (i) procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder and (ii) notify the Warrantholders in accordance with Condition 11, as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event, nor shall the Issuer be liable under any circumstances for any acts or defaults of CCASS in relation to the performance of duties in relation to the Warrants.

In the case of Warrants exercised prior to the Expiry Date:

If the Issuer determines, in its sole discretion, that on any Valuation Date a Market Disruption Event has occurred, then that Valuation Date shall be postponed until the first succeeding Business Day on which there was no Market Disruption Event unless (1) the postponement of a Valuation Date as aforesaid would result in a Valuation Date falling after the Expiry Date or (2) 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. In the case of (1) (i) the Expiry Date shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event, and (ii) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of such price that would have prevailed on the Valuation Date but for the Market Disruption Event; and in the case of (2) (i) that fifth Business Day (or, if earlier, the Expiry 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 fifth Business Day (or Expiry Date if applicable).

In the case of Warrants exercised on the Expiry Date:

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

**(B) *European Style Warrants***

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

- (a) Warrants may only be exercised in a Board Lot or integral multiples thereof.
- (b) *No requirement to deliver an exercise notice*

The Warrantholders will not be required to deliver an exercise notice for any purpose in relation to the Warrants.

(c) *Cancellation*

The Issuer will procure that the Registrar will, with effect from the first Business Day following the Expiry Date, remove from its register the name of the person in respect of the Warrants which are the subject of an automatic exercise or if the Warrants have expired worthless and thereby cancel the relevant Warrants.

(d) *Cash Settlement*

Subject to and in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Warrantholder equal to the Cash Settlement Amount.

The Cash Settlement Amount shall be despatched not later than three Business Days following the Expiry Date (the “Settlement Date”) by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account. If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to (i) procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder and (ii) notify the Warrantholders in accordance with Condition 11, as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event, nor shall the Issuer be liable under any circumstances for any acts or defaults of CCASS in relation to the performance of its duties in relation to the Warrants.

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

## **5. Registrar and Transfer Office**

- (a) The initial Registrar and the Transfer Office, are set out below. The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Registrar and to appoint another Registrar provided that it will at all times maintain a Registrar which, so long as the Warrants are listed on the Stock Exchange, shall be in Hong Kong. Notice of any such termination or appointment and of any change in the Transfer Office or the specified office of the Registrar will be given to the Warrantholders in accordance with Condition 11.
- (b) The Registrar will be acting as agent of the Issuer in respect of any Warrant and will not assume any obligation or duty to or any relationship of agency or trust for the Warrantholders.

## 6. Adjustments

### (a) Rights Issues

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

$$\text{adjusted Entitlement} = \text{Adjustment Component} \times E$$

Where:

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

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 Right

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

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price in accordance with the following formula:

$$\begin{aligned} \text{adjusted Exercise Price} &= \text{Exercise Price} \times \frac{1}{\text{Adjustment Component}} \\ &\text{(rounded to the nearest} \\ &\text{Hong Kong dollar 0.001)} \end{aligned}$$

This adjustment to the Exercise Price shall take effect on the same day that the Entitlement is adjusted.

For the purposes of these Conditions:

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

### (b) Bonus Issues

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

$$\text{adjusted Entitlement} = \text{Adjustment Component} \times E$$

Where:

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

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 Exercise Price in accordance with the following formula:

$$\begin{array}{l} \text{adjusted Exercise Price} = \text{Exercise Price} \times \frac{1}{\text{Adjustment Component}} \\ \text{(rounded to the nearest} \\ \text{Hong Kong dollar 0.001)} \end{array}$$

This adjustment to the Exercise Price shall take effect on the same day that the Entitlement is adjusted.

*(c) Share Splits or Consolidations*

If and whenever the Company shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a "Subdivision") or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a "Consolidation"), the Entitlement in effect immediately prior thereto will be increased (in the case of a Subdivision) or decreased (in the case of a Consolidation) accordingly in each case on the day on which the relevant Subdivision or Consolidation shall have taken effect. In addition, the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) will be decreased (in the case of a Subdivision) or increased (in the case of a Consolidation) accordingly. This adjustment shall take effect on the same day that the Entitlement is adjusted.

*(d) Merger or Consolidation*

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

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

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

*(e) Cash Distributions*

Generally, no capital adjustment will be made for an ordinary cash dividend (whether or not it is offered with a script alternative). 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 two per cent. or more of the Shares' 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 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:

$$\text{adjusted Entitlement} = \text{Adjustment Component} \times E$$

Where:

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

provided that OD shall be deducted from S only if the Business Day on which trading in the Shares of the Company becomes ex-entitlement with respect to the Cash Distribution and the distribution of the ordinary cash dividend by the Company falls on the same date.

OD: Amount of the relevant ordinary cash dividend per Share

CD: Amount of the relevant Cash Distribution per Share

E: Existing Entitlement immediately prior to the Cash Distribution

S: The closing price of the Shares on the Stock Exchange on the Business Day immediately prior to the day on which trading in the Shares of the Company becomes ex-entitlement

In addition, the Issuer shall adjust the Exercise Price in accordance with the following formula:

$$\begin{aligned} \text{adjusted Exercise Price} &= \text{Exercise Price} \times \frac{1}{\text{Adjustment Component}} \\ &\text{(rounded to the nearest} \\ &\text{Hong Kong dollar 0.001)} \end{aligned}$$

This adjustment to the Exercise Price shall take effect on the same day that the Entitlement is adjusted.

*(f) Other Adjustments*

Without prejudice to the provisions of this Condition 6 and Condition 14, the Issuer may (but shall not be obliged to) make such adjustments to the terms of the Warrants which, in its sole and unfettered discretion and notwithstanding any prior adjustment made pursuant to the above, it considers appropriate, in the context of the issue of the Warrants and the obligations of the Issuer, to take account of (a) any event which may have a diluting or concentrative effect on the theoretical value of Shares or (b) any other event (including any corporate actions) affecting the Shares or the Company provided that such adjustment is considered by the Issuer not to be materially prejudicial to the Warrantholders generally. The Issuer shall not be required to have regard to the circumstances of any individual Warrantholder or the tax or other consequences of such adjustment in any particular jurisdiction in considering or making any such adjustments, and may, but need not, determine the appropriate adjustment(s) by reference to (i) the adjustment(s) in respect of such events made by an option exchange to options on the relevant Shares traded on such option exchange and (ii) the proceeds or assets which may be received by a holder of the Shares in connection with such event.

*(g) Notice of Adjustments*

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Warrantholders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with Condition 11.

## **7. Early Termination for Illegality and Force Majeure**

If the Issuer determines that, for reasons beyond its control, the performance of its obligations under the Warrants 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 Warrants (i) due to the adoption of or any change in any applicable law or regulation, or

(ii) due to the promulgation of or any change in the interpretation of any applicable law or regulation, the Issuer may at its discretion and without obligation terminate the Warrants early by giving notice to the Warrantholders 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 Warrants early, the Issuer will, if and to the extent permitted by applicable law, pay an amount to each Warrantholder in respect of each Warrant held by such holder equal to the fair market value of a Warrant 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 Warrantholders in accordance with Condition 11.

## **8. Purchases**

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

## **9. Global Certificates**

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

## **10. Meetings of Warrantholders; Modification**

### *(a) Meetings of Warrantholders*

The Registrar's Agreement contains provisions for convening meetings of the Warrantholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Registrar's Agreement) of a modification of the provisions of the Warrants or of the Global Certificate. Any resolutions to be passed in a meeting of the Warrantholders shall be decided by poll.

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

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

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

In the case of Warrants which are expressed to be American Style, Warrants which have not been exercised but in respect of which an Exercise Notice has been submitted will not confer the right to attend or vote at, or join in convening, or be counted in quorum for, any meeting of the Warrantholders. Resolutions can be passed in writing without a meeting of the Warrantholders being held if passed unanimously.

### *(b) Modification*

The Issuer may, without the consent of the Warrantholders, effect (i) any modification of the provisions of the Warrants or the Global Certificate which is not materially prejudicial to the interests of the Warrantholders or (ii) any modification of the provisions of the Warrants or the Global Certificate 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 Warrantholders and shall be notified to them by the Registrar before the effective date or as soon as practicable thereafter in accordance with Condition 11.

## **11. Notices**

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

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

## **13. Further Issues**

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

## **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 Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Warrantholders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Warrantholder or the tax or other consequences that may result in any particular jurisdiction).
- (b) Without prejudice to the generality of Condition 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 Warrantholders, make such adjustments to the entitlements of Warrantholders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into Hong Kong currency) as may be appropriate in the circumstances.
- (c) The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Warrantholders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Warrantholders in accordance with Condition 11 as soon as practicable after they are determined.

## **15. Governing Law**

The Warrants, the Global Certificate, the Registrar's Agreement and any non-contractual obligations arising out of or in connection with them 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 Warrantholder (by its purchase of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants, the Global Certificate, the Registrar's Agreement and any non-contractual obligations arising out of or in connection with them to the non-exclusive jurisdiction of the courts of Hong Kong.

## **16. Language**

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

### **Registrar, Agent and Transfer Office:**

#### **Computershare Hong Kong Investor Services Limited**

Rooms 1712-1716, 17th Floor, Hopewell Centre

183 Queen's Road East

Hong Kong

## **TERMS AND CONDITIONS OF THE INDEX CALL WARRANTS (CASH SETTLED)**

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

### **1. Form, Status, Transfer and Title**

#### *(a) Form*

The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 12) relating to the Index as published by the Index Compiler are issued in registered form subject to and with the benefit of a global certificate by way of deed poll (the “Global Certificate”) dated the Issue Date, made by Daiwa Capital Markets Hong Kong Limited (the “Issuer”) and a base registrar’s and structured product agency agreement (as amended, varied or supplemented from time to time or any successor document, the “Registrar’s Agreement”) dated 13 September 2010 as supplemented by a Confirmation (as defined in the Registrar’s Agreement) relating to the Warrants made between the Issuer and Computershare Hong Kong Investor Services Limited as registrar and agent for the Warrants (the “Registrar” and “Agent”, which expressions shall include any successors). Copies of the Global Certificate and the Registrar’s Agreement are available for inspection at the specified office of the Registrar (the “Transfer Office”). The initial Transfer Office is set out below. The Warrantholders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Global Certificate and the Registrar’s Agreement.

#### *(b) Status*

The Warrants represent general, unsecured, contractual obligations of the Issuer and of no other person and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations of the Issuer.

#### *(c) Transfer*

Transfers of beneficial interests in the Warrants may be effected only in Board Lots or integral multiples thereof in CCASS (as defined below) in accordance with the CCASS Rules (as defined below).

#### *(d) Title*

Each person who is for the time being shown in the register kept by the Registrar as entitled to a particular number of Warrants shall be treated by the Issuer and the Registrar as the absolute owner and holder of such number of Warrants. The expression “Warrantholder” shall be construed accordingly.

### **2. Warrant Rights and Exercise Expenses**

#### *(a) Warrant Rights*

Every Exercise Amount entitles each Warrantholder, upon due exercise and compliance with Condition 4(A) or 4(B), as the case may be, to payment of the Cash Settlement Amount (as defined below), if any.

#### *(b) Exercise Expenses*

On exercise of the Warrants, Warrantholders are required to pay all Exercise Expenses (as defined below). To effect such payment, an irrevocable authorisation to deduct all Exercise Expenses in accordance with the calculation set out in the definition of Cash Settlement Amount is deemed to be given by a Warrantholder to the Issuer upon purchase of the Warrants.

(c) *Definitions*

For the purposes of these Conditions:

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

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

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

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

“Designated Bank Account” means the relevant bank account designated by the relevant Warrantholder for the purpose of procuring payment of the Cash Settlement Amount electronically through CCASS;

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

“Exercise Notice” means a duly completed exercise notice obtainable from the Registrar;

“Expiry Date” means the Maturity Date or if the Maturity Date is not a Business Day the immediately succeeding 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 the following events, circumstances or causes:
  - (i) the suspension or material limitation of the trading of a material number of securities that comprise the Index; or
  - (ii) the suspension or material limitation of the trading of securities on the Index Exchange; or
  - (iii) the suspension or material limitation of the trading of options or futures contracts relating to the Index on any exchanges on which such contracts are traded; or
  - (iv) the imposition of any exchange controls in respect of any currencies involved in determining the Cash Settlement Amount;

for the purposes of paragraph (1), (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) an outbreak or escalation of hostilities or other national or international calamity or crisis (including, without limitation, act of terrorism and natural calamities) or the breakdown of the Index Exchange's price quotation system if, in the determination of the Issuer, the occurrence or existence of any of the foresaid events will have a material adverse effect on the ability of the Issuer to perform its obligations in connection with or on the ability of the Issuer or its affiliates to hedge the Issuer's or its affiliates' position with respect to the Warrants;

"Settlement Disruption Event" means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the Designated Bank Account;

"Stock Exchange" means The Stock Exchange of Hong Kong Limited; and

"Valuation Date" means the Exercise Date (as defined below) or the Expiry Date, as the case may be.

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

#### **(A) American Style Warrants**

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

##### *(a) Exercise Period*

The Warrants may be exercised by delivery of an Exercise Notice, in accordance with Condition 4(A) at any time during the period (the "Exercise Period") beginning at 10:00 a.m. (Hong Kong time) on the Dealing Commencement Date (or, if later, the first day of dealings in the Warrants on the Stock Exchange) and ending at 10:00 a.m. (Hong Kong time) on the sixth Business Day immediately preceding the Expiry Date.

##### *(b) Automatic Exercise*

All Warrants with respect to which an Exercise Date (as defined below) has not occurred during the Exercise Period will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Warranholders). The Warranholders will not be required to deliver any Exercise Notice and the Issuer or its agent will pay to the Warranholders the Cash Settlement Amount (if any) in accordance with Condition 4(A)(f).

##### *(c) Expiry*

Any Warrant with respect to which an Exercise Date has not occurred during the Exercise Period or which has not been automatically exercised in accordance with Condition 3(A)(b) shall expire immediately without value on the Expiry Date and all rights of the Warranholder and obligations of the Issuer with respect to such Warrants shall cease.

#### **(B) European Style Warrants**

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

##### *(a) Exercise of Warrants*

The Warrants are exercisable only on the Expiry Date.

##### *(b) Automatic Exercise*

All Warrants will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Warranholders). The Warranholders will not be required to deliver any Exercise Notice and the Issuer or its agent will pay to the Warranholders the Cash Settlement Amount (if any) in accordance with Condition 4(B)(d).

(c) *Expiry*

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

**4. Exercise of Warrants**

**(A) American Style Warrants**

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

(a) Warrants may only be exercised in a Board Lot or integral multiples thereof.

(b) *Delivery of an Exercise Notice*

- (i) In order to exercise Warrants, the Warrantholder shall deliver to the Transfer Office an Exercise Notice, such delivery to be made at any time during the Exercise Period. Warrants may not be exercised at any other time.
- (ii) The date upon which a Warrant is, or is to be treated as, exercised (an “Exercise Date”) shall be the Business Day on which an Exercise Notice is delivered to the Registrar and in respect of which there is a valid exercise of Warrants in accordance with the requirements of these Conditions, provided that any Exercise Notice received by the Registrar after 10:00 a.m. (Hong Kong time) on any Business Day shall be deemed to have been delivered on the next following Business Day.

(c) *Exercise Notice*

The Exercise Notice shall:

- (i) specify the name(s) of the Warrantholder(s) and the number of Warrants being exercised;
- (ii) be accompanied by the Global Certificate in the name(s) of the exercising Warrantholder(s); and
- (iii) specify the relevant account to which the Cash Settlement Amount should be sent.

(d) *Consequences of delivery of an Exercise Notice*

Delivery of an Exercise Notice in accordance with Condition 4(A) 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.

(e) *Cancellation*

Subject to a valid exercise, or automatic exercise, of Warrants in accordance with these Conditions, the Issuer will procure that the Registrar will, with effect from the first Business Day following the Exercise Date, or the Expiry Date, as the case may be, remove from its register the name of the person in respect of the Warrants which are the subject of an exercise whether pursuant to an Exercise Notice, automatic exercise or if the Warrants have expired worthless and thereby cancel the relevant Warrants.

(f) *Cash Settlement*

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

The Cash Settlement Amount shall be despatched not later than three Business Days following the determination of the Exchange Rate or Second Exchange Rate, as the case may be, for the calculation of the Cash Settlement Amount (the “Settlement Date”) by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to (i) procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder and (ii) notify the Warrantholder in accordance with Condition 11, as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event, nor shall the Issuer be liable under any circumstances for any acts or defaults of CCASS in relation to the performance of duties in relation to the Warrants.

If the Issuer determines, in its sole discretion, that on the Valuation Date a Market Disruption Event has occurred, then the Issuer shall determine the Closing Level on the basis of its good faith estimate of the Closing Level that would have prevailed on that day but for the occurrence of the Market Disruption Event provided that the Issuer, if applicable, may, but shall not be obliged to, determine such Closing Level by having regard to the manner in which futures contracts relating to the Index are calculated.

#### **(B) *European Style Warrants***

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

(a) Warrants may only be exercised in a Board Lot or integral multiples thereof.

(b) *No requirement to deliver an exercise notice*

The Warrantholders will not be required to deliver an exercise notice for any purpose in relation to the Warrants.

(c) *Cancellation*

The Issuer will procure that the Registrar will, with effect from the first Business Day following the Expiry Date, remove from its register the name of the person in respect of the Warrants which are the subject of an automatic exercise or if the Warrants have expired worthless and thereby cancel the relevant Warrants.

(d) *Cash Settlement*

Subject to and in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Warrantholder equal to the Cash Settlement Amount.

The Cash Settlement Amount shall be despatched not later than three Business Days following the determination of the Exchange Rate or Second Exchange Rate, as the case may be, for the calculation of the Cash Settlement Amount (the “Settlement Date”) by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to (i) procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder and (ii) notify the Warrantholder in accordance with Condition 11, as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event, nor shall the Issuer be liable under any circumstances for any acts or defaults of CCASS in relation to the performance of duties in relation to the Warrants.

If the Issuer determines, in its sole discretion, that on the Valuation Date a Market Disruption Event has occurred, then the Issuer shall determine the Closing Level on the basis of its good faith estimate of the Closing Level that would have prevailed on that day but for the occurrence of the Market Disruption Event provided that the Issuer, if applicable, may, but shall not be obliged to, determine such Closing Level by having regard to the manner in which futures contracts relating to the Index are calculated.

## **5. Registrar and Transfer Office**

- (a) The initial Registrar and the Transfer Office, are set out below. The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Registrar and to appoint another Registrar provided that it will at all times maintain a Registrar which, so long as the Warrants are listed on the Stock Exchange, shall be in Hong Kong. Notice of any such termination or appointment and of any change in the Transfer Office or the specified office of the Registrar will be given to the Warrantholders in accordance with Condition 11.
- (b) The Registrar will be acting as agent of the Issuer in respect of any Warrant and will not assume any obligation or duty to or any relationship of agency or trust for the Warrantholders.

## **6. Adjustments to the Index**

### *(a) Successor Index Compiler Calculates and Reports Index*

If the Index is (i) not calculated and announced by the Index Compiler but is calculated and published by a successor to the Index Compiler (the “Successor Index Compiler”) acceptable to the Issuer or (ii) replaced by a successor index using, in the determination of the Issuer, the same or a substantially similar formula for and method of calculation as used in the calculation of the Index, then the Index will be deemed to be the index so calculated and announced by the Successor Index Compiler or that successor index, as the case may be.

### *(b) Modification and Cessation of Calculation of Index*

If:

- (i) on or prior to a Valuation Date the Index Compiler or (if applicable) the Successor Index Compiler makes a material change in the formula for or the method of calculating the Index or in any other way materially modifies the Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent stock, contracts or commodities and other routine events); or
- (ii) on a Valuation Date the Index Compiler or (if applicable) the Successor Index Compiler fails to calculate and publish the Index (other than as a result of a Market Disruption Event),

then the Issuer shall determine the Closing Level using, in lieu of a published level for the Index, the level for the Index as at that Valuation Date as determined by the Issuer in accordance with the formula for and method of calculating the Index last in effect prior to that change or failure, but using only those securities/commodities that comprised the Index immediately prior to that change or failure.

### *(c) Notice of Determinations*

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the 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 11.

## **7. Early Termination for Illegality and Force Majeure**

If the Issuer determines that, for reasons beyond its control, the performance of its obligations under the Warrants 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 Warrants (i) due to the adoption of or any change in any applicable law or regulation, or



(ii) due to the promulgation of or any change in the interpretation of any applicable law or regulation, the Issuer may at its discretion and without obligation terminate the Warrants early by giving notice to the Warrantholders 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 Warrants early, the Issuer will, if and to the extent permitted by applicable law, pay an amount to each Warrantholder in respect of each Warrant held by such holder equal to the fair market value of a Warrant 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 Warrantholders in accordance with Condition 11.

## **8. Purchases**

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

## **9. Global Certificates**

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

## **10. Meetings of Warrantholders; Modification**

### *(a) Meetings of Warrantholders*

The Registrar's Agreement contains provisions for convening meetings of the Warrantholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Registrar's Agreement) of a modification of the provisions of the Warrants or of the Global Certificate. Any resolutions to be passed in a meeting of the Warrantholders shall be decided by poll.

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

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

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

In the case of Warrants which are expressed to be American Style, Warrants which have not been exercised but in respect of which an Exercise Notice has been submitted will not confer the right to attend or vote at, or join in convening, or be counted in quorum for, any meeting of the Warrantholders. Resolutions can be passed in writing without a meeting of the Warrantholders being held if passed unanimously.

### *(b) Modification*

The Issuer may, without the consent of the Warrantholders, effect (i) any modification of the provisions of the Warrants or the Global Certificate which is not materially prejudicial to the interests of the Warrantholders or (ii) any modification of the provisions of the Warrants or the Global Certificate 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 Warrantheolders and shall be notified to them by the Registrar before the effective date or as soon as practicable thereafter in accordance with Condition 11.

## **11. Notices**

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

## **12. Further Issues**

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

## **13. Governing Law**

The Warrants, the Global Certificate, the Registrar's Agreement and any non-contractual obligations arising out of or in connection with them 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 Warrantheolder (by its purchase of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants, the Global Certificate, the Registrar's Agreement and any non-contractual obligations arising out of or in connection with them to the non-exclusive jurisdiction of the courts of Hong Kong.

## **14. Language**

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

### **Registrar, Agent and Transfer Office:**

**Computershare Hong Kong Investor Services Limited**  
Rooms 1712-1716, 17th Floor, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## **TERMS AND CONDITIONS OF THE INDEX PUT WARRANTS (CASH SETTLED)**

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

### **1. Form, Status, Transfer and Title**

#### *(a) Form*

The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 12) relating to the Index as published by the Index Compiler are issued in registered form subject to and with the benefit of a global certificate by way of deed poll (the “Global Certificate”) dated the Issue Date, made by Daiwa Capital Markets Hong Kong Limited (the “Issuer”) and a base registrar’s and structured product agency agreement (as amended, varied and supplemented from time to time or any successor document, the “Registrar’s Agreement”) dated 13 September 2010 as supplemented by a Confirmation (as defined in the Registrar’s Agreement) relating to the Warrants made between the Issuer and Computershare Hong Kong Investor Services Limited as registrar and agent for the Warrants (the “Registrar” and “Agent”, which expressions shall include any successors). Copies of the Global Certificate and the Registrar’s Agreement are available for inspection at the specified office of the Registrar (the “Transfer Office”). The initial Transfer Office is set out below. The Warrantholders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Global Certificate and the Registrar’s Agreement.

#### *(b) Status*

The Warrants represent general, unsecured, contractual obligations of the Issuer and of no other person and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations of the Issuer.

#### *(c) Transfer*

Transfers of beneficial interests in the Warrants may be effected only in Board Lots or integral multiples thereof in CCASS (as defined below) in accordance with the CCASS Rules (as defined below).

#### *(d) Title*

Each person who is for the time being shown in the register kept by the Registrar as entitled to a particular number of Warrants shall be treated by the Issuer and the Registrar as the absolute owner and holder of such number of Warrants. The expression “Warrantholder” shall be construed accordingly.

### **2. Warrant Rights and Exercise Expenses**

#### *(a) Warrant Rights*

Every Exercise Amount entitles each Warrantholder, upon due exercise and compliance with Condition 4(A) or 4(B), as the case may be, to payment of the Cash Settlement Amount (as defined below), if any.

#### *(b) Exercise Expenses*

On exercise of the Warrants, Warrantholders are required to pay all Exercise Expenses (as defined below). To effect such payment, an irrevocable authorisation to deduct all Exercise Expenses in accordance with the calculation set out in the definition of Cash Settlement Amount is deemed to be given by a Warrantholder to the Issuer upon purchase of the Warrants.

(c) *Definitions*

For the purposes of these Conditions:

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

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

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

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

“Designated Bank Account” means the relevant bank account designated by the relevant Warrantholder for the purpose of procuring payment of the Cash Settlement Amount electronically through CCASS;

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

“Exercise Notice” means a duly completed exercise notice obtainable from the Registrar;

“Expiry Date” means the Maturity Date or if the Maturity Date is not a Business Day the immediately succeeding 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 the following events, circumstances or causes:
  - (i) the suspension or material limitation of the trading of a material number of securities that comprise the Index; or
  - (ii) the suspension or material limitation of the trading of securities on the Index Exchange; or
  - (iii) the suspension or material limitation of the trading of options or futures contracts relating to the Index on any exchanges on which such contracts are traded; or
  - (iv) the imposition of any exchange controls in respect of any currencies involved in determining the Cash Settlement Amount;

for the purposes of paragraph (1), (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) an outbreak or escalation of hostilities or other national or international calamity or crisis (including, without limitation, act of terrorism and natural calamities) or the breakdown of the Index Exchange's price quotation system if, in the determination of the Issuer, the occurrence or existence of any of the foresaid events will have a material adverse effect on the ability of the Issuer to perform its obligations in connection with or on the ability of the Issuer or its affiliates to hedge the Issuer's or its affiliates' position with respect to the Warrants;

"Settlement Disruption Event" means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the Designated Bank Account;

"Stock Exchange" means The Stock Exchange of Hong Kong Limited; and

"Valuation Date" means the Exercise Date (as defined below) or the Expiry Date, as the case may be.

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

#### **(A) American Style Warrants**

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

##### *(a) Exercise Period*

The Warrants may be exercised by delivery of an Exercise Notice, in accordance with Condition 4(A) at any time during the period (the "Exercise Period") beginning at 10:00 a.m. (Hong Kong time) on the Dealing Commencement Date (or, if later, the first day of dealings in the Warrants on the Stock Exchange) and ending at 10:00 a.m. (Hong Kong time) on the sixth Business Day immediately preceding the Expiry Date.

##### *(b) Automatic Exercise*

All Warrants with respect to which an Exercise Date (as defined below) has not occurred during the Exercise Period will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Warranholders). The Warranholders will not be required to deliver any Exercise Notice and the Issuer or its agent will pay to the Warranholders the Cash Settlement Amount (if any) in accordance with Condition 4(A)(f).

##### *(c) Expiry*

Any Warrant with respect to which an Exercise Date has not occurred during the Exercise Period or which has not been automatically exercised in accordance with Condition 3(A)(b) shall expire immediately without value on the Expiry Date and all rights of the Warranholder and obligations of the Issuer with respect to such Warrants shall cease.

#### **(B) European Style Warrants**

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

##### *(a) Exercise of Warrants*

The Warrants are exercisable only on the Expiry Date.

##### *(b) Automatic Exercise*

All Warrants will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Warranholders). The Warranholders will not be required to deliver any Exercise Notice and the Issuer or its agent will pay to the Warranholders the Cash Settlement Amount (if any) in accordance with Condition 4(B)(d).

(c) *Expiry*

Any Warrant which have not been automatically exercised in accordance with Condition 3(B)(b) shall expire immediately without value thereafter and all rights of the Warrantholder and obligations of the Issuer with respect to such Warrants shall cease.

**4. Exercise of Warrants**

(A) *American Style Warrants*

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

(a) Warrants may only be exercised in a Board Lot or integral multiples thereof.

(b) *Delivery of an Exercise Notice*

- (i) In order to exercise Warrants, the Warrantholder shall deliver to the Transfer Office an Exercise Notice, such delivery to be made at any time during the Exercise Period. Warrants may not be exercised at any other time.
- (ii) The date upon which a Warrant is, or is to be treated as, exercised (an "Exercise Date") shall be the Business Day on which an Exercise Notice is delivered to the Registrar and in respect of which there is a valid exercise of Warrants in accordance with the requirements of these Conditions, provided that any Exercise Notice received by the Registrar after 10:00 a.m. (Hong Kong time) on any Business Day shall be deemed to have been delivered on the next following Business Day.

(c) *Exercise Notice*

The Exercise Notice shall:

- (i) specify the name(s) of the Warrantholder(s) and the number of Warrants being exercised;
- (ii) be accompanied by the Global Certificate in the name(s) of the exercising Warrantholder(s); and
- (iii) specify the relevant bank account to which the Cash Settlement Amount should be sent.

(d) *Consequences of delivery of an Exercise Notice*

Delivery of an Exercise Notice in accordance with Condition 4(A) 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.

(e) *Cancellation*

Subject to a valid exercise, or automatic exercise, of Warrants in accordance with these Conditions, the Issuer will procure that the Registrar will, with effect from the first Business Day following the Exercise Date, or the Expiry Date, as the case may be, remove from its register the name of the person in respect of the Warrants which are the subject of an exercise whether pursuant to an Exercise Notice, automatic exercise or if the Warrants have expired worthless and thereby cancel the relevant Warrants.

(f) *Cash Settlement*

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

The Cash Settlement Amount shall be despatched not later than three Business Days following the determination of the Exchange Rate or Second Exchange Rate, as the case may be, for the calculation of the Cash Settlement Amount (the “Settlement Date”) by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to (i) procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder and (ii) notify the Warrantholder in accordance with Condition 11, as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event, nor shall the Issuer be liable under any circumstances for any acts or defaults of CCASS in relation to the performance of duties in relation to the Warrants.

If the Issuer determines, in its sole discretion, that on the Valuation Date a Market Disruption Event has occurred, then the Issuer shall determine the Closing Level on the basis of its good faith estimate of the Closing Level that would have prevailed on that day but for the occurrence of the Market Disruption Event provided that the Issuer may, if applicable, but shall not be obliged, to determine such Closing Level by having regard to the manner in which futures contracts relating to the Index are calculated.

#### **(B) *European Style Warrants***

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

(a) Warrants may only be exercised in a Board Lot or integral multiples thereof.

(b) *No requirement to deliver an exercise notice*

The Warrantholders will not be required to deliver an exercise notice for any purpose in relation to the Warrants.

(c) *Cancellation*

The Issuer will procure that the Registrar will, with effect from the first Business Day following the Expiry Date, remove from its register the name of the person in respect of the Warrants which are the subject of an automatic exercise or if the Warrants have expired worthless and thereby cancel the relevant Warrants.

(d) *Cash Settlement*

Subject to and in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Warrantholder equal to the Cash Settlement Amount.

The Cash Settlement Amount shall be despatched not later than three Business Days following the determination of the Exchange Rate or Second Exchange Rate, as the case may be, for the calculation of the Cash Settlement Amount (the “Settlement Date”) by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to (i) procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder and (ii) notify the Warrantholder in accordance with Condition 11, as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event, nor shall the Issuer be liable under any circumstances for any acts or defaults of CCASS in relation to the performance of its duties in relation to the Warrants.

If the Issuer determines, in its sole discretion, that on the Valuation Date a Market Disruption Event has occurred, then the Issuer shall determine the Closing Level on the basis of its good faith estimate of the Closing Level that would have prevailed on that day but for the occurrence of the Market Disruption Event provided that the Issuer may, if applicable, but shall not be obliged, to determine such Closing Level by having regard to the manner in which futures contracts relating to the Index are calculated.

## **5. Registrar and Transfer Office**

- (a) The initial Registrar and the Transfer Office, are set out below. The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Registrar and to appoint another Registrar provided that it will at all times maintain a Registrar which, so long as the Warrants are listed on the Stock Exchange, shall be in Hong Kong. Notice of any such termination or appointment and of any change in the Transfer Office or the specified office of the Registrar will be given to the Warrantholders in accordance with Condition 11.
- (b) The Registrar will be acting as agent of the Issuer in respect of any Warrant and will not assume any obligation or duty to or any relationship of agency or trust for the Warrantholders.

## **6. Adjustments to the Index**

### *(a) Successor Index Compiler Calculates and Reports Index*

If the Index is (i) not calculated and announced by the Index Compiler but is calculated and published by a successor to the Index Compiler (the “Successor Index Compiler”) acceptable to the Issuer or (ii) replaced by a successor index using, in the determination of the Issuer, the same or a substantially similar formula for and method of calculation as used in the calculation of the Index, then the Index will be deemed to be the index so calculated and announced by the Successor Index Compiler or that successor index, as the case may be.

### *(b) Modification and Cessation of Calculation of Index*

If:

- (i) on or prior to a Valuation Date the Index Compiler or (if applicable) the Successor Index Compiler makes a material change in the formula for or the method of calculating the Index or in any other way materially modifies the Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent stock, contracts or commodities and other routine events); or
- (ii) on a Valuation Date the Index Compiler or (if applicable) the Successor Index Compiler fails to calculate and publish the Index (other than as a result of a Market Disruption Event),

then the Issuer shall determine the Closing Level using, in lieu of a published level for the Index, the level for the Index as at that Valuation Date as determined by the Issuer in accordance with the formula for and method of calculating the Index last in effect prior to that change or failure, but using only those securities/commodities that comprised the Index immediately prior to that change or failure.

### *(c) Notice of Determinations*

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the 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 11.

## **7. Early Termination for Illegality and Force Majeure**

If the Issuer determines that, for reasons beyond its control, the performance of its obligations under the Warrants 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 Warrants (i) due to the adoption of or any change in any applicable law or regulation, or



(ii) due to the promulgation of or any change in the interpretation of any applicable law or regulation, the Issuer may at its discretion and without obligation terminate the Warrants early by giving notice to the Warrantholders 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 Warrants early, the Issuer will, if and to the extent permitted by applicable law, pay an amount to each Warrantholder in respect of each Warrant held by such holder equal to the fair market value of a Warrant 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 Warrantholders in accordance with Condition 11.

## **8. Purchases**

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

## **9. Global Certificates**

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

## **10. Meetings of Warrantholders; Modification**

### *(a) Meetings of Warrantholders*

The Registrar's Agreement contains provisions for convening meetings of the Warrantholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Registrar's Agreement) of a modification of the provisions of the Warrants or of the Global Certificate. Any resolutions to be passed in a meeting of the Warrantholders shall be decided by poll.

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

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

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

In the case of Warrants which are expressed to be American Style, Warrants which have not been exercised but in respect of which an Exercise Notice has been submitted will not confer the right to attend or vote at, or join in convening, or be counted in quorum for, any meeting of the Warrantholders. Resolutions can be passed in writing without a meeting of the Warrantholders being held if passed unanimously.

### *(b) Modification*

The Issuer may, without the consent of the Warrantholders, effect (i) any modification of the provisions of the Warrants or the Global Certificate which is not materially prejudicial to the interests of the Warrantholders or (ii) any modification of the provisions of the Warrants or the Global Certificate 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 Warrantheolders and shall be notified to them by the Registrar before the effective date or as soon as practicable thereafter in accordance with Condition 11.

## **11. Notices**

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

## **12. Further Issues**

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

## **13. Governing Law**

The Warrants, the Global Certificate, the Registrar's Agreement and any non-contractual obligations arising out of or in connection with them 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 Warrantheolder (by its purchase of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants, the Global Certificate, the Registrar's Agreement and any non-contractual obligations arising out of or in connection with them to the non-exclusive jurisdiction of the courts of Hong Kong.

## **14. Language**

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

### **Registrar, Agent and Transfer Office:**

**Computershare Hong Kong Investor Services Limited**  
Rooms 1712-1716, 17th Floor, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## **TERMS AND CONDITIONS OF THE COMMODITY CALL WARRANTS (CASH SETTLED)**

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

### **1. Form, Status, Transfer and Title**

#### *(a) Form*

The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 12) relating to the Commodity are issued in registered form subject to and with the benefit of a global certificate by way of deed poll (the “Global Certificate”) dated the Issue Date, made by Daiwa Capital Markets Hong Kong Limited (the “Issuer”) and a base registrar’s and structured product agency agreement (as amended, varied or supplemented from time to time or any successor document, the “Registrar’s Agreement”) dated 13 September 2010 as supplemented by a Confirmation (as defined in the Registrar’s Agreement) relating to the Warrants made between the Issuer and Computershare Hong Kong Investor Services Limited as registrar and agent for the Warrants (the “Registrar” and “Agent”, which expressions shall include any successors). Copies of the Global Certificate and the Registrar’s Agreement are available for inspection at the specified office of the Registrar (the “Transfer Office”). The initial Transfer Office is set out below. The Warrantholders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of, all the provisions of the Global Certificate and the Registrar’s Agreement.

#### *(b) Status*

The Warrants represent general, unsecured, contractual obligations of the Issuer and of no other person and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations of the Issuer.

#### *(c) Transfer*

Transfers of beneficial interests in the Warrants may be effected only in Board Lots or integral multiples thereof in CCASS (as defined below) in accordance with the CCASS Rules (as defined below).

#### *(d) Title*

Each person who is for the time being shown in the register kept by the Registrar as entitled to a particular number of Warrants shall be treated by the Issuer and the Registrar as the absolute owner and holder of such number of Warrants. The expression “Warrantholder” shall be construed accordingly.

### **2. Warrant Rights and Exercise Expenses**

#### *(a) Warrant Rights*

Every Exercise Amount entitles each Warrantholder, upon due exercise and compliance with Condition 4(A) or 4(B), as the case may be, the right to receive the payment of the Cash Settlement Amount (as defined below), if any.

#### *(b) Exercise Expenses*

On exercise of the Warrants, Warrantholders are required to pay all Exercise Expenses (as defined below). To effect such payment, an irrevocable authorisation to deduct all Exercise Expenses in accordance with the calculation set out in the definition of Cash Settlement Amount is deemed to be given by a Warrantholder to the Issuer upon purchase of the Warrants.

(c) *Definitions*

For the purposes of these Conditions:

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

“Cash Settlement Amount” means, in respect of every Exercise Amount, an amount calculated by the Issuer equal to (1) the product of (a) the Entitlement, (b) the excess of the Fixing Price over the Exercise Price and (c) the Exercise Amount divided by the Divisor, converted into (2) the Settlement Currency at the Exchange Rate (if applicable), less (3) the Exercise Expenses;

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

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

“Commodity Business Day” means a day on which the relevant Price Source is open for business and on which such Price Source publishes a price;

“Designated Bank Account” means the relevant bank account designated by the relevant Warrantheader for the purpose of procuring payment of the Cash Settlement Amount electronically through CCASS;

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

“Exercise Notice” means a duly completed exercise notice obtainable from the Registrar;

“Expiry Date” means the Maturity Date or, if the Maturity Date is not a Business Day, the immediately succeeding Business Day;

“Market Disruption Event” means any of the following:

- (1) the occurrence or existence on any Commodity Business Day during the one half-hour period that ends at such time by reference to which the Issuer determines the Fixing Price:
  - (i) of any suspension of or limitation imposed on trading (a) of the Commodity on the Price Source; or (b) in any options contracts or futures contracts relating to the Commodity on any Related Exchange, if, in any such case, that suspension or limitation is, in the determination of the Issuer, material; or
  - (ii) of any event that disrupts or impairs (as determined by the Issuer) the ability of market participants in general to effect transactions in or obtain market values for options contracts or futures contracts on or relating to the Commodity on any Related Exchange; or
- (2) the occurrence or existence on any Commodity Business Day of any event, circumstance or cause which would result in the Issuer being unable to determine the Fixing Price in the manner set out in these Conditions or in such other manner as the Issuer may believe appropriate at such time after taking into account all the relevant circumstances; or
- (3) a general moratorium is declared in respect of banking activities in any Relevant Country; or
- (4) a Relevant Country (a) imposes any controls or announces its intention to impose any controls or (b)(i) implements or announces its intention to implement or (ii) changes or announces its intention to change the interpretation or administration of any laws or regulations, in each case which the Issuer determines is likely to affect the Issuer’s ability to acquire, hold, transfer or realise such Commodity or otherwise to effect transactions in relation to such Commodity; or

- (5) 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
- (6) an outbreak or escalation of hostilities or other national or international calamity or crisis (including, without limitation, act of terrorism and natural calamities) or the breakdown of the Stock Exchange’s price quotation system if, in the determination of the Issuer, the occurrence or existence of any of the aforesaid events will have a material adverse effect on the ability of the Issuer to perform its obligations in connection with or on the ability of the Issuer or its affiliates to hedge the Issuer’s or its affiliates’ position with respect to the Warrants; or
- (7) a limitation/closure of the Stock Exchange, Price Source or any Related Exchange due to any other unforeseen circumstances; or
- (8) the imposition of any exchange controls in respect of any currencies involved in determining the Cash Settlement Amount;

“Related Exchange” means any exchange, trading market or quotation system on which options contracts or futures contracts or other derivatives contracts relating to the Commodity are traded, as determined by the Issuer;

“Relevant Country” means, each of (1) any country (or any political or regulatory authority thereof) in which the Reference Currency or the Settlement Currency is the legal tender or currency, and (2) any country (or any political or regulatory authority thereof) with which a Commodity, or the Price Source, has a material connection, all as 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 Cash Settlement Amount electronically through CCASS to the Designated Bank Account; and

“Stock Exchange” means The Stock Exchange of Hong Kong Limited.

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

#### **(A) American Style Warrants**

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

##### *(a) Exercise Period*

The Warrants may be exercised by delivery of an Exercise Notice in accordance with Condition 4(A) at any time during the period (the “Exercise Period”) beginning at 10:00 a.m. (Hong Kong time) on the Dealing Commencement Date (or, if later, the first day of dealings in the Warrants on the Stock Exchange) and ending at 10:00 a.m. (Hong Kong time) on the sixth Business Day immediately preceding the Expiry Date.

##### *(b) Automatic Exercise*

All Warrants with respect to which an Exercise Date has not occurred during the Exercise Period will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Warrantheolders). The Warrantheolders will not be required to deliver any Exercise Notice and the Issuer or its agent will pay to the Warrantheolders the Cash Settlement Amount (if any) in accordance with Condition 4(A)(f).

(c) *Expiry*

Any Warrant with respect to which an Exercise Date has not occurred during the Exercise Period or which has not been automatically exercised in accordance with Condition 3(A)(b) shall expire immediately without value on the Expiry Date and all rights of the Warrantholder and obligations of the Issuer with respect to such Warrants shall cease.

**(B) *European Style Warrants***

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

(a) *Exercise of Warrants*

The Warrants are exercisable only on the Expiry Date.

(b) *Automatic Exercise*

All Warrants will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (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(B)(d).

(c) *Expiry*

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

**4. *Exercise of Warrants***

**(A) *American Style Warrants***

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

(a) Warrants may only be exercised in a Board Lot or integral multiples thereof.

(b) *Delivery of an Exercise Notice*

(i) In order to exercise Warrants, the Warrantholder shall deliver to the Transfer Office an Exercise Notice, such delivery to be made at any time during the Exercise Period. Warrants may not be exercised at any other time.

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

(c) *Exercise Notice*

The Exercise Notice shall:

- (i) specify the name(s) of the Warrantholder(s) and the number of Warrants being exercised;
- (ii) be accompanied by the Global Certificate in the name(s) of the exercising Warrantholder(s); and
- (iii) specify the relevant account to which the Cash Settlement Amount should be sent.

*(d) Consequences of delivery of an Exercise Notice*

Delivery of an Exercise Notice in accordance with Condition 4(A) 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.

*(e) Cancellation*

Subject to a valid exercise, or automatic exercise, of Warrants in accordance with these Conditions, the Issuer will procure that the Registrar will, with effect from the first Business Day following the Exercise Date or the Expiry Date, as the case may be, remove from its register the name of the person in respect of the Warrants which are the subject of an exercise whether pursuant to an Exercise Notice automatic exercise or if the Warrants have expired worthless, and thereby cancel the relevant Warrants.

*(f) Cash Settlement*

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

The Cash Settlement Amount shall be despatched, (a) not later than three Business Days following the determination of the Exchange Rate (if applicable) for the calculation of the Cash Settlement Amount; or (b) in the case that the Exchange Rate is not applicable for the calculation of the Cash Settlement Amount, not later than three Business Days following the Exercise Date or the Expiry Date, as the case may be, (the "Settlement Date") by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to (i) procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder and (ii) notify the Warrantholder in accordance with Condition 11, as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event, nor shall the Issuer be liable under any circumstances for any acts or defaults of CCASS in relation to the performance of its duties in relation to the Warrants.

If the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on the original date that, but for the Market Disruption Event, would have been the Valuation Date, then the Valuation Date shall be postponed to the first succeeding Commodity Business Day on which there is no Market Disruption Event. If the first succeeding Commodity Business Days on which there is no Market Disruption Event has not occurred by the fifth Commodity Business Day immediately following the original date that, but for the Market Disruption Event, would have been the Valuation Date, then:

- (A) that fifth Commodity Business Day shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event, and
- (B) the Issuer shall determine the Fixing Price on the basis of its good faith estimate of such price or value of the Commodity that would have prevailed on that fifth Commodity Business Day but for the Market Disruption Event.

If the postponement of the Valuation Date as aforesaid would result in the Valuation Date falling on or after the Expiry Date then:

- (i) the Business Day immediately preceding the Expiry Date (the "Last Valuation Date") shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and

- (ii) the Issuer shall determine the Fixing Price on the basis of its good faith estimate of such price or value of the Commodity that would have prevailed on that Last Valuation Date but for the Market Disruption Event.

**(B) European Style Warrants**

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

- (a) Warrants may only be exercised in a Board Lot or integral multiples thereof.
- (b) *No requirement to deliver an exercise notice*

The Warrantholders will not be required to deliver an exercise notice for any purpose in relation to the Warrants.

- (c) *Cancellation*

The Issuer will procure that the Registrar will, with effect from the first Business Day following the Expiry Date, remove from its register the name of the person in respect of the Warrants which are the subject of an automatic exercise or if the Warrants have expired worthless and thereby cancel the relevant Warrants.

- (d) *Cash Settlement*

Subject to and in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Warrantholder equal to the Cash Settlement Amount.

The Cash Settlement Amount shall be despatched, (a) not later than three Business Days following the determination of the Exchange Rate (if applicable) for the calculation of the Cash Settlement Amount; or (b) in the case that the Exchange Rate is not applicable for the calculation of the Cash Settlement Amount, not later than three Business Days following the Expiry Date, (the "Settlement Date") by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to (i) procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder and (ii) notify the Warrantholder in accordance with Condition 11, as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event, nor shall the Issuer be liable under any circumstances for any acts or defaults of CCASS in relation to the performance of its duties in relation to the Warrants.

If the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on the original date that, but for the Market Disruption Event, would have been the Valuation Date, then the Valuation Date shall be postponed to the first succeeding Commodity Business Day on which there is no Market Disruption Event. If the first succeeding Commodity Business Day on which there is no Market Disruption Event has not occurred by the fifth Commodity Business Days immediately following the original date that, but for the Market Disruption Event, would have been the Valuation Date, then:

- (A) that fifth Commodity Business Day shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event, and
- (B) the Issuer shall determine the Fixing Price on the basis of its good faith estimate of such price or value of the Commodity that would have prevailed on that fifth Commodity Business Day but for the Market Disruption Event.



If the postponement of the Valuation Date as aforesaid would result in the Valuation Date falling on or after the Expiry Date then:

- (i) the Business Day immediately preceding the Expiry Date (the “Last Valuation Date”) shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and
- (ii) the Issuer shall determine the Fixing Price on the basis of its good faith estimate of such price or value of the Commodity that would have prevailed on that Last Valuation Date but for the Market Disruption Event.

## **5. Registrar and Transfer Office**

- (a) The initial Registrar and the Transfer Office are set out below. The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Registrar and to appoint another Registrar provided that it will at all times maintain a Registrar which, so long as the Warrants are listed on the Stock Exchange, shall be in Hong Kong. Notice of any such termination or appointment and of any change in the Transfer Office or the specified office of the Registrar will be given to the Warrantholders in accordance with Condition 11.
- (b) The Registrar will be acting as agent of the Issuer in respect of any Warrants and will not assume any obligation or duty to or any relationship of agency or trust for the Warrantholders.

## **6. Adjustments**

### *(a) Adjustments*

The Issuer may, in its sole and unfettered discretion and without any obligation whatsoever, and without limiting its rights under Condition 7, below make such adjustments as it believes appropriate in circumstances where an event or events occur which it believes in its sole discretion should, in the context of the issue of the Warrants and the obligations of the Issuer, give rise to such adjustment provided that such adjustment (i) is considered by the Issuer not to be materially prejudicial to the Warrantholders generally (without considering the circumstances of any individual Warrantholder or the tax or other consequences of such adjustment in any particular jurisdiction) or (ii) is otherwise considered by the Issuer to be appropriate and such adjustment is approved by the Stock Exchange.

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 a Related Exchange to options contracts or futures contracts on the Commodity traded on such Related Exchange.

### *(b) Notice of Adjustments*

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Warrantholders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with Condition 11.

## **7. Early Termination for Illegality, Force Majeure and Cessation of Trading**

If the Issuer determines that, for reasons beyond its control, the performance of its obligations under the Warrants 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 Warrants (i) due to the adoption of or any change in any applicable law or regulation, or (ii) due to the promulgation of or any change in the interpretation of any applicable law or regulation, the Issuer may at its discretion and without obligation terminate the Warrants early by giving notice to the Warrantholders 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 determines that, the Price Source announces that pursuant to the rules of such Price Source, the Commodity ceases (or will cease) to be traded or publicly quoted on the Price Source for any reason and is not immediately re-traded or re-quoted on a trading system or quotation system acceptable to the Issuer, the Issuer may at its discretion and without obligation terminate the Warrants early by giving notice to the Warrantholders in accordance with Condition 11.

If the Issuer terminates the Warrants early, the Issuer will, if and to the extent permitted by applicable law, pay an amount to each Warrantholder in respect of each Warrant held by such holder equal to the fair market value of a Warrant notwithstanding such illegality or impracticality or cessation of trading (as described above) 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 Warrantholders in accordance with Condition 11.

## **8. Purchases**

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

## **9. Global Certificates**

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

## **10. Meetings of Warrantholders; Modification**

### *(a) Meetings of Warrantholders*

The Registrar's Agreement contains provisions for convening meetings of the Warrantholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Registrar's Agreement) of a modification of the provisions of the Warrants or of the Global Certificate. Any resolutions to be passed in a meeting of the Warrantholders shall be decided by poll.

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

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

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

In the case of Warrants which are expressed to be American Style, Warrants which have not been exercised but in respect of which an Exercise Notice has been submitted will not confer the right to attend or vote at, or join in convening, or be counted in quorum for, any meeting of the Warrantholders. Resolutions can be passed in writing without a meeting of the Warrantholders being held if passed unanimously.

### *(b) Modification*

The Issuer may, without the consent of the Warrantholders, effect (i) any modification of the provisions of the Warrants or the Global Certificate which is not materially prejudicial to the interests of the Warrantholders or (ii) any modification of the provisions of the Warrants or the Global Certificate 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 Warrantheolders and shall be notified to them by the Registrar before the effective date or as soon as practicable thereafter in accordance with Condition 11.

## **11. Notices**

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

## **12. Further Issues**

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

## **13. Governing Law**

The Warrants, the Global Certificate, the Registrar's Agreement and any non-contractual obligations arising out of or in connection with them 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 Warrantheolder (by its purchase of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants, the Global Certificate, the Registrar's Agreement and any non-contractual obligations arising out of or in connection with them to the non-exclusive jurisdiction of the courts of Hong Kong.

## **14. Language**

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

### **Registrar, Agent and Transfer Office:**

**Computershare Hong Kong Investor Services Limited**  
Rooms 1712-1716, 17th Floor, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## **TERMS AND CONDITIONS OF THE COMMODITY PUT WARRANTS (CASH SETTLED)**

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

### **1. Form, Status, Transfer and Title**

#### *(a) Form*

The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 12) relating to the Commodity are issued in registered form subject to and with the benefit of a global certificate by way of deed poll (the “Global Certificate”) dated the Issue Date, made by Daiwa Capital Markets Hong Kong Limited (the “Issuer”) and a base registrar’s and structured product agency agreement (as amended, varied or supplemented from time to time or any successor document, the “Registrar’s Agreement”) dated 13 September 2010 as supplemented by a Confirmation (as defined in the Registrar’s Agreement) relating to the Warrants made between the Issuer and Computershare Hong Kong Investor Services Limited as registrar and agent for the Warrants (the “Registrar” and “Agent”, which expressions shall include any successors). Copies of the Global Certificate and the Registrar’s Agreement are available for inspection at the specified office of the Registrar (the “Transfer Office”). The initial Transfer Office is set out below. The Warrantholders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of, all the provisions of the Global Certificate and the Registrar’s Agreement.

#### *(b) Status*

The Warrants represent general, unsecured, contractual obligations of the Issuer and of no other person and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations of the Issuer.

#### *(c) Transfer*

Transfers of beneficial interests in the Warrants may be effected only in Board Lots or integral multiples thereof in CCASS (as defined below) in accordance with the CCASS Rules (as defined below).

#### *(d) Title*

Each person who is for the time being shown in the register kept by the Registrar as entitled to a particular number of Warrants shall be treated by the Issuer and the Registrar as the absolute owner and holder of such number of Warrants. The expression “Warrantholder” shall be construed accordingly.

### **2. Warrant Rights and Exercise Expenses**

#### *(a) Warrant Rights*

Every Exercise Amount entitles each Warrantholder, upon due exercise and compliance with Condition 4(A) or 4(B), as the case may be, the right to receive the payment of the Cash Settlement Amount (as defined below), if any.

#### *(b) Exercise Expenses*

On exercise of the Warrants, Warrantholders are required to pay all Exercise Expenses (as defined below). To effect such payment, an irrevocable authorisation to deduct all Exercise Expenses in accordance with the calculation set out in the definition of Cash Settlement Amount is deemed to be given by a Warrantholder to the Issuer upon purchase of the Warrants.

(c) *Definitions*

For the purposes of these Conditions:

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

“Cash Settlement Amount” means, in respect of every Exercise Amount, an amount calculated by the Issuer equal to (1) the product of (a) the Entitlement, (b) the excess of the Exercise Price over the Fixing Price, and (c) the Exercise Amount divided by the Divisor, converted into (2) the Settlement Currency at the Exchange Rate (if applicable), less (3) the Exercise Expenses;

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

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

“Commodity Business Day” means a day on which the relevant Price Source is open for business and on which such Price Source publishes a price;

“Designated Bank Account” means the relevant bank account designated by the relevant Warrantholder for the purpose of procuring payment of the Cash Settlement Amount electronically through CCASS;

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

“Exercise Notice” means a duly completed exercise notice obtainable from the Registrar;

“Expiry Date” means the Maturity Date or, if the Maturity Date is not a Business Day, the immediately succeeding Business Day;

“Market Disruption Event” means any of the following:

- (1) the occurrence or existence on any Commodity Business Day during the one half-hour period that ends at such time by reference to which the Issuer determines the Fixing Price:
  - (i) of any suspension of or limitation imposed on trading (a) of the Commodity on the Price Source; or (b) in any options contracts or futures contracts relating to the Commodity on any Related Exchange, if, in any such case, that suspension or limitation is, in the determination of the Issuer, material; or
  - (ii) of any event that disrupts or impairs (as determined by the Issuer) the ability of market participants in general to effect transactions in or obtain market values for options contracts or futures contracts on or relating to the Commodity on any Related Exchange; or
- (2) the occurrence or existence on any Commodity Business Day of any event, circumstance or cause which would result in the Issuer being unable to determine the Fixing Price in the manner set out in these Conditions or in such other manner as the Issuer may believe appropriate at such time after taking into account all the relevant circumstances; or
- (3) a general moratorium is declared in respect of banking activities in any Relevant Country; or
- (4) a Relevant Country (a) imposes any controls or announces its intention to impose any controls or (b)(i) implements or announces its intention to implement or (ii) changes or announces its intention to change the interpretation or administration of any laws or regulations, in each case which the Issuer determines is likely to affect the Issuer’s ability to acquire, hold, transfer or realise such Commodity or otherwise to effect transactions in relation to such Commodity; or

- (5) 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
- (6) an outbreak or escalation of hostilities or other national or international calamity or crisis (including, without limitation, act of terrorism and natural calamities) or the breakdown of the Stock Exchange’s price quotation system if, in the determination of the Issuer, the occurrence or existence of any of the aforesaid events will have a material adverse effect on the ability of the Issuer to perform its obligations in connection with or on the ability of the Issuer or its affiliates to hedge the Issuer’s or its affiliates’ position with respect to the Warrants; or
- (7) a limitation/closure of the Stock Exchange, Price Source or any Related Exchange due to any other unforeseen circumstances;
- (8) the imposition of any exchange controls in respect of any currencies involved in determining the Cash Settlement Amount;

“Related Exchange” means any exchange, trading market or quotation system on which options contracts or futures contracts or other derivatives contracts relating to the Commodity are traded, as determined by the Issuer;

“Relevant Country” means, each of (1) any country (or any political or regulatory authority thereof) in which the Reference Currency or the Settlement Currency is the legal tender or currency, and (2) any country (or any political or regulatory authority thereof) with which a Commodity, or the Price Source, has a material connection, all as 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 Cash Settlement Amount electronically through CCASS to the Designated Bank Account; and

“Stock Exchange” means The Stock Exchange of Hong Kong Limited.

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

#### **(A) American Style Warrants**

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

##### *(a) Exercise Period*

The Warrants may be exercised by delivery of an Exercise Notice, in accordance with Condition 4(A) at any time during the period (the “Exercise Period”) beginning at 10:00 a.m. (Hong Kong time) on the Dealing Commencement Date (or, if later, the first day of dealings in the Warrants on the Stock Exchange) and ending at 10:00 a.m. (Hong Kong time) on the sixth Business Day immediately preceding the Expiry Date.

##### *(b) Automatic Exercise*

All Warrants with respect to which an Exercise Date has not occurred during the Exercise Period will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Warrantheolders). The Warrantheolders will not be required to deliver any Exercise Notice and the Issuer or its agent will pay to the Warrantheolders the Cash Settlement Amount (if any) in accordance with Condition 4(A)(f).

(c) *Expiry*

Any Warrant with respect to which an Exercise Date has not occurred during the Exercise Period or which has not been automatically exercised in accordance with Condition 3(A)(b) shall expire immediately without value on the Expiry Date and all rights of the Warrantholder and obligations of the Issuer with respect to such Warrants shall cease.

**(B) *European Style Warrants***

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

(a) *Exercise of Warrants*

The Warrants are exercisable only on the Expiry Date.

(b) *Automatic Exercise*

All Warrants will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (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(B)(d).

(c) *Expiry*

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

**4. *Exercise of Warrants***

**(A) *American Style Warrants***

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

(a) Warrants may only be exercised in a Board Lot or integral multiples thereof.

(b) *Delivery of an Exercise Notice*

(i) In order to exercise Warrants, the Warrantholder shall deliver to the Transfer Office, such delivery to be made at any time during the Exercise Period. Warrants may not be exercised at any other time.

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

(c) *Exercise Notice*

The Exercise Notice shall:

- (i) specify the name(s) of the Warrantholder(s) and the number of Warrants being exercised;
- (ii) be accompanied by the Global Certificate in the name(s) of the exercising Warrantholder(s); and
- (iii) specify the relevant account to which the Cash Settlement Amount should be sent.

*(d) Consequences of delivery of an Exercise Notice*

Delivery of an Exercise Notice in accordance with Condition 4(A) 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.

*(e) Cancellation*

Subject to a valid exercise, or automatic exercise, of Warrants in accordance with these Conditions, the Issuer will procure that the Registrar will, with effect from the first Business Day following the Exercise Date or the Expiry Date, as the case may be, remove from its register the name of the person in respect of the Warrants which are the subject of an exercise whether pursuant to an Exercise Notice or automatic exercise or if the Warrants have expired worthless, and thereby cancel the relevant Warrants.

*(f) Cash Settlement*

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

The Cash Settlement Amount shall be despatched, (a) not later than three Business Days following the determination of the Exchange Rate (if applicable) for the calculation of the Cash Settlement Amount; or (b) in the case that the Exchange Rate is not applicable for the calculation of the Cash Settlement Amount, not later than three Business Days following the Exercise Date or the Expiry Date, as the case may be, (the "Settlement Date") by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to (i) procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder and (ii) notify the Warrantholder in accordance with Condition 11, as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event.

If the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on the original date that, but for the Market Disruption Event, would have been the Valuation Date, then the Valuation Date shall be postponed to the first succeeding Commodity Business Day on which there is no Market Disruption Event. If the first succeeding Commodity Business Days on which there is no Market Disruption Event has not occurred by the fifth Commodity Business Day immediately following the original date that, but for the Market Disruption Event, would have been the Valuation Date, then:

- (A) that fifth Commodity Business Day shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event, and
- (B) the Issuer shall determine the Fixing Price on the basis of its good faith estimate of such price or value of the Commodity that would have prevailed on that fifth Commodity Business Day but for the Market Disruption Event.

If the postponement of the Valuation Date as aforesaid would result in the Valuation Date falling on or after the Expiry Date then:

- (i) the Business Day immediately preceding the Expiry Date (the "Last Valuation Date") shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and
- (ii) the Issuer shall determine the Fixing Price on the basis of its good faith estimate of such price or value of the Commodity that would have prevailed on that Last Valuation Date but for the Market Disruption Event.



**(B) European Style Warrants**

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

*(a) Board Lots*

Warrants may only be exercised in a Board Lot or integral multiples thereof.

*(b) No requirement to deliver an exercise notice*

The Warrantholders will not be required to deliver an exercise notice for any purpose in relation to the Warrants.

*(c) Cancellation*

The Issuer will procure that the Registrar will, with effect from the first Business Day following the Expiry Date, remove from its register the name of the person in respect of the Warrants which are the subject of an automatic exercise or if the Warrants have expired worthless and thereby cancel the relevant Warrants.

*(d) Cash Settlement*

Subject to and in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Warrantholder equal to the Cash Settlement Amount.

The Cash Settlement Amount shall be despatched, (a) not later than three Business Days following the determination of the Exchange Rate (if applicable) for the calculation of the Cash Settlement Amount; or (b) in the case that the Exchange Rate is not applicable for the calculation of the Cash Settlement Amount, not later than three Business Days following the Expiry Date, (the "Settlement Date") by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to (i) procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder and (ii) notify the Warrantholder in accordance with Condition 11, as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event, nor shall the Issuer be liable under any circumstances for any acts or defaults of CCASS in relation to the performance of its duties in relation to the Warrants.

If the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on the original date that, but for the Market Disruption Event, would have been the Valuation Date, then the Valuation Date shall be postponed to the first succeeding Commodity Business Day on which there is no Market Disruption Event. If the first succeeding Commodity Business Day on which there is no Market Disruption Event has not occurred by the fifth Commodity Business Days immediately following the original date that, but for the Market Disruption Event, would have been the Valuation Date, then:

- (A) that fifth Commodity Business Day shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event, and
- (B) the Issuer shall determine the Fixing Price on the basis of its good faith estimate of such price or value of the Commodity that would have prevailed on that fifth Commodity Business Day but for the Market Disruption Event.

If the postponement of the Valuation Date as aforesaid would result in the Valuation Date falling on or after the Expiry Date then:

- (i) the Business Day immediately preceding the Expiry Date (the “Last Valuation Date”) shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and
- (ii) the Issuer shall determine the Fixing Price on the basis of its good faith estimate of such price or value of the Commodity that would have prevailed on that Last Valuation Date but for the Market Disruption Event.

## **5. Registrar and Transfer Office**

- (a) The initial Registrar and the Transfer Office are set out below. The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Registrar and to appoint another Registrar provided that it will at all times maintain a Registrar which, so long as the Warrants are listed on the Stock Exchange, shall be in Hong Kong. Notice of any such termination or appointment and of any change in the Transfer Office or the specified office of the Registrar will be given to the Warrantheolders in accordance with Condition 11.
- (b) The Registrar will be acting as agent of the Issuer in respect of any Warrant and will not assume any obligation or duty to or any relationship of agency or trust for the Warrantheolders.

## **6. Adjustments**

### *(a) Adjustments*

The Issuer may, in its sole and unfettered discretion and without any obligation whatsoever, and without limiting its rights under Condition 7, below make such adjustments as it believes appropriate in circumstances where an event or events occur which it believes in its sole discretion should, in the context of the issue of the Warrants and the obligations of the Issuer, give rise to such adjustment provided that such adjustment (i) is considered by the Issuer not to be materially prejudicial to the Warrantheolders generally (without considering the circumstances of any individual Warrantheolder or the tax or other consequences of such adjustment in any particular jurisdiction) or (ii) is otherwise considered by the Issuer to be appropriate and such adjustment is approved by the Stock Exchange.

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 a Related Exchange to options contracts or futures contracts on the Commodity traded on such Related Exchange.

### *(b) 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 11.

## **7. Early Termination for Illegality, Force Majeure and Cessation of Trading**

If the Issuer determines that, for reasons beyond its control, the performance of its obligations under the Warrants 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 Warrants (i) due to the adoption of or any change in any applicable law or regulation, or (ii) due to the promulgation of or any change in the interpretation of any applicable law or regulation, the Issuer may at its discretion and without obligation terminate the Warrants early by giving notice to the Warrantheolders 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 determines that, the Price Source announces that pursuant to the rules of such Price Source, the Commodity ceases (or will cease) to be traded or publicly quoted on the Price Source for any reason and is not immediately re-traded or re-quoted on a trading system or quotation system acceptable to the Issuer, the Issuer may at its discretion and without obligation terminate the Warrants early by giving notice to the Warrantholders in accordance with Condition 11.

If the Issuer terminates the Warrants early, the Issuer will, if and to the extent permitted by applicable law, pay an amount to each Warrantholder in respect of each Warrant held by such holder equal to the fair market value of a Warrant notwithstanding such illegality or impracticality or cessation of trading (as described above) 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 Warrantholders in accordance with Condition 11.

## **8. Purchases**

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

## **9. Global Certificates**

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

## **10. Meetings of Warrantholders; Modification**

### *(a) Meetings of Warrantholders*

The Registrar's Agreement contains provisions for convening meetings of the Warrantholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Registrar's Agreement) of a modification of the provisions of the Warrants or of the Global Certificate. Any resolutions to be passed in a meeting of the Warrantholders shall be decided by poll.

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

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

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

In the case of Warrants which are expressed to be American Style, Warrants which have not been exercised but in respect of which an Exercise Notice has been submitted will not confer the right to attend or vote at, or join in convening, or be counted in quorum for, any meeting of the Warrantholders. Resolutions can be passed in writing without a meeting of the Warrantholders being held if passed unanimously.

### *(b) Modification*

The Issuer may, without the consent of the Warrantholders, effect (i) any modification of the provisions of the Warrants or the Global Certificate which is not materially prejudicial to the interests of the Warrantholders or (ii) any modification of the provisions of the Warrants or the Global Certificate 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 Warrantheolders and shall be notified to them by the Registrar before the effective date or as soon as practicable thereafter in accordance with Condition 11.

## **11. Notices**

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

## **12. Further Issues**

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

## **13. Governing Law**

The Warrants, the Global Certificate, the Registrar's Agreement and any non-contractual obligations arising out of or in connection with them 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 Warrantheolder (by its purchase of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants, the Global Certificate, the Registrar's Agreement and any non-contractual obligations arising out of or in connection with them to the non-exclusive jurisdiction of the courts of Hong Kong.

## **14. Language**

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

### **Registrar, Agent and Transfer Office:**

**Computershare Hong Kong Investor Services Limited**  
Rooms 1712-1716, 17th Floor, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## **TERMS AND CONDITIONS OF THE EQUITY CALLABLE CONTRACTS (CASH SETTLED)**

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

### **1. Form, Status, Transfer and Title**

#### *(a) Form*

The Contracts (which expression shall, unless the context otherwise requires, include any further Contracts issued pursuant to Condition 13) relating to the Shares of the Company are issued in registered form subject to and with the benefit of a global certificate by way of deed poll (the “Global Certificate”) dated the Issue Date, made by Daiwa Capital Markets Hong Kong Limited (the “Issuer”) and a base registrar’s and structured product agency agreement (as amended, varied or supplemented from time to time or any successor document, the “Registrar’s Agreement”) dated 13 September 2010 as supplemented by a Confirmation (as defined in the Registrar’s Agreement) relating to the Contracts made between the Issuer and Computershare Hong Kong Investor Services Limited as registrar and agent for the Contracts (the “Registrar” and “Agent”, which expressions shall include any successors). Copies of the Global Certificate and the Registrar’s Agreement are available for inspection at the specified office of the Registrar (the “Transfer Office”). The initial Transfer Office is set out below. The Contractholders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Global Certificate and the Registrar’s Agreement.

#### *(b) Status*

The Contracts represent general, unsecured, contractual obligations of the Issuer and of no other person and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations of the Issuer.

#### *(c) Transfer*

Transfers of beneficial interests in the Contracts may be effected only in Board Lots or integral multiples thereof in CCASS (as defined below) in accordance with the CCASS Rules (as defined below).

#### *(d) Title*

Each person who is for the time being shown in the register kept by the Registrar as entitled to a particular number of Contracts shall be treated by the Issuer and the Registrar as the absolute owner and holder of such number of Contracts. The expression “Contractholder” shall be construed accordingly.

### **2. Contract Rights and Expenses**

#### *(a) Contract Rights*

Every Exercise Amount gives each Contractholder, (i) upon due exercise and compliance with Condition 4, the right to receive the payment of the Cash Settlement Amount, (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 (all as defined below).

(b) *Expenses*

On expiry of the Contracts or upon the occurrence of a Mandatory Call Event, Contractholders are required to pay the Expenses. To effect such payment, an irrevocable authorisation to deduct the Expenses in accordance with the calculation set out in the definition of Cash Settlement Amount or the Mandatory Call Payoff (as the case may be) is deemed to be given by a Contractholder to the Issuer upon purchase of the Contracts.

(c) *Definitions*

For the purposes of these Conditions:

“Additional Amount” means an amount determined by the Issuer in its absolute and sole discretion separately for each series of Contracts if a Mandatory Call Event occurs, which amount may be zero. The Additional Amount shall be zero unless the Issuer has notified the Contractholder of the amount of such Additional Amount in accordance with Condition 11 at the same time notification is made as to the Mandatory Call Payoff in accordance with the requirements of the Stock Exchange. Notwithstanding any provisions herein and any notification to be made, the Mandatory Call Payoff payable per Board Lot shall never exceed an amount equal to: (i) the Entitlement (subject to adjustment as provided in Condition 6) multiplied by (ii) the absolute value of the difference between the Strike Price (subject to adjustment as provided in Condition 6) and the Maximum Trading Price (in the case of Bull Contracts) or the Minimum Trading Price (in the case of Bear Contracts);

“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;

“Cash Settlement Amount” means:

- (1) in the case of a series of Bear Contracts and in respect of every Exercise Amount, an amount in the Settlement Currency 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) the Expenses, provided that if the Cash Settlement Amount is a negative amount, it shall be deemed to be zero;
- (2) in the case of a series of Bull Contracts and in respect of 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) the Expenses, provided that if the Cash Settlement Amount is a negative amount it shall be deemed to be zero;

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

“CCASS Settlement Day” has the meaning ascribed to the term “Settlement Day” in the General Rules of CCASS, subject to such modification and amendment prescribed by HKSCC from time to time.

“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 capitalisation, 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;

“Expenses” means any charges or expenses including any taxes or duties which are incurred in respect of the expiry of the Contracts or the occurrence of a Mandatory Call Event (as the case may be);

“Expiry Date” means the date specified as such in the relevant Supplemental Listing Document or, if such day is not a Business Day, the immediately succeeding Business Day;

“IEP” means the indicative equilibrium price, as determined in accordance with the rules and regulations of the Stock Exchange;

“Mandatory Call Date” means the Business Day during the Mandatory Call Observation Period on which a Mandatory Call Event occurs;

In the case 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 Price is equal to or greater than the Call Price;

In the case of a series of Bull Contracts:

“Mandatory Call Event” means the first occurrence on a Business Day during the Mandatory Call Observation Period whereby the Spot Price is equal to or less than the Call Price;

“Mandatory Call Observation Period” means the period from (and including) the Mandatory Call Observation Period Start Date to (and including) the Mandatory Call Observation Period End Date;

“Mandatory Call Observation Period End Date” means the Business Day immediately preceding the Expiry Date;

“Mandatory Call Observation Period Start Date” has the meaning specified in the relevant Supplemental Listing Document;

“Market Disruption Event” mean:

- (1) (i) with respect to exercise of the Contracts, the occurrence or existence on the Valuation Date during the one-half hour period that ends at the close of trading of, or (ii) with respect to the determination of the Mandatory Call Payoff and in respect of a Pricing Session (as defined below), the occurrence or existence during such Pricing Session resulting in; 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; and/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 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) an outbreak or escalation of hostilities or other national or international calamity or crisis (including, without limitation, act of terrorism and natural calamities) or the breakdown of the Stock Exchange’s price quotation system if, in the determination of the Issuer, the occurrence or existence of any of the aforesaid events will have a material adverse effect on the ability of the Issuer to perform its obligations in connection with or on the ability of the Issuer or its affiliates to hedge the Issuer’s or its affiliates’ position with respect to the Warrants;

PROVIDED THAT with respect to the determination of the Mandatory Call Payoff and in respect of a Pricing Session, there shall be no Market Disruption Event in the relevant trading session if there is a continuous period of at least one hour during which (1)(ii), (2) and/or (3) or any combination thereof does not subsist;

In the case of a series of Bear Contracts:

“Mandatory Call Payoff” means:

- (1) in respect of every Exercise Amount for Category N Contracts, zero; and

- (2) in respect of every Exercise Amount for Category R Contracts, 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 Trading Price; less (b) Expenses, provided that if the Mandatory Call Payoff is a negative amount, it shall be deemed to be zero;

In the case of a series of Bull Contracts:

“Mandatory Call Payoff” means:

- (1) in respect of every Exercise Amount for Category N Contracts, zero; and
- (2) in respect of every Exercise Amount for Category R Contracts, 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 Trading Price less (ii) the Strike Price (subject to adjustment as provided in Condition 6); less (b) Expenses, provided that if the Mandatory Call Payoff is a negative amount, it shall be deemed to be zero;

“Maximum Trading Price” means the maximum trade 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 on the Pricing Session a Market Disruption Event has occurred, then that Pricing Session shall be postponed to the first succeeding trading session on which there is no Market Disruption Event, unless there is a Market Disruption Event occurring in each of the trading sessions in the four Business Days immediately following the original date that, but for the Market Disruption Event, would have been the original date of the Pricing Session. In that case (i) the last trading session on such fourth Business Day shall be deemed to be the Pricing Session, notwithstanding the Market Disruption Event, and (ii) the Issuer shall determine the Maximum Trading Price on the basis of its good faith estimate of such price that would have prevailed but for the Market Disruption Event, during such last trading session on that fourth Business Day. 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 Market Disruption Event occurring during a trading session in which a 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 Market Disruption Event being excluded from the determination of the Maximum Trading Price.

“Minimum Trading Price” means the minimum trade 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 on the Pricing Session a Market Disruption Event has occurred, then that Pricing Session shall be postponed to the first succeeding trading session on which there is no Market Disruption Event, unless there is a Market Disruption Event occurring in each of the trading sessions in the four Business Days immediately following the original date that, but for the Market Disruption Event, would have been the original date of the Pricing Session. In that case (i) the last trading session on such fourth Business Day shall be deemed to be the Pricing Session, notwithstanding the Market Disruption Event, and (ii) the Issuer shall determine the Minimum Trading Price on the basis of its good faith estimate of such price that would have prevailed but for the Market Disruption Event, during such last trading session on that fourth Business Day. 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 Market Disruption Event occurring during a trading session in which a 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 Market Disruption Event being excluded from the determination of the Minimum Trading Price.

For the purpose of determining the Minimum Trading Price and the Maximum Trading Price: (i) the pre-opening session and the morning session shall be considered as one Pricing Session only; (ii) if the closing auction session is applicable, the afternoon session and the closing auction session shall be considered as one Pricing Session only; (iii) if the closing auction session is not applicable, the afternoon session shall be considered as one Pricing Session; (iv) in respect of half-day trading, if the closing auction session is applicable, the pre-opening session, the continuous trading session and the closing auction session of the same



day shall be considered as one Pricing Session only; and (v) in respect of half-day trading, if the closing auction session is not applicable, the pre-opening session and the continuous trading session of the same day shall be considered as one Pricing Session only.

“Post MCE Trades” means (i) if the Mandatory Call Event occurs in the pre-opening session or the closing auction session (if applicable), as the case may be, of the Stock Exchange, all trades in the Contract concluded via auction during the order matching period and all manual trades concluded after the determination of the final IEP; or (ii) if the Mandatory Call Event occurs in the continuous trading session of the Stock Exchange, all trades concluded via auto-matching or manually after the Mandatory Call Event;

“Price Determination Date” means the date on which the Maximum Trading Price or the Minimum Trading Price (as the case may be) is determined by the Issuer;

“Settlement Currency” means Hong Kong dollars, unless otherwise specified in the relevant Supplemental Listing Document;

“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 (as the case may be) electronically through CCASS to the relevant bank account designated by the relevant Contractholder (“Designated Bank Account”);

“Spot Price” means the non-direct trade price concluded by automatic order matching of the Shares traded on the Stock Exchange during the continuous trading session or the final IEP of the Shares (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 (i) pre-opening session; or (ii) closing auction session (if applicable), as the case may be in accordance with the rules and regulations of the Stock Exchange;

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

“Valuation Date” means, with respect to the exercise of Contracts, and subject to the occurrence of a Market Disruption Event as provided in Condition 4(d), the Business Day immediately preceding the Expiry Date.

### **3. Exercise of Contracts, Mandatory Call Event, Automatic Exercise and Expiry**

#### *(a) Exercise of Contracts*

The Contracts are exercisable on the Expiry Date, provided that a Mandatory Call Event has not occurred.

#### *(b) Mandatory Call Event*

Any Contract in respect of which a Mandatory Call Event has occurred will automatically be exercised on the Mandatory Call Date and every Exercise Amount will entitle the Contractholder to receive the Mandatory Call Payoff (if any) on the Settlement Date (as defined in Condition 4 below). On the occurrence of a Mandatory Call Event, the Issuer may, at its sole and absolute discretion, elect to pay the Additional Amount and if the Issuer so elects, the Additional Amount shall be deemed to be included in the Mandatory Call Payoff as set out above.

#### *(c) Automatic Exercise*

Any Contract which has not been automatically exercised on a Mandatory Call Date will automatically be exercised on the Expiry Date, if on that date the value of the Cash Settlement Amount is greater than zero (without prior notice being given to the Contractholders). The Contractholders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Contractholders the Cash Settlement Amount (if any) in accordance with Condition 4(d).

*(d) Issuer's Obligations*

For the avoidance of doubt, where the Contracts have been exercised on the Expiry Date or 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 Contracts. Subject to such payment having been made, the Issuer shall have no obligation towards the relevant Contractholder under the Contracts subsequent to such Expiry Date or Mandatory Call Date (as the case may be).

*(e) Expiry*

Any Contract which is not 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 Contractholder and obligations of the Issuer with respect to such Contract shall cease.

#### **4. Exercise of Contracts, Cancellation and Payment**

*(a) Board Lots*

Contracts may only be exercised in a Board Lot or integral multiples thereof.

*(b) No requirement to deliver an exercise notice*

The Contractholders will not be required to deliver an exercise notice for any purpose in relation to the Contracts.

*(c) Cancellation*

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 Contracts 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 Contracts.

*(d) Cash Settlement*

Subject to automatic exercise of Contracts in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Contractholder equal to the Mandatory Call Payoff or the Cash Settlement Amount (if any) (as the case may be).

The Mandatory Call Payoff or the Cash Settlement Amount shall be despatched not later than three CCASS Settlement Days 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 Contractholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to (i) procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Contractholder and (ii) notify the Contractholder in accordance with Condition 11, as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Contractholder for any interest in respect of the amount due or any loss or damage that such Contractholder may suffer as a result of the existence of the Settlement Disruption Event, nor shall the Issuer be liable under any circumstances for any acts or defaults of CCASS in relation to the performance of its duties in relation to the Contracts.

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 five Business Days immediately following the original date that, but for the Market Disruption Event, would have been the Valuation Date. In that case (i) the fifth Business Day shall be deemed to be the Valuation Date,

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

If the postponement of the Valuation Date as aforesaid would result in the Valuation Date falling on or after the Expiry Date then (i) the Business Day immediately preceding the Expiry Date (the “Last Valuation Date”) shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and (ii) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of such price that would have prevailed on that Last Valuation Date but for the Market Disruption Event.

**5. Registrar and Transfer Office**

- (a) The initial Registrar and the Transfer Office, are set out below. The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Registrar and to appoint another Registrar provided that it will at all times maintain a Registrar which, so long as the Contracts are listed on the Stock Exchange, shall be in Hong Kong. Notice of any such termination or appointment and of any change in the Transfer Office or the specified office of the Registrar will be given to the Contractholder in accordance with Condition 11.
- (b) The Registrar will be acting as agent of the Issuer in respect of any Contracts and will not assume any obligation or duty to or any relationship of agency or trust for the Contractholders.

**6. Adjustments**

*(a) Rights Issues*

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

$$\text{adjusted Entitlement} = \text{Adjustment Component} \times E$$

Where:

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

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

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Call Price and/or Strike Price in accordance with the following formula:

$$\begin{aligned} \text{adjusted Call Price} &= \text{Call Price and/or Strike Price} \times \frac{1}{\text{Adjustment Component}} \\ \text{and/or Strike Price} & \\ \text{(rounded to the nearest} & \\ \text{Hong Kong dollar 0.001)} & \end{aligned}$$

This adjustment to the Call Price and/or Strike Price shall take effect on the same day that the Entitlement is adjusted.

For the purposes of these Conditions:

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

*(b) Bonus Issues*

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

$$\text{adjusted Entitlement} = \text{Adjustment Component} \times E$$

Where:

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

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 Call Price and/or Strike Price in accordance with the following formula:

$$\begin{aligned} \text{adjusted Call Price} &= \text{Call Price and/or Strike Price} \times \frac{1}{\text{Adjustment Component}} \\ \text{and/or Strike Price} & \\ & \text{(rounded to the nearest} \\ & \text{Hong Kong dollar 0.001)} \end{aligned}$$

This adjustment to the Call Price and/or Strike Price shall take effect on the same day that the Entitlement is adjusted.

*(c) Share Splits or Consolidations*

If and whenever the Company shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a “Subdivision”) or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a “Consolidation”), the Entitlement in effect immediately prior thereto will be increased (in the case of a Subdivision) or decreased (in the case of a Consolidation) accordingly in each case on the day on which the relevant Subdivision or Consolidation shall have taken effect. In addition, the Call Price and/or Strike Price (which shall be rounded to the nearest Hong Kong dollar 0.001) will be decreased (in the case of a Subdivision) or increased (in the case of a Consolidation) accordingly. This adjustment to the Call Price and/or Strike Price shall take effect on the same day that the Entitlement is adjusted.

*(d) Merger or Consolidation*

If it is announced that the Company is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of any corporation or controlled by any person or corporation) (except where the Company is the surviving corporation in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the Contracts 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 Contracts 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 Contracts 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 Distributions*

Generally, no capital adjustment will be made for an ordinary cash dividend (whether or not it is offered with a script alternative). 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 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:

$$\text{adjusted Entitlement} = \text{Adjustment Component} \times E$$

Where:

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

provided that OD shall be deducted from S only if the Business Day on which trading in the Shares of the Company becomes ex-entitlement with respect to the Cash Distribution and the distribution of the ordinary cash dividend by the Company falls on the same date.

- OD: Amount of the relevant ordinary cash dividend per Share
- CD: Amount of the relevant Cash Distribution per Share
- E: Existing Entitlement immediately prior to the Cash Distribution
- S: The closing price of the Shares on the Stock Exchange on the Business Day immediately prior to the day on which trading in the Shares of the Company becomes ex-entitlement

In addition, the Issuer shall adjust the Call Price and the Strike Price, as applicable, in accordance with the following formulae:

$$\text{adjusted Call Price} = \text{Call Price} \times \frac{1}{\text{Adjustment Component}}$$

(rounded to the nearest Hong Kong dollar 0.001)

$$\text{adjusted Strike Price} = \text{Strike Price} \times \frac{1}{\text{Adjustment Component}}$$

(rounded to the nearest Hong Kong dollar 0.001)

The adjustments to the Call Price and the Strike Price, as applicable, shall take effect on the same day that the Entitlement is adjusted.

*(f) Other Adjustments*

Without prejudice to the provisions of this Condition 6 and Condition 14, the Issuer may (but shall not be obliged to) make such adjustments to the terms of the Contracts which, in its sole and unfettered discretion and notwithstanding any prior adjustment made pursuant to the above, it considers appropriate, in the context of the issue of the Contracts and the obligations of the Issuer, to take account of (a) any event which may have a diluting or concentrative effect on the theoretical value of Shares or (b) any other event (including any corporate actions) affecting the Shares or the Company provided that such adjustment is considered by the Issuer not to be materially prejudicial to the Contractholders generally. The Issuer shall not be required to have regard to the circumstances of any individual Contractholder or the tax or other consequences of such adjustment in any particular jurisdiction in considering or making any such adjustments, and may, but need not, determine the appropriate adjustment(s) by reference to (i) the adjustment(s) in respect of such events made by an option exchange to options on the relevant Shares traded on such option exchange and (ii) the proceeds or assets which may be received by a holder of the Shares in connection with such event.

*(g) Notice of Adjustments*

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Contractholders. 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 Illegality and Force Majeure**

If the Issuer determines that, for reasons beyond its control, the performance of its obligations under the Contracts 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 Contracts (i) due to the adoption of or any change in any applicable law or regulation, or (ii) due to the promulgation of or any change in the interpretation of any applicable law or regulation, the Issuer may at its discretion and without obligation terminate the Contracts early by giving notice to the Contractholders 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 Contracts early, the Issuer will, if and to the extent permitted by applicable law, pay an amount to each Contractholder in respect of each Contract held by such holder equal to the fair market value of a Contract 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 Contractholders in accordance with Condition 11.

## **8. Purchases**

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

## **9. Global Certificate**

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

## **10. Meetings of Contractholders; Modification**

*(a) Meetings of Contractholders*

The Registrar's Agreement contains provisions for convening meetings of the Contractholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Registrar's Agreement) of a modification of the provisions of the Contracts or of the Global Certificate.

Any resolutions to be passed in a meeting of the Contractholders shall be decided by poll. Such a meeting may be convened by the Issuer or by Contractholders holding not less than 10 per cent. of the Contracts 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 Contracts for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Contractholders whatever the number of Contracts 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 Contractholders as, being entitled to do so, vote in person or by proxy.

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

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

*(b) Modification*

The Issuer may, without the consent of the Contractholders, effect (i) any modification of the provisions of the Contracts or the Global Certificate which is not materially prejudicial to the interests of the Contractholders or (ii) any modification of the provisions of the Contracts or the Global Certificate 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 Contractholders and shall be notified to them by the Registrar before the effective date or as soon as practicable thereafter in accordance with Condition 11.

## **11. Notices**

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

## **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 the laws of its jurisdiction of incorporation in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised Contracts 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.

## **13. Further Issues**

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

#### **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 Contracts 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 Contractholders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Contractholder 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 Contractholders, make such adjustments to the entitlements of Contractholders 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 Contractholders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Contractholders in accordance with Condition 11 as soon as practicable after they are determined.

#### **15. Governing Law**

The Contracts, the Global Certificate, the Registrar's Agreement and any non-contractual obligations arising out of or in connection with them 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 Contractholder (by its purchase of the Contracts) shall be deemed to have submitted for all purposes in connection with the Contracts, the Global Certificate, the Registrar's Agreement and any non-contractual obligations arising out of or in connection with them to the non-exclusive jurisdiction of the courts of Hong Kong.

#### **16. Language**

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

**Registrar, Agent and Transfer Office:**

**Computershare Hong Kong Investor Services Limited**  
Rooms 1712-1716, 17th Floor, Hopewell Centre  
183 Queen's Road East  
Hong Kong



## **TERMS AND CONDITIONS OF THE INDEX CALLABLE CONTRACTS (CASH SETTLED)**

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

### **1. Form, Status, Transfer and Title**

#### *(a) Form*

The Contracts (which expression shall, unless the context otherwise requires, include any further contracts issued pursuant to Condition 12) relating to the Index as published by the Index Compiler are issued in registered form subject to and with the benefit of a global certificate by way of deed poll (the “Global Certificate”) dated the Issue Date, made by Daiwa Capital Markets Hong Kong Limited (the “Issuer”) and a base registrar’s and structured product agency agreement (as amended, varied or supplemented from time to time or any successor document, the “Registrar’s Agreement”) dated 13 September 2010 as supplemented by a Confirmation (as defined in the Registrar’s Agreement) relating to the Contracts made between the Issuer and Computershare Hong Kong Investor Services Limited as registrar and agent for the Contracts (the “Registrar” and “Agent”, which expressions shall include any successors). Copies of the Global Certificate and the Registrar’s Agreement are available for inspection at the specified office of the Registrar (the “Transfer Office”). The initial Transfer Office is set out below. The Contractholders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Global Certificate and the Registrar’s Agreement.

#### *(b) Status*

The Contracts represent general, unsecured, contractual obligations of the Issuer and of no other person and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations of the Issuer.

#### *(c) Transfer*

Transfers of beneficial interests in the Contracts may be effected only in Board Lots or integral multiples thereof in CCASS (as defined below) in accordance with the CCASS Rules (as defined below).

#### *(d) Title*

Each person who is for the time being shown in the register kept by the Registrar as entitled to a particular number of Contracts shall be treated by the Issuer and the Registrar as the absolute owner and holder of such number of Contracts. The expression “Contractholder” construed accordingly.

### **2. Contract Rights and Expenses**

#### *(a) Contract Rights*

Every Exercise Amount entitles each Contractholder, (i) upon due exercise and compliance with Condition 4, the right to receive the payment of the Cash Settlement Amount, (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 (all as defined below).

(b) *Expenses*

On expiry of the Contracts or upon the occurrence of a Mandatory Call Event, Contractholders are required to pay the Expenses. To effect such payment, an irrevocable authorisation to deduct the Expenses in accordance with the calculation set out in the definition of Cash Settlement Amount or the Mandatory Call Payoff (as the case may be) is deemed to be given by a Contractholder to the Issuer upon purchase of the Contracts.

(c) *Definitions*

For the purposes of these Conditions:

“Additional Amount” means an amount determined by the Issuer in its absolute and sole discretion separately for each series of Contracts if a Mandatory Call Event occurs, which amount may be zero. The Additional Amount shall be zero unless the Issuer has notified the Contractholder of the amount of such Additional Amount in accordance with Condition 11 at the same time notification is made as to the Mandatory Call Payoff in accordance with the requirements of the Stock Exchange. Notwithstanding any provisions herein and any notification to be made, the Mandatory Call Payoff payable per Board Lot shall never exceed an amount equal to: (i) the Index Currency Amount times (ii) the absolute value of the difference between the Strike Level and the Maximum Trading Level (in the case of Bull Contracts) or the Minimum Trading Level (in the case of Bear Contracts);

“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;

“Cash Settlement Amount” means:

- (1) in the case of a series of Bear Contracts and in respect of every Exercise Amount, an amount in the Settlement Currency calculated by the Issuer equal to (1) the excess of the Strike Level over the Closing Level on the Valuation Date, multiplied by the Index Currency Amount, either converted (if applicable) (i) into the Settlement Currency at the Exchange Rate or, as the case may be, (ii) into the Interim Currency at the First Exchange Rate and then converted into the Settlement Currency at the Second Exchange Rate less (2) the Expenses, provided that if the Cash Settlement Amount is a negative amount, it shall be deemed to be zero;
- (2) in the case of a series of Bull Contracts and in respect of every Exercise Amount, an amount in the Settlement Currency calculated by the Issuer equal to (1) the excess of the Closing Level on the Valuation Date over the Strike Level, multiplied by the Index Currency Amount, either converted (if applicable) (i) into the Settlement Currency at the Exchange Rate or, as the case may be, (ii) into the Interim Currency at the First Exchange Rate and then converted into the Settlement Currency at the Second Exchange Rate less (2) the Expenses, provided that if the Cash Settlement Amount is a negative amount, it shall be deemed to be zero;

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

“CCASS Settlement Day” has the meaning ascribed to the term “Settlement Day” in the General Rules of CCASS, subject to such modification and amendment prescribed by HKSCC from time to time.

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

“Expenses” means any charges or expenses including any taxes or duties which are incurred in respect of the expiry of the Contracts or the occurrence of a Mandatory Call Event (as the case may be);

“Expiry Date” means the date specified as such in the relevant Supplemental Listing Document or, if such day is not a Business Day, the immediately succeeding Business Day;

“IEP” means the indicative equilibrium price, as determined in accordance with the rules and regulations of the Stock Exchange;

“HSIC” means the Hang Seng Indexes Company Limited;

“Mandatory Call Date” means the Business Day during the Mandatory Call Observation Period on which a Mandatory Call Event occurs;

In the case 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;

In the case of a series of Bull 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 less than the Call Level;

“Mandatory Call Observation Period” means the period from (and including) the Mandatory Call Observation Period Start Date to (and including) the Mandatory Call Observation Period End Date;

“Mandatory Call Observation Period End Date” means the Business Day immediately preceding the Expiry Date;

“Mandatory Call Observation Period Start Date” has the meaning specified in the relevant Supplemental Listing Document;

“Market Disruption Event” means:

- (1) (i) with respect to exercise of the Contracts, 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, or (ii) with respect to the determination of the Mandatory Call Payoff and in respect of a Pricing Session (as defined below), the occurrence or existence during such Pricing Session of any:
  - (a) the suspension or material limitation of the trading of a material number of securities that comprise the Index; or
  - (b) the suspension or material limitation of the trading of securities on the Index Exchange; or
  - (c) 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
  - (d) the imposition of any exchange controls in respect of any currencies involved in determining the Cash Settlement Amount or the Mandatory Call Payoff (as the case may be);

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; 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 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 on the Valuation Date 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) an outbreak or escalation of hostilities or other national or international calamity or crisis (including, without limitation, act of terrorism and natural calamities) or the breakdown of the Index Exchange’s price quotation system if, in the determination of the Issuer, the occurrence or

existence of any of the foresaid events will have a material adverse effect on the ability of the Issuer to perform its obligations in connection with or on the ability of the Issuer or its affiliates to hedge the Issuer's or its affiliates' position with respect to the Warrants,

PROVIDED THAT with respect to the determination of the Mandatory Call Payoff and in respect of a Pricing Session, there shall be no Market Disruption Event if, in the relevant trading session, there shall be a continuous period of at least one hour during which (1)(ii), (2) and/or (3) or any combination thereof does not subsist;

In the case of a series of Bear Contracts:

“Mandatory Call Payoff” means:

- (1) in respect of every Exercise Amount for Category N Contracts, zero; and
- (2) in respect of every Exercise Amount for Category R Contracts, 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) Expenses, provided that if the Mandatory Call Payoff is a negative amount, it shall be deemed to be zero;

In the case of a series of Bull Contracts:

“Mandatory Call Payoff” means:

- (1) in respect of every Exercise Amount for Category N Contracts, zero; and
- (2) in respect of every Exercise Amount for Category R Contracts, an amount in the Settlement Currency calculated by the Issuer as equal to (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) Expenses, provided that if the Mandatory Call Payoff is a negative amount, it shall be deemed to be zero;

“Maximum Index Level” means 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 HSIC on the Stock Exchange; provided that if the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred in any Pricing Session, such Pricing Session shall be postponed to the first succeeding trading session not affected by a Market Disruption Event, unless there is a Market 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 Market 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 Market 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 Market 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 Market 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 Market Disruption Event being excluded from the determination of the Maximum Index Level.

“Minimum Index Level” means 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 HSIC on the Stock Exchange; provided that if the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred in any Pricing Session, such Pricing Session shall be postponed to the first succeeding trading session not affected by a Market Disruption Event, unless there is a Market 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 Market 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 Market Disruption Event, and (2) the Issuer shall determine the Minimum Index Level on the basis of its good faith estimate of such level that would have prevailed but for the Market 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 Market 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 Market Disruption Event being excluded from the determination of the Minimum Index Level.

For the purpose of determining the Minimum Index Level and the Maximum Index Level: (i) the pre-opening session and the morning session shall be considered as one Pricing Session only; (ii) if the closing auction session is applicable, the afternoon session and the closing auction session shall be considered as one Pricing Session only; (iii) if the closing auction session is not applicable, the afternoon session shall be considered as one Pricing Session; (iv) in respect of half-day trading, if the closing auction session is applicable, the pre-opening session, the continuous trading session and the closing auction session of the same day shall be considered as one Pricing Session only; and (v) in respect of half-day trading, if the closing auction session is not applicable, the pre-opening session and the continuous trading session of the same day shall be considered as one Pricing Session only;

“Post MCE Trades” means (i) if the Mandatory Call Event occurs in the pre-opening session or the closing auction session (if applicable), as the case may be, of the Stock Exchange, all trades in the Contract concluded via auction during the order matching period and all manual trades concluded after the determination of the final IEP; or (ii) if the Mandatory Call Event occurs in the continuous trading session of the Stock Exchange, all trades concluded via auto-matching or manually after the Mandatory Call Event;

“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 Currency” means Hong Kong dollars, unless otherwise specified in the relevant Supplemental Listing Document;

“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 (as the case may be) electronically through CCASS to the relevant bank account designated by the relevant Contractholder (“Designated Bank Account”);

“Spot Level” means the spot level of the Index as compiled and published by HSIC;

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

“Valuation Date” means the Expiry Date.

### **3. Exercise of Contracts, Mandatory Call Event, Automatic Exercise and Expiry**

#### *(a) Exercise of Contracts*

The Contracts are exercisable on the Expiry Date, provided that a Mandatory Call Event has not occurred.

#### *(b) Mandatory Call Event*

Any Contract in respect of which a Mandatory Call Event has occurred will automatically be exercised on the Mandatory Call Date and every Exercise Amount will entitle the Contractholder to receive the Mandatory Call Payoff (if any) on the Settlement Date (as defined in Condition 4 below). On the occurrence of a Mandatory Call Event, the Issuer may, at its sole and absolute discretion, elect to pay the Additional Amount and if the Issuer so elects, the Additional Amount shall be deemed to be included in the Mandatory Call Payoff as set out above.

*(c) Automatic Exercise*

Any Contract which has not been automatically exercised on a Mandatory Call Date will automatically be exercised if on the Expiry Date, if on that date the value of the Cash Settlement Amount is greater than zero (without prior notice being given to the Contractholders). The Contractholders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Contractholders the Cash Settlement Amount (if any) in accordance with Condition 4(d).

*(d) Issuer's Obligations*

For the avoidance of doubt, where the Contracts have been exercised on the Expiry Date or 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 Contracts. Subject to such payment having been made, the Issuer shall have no obligation towards the relevant Contractholder under the Contracts subsequent to such Expiry Date or Mandatory Call Date (as the case may be).

*(e) Expiry*

Any Contract which is not 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 Contractholder and obligations of the Issuer with respect to such Contract shall cease.

#### **4. Exercise of Contracts, Cancellation and Payment**

*(a) Board Lots*

Contracts may only be exercised in a Board Lot or integral multiples thereof.

*(b) No requirement to deliver an exercise notice*

The Contractholders will not be required to deliver an exercise notice for any purpose in relation to the Contracts.

*(c) Cancellation*

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 Contracts 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 Contracts.

*(d) Cash Settlement*

Subject to automatic exercise of Contracts in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Contractholder equal to the Mandatory Call Payoff or the Cash Settlement Amount (if any) (as the case may be).

The Mandatory Call Payoff or the Cash Settlement Amount shall be despatched not later than three CCASS Settlement Days following the determination of the Exchange Rate or Second Exchange Rate, as the case may be, for the calculation of the Mandatory Call Payoff or the Cash Settlement Amount ("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 Contractholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to (i) procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Contractholder and (ii) notify the Contractholder in accordance with Condition 11, as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Contractholder for any interest in respect of the

amount due or any loss or damage that such Contractholder may suffer as a result of the existence of the Settlement Disruption Event, nor shall the Issuer be liable under any circumstances for any acts or defaults of CCASS in relation to the performance of its duties in relation to the Contracts.

If the Issuer determines, in its sole discretion, that on the Valuation Date, a Market Disruption Event has occurred, then in respect of an occurrence of a Market Disruption Event on the Valuation Date, the Issuer shall determine the Closing Level on the basis of its good faith estimate of the Closing Level that would have prevailed on that day but for the occurrence of the Market Disruption Event provided that the Issuer, if applicable, may, but shall not be obliged to, determine such Closing Level by having regard to the manner in which futures contracts relating to the Index are calculated.

## **5. Registrar and Transfer Office**

- (a) The initial Registrar and the Transfer Office, are set out below. The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Registrar and to appoint another Registrar provided that it will at all times maintain a Registrar, which, so long as the Contracts are listed at the Stock Exchange, shall be in Hong Kong. Notice of any such termination or appointment and of any change in the Transfer Office or the specified office of the Registrar will be given to the Contractholders in accordance with Condition 11.
- (b) The Registrar will be acting as agent of the Issuer in respect of any Contracts and will not assume any obligation or duty to or any relationship of agency or trust for the Contractholders.

## **6. Adjustments to the Index**

### *(a) Successor Index Compiler Calculates and Reports Index*

If the Index is (i) not calculated and announced by the Index Compiler but is calculated and published by a successor to the Index Compiler (the “Successor Index Compiler”) acceptable to the Issuer or (ii) replaced by a successor index using, in the determination of the Issuer, the same or a substantially similar formula for and method of calculation as used in the calculation of the Index, then the Index will be deemed to be the index so calculated and announced by the Successor Index Compiler or that successor index, as the case may be.

### *(b) Modification and Cessation of Calculation of Index*

If:

- (i) on or prior to a Valuation Date the Index Compiler or (if applicable) the Successor Index Compiler makes a material change in the formula for or the method of calculating the Index or in any other way materially modifies the Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent stock, contracts or commodities and other routine events); or
- (ii) on a Valuation Date the Index Compiler or (if applicable) the Successor Index Compiler fails to calculate and publish the Index (other than as a result of a Market Disruption Event),

then the Issuer shall determine the Closing Level using, in lieu of a published level for the Index, the level for the Index as at that Valuation Date as determined by the Issuer in accordance with the formula for and method of calculating the Index last in effect prior to that change or failure, but using only those securities/commodities that comprised the Index immediately prior to that change or failure.

### *(c) Other Adjustments*

The Issuer has the right (such right to be exercised in the Issuer’s sole and unfettered discretion and without any obligation whatsoever) to make such adjustments to the Contracts 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 Contracts and the obligations of the Issuer, give rise to such adjustment provided that such adjustment is considered by the

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

*(d) Notice of Determinations*

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Contractholders. 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 Illegality and Force Majeure**

If the Issuer determines that, for reasons beyond its control, the performance of its obligations under the Contracts 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 Contracts (i) due to the adoption of or any change in any applicable law or regulation, or (ii) due to the promulgation of or any change in the interpretation of any applicable law or regulation, the Issuer may at its discretion and without obligation terminate the Contracts early by giving notice to the Contractholders 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 Contracts early, the Issuer will, if and to the extent permitted by applicable law, pay an amount to each Contractholder in respect of each Contract held by such holder equal to the fair market value of a Contract 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 Contractholders in accordance with Condition 11.

## **8. Purchases**

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

## **9. Global Certificate**

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

## **10. Meetings of Contractholders; Modification**

*(a) Meetings of Contractholders*

The Registrar's Agreement contains provisions for convening meetings of the Contractholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Registrar's Agreement) of a modification of the provisions of the Contracts or of the Global Certificate.

Any resolutions to be passed in a meeting of the Contractholders shall be decided by poll. Such a meeting may be convened by the Issuer or by Contractholders holding not less than 10 per cent. of the Contracts 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 Contracts for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Contractholders whatever the number of Contracts 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 Contractholders as, being entitled to do so, vote in person or by proxy.



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

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

*(b) Modification*

The Issuer may, without the consent of the Contractholders, effect (i) any modification of the provisions of the Contracts or the Global Certificate which is not materially prejudicial to the interests of the Contractholders or (ii) any modification of the provisions of the Contracts or the Global Certificate 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 Contractholders and shall be notified to them by the Registrar before the effective date or as soon as practicable thereafter in accordance with Condition 11.

## **11. Notices**

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

## **12. Further Issues**

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

## **13. Governing Law**

The Contracts, the Global Certificate, the Registrar's Agreement and any non-contractual obligations arising out of or in connection with them 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 Contractholder (by its purchase of the Contracts) shall be deemed to have submitted for all purposes in connection with the Contracts, the Global Certificate, the Registrar's Agreement and any non-contractual obligations arising out of or in connection with them to the non-exclusive jurisdiction of the courts of Hong Kong.

## **14. Language**

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

### **Registrar, Agent and Transfer Office:**

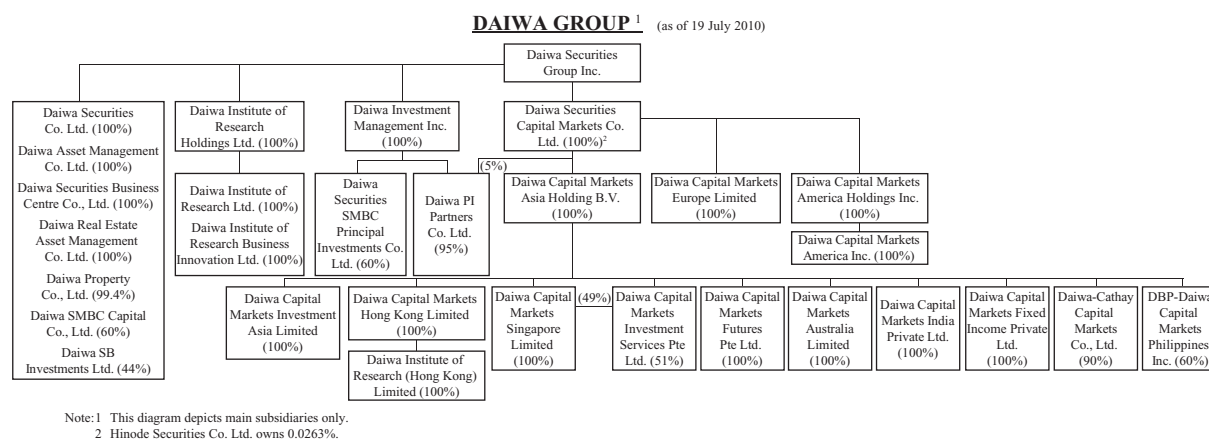
**Computershare Hong Kong Investor Services Limited**  
Rooms 1712-1716, 17th Floor, Hopewell Centre  
183 Queen's Road East  
Hong Kong

# INFORMATION ABOUT US

## History

Daiwa Capital Markets Hong Kong Limited (formerly known as Daiwa Securities SMBC Hong Kong Limited) (referred to as “we, “our” or the “Issuer”) was incorporated in Hong Kong pursuant to the Companies Ordinance (Cap. 32 of the Laws of Hong Kong) with company number 22505 on 28 December 1970 with limited liability and has its registered office and principal place of business at Level 26, One Pacific Place, 88 Queensway, Hong Kong. We became a public limited company in Hong Kong on 5 March 2010. We are a wholly owned subsidiary of Daiwa Capital Markets Asia Holding B.V., which is in turn wholly owned by Daiwa Securities Capital Markets Co. Ltd., (“DSCMC”) whose ultimate shareholder is Daiwa Securities Group Inc. We have a subsidiary known as Daiwa Institute of Research (Hong Kong) Limited.

The following is the organisation chart of Daiwa Securities Group Inc. and its subsidiaries (the “Daiwa Group”).



## Licensing Status in Hong Kong

We are licensed under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities.

We are also an exchange participant of The Stock Exchange of Hong Kong Limited and Hong Kong Futures Exchange Limited, a broker participant of the Hong Kong Securities Clearing Company Limited and a clearing participant of the HKFE Clearing Corporation Limited.

## Business

We are part of a wide-ranging securities and financial services group headed by DSCMC and we are currently engaged in, amongst others, securities and futures dealing (such as equities, institutional sales, fixed income), proprietary trading in listed investment and investment banking services (such as equity capital markets, debt capital markets and merger and acquisitions).

DSCMC, together with its affiliates (including the Issuer), entered into a sale and purchase agreement with KBC Group on 5 July 2010 for the acquisition of KBC Group’s global convertible bond and Asia equity derivatives businesses. The acquisition, which is subject to regulatory approvals, forms a major part of Daiwa Group’s strategy to build a leading global derivatives business centred on Asia.

## Authorized Share Capital

As at the date of this document, our authorised share capital is HK\$100,000,000 divided into 10,000,000 shares of HK\$10.00 each and US\$261,734,230 divided into 26,173,423 shares of US\$10.00 each, all of which have been issued and fully paid.

## **Directors**

The names and titles of the current members of our Board of Directors are set out below:–

<i>Name</i>	<i>Title</i>
Akihiko Kanamura	Chairman
Yuichi Akai	Deputy Chairman
Hiroyuki Nomura	President & CEO
Terence Patrick Mackey	Deputy President & COO
Norihiko Hasegawa	Executive Vice President
Kazuyoshi Mizukoshi	Executive Vice President
Shoichi Saito	Executive Vice President
Nagahisa Miyabe	Executive Vice President

The business address of each member of our Board of Directors is Level 26, One Pacific Place, 88 Queensway, Hong Kong except for Yuichi Akai whose business address is 6 Shenton Way #26-08, DBS Building Tower Two, Singapore 068809, Republic of Singapore.

## **Financial Statements**

Our auditors are KPMG of 8th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong and our financial statements have been prepared for the year ended 31 March 2010 and 31 March 2009.

## **Risk Management**

Daiwa Capital Markets Group ("DCM"), which is under Daiwa Securities Group Inc., has established a strong, independent and prudent risk management framework to manage the risks of DCM on a global basis. The Risk Management Committee of DCM in Tokyo, reports to the Management Committee which in turn reports to the Board of Directors of DSCMC in Tokyo.

The Risk Management Officer is responsible for the overall supervision of the Risk Management function globally.

**Organisation Chart of Daiwa Capital Markets Group (as of 1 April, 2010)**



## **Independence of risk management**

Effective management and organisational structure is established to ensure that businesses are conducted in a sound, efficient and effective manner.

Front and back office functions are independent and in line with segregation of duty requirements to create an appropriate control environment.

The Risk Management function is independent from all trading businesses and reports ultimately to the Risk Management Officer. This set up ensures independent monitoring of risk taking activities and full objectivity when assessing the risk profile of the firm, including when assessing new business proposals or large transactions.

## **Risk management process**

The independent risk management process at DCM can be decomposed into several steps:

- **Risk identification:** prior to developing new business initiatives, the New Product Approval process seeks to identify risks that have not affected the firm so far and to ensure that they can be handled appropriately. Also, risk managers review risk on an on-going basis to detect risks of a new nature that could affect DCM's risk profile and to integrate these in the risk framework.
- **Risk quantification:** risk managers develop and maintain adequate methodologies to measure and monitor risks. Market risk quantification techniques are used to quantify certain elements of credit risk.
- **Risk reporting:** daily risk reporting, covering market risk and counterparty risk, ensures timely measurement and monitoring of risks and communication to senior management.
- **Risk controlling and mitigation:** the application of risk limits allows strict maintenance of actual risks within the risk appetite expressed by Senior Management. Risk limits impose built-in diversification across both market risk positions and asset classes, and, for counterparty risk, also across entities of the same group, the same industry sector, or similar ratings. When a risk concentration is detected, the Risk Management function may recommend a suitable hedging strategy, including an outright reduction in the offending position.

## **Senior management information**

The Risk Management Committee and Senior Management are duly kept informed of the risk profile of DCM on a regular basis.

All detailed risk information are made available and are distributed to business heads and to Senior Management regularly.

Material changes in the risk profile and risk concentrations are highlighted to business heads and the Risk Management Committee members in a concise and contextual manner.

## **RISK CATEGORIES AND CONTROL PROCESS**

### **1. MARKET RISK**

Market risk is the exposure to potential losses resulting from adverse changes in the value of the positions held by DCM on its trading books. Market movements impact the value of positions held across various DCM's business units, including market making, proprietary trading, underwriting commitments and so on.

## **Risk measures**

Several types of risk measures are used to assess, report and control market risk.

- **Value-at-Risk** measures the maximal potential loss over a given period of time and with a given confidence level. DCM uses a one day horizon, measuring the potential impact of adverse overnight market movements. The VaR is calculated using a 99% confidence level, which means that observed mark-to-market losses are expected to exceed the VaR predictions around once every 100 days, or 2-3 times a year.
- **Risk sensitivities** measure the value change of the portfolio as a function of small changes in individual market risk factors e.g. stock market levels, foreign exchange rates, interest rates etc. This measures the risk of the portfolio and quantifies the immediate value impact of market movements.
- **Stress testing** addresses potential changes in the value of the portfolio under extreme market movements, whether hypothetical (“what if” analysis) or historical (applying past market crises to today’s market environment). Each position in the portfolio is fully revalued under a given market scenario, after all market parameters have been shifted by a pre-defined amount. The resulting overall change in portfolio value is a direct indication of the potential loss or profit that the business is exposed to, should the assumed scenario occur.

These three risk measures cover the whole spectrum of possible market changes: risk sensitivities cover immediate, intra-day small changes, Value-at-Risk covers severe but fairly likely market movements occurring overnight, while stress testing addresses extreme and very unlikely scenarios unfolding over days or weeks.

## **Policies and limit framework**

Market risk is controlled through policies and limits.

Policies establish responsibilities, mainly in terms of limit setting and transactional approval, while market risk limits materialize the risk appetite of the firm.

The market risk limit structure is a framework within which the various businesses of DCM must operate. Its objective is to control and limit the amount and the nature of the market risk incurred by the firm. It relies on explicit limits applying to some of the market risk measures detailed above, namely Value-at-Risk, risk sensitivities, and stress testing results.

Diversification of risk taking is imposed through the limits, whereby the aggregate risk limit of the firm is lower than the sum of the individual risk limits applied to the various trading desks. Limit usage is calculated and reported on a daily basis, as part of the daily market risk reporting process. As soon as they are identified and verified, limit excesses follow a specific procedure aimed at resolving the breach through one of three possible outcomes: the risk falls back within the limit, or the limit is temporarily increased, or the limit is permanently increased.

Limit setting, as well as breach processing, follows a clearly defined procedure, with various levels of authority, from individual market risk managers to the Head of Market Risk and Senior Management.

The market risk limit structure applies to both overnight market risk and to intra-day market risk. Intra-day market risk is controlled using regular risk sensitivity snapshots where relevant, mainly for market making activities.

## **Risk mitigation**

The first and most important way to mitigate market risk taking is to set up adequate market risk limits, whether in terms of nature or magnitude. Enforcing strict diversification through limit setting, based on the trading mandates of the various businesses, is a powerful tool to reduce the aggregate market risk of the firm across all its desks.

The second way to mitigate market risk is by direct action. When a specific risk concentration not entirely captured by the limit framework is identified within a desk, the market risk functions will make hedging or risk reducing recommendations to the head of the relevant business.

Alternatively, the Market Risk function may decide to reduce certain limits to reduce the firm's exposure to a level compatible with the declared risk appetite. As market conditions constantly change, the riskiness of positions will also change, and may result in a significant increase in the amount of risk present on DCM's books although the nature and amount of positions has not changed. It is the role of the Market Risk function to identify such instances, mainly by analysing changes in the Value-at-Risk figures, and to recommend remedial actions where appropriate.

## **2. OPERATIONAL RISK**

Operational risk is the risk of losses arising from failed internal processes and systems, from personnel's actions or from external events. Operational risk can lead to monetary losses, reputational damage or regulatory sanctions. Typical operational events include transaction errors and information technology system issues.

### ***Risk measures***

History of observed monetary losses provides a view on the magnitude of past loss events. Loss estimates calculated under certain incident scenarios, help to quantify likely losses, especially for new businesses. Both quantification methods are used by the operational risk function.

### ***Policy***

DCM manages operational risk by establishing clear policies and employing sufficient human and technological resources. Controls over operational risk are designed to ensure that all relevant transactions are appropriately approved and that checks and balances are in place over their processing, recording and reconciliation.

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 operational risk policy defines the duty of care of all departments in the firm, whether businesses or support and control functions. It establishes in particular the process leading to the reporting of all incidents and sets up operational risk identification.

### ***Risk mitigation***

Existing business activities are periodically reviewed through risk controls and self-assessments. This process aims to identify operational risks yet undetected and to ensure adequate remediation action is taken. Recommendations issued by the operational risk team as a result of an assessment are scrupulously followed up until satisfactory implementation.

Operational incidents are logged on an ongoing basis. Incidents must be reported by all businesses to the operational risk team of DCM.

Numerical key risk indicators are also measured throughout the firm and periodically reported to identify increased probabilities of operational incidents. In case of a limit breach, the relevant departments have to improve their operational performance to promptly fall back within the limit.

DCM's Internal Audit independently assessing DCM's control environment, identifying opportunities for improvement and working with management to mitigate risk and drive change. Internal Audit provides senior management and the Audit Committee with an independent assessment of the control environment. Internal Audit review and evaluate the adequacy of the firm's operating policies and procedures and the effectiveness of internal controls in accordance with established policies and procedures.

### 3. CREDIT RISK

Credit risk is broadly the potential loss resulting from a counterparty or an issuer failing to perform on its contractual obligations.

Counterparty risk arises in the context of transactions with other entities, whether security purchases or sales, or over-the-counter transactions

Counterparty risk has four components:

- **Settlement risk:** this is the risk that payment instructions or security delivery instructions are not executed as required and may generate a loss.
- **Marked-to-market risk:** this is the instantaneous loss suffered in case of a counterparty defaulting. This corresponds to the cumulative value of the transaction, minus the sum of all margin calls posted to DCM over the life of the trade.
- **Potential future exposure:** this is the likely future positive value of the marked-to-market exposure of the transaction; in other terms, it tells us how large our exposure to a counterparty may become in the future.
- **Liquidation risk:** this is the risk of potential losses arising from liquidation of assets held as collateral, after a counterparty has defaulted.

Issuer risk arises from securities such as bonds undergoing a credit event such as a rating downgrade, a default of coupon payment, or an outright default on the principal amount. Such events usually cause the price of the security to drop and cause a loss to the holder. Issuer risk is measured primarily using the marked-to-market exposure by issuer.

#### Risk measures

DCM is exposed to various kinds of credit risk across its different business lines and operations. These credit risks are measured separately using dedicated methodologies.

Counterparty risk components are measured using true exposure for settlement risk and marked-to-market risks. Potential future exposure and liquidation risk are measured using statistical methods related to market risk techniques such as Value-at-Risk.

#### Policies and limit framework

Issuer risk and counterparty risk are controlled through their respective limit frameworks.

Issuer limits apply by issue rating and by broad issuer family. Debt securities and stocks have separated limits accounting for their different nature.

Counterparty risk is limited using across all components together, with the exception of settlement risk being limited separately since it is seen as fundamentally of different nature to other credit risks.

#### Risk mitigation

Credit risk mitigation addresses issuer risk and counterparty risk separately.

Issuer risk can be hedged using credit default swaps that will provide a positive pay off in case the referenced securities default, thus offsetting the loss suffered on the bond.

All four components of counterparty risk can be mitigated to some extent.

- **Settlement risk** is reduced by imposing limits to the amount being settled on any given day with a counterparty. Delivering securities only after the corresponding payment has been delivered to DCM removes the settlement risk.



- **Marked-to-market risk** is reduced or altogether eliminated through daily margin call payments. Every day, the collateral management team, part of the risk management function, issues margin calls to relevant counterparties in order to bring back DCM's exposure within limit, often to zero. Netting of offsetting exposures across different transactions is also used.
- **Potential future exposure** can be mitigated by reducing the maximum time after which margin call payments are received from the counterparty.
- **Liquidation risk** is mitigated by imposing sufficient liquidity criteria on eligible collateral. In addition, collateral concentration guidelines strongly discourage the emergence of concentration risk in the collateral assets held on the back of relationships with various counterparties.

The counterparty on-boarding process contributes to the reduction of counterparty risk. DCM credit risk team performs an internal assessment of the credit worthiness of each new counterparty based on a rigorous and comprehensive process

External counterparties are required to enter into an ISDA Master agreement, with a Credit Support Annex, where appropriate. In exceptional cases, where trade volume is expected to be limited, derivatives transactions may be transacted under a long form confirmation.

A credit approval process is carried out for all new counterparties covering:

- The financial status of client, including, but not limited to, capital, assets, management, earnings and liquidity
- Checks to ensure that the counterparty has appropriate authority to enter into transactions,
- A review to ensure that the proposed transactions are appropriate for that counterparty
- Assignment of internal rating according to the internal credit rating methodology

The above items are used collectively to determine an appropriate credit limit.

Legal documentation agreed between DCM and the counterparty defines eligible collateral and the margin call mechanism; early termination clauses address situations where DCM may want to terminate transactions when becoming uncomfortable with the credit quality of a given counterparty.

#### **4. LIQUIDITY RISK**

Liquidity risk is the risk that the firm may become unable to repay its liabilities as they become due. Its core component is access to cash through available capital reserves or funding or access to assets with enough liquidity to be sold in the market within a very short period of time, including in times of heightened market volatility.

##### ***Risk measures***

The magnitude of future liabilities as well as the dates when they become due provide the liquidity profile of the firm. Liquidity gap, defined as the cumulative future funding requirement, measures potential funding stress situations. The size of the cash buffer maintained by the Treasury desk is also a direct measure of reserve cash.

##### ***Policies and limit framework***

The liquidity policy determines the role and responsibility of the Treasury desk as the central funding desk of DCM. It also defines the relationship of the Treasury desk with all businesses that have daily funding requirements to satisfy. Liquidity limits are in place and a daily liquidity report provides a ladder of future funding needs and assesses them against the maximum allowable gap.

### ***Risk mitigation***

Sufficient contingent funding arrangements were put in place to ensure that DCM can meet its liabilities in case access to cash became severely restricted. A liquid assets or outright cash is maintained at all times and monitored against a minimum acceptable level by the Treasury desk.

## **5. LEGAL AND COMPLIANCE RISK**

The Senior Management of DCM has the ultimate responsibility for establishing and maintaining an appropriate and effective legal and compliance function within DCM and clear policies covering all relevant aspects of the business and operations of DCM. The Compliance Department in conjunction with Senior Management is responsible for identifying, measuring and monitoring the key legal and regulatory requirements of DCM and assist in the management of such requirements and compliance risks.

The Compliance Department exercises independent oversight and control over the business activities of DCM and is set up primarily to assist Senior Management in establishing, maintaining, communicating and enforcing effective compliance policies and procedures of DCM, where there is reasonable assurance that business practice comply with the relevant law and regulation and that material legal and compliance risk is identified.

The process includes but not limited to the following:

- (i) establish and implement relevant and effective policies, controls and procedures;
- (ii) review and monitor the business activities of DCM, and its directors, officers and employees to ensure compliance with the external and internal laws, rules, regulations, codes, policy and procedural requirements;
- (iii) act as liaison with relevant external auditors, regulatory authorities and agencies to deal with and resolve compliance issues; and
- (iv) provide information to Senior Management on applicable laws, rules, regulations, codes of conduct and requirements to assist them with their compliance responsibilities.

## SALES AND TRANSFER RESTRICTIONS

### General

We have not taken or will not take any action that would permit a public offering of structured products or possession or distribution of any offering material in relation to the structured products in any jurisdiction where action for that purpose is required. No offers, sales 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 will not impose any obligations on the Issuer. You are required to inform yourself about, and to observe, all such applicable laws and regulations.

### 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 any structured products in, from or otherwise involving the United Kingdom. An invitation or inducement to engage 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 any structured products in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer.

### Hong Kong

No person, other than a person permitted to do so under the securities laws of Hong Kong, has issued or had in its possession for the purposes of issue, or will issue, or have in its possession for the purposes of issue any advertisement, invitation or document relating to the structured products, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong other than with respect to structured products which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong and any rules made thereunder.

### United States of America

The structured products have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended. Structured products, or interests therein, may not at any time be offered, sold, resold or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person or to others for offering, sale or resale in the United States or to any such U.S. person. Offers and sales of structured products, or interests therein, in the United States or to U.S. persons would constitute a violation of United States securities laws unless made in compliance with the registration requirements of the Securities Act or pursuant to an exemption therefrom. The structured products will not be offered, sold or delivered with the United States or to U.S. persons. As used herein, “United States” means the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction; and “U.S. person” means any national or resident of the United States, including any corporation, partnership or other entity created or organised in or under the laws of the United States or of any political subdivision thereof, any estate or trust the income of which is subject to United States income taxation regardless of its source, and any other U.S. person as such term is defined in Regulation S under the Securities Act.

### Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”) the structured products may not be offered to the public in that Relevant Member State, except that, with effect from and including the Relevant Implementation Date, the structured products may be offered to the public in that Relevant Member State:

- (a) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

- (b) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- (c) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Issuer for any such offer; or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of structured products referred to in (a) to (d) above shall require the Issuer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

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

## **Japan**

The structured products have not been or will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended; the “FIEA”). No structured products has been or will be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Control Act (Law No. 228 of 1949, as amended)) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

## TAXATION

The comments below are of a general nature and are only a summary of the stamp duty and stamp duty reserve tax laws and practice currently applicable in Hong Kong. The comments relate to the position of persons who are the absolute beneficial owners of the structured products and may not apply equally to all persons. If you are in any doubt as to your tax position on purchase, ownership, transfer or exercise of any structured product, you should consult your own tax advisers.

### **General**

You may be required to pay stamp duties, taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the issue price of each structured product.

### **Taxation in Hong Kong**

#### *Profits tax*

No tax is payable in Hong Kong by way of withholding or otherwise in respect of dividends of any company or in respect of any capital gains arising on the sale of any shares or 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.

#### *Stamp duty*

Stamp duty is not chargeable upon the transfer of a single equity call warrant (cash settled), a single equity put warrant (cash settled), a commodity call warrant (cash settled), a commodity put warrant (cash settled), an index call warrant (cash settled), an index put warrant (cash settled) or a CBBC (cash settled).

#### *Estate duty*

No estate duty is payable on any payment or delivery under the structured products in Hong Kong.

## INFORMATION ON THE LIQUIDITY PROVIDER

### Will there be a market for the structured products?

The stock exchange requires us to provide liquidity in the structured products to ensure that there will always be a market price available for the purchase and sale of the structured products (subject to the circumstances described below). You should read the relevant supplemental listing document for information about the liquidity providers.

### What is a liquidity provider?

The liquidity provider will be either us, our affiliate or a third party broker who has entered into a liquidity provider agreement with us (each a **liquidity provider**). The liquidity provider is a stock exchange participant and is therefore subject to prudential and conduct regulation by the stock exchange and the Securities and Futures Commission. The liquidity provider will provide liquidity in respect of our structured products. If the liquidity provider is unable to perform its functions in providing liquidity, we will appoint a substitute liquidity provider for the structured products.

### How will the liquidity provider provide liquidity?

The liquidity provider will use its reasonable endeavours to make a market in the structured products by responding to requests for bid and offer prices. You can request for a price by calling the relevant liquidity provider. Please refer to the relevant supplemental listing document for details.

All quotes will be displayed on the designated stock page for the structured products. The liquidity provider will provide quotes with a maximum spread (where 'spread' is as prescribed under the rules of the stock exchange) between bid and offer prices, for a minimum number of board lots of the structured products. The applicable maximum spread and minimum number of board lots will be specified in the relevant supplemental listing document. The liquidity provider will provide you with prices for the structured products in the secondary market during the life of the structured products. Such prices will be available on each business day on which the structured products are traded on the stock exchange from five minutes after each morning trading session or after trading commences for the first time on any business day until the end of the Continuous Trading Session as defined in the rules of the stock exchange.

### How are the prices calculated?

Any price provided by the liquidity provider or by a substitute liquidity provider on our behalf will be based on a pricing model which takes into

account such factors as the liquidity provider deems appropriate, including, without limitation, the volatility and price or level of the underlying, the time left to the expiry of the structured products, the exercise price of the structured products, the dividend history of the shares and the prevailing interest rate climate.

### Are there circumstances that the liquidity provider cannot provide liquidity?

There will be circumstances under which the liquidity provider may not be able to, and will not be obliged to, provide liquidity. Such circumstances may include:

- (i) when the structured products are suspended from trading for any reason including, but without limitation, as a result of the shares being suspended from trading;
- (ii) when there are no structured products available for market making activities by the liquidity provider (in which event, only a bid price for the structured products will be available), and for the avoidance of doubt, in determining whether structured products are available for market making activities, structured products held by us or any of our affiliates in a fiduciary or agency (as opposed to proprietary) capacity shall be deemed to be not available for market making activities;
- (iii) if the liquidity provider is not able to short sell the underlying (in which case for a put structured product an offer price will not be available and for a call structured product a bid price will not be available);
- (iv) during a pre-opening session or a closing auction session (if applicable) or any other circumstances as may be prescribed by the stock exchange from time to time;
- (v) if it is a public holiday in Hong Kong and the stock exchange is not open for dealings;
- (vi) in the case of warrants, during the period of five business days immediately prior to the expiry date of the warrants or, in the case of CBBCs, on the expiry date of the CBBCs;

- (vii) operational and technical problems affecting the ability of the liquidity provider to provide liquidity or operational and technical problems affecting the proper functioning of the stock exchange;
- (viii) if the stock market experiences exceptional price movement and volatility, i.e. during fast markets;
- (ix) the occurrence of market disruption events, including, without limitation, any suspension of or limitation imposed on trading (caused by movements in price exceeding limits permitted by the relevant exchange or otherwise) in the underlying or any structured products, options contracts or futures contracts relating to the underlying;
- (x) when the ability of the liquidity provider or a substitute liquidity provider acting on our behalf to source a hedge or unwind an existing hedge, as determined by the liquidity provider or the substitute liquidity provider in its discretion acting in good faith, is materially affected by prevailing market conditions (in which case either only a bid price or only an offer price of the structured products shall be made but not both); and
- (xi) when the theoretical value of each structured products (as determined by the liquidity provider based on the pricing model) is less than HK\$0.01, then the liquidity provider will not be obliged to provide a bid price for the structured products.

## GENERAL INFORMATION

### **Are we regulated by any bodies under the rules?**

We are regulated by the Securities and Futures Commission for the conduct of the business in dealing in securities in Hong Kong.

### **Have we been rated by any credit rating agency?**

As at the date of this document, we are not rated by any credit rating agency.

### **Are we involved in any litigation?**

As at the date of this document and except as set out in the “Information about us” section and/or the “Exhibits” of this document, neither we nor any of our group companies are involved in any litigation, claims or arbitration proceedings which are material in the context of the issue of the structured products, and we are not aware of any such proceedings or claims which are threatened or pending against us or our group companies.

### **Has there been any material adverse change?**

Except as set out in the “Information about us” section and/or the “Exhibits” in this document, there has been no material adverse change in the financial or trading positions of us or our group companies since 31 March 2010.

If, after the date of this document, you receive this document or purchase any structured products issued pursuant to this document you should not assume that there have been no changes in our or our group companies’ affairs or financial conditions since the date of this document.

You should ask us if we have published any addenda to this document or any subsequent base listing document relating to the programme. Any such addenda will be available for inspection in the manner described under the section headed “Where can you find out information about us?” below.

### **Who is authorised to give information or make representations?**

No person has been authorised to give any information or make any representations other than those contained in this document and the applicable supplemental listing document. If any person gives any such information or makes any such representations you should not rely on them as having been authorised by us.

### **Who are the authorised representatives of the Issuer?**

Our authorised representatives are David Sarkis and Jeffrey Chan whose address is Level 26, One Pacific Place, 88 Queensway, Hong Kong.

### **Who has been authorised to accept service of process on us?**

Our authorised representative David Sarkis whose address is Level 26, One Pacific Place, 88 Queensway, Hong Kong has been authorized to accept service of process and any other notices required to be served on us.

### **Who makes determinations and calculations?**

We will make any necessary determinations or calculations in respect of the structured products.

### **Where can you find out information about us?**

You can find out more about us on the website [www.hk.daiwacm.com](http://www.hk.daiwacm.com), and on the website of the group of companies to which we belong, which is [www.daiwa-grp.jp](http://www.daiwa-grp.jp).

You may also inspect copies of the following documents at Level 26, One Pacific Place, 88 Queensway, Hong Kong during the period in which the structured products are listed on the stock exchange:

- (a) a copy of this document and any addendum to this document (both the English version and the Chinese translation);
- (b) a copy of our latest publicly available annual report and interim report or quarterly financial statements (if any); and
- (c) a copy of the consent letter of our auditors referred to in this document.

### **Are there any experts/auditors involved?**

Our auditors, KPMG, have given and have not withdrawn their written consent to the reproduction of their auditor’s report dated 17 May 2010 on our financial statements in this document in the form and context in which it appears in this document. The auditor’s report was not prepared for incorporation in this document. Our auditors do not have any shareholding in our company or in any members of our group, nor do they have the right (whether



legally enforceable or not) to subscribe for or to nominate persons to subscribe for the securities or securities in any members of our group.

**Do the stock exchange and the Securities and Futures Commission charge any fees?**

The stock exchange charges a trading fee of 0.005 per cent. and the Securities and Futures Commission charges a transaction levy of 0.004 per cent. in respect of each transaction effected on the stock exchange payable by each of the seller and the buyer and calculated on the value of the consideration for the relevant securities. The levy for the investor compensation fund is currently suspended. Under the terms and conditions of the structured products, you are required to pay all charges arising on the transfer of underlying shares following the exercise of structured products.

**How are dealings in the structured products settled?**

Dealings in the securities on the stock exchange are required to be settled within two trading days from the transaction date. Such settlement can either be effected by physical delivery of the certificates and executed instruments of transfer or, if the securities are admitted for deposit, clearing and settlement in the CCASS, through CCASS. Dealings in the structured products will take place in the relevant Board Lots in Hong Kong dollars. You should refer to the terms and conditions of the relevant structured products for further details.

## **EXHIBIT A**

### **ANNUAL REPORT OF THE ISSUER FOR THE YEAR ENDED 31 MARCH 2010**

Page references in this Exhibit A refer to pages in the annual report.

**Daiwa Capital Markets Hong Kong  
Limited**

大和資本市場香港有限公司

(Formerly Daiwa Securities SMBC Hong Kong  
Limited)

(前稱大和証券盛民博昌(香港)有限公司)

31 March 2010

## Report of the directors

The directors submit herewith their annual report together with the audited financial statements for the year ended 31 March 2010.

### **Principal place of business**

Daiwa Capital Markets Hong Kong Limited (“the company”) is a company incorporated and domiciled in Hong Kong and has its registered office and principal place of business at Level 26, One Pacific Place, 88 Queensway, Hong Kong.

### **Principal activities**

The principal activities of the company are securities and futures dealing and proprietary trading in listed investments. The principal activity and other particulars of its subsidiary are set out in note 12 to the financial statements.

The company is a licensed corporation under the Hong Kong Securities and Futures Ordinance and is a corporate participant on The Stock Exchange of Hong Kong Limited and the Hong Kong Futures Exchange Limited.

### **Financial statements**

The loss of the group and of the company for the year ended 31 March 2010 and the state of the group’s and the company’s affairs as at that date are set out in the financial statements on pages 6 to 47.

During the year, no interim or final dividend was declared and paid in respect of the year ended 31 March 2010 (2009: US\$Nil). The directors do not recommend the payment of a final dividend for the year ended 31 March 2010.

### **Change of company’s name**

By a special resolution passed on 21 December 2009, the name of the company was changed from Daiwa Securities SMBC Hong Kong Limited to Daiwa Capital Markets Hong Kong Limited.

### **Directors**

The directors during the year and up to the date of the report are:

Hiroyuki Nomura  
Akihiko Kanamura  
Kazuyoshi Mizukoshi  
Terence Patrick Mackey  
Norihiko Hasegawa

**Directors (continued)**

The directors during the year and up to the date of the report are: (continued)

Masashi Mizuno	(resigned on 1 April 2009)
Shigeru Ishida	(resigned on 1 April 2009)
Naoto Suzuki	(resigned on 1 April 2009)
Yuichi Akai	(appointed on 1 April 2009)
Shoichi Saito	(appointed on 1 April 2009)
Nagahisa Miyabe	(appointed on 24 August 2009)

There being no provision in the company's articles of association for the annual retirement of directors, all the remaining directors continue in office.

At no time during the year was the company, any of its holding companies or fellow subsidiaries a party to any arrangement to enable the directors of the company to acquire benefits by means of the acquisition of shares in or debentures of the company or any other body corporate.

**Directors' interests in contracts**

No contract of significance, to which the company, any of its holding companies or fellow subsidiaries was a party, and in which a director of the company had a material interest, subsisted at the end of the year or at any time during the year.

**Auditors**

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming annual general meeting.

By order of the board



Hong Kong, 17 May 2010

Independent auditor's report to the shareholders of  
Daiwa Capital Markets Hong Kong Limited  
(Formerly Daiwa Securities SMBC Hong Kong Limited)  
*(Incorporated in Hong Kong with limited liability)*

**Report on the financial statements**

We have audited the consolidated financial statements of Daiwa Capital Markets Hong Kong Limited ("the company") set out on pages 6 to 47, which comprise the consolidated and company balance sheets as at 31 March 2010, and the consolidated and company statements of comprehensive income, the consolidated and company statements of changes in equity and the consolidated and company cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes.

*Directors' responsibility for the financial statements*

The directors of the company 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. This report is made solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and to report to you on the other matters set out in the preceding paragraph, 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 the 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.

Independent auditor's report to the shareholders of  
Daiwa Capital Markets Hong Kong Limited  
(Formerly Daiwa Securities SMBC Hong Kong Limited)  
(continued)  
*(Incorporated in Hong Kong with limited liability)*

**Report on the financial statements (continued)**

*Auditor's responsibility (continued)*

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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and 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.

*Opinion*

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 March 2010 and of the company's and of the group's loss 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.

Independent auditor's report to the shareholders of  
Daiwa Capital Markets Hong Kong Limited  
(Formerly Daiwa Securities SMBC Hong Kong Limited)  
(continued)  
*(Incorporated in Hong Kong with limited liability)*

**Report on regulatory matters pursuant to the Hong Kong Securities and  
Futures Ordinance**

In our opinion, the company's 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.



Certified Public Accountants

8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong  
17 May 2010



## Consolidated statement of comprehensive income for the year ended 31 March 2010 *(Expressed in United States dollars)*

	<i>Note</i>	<i>2010</i>	<i>2009</i>
<b>Turnover</b>	4	\$ 62,933,139	\$ 37,778,488
Other revenue	5	17,751,643	7,464,120
Other net income	5	6,600,410	5,812,950
Staff costs	6	(38,073,596)	(24,138,527)
Depreciation	11	(3,719,784)	(2,046,896)
Other operating expenses		<u>(49,454,435)</u>	<u>(36,571,438)</u>
<b>Loss from operations</b>		\$ (3,962,623)	\$ (11,701,303)
Finance costs	7(a)	<u>(1,125,021)</u>	<u>(3,300,322)</u>
<b>Loss before taxation</b>	7	\$ (5,087,644)	\$ (15,001,625)
Income tax	8(a)	<u>(36,061)</u>	<u>-</u>
<b>Loss for the year</b>		\$ (5,123,705)	\$ (15,001,625)
<b>Other comprehensive income for the year</b>			
Exchange difference on translation of financial statements of the subsidiary		(3,956)	-
Available-for-sale securities: net movement in the investment revaluation reserve		<u>472,131</u>	<u>(436,967)</u>
<b>Total comprehensive income for the year</b>		<u>\$ (4,655,530)</u>	<u>\$ (15,438,592)</u>

The notes on pages 18 to 47 form part of these financial statements.

**Statement of comprehensive income**  
**for the year ended 31 March 2010**  
*(Expressed in United States dollars)*

	<i>Note</i>	<i>2010</i>	<i>2009</i>
<b>Turnover</b>	4	\$ 62,933,139	\$ 37,778,488
Other revenue	5	18,117,680	7,464,120
Other net income	5	6,628,310	5,812,950
Staff costs	6	(31,183,988)	(24,138,527)
Depreciation	11	(3,655,322)	(2,046,896)
Other operating expenses		<u>(56,993,694)</u>	<u>(36,571,438)</u>
<b>Loss from operations</b>		\$ (4,153,875)	\$ (11,701,303)
Finance costs	7(a)	<u>(1,125,021)</u>	<u>(3,300,322)</u>
<b>Loss before taxation</b>	7	\$ (5,278,896)	\$ (15,001,625)
Income tax	8(a)	_____ -	_____ -
<b>Loss for the year</b>		\$ (5,278,896)	\$ (15,001,625)
<b>Other comprehensive income for the year</b>			
Available-for-sale securities: net movement in the investment revaluation reserve		<u>472,131</u>	<u>(436,967)</u>
<b>Total comprehensive income for the year</b>		\$ (4,806,765) =====	\$ (15,438,592) =====

The notes on pages 18 to 47 form part of these financial statements.

## Consolidated balance sheet at 31 March 2010

(Expressed in United States dollars)



	Note	2010	2009
<b>Non-current assets</b>			
Intangible assets	10	\$ 41,866	\$ 41,938
Fixed assets	11	9,874,891	9,612,092
Available-for-sale securities	13	1,695,882	1,226,622
Other non-current deposits		<u>1,741,306</u>	<u>1,308,886</u>
		\$ 13,353,945	\$ 12,189,538
<b>Current assets</b>			
Trading securities	14	\$ 51,341,157	\$ 18,128,236
Amount due from the intermediate holding company	15	4,093	-
Amounts due from fellow subsidiaries	15	1,085	-
Accounts receivable	23	552,463,297	273,221,205
Other receivables and prepayments	23	5,130,860	3,905,333
Cash and cash equivalents	16 & 23	<u>284,498,032</u>	<u>111,689,815</u>
		\$ 893,438,524	\$ 406,944,589
<b>Current liabilities</b>			
Short positions in trading securities	14	\$ 35,431,476	\$ -
Bank loans	17	-	2,893,535
Accounts payable	23	477,536,791	259,366,545
Current taxation	19(a)	29,305	-
Accruals and other payables	23	<u>23,714,384</u>	<u>10,380,156</u>
		\$ 536,711,956	\$ 272,640,236
<b>Net current assets</b>		<u>\$ 356,726,568</u>	<u>\$ 134,304,353</u>
<b>Total assets less current liabilities</b>		<u>\$ 370,080,513</u>	<u>\$ 146,493,891</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities	19(b)	\$ 7,922	\$ -
Subordinated loans	18	<u>35,000,000</u>	<u>-</u>
		\$ 35,007,922	\$ -
<b>Net assets</b>		<u><u>\$ 335,072,591</u></u>	<u><u>\$ 146,493,891</u></u>

## Consolidated balance sheet at 31 March 2010 (continued)

*(Expressed in United States dollars)*

	<i>Note</i>	<i>2010</i>	<i>2009</i>
Representing:			
<b>Share capital</b>	21(a)	\$ 282,860,644	\$ 89,626,414
<b>General reserve</b>	22(a)	12,008,165	12,008,165
<b>Investment revaluation reserve</b>	22(b)	(32,091)	(504,222)
<b>Translation reserve</b>	22(c)	(3,956)	-
<b>Retained profits</b>		<u>40,239,829</u>	<u>45,363,534</u>
		<u>\$ 335,072,591</u>	<u>\$ 146,493,891</u>
		=====	=====

Approved and authorised for issue by the board of directors on 17 May 2010

	) ) ) ) )	Directors
		

The notes on pages 18 to 47 form part of these financial statements.

## Balance sheet at 31 March 2010

(Expressed in United States dollars)


	<i>Note</i>	<i>2010</i>	<i>2009</i>
<b>Non-current assets</b>			
Intangible assets	10	\$ 41,866	\$ 41,938
Fixed assets	11	9,759,751	9,612,092
Investment in a subsidiary	12	2,284,581	-
Available-for-sale securities	13	1,695,882	1,226,622
Other non-current deposits		<u>1,741,306</u>	<u>1,308,886</u>
		\$ 15,523,386	\$ 12,189,538
<b>Current assets</b>			
Trading securities	14	\$ 51,341,157	\$ 18,128,236
Accounts receivable	23	552,463,297	273,221,205
Other receivables and prepayments	23	4,912,184	3,905,333
Cash and cash equivalents	16 & 23	<u>280,634,866</u>	<u>111,689,815</u>
		\$ 889,351,504	\$ 406,944,589
<b>Current liabilities</b>			
Short positions in trading securities	14	\$ 35,431,476	\$ -
Amount due to a subsidiary	15	2,709,222	-
Bank loans	17	-	2,893,535
Accounts payable	23	477,536,791	259,366,545
Accruals and other payables	23	<u>19,276,045</u>	<u>10,380,156</u>
		\$ 534,953,534	\$ 272,640,236
<b>Net current assets</b>		<u>\$ 354,397,970</u>	<u>\$ 134,304,353</u>
<b>Subordinated loans</b>	18	<u>\$ 35,000,000</u>	<u>\$ -</u>
<b>Net assets</b>		<u>\$ 334,921,356</u>	<u>\$ 146,493,891</u>

## Balance sheet at 31 March 2010 (continued)

*(Expressed in United States dollars)*

	<i>Note</i>	<i>2010</i>	<i>2009</i>
Representing:			
<b>Share capital</b>	21(a)	\$ 282,860,644	\$ 89,626,414
<b>General reserve</b>	22(a)	12,008,165	12,008,165
<b>Investment revaluation reserve</b>	22(b)	(32,091)	(504,222)
<b>Retained profits</b>		<u>40,084,638</u>	<u>45,363,534</u>
		<u>\$ 334,921,356</u>	<u>\$ 146,493,891</u>
		=====	=====

Approved and authorised for issue by the board of directors on 17 May 2010


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The notes on pages 18 to 47 form part of these financial statements.

## Consolidated statement of changes in equity for the year ended 31 March 2010 (Expressed in United States dollars)

	<i>Note</i>	<i>Share capital</i>	<i>General reserve</i>	<i>Investment revaluation reserve</i>	<i>Translation reserve</i>	<i>Retained profits</i>	<i>Total</i>
At 1 April 2008		\$ 89,626,414	\$ 12,008,165	\$ (67,255)	\$ -	\$ 60,365,159	\$ 161,932,483
Total comprehensive income for the year		<u>-</u>	<u>-</u>	<u>(436,967)</u>	<u>-</u>	<u>(15,001,625)</u>	<u>(15,438,592)</u>
At 31 March 2009		<u>\$ 89,626,414</u>	<u>\$ 12,008,165</u>	<u>\$ (504,222)</u>	<u>\$ -</u>	<u>\$ 45,363,534</u>	<u>\$ 146,493,891</u>
At 1 April 2009		\$ 89,626,414	\$ 12,008,165	\$ (504,222)	\$ -	\$ 45,363,534	\$ 146,493,891
Share issued during the year	21(a)	193,234,230	-	-	-	-	193,234,230
Total comprehensive income for the year		<u>-</u>	<u>-</u>	<u>472,131</u>	<u>(3,956)</u>	<u>(5,123,705)</u>	<u>(4,655,530)</u>
At 31 March 2010		<u>\$ 282,860,644</u>	<u>\$ 12,008,165</u>	<u>\$ (32,091)</u>	<u>\$ (3,956)</u>	<u>\$ 40,239,829</u>	<u>\$ 335,072,591</u>

The notes on pages 18 to 47 form part of these financial statements.

## Statement of changes in equity for the year ended 31 March 2010 (Expressed in United States dollars)

	<i>Note</i>	<i>Share capital</i>	<i>General reserve</i>	<i>Investment revaluation reserve</i>	<i>Retained profits</i>	<i>Total</i>
At 1 April 2008		\$ 89,626,414	\$ 12,008,165	\$ (67,255)	\$ 60,365,159	\$ 161,932,483
Total comprehensive income for the year		<u>-</u>	<u>-</u>	<u>(436,967)</u>	<u>(15,001,625)</u>	<u>(15,438,592)</u>
At 31 March 2009		<u>\$ 89,626,414</u>	<u>\$ 12,008,165</u>	<u>\$ (504,222)</u>	<u>\$ 45,363,534</u>	<u>\$ 146,493,891</u>
At 1 April 2009		\$ 89,626,414	\$ 12,008,165	\$ (504,222)	\$ 45,363,534	\$ 146,493,891
Share issued during the year	21(a)	193,234,230	-	-	-	193,234,230
Total comprehensive income for the year		<u>-</u>	<u>-</u>	<u>472,131</u>	<u>(5,278,896)</u>	<u>(4,806,765)</u>
At 31 March 2010		<u>\$ 282,860,644</u>	<u>\$ 12,008,165</u>	<u>\$ (32,091)</u>	<u>\$ 40,084,638</u>	<u>\$ 334,921,356</u>

The notes on pages 18 to 47 form part of these financial statements.



## Consolidated cash flow statement for the year ended 31 March 2010 *(Expressed in United States dollars)*

	<i>Note</i>	<i>2010</i>	<i>2009</i>
<b>Operating activities</b>			
Loss before taxation	\$	(5,087,644)	\$ (15,001,625)
Adjustments for:			
- Depreciation		3,719,784	2,046,896
- Loss/(gain) on disposal of fixed assets		40,125	(217)
- Dividend income		(1,126,685)	(246,664)
- Interest income		(369,886)	(3,319,439)
- Interest expense		1,052,634	3,228,808
- Loss on liquidation of a subsidiary		-	70,154
- Exchange differences		<u>(1,453)</u>	<u>(6,769)</u>
<b>Operating loss before changes in working capital</b>	<b>\$</b>	<b>(1,773,125)</b>	<b>\$ (13,228,856)</b>
(Increase)/decrease in other non-current deposits		(432,420)	370,720
Increase in trading securities		(33,212,921)	(18,112,835)
Increase in amount due from the intermediate holding company		(4,093)	-
Decrease in amounts due from fellow subsidiaries		370,091	-
(Increase)/decrease in accounts receivable		(279,242,092)	80,258,957
Increase in other receivables and prepayments		(29,180)	(848,745)
Increase in short positions in trading securities		35,431,476	-
Increase/(decrease) in accounts payable		218,170,246	(89,996,326)
Increase/(decrease) in accruals and other payables		<u>11,548,508</u>	<u>(1,340,193)</u>
<b>Cash used in operations</b>	<b>\$</b>	<b>(49,173,510)</b>	<b>\$ (42,897,278)</b>
Tax paid			
- Hong Kong Profits Tax paid		<u>(9,123)</u>	<u>-</u>
<b>Net cash used in operating activities</b>	<b>\$</b>	<b>(49,182,633)</b>	<b>\$ (42,897,278)</b>

**Consolidated cash flow statement**  
**for the year ended 31 March 2010 (continued)**  
*(Expressed in United States dollars)*

	<i>Note</i>	<i>2010</i>	<i>2009</i>
<b>Investing activities</b>			
Net cash flow from acquisition of a subsidiary	12	\$ (465,911)	\$ -
Dividend received		1,126,685	246,664
Interest received		326,124	3,386,860
Payment for purchase of fixed assets		(3,845,525)	(7,226,765)
Proceeds from sale of fixed assets		20,818	217
Proceeds from liquidation of a subsidiary		<u>-</u>	<u>188,451</u>
<b>Net cash used in investing activities</b>		<b>\$ (2,837,809)</b>	<b>\$ (3,404,573)</b>
<b>Financing activities</b>			
Proceeds from issue of shares		\$ 193,234,230	\$ -
Proceeds from new subordinated loans		35,000,000	-
Repayment of subordinated loans		-	(89,500,000)
Repayment of bank loans		(2,893,535)	-
New bank loans		-	889,501
Interest paid		<u>(512,036)</u>	<u>(3,606,598)</u>
<b>Net cash generated from/(used in) financing activities</b>		<b>\$ 224,828,659</b>	<b>\$ (92,217,097)</b>
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>\$ 172,808,217</b>	<b>\$ (138,518,948)</b>
<b>Cash and cash equivalents at 1 April</b>		<b><u>111,689,815</u></b>	<b><u>250,208,763</u></b>
<b>Cash and cash equivalents at 31 March</b>	16	<b>\$ 284,498,032</b>	<b>\$ 111,689,815</b>
		<b>=====</b>	<b>=====</b>

The notes on pages 18 to 47 form part of these financial statements.

## Cash flow statement for the year ended 31 March 2010 *(Expressed in United States dollars)*

	<i>Note</i>	<i>2010</i>	<i>2009</i>
<b>Operating activities</b>			
Loss before taxation	\$	(5,278,896)	\$ (15,001,625)
Adjustments for:			
- Depreciation		3,655,322	2,046,896
- Gain on disposal of fixed assets		7,446	(217)
- Dividend income		(1,126,685)	(246,664)
- Interest income		(369,628)	(3,319,439)
- Interest expense		1,052,634	3,228,808
- Loss on liquidation of a subsidiary		-	70,154
- Exchange differences		<u>2,943</u>	<u>(6,769)</u>
<b>Operating loss before changes in working capital</b>	<b>\$</b>	<b>(2,056,864)</b>	<b>\$ (13,228,856)</b>
(Increase)/decrease in other non-current deposits		(432,420)	370,720
Increase in trading securities		(33,212,921)	(18,112,835)
(Increase)/decrease in accounts receivable		(279,242,092)	80,258,957
Increase in other receivables and prepayments		(963,089)	(848,745)
Increase in amount due to a subsidiary		2,709,222	-
Increase in short positions in trading securities		35,431,476	-
Increase/(decrease) in accounts payable		218,170,246	(89,996,326)
Increase/(decrease) in accruals and other payables		<u>8,355,291</u>	<u>(1,340,193)</u>
<b>Net cash used in operating activities</b>	<b>\$</b>	<b>(51,241,151)</b>	<b>\$ (42,897,278)</b>
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**Cash flow statement**  
**for the year ended 31 March 2010 (continued)**  
*(Expressed in United States dollars)*

	Note	2010	2009
<b>Investing activities</b>			
Dividend received		\$ 1,126,685	\$ 246,664
Interest received		325,866	3,386,860
Payment for purchase of a subsidiary	12	(2,284,581)	-
Payment for purchase of fixed assets		(3,810,427)	(7,226,765)
Proceeds from sale of fixed assets		-	217
Proceeds from liquidation of a subsidiary		<u>-</u>	<u>188,451</u>
<b>Net cash used in investing activities</b>		<b>\$ (4,642,457)</b>	<b>\$ (3,404,573)</b>
<b>Financing activities</b>			
Proceeds from issue of shares		\$ 193,234,230	\$ -
Proceeds from new subordinated loans		35,000,000	-
Repayment of subordinated loans		-	(89,500,000)
Repayment of bank loans		(2,893,535)	-
New bank loans		-	889,501
Interest paid		<u>(512,036)</u>	<u>(3,606,598)</u>
<b>Net cash generated from/(used in) financing activities</b>		<b>\$ 224,828,659</b>	<b>\$ (92,217,097)</b>
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>\$ 168,945,051</b>	<b>\$ (138,518,948)</b>
<b>Cash and cash equivalents at 1 April</b>		<u>111,689,815</u>	<u>250,208,763</u>
<b>Cash and cash equivalents at 31 March</b>	16	<u><u>\$ 280,634,866</u></u>	<u><u>\$ 111,689,815</u></u>

The notes on pages 18 to 47 form part of these financial statements.

## Notes to the financial statements

(Expressed in United States dollars)

### 1 Principal activities

The principal activities of the company are securities and futures dealing and proprietary trading in listed investments. The principal activity and other particulars of its subsidiary are set out in note 12 on the financial statements.

The company is a licensed corporation under the Hong Kong Securities and Futures Ordinance and is a corporate participant of The Stock Exchange of Hong Kong Limited and the Hong Kong Futures Exchange Limited.

### 2 Significant accounting policies

#### (a) *Statement of compliance*

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKAS”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. A summary of the significant accounting policies adopted by the group is set out below.

The HKICPA has issued certain new and revised HKFRS that are first effective or available for early adoption for the current accounting period of the group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the group for the current and prior accounting periods reflected in these financial statements.

#### (b) *Basis of preparation of the financial statements*

The measurement basis used in the preparation of the financial statements is historical cost basis except that financial instruments classified as held for trading and as available-for-sale securities are stated at their fair value as explained in the accounting policies set out below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

## 2 Significant accounting policies (continued)

### (b) *Basis of preparation of the financial statements (continued)*

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### (c) *Subsidiaries and controlled entities*

Subsidiaries are entities controlled by the group. Control exists when the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

In the company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 2(g)), unless the investment is classified as held for sale or included in a disposal group that is classified as held for sale.

### (d) *Investment in securities*

The group's policies for investments in debt and equity securities, other than investment in a subsidiary are as follows:

Investments in securities held for trading are classified as current assets and are initially stated at fair value. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss.

Other investments in securities are classified as available-for-sale securities and are initially recognised at fair value plus transaction costs. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised directly in equity, except for impairment losses (see note 2(g)) and in the case of monetary items, foreign exchange gains and losses which are recognised directly in profit or loss.

Investments are recognised/derecognised on the date the company commits to purchase/sell the investments or they expire.

## **2 Significant accounting policies (continued)**

### **(e) Fixed assets**

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 2(g)). Depreciation is calculated to write off the cost of fixed assets on a straight line basis over their estimated useful lives as follows:

Leasehold improvements	6 years or over the term of the lease, whichever is shorter
Furniture, fixtures and office equipment	4 years
Motor vehicles	4 years
Computer equipment	3-4 years

Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

### **(f) Exchange trading rights**

Exchange trading rights represent the rights to trade on the relevant exchanges and are stated at cost less impairment losses (see note 2(g)).

Any conclusion that the useful life of trading rights is indefinite is reviewed annually.

### **(g) Impairment of assets**

#### **(i) Impairment of investments in securities and accounts and other receivables**

Investment in securities and accounts and other receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

- For accounts and other receivables that are carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for accounts and other receivables are reversed if in a subsequent period the amount of the impairment loss decreases.

## 2 Significant accounting policies (continued)

### (g) Impairment of assets (continued)

#### (i) Impairment of investments in securities and accounts and other receivables (continued)

- For available-for-sale securities, the cumulative loss that had been recognised directly in equity is removed from equity and is recognised in profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in equity.

Impairment loss in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

#### (ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- exchange trading rights;
- fixed assets; and
- investment in a subsidiary.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for trading rights that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).



## 2 Significant accounting policies (continued)

### (g) *Impairment of assets (continued)*

#### (ii) Impairment of other assets (continued)

##### - Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

##### - Reversals of impairment losses

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

### (h) *Accounts and other receivables*

Accounts and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts (see note 2(g)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts (see note 2(g)).

### (i) *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

### (j) *Trade and other payables*

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

## **2 Significant accounting policies (continued)**

### **(k) Employee benefits**

Salaries, annual bonuses, contribution to defined contribution plans and cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

### **(l) Income tax**

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

## 2 Significant accounting policies (continued)

### (l) *Income tax (continued)*

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset.

Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

### (m) *Operating lease*

Leases of assets under which the lessor do not transfer all the risks and benefits of ownership to the group are classified as operating leases.

Where the group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

## 2 Significant accounting policies (continued)

### (n) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

### (o) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

- Commission and brokerage income is recognised on a trade date basis when the relevant securities transactions are executed.
- Underwriting commission is recognised when the obligation under the underwriting or sub-underwriting agreement has expired.
- Advisory fee income is recognised when the services are rendered.
- Dividend income from listed investments is recognised when the share price of the investments is quoted ex-dividend.
- Interest income is recognised as it accrues using the effective interest rate method.
- Rental income received under operating leases is recognised as other operating income in equal instalments over the periods covered by the lease term.

### (p) Translation of foreign currencies

Foreign currency transactions during the year are translated at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rate. Exchange gains and losses are recognised in profit or loss.

## **2 Significant accounting policies (continued)**

### **(q) Related parties**

For the purposes of these consolidated financial statements, a party is considered to be related to the group if:

- (i) the party has the ability, directly or indirectly through one or more intermediaries, to control the group or exercise significant influence over the group in making financial and operating policy decisions, or has joint control over the group;
- (ii) the group and the party are subject to common control;
- (iii) the party is a member of key management personnel of the group or the group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- (iv) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
- (v) the party is a post-employment benefit plan which is for the benefit of employees of the group or of any entity that is a related party of the group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

### **(r) Securities borrowing and lending**

Securities borrowing and securities lending transactions are generally entered into on a collateralised basis. The transfer of the securities themselves is not reflected on the balance sheet unless the risks and rewards of ownership are also transferred.

## **3 Changes in accounting policies**

The HKICPA has issued one new HKFRS, a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the group. Of these, the following developments are relevant to the group's financial statements:

- HKAS 1 (revised 2007), *Presentation of financial statements*
- Amendments to HKFRS 7, *Financial instruments: Disclosures - improving disclosures about financial instruments*

### 3 Changes in accounting policies (continued)

The impact of these developments is as follows:

- As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised statement of changes in equity. All other items of income and expense are presented in a new primary statement, the statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.
- As a result of the adoption of the amendments to HKFRS 7, the financial statements include expanded disclosures in note 24(e) about the fair value measurement of the group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The group has taken advantage of the transitional provisions set out in the amendments to HKFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.

### 4 Turnover

	<i>The group and the company</i>	
	<i>2010</i>	<i>2009</i>
Commission and brokerage income	\$ 48,830,411	\$ 33,370,555
Underwriting and other commission income	12,928,819	2,259,931
Financial advisory fee income	1,014,302	1,903,338
Other commission income	<u>159,607</u>	<u>244,664</u>
	<u>\$ 62,933,139</u>	<u>\$ 37,778,488</u>
	=====	=====

## 5 Other revenue and other net income

	<i>The group</i>		<i>The company</i>	
	2010	2009	2010	2009
<b><i>Other revenue</i></b>				
Dividend income on proprietary trading positions	\$ 1,126,685	\$ 246,664	\$ 1,126,685	\$ 246,664
Research fees earned from group companies	10,088,248	-	10,088,248	-
Management fees earned from group companies	4,987,104	2,695,372	4,794,830	2,695,372
Interest income	369,886	3,319,439	369,628	3,319,439
Rental income from related companies	<u>1,179,720</u>	<u>1,202,645</u>	<u>1,738,289</u>	<u>1,202,645</u>
	<u>\$ 17,751,643</u>	<u>\$ 7,464,120</u>	<u>\$ 18,117,680</u>	<u>\$ 7,464,120</u>
	=====	=====	=====	=====
<b><i>Other net income</i></b>				
Net profit on back-to-back trading in debt securities	\$ 5,360,386	\$ 4,306,983	\$ 5,360,386	\$ 4,306,983
Net profit on proprietary trading in equity securities	457,977	1,407,228	457,977	1,407,228
Loss on liquidation of a subsidiary	-	(70,154)	-	(70,154)
Net gain on foreign currency swap transactions	178,780	164,069	178,780	164,069
Net gain on foreign currency transactions	305,304	17,479	305,304	17,479
(Loss)/gain on disposal of fixed assets	(40,125)	217	(7,446)	217
Exchange gain/(loss)	165,854	(126,129)	165,493	(126,129)
Others	<u>172,234</u>	<u>113,257</u>	<u>167,816</u>	<u>113,257</u>
	<u>\$ 6,600,410</u>	<u>\$ 5,812,950</u>	<u>\$ 6,628,310</u>	<u>\$ 5,812,950</u>
	=====	=====	=====	=====

**6 Staff costs**

	<i>The group</i>		<i>The company</i>	
	2010	2009	2010	2009
Salaries, wages and other benefits	\$ 37,267,868	\$ 23,485,121	\$ 30,513,996	\$ 23,485,121
Contributions to defined contribution plan	<u>805,728</u>	<u>653,406</u>	<u>669,992</u>	<u>653,406</u>
	<u>\$ 38,073,596</u>	<u>\$ 24,138,527</u>	<u>\$ 31,183,988</u>	<u>\$ 24,138,527</u>
	=====	=====	=====	=====

**7 Loss before taxation**

*Loss before taxation is arrived at after charging:*

	<i>The group and the company</i>	
	2010	2009
(a) Finance costs:		
Interest on bank loans	\$ 17,367	\$ 74,873
Interest expenses on subordinated loans	<u>1,035,267</u>	<u>3,153,935</u>
	1,052,634	3,228,808
Other financing expenses	<u>72,387</u>	<u>71,514</u>
	<u>\$ 1,125,021</u>	<u>\$ 3,300,322</u>
	=====	=====

	<i>The group</i>		<i>The company</i>	
	2010	2009	2010	2009
(b) Other items:				
Commission and brokerage charges	\$ 15,094,383	\$ 11,427,105	\$ 15,094,383	\$ 11,427,105
Underwriting expenses	747,251	80,914	747,251	80,914
Operating lease charges on properties	9,520,078	6,575,228	8,527,800	6,575,228
Auditors' remuneration	175,798	134,598	140,363	134,598
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>



## 8 Income tax in the statement of comprehensive income

### (a) Taxation in the statement of comprehensive income represents:

	<i>The group</i>		<i>The company</i>	
	2010	2009	2010	2009
<b>Current tax - Hong Kong Profits Tax</b>				
Provision for the year	\$ (42,134)	\$ -	\$ -	\$ -
Under-provision in respect of prior year	<u>(1,308)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ (43,442)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Deferred tax</b>				
Origination and reversal of temporary difference	<u>\$ 7,381</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>\$ (36,061)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The provision for Hong Kong Profits Tax for 2010 is calculated at 16.5% (2009: 16.5%) at the estimated assessable profits for the year. No provision for Hong Kong Profits Tax for 2009 has been made as the group and the company sustained a loss for taxation purposes.

### (b) Reconciliation between tax expense and accounting loss at applicable tax rates:

	<i>The group</i>		<i>The company</i>	
	2010	2009	2010	2009
Loss before taxation	<u>\$ (5,087,644)</u>	<u>\$ (15,001,625)</u>	<u>\$ (5,278,896)</u>	<u>\$ (15,001,625)</u>
Notional tax on loss before taxation, calculated at 16.5%	\$ (839,461)	\$ (2,475,268)	\$ (871,018)	\$ (2,475,268)
Tax effect of non-deductible expenses	297,304	599,013	296,743	599,013
Tax effect of non-taxable revenue	(283,531)	(549,713)	(283,484)	(549,713)
Tax effect of unused tax losses not recognised	856,011	2,425,968	856,011	2,425,968
Under-provision in respect of prior years	1,308	-	-	-
Others	<u>4,430</u>	<u>-</u>	<u>1,748</u>	<u>-</u>
Actual tax expense	<u>\$ 36,061</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## 9 Directors' remuneration

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	2010	2009
Directors' fees	\$ -	\$ -
Salaries, allowances and benefits in kind	1,885,401	1,944,516
Discretionary bonuses	241,013	103,132
Retirement scheme contributions	80,552	73,900
	=====	=====

## 10 Intangible assets

	<i>The group and the company</i>		
	<i>Trading rights</i>	<i>Club debentures</i>	<i>Total</i>
<b><i>Cost:</i></b>			
At 1 April 2009	\$ 419,448	\$ 41,934	\$ 461,382
Exchange differences	-	(72)	(72)
At 31 March 2010	\$ 419,448	\$ 41,862	\$ 461,310
	-----	-----	-----
<b><i>Accumulated impairment loss:</i></b>			
At 1 April 2009 and 31 March 2010	\$ 419,444	\$ -	\$ 419,444
	-----	-----	-----
<b><i>Net book value:</i></b>			
At 31 March 2010	\$ 4	\$ 41,862	\$ 41,866
	=====	=====	=====

**10 Intangible assets (continued)**

	<i>The group and the company</i>		
	<i>Trading rights</i>	<i>Club debentures</i>	<i>Total</i>
<b><i>Cost:</i></b>			
At 1 April 2008	\$ 419,448	\$ 41,751	\$ 461,199
Exchange differences	-	183	183
At 31 March 2009	\$ 419,448	\$ 41,934	\$ 461,382
<b><i>Accumulated impairment loss:</i></b>			
At 1 April 2008 and 31 March 2009	\$ 419,444	\$ -	\$ 419,444
<b><i>Net book value:</i></b>			
At 31 March 2009	\$ 4	\$ 41,934	\$ 41,938

## 11 Fixed assets

	The group				The company			
	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Total	Leasehold improvements	Furniture, fixtures and office equipment	Motor vehicles	Total
<b>Cost:</b>								
At 1 April 2009	\$ 846,132	\$ 18,929,238	\$ 317,947	\$ 20,093,317	\$ 846,132	\$ 18,929,238	\$ 317,947	\$ 20,093,317
Additions								
- through acquisition of a subsidiary	182,555	469,479	-	652,034	-	-	-	-
- others	163,204	3,682,321	-	3,845,525	140,940	3,669,487	-	3,810,427
Disposals	(78,510)	(321,380)	-	(399,890)	(21,291)	(199,662)	-	(220,953)
Exchange difference	(337)	(755)	-	(1,092)	-	-	-	-
At 31 March 2010	\$ 1,113,044	\$ 22,758,903	\$ 317,947	\$ 24,189,894	\$ 965,781	\$ 22,399,063	\$ 317,947	\$ 23,682,791
<b>Accumulated depreciation:</b>								
At 1 April 2009	\$ 335,697	\$ 9,897,712	\$ 247,816	\$ 10,481,225	\$ 335,697	\$ 9,897,712	\$ 247,816	\$ 10,481,225
Acquisition of a subsidiary	112,518	341,955	-	454,473	-	-	-	-
Charge for the year	182,437	3,493,380	43,967	3,719,784	159,933	3,451,422	43,967	3,655,322
Written back on disposals	(49,558)	(290,111)	-	(339,669)	(13,897)	(199,610)	-	(213,507)
Exchange difference	(204)	(606)	-	(810)	-	-	-	-
At 31 March 2010	\$ 580,890	\$ 13,442,330	\$ 291,783	\$ 14,315,003	\$ 481,733	\$ 13,149,524	\$ 291,783	\$ 13,923,040
<b>Net book value:</b>								
At 31 March 2010	\$ 532,154	\$ 9,316,573	\$ 26,164	\$ 9,874,891	\$ 484,048	\$ 9,249,539	\$ 26,164	\$ 9,759,751

**11 Fixed assets (continued)**

	<i>The group and the company</i>			
	<i>Leasehold improvements</i>	<i>Furniture, fixtures and office equipment</i>	<i>Motor vehicles</i>	<i>Total</i>
<b>Cost:</b>				
At 1 April 2008	\$ 634,917	\$ 11,923,037	\$ 317,947	\$ 12,875,901
Additions	211,215	7,015,550	-	7,226,765
Disposals	-	(9,349)	-	(9,349)
At 31 March 2009	\$ 846,132	\$ 18,929,238	\$ 317,947	\$ 20,093,317
<b>Accumulated depreciation:</b>				
At 1 April 2008	\$ 202,083	\$ 8,055,185	\$ 186,410	\$ 8,443,678
Charge for the year	133,614	1,851,876	61,406	2,046,896
Written back on disposals	-	(9,349)	-	(9,349)
At 31 March 2009	\$ 335,697	\$ 9,897,712	\$ 247,816	\$ 10,481,225
<b>Net book value:</b>				
At 31 March 2009	\$ 510,435	\$ 9,031,526	\$ 70,131	\$ 9,612,092

## 12 Investment in a subsidiary

This comprises unlisted shares, at cost.

On 24 August 2009, the company entered into a share purchase agreement with a fellow subsidiary, Daiwa Institute of Research (Tokyo) Limited, to acquire 100% equity interest in Daiwa Institute of Research (Hong Kong) Limited at a consideration of \$2,284,581, which was settled by cash of \$1,510,467 and the remaining amount of \$774,114 was used to offset an amount due from the fellow subsidiary.

	<i>Net identifiable assets and liabilities acquired</i>
Fixed assets	\$ 197,561
Amounts due from fellow subsidiaries	371,176
Other receivables and prepayments	1,152,585
Tax recoverable	5,038
Cash and cash equivalents	1,044,556
Accrual and other payables	(1,245,122)
Deferred tax liabilities	<u>(15,327)</u>
Net identifiable assets and liabilities acquired	1,510,467 =====
Cash consideration paid	\$ (1,510,467)
Cash and cash equivalents acquired	<u>1,044,556</u>
Net cash outflow in respect of the acquisition	(465,911) =====

Details of the subsidiary as at 31 March 2010 are as follows:

<i>Name of company</i>	<i>Place of Incorporation</i>	<i>Percentage of ordinary shares held</i>	<i>Principal activity</i>
Daiwa Institute of Research (Hong Kong) Limited (“DIRHK”)	Hong Kong	100%	Financial research services

**13 Available-for-sale securities**

	<i>The group and the company</i>	
	<i>2010</i>	<i>2009</i>
<i>Available-for-sale securities</i>		
Club debentures	\$ 1,695,882	\$ 1,226,622
	=====	=====

**14 Trading securities**

	<i>The group and the company</i>	
	<i>2010</i>	<i>2009</i>
<i>Long positions in trading securities</i>		
Listed equity securities	\$ 51,334,819	\$ 18,112,835
Unlisted equity securities	<u>6,338</u>	<u>15,401</u>
	\$ 51,341,157	\$ 18,128,236
	=====	=====
<i>Short positions in trading securities</i>		
Listed equities securities	\$ 35,431,476	-
	=====	=====

On 4 February 2009, the company entered into a securities lending agreement with a fellow subsidiary, Daiwa Capital Markets Europe Limited, for proprietary trading purposes. Market value of securities borrowed from the fellow subsidiary amounted to US\$68,334,770 (2009: US\$Nil) as at 31 March 2010.

**15 Amounts due from/to group companies**

Amounts due from/to group companies are unsecured, non-interest bearing and repayable on demand.

**16 Cash and cash equivalents**

	<i>The group</i>		<i>The company</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
Deposits with bank	\$ 225,003,521	\$ 76,031,908	\$ 225,003,521	\$ 76,031,908
Cash at bank and in hand	<u>59,494,511</u>	<u>35,657,907</u>	<u>55,631,345</u>	<u>35,657,907</u>
	\$ 284,498,032	\$ 111,689,815	\$ 280,634,866	\$ 111,689,815
	=====	=====	=====	=====

**17 Bank loans**

	<i>The group and the company</i>	
	<i>2010</i>	<i>2009</i>
Bank loans	\$ -	\$ 2,893,535
	=====	=====

**18 Subordinated loans**

	<i>The group and the company</i>	
	<i>2010</i>	<i>2009</i>
Repayable after one year but within five years	\$ 35,000,000	\$ -
	=====	=====

During the year, a subordinated loan facility of US\$140 million was granted by the intermediate holding company, Daiwa Securities Capital Markets Co. Ltd. The lender cannot recall the loan until 26 May 2011.

Details of the terms of the subordinated loans are as follows:

<i>Principal</i>	<i>Interest rate</i>	<i>Maturity date</i>
US\$35,000,000	LIBOR + 2.2%	26 May 2011

**19 Income tax in the consolidated balance sheet**

**(a) Current taxation:**

Current taxation in the consolidated balance sheet represents provision for Hong Kong Profits Tax for the current year.

**(b) Deferred tax liabilities recognised:**

The components of deferred tax liabilities recognised in the balance sheet and the movements during the year are as follows:

	<i>The group</i>	
	<i>Depreciation allowances in excess of related depreciation</i>	
	<i>2010</i>	<i>2009</i>
<i>Deferred tax arising from:</i>		
At 24 August (through acquisition of a subsidiary)	\$ 15,327	\$ -
Credited to profit or loss	(7,381)	-
Exchange difference	(24)	-
	=====	=====
At 31 March	\$ 7,922	\$ -
	=====	=====



## 19 Income tax in the consolidated balance sheet (continued)

### (c) *Deferred tax assets not recognised*

The group and the company have not recognised deferred tax assets in respect of tax losses of \$92,556,000 (2009: \$87,244,000) as it is not probable that future taxable profits against which the losses can be utilised will be available. The tax losses do not expire under current tax legislation.

## 20 Contingent Liabilities

Following an inspection visit by the Hong Kong Stamp Office (“SO”) with respect to the company’s client facilitation business, SO issued a letter to the company alleging underpayment of stamp duty of an amount of approximately HK\$6.9 million.

Based on the advice provided by the company’s legal counsel, management is of the view that the company has a reasonably good basis to argue that there is no underpayment of stamp duty and no provision has been provided in the financial statements.

## 21 Share capital

### (a)

	<i>The group and the company</i>			
	2010		2009	
	<i>No. of shares</i>	<i>Amount</i>	<i>No. of shares</i>	<i>Amount</i>
<b><i>Authorised:</i></b>				
Ordinary shares of HK\$10 each	10,000,000	\$ 21,126,414	10,000,000	\$ 21,126,414
Ordinary shares of US\$10 each	<u>26,173,423</u>	<u>261,734,230</u>	<u>6,850,000</u>	<u>68,500,000</u>
	36,173,423	\$ 282,860,644	16,850,000	\$ 89,626,414
	=====	=====	=====	=====
<b><i>Issued and fully paid:</i></b>				
Ordinary shares of HK\$10 each				
- At 1 April and 31 March	10,000,000	\$ 21,126,414	10,000,000	\$ 21,126,414
	-----	-----	-----	-----
Ordinary shares of US\$10 each				
- At 1 April	6,850,000	\$ 68,500,000	6,850,000	\$ 68,500,000
- Shares issued	<u>19,323,423</u>	<u>193,234,230</u>	-	-
	26,173,423	\$ 261,734,230	6,850,000	\$ 68,500,000
	-----	-----	-----	-----
	36,173,423	\$ 282,860,644	16,850,000	\$ 89,626,414
	=====	=====	=====	=====

## **21 Share capital (continued)**

### **(a)** (continued)

The company's authorised share capital was increased to US\$282,860,644 by the addition of 19,323,423 ordinary shares of US\$10.00 each by passing ordinary resolution by shareholders on 5 March 2010. These new ordinary shares rank *pari passu* in all respects with the existing shares in the capital of the company. 19,323,423 ordinary shares were issued at par for cash on 5 March 2010.

### **(b)** *Capital management*

The group's primary objectives when managing capital are to safeguard the group's ability to continue as a going concern. As the group is part of a larger group, the group's sources of additional capital and policies for distribution of excess capital may also be affected by the larger group's capital management objectives.

The group defines "capital" as including all components of equity plus loans from group companies with no fixed terms of repayment and subordinated loans, less unaccrued proposed dividends. Trading balances that arise as a result of trading transactions with other group companies are not regarded by the group as capital. On this basis the amount of capital employed at 31 March 2010 was US\$370,080,513 (2009: US\$146,493,891).

The group's capital structure is regularly reviewed and managed with due regard to the capital management practices of the larger group to which the group belongs. Adjustments are made to the capital structure in light of changes in economic conditions affecting the company or the group, to the extent that these do not conflict with the directors' fiduciary duties towards the group or the requirements of the Hong Kong Companies Ordinance.

As a licensed corporation registered under the Hong Kong Securities and Futures Ordinance, the company is also subject to the capital requirements of the Hong Kong Securities and Futures (Financial Resources) Rules ("FRR"). The minimum paid-up share capital requirement is HK\$10,000,000 and the minimum liquid capital requirement is the higher of HK\$3,000,000 and the variable required liquid capital as defined in the FRR. The company monitors its compliance with the requirements of the FRR on a daily basis. The company complied with the requirements of the FRR at all times during the year.

## **22 Reserves**

### **(a)** *General reserve*

The general reserve was established in accordance with the Hong Kong Banking Ordinance when the company was a restricted license bank.

### **(b)** *Investment revaluation reserve*

The investment revaluation reserve comprises the cumulative change in the fair value of available-for-sale securities held at balance sheet date and is dealt with in accordance with the accounting policies in note 2(d).

**22 Reserves (continued)**

**(c) Translation reserve**

The translation reserve comprises the exchange differences arising from the translation of the financial statements of the subsidiary into the presentation currency of the group.

**23 Group companies**

The following balances with holding and fellow subsidiary companies are included in the indicated balance sheet captions in addition to those balances with group companies indicated elsewhere in these financial statements:

	<i>The group</i>		<i>The company</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
Accounts receivable	\$ 236,138,655	\$ 129,639,454	\$ 236,138,655	\$ 129,639,454
Other receivables and prepayments	2,354,332	1,738,271	2,354,332	1,738,271
Cash and cash equivalents	-	81,983,715	-	81,983,715
Accounts payable	(263,223,649)	(117,368,434)	(263,223,649)	(117,368,434)
Accruals and other payables	(4,689,174)	(488,490)	(4,689,174)	(488,490)
	=====	=====	=====	=====

**24 Financial instruments**

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the group's business. These risks are limited by the group's financial management policies and practices described below:

**(a) Credit risk**

The group's credit risk is primarily attributable to accounts receivable from clients, brokers and clearing houses. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of accounts receivable due from clients, credit evaluations are performed on all clients. Receivables arising from unsettled stock broking transactions are due on the settlement date commonly adopted by the relevant market convention, which is usually within a few days from the trade date. Because of the short settlement period involved, credit risk relating to such accounts receivable is considered small.

In respect of accounts receivable from brokers and clearing houses, credit risk is considered low as the group normally enters into transactions with brokers and clearing houses which are registered with regulatory bodies and with sound reputation in the industry.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

## 24 Financial instruments (continued)

### (b) Liquidity risk

The group and the company maintains sufficient reserves of cash and adequate committed lines of funding from reputable financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the balance sheet date of the group's and the company's financial liabilities, which are based on undiscounted cash flows (including interest payments computed using contractual rates or if floating, based on rates current at the balance sheet date):

	<i>The group</i>					
	2010			2009		
	<i>Carrying amount</i>	<i>Total contractual undiscounted cash flow</i>	<i>Within 1 year</i>	<i>More than 1 year but less than 2 years</i>	<i>Total contractual undiscounted cash flow</i>	<i>More than 1 year but less than 2 years</i>
Bank overdrafts and short term loans	\$ -	\$ -	\$ -	\$ -	\$ 2,893,535	\$ (2,893,535)
Accounts payable	477,536,791	(477,536,791)	(477,536,791)	-	259,366,545	(259,366,545)
Accruals and other payables	23,714,384	(23,714,384)	(23,714,384)	-	10,380,156	(10,380,156)
Subordinated loans	35,000,000	(36,102,602)	(955,938)	(35,146,664)	-	-
Tax payable	29,305	(29,305)	(29,305)	-	-	-
	\$536,280,480	\$ (537,383,082)	\$ (502,236,418)	\$ (35,146,664)	\$272,640,236	\$ (272,640,236)
	=====	=====	=====	=====	=====	=====
	<i>The company</i>					
	2010			2009		
	<i>Carrying amount</i>	<i>Total contractual undiscounted cash flow</i>	<i>Within 1 year</i>	<i>More than 1 year but less than 2 years</i>	<i>Total contractual undiscounted cash flow</i>	<i>More than 1 year but less than 2 years</i>
Amount due to a subsidiary	\$ 2,709,222	\$ (2,709,222)	\$ (2,709,222)	\$ -	\$ -	\$ -
Bank overdrafts and short term loans	-	-	-	-	2,893,535	(2,893,535)
Accounts payable	477,536,791	(477,536,791)	(477,536,791)	-	259,366,545	(259,366,545)
Accruals and other payables	19,276,045	(19,276,045)	(19,276,045)	-	10,380,156	(10,380,156)
Subordinated loans	35,000,000	(36,102,602)	(955,938)	(35,146,664)	-	-
	\$534,522,058	\$ (535,624,660)	\$ (500,477,996)	\$ (35,146,664)	\$272,640,236	\$ (272,640,236)
	=====	=====	=====	=====	=====	=====

## 24 Financial instruments (continued)

### (c) Interest rate risk

The majority of the group's and the company's financial assets and liabilities are non-interest bearing. Interest bearing assets include deposits at bank. Interest bearing liabilities include bank loans and subordinated loans borrowed from an intermediate holding company. All these assets and liabilities except for subordinated loans mature or reprice in the short term. The terms and interest rates of the subordinated loans are disclosed in note 18. As a result, the group and the company is subject to limited exposure to interest rate risk due to fluctuations in the prevailing levels of market interest rates.

The following table details the interest rate profile of the company's interest bearing assets and liabilities at the balance sheet date:

	<i>Effective interest rate</i>	2010	<i>Effective interest rate</i>	2009
<i>Assets</i>				
Deposits at bank	0.36%	\$225,003,521	1.71%	\$ 76,031,908
<i>Liabilities</i>				
Bank loans		-	0.37%	2,893,535
Subordinated loans	3.3%	<u>35,000,000</u>		<u>-</u>
Total net interest bearing assets		\$190,003,521 =====		\$ 73,138,373 =====

At 31 March 2010, it is estimated that a general increase/decrease of 1.2% in interest rate (2009: 0.9%), with all other variables held constant, would increase/decrease the company's profit before tax and retained profits by approximately \$2,280,000/\$420,000 respectively (2009: \$658,000/\$684,000 respectively).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for the above financial instruments in existence at that date. The 1.2% (2009: 0.9%) increase/decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date.

## 24 Financial instruments (continued)

### (d) Foreign currency risk

The group is exposed to foreign currency risk primarily through its agency brokerage transactions that are denominated in currencies other than the functional currency of the operations to which they relate.

At 31 March 2010, the group and the company had the following major net assets/(liabilities) denominated in foreign currencies:

	2010	2009
Net assets in Indonesian Rupiah	\$ 25,154	\$ 10,217
Net liabilities in Japanese Yen	(274,589)	(8,868)
Net assets in Euro	61,075	42,514
Net liabilities in British Pound	(106,099)	(36,301)
Net assets in Taiwanese Dollar	63,305	36,248
Net assets in Singapore Dollar	73,677	63,081
Net assets in Malaysian Ringgit	23,348	31,130
Net assets in Korean Won	60,839	31,852
Net liabilities in Philippine Peso	(56,298)	(19,243)
Net assets in Swiss Franc	25,925	21,322
Net assets in Australian Dollar	180,954	20,236
Net assets in Canadian Dollar	100,264	16,808
Net assets in New Zealand Dollar	28,245	8,101
	=====	=====

The group ensures that the net exposure to foreign currencies is kept to an acceptable level by buying or selling foreign currencies at spot rates from time to time.

At 31 March 2010, the group and the company had the following major outstanding commitment to buy or sell foreign currencies.

	<i>The group and the company</i>			
	2010		2009	
	<i>Buy</i>	<i>Sell</i>	<i>Buy</i>	<i>Sell</i>
Commitment to buy/(sell)				
Australian Dollar	\$ 189,322	\$ (157,994)	\$ -	\$ (6,561)
Commitment to buy/(sell)				
Singapore Dollar	-	-	394,711	(429,860)
Commitment to buy/(sell)				
British Pound	376,619	(335,858)	-	(5,228)
Commitment to buy/(sell)				
Philippine Peso	298,338	(298,334)	1,060	(1,058)
Commitment to buy/(sell)				
Thai Baht	-	(20,504)	-	-
	=====	=====	=====	=====

## 24 Financial instruments (continued)

### (d) Foreign currency risk (continued)

As shown in the above analysis, the net foreign exchange exposure is not significant to the company. The management do not expect there will be significant impact to the profit after tax and retained profits in respect of reasonably possible change in the exchange rates at the balance sheet date.

### (e) Fair values

#### Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the balance sheet date across the three levels of the fair value hierarchy defined in HKFRS 7, *Financial Instruments: Disclosures*, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

	2010			
	Level 1	Level 2	Level 3	Total
<i>Assets</i>				
Available-for-sale				
- Club debentures held for trading	\$ -	\$ 1,695,882	\$ -	\$ 1,695,882
- Equity securities	51,334,819	-	-	51,334,819
	\$ 51,334,819	\$ 1,695,882	\$ -	\$ 53,030,701
	=====	=====	=====	=====
<i>Liabilities</i>				
Short positions in trading				
- Equity securities	\$ 35,431,476	\$ -	\$ -	\$ 35,431,476
	=====	=====	=====	=====

During the year, there were no transfers between Level 1 and Level 2.

## 24 Financial instruments (continued)

### (f) Estimation of fair values

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristic of the financial instruments and relevant market information. Where available, the most suitable measure for fair value is the quoted market price at the balance sheet date or date close to the balance sheet date, without any deduction for estimated future selling costs.

In the absence of organised secondary market for most financial instruments, direct market prices are not available. The fair values of such instruments were therefore calculated on the basis of well-established valuation technique using current market parameters. In particular, the fair value is a theoretical value applicable at a given reporting date, and hence can only be used as an indicator of value realisable in a future sale.

## 25 Material related party transactions

In addition to the transactions and balances disclosed elsewhere in these consolidated financial statements, the group and the company entered into the following material related party transactions:

	<i>The group</i>		<i>The company</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
Brokerage commission earned from				
- fellow subsidiaries	\$ 11,777,489	\$ 4,827,413	\$ 11,777,489	\$ 4,827,413
- an intermediate holding company	8,874,736	8,530,589	8,874,736	8,530,589
Underwriting and selling commission earned from				
- fellow subsidiaries	8,464,332	727,306	8,464,332	727,306
- an intermediate holding company	1,165,560	158,686	1,165,560	158,686
Brokerage commission paid to				
- fellow subsidiaries	(12,994,251)	(3,689,750)	(12,994,251)	(3,689,750)
- an intermediate holding company	(7,277,871)	(6,860,380)	(7,277,871)	(6,860,380)
Interest expense paid to				
- an intermediate holding company	(1,035,627)	(3,153,935)	(1,035,627)	(3,153,935)
Research fee paid to subsidiary				
- fellow subsidiaries	(2,641,976)	(5,565,317)	(2,641,976)	(5,565,317)
- a subsidiary	-	-	(9,535,539)	-
Rental income from				
- fellow subsidiaries	1,179,720	1,202,645	1,179,720	1,202,645
- a subsidiary	-	-	558,569	-
Research fee income earned from an intermediate holding company and fellow subsidiaries	10,088,248	-	10,088,248	-
Management fee income earned from an intermediate holding company and fellow subsidiaries	4,987,104	2,695,372	4,794,830	2,695,372
	=====	=====	=====	=====



## 26 Credit facilities

The group has aggregate credit facilities provided by authorised institutions and group companies amounting to \$227,956,516 (2009: \$306,824,000) and \$180,000,000 (2009: \$111,354,000) respectively. The amount utilised was \$35,000,000 at 31 March 2010 (2009: \$50,000).

## 27 Commitments

At 31 March 2010, the group and the company had the following commitments in the ordinary course of business:

- (a) Forward and swap transactions in the foreign exchange market are disclosed in note 24(d).  
 (b) The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	<i>The group</i>		<i>The company</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
Within one year	\$ 9,710,051	\$ 7,222,095	\$ 8,895,132	\$ 7,222,095
After one year but within five years	<u>5,198,791</u>	<u>8,934,320</u>	<u>4,723,422</u>	<u>8,934,320</u>
	<u>\$ 14,908,842</u>	<u>\$ 16,156,415</u>	<u>\$ 13,618,554</u>	<u>\$ 16,156,415</u>

## 28 Parent and ultimate holding company

The directors consider the immediate parent and ultimate holding company at 31 March 2010 to be Daiwa Capital Markets Asia Holding, B.V. (Formerly Daiwa Securities SMBC Asia Holding, B.V.), which is incorporated in the Netherlands, and Daiwa Securities Group Inc., which is incorporated in Japan respectively. Daiwa Securities Group Inc. produces financial statements available for public use.

## 29 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 March 2010

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 March 2010 and which have not been adopted in these financial statements.

*Effective for  
accounting periods  
beginning on or after*

Improvements to HKFRSs 2009	1 July 2009 or 1 January 2010
HKFRS 9, <i>Financial instruments</i>	1 January 2013

**29 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 March 2010 (continued)**

The company is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the company's results of operations and financial position, except for HKFRS 9, *Financial instruments*, which may have an impact on the company's results and financial position arising from change in the company's classification and measurement of financial instruments.

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Printed by EQUITY FINANCIAL PRESS LIMITED  
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