

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



BOCI ASIA LIMITED

(Incorporated in Hong Kong with limited liability)

Hong Kong Exchanges and Clearing Limited (“HKEx”), The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) 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 “Listing Rules”) for the purpose of giving information with regard to us and our warrants (“Warrants”), callable bull/bear contracts (“CBBC”) and other structured products (together, the “Structured Products”) to be listed on the Stock Exchange from time to time. We accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries, confirm that to the best of our knowledge and belief there are no other facts the omission of which would make any statement in this document misleading. This document may be updated and/or amended from time to time by way of addenda.

We, the Issuer of the Structured Products, are publishing this base listing document in order to obtain a listing on the Stock Exchange of our Structured Products.

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

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

The Structured Products constitute our general unsecured contractual obligations of us as the Issuer and of no other person and will rank equally among themselves and with all our other unsecured obligations (save for those obligations preferred by law) upon liquidation. If you purchase the Structured Products you are relying upon our creditworthiness and have no rights under the Structured Products against (a) the company which has issued the underlying Shares; (b) the trustee or the manager of the underlying trust; or (c) the index compiler of the underlying index or any other person. If we become insolvent or default on our obligations under the Structured Products, you may not be able to recover all or even part of the amount due under the Structured Products (if any).

TABLE OF CONTENTS

	<u>Page</u>
IMPORTANT INFORMATION	3
OVERVIEW OF OUR WARRANTS	7
OVERVIEW OF OUR CBBCS	9
RISK FACTORS	13
TAXATION	25
PURCHASE AND SALE	26
GENERAL INFORMATION ABOUT US	27
APPENDIX 1 – TERMS AND CONDITIONS OF STRUCTURED PRODUCTS	28
PART A – TERMS AND CONDITIONS OF CASH-SETTLED WARRANTS OVER SINGLE EQUITIES	29
PART B – TERMS AND CONDITIONS OF CASH-SETTLED WARRANTS OVER INDEX	39
PART C – TERMS AND CONDITIONS OF CASH-SETTLED WARRANTS OVER SINGLE UNIT TRUSTS	47
PART D – TERMS AND CONDITIONS OF CASH-SETTLED CALLABLE BULL/BEAR CONTRACTS OVER SINGLE EQUITIES	57
PART E – TERMS AND CONDITIONS OF CASH-SETTLED CALLABLE BULL/BEAR CONTRACTS OVER INDEX	70
PART F – TERMS AND CONDITIONS OF CASH-SETTLED CALLABLE BULL/BEAR CONTRACTS OVER SINGLE UNIT TRUSTS	79
APPENDIX 2 – AUDITOR’S REPORT AND OUR CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014	92

PARTIES

IMPORTANT INFORMATION

What is this document about?

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

This document supersedes the previous base listing document dated 12 May 2014 issued by BOCI Asia Limited (referred to as “we”, “us” or “our” except in Appendix 2 – Auditor’s Report and our Consolidated Financial Statements for the Year ended 31 December 2014, pursuant to which reference to “we”, “us” or “our” refers to our Independent Auditor, Ernst & Young). In this document, the “Group” is referred to as BOCI Asia Limited and its subsidiaries.

What documents should you read before investing in the Structured Products?

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

You should also consider your financial position and investment objectives before deciding to invest in the Structured Products. We cannot give you investment advice. You must decide whether the Structured Products meet your investment needs before investing in the Structured Products.

Capitalized terms shall, unless otherwise defined herein, shall have the same meaning ascribed to them in the terms and conditions set forth in Appendix 1 to this document and the Supplemental Listing Document applicable to the relevant Structured Products (as the case may be).

Is there any guarantee or collateral for the Structured Products?

No. Our obligations under the Structured Products are neither guaranteed by any third party, nor collateralized with any of our assets or other collaterals. When you purchase our Structured Products, you are relying on our creditworthiness only, and of no other person. If we become insolvent or default on our obligations under the Structured Products, you can only claim as an unsecured creditor of the Issuer. In such event, you may not be able to recover all or even part of the amount due under the Structured Products (if any).

What are our credit rating?

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

The Structured Products are not rated.

Who is responsible for this document?

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

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

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

Are we regulated by the Hong Kong Monetary Authority referred to in Rules 15A.13(2) or the Securities and Futures Commission referred to in Rule 15A.13(3)?

We are licensed for types 1 and 6 regulated activities by the Securities and Futures Commission and are not regulated by any of the bodies referred to in Rule 15A.13(2) of the Listing Rules.

When were the Structured Products authorised?

The issue of our Structured Products was authorised by resolutions of our board of directors on 15 May 2012.

Will the Structured Products be listed?

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

Are we subject to any litigation?

As of the date of this document, we are not aware, to the best of our knowledge, of any claims, litigation or arbitration proceedings pending or threatened against us or that we are involved in, which could have (taking into consideration the amounts involved and the likelihood of success of such proceedings), a material adverse effect in our ability to perform our obligations in the context of the issue of the Structured Products.

Has our financial position changed since last financial year-end?

There has been no material adverse change in our financial position or trading position since 31 December 2014 that would have a material adverse effect on our ability to perform our obligations under the Structured Products.

Transfer of Structured Products

Settlement of transactions between members of the Stock Exchange on any business day must take place on or before the second settlement day (as defined in the General Rules of CCASS) thereafter. Securities executed on the Stock Exchange would normally be settled under the continuous net settlement system in CCASS.

Dealings in the Structured Products will take place in relevant board lots in the settlement currency. For further details on transfers of the structured products and their exercise, termination pursuant to mandatory call event or settlement, see the terms and conditions of the relevant issue of the Structured Products.

Do I have to pay stamp duty or other levies on the Structured Products?

No, there is no stamp duty on issue or transfer of our cash-settled Structured Products. The levy for the investor compensation fund is currently suspended.

However, the Securities and Futures Commission (“SFC”) charges a transaction levy at the rate of 0.0027 per cent. on the value of the transaction of your Structured Products and this amount is payable by each of the seller and the buyer. Additionally, the Stock Exchange charges a trading fee on every purchase and sale of listed securities calculated at a rate of 0.005 per cent of the amount of the transaction and is payable by each of the buyer and seller.

Change in Tax Law

Tax law and practice is subject to change, possibly with retrospective effect and this could adversely affect the value of our Structured Products to the holder and/or the market value of our Structured Products. Any such change may (i) cause the tax treatment of the relevant structured products to change from what the investor understood the position to be at the time of purchase; (ii) render the statements in this base listing document concerning relevant tax law and practice in relation to our structured products to be inaccurate or to be inapplicable in some or all respect to certain structured products or to not include material tax considerations in relation to certain structured products; or (iii) give us the right to terminate the structured products if such change has the effect that our performance under the structured products is unlawful or impracticable.

How do I hold my structured products?

The Structured Products will be issued in global registered form, represented by a global certificate registered in the name of a nominee for HKSCC (currently HKSCC Nominees Limited).

We have made all necessary arrangements to enable the Structured Products to be admitted for deposit, clearing and settlement in CCASS. We will not issue any definitive certificates for the Structured Products. The Structured Products will be deposited within CCASS.

If you are a CCASS investor participant, you may hold your Structured Products in your account with CCASS. If you do not have a CCASS account, your broker or agent (as a CCASS participant) will arrange to hold your Structured Products for you in an account at CCASS. We will make all payments on the Structured Products to CCASS: you will have to check your CCASS account or rely on your broker to ensure that payments on your Structured Products are credited to your account with your broker. Once we have made the relevant payments in this way to CCASS, we will have no further obligations for that payment, even if CCASS or your broker fails to transmit to you your share of the payment or if it was transmitted late. Any notices we give in relation to the Structured Products will be given in the same way: you will have to rely on CCASS and/or your broker to ensure that those notices reach you.

Where can you inspect copies of the relevant documents?

This document contains only a summary description about us and the Structured Products. You can read copies of the following documents during usual business hours on any weekday (Saturdays, Sundays and holidays excepted) at 20/F, Bank of China Tower, 1 Garden Road, Hong Kong:

- (a) our annual consolidated financial statements for the year ended 31 December 2014 and the auditor's report;
- (b) the consent letter issued by Ernst & Young (the "Auditor") dated 11 May 2015;
- (c) the instrument executed by us by way of deed poll on 7 May 2009 as defined in the Terms and Conditions of our Structured Products as set out in Appendix 1; and
- (d) this document (and any addendum to this document), the relevant supplemental listing document as long as the relevant series of Structured Products is listed on the Stock Exchange.

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

The Listing Documents are also available on the website of HKEX at www.hkexnews.hk and our website at www.bocifp.com.

各上市文件亦可於香港交易所披露易網站 www.hkexnews.hk 及本公司網站 www.bocifp.com 瀏覽。

Has the auditor consented to the inclusion of its report in this document?

Our Auditor has given and has not withdrawn its written consent to the inclusion of its report dated 28 April 2015 in this document and/or the references to its name in this document, in the form and context in which it is included. The Auditor's report was not prepared for incorporation into this document and should not be construed as in any way updating or refreshing the aforementioned report since the date of its issue.

Our Auditor does not hold our shares or shares in our subsidiaries, nor does it has the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our securities or securities of any of our subsidiaries.

How can you get further information about us?

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

Placing, sale and grey market dealings

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

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

The Structured Products may be sold to investors in the grey market in the period between the launch date and the listing date. We will report any dealings in Structured Products by us and/or any of our subsidiaries or associated companies in the grey market to the Stock Exchange on the listing date through the website of HKEX at *www.hkexnews.hk*.

Governing law of the structured products

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

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

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

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

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

OVERVIEW OF OUR WARRANTS

What is a derivative warrant?

Our derivative warrant linked to a share, a unit, an index or other assets (“**Underlying Assets**”, each, an “**Underlying Asset**”) is an instrument which gives the holder a right to “buy” or “sell” an Underlying Asset at, or derives its value by reference to, a pre-set price or level called the Exercise Price or Strike Level (as the case may be) on the Expiry Date. It usually costs a fraction of the value of the Underlying Asset. A derivative warrant may provide leveraged return to you (but conversely, it could also magnify your losses.)

The Conditions applicable to our derivative warrants are set out in Parts A to C of Appendix 1 (as may be supplemented by any addendum or the relevant Supplemental Listing Document).

How and when can you get back your investment?

Our warrants are European style warrants. This means they can only be exercised on the Expiry Date. A warrant will be exercised on the Expiry Date, entitling the holder to a cash amount called the “**Cash Settlement Amount**” (if positive) according to the conditions set forth in the relevant Supplemental Listing Document.

You will receive the Cash Settlement Amount less any exercise expenses upon expiry. **If the Cash Settlement Amount is equal to or less than the exercise expenses, no amount is payable to you upon expiry and you will lose all your investment in the warrants.**

How do our warrants work?

Ordinary warrants

The potential payoff of an ordinary warrant is calculated by us by reference to the difference between:

- (a) for a warrant linked to a security, the Exercise Price and the Average price; and
- (b) for a warrant linked to an index, the Strike Level and the Closing Level.

Call warrants

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

A call warrant will be exercised if the Average Price/Closing Level is greater than the Exercise Price/Strike Level (as the case may be). The more the Average Price/Closing Level exceeds the Exercise Price/Strike Level (as the case may be), the higher the payoff upon expiry. If the Average Price/Closing Level is at or below the Exercise Price/Strike Level (as the case may be), an investor in the call warrant will lose all of his investment.

Put warrants

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

A put warrant will be exercised if the Average Price/Closing Level is below the Exercise Price/Strike Level (as the case may be). The more the Average Price/Closing Level is below the Exercise Price/Strike Level (as the case may be), the higher the payoff upon expiry. If the Exercise Price/Strike Level is at or below the Average Price/Closing Level (as the case may be), an investor in the put warrant will lose all of his investment.

Other types of warrants

The Supplemental Listing Document applicable to other types of warrants will specify the type of such warrants and whether such warrants are exotic warrants.

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

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

- (a) the Exercise Price/Strike Level of the derivative warrants;
- (b) the value and volatility of the price/level of the Underlying Asset (being a measure of the fluctuation in the price/level of the Underlying Asset over time);
- (c) the time remaining to expiry: generally, the longer the remaining life of the derivative warrants, the greater its value;
- (d) the interim interest rates and expected dividend payments or other distributions on the Underlying Asset or on any components comprising the underlying index;
- (e) the liquidity of the Underlying Asset or the liquidity of the futures contracts relating to the underlying index;
- (f) the supply and demand for the derivative warrant;
- (g) our related transaction cost; and/or
- (h) the creditworthiness of the Issuer of the derivative warrant.

What is your maximum loss?

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

How can you get information about the warrants after issue?

You may visit the website of HKEx at www.hkex.com.hk/eng/prod/secprod/dwrc/dw.htm or our website www.bocifp.com to obtain further information on our warrants or any notice given by us or the Stock Exchange in relation to our warrants.

OVERVIEW OF OUR CBBCS

What are CBBCs?

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

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

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

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

CBBCs have a mandatory call feature (the “**Mandatory Call Event**” or “**MCE**”) and, subject to the limited circumstances set out in the relevant Conditions in which a Mandatory Call Event may be reversed, we must terminate our CBBCs upon the occurrence of a Mandatory Call Event. See “What are the mandatory call features of CBBCs?” below for further information.

There are 2 categories of CBBCs, namely:

- (a) Category R CBBCs; and
- (b) Category N CBBCs.

Your entitlement following the occurrence of a Mandatory Call Event will depend on the category of the CBBCs.

If no Mandatory Call Event occurs, the CBBCs will be exercised automatically on the Expiry Date by payment of a Cash Settlement Amount (if any) on the Settlement Date. The Cash Settlement Amount (if any) payable at expiry represents the difference between the Closing Price/Closing Level of the Underlying Asset on the Valuation Date and the Strike Price/Strike Level.

The Conditions applicable to CBBCs are set out in Parts D to F of Appendix 1 (as may be supplemented by any addendum or the relevant Supplemental Listing Document).

What are the mandatory call features of CBBCs?

Mandatory Call Event

Subject to the limited circumstances set out in the relevant Conditions in which a Mandatory Call Event may be reversed, as the case may be, we must terminate the CBBCs if a Mandatory Call Event occurs. A Mandatory Call Event occurs if the Spot Price/Spot Level of the Underlying Asset is:

- (a) at or below the Call Price/Call Level (in the case of a bull CBBC); or
- (b) at or above the Call Price/Call Level (in the case of a bear CBBC),

at any time during the Observation Period.

The Observation Period starts from and including the Observation Commencement Date of the relevant CBBCs and ends on and including the Trading Day immediately preceding the Expiry Date.

Subject to the limited circumstances set out in the relevant Conditions in which a Mandatory Call Event may be reversed and such modification and amendment as may be prescribed by the Stock Exchange from time to time:

- (a) all trades in the CBBCs concluded or recorded in the Stock Exchange's system after the time of the occurrence of a Mandatory Call Event; and
- (b) where the Mandatory Call Event occurs during a pre-opening session or closing auction session (if applicable), all auction trades in the CBBCs concluded in such session,

will be invalid and will be cancelled, and will not be recognised by us or the Stock Exchange.

The time at which a Mandatory Call Event occurs will be determined by reference to:

- (a) in respect of CBBCs over single equities or CBBCs over single unit trusts listed on the Stock Exchange, the Stock Exchange's automatic order matching and execution system time at which the Spot Price is at or below the Call Price (for a series of bull CBBCs) or is at or above the Call Price (for a series of bear CBBCs); or
- (b) in respect of CBBCs over index, the time the relevant Spot Level is published by the Index Compiler at which the Spot Level is at or below the Call Level (for a series of bull CBBCs) or is at or above the Call Level (for a series of bear CBBCs),

subject to the rules and requirements as prescribed by the Stock Exchange from time to time.

Category R CBBCs vs. Category N CBBCs

The Supplemental Listing Document for the relevant series of CBBCs will specify whether the CBBCs are Category R CBBCs or Category N CBBCs.

“Category N CBBCs” refer to CBBCs for which the Call Price/Call Level is equal to their Strike Price/Strike Level. In respect of a series of Category N CBBCs, you will not receive any cash payment following the occurrence of a Mandatory Call Event.

“Category R CBBCs” refer to CBBCs for which the Call Price/Call Level is different from their Strike Price/Strike Level. In respect of a series of Category R CBBCs, you may receive a cash payment called the Residual Value upon the occurrence of a Mandatory Call Event. The amount of the Residual Value payable (if any) is calculated by reference to:

- (a) in respect of a bull CBBC, the difference between the Minimum Trade Price/Minimum Index Level of the Underlying Asset and the Strike Price/Strike Level; and
- (b) in respect of a bear CBBC, the difference between the Strike Price/Strike Level and the Maximum Trade Price/Maximum Index Level of the Underlying Asset.

You must read the relevant Conditions and the relevant supplemental listing document to obtain further information on the calculation formula of the Residual Value applicable to Category R CBBCs.

You may lose all of your investment in a particular series of CBBCs if:

- (a) in the case of a series of bull CBBCs, the Minimum Trade Price/Minimum Index Level of the Underlying Asset is equal to or less than the Strike Price/Strike Level; or
- (b) in the case of a series of bear CBBCs, the Maximum Trade Price/Maximum Index Level of the Underlying Asset is equal to or greater than the Strike Price/Strike Level.

How is the funding cost calculated?

The issue price of a CBBC represents (a) the difference between the initial reference spot price or level of the Underlying Asset as at the launch date of the CBBC and the Strike Price/Strike Level, plus (b) the applicable funding cost.

The initial funding cost applicable to each series of CBBCs will be specified in the relevant Supplemental Listing Document for the relevant series and will fluctuate throughout the life of the CBBCs as the funding rate changes from time to time. The funding rate is a rate determined by us based on one or more of the following factors, including but not limited to the Strike Price/Strike Level, the prevailing interest rate, the expected life of the CBBCs, expected notional dividends or distributions in respect of the Underlying Asset and the margin financing provided by us.

Further details about the funding cost applicable to a series of CBBCs will be described in the relevant Supplemental Listing Document.

Do you own the Underlying Asset?

CBBCs convey no interest in the Underlying Asset. We may choose not to hold the Underlying Asset or any derivatives contracts linked to the Underlying Asset. There is no restriction through the issue of the CBBCs on the ability of us and/or our affiliates to sell, pledge or otherwise convey all right, title and interest in any Underlying Asset or any derivatives products linked to the Underlying Asset.

What are the factors determining the price of a CBBC?

Although the price of a CBBC tends to mirror the movement in the value of the Underlying Asset in dollar value (on the assumption of an entitlement ratio of one CBBC to one Underlying Asset), movement in the price of the CBBC may not always correspond with the movement in value of the Underlying Asset.

The price of a CBBC tends to mirror the movement in the value of the Underlying Asset in dollar value (on the assumption of an entitlement ratio of one CBBC to one Underlying Asset).

However, throughout the term of a CBBC, its price will be influenced by a number of factors, including:

- (a) the Strike Price/Strike Level and Call Price/Call Level of the CBBCs;
- (b) the likelihood of the occurrence of a Mandatory Call Event;
- (c) the probable range of Residual Value (if any) upon the occurrence of a Mandatory Call Event;
- (d) the time remaining to expiry;
- (e) the interim interest rates and expected dividend payments or other distributions on the Underlying Asset or on any components comprising the underlying index;

- (f) the supply and demand for the CBBCs;
- (g) the probable range of the Cash Settlement Amount;
- (h) the liquidity of the Underlying Asset or the liquidity of the future contracts relating to the underlying index;
- (i) our related transaction costs; and
- (j) the creditworthiness of the Issuer.

What is your maximum loss?

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

How can you get information about the CBBCs after issue?

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

RISK FACTORS

Not all of the risk factors described below will be applicable to a particular series of the Structured Products. Please consider all risks carefully prior to investing in any Structured Products and consult your professional independent financial adviser and legal, accounting, tax and other advisers with respect to any investment in the Structured Products. Please read the following section together with the risk factors set out in the relevant Supplemental Listing Document and the terms and conditions in Appendix 1 regarding the risks associated with the relevant Structured Products.

General risks relating to us

Non-collateralised Structured Products

The Structured Products are not secured on any of our assets or any collateral. Each series of Structured Products constitutes our general unsecured contractual obligations and of no other person and will rank equally with our other unsecured contractual obligations and unsecured and unsubordinated debt. At any given time, the number of our Structured Products outstanding may be substantial.

We are not the ultimate holding company of the group

We are not the ultimate holding company of the group to which we belong. The ultimate holding company of the group to which we belong is Bank of China Limited.

Credit risk

If you invest in our Structured Products, you are relying on our creditworthiness and of no other person. If we become insolvent or default on our obligations under the Structured Products, you can only claim as our unsecured creditor regardless of the performance of the Underlying Asset and you may not be able to recover all or even part of the amount due under the Structured Products (if any). You have no rights under the terms of the Structured Products against:

- (a) any company which issues the underlying shares or any other person;
- (b) the trustee or the manager of the underlying trust or any other person; or
- (c) any index compiler of the underlying index.

As our obligations under the Structured Products are unsecured, we do not guarantee the repayment of your investment in any Structured Product.

Repurchase of our Structured Products

We are a wholly-owned subsidiary of BOC International Holdings Limited (“**BOCI**”) and, the subsidiaries and affiliates of BOCI may repurchase the Structured Products from time to time in the private market or otherwise at a negotiated price or the prevailing market price at our discretion. You should not make any assumption as to the number of Structured Products in issue for any particular series at any time.

No deposit liability or debt obligation

We are obliged to deliver to you the Cash Settlement Amount under the Conditions of each series of the Structured Products upon expiry. We do not intend (expressly, implicitly or otherwise) to create a deposit liability or a debt obligation of any kind by the issue of any Structured Product.

Conflicts of interest

BOCI and its subsidiaries (“**BOCI Group**”) engages in a wide range of investment and private banking, brokerage, funds management, hedging transactions and investment and other activities for our own account or the account of others. In addition, the BOCI Group, in connection with our other business

activities, may possess or acquire material information about the Underlying Assets or may issue or update research reports on the Underlying Assets. Such activities, information and/or research reports may involve or otherwise affect the Underlying Assets in a manner that may cause consequences adverse to you or otherwise create conflicts of interests in connection with the issue of Structured Products by us. Such actions and conflicts may include, without limitation, the purchase and sale of securities, financial advisory relationships and exercise of creditor rights. The BOCI Group:

- (a) has no obligation to disclose such information about the Underlying Assets or such activities. The BOCI Group and our officers and directors may engage in any such activities without regard to the issue of Structured Products by us or the effect that such activities may directly or indirectly have on any Structured Product;
- (b) may from time to time engage in transactions involving the Underlying Assets for our proprietary accounts and/or for accounts under our management and/or to hedge against the market risk associated with issuing the Structured Products. Such transactions may have a positive or negative effect on the price/level of the Underlying Assets and consequently upon the value of the relevant series of Structured Products;
- (c) may from time to time act in other capacities with regard to the Structured Products, such as in an agency capacity and/or as the liquidity provider;
- (d) may issue other derivative instruments in respect of the Underlying Assets and the introduction of such competing products into the market place may affect the value of the relevant series of Structured Products; and
- (e) may also act as underwriter in connection with future offerings of shares, units or other securities or may act as financial adviser, or sponsor, as the case may be, of any of the Underlying Asset. Such activities could present certain conflicts of interest and may affect the value of the Structured Products.

You should also note that potential conflicts of interest may arise from the different roles played by us, our subsidiaries and affiliates in connection with our Structured Products and the economic interests in each role may be adverse to your interests in our Structured Products. We owe no duty to you to avoid such conflicts.

General risks relating to Structured Products

You may lose your investment in the Structured Products

Structured Products involve a high degree of risk, and are subject to a number of risks which may include interest, foreign exchange, time value, market and/or political risks. Structured Products may expire worthless.

Options, warrants and asset linked instruments are priced primarily on the basis of the price/level of the Underlying Asset, the volatility of the Underlying Asset's price/level and the time remaining to expiry of the Structured Product.

The price of Structured Products generally may fall in value as rapidly as they may rise and you should be prepared to sustain a significant or total loss of the purchase price of the Structured Products. Assuming all other factors are held constant, the more the underlying share price, unit price or index level of a Structured Product moves in a direction against you and the shorter its remaining term to expiration, the greater the risk that you will lose all or a significant part of your investment.

The Structured Products are only exercisable on their respective Expiry Dates as set forth in the Supplemental Listing Document and may not be exercised by you prior to the relevant Expiry Date. Accordingly, if on such Expiry Date the Cash Settlement Amount is zero or negative, you will lose the value of your investment.

The risk of losing all or any part of the purchase price of a Structured Product means that, in order to recover and realise a return on investment, you must generally anticipate correctly the direction, timing and magnitude of any change in the price/level of the Underlying Asset.

Changes in the price/level of an Underlying Asset can be unpredictable, sudden and large and such changes may result in the price/level of the Underlying Asset moving in a direction which will negatively impact upon the return on your investment. You therefore risk losing your entire investment if the price/level of the relevant Underlying Asset does not move in the anticipated direction.

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

An investment in Structured Products is not the same as owning the Underlying Assets or having a direct investment in the Underlying Asset. The market values of Structured Products are linked to the relevant Underlying Assets and will be influenced (positively or negatively) by it or them but any change may not be comparable and may be disproportionate. For example, for a call warrant, it is possible that while the price/level of the Underlying Assets is increasing, the value of the Structured Product is falling.

If you intend to purchase any series of Structured Products to hedge against the market risk associated with investing in the Underlying Asset, you should recognise the complexities of utilizing Structured Products in this manner. For example, the value of the Structured Products may not exactly correlate with the price/level of the Underlying Asset. Due to fluctuations in supply and demand for Structured Products, there is no assurance that their value will correlate with movements of the Underlying Asset. The Structured Products may not be a perfect hedge to the Underlying Asset or portfolio of which the Underlying Asset forms a part.

It may not be possible to liquidate the Structured Products at a level which directly reflects the price/level of the Underlying Asset or portfolio of which the Underlying Asset forms a part. Therefore, it is possible that you could suffer substantial losses in the Structured Products in addition to any losses suffered with respect to investments in or exposures to the Underlying Asset.

Possible illiquidity of secondary market

The Liquidity Provider may be the only market participant for the Structured Products and therefore the secondary market for the Structured Products may be limited. The more limited the secondary market, the more difficult it may be for you to realise the value in the Structured Products prior to expiry.

You should also be aware that the Liquidity Provider may not be able to provide liquidity when there are operational and technical problem hindering its ability to do so. Even if the Liquidity Provider is able to provide liquidity in such circumstances, its performance of liquidity provision may be adversely affected. For example:

- (i) the spread between bid and ask prices quoted by the Liquidity Provider may be significantly wider than its normal standard;
- (ii) the quantity for which liquidity will be provided by the Liquidity Provider may be significantly smaller than its normal standard; and/or
- (iii) the Liquidity Provider's response time for a quote may be significantly longer than its normal standard.

Interest rates

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

Time decay

The settlement amount of certain series of Structured Products at any time prior to expiration may be less than the trading price of such Structured Products at that time. The difference between the trading price and the settlement amount will reflect, among other things, a “time value” of the Structured Products. The “time value” of the Structured Products will depend upon, among others, the length of the period remaining to expiration and expectations concerning the range of possible future price/level of the Underlying Assets. The value of a Structured Product will decrease over time as the length of the period remaining to expiration becomes shorter. Therefore, the Structured Products should not be viewed as products for long term investments.

Exchange rate risk

Where Structured Products are described as being “**quantoed**”, the value of the Underlying Assets will be converted from one currency (the “**Original Currency**”) into a new currency (the “**New Currency**”) on the date and in the manner specified in, or implied by, the Conditions using a fixed exchange rate. The cost to us of maintaining such a fixing between the Original Currency and the New Currency will have an implication on the value of the Structured Products, which will vary during the term of the Structured Products. No assurance can be given as to whether or not, taking into account relative exchange rate and interest rate fluctuations between the Original Currency and the New Currency, a quanto feature in a Structured Product would at any time enhance the return on the Structured Product over a level of a similar Structured Product issued without such a quanto feature.

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

Fluctuations in foreign exchange rates, foreign political and economic developments and the imposition of exchange controls or other foreign governmental laws or restrictions applicable to such investments may affect the foreign currency market price and the exchange rate-adjusted equivalent price of the Structured Products. Fluctuations in the exchange rate of any one currency may be offset by fluctuations in the exchange rate of other relevant currencies. There can be no assurance that rates of exchange between any relevant currencies which are current rates at the date of issue of any Structured Products will be representative of the relevant rates of exchange used in computing the value of the relevant Structured Products at any time thereafter.

Taxes

You may be required to pay stamp duty or other taxes or other documentary charges. If you are in any doubt as to your tax position, you should consult your own independent tax advisors. In addition, you should be aware that tax regulations and their application by the relevant taxation authorities change from time to time. Accordingly, it is not possible to predict the precise tax treatment which will apply at any given time. See the section headed “Taxation” for further information.

Modification to the Conditions

Under the Conditions, we may, without your consent, effect any modification of the terms and conditions of the Structured Products or the Instrument which, in our opinion, is:

- (a) not materially prejudicial to the interest of the Structured Products holders generally (without considering your individual circumstances or the tax or other consequences of such modification in any particular jurisdiction);
- (b) of a formal, minor or technical nature;
- (c) made to correct a manifest error; or
- (d) necessary in order to comply with mandatory provisions of the laws or regulations of Hong Kong.

Possible early termination for illegality or impracticability

If we determine in good faith and in a commercially reasonable manner that, for reasons beyond our control, the performance of our obligations under the Structured Products has become illegal or impracticable (or in the case of CBBCs only, it is no longer legal or practical for us to maintain our hedging arrangement with respect to the CBBCs), we may terminate early such Structured Products. If we terminate early the Structured Products, we will, if and to the extent permitted by applicable law, pay an amount determined by us in good faith and in a commercially reasonable manner to be their fair market value notwithstanding the illegality or impracticability less the cost to us of unwinding any related hedging arrangements, which may be substantially less than your initial investment and may be zero.

Risks relating to the Underlying Asset

You have no right to the Underlying Asset

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

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

Valuation risk

An investment in Structured Products may involve valuation risk as regards the Underlying Assets to which the particular series of Structured Products relate. The price/level of the Underlying Asset may vary over time and may increase or decrease by reference to a variety of factors which may include corporate actions, macro economic factors, speculation and (where the Underlying Asset is an index) changes in the formula for or the method of calculating the index.

You must be experienced with dealing in these types of Structured Products and must understand the risks associated with dealing in such products. You should reach an investment decision only after careful consideration, with your advisers, of the suitability of any Structured Product in light of your particular financial circumstances, the information regarding the relevant Structured Product and the particular Underlying Asset to which the value of the relevant Structured Product relates.

Adjustment related risk

Certain events relating to the Underlying Asset require or, as the case may be, permit us to make certain adjustments or amendments to the Conditions. You have limited anti-dilution protection under the Conditions of the Structured Products. We may in a commercially reasonable manner adjust, among other things, the Entitlement, the Exercise Price (if applicable), the Call Price (if applicable), the Strike Price (if applicable) or any other terms (including without limitation the Closing Price or the closing level of the Underlying Asset) of any series of Structured Product. However, we are not required to make an adjustment for every event that may affect the Underlying Asset, in which case the market price of the Structured Products and the return upon the expiry of the Structured Products may be affected.

In addition, if the Underlying Asset ceases to be listed on the Stock Exchange during the term of the Structured Products, we may make adjustments and/or amendments to the rights attaching to the Structured Products pursuant to the Conditions of the Structured Products. Such adjustments and/or amendments will be conclusive and binding on you.

In the case of Structured Products which relate to an index, the level of the index may be published by the index compiler at a time when one or more shares comprising in the index are not trading. If this occurs on the Valuation Date but such occurrence does not constitute a Market Disruption Event under the Conditions then the value of such share(s) may not be included in the level of the index. In addition,

certain events relating to the index (including a material change in the formula or the method of calculating the index or a failure to publish the index) permit us to determine the level of the index on the basis of the formula or method last in effect prior to such change in formula or method.

Suspension of trading

If the Underlying Assets are suspended from trading or dealing for whatever reason on the market on which they are listed or dealt in (including the Stock Exchange), trading in the relevant series of Structured Products will be suspended for a similar period. The value of the Structured Products will decrease over time as the length of the period remaining to expiration becomes shorter. In such circumstances, you should note that in the case of a prolonged suspension period, the market price of the Structured Products may be subject to a significant impact of time decay of such prolonged suspension period and may fluctuate significantly upon resumption of trading after the suspension period of the Structured Products. This may adversely affect your investment in the Structured Products.

Delay in settlement

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

However, such delay could be significantly longer, particularly in the case of a delay in the expiry of such Structured Products arising from our determination that a Market Disruption Event, Settlement Disruption Event or delisting of the underlying shares or units has occurred at any relevant time or that adjustments are required in accordance with the Conditions.

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

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

Risks relating to Structured Products over trusts

General risks

In the case of Structured Products which relate to the units of a trust:

- (a) neither we nor any of our affiliates have the ability to control or predict the actions of the trustee or the manager of the relevant trust. Neither the trustee nor the manager of the relevant trust (i) is involved in the offer of any Structured Product in any way, or (ii) has any obligation to consider the interest of the holders of any Structured Product in taking any corporate actions that might affect the value of any Structured Product; and
- (b) we have no role in the relevant trust. The trustee or manager of the relevant trust is responsible for making strategic, investment and other trading decisions with respect to the management of the relevant trust consistent with its investment objectives and in compliance with the investment restrictions as set out in the constitutive documents of the relevant trust. The manner in which the relevant trust is managed and the timing of actions may have a significant impact on the performance of the relevant trust. Hence, the market price of the relevant units is also subject to these risks.

Exchange traded funds

In the case of Structured Products linked to units of an exchange traded fund (“ETF”), you should note that:

- (a) an ETF is exposed to the economic, political, currency, legal and other risks of a specific sector or market related to the underlying asset pool or index or market that the ETF is designed to track;

- (b) there may be disparity between the performance of the ETF and the performance of the underlying asset pool or index or market that the ETF is designed to track as a result of, for example, failure of the tracking strategy, currency differences, fees and expenses; and
- (c) where the underlying asset pool or index or market that the ETF tracks is subject to restricted access, the efficiency in the unit creation or redemption to keep the price of the ETF in line with its net asset value may be disrupted, causing the ETF to trade at a higher premium or discount to its net asset value. Hence, the market price of the Structured Products will also be indirectly subject to these risks.

Synthetic exchange traded funds

Additionally, where the Underlying Asset of Structured Products comprises the units of an ETF adopting a synthetic replication investment strategy to achieve its investment objectives by investing in financial derivative instruments linked to the performance of an underlying asset pool or index that the ETF is designed to track (“**Synthetic ETF**”), you should note that:

- (a) investments in financial derivative instruments will expose the Synthetic ETF to the credit, potential contagion and concentration risks of the counterparties who issued such financial derivative instruments. As such counterparties are predominantly international financial institutions, the failure of one such counterparty may have a negative effect on other counterparties of the Synthetic ETF. Even if the Synthetic ETF has collateral to reduce the counterparty risk, there may still be a risk that the market value of the collateral has fallen substantially when the Synthetic ETF seeks to realize the collateral; and
- (b) the Synthetic ETF may be exposed to higher liquidity risk if the Synthetic ETF invests in financial derivative instruments which do not have an active secondary market.

The above risks may have a significant impact on the performance of the relevant ETF or Synthetic ETF and hence the market price of Structured Products linked to such ETF or Synthetic ETF. You should read the offering document of the ETF for further information about the risks applicable to the ETF.

*RQFII A-share ETF (“**RQFII ETF**”)*

An RQFII ETF is issued and traded outside Mainland China with direct investment in the Mainland China’s A-share markets through the Renminbi Qualified Foreign Institutional Investor (“**RQFII**”) regime. Where the Underlying Asset of Structured Products comprises the units of an RQFII ETF, you should note that, amongst others:

- (a) the novelty and untested nature of an RQFII ETF make it riskier than traditional ETFs investing directly in more developed markets. The policy and rules for RQFII prescribed by the Mainland China government are new and subject to change, and there may be uncertainty to its implementation. The uncertainty and change of the laws and regulations in Mainland China may adversely impact on the performance of the relevant trust and the trading price of the relevant units;
- (b) as disclosed in its offering documents, an RQFII ETF primarily invests in securities traded in the Mainland China’s A-share markets and is subject to concentration risk. Investment in the Mainland China’s A-share markets (which are inherently stock markets with restricted access) involves certain risks and special considerations as compared with investment in more developed economies or markets, such as greater political, tax, economic, foreign exchange, liquidity and regulatory risks. The operation of an RQFII ETF may also be affected by interventions by the applicable government(s) and regulators in the financial markets; and
- (c) an RQFII ETF will utilize its manager’s RQFII quota allocated to such fund under the RQFII regime. In the event that RQFII quota allocated to the RQFII ETF is reached and the manager is unable to acquire additional RQFII quota for the RQFII ETF, the manager may need to suspend creation of further units of the RQFII ETF, and therefore may affect liquidity in unit trading of the RQFII ETF. In such event, the trading price of a unit of the RQFII ETF is likely to be at a significant premium to its net asset value, and may be highly volatile.

The above risks may have a significant impact on the performance of the relevant units and the price of the Structured Products. Please read the offering documents of the relevant RQFII ETF to understand its key features and risks.

RQFII ETF traded through dual counters model

Where the Underlying Asset of Structured Products comprises the units of an RQFII ETF which adopts the dual counters model for trading its units on the Stock Exchange in Renminbi (“**RMB**”) and Hong Kong dollars (“**HKD**”) separately, the novelty and relatively untested nature of the Stock Exchange’s dual counters model may bring the following additional risks:

- (a) the Structured Products may be linked to the HKD-traded units or the RMB-traded units. If the Underlying Asset of Structured Products is the HKD-traded units, movements in the trading prices of the RMB-traded units should not directly affect the price of the Structured Products. Similarly, if the Underlying Asset of Structured Products is the RMB-traded units, movements in the trading prices of the HKD-traded units should not directly affect the price of the Structured Products;
- (b) if there is a suspension of inter-counter transfer of such units between the HKD counter and the RMB counter for any reason, such units will only be able to be traded in the relevant currency counter on the Stock Exchange, which may affect the demand and supply of such units and have an adverse effect on the price of the Structured Products; and
- (c) the trading price on the Stock Exchange of the HKD-traded units and RMB-traded units may deviate significantly due to different factors, such as market liquidity, RMB conversion risk, supply and demand in each counter and the exchange rate between RMB and HKD. Changes in the trading price of the Underlying Asset of Structured Products in HKD or RMB (as the case may be) may adversely affect the price of the Structured Products.

Real estate investment trust (“REIT”)

Where the Underlying Asset of Structured Products comprises the units of a REIT, you should note that the investment objective of a REIT is to invest in a real estate portfolio. Each REIT is exposed to risks relating to investments in real estate, including but not limited to:

- (a) adverse changes in political or economic conditions;
- (b) changes in interest rates and the availability of debt or equity financing, which may result in an inability by the REIT to maintain or improve the real estate portfolio and finance future acquisitions;
- (c) changes in environmental, zoning and other governmental rules;
- (d) changes in market rents;
- (e) any required repair and maintenance of the portfolio properties;
- (f) breach of any property laws or regulations;
- (g) the relative illiquidity of real estate investment;
- (h) real estate taxes;
- (i) any hidden interests in the portfolio properties;
- (j) any increase in insurance premiums; and
- (k) any uninsurable losses.

There may also be disparity between the market price of the units of a REIT and the net asset value per unit. This is because the market price of the units of a REIT also depends on many factors, including but not limited to:

- (a) the market value and perceived prospects of the real estate portfolio;
- (b) changes in economic or market conditions;
- (c) changes in market valuations of similar companies;
- (d) changes in interest rates;
- (e) the perceived attractiveness of the units of the REIT against those of other equity securities;
- (f) the future size and liquidity of the market for the units and the REIT market generally;
- (g) any future changes to the regulatory system, including the tax system; and
- (h) the ability of the REIT to implement its investment and growth strategies and to retain its key personnel.

The above risks may have a significant impact on the performance of the relevant units and the price of the Structured Products.

The implied volatility of the Structured Products may not reflect the actual volatility of the Underlying Asset

The market price of the Structured Products is determined among other factors by the supply and demand of such Structured Products. This price “implies” a level of volatility in the Underlying Asset in the sense that such level of volatility would give a theoretical value for such Structured Products which is equal to that price; but such level of volatility may not be equal to the actual level of volatility of the Underlying Asset in the past or future.

Risk relating to CBBCs

You may lose your entire investment when a Mandatory Call Event occurs

Unlike warrants, CBBCs has a mandatory call feature and trading in the CBBCs will be suspended when the Spot Price/Spot Level reaches the Call Price/Call Level (subject to the circumstances in which a Mandatory Call Event will be reversed as set out in the sub-section titled “Mandatory Call Event is irrevocable” below). No investors can sell the CBBCs after the occurrence of a Mandatory Call Event. Even if the price/level of the Underlying Asset bounces back in the right direction, the CBBCs which have been terminated as a result of the Mandatory Call Event will not be revived and investors will not be able to profit from the bounce-back. Investors may receive a Residual Value after the occurrence of a Mandatory Call Event but such amount may be zero.

Mandatory Call Event is irrevocable

A Mandatory Call Event is irrevocable unless it is triggered as a result of any of the following events:

- (i) report of system malfunction or other technical errors of HKEx (such as the setting up of wrong Call Price/Call Level or other parameters) by the Stock Exchange to us; or
- (ii) report of manifest errors caused by the relevant third party price source where applicable by us to the Stock Exchange,

and we agree with the Stock Exchange that such Mandatory Call Event is to be revoked provided that such mutual agreement must be reached no later than 30 minutes before the commencement of trading (including the pre-opening session) (Hong Kong time) on the Trading Day of the Stock Exchange immediately following the day on which the Mandatory Call Event occurs, or such other time as prescribed by the Stock Exchange from time to time.

In such case, the Mandatory Call Event so triggered will be reversed and all trades cancelled (if any) will be reinstated and the trading of the CBBCs will resume.

Delay in Mandatory Call Event notification

We will notify the market as soon as reasonably practicable after the occurrence of a Mandatory Call Event. You should be aware that there may be a delay in our announcement of a Mandatory Call Event due to technical errors, system failures and other factors that are beyond the reasonable control of the Stock Exchange and us.

Non-Recognition of Post MCE Trades

The Stock Exchange and its recognised exchange controller, HKEx, will not incur any liability (whether based on contract, tort, (including, without limitation, negligence), or any other legal or equitable grounds and without regard to the circumstances giving rise to any purported claim except in the case of wilful misconduct on the part of the Stock Exchange and/or HKEx) for, any direct, consequential, special, indirect, economic, punitive, exemplary or any other loss or damage suffered or incurred by us or any other party arising from or in connection with the Mandatory Call Event or the suspension of trading (“**Trading Suspension**”) or the non-recognition of trades after a Mandatory Call Event (“**Non-Recognition of Post MCE Trades**”), including without limitation, any delay, failure, mistake or error in the Trading Suspension or Non-Recognition of Post MCE Trades.

We and our affiliates shall not have any responsibility for any losses suffered as a result of the Trading Suspension and/or Non-Recognition of Post MCE Trades in connection with the occurrence of a Mandatory Call Event, notwithstanding that such Trading Suspension or Non-Recognition of Post MCE Trades may have occurred as a result of an error in the observation of the event.

Fluctuation in the Funding Cost

The Issue Price of the CBBCs is set by reference to the difference between the initial reference spot price/spot level of the Underlying Asset and the Strike Price/Strike Level, plus the applicable Funding Cost as of the Launch Date. The initial Funding Cost applicable to the CBBCs is specified in the relevant Supplemental Listing Document. It will fluctuate throughout the life of the CBBCs as the funding rate may change from time to time. The funding rate is a rate determined by us based on one or more of the following factors, including but not limited to the Strike Price, the prevailing interest rate, the expected life of the CBBCs, any expected notional dividends in respect of the underlying Shares and the margin financing provided by us.

Residual Value will not include residual Funding Cost

The Residual Value (if any) payable by us following the occurrence of a Mandatory Call Event will not include the residual Funding Cost for the CBBCs. When a Mandatory Call Event occurs, the investors will lose the Funding Cost for the full period.

Our hedging activities may adversely affect the price or level of the Underlying Asset

We and/or any of our affiliates may carry out activities that minimise our risks related to the CBBCs, including effecting transactions for our own account or for the account of our customers and hold long or short positions in the Underlying Asset (whether for risk reduction purposes or otherwise). In addition, in connection with the offering of any CBBCs, we and/or any of our affiliates may enter into one or more hedging transactions with respect to the Underlying Asset. In connection with such hedging or

market-making activities or with respect to proprietary or other trading activities by us and/or any of our affiliates, we and/or any of our affiliates may enter into transactions in the Underlying Asset which may affect the market price, liquidity or price or level of the Underlying Asset and/or the value of CBBCs and which could be deemed to be adverse to your interests. We and/or any of our affiliates are likely to modify our hedging positions throughout the life of the CBBCs whether by effecting transactions in the Underlying Asset or in derivatives linked to the Underlying Asset. Further, it is possible that the advisory services which we or any of our affiliates provide in the ordinary course of our business could lead to an adverse impact on the value of the Underlying Asset.

Unwinding of hedging arrangements

Our or our affiliates' trading and/or hedging activities related to CBBCs and/or other financial instruments issued by us from time to time may have an impact on the price or level of the Underlying Asset and may trigger a mandatory call event. In particular, when the Underlying Asset is trading close to the call price or the call level, our unwinding activities may cause a fall or rise (as the case may be) in the trading price or level of the Underlying Asset, leading to a mandatory call event as a result of such unwinding activities.

In respect of category N CBBCs, we or our affiliates may unwind any hedging transactions entered into by us in relation to the CBBCs at any time even if such unwinding activities may trigger a mandatory call event.

In respect of category R CBBCs, before the occurrence of a Mandatory Call Event, we or our affiliates may unwind our hedging transactions relating to the CBBCs in proportion to the amount of the CBBCs we repurchase from time to time. Upon the occurrence of a Mandatory Call Event, we or our affiliates may unwind any hedging transactions in relation to the CBBCs. Such unwinding activities after the occurrence of a mandatory call event may affect the trading price or level of the Underlying Asset and consequently the Residual Value for the CBBCs.

Risk relating to the legal form of the Structured Products

Each series of Structured Products will be represented by a global certificate registered in the name of HKSCC Nominees Limited (or such other nominee company as may be used by HKSCC from time to time in relation to the provision of nominee services to persons admitted for the time being by HKSCC as a participant of CCASS).

Structured Products issued in global registered form and held on your behalf within a clearing system effectively means that the evidence of your title, as well as the efficiency of ultimate delivery of the Cash Settlement Amount, will be subject to the CCASS Rules. You should be aware of the following risks:

- (a) you will not receive definitive certificates where the Structured Products remain in the name of HKSCC Nominees Limited for the entire life of the Structured Products;
- (b) any register that is maintained by us or on our behalf, while available for inspection by you, will not be capable of registering any interests other than that of the legal title owner, in other words, it will record at all times that the Structured Products are being held by HKSCC Nominees Limited;
- (c) you will have to rely solely upon your broker/custodians and the statements you receive from such party as evidence of your interest in the investment;
- (d) notices or announcements will be published on the HKEx website and/or released by HKSCC to its participants via CCASS. You will need to check the HKEx website regularly and/or rely on your brokers/custodians to obtain such notices/announcements; and
- (e) following the Expiry Date and the determination by us as to the Cash Settlement Amount, our obligations to you will be duly performed by payment of the Cash Settlement Amount in accordance with the Conditions to HKSCC Nominees Limited as the "holder" of the Structured Products. HKSCC or HKSCC Nominees Limited will then distribute the received Cash Settlement Amount to the respective CCASS participants in accordance with the CCASS Rules.

Fee arrangements with brokers and conflicts of interest of brokers

We may enter into fee arrangements with brokers and/or any of its affiliates with respect to the primary market in the Structured Products. You should note that any brokers with whom we have a fee arrangement does not, and cannot be expected to, deal exclusively in the Structured Products, therefore any broker and/or its subsidiaries or affiliates may from time to time engage in transactions involving the Underlying Assets and/or the Structured Products of other issuers over the same Underlying Assets to which the particular series of Structured Products may relate, or other Underlying Assets as the case may be, for their proprietary accounts and/or for the accounts or their clients. The fact that the same broker may deal simultaneously for different clients in competing products in the market place may affect the value of the Structured Products and present certain conflicts of interests.

Effect of the combination of risk factors unpredictable

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

TAXATION

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

General

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

Taxation in Hong Kong

Profits Tax

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

Stamp Duty

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

Estate Duty

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

PURCHASE AND SALE

General

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

United States of America

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

In addition, until 40 days after the commencement of the offering, an offer, sale, re-sale, transfer or delivery of Structured Products within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

United Kingdom

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

Additional

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

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

GENERAL INFORMATION ABOUT US

Profile and activities

Incorporated in Hong Kong on 10 July 1998 with limited liability, we are a wholly-owned subsidiary of BOC International Holdings Limited (“**BOCI**”) which in turn is a wholly owned subsidiary of Bank of China Limited.

Our registered office and principal place of business is located at 26/F, Bank of China Tower, 1 Garden Road, Central, Hong Kong. Our key functions are supported by BOCI and its other subsidiaries (“**BOCI Group**”).

With our team of financial professionals that combines international vision and extensive experience in the local markets, BOCI Group is well-positioned to offer its clients a wide range of investment banking services, including corporate financing, mergers and acquisitions, financial advisory, equity sales and trading, private banking, fixed income, asset management, private equity investments, equity derivatives, leveraged and structured finance global commodities and so on.

Members of the Issuer’s board of directors as of 31 March 2015 are:

- (1) Wang Jun
- (2) Lu Ying
- (3) Cao Yuanzheng
- (4) Leung Yiu Kei
- (5) Chen Xiaolu
- (6) Bian Fang
- (7) Lee Kin Man
- (8) Yu Ka Fai
- (9) Mak Chi Kin

The following director has resigned from his directorship after the publication of our previous base listing document dated 12 May 2014 on the following date:

Mr. Du Jinsong resigned as a director of the Board of Directors of the Issuer with effect from 7 February 2015.

The following directors have been appointed after the publication of our previous base listing document dated 12 May 2014:

Mr. Yu Ka Fai has been appointed as a director of the Board of Directors of the Issuer with effect from 7 February 2015.

Mr. Mak Chi Kin has been appointed as a director of the Board of Directors of the Issuer with effect from 7 February 2015.

APPENDIX 1 – TERMS AND CONDITIONS OF STRUCTURED PRODUCTS

The following pages set out the terms and conditions applicable to different types of Structured Products.

PART A	–	TERMS AND CONDITIONS OF CASH-SETTLED WARRANTS OVER SINGLE EQUITIES.	29
PART B	–	TERMS AND CONDITIONS OF CASH-SETTLED WARRANTS OVER INDEX	39
PART C	–	TERMS AND CONDITIONS OF CASH-SETTLED WARRANTS OVER SINGLE UNIT TRUSTS.	47
PART D	–	TERMS AND CONDITIONS OF CASH-SETTLED CALLABLE BULL/BEAR CONTRACTS OVER SINGLE EQUITIES	57
PART E	–	TERMS AND CONDITIONS OF CASH-SETTLED CALLABLE BULL/BEAR CONTRACTS OVER INDEX	70
PART F	–	TERMS AND CONDITIONS OF CASH-SETTLED CALLABLE BULL/BEAR CONTRACTS OVER SINGLE UNIT TRUSTS. .	79

PART A – TERMS AND CONDITIONS OF CASH-SETTLED WARRANTS OVER SINGLE EQUITIES

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

1. Form, Status, Transfer and Title

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

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

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

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

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

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

2. Warrant Rights and Exercise Expenses

- (A) Every Board Lot entitles the Warrantholder, upon due exercise and upon compliance with these Conditions, in particular Condition 3, to payment of the Cash Settlement Amount (as defined below), if any.

(B) Upon exercise of the Warrants, the Warrantholder will be required to pay the Exercise Expenses. To effect such payment an amount equivalent to the Exercise Expenses shall be deducted from the Cash Settlement Amount in accordance with Condition 3(F).

(C) For the purposes of these Conditions:

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

“**Board Lot**” has the meaning given to it in the relevant Supplemental Listing Document;

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

“**Cash Settlement Amount**” means, for every Board Lot, an amount in the Settlement Currency calculated by the Issuer in accordance with the following formula:

(i) in the case of a series of Call Warrants:

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

(ii) in the case of a series of Put Warrants:

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

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

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

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

“**Company**” means the company specified as such in the relevant Supplemental Listing Document;

“**Entitlement**” means the number specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with Condition 5;

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

“**Exercise Price**” means the price specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with Condition 5;

“**Expiry Date**” means the date specified as such in the relevant Supplemental Listing Document;

“**HKE**” means Hong Kong Exchanges and Clearing Limited;

“**Listing Date**” means the date specified as such in the relevant Supplemental Listing Document;

“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 (i) the Shares; or (ii) any options or futures contracts relating to the Shares if, in any such case, such suspension or limitation is, in the determination of the Issuer, material;
- (2) the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a “BLACK” rainstorm signal on any day which either (i) results in the Stock Exchange being closed for trading for the entire day; or (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session), PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening 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 issued; or
- (3) a limitation or closure of the Stock Exchange due to any unforeseen circumstances;

“Number of Warrant(s) per Entitlement” means the amount specified as such in the relevant Supplemental Listing Document;

“Settlement Currency” means the currency specified as such in the relevant Supplemental Listing Document;

“Settlement Date” means the third CCASS Settlement Day after the later of: (i) the Expiry Date; and (ii) the day on which the Average Price is determined in accordance with the Conditions;

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

“Share” means the share specified as such in the relevant Supplemental Listing Document;

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

“Valuation Date” means each of the five Business Days immediately preceding the Expiry Date, provided that if the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on any Valuation Date, then that Valuation Date shall be postponed until the first succeeding Business Day on which there is no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a Business Day that is already or is deemed to be a Valuation Date. For the avoidance of doubt, in the event that a Market Disruption Event has occurred and a Valuation Date is postponed as aforesaid, the closing price of the Shares on the first succeeding Business Day will be used more than once in determining the Average Price, so that in no event shall there be less than five closing prices used to determine the Average Price.

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

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

3. Exercise of Warrants

- (A) Warrants may only be exercised in Board Lots or integral multiples thereof.
- (B) Any Warrants shall be automatically exercised on the Expiry Date, without notice to the Warrantholder if the Issuer determines that the Cash Settlement Amount (calculated in accordance with these Conditions) is positive. In respect of each Board Lot, the Cash Settlement Amount shall be paid in the manner set out in Condition 3(F) below.

Any Warrant which has not been exercised in accordance with this Condition shall expire immediately thereafter and all rights of the Warrantholder and obligations of the Issuer with respect to such Warrant shall cease.

- (C) Any Exercise Expenses which are not determined by the Issuer on the Expiry Date and deducted from the Cash Settlement Amount prior to delivery to the Warrantholder in accordance with Condition 3, shall be notified to the Warrantholder as soon as practicable after determination thereof by the Issuer and shall be paid by the Warrantholder to the Issuer immediately upon demand.
- (D) An irrevocable authorisation is deemed to be given to the Issuer to deduct the determined Exercise Expenses from the Cash Settlement Amount.
- (E) Subject to the exercise of Warrants in accordance with these Conditions, or in the event that Warrants have expired worthless, the Issuer will, with effect from the first Business Day following the Expiry Date, remove the name of the Warrantholder from the register of Warrantholders in respect of the Warrants which are the subject of the exercise or have expired worthless, as the case may be, and thereby cancel the relevant Warrants and destroy the Global Warrant Certificate.
- (F) Upon the exercise of Warrants in accordance with these Conditions, the Issuer will pay the Cash Settlement Amount minus any determined Exercise Expenses to the relevant Warrantholder. If the Cash Settlement Amount is equal to or less than the determined Exercise Expenses, no amount is payable.

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

- (G) If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event.
- (H) These Conditions shall not be construed so as to give rise to any relationship of agency or trust between the Issuer or its agent or nominee and the Warrantholder and neither the Issuer nor its agent or nominee shall owe any duty of fiduciary nature to the Warrantholder.

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

- (I) The Issuer's obligations to pay the Cash Settlement Amount shall be discharged by payment in accordance with Condition 3(F) above.

4. Agent

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

5. Adjustments

Adjustments may be made by the Issuer and/or the Agent to these Conditions (including without limitation (i) the Exercise Price or (ii) the Entitlement) on the basis of the following provisions:

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

The Exercise Price will be adjusted to:

$$\text{Adjusted Exercise Price} = \frac{1}{\text{Adjustment Factor}} \times X$$

The Entitlement will be adjusted to:

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

Where:

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

- E : Existing Entitlement immediately prior to the Rights Offer
- X : Existing Exercise Price immediately prior to the Rights Offer
- S : Cum-Rights Share price being the closing price of an existing Share as derived from the Daily Quotation Sheet of the Stock Exchange on the last Business Day on which the Shares are traded on a cum-Rights basis
- R : Subscription price per new Share specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the 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 above formula would result in an adjustment to the Entitlement which would amount to one per cent or less of the Entitlement immediately prior to the adjustment, then no adjustment will be made. The adjustment of the Exercise Price (which shall be rounded to the nearest 0.001) shall take effect on the Rights Issue Adjustment Date.

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

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

The Exercise Price will be adjusted to:

$$\text{Adjusted Exercise Price} = \frac{1}{\text{Adjustment Factor}} \times X$$

The Entitlement will be adjusted to:

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

Where:

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

E : Existing Entitlement immediately prior to the Bonus Issue

X : Existing Exercise Price immediately prior to the Bonus Issue

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

Provided that if the above formula would result in an adjustment to the Entitlement which would amount to one per cent or less of the Entitlement immediately prior to the adjustment, then no adjustment will be made. The adjustment of the Exercise Price (which shall be rounded to the nearest 0.001) shall take effect on the Bonus Issue Adjustment Date.

- (C) *Subdivisions and Consolidations*. If and whenever the Company shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a “**Subdivision**”) or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a “**Consolidation**”), then:

(i) in the case of a Subdivision, the Entitlement in effect immediately prior thereto will be increased whereas the Exercise Price (which shall be rounded to the nearest 0.001) will be decreased in the same ratio as the Subdivision; and

(ii) in the case of a Consolidation, the Entitlement in effect immediately prior thereto will be decreased whereas the Exercise Price (which shall be rounded to the nearest 0.001) will be increased in the same ratio as the Consolidation,

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

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

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

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

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

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

The Exercise Price will be adjusted to:

$$\text{Adjusted Exercise Price} = \frac{1}{\text{Adjustment Factor}} \times X$$

The Entitlement will be adjusted to:

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

Where:

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

E: The existing Entitlement immediately prior to the Cash Distribution

X: Existing Exercise Price immediately prior to the Cash Distribution

CD: The Cash Distribution per Share

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

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

The adjustment of the Exercise Price (which shall be rounded to the nearest 0.001) shall take effect on the Cash Distribution Adjustment Date.

- (F) *Other Adjustments.* Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the Warrants as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:
- (a) not materially prejudicial to the interests of 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
 - (b) determined by the Issuer in good faith to be appropriate and commercially reasonable.
- (G) *Notice of Adjustments.* All determinations made by the Issuer and/or the Agent pursuant hereto will be conclusive and binding on the Warrantholder. The Issuer and/or the Agent will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with Condition 9.

6. Purchase by the Issuer

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

7. Global Warrant Certificate

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

8. Meetings of Warrantholders and Modification

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

Every question submitted to a meeting of the Warrantholder shall be decided by poll. A meeting may be convened by the Issuer or by the Warrantholder holding not less than 10 percent of the Warrants for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons (including any nominee appointed by the Warrantholder) holding or representing not less than 25 percent of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons (including any nominee appointed by the Warrantholder) being or representing Warrantholder whatever the number of Warrants so held or represented.

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

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

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

- (B) *Modification.* The Issuer may, without the consent of the Warrantholder, effect any modification of the terms and conditions of the Warrants or the Instrument which, in the opinion of the Issuer, is: (i) not materially prejudicial to the interests of the Warrantholder generally (without considering the circumstances of any individual Warrantholder or the tax or other consequences of such modification in any particular jurisdiction); (ii) of a formal, minor or technical nature; (iii) made to correct a manifest error; or (iv) necessary in order to comply with mandatory provisions of the laws or regulations of Hong Kong. Any such modification shall be binding on the Warrantholder and shall be notified to them by the Agent as soon as practicable thereafter in accordance with Condition 9.

9. Notices

All notices in English and Chinese to the Warrantholder will be validly given if published on the website of Hong Kong Exchanges and Clearing Limited, www.hkex.com.hk.

10. Liquidation

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

11. Further Issues

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

12. Delisting of Company

- (A) If at any time the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments and amendments to the rights attaching to the Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Warrantholder generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of the Warrantholder or the tax or other consequences that may result in any particular jurisdiction).
- (B) Without prejudice to the generality of Condition 12(A), where the Shares are, or, upon the delisting, become, listed on any other stock exchange, these Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Warrantholder, make such adjustments to the entitlements of the Warrantholder on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into the relevant currency) as it shall consider appropriate in the circumstances.
- (C) The Issuer shall determine, in its absolute discretion, any such adjustment or amendment and its determination shall be conclusive and binding on the Warrantholder save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Warrantholder in accordance with Condition 9 as soon as practicable after they are determined.

13. Illegality or Impracticability

The Issuer is entitled to terminate the Warrants if it determines in good faith and in a commercially reasonable manner that, for reasons beyond its control, it has become or it will become illegal or impracticable:

- (a) for it to perform its obligations under the Warrants in whole or in part as a result of:
- (i) the adoption of, or any change in, any relevant law or regulation (including any tax law); or
 - (ii) the promulgation of, or any change in, the interpretation by any court, tribunal, governmental, administrative, legislative, regulatory or judicial authority or power with competent jurisdiction of any relevant law or regulation (including any tax law),
- (each of (i) and (ii), a “**Change in Law Event**”); or
- (b) for it or any of its affiliates to maintain the Issuer’s hedging arrangements with respect to the Warrants due to a Change in Law Event.

Upon the occurrence of a Change in Law Event, the Issuer will, if and to the extent permitted by the applicable law or regulation, pay to each Warrantholder a cash amount that the Issuer determines in good faith and in a commercially reasonable manner to be the fair market value in respect of each Warrant held by such Warrantholder immediately prior to such termination (ignoring such illegality or impracticability) less the cost to the Issuer of unwinding any related hedging arrangement as determined by the Issuer in its sole and absolute discretion. Payment will be made to each Warrantholder in such manner as shall be notified to the Warrantholder in accordance with Condition 9.

14. Taxation

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

15. Good Faith and Commercially Reasonable Manner

Any exercise of discretion by the Issuer under these Conditions will be made in good faith and in a commercially reasonable manner.

16. Governing Law

The Warrants and the Instrument will be governed by and construed in accordance with the laws of the Hong Kong Special Administrative Region of the People’s Republic of China (“**Hong Kong**”). The Issuer and the Warrantholder (by its acquisition of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants and the Instrument to the non-exclusive jurisdiction of the courts of Hong Kong.

17. Language

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

Agent

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

PART B – TERMS AND CONDITIONS OF CASH-SETTLED WARRANTS OVER INDEX

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

1. Form, Status, Transfer and Title

- (A) The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 10) relating to the Index as published by the Index Compiler are issued in registered form subject to and with the benefit of an instrument by way of deed poll (the “**Instrument**” as defined more fully in the supplemental listing document) executed by BOCI Asia Limited (the “**Issuer**”). The Warrantholder (as defined below) is entitled to the benefit of, is bound by and is deemed to have notice of all the provisions of the Instrument. A copy of the Instrument is available for inspection at the offices of the Agent as specified below.

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

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

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

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

2. Warrant Rights and Exercise Expenses

- (A) Every Board Lot entitles the Warrantholder, upon due exercise and upon compliance with these Conditions, in particular Condition 3, to payment of the Cash Settlement Amount (as defined below), if any.
- (B) Upon exercise of the Warrants, the Warrantholder will be required to pay the Exercise Expenses. To effect such payment an amount equivalent to the Exercise Expenses shall be deducted from the Cash Settlement Amount in accordance with Condition 3(F).

(C) For the purposes of these Conditions:

“**Board Lot**” has the meaning given to it in the relevant Supplemental Listing Document;

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

“**Cash Settlement Amount**” means, for every Board Lot, an amount calculated by the Issuer in accordance with the following formula (and if, appropriate, either (i) converted (if applicable) into the Settlement Currency at the Exchange Rate or, as the case may be, (ii) converted into the Interim Currency at the First Exchange Rate and then (if applicable) converted into the Settlement Currency at the Second Exchange Rate):

In respect of Index Call Warrants:

$$\text{Cash Settlement Amount per Board Lot} = \frac{(\text{Closing Level} - \text{Strike Level}) \times \text{one Board Lot} \times \text{Index Currency Amount}}{\text{Divisor}}$$

In respect of Index Put Warrants:

$$\text{Cash Settlement Amount per Board Lot} = \frac{(\text{Strike Level} - \text{Closing Level}) \times \text{one Board Lot} \times \text{Index Currency Amount}}{\text{Divisor}}$$

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

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

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

“**Closing Level**” means the level specified as such in the relevant Supplemental Listing Document subject to any adjustment in accordance with Condition 5;

“**Divisor**” means the number specified as such in the relevant Supplemental Listing Document;

“**Exchange Rate**” means the rate specified as such in the relevant Supplemental Listing Document;

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

“**Expiry Date**” means the date specified as such in the relevant Supplemental Listing Document;

“**First Exchange Rate**” means the rate specified as such in the relevant Supplemental Listing Document;

“**HKEx**” means Hong Kong Exchanges and Clearing Limited;

“**Index**” means the index specified as such in the relevant Supplemental Listing Document;

“**Index Business Day**” means any day on which the Index Exchange is scheduled to open for trading for its regular trading sessions;

“Index Compiler” means the index compiler specified as such in the relevant Supplemental Listing Document;

“Index Currency Amount” has the meaning given to it in the relevant Supplemental Listing Document;

“Index Exchange” means the index exchange specified as such in the relevant Supplemental Listing Document;

“Interim Currency” means the currency specified as such in the relevant Supplemental Listing Document;

“Listing Date” means the date specified as such in the relevant Supplemental Listing Document;

“Market Disruption Event” means:

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

For the purposes of this paragraph (1), (i) 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 relevant exchange, and (ii) a limitation on trading imposed by reason of the movements in price exceeding the levels permitted by any relevant exchange will constitute a Market Disruption Event; or

- (2) where the Index Exchange is the Stock Exchange, the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a “BLACK” rainstorm signal on any day which either (i) results in the Stock Exchange being closed for trading for the entire day; or (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session), PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening 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 issued; or
- (3) a limitation or closure of the Index Exchange due to any unforeseen circumstances; or
- (4) any circumstances beyond the control of the Issuer in which the Closing Level or, if applicable, the Exchange Rate, the First Exchange Rate or the Second Exchange Rate (as the case may be) cannot be determined by the Issuer in the manner set out in these Conditions or in such other manner as the Issuer considers appropriate at such time after taking into account all the relevant circumstances;

“Second Exchange Rate” means the rate specified as such in the relevant Supplemental Listing Document;

“**Settlement Currency**” means the currency specified as such in the relevant Supplemental Listing Document;

“**Settlement Date**” means the third CCASS Settlement Day after the later of: (i) the Expiry Date; and (ii) the day on which the Closing Level is determined in accordance with the Conditions;

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

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

“**Strike Level**” means the level specified as such in the relevant Supplemental Listing Document; and

“**Valuation Date**” means the date specified as such in the relevant Supplemental Listing Document.

3. Exercise of Warrants

- (A) Warrants may only be exercised in Board Lots or integral multiples thereof.
- (B) Any Warrants shall be automatically exercised on the Expiry Date, without notice to the Warrantholder if the Issuer determines that the Cash Settlement Amount (calculated in accordance with these Conditions) is positive. In respect of each Board Lot, the Cash Settlement Amount shall be paid in the manner set out in Condition 3(F) below.
- Any Warrant which has not been exercised in accordance with this Condition shall expire immediately thereafter and all rights of the Warrantholder and obligations of the Issuer with respect to such Warrant shall cease.
- (C) Any Exercise Expenses which were not determined by the Issuer on the Expiry Date and deducted from the Cash Settlement Amount prior to delivery to the Warrantholder in accordance with Condition 3, shall be notified to the Warrantholder as soon as practicable after determination thereof by the Issuer and shall be paid by the Warrantholder to the Issuer immediately upon demand.
- (D) An irrevocable authorisation is deemed to be given to the Issuer to deduct the determined Exercise Expenses from the Cash Settlement Amount.
- (E) Subject to the exercise of Warrants in accordance with these Conditions, or in the event that Warrants have expired worthless the Issuer will, with effect from the first Business Day following the Expiry Date, remove the name of the Warrantholder from the register of Warranholders in respect of the Warrants which are the subject of the exercise or have expired worthless, as the case may be, and thereby cancel the relevant Warrants and destroy the Global Warrant Certificate.
- (F) Upon the exercise of Warrants in accordance with these Conditions, the Issuer will pay the Cash Settlement Amount minus any determined Exercise Expenses to the relevant Warrantholder. If the Cash Settlement Amount is equal to or less than the determined Exercise Expenses, no amount is payable.

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

If the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on the Valuation Date, 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 will not be obliged to, determine such Closing Level by having regard to the manner in which futures contracts relating to the Index are calculated.

- (G) If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event.
- (H) These Conditions shall not be construed so as to give rise to any relationship of agency or trust between the Issuer or its agent or nominee and the Warrantholder and neither the Issuer nor its agent or nominee shall owe any duty of fiduciary nature to the Warrantholder.

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

- (I) The Issuer's obligations to pay the Cash Settlement Amount shall be discharged by payment in accordance with Condition 3(F) above.

4. Agent

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

5. 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 the Valuation Date the Index Compiler or (if applicable) the Successor Index Compiler makes a material change in the formula for or the method of calculating the Index or in any other way materially modifies the Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent stock, contracts or commodities and other routine events); or (ii) on the Valuation Date the Index Compiler or (if applicable) the Successor Index Compiler fails to calculate and publish the Index (other than as a result of a Market Disruption Event), then the Issuer shall determine the Closing Level using, in lieu of a published level for

the Index, the level for the Index as at that Valuation Date as determined by the Issuer in accordance with the formula for and method of calculating the Index last in effect prior to the change or failure, but using only those securities/commodities that comprised the Index immediately prior to that change or failure (other than those securities that have since ceased to be listed on the relevant exchange).

- (C) *Other Adjustments.* Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the Warrants as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:
- (a) not materially prejudicial to the interests of 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
 - (b) determined by the Issuer in good faith to be appropriate and commercially reasonable.
- (D) All determinations made by the Issuer and/or the Agent pursuant hereto will be conclusive and binding on the Warrantholders. The Issuer and/or the Agent will give, or procure that there is given, notice as soon as practicable of any determinations by publication in accordance with Condition 9.

6. Purchase by the Issuer

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

7. Global Warrant Certificate

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

8. Meetings of Warrantholder and Modification

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

Every question submitted to a meeting of the Warrantholder shall be decided by poll. A meeting may be convened by the Issuer or by the Warrantholder holding not less than 10 percent of the Warrants for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons (including any nominee appointed by the Warrantholder) holding or representing not less than 25 percent of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons (including any nominee appointed by the Warrantholder) being or representing Warrantholder whatever the number of Warrants so held or represented.

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

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

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

- (B) *Modification.* The Issuer may, without the consent of the Warrantholder, effect any modification of the terms and conditions of the Warrants or the Instrument which, in the opinion of the Issuer, is: (i) not materially prejudicial to the interests of the Warrantholder generally (without considering the circumstances of any individual Warrantholder or the tax or other consequences of such modification in any particular jurisdiction); (ii) of a formal, minor or technical nature; (iii) made to correct a manifest error; or (iv) necessary in order to comply with mandatory provisions of the laws or regulations of Hong Kong. Any such modification shall be binding on the Warrantholder and shall be notified to them by the Agent as soon as practicable thereafter in accordance with Condition 9.

9. Notices

All notices in English and Chinese to the Warrantholder will be validly given if published on the website of Hong Kong Exchanges and Clearing Limited, www.hkex.com.hk.

10. Further Issues

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

11. Illegality or Impracticability

The Issuer is entitled to terminate the Warrants if it determines in good faith and in a commercially reasonable manner that, for reasons beyond its control, it has become or it will become illegal or impracticable:

- (a) for it to perform its obligations under the Warrants in whole or in part as a result of:
- (i) the adoption of, or any change in, any relevant law or regulation (including any tax law); or
 - (ii) the promulgation of, or any change in, the interpretation by any court, tribunal, governmental, administrative, legislative, regulatory or judicial authority or power with competent jurisdiction of any relevant law or regulation (including any tax law),
- (each of (i) and (ii), a “**Change in Law Event**”); or
- (b) for it or any of its affiliates to maintain the Issuer’s hedging arrangements with respect to the Warrants due to a Change in Law Event.

Upon the occurrence of a Change in Law Event, the Issuer will, if and to the extent permitted by the applicable law or regulation, pay to each Warrantholder a cash amount that the Issuer determines in good faith and in a commercially reasonable manner to be the fair market value in respect of each Warrant held by such Warrantholder immediately prior to such termination (ignoring such illegality or impracticability) less the cost to the Issuer of unwinding any related hedging arrangement as determined by the Issuer in its sole and absolute discretion. Payment will be made to each Warrantholder in such manner as shall be notified to the Warrantholder in accordance with Condition 9.

12. Taxation

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

13. Good Faith and Commercially Reasonable Manner

Any exercise of discretion by the Issuer under these Conditions will be made in good faith and in a commercially reasonable manner.

14. Governing Law

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

15. Language

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

Agent

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

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

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

1. Form, Status, Transfer and Title

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

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

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

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

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

2. Warrant Rights and Exercise Expenses

- (A) Every Board Lot entitles the Warrantholder, upon due exercise and upon compliance with these Conditions, in particular Condition 3, to payment of the Cash Settlement Amount (as defined below), if any.
- (B) Upon exercise of the Warrants, the Warrantholder will be required to pay the Exercise Expenses. To effect such payment an amount equivalent to the Exercise Expenses shall be deducted from the Cash Settlement Amount in accordance with Condition 3(F).

(C) For the purposes of these Conditions:

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

“**Board Lot**” has the meaning given to it in the relevant Supplemental Listing Document;

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

“**Cash Settlement Amount**” means, for every Board Lot, an amount in the Settlement Currency calculated by the Issuer in accordance with the following formula:

(i) in the case of a series of Call Warrants:

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

(ii) in the case of a series of Put Warrants:

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

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

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

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

“**Entitlement**” means the number specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with Condition 5;

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

“**Exercise Price**” means the price specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with Condition 5;

“**Expiry Date**” means the date specified as such in the relevant Supplemental Listing Document;

“**HKEx**” means Hong Kong Exchanges and Clearing Limited;

“**Listing Date**” means the date specified as such in the relevant Supplemental Listing Document;

“**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 (i) the Units; or (ii) any options or futures contracts relating to the Units if, in any such case, such suspension or limitation is, in the determination of the Issuer, material;

- (2) the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a “BLACK” rainstorm signal on any day which either (i) results in the Stock Exchange being closed for trading for the entire day; or (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session), PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening 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 issued; or
- (3) a limitation or closure of the Stock Exchange due to any unforeseen circumstances;

“**Number of Warrant(s) per Entitlement**” means the amount specified as such in the relevant Supplemental Listing Document;

“**Settlement Currency**” means the currency specified as such in the relevant Supplemental Listing Document;

“**Settlement Date**” means the third CCASS Settlement Day after the later of: (i) the Expiry Date; and (ii) the day on which the Average Price is determined in accordance with the Conditions;

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

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

“**Trust**” means the trust specified as such in the relevant Supplemental Listing Document;

“**Unit**” means the unit specified as such in the relevant Supplemental Listing Document; and

“**Valuation Date**” means each of the five Business Days immediately preceding the Expiry Date, provided that if the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on any Valuation Date, then that Valuation Date shall be postponed until the first succeeding Business Day on which there is no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a Business Day that is already or is deemed to be a Valuation Date. For the avoidance of doubt, in the event that a Market Disruption Event has occurred and a Valuation Date is postponed as aforesaid, the closing price of the Shares on the first succeeding Business Day will be used more than once in determining the Average Price, so that in no event shall there be less than five closing prices used to determine the Average Price.

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

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

3. Exercise of Warrants

- (A) Warrants may only be exercised in Board Lots or integral multiples thereof.
- (B) Any Warrants shall be automatically exercised on the Expiry Date, without notice to the Warrantholder if the Issuer determines that the Cash Settlement Amount (calculated in accordance with these Conditions) is positive. In respect of each Board Lot, the Cash Settlement Amount shall be paid in the manner set out in Condition 3(F) below.

Any Warrant which has not been exercised in accordance with this Condition shall expire immediately thereafter and all rights of the Warrantholder and obligations of the Issuer with respect to such Warrant shall cease.

- (C) Any Exercise Expenses which are not determined by the Issuer on the Expiry Date and deducted from the Cash Settlement Amount prior to delivery to the Warrantholder in accordance with this Condition 3, shall be notified to the Warrantholder as soon as practicable after determination thereof by the Issuer and shall be paid by the Warrantholder to the Issuer immediately upon demand.
- (D) An irrevocable authorisation is deemed to be given to the Issuer to deduct the determined Exercise Expenses from the Cash Settlement Amount.
- (E) Subject to the exercise of Warrants in accordance with these Conditions, or in the event that Warrants have expired worthless, the Issuer will, with effect from the first Business Day following the Expiry Date, remove the name of the Warrantholder from the register of Warrantholders in respect of the Warrants which are the subject of the exercise or have expired worthless, as the case may be, and thereby cancel the relevant Warrants and, if applicable, cancel the Global Warrant Certificate.
- (F) Upon the exercise of Warrants in accordance with these Conditions, the Issuer will pay the Cash Settlement Amount minus any determined Exercise Expenses to the relevant Warrantholder. If the Cash Settlement Amount is equal to or less than the determined Exercise Expenses, no amount is payable.

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

- (G) If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event.
- (H) These Conditions shall not be construed so as to give rise to any relationship of agency or trust between the Issuer or its agent or nominee and the Warrantholder and neither the Issuer nor its agent or nominee shall owe any duty of fiduciary nature to the Warrantholder. None of the Issuer or the Agent shall have any responsibility for any errors or omissions in the calculation and dissemination of any variables published by a third party and used in any calculation made pursuant to these terms and conditions or in the calculation of the Cash Settlement Amount arising from such errors or omissions.
- (I) The Issuer's obligations to pay the Cash Settlement Amount shall be discharged by payment in accordance with Condition 3(F) above.

4. Agent

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

5. Adjustments

Adjustments may be made by the Issuer and/or the Agent to these Conditions (including without limitation (i) the Exercise Price or (ii) the Entitlement) on the basis of the following provisions:

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

The Exercise Price will be adjusted to:

$$\text{Adjusted Exercise Price} = \frac{1}{\text{Adjustment Factor}} \times X$$

The Entitlement will be adjusted to:

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

Where:

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

E: Existing Entitlement immediately prior to the Rights Offer

X: Existing Exercise Price immediately prior to the Rights Offer

S: Cum-Rights Unit price being the closing price of an existing Unit as derived from the Daily Quotation Sheet of the Stock Exchange on the last Business Day on which the Units are traded on a cum-Rights basis

R: Subscription price per new Unit specified in the Rights Offer plus an amount equal to any distributions or other benefits foregone to exercise the Rights

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

Provided that if the above formula would result in an adjustment to the Entitlement which would amount to one per cent. or less of the Entitlement immediately prior to the adjustment, then no adjustment will be made. The adjustment to the Exercise Price (which shall be rounded to the nearest 0.001) shall take effect on the Rights Issue Adjustment Date.

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

- (B) *Bonus Issues*. If and whenever the Trust shall make an issue of Units credited as fully paid to the holders of Units generally (other than pursuant to a scrip distribution or similar scheme for the time being operated by the Trust or otherwise in lieu of a cash distribution and without any payment or other consideration being made or given by such holders) (a “**Bonus Issue**”) the Entitlement shall be adjusted on the Business Day on which trading in the Units becomes ex-entitlement (“**Bonus Issue Adjustment Date**”) in accordance with the following formula:

The Exercise Price will be adjusted to:

$$\text{Adjusted Exercise Price} = \frac{1}{\text{Adjustment Factor}} \times X$$

The Entitlement will be adjusted to:

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

Where:

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

E: Existing Entitlement immediately prior to the Bonus Issue

X: Existing Exercise Price immediately prior to the Bonus Issue

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

Provided that if the above formula would result in an adjustment to the Entitlement which would amount to one per cent. or less of the Entitlement immediately prior to the adjustment, then no adjustment will be made. The adjustment to the Exercise Price (which shall be rounded to the nearest 0.001) shall take effect on the Bonus Issue Adjustment Date.

- (C) *Subdivisions and Consolidations*. If and whenever the Trust shall subdivide its Units or any class of its outstanding Units into a greater number of units (a “**Subdivision**”) or consolidate the Units or any class of its outstanding Units into a smaller number of units (a “**Consolidation**”), then:

(i) in the case of a Subdivision, the Entitlement in effect immediately prior thereto will be increased whereas the Exercise Price (which shall be rounded to the nearest 0.001) will be decreased in the same ratio as the Subdivision; and

(ii) in the case of a Consolidation, the Entitlement in effect immediately prior thereto will be decreased whereas the Exercise Price (which shall be rounded to the nearest 0.001) will be increased in the same ratio as the Consolidation,

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

- (D) *Restructuring Events*. If it is announced that the Trust is to or may merge with or into any other trust or consolidate with or into any other trust or corporation (including becoming, by agreement or otherwise, controlled by any person or corporation) (except where the Trust is the surviving entity in a merger) or that it is to, or may, sell or transfer all or substantially all of its assets, the rights attaching to the Warrants may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “**Restructuring Event**”) (as determined by the Issuer in its absolute discretion) so that the Warrants shall, after such Restructuring Event, relate to the number of units of the trust(s) resulting from or surviving such Restructuring Event or other

securities (“**Substituted Securities**”) and/or cash offered in substitution for the affected Units, as the case may be, to which the holder of such number of Units to which the Warrants related immediately before such Restructuring Event would have been entitled upon such Restructuring Event, and thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in Hong Kong dollars equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected. For the avoidance of doubt, any remaining Units shall not be affected by this paragraph and, where cash is offered in substitution for Units or is deemed to replace Substituted Securities as described above, references in these Conditions to the Units shall include any such cash.

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

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

The Exercise Price will be adjusted to:

$$\text{Adjusted Exercise Price} = \frac{1}{\text{Adjustment Factor}} \times X$$

The Entitlement will be adjusted to:

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

Where:

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

E: The existing Entitlement immediately prior to the Cash Distribution

X: Existing Exercise Price immediately prior to the Cash Distribution

CD: The Cash Distribution per Unit

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

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

The adjustment of the Exercise Price (which shall be rounded to the nearest 0.001) shall take effect on the Cash Distribution Adjustment Date.

- (F) *Other Adjustments.* Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the Warrants as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:
- (a) not materially prejudicial to the interests of 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
 - (b) determined by the Issuer in good faith to be appropriate and commercially reasonable.
- (G) *Notice of Adjustments.* All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Warrantheolder. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with Condition 9.

6. Purchase by the Issuer

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

7. Global Warrant Certificate

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

8. Meetings of Warrantheolders and Modification

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

Every question submitted to a meeting of the Warrantheolders shall be decided by poll. A meeting may be convened by the Issuer or by Warrantheolders holding not less than 10 per cent. of the Warrants for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons (including any nominee appointed by the Warrantheolder) holding or representing not less than 25 per cent. of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons (including any nominee appointed by the Warrantheolder) being or representing Warrantheolders whatever the number of Warrants so held or represented.

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

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

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

- (B) *Modification.* The Issuer may, without the consent of the Warrantholders, effect any modification of the terms and conditions of the Warrants or the Instrument which, in the opinion of the Issuer, is: (i) not materially prejudicial to the interests of the Warrantholders generally (without considering the circumstances of any individual Warrantholder or the tax or other consequences of such modification in any particular jurisdiction); (ii) of a formal, minor or technical nature; (iii) made to correct a manifest error; or (iv) necessary in order to comply with mandatory provisions of the laws or regulations of Hong Kong. Any such modification shall be binding on the Warrantholders and shall be notified to them by the Agent as soon as practicable thereafter in accordance with Condition 9.

9. Notices

All notices in English and Chinese to the Warrantholder will be validly given if published on the website of Hong Kong Exchanges and Clearing Limited, www.hkex.com.hk.

10. Liquidation

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

11. Further Issues

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

12. Delisting

- (A) If at any time the Units cease to be listed on the Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments and amendments to the rights attaching to the Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Warrantholder generally are not materially prejudiced as a consequence of such delisting (without considering the circumstances of any individual Warrantholder or the tax or other consequences that may result in any particular jurisdiction).
- (B) Without prejudice to the generality of Condition 12(A), where the Units are, or, upon the delisting, become, listed on any other stock exchange, these Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Warrantholder, make such adjustments to the entitlements of the Warrantholder on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into the relevant currencies) as it shall consider appropriate in the circumstances.
- (C) The Issuer shall determine, in its absolute discretion, any such adjustment or amendment and its determination shall be conclusive and binding on the Warrantholder save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Warrantholder in accordance with Condition 9 as soon as practicable after they are determined.

13. Illegality or Impracticability

The Issuer is entitled to terminate the Warrants if it determines in good faith and in a commercially reasonable manner that, for reasons beyond its control, it has become or it will become illegal or impracticable:

- (a) for it to perform its obligations under the Warrants in whole or in part as a result of:
 - (i) the adoption of, or any change in, any relevant law or regulation (including any tax law); or
 - (ii) the promulgation of, or any change in, the interpretation by any court, tribunal, governmental, administrative, legislative, regulatory or judicial authority or power with competent jurisdiction of any relevant law or regulation (including any tax law),(each of (i) and (ii), a “**Change in Law Event**”); or
- (b) for it or any of its affiliates to maintain the Issuer’s hedging arrangements with respect to the Warrants due to a Change in Law Event.

Upon the occurrence of a Change in Law Event, the Issuer will, if and to the extent permitted by the applicable law or regulation, pay to each Warrantholder a cash amount that the Issuer determines in good faith and in a commercially reasonable manner to be the fair market value in respect of each Warrant held by such Warrantholder immediately prior to such termination (ignoring such illegality or impracticability) less the cost to the Issuer of unwinding any related hedging arrangement as determined by the Issuer in its sole and absolute discretion. Payment will be made to each Warrantholder in such manner as shall be notified to the Warrantholder in accordance with Condition 9.

14. Taxation

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

15. Good Faith and Commercially Reasonable Manner

Any exercise of discretion by the Issuer under these Conditions will be made in good faith and in a commercially reasonable manner.

16. Governing Law

The Warrants and the Instrument will be governed by and construed in accordance with the laws of the Hong Kong Special Administrative Region of the People’s Republic of China (“**Hong Kong**”).

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

17. Language

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

Agent

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

PART D – TERMS AND CONDITIONS OF CASH-SETTLED CALLABLE BULL/BEAR CONTRACTS OVER SINGLE EQUITIES

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

1. Form, Status, Transfer and Title

- (A) The callable bull/bear contracts or CBBCs (which expression shall, unless the context otherwise requires, include any further CBBCs issued pursuant to Condition 13) relating to the Shares of the Company are issued in registered form subject to and with the benefit of an instrument by way of deed poll (the “**Instrument**” as defined more fully in the supplemental listing document) executed by BOCI Asia Limited (the “**Issuer**”). The Holder (as defined below) is entitled to the benefit of, is bound by and is deemed to have notice of all the provisions of the Instrument. A copy of the Instrument is available for inspection at the offices of the Agent as specified below.

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

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

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

- (C) Transfer of CBBCs may be effected only in Board Lots or integral multiples thereof in CCASS in accordance with the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time (the “**CCASS Rules**”).
- (D) Each person who is for the time being shown in the register kept by or on behalf of the Issuer outside of Hong Kong as the holder shall be treated by the Issuer and the Agent as the absolute owner and holder of the CBBCs. The expression “**Holder**” shall be construed accordingly.
- (E) Trading in CBBCs on the Stock Exchange shall be suspended immediately upon the occurrence of a Mandatory Call Event (in which case all Post MCE Trades will be cancelled and will not be recognised by the Issuer or the Stock Exchange) or at the close of trading for the Trading Day immediately preceding the Expiry Date (whichever is earlier) in accordance with the requirements of the Stock Exchange.

2. CBBC Rights and Exercise Expenses

- (A) Every Board Lot entitles the Holder, upon compliance with these Conditions, in particular Condition 4, to payment of the Cash Settlement Amount.

(B) The Holders will be required to pay the Exercise Expenses resulting from the early termination of the CBBCs upon the occurrence of a Mandatory Call Event or the exercise of the CBBCs at expiry. To effect such payment an amount equivalent to the Exercise Expenses shall be deducted from the Cash Settlement Amount in accordance with Condition 4.

(C) For the purposes of these Conditions:

“**Board Lot**” has the meaning given to it in the relevant Supplemental Listing Document;

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

“**Call Price**” means the price specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with Condition 6;

“**Cash Settlement Amount**” means, for every Board Lot, an amount in the Settlement Currency calculated by the Issuer in accordance with the following formula:

(a) following a Mandatory Call Event:

(i) in the case of a series of Category R CBBCs, the Residual Value; or

(ii) in the case of a series of Category N CBBCs, zero; and

(b) at expiry:

(i) in respect of a series of bull CBBCs:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement} \times (\text{Closing Price} - \text{Strike Price}) \times \text{one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

(ii) in the respect of a series of bear CBBCs:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement} \times (\text{Strike Price} - \text{Closing Price}) \times \text{one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

“**Category N CBBCs**” means a series of CBBCs where the Call Price is equal to the Strike Price;

“**Category R CBBCs**” means a series of CBBCs where the Call Price is different from the Strike Price;

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

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

“**Closing Price**” means the closing price of one Share (as derived from the Daily Quotation Sheet of the Stock Exchange, subject to any adjustments to such closing price as may be necessary to reflect any capitalization, rights issue, distribution or the like) on the Valuation Date;

“**Company**” means the company specified as such in the relevant Supplemental Listing Document;

“**Entitlement**” has the meaning given to it in the relevant Supplemental Listing Document, subject to any adjustment in accordance with Condition 6;

“**Exercise Expenses**” means any charges or expenses including any taxes or duties which are incurred in respect of the early termination of CBBCs upon the occurrence of a Mandatory Call Event or the exercise of the CBBCs upon expiry;

“**Expiry Date**” means the date specified as such in the relevant Supplemental Listing Document;

“**Listing Date**” means the date specified as such in the relevant Supplemental Listing Document;

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

“**Mandatory Call Event**” occurs when the Spot Price of the Shares on any Trading Day during the Observation Period is:

- (a) in respect of a series of bull CBBCs, at or below the Call Price; or
- (b) in respect of a series of bear CBBCs, at or above the Call Price;

“**Market Disruption Event**” means:

- (1) the occurrence or existence on any Trading Day during the one-half hour period that ends at the close of trading of any suspension of, or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in (a) the Shares; or (b) any options or futures contracts relating to the Shares if, in any case, such suspension or limitation is, in the determination of the Issuer, material;
- (2) the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a “BLACK” rainstorm signal on any day which either (i) results in the Stock Exchange being closed for trading for the entire day; or (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case where the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session), provided that there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening 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 issued; or
- (3) a limitation or closure of the Stock Exchange due to any unforeseen circumstances;

“**Maximum Trade Price**” means the highest Spot Price of the Shares during the MCE Valuation Period;

“**MCE Valuation Period**” means the period commencing from and including the moment upon which the Mandatory Call Event occurs (the trading session during which the Mandatory Call Event occurs is the “**1st Session**”) and up to the end of the trading session on the Stock Exchange immediately following the 1st Session (“**2nd Session**”) unless, in the determination of the Issuer in its good faith, the 2nd Session for any reason (including, without limitation, a Market Disruption Event occurring and subsisting in the 2nd Session) does not contain any continuous period of 1 hour or more than 1 hour during which trading in the Shares is permitted on the Stock Exchange with no limitation imposed, the MCE Valuation Period shall be extended to the end of the subsequent trading session following the 2nd Session during which

trading in the Shares is permitted on the Stock Exchange with no limitation imposed for a continuous period of at least 1 hour notwithstanding the existence or continuance of a Market Disruption Event in such postponed trading session, unless the Issuer determines in its good faith that each trading session on each of the four Trading Days immediately following the date on which the Mandatory Call Event occurs does not contain any continuous period of 1 hour or more than 1 hour during which trading in the Shares is permitted on the Stock Exchange with no limitation imposed.

In that case (1) the period commencing from the 1st Session up to, and including, the last trading session on the Stock Exchange of the fourth Trading Day immediately following the date on which the Mandatory Call Event occurs shall be deemed to be the MCE Valuation Period, and (2) the Issuer shall determine the Maximum Trade Price or the Minimum Trade Price (as the case may be) having regard to the then prevailing market conditions, the last reported Spot Price and such other factors as the Issuer may determine to be relevant in its good faith.

For the avoidance of doubt, all Spot Prices available throughout the extended MCE Valuation Period shall be taken into account to determine the Maximum Trade Price or the Minimum Trade Price (as the case may be) for the calculation of the Residual Value.

For the purpose of this definition:

(1) the pre-opening session, the morning session and, in the case of half day trading, the closing auction session (if applicable) of the same day; and

(2) the afternoon session and the closing auction session (if applicable) of the same day,

shall each be considered as one trading session only;

“**Minimum Trade Price**” means the lowest Spot Price of the Shares during the MCE Valuation Period;

“**Number of CBBC(s) per Entitlement**” means the amount specified as such in the relevant Supplemental Listing Document;

“**Observation Commencement Date**” means the date specified as such in the relevant Supplemental Listing Document;

“**Observation Period**” means the period from (and including) the Observation Commencement Date to (and including) the Trading Day immediately preceding the Expiry Date;

“**Post MCE Trades**” has the meaning given to it in the relevant Supplemental Listing Document, subject to such modification and amendment prescribed by the Stock Exchange from time to time;

“**Residual Value**” means, for every Board Lot, an amount in the Settlement Currency calculated by the Issuer in accordance with the following formula:

(i) in respect of a series of bull CBBCs:

$$\text{Residual Value per Board Lot} = \frac{\text{Entitlement} \times (\text{Minimum Trade Price} - \text{Strike Price}) \times \text{one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

(ii) in respect of a series of bear CBBCs:

$$\text{Residual Value per Board Lot} = \frac{\text{Entitlement} \times (\text{Strike Price} - \text{Maximum Trade Price}) \times \text{one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

“**Settlement Currency**” means the currency specified as such in the relevant Supplemental Listing Document;

“**Settlement Date**” means the third CCASS Settlement Day after (i) the end of the MCE Valuation Period or (ii) the later of: (a) the Expiry Date; and (b) the day on which the Closing Price is determined in accordance with the Conditions (as the case may be);

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

“**Share**” means the share specified as such in the relevant Supplemental Listing Document;

“**Spot Price**” means:

- (a) in respect of a continuous trading session of the Stock Exchange, the price per Share concluded by means of automatic order matching on the Stock Exchange as reported in the official real-time dissemination mechanism for the Stock Exchange during such continuous trading session in accordance with the Trading Rules, excluding direct business (as defined in the Trading Rules); and
- (b) in respect of a pre-opening session or a closing auction session (if applicable) of the Stock Exchange, as the case may be, the final Indicative Equilibrium Price (“**IEP**”) (as defined in the Trading Rules) of the Shares (if any) calculated at the end of the pre-order matching period of such pre-opening session or closing auction session (if applicable), as the case may be, in accordance with the Trading Rules, excluding direct business (as defined in the Trading Rules),

subject to such modification and amendment prescribed by the Stock Exchange from time to time;

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

“**Strike Price**” means the price specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with Condition 6;

“**Trading Day**” means any day on which the Stock Exchange is scheduled to open for trading for its regular trading sessions;

“**Trading Rules**” means the Rules and Regulations of the Stock Exchange prescribed by the Stock Exchange from time to time; and

“**Valuation Date**” means the Trading Day immediately preceding the Expiry Date unless, in the determination of the Issuer, a Market Disruption Event has occurred on that day in which case, the Valuation Date shall be the first succeeding Trading Day on which the Issuer determines that there is no Market Disruption Event, unless the Issuer determines that there is a Market Disruption Event occurring on each of the four Trading Days immediately following the original date which (but for the Market Disruption Event) would have been the Valuation Date. In that case:

- (a) the fourth Trading Day immediately following the original date shall be deemed to be the Valuation Date (regardless of the Market Disruption Event); and
- (b) the Issuer shall determine the Closing Price having regard to the then prevailing market conditions, the last reported trading price of the Share on the Stock Exchange and such other factors as the Issuer determines to be relevant.

3. Exercise of CBBCs, Mandatory Call Event, Automatic Exercise and Expiry

- (A) The CBBCs are exercisable on the Expiry Date, provided that a Mandatory Call Event has not occurred.
- (B) Upon the occurrence of a Mandatory Call Event, the CBBCs will terminate automatically on the Mandatory Call Date. Any CBBC in respect of which a Mandatory Call Event has occurred will entitle the Holder to receive the Cash Settlement Amount (if any) in accordance with Condition 4(D).
- (C) Any CBBC which has not automatically terminated on a Mandatory Call Date will automatically be exercised if, on the Expiry Date, the value of the Cash Settlement Amount is greater than zero (without prior notice being given to the Holders). The Holders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Holders the Cash Settlement Amount (if any) in accordance with Condition 4(D).
- (D) For the avoidance of doubt, where the CBBCs have been exercised on the Expiry Date or have automatically terminated on a Mandatory Call Date (as the case may be), payment of the Cash Settlement Amount (if any) shall constitute full and final settlement of the obligations of the Issuer with respect to the CBBCs. Subject to such payment having been made, the Issuer shall have no obligation towards the relevant Holder under the CBBCs subsequent to such Expiry Date or Mandatory Call Date (as the case may be).
- (E) Any CBBC which has not been automatically terminated or which has not been automatically exercised in accordance with Condition 3(B) or Condition 3(C) (as the case may be) shall expire immediately without value thereafter and all rights of the Holder and obligations of the Issuer with respect to such CBBC shall cease.

4. Exercise of CBBCs, Cancellation and Payment

- (A) CBBCs may only be exercised in Board Lots or integral multiples thereof.
- (B) The Holders will not be required to deliver an exercise notice for any purpose in relation to the CBBCs.
- (C) The Issuer will with effect from the first Business Day following the Mandatory Call Date or the Expiry Date (as the case may be), remove from its register the name of the person in respect of the CBBCs which (i) are the subject of an occurrence of a Mandatory Call Event; (ii) are the subject of an exercise pursuant to automatic exercise in accordance with these Conditions; or (iii) have expired worthless, and thereby cancel the relevant CBBCs.
- (D) Subject to automatic exercise of CBBCs or the occurrence of a Mandatory Call Event in accordance with these Conditions, the Issuer will make a payment, in respect of every Board Lot, to the relevant Holder equal to the Cash Settlement Amount minus any determined Exercise Expenses. If the Cash Settlement Amount is equal to or less than the determined Exercise Expenses, no amount is payable.

The Cash Settlement Amount minus any determined Exercise Expenses shall be dispatched not later than 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 Holder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of the Settlement Disruption Event.

If the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on the Valuation Date, then that Valuation Date shall be postponed to the first succeeding Trading Day on which the Issuer determines that there is no Market Disruption Event, unless the Issuer determines that there is a Market Disruption Event occurring on each of the four Trading Days immediately following the original date that, but for the Market Disruption Event, would have been the Valuation Date. In that case (i) that fourth Trading Day immediately following such original date shall be deemed to be the Valuation Date, notwithstanding the Market Disruption Event, and (ii) the Issuer shall determine the Closing Price having regard to the then prevailing market conditions, the last reported trading price of the Share on the Stock Exchange and such other factors as the Issuer determines to be relevant.

5. Agent

- (A) The Agent will be acting as agent of the Issuer in respect of any CBBCs and will not assume any obligation or duty to or any relationship of agency or trust for the Holders.
- (B) The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the initial Agent and to appoint another agent provided that it will at all times maintain an agent in Hong Kong for so long as the CBBCs are listed on the Stock Exchange. Notice of any such termination or appointment will be given to the Holders in accordance with Condition 11.

6. Adjustments

Adjustments may be made by the Issuer and/or the Agent to the terms of the CBBCs (including, but not limited to (i) the Strike Price, (ii) the Call Price and/or (iii) the Entitlement) on the basis of the following provisions:

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

The Strike Price will be adjusted to:

$$\text{Adjusted Strike Price} = \frac{1}{\text{Adjustment Factor}} \times X$$

The Call Price will be adjusted to:

$$\text{Adjusted Call Price} = \frac{1}{\text{Adjustment Factor}} \times Y$$

The Entitlement will be adjusted to:

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

Where:

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

E: Existing Entitlement immediately prior to the Rights Offer

X: Existing Strike Price immediately prior to the Rights Offer

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

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made. The adjustments of Strike Price and the Call Price (which shall be rounded to the nearest 0.001) shall take effect on the Rights Issue Adjustment Date.

For the purposes of these Conditions:

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

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

The Strike Price will be adjusted to:

$$\text{Adjusted Strike Price} = \frac{1}{\text{Adjustment Factor}} \times X$$

The Call Price will be adjusted to:

$$\text{Adjusted Call Price} = \frac{1}{\text{Adjustment Factor}} \times Y$$

The Entitlement will be adjusted to:

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

Where:

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

- E: Existing Entitlement immediately prior to the Bonus Issue
- X: Existing Strike Price immediately prior to the Bonus Issue
- Y: Existing Call Price 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. The adjustments of the Strike Price and the Call Price (which shall be rounded to the nearest 0.001) shall take effect on the Bonus Issue Adjustment Date.

- (C) *Subdivisions and Consolidations.* If and whenever the Company shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a “**Subdivision**”) or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a “**Consolidation**”), then:
- (i) in the case of a Subdivision, the Entitlement in effect immediately prior thereto will be increased whereas the Strike Price and the Call Price (which shall be rounded to the nearest 0.001) will be decreased in the same ratio as the Subdivision; and
 - (ii) in the case of a Consolidation, the Entitlement in effect immediately prior thereto will be decreased whereas the Strike Price and the Call Price (which shall be rounded to the nearest 0.001) will be increased in the same ratio as the Consolidation,

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

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

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

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

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

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

The Strike Price will be adjusted to:

$$\text{Adjusted Strike Price} = \frac{1}{\text{Adjustment Factor}} \times X$$

The Call Price will be adjusted to:

$$\text{Adjusted Call Price} = \frac{1}{\text{Adjustment Factor}} \times Y$$

The Entitlement will be adjusted to:

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

Where:

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

E: The existing Entitlement immediately prior to the Cash Distribution

X: Existing Strike Price immediately prior to the Cash Distribution

Y: Existing Call Price immediately prior to the Cash Distribution

CD: The Cash Distribution per Share

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

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

The adjustment of the Strike Price and Call Price (which shall be rounded to the nearest 0.001) shall take effect on the Cash Distribution Adjustment Date.

(F) *Other Adjustments.* Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the CBBCs as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:

- (a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction); or
- (b) determined by the Issuer in good faith to be appropriate and commercially reasonable.

- (G) *Notice of Adjustments.* All determinations made by the Issuer and/or the Agent pursuant hereto will be conclusive and binding on the Holders. The Issuer and/or the Agent 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. **Illegality or Impracticability**

The Issuer is entitled to terminate the CBBCs if it determines in good faith and in a commercially reasonable manner that, for reasons beyond its control, it has become or it will become illegal or impracticable:

- (a) for it to perform its obligations under the CBBCs in whole or in part as a result of:
- (i) the adoption of, or any change in, any relevant law or regulation (including any tax law); or
 - (ii) the promulgation of, or any change in, the interpretation by any court, tribunal, governmental, administrative, legislative, regulatory or judicial authority or power with competent jurisdiction of any relevant law or regulation (including any tax law),
- (each of (i) and (ii), a “**Change in Law Event**”); or
- (b) for it or any of its affiliates to maintain the Issuer’s hedging arrangements with respect to the CBBCs due to a Change in Law Event.

Upon the occurrence of a Change in Law Event, the Issuer will, if and to the extent permitted by the applicable law or regulation, pay to each Holder a cash amount that the Issuer determines in good faith and in a commercially reasonable manner to be the fair market value in respect of each CBBC held by such Holder immediately prior to such termination (ignoring such illegality or impracticability) less the cost to the Issuer of unwinding any related hedging arrangement as determined by the Issuer in its sole and absolute discretion. Payment will be made to each Holder in such manner as shall be notified to the Holder in accordance with Condition 11.

8. **Purchases by the Issuer**

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

9. **Global Certificate**

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

10. **Meetings of Holders and Modification**

- (A) *Meetings of Holders.* Notices for convening meetings to consider any matter affecting the Holder’s interests will be given to the Holder in accordance with the provisions of Condition 11.

Every question submitted to a meeting of the Holder shall be decided by poll. A meeting may be convened by the Issuer or by Holders holding not less than 10 percent of the CBBCs for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons (including any nominee appointed by the Holder) holding or representing not less than 25 percent of the CBBCs for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Holders whatever the number of CBBCs so held or represented.

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

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

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

- (B) *Modification.* The Issuer may, without the consent of the Holders, effect any modification of the terms and conditions of the CBBCs or the Instrument which, in the opinion of the Issuer, is: (i) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such modification in any particular jurisdiction), (ii) of a formal, minor or technical nature, (iii) made to correct a manifest error, or (iv) necessary in order to comply with mandatory provisions of the laws or regulations of Hong Kong. Any such modification shall be binding on the Holders and shall be notified to them by the Agent before the effective date or as soon as practicable thereafter in accordance with Condition 11.

11. Notices

All notices in English and Chinese to the Holder will be validly given if published on the website of Hong Kong Exchanges and Clearing Limited, www.hkex.com.hk.

12. Liquidation

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

13. Further Issues

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

14. Delisting

- (A) If at any time the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments to the rights attaching to the CBBCs as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Holders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Holder or the tax or other consequences that may result in any particular jurisdiction).
- (B) Without prejudice to the generality of Condition 14(A), where the Shares are, or, upon the delisting, become, listed on any other stock exchange, these Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Holders, make such adjustments to the entitlements of Holders on automatic expiry or exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into the relevant currency) as it shall consider appropriate in the circumstances.

- (C) The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Holders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Holders in accordance with Condition 11 as soon as practicable after they are determined.

15. Taxation

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

16. Good Faith and Commercially Reasonable Manner

Any exercise of discretion by the Issuer under these Conditions will be made in good faith and in a commercially reasonable manner.

17. Governing Law

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

18. Language

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

Agent

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

PART E – TERMS AND CONDITIONS OF CASH-SETTLED CALLABLE BULL/BEAR CONTRACTS OVER INDEX

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

1. Form, Status, Transfer and Title

- (A) The callable bull/bear contracts or CBBCs (which expression shall, unless the context otherwise requires, include any further CBBCs issued pursuant to Condition 12) relating to the Index as published by the Index Compiler are issued in registered form subject to and with the benefit of an instrument by way of deed poll (the “**Instrument**” as defined more fully in the supplemental listing document) executed by BOCI Asia Limited (the “**Issuer**”). The Holder (as defined below) is entitled to the benefit of, is bound by and is deemed to have notice of all the provision of the Instrument. A copy of the Instrument is available for inspection at the offices of the Agent as specified below.

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

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

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

- (C) Transfer of CBBCs may be effected only in Board Lots or integral multiples thereof in CCASS in accordance with the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time (the “**CCASS Rules**”).
- (D) Each person who is for the time being shown in the register kept by or on behalf of the Issuer outside of Hong Kong as the holder shall be treated by the Issuer and the Agent as the absolute owner and holder of the CBBCs. The expression “**Holder**” shall be construed accordingly.
- (E) Trading in CBBCs on the Stock Exchange shall be suspended immediately upon the occurrence of a Mandatory Call Event (in which case all Post MCE Trades will be cancelled and will not be recognised by the Issuer or the Stock Exchange) or at the close of trading for the Trading Day immediately preceding the Expiry Date (whichever is earlier) in accordance with the requirements of the Stock Exchange.

2. CBBC Rights and Exercise Expenses

- (A) Every Board Lot entitles the Holder, upon compliance with these Conditions, in particular Condition 4, to payment of the Cash Settlement Amount.

(B) The Holders will be required to pay the Exercise Expenses resulting from the early termination of the CBBCs upon the occurrence of a Mandatory Call Event or the exercise of the CBBCs at expiry. To effect such payment an amount equivalent to the Exercise Expenses shall be deducted from the Cash Settlement Amount in accordance with Condition 4.

(C) For the purposes of these Conditions:

“**Board Lot**” has the meaning given to it in the relevant Supplemental Listing Document;

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

“**Call Level**” means the level specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with Condition 6;

“**Cash Settlement Amount**” means, for every Board Lot, an amount calculated by the Issuer in accordance with the following formula (and if, appropriate, either (i) converted (if applicable) into the Settlement Currency at the Exchange Rate or, as the case may be, (ii) converted into the Interim Currency at the First Exchange Rate and then (if applicable) converted into the Settlement Currency at the Second Exchange Rate):

(a) following a Mandatory Call Event:

(i) in the case of a series of Category R CBBCs, the Residual Value; or

(ii) in the case of a series of Category N CBBCs, zero; and

(b) at expiry:

(i) in respect of a series of bull CBBCs:

$$\text{Cash Settlement Amount per Board Lot} = \frac{(\text{Closing Level} - \text{Strike Level}) \times \text{one Board Lot} \times \text{Index Currency Amount}}{\text{Divisor}}$$

(ii) in the respect of a series of bear CBBCs:

$$\text{Cash Settlement Amount per Board Lot} = \frac{(\text{Strike Level} - \text{Closing Level}) \times \text{one Board Lot} \times \text{Index Currency Amount}}{\text{Divisor}}$$

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

“**Category N CBBCs**” means a series of CBBCs where the Call Level is equal to the Strike Level;

“**Category R CBBCs**” means a series of CBBCs where the Call Level is different from the Strike Level;

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

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

“**Closing Level**” means the level specified as such in the relevant Supplemental Listing Document subject to any adjustment in accordance with Condition 6;

“**Divisor**” means the number specified as such in the relevant Supplemental Listing Document;

“**Exchange Rate**” means the rate specified as such in the relevant Supplemental Listing Document;

“**Exercise Expenses**” means any charges or expenses including any taxes or duties which are incurred in respect of the early termination of CBBCs upon the occurrence of a Mandatory Call Event or the exercise of the CBBCs upon expiry;

“**Expiry Date**” means the date specified as such in the relevant Supplemental Listing Document;

“**First Exchange Rate**” means the rate specified as such in the relevant Supplemental Listing Document;

“**Index**” means the index specified as such in the relevant Supplemental Listing Document;

“**Index Business Day**” means any day on which the Index Exchange is scheduled to open for trading for its regular trading sessions;

“**Index Compiler**” means the index compiler specified as such in the relevant Supplemental Listing Document;

“**Index Currency Amount**” has the meaning given to it in the relevant Supplemental Listing Document;

“**Index Exchange**” means the index exchange given to it in the relevant Supplemental Listing Document;

“**Interim Currency**” means the currency specified as such in the relevant Supplemental Listing Document;

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

“**Mandatory Call Event**” occurs when the Spot Level of the Index, at any time on any Index Business Day during the Observation Period is:

- (a) in respect of a series of bull CBBCs, at or below the Call Level; or
- (b) in respect of a series of bear CBBCs, at or above the Call Level;

“**Market Disruption Event**” means:

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

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

- (2) where the Index Exchange is the Stock Exchange, the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a “BLACK” rainstorm signal on any day which either (i) results in the Stock Exchange being closed for dealings for an entire day; or (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session), provided that there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening 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 issued; or
- (3) a limitation or closure of the Index Exchange due to any unforeseen circumstances; or
- (4) any circumstances beyond the control of the Issuer in which the Closing Level or, if applicable, the Exchange Rate, the First Exchange Rate or the Second Exchange Rate (as the case may be) cannot be determined by the Issuer in the manner set out in these Conditions or in such other manner as the Issuer considers appropriate at such time after taking into account all the relevant circumstances;

“**Maximum Index Level**” means the highest Spot Level of the Index during the MCE Valuation Period;

“**MCE Valuation Period**” means the period commencing from and including the moment upon which the Mandatory Call Event occurs (the trading session during which the Mandatory Call Event occurs is the “**1st Session**”) and up to the end of the trading session on the Index Exchange immediately following the 1st Session (“**2nd Session**”) unless, in the determination of the Issuer in its good faith, the 2nd Session for any reason (including, without limitation, a Market Disruption Event occurring and subsisting in the 2nd Session) does not contain any continuous period of 1 hour or more than 1 hour during which Spot Levels are available, the MCE Valuation Period shall be extended to the end of the subsequent trading session on the Index Exchange following the 2nd Session during which Spot Levels are available for a continuous period of at least 1 hour notwithstanding the existence or continuance of a Market Disruption Event in such postponed trading session unless the Issuer determines in its good faith that each trading session on each of the four Index Business Days immediately following the date on which the Mandatory Call Event occurs does not contain any continuous period of 1 hour or more than 1 hour during which Spot Levels are available. In that case:

- (i) the period commencing from the 1st Session up to, and including, the last trading session of the fourth Index Business Day on the Index Exchange immediately following the date on which the Mandatory Call Event occurs shall be deemed to be the MCE Valuation Period; and
- (ii) the Issuer shall determine the Maximum Index Level or the Minimum Index Level (as the case may be) having regard to the then prevailing market conditions, the last reported Spot Level of the Index and such other factors as the Issuer may determine to be relevant in its good faith.

For the avoidance of doubt, all Spot Levels available throughout the extended MCE Valuation Period shall be taken into account to determine the Maximum Index Level or the Minimum Index Level (as the case may be) for the calculation of the Residual Value.

For the purpose of this definition:

- (1) the pre-opening session, the morning session and, in the case of half day trading, the closing auction session (if applicable) of the same day; and
- (2) the afternoon session and the closing auction session (if applicable) of the same day, shall each be considered as one trading session only;

“**Minimum Index Level**” means the lowest Spot Level of the Index during the MCE Valuation Period;

“**Observation Commencement Date**” means the date specified as such in the relevant Supplemental Listing Document;

“**Observation Period**” means the period from (and including) the Observation Commencement Date to (and including) the Trading Day immediately preceding the Expiry Date;

“**Post MCE Trades**” has the meaning given to it in the relevant Supplemental Listing Document, subject to such modification and amendment prescribed by the Stock Exchange from time to time;

“**Residual Value**” means, for every Board Lot, an amount calculated by the Issuer in accordance with the following formula (and if, appropriate, either (i) converted (if applicable) into the Settlement Currency at the Exchange Rate or, as the case may be, (ii) converted into the Interim Currency at the First Exchange Rate and then (if applicable) converted into the Settlement Currency at the Second Exchange Rate):

- (i) in respect of a series of bull CBBCs:

$$\text{Residual Value per Board Lot} = \frac{(\text{Minimum Index Level} - \text{Strike Level}) \times \text{one Board Lot} \times \text{Index Currency Amount}}{\text{Divisor}}$$

- (ii) in respect of a series of bear CBBCs:

$$\text{Residual Value per Board Lot} = \frac{(\text{Strike Level} - \text{Maximum Index Level}) \times \text{one Board Lot} \times \text{Index Currency Amount}}{\text{Divisor}}$$

“**Second Exchange Rate**” means the rate specified as such in the relevant Supplemental Listing Document;

“**Settlement Currency**” means the currency specified as such in the relevant Supplemental Listing Document;

“**Settlement Date**” means the third CCASS Settlement Day after (i) the end of the MCE Valuation Period or (ii) the later of: (a) the Expiry Date; and (b) the day on which the Closing Level is determined in accordance with the Conditions (as the case may be);

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

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

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

“**Strike Level**” means the level specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with Condition 6;

“**Trading Day**” means any day on which the Stock Exchange is scheduled to open for trading for its regular trading sessions; and

“**Valuation Date**” means the date specified as such in the relevant Supplemental Listing Document.

3. Exercise of CBBCs, Mandatory Call Event, Automatic Exercise and Expiry

- (A) The CBBCs are exercisable on the Expiry Date, provided that a Mandatory Call Event has not occurred.
- (B) Upon the occurrence of a Mandatory Call Event, the CBBCs will terminate automatically on the Mandatory Call Date. Any CBBC in respect of which a Mandatory Call Event has occurred will entitle the Holder to receive the Cash Settlement Amount (if any) in accordance with Condition 4(D).
- (C) Any CBBC which has not automatically terminated on a Mandatory Call Date will automatically be exercised if, on the Expiry Date, the value of the Cash Settlement Amount is greater than zero (without prior notice being given to the Holders). The Holders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Holders the Cash Settlement Amount (if any) in accordance with Condition 4(D).
- (D) For the avoidance of doubt, where the CBBCs have been exercised on the Expiry Date or have automatically terminated on a Mandatory Call Date (as the case may be), payment of the Cash Settlement Amount (if any) shall constitute full and final settlement of the obligations of the Issuer with respect to the CBBCs. Subject to such payment having been made, the Issuer shall have no obligation towards the relevant Holder under the CBBCs subsequent to such Expiry Date or Mandatory Call Date (as the case may be).
- (E) Any CBBC which has not been automatically terminated or which has not been automatically exercised in accordance with Condition 3(B) or Condition 3(C) (as the case may be) shall expire immediately without value thereafter and all rights of the Holder and obligations of the Issuer with respect to such CBBC shall cease.

4. Exercise of CBBCs, Cancellation and Payment

- (A) CBBCs may only be exercised in Board Lots or integral multiples thereof.
- (B) The Holders will not be required to deliver an exercise notice for any purpose in relation to the CBBCs.
- (C) The Issuer will, with effect from the first Business Day following the Mandatory Call Date or the Expiry Date (as the case may be), remove from its register the name of the person in respect of the CBBCs which (i) are the subject of an occurrence of a Mandatory Call Event; (ii) are the subject of an exercise whether pursuant to automatic exercise in accordance with these Conditions; or (iii) have expired worthless, and thereby cancel the relevant CBBCs.
- (D) Subject to automatic exercise of CBBCs or the occurrence of a Mandatory Call Event in accordance with these Conditions, the Issuer will make a payment, in respect of every Board Lot, to the relevant Holder equal to the Cash Settlement Amount minus any determined Exercise Expenses. If the Cash Settlement Amount is equal to or less than the determined Exercise Expenses, no amount is payable.

The Cash Settlement Amount minus any determined Exercise Expenses shall be dispatched not later than 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 Holder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of the Settlement Disruption Event.

If the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on the Valuation Date, 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. Agent

- (A) The Agent will be acting as agent of the Issuer in respect of any CBBC and will not assume any obligation or duty to or any relationship of agency or trust for the Holders.
- (B) The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the initial Agent and to appoint another agent provided that it will at all times maintain an agent in Hong Kong for so long as the CBBCs are listed on the Stock Exchange. Notice of any such termination or appointment will be given to the Holders in accordance with Condition 11.

6. Adjustments to the Index

- (A) If the Index is (i) not calculated and announced by the Index Compiler but is calculated and published by a successor to the Index Compiler (the “**Successor Index Compiler**”) acceptable to the Issuer or (ii) replaced by a successor index using, in the determination of the Issuer, the same or a substantially similar formula for and method of calculation as used in the calculation of the Index, then the Index will be deemed to be the index so calculated and announced by the Successor Index Compiler or that successor index, as the case may be.
- (B) If: (i) on or prior to a Valuation Date the Index Compiler or (if applicable) the Successor Index Compiler makes a material change in the formula for or the method of calculating the Index or in any other way materially modifies the Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent stock, contracts or commodities and other routine events); or (ii) on a Valuation Date the Index Compiler or (if applicable) the Successor Index Compiler fails to calculate and publish the Index (other than as a result of a Market Disruption Event), then the Issuer shall determine the Closing Level using, in lieu of a published level for the Index, the level for the Index as at that Valuation Date as determined by the Issuer in accordance with the formula for and method of calculating the Index last in effect prior to that change or failure, but using only those securities/commodities that comprised the Index immediately prior to that change or failure and may make such other adjustments as it deems appropriate including, but not limited to, adjusting the Strike Level and the Call Level.
- (C) *Other Adjustments.* Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the CBBCs as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:
 - (a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction); or
 - (b) determined by the Issuer in good faith to be appropriate and commercially reasonable.
- (D) All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any determinations by publication in accordance with Condition 11.

7. Illegality or Impracticability

The Issuer is entitled to terminate the CBBCs if it determines in good faith and in a commercially reasonable manner that, for reasons beyond its control, it has become or it will become illegal or impracticable:

- (a) for it to perform its obligations under the CBBCs in whole or in part as a result of:
 - (i) the adoption of, or any change in, any relevant law or regulation (including any tax law); or
 - (ii) the promulgation of, or any change in, the interpretation by any court, tribunal, governmental, administrative, legislative, regulatory or judicial authority or power with competent jurisdiction of any relevant law or regulation (including any tax law),(each of (i) and (ii), a “**Change in Law Event**”); or
- (b) for it or any of its affiliates to maintain the Issuer’s hedging arrangements with respect to the CBBCs due to a Change in Law Event.

Upon the occurrence of a Change in Law Event, the Issuer will, if and to the extent permitted by the applicable law or regulation, pay to each Holder a cash amount that the Issuer determines in good faith and in a commercially reasonable manner to be the fair market value in respect of each CBBC held by such Holder immediately prior to such termination (ignoring such illegality or impracticability) less the cost to the Issuer of unwinding any related hedging arrangement as determined by the Issuer in its sole and absolute discretion. Payment will be made to each Holder in such manner as shall be notified to the Holder in accordance with Condition 11.

8. Purchases by the Issuer

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

9. Global Certificate

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

10. Meetings of Holders and Modification

- (A) *Meetings of Holders.* Notices for convening meetings to consider any matter affecting the Holder’s interests will be given to the Holder in accordance with the provisions of Condition 11.

Every question submitted to a meeting of the Holder shall be decided by poll. A meeting may be convened by the Issuer or by Holders holding not less than 10 percent of the CBBCs for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons (including any nominee appointed by the Holder) holding or representing not less than 25 percent of the CBBCs for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Holders whatever the number of CBBCs so held or represented.

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

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

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

- (B) *Modifications.* The Issuer may, without the consent of the Holders, effect any modification of the terms and conditions of the CBBCs or the Instrument which, in the opinion of the Issuer, is: (i) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such modification in any particular jurisdiction); (ii) of a formal, minor or technical nature; (iii) made to correct a manifest error; or (iv) necessary in order to comply with mandatory provisions of the laws or regulations of Hong Kong. Any such modification shall be binding on the Holders and shall be notified to them by the Agent before the effective date or as soon as practicable thereafter in accordance with Condition 11.

11. Notices

All notices in English and Chinese to the Holder will be validly given if published on the website of Hong Kong Exchanges and Clearing Limited, www.hkex.com.hk.

12. Further Issues

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

13. Good Faith and Commercially Reasonable Manner

Any exercise of discretion by the Issuer under these Conditions will be made in good faith and in a commercially reasonable manner.

14. Governing Law

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

15. Language

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

Agent

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

PART F – TERMS AND CONDITIONS OF CASH-SETTLED CALLABLE BULL/BEAR CONTRACTS OVER SINGLE UNIT TRUSTS

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

1. Form, Status, Transfer and Title

- (A) The callable bull/bear contracts or CBBCs (which expression shall, unless the context otherwise requires, include any further CBBCs issued pursuant to Condition 13) relating to the Units of the Trust are issued in registered form subject to and with the benefit of an instrument by way of deed poll (the “**Instrument**” as defined more fully in the supplemental listing document) executed by BOCI Asia Limited (the “**Issuer**”). The Holder (as defined below) is entitled to the benefit of, is bound by and is deemed to have notice of all the provisions of the Instrument. A copy of the Instrument is available for inspection at the offices of the Agent as specified below.

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

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

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

- (C) Transfer of CBBCs may be effected only in Board Lots or integral multiples thereof in CCASS in accordance with the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time (the “**CCASS Rules**”).
- (D) Each person who is for the time being shown in the register kept by or on behalf of the Issuer outside of Hong Kong as the holder shall be treated by the Issuer and the Agent as the absolute owner and holder of the CBBCs. The expression “**Holder**” shall be construed accordingly.
- (E) Trading in CBBCs on the Stock Exchange shall be suspended immediately upon the occurrence of a Mandatory Call Event (in which case all Post MCE Trades will be cancelled and will not be recognised by the Issuer or the Stock Exchange) or at the close of trading for the Trading Day immediately preceding the Expiry Date (whichever is earlier) in accordance with the requirements of the Stock Exchange.

2. CBBC Rights and Exercise Expenses

- (A) Every Board Lot entitles the Holder, upon compliance with these Conditions, in particular Condition 4, to payment of the Cash Settlement Amount.

(B) The Holders will be required to pay the Exercise Expenses resulting from the early termination of the CBBCs upon the occurrence of a Mandatory Call Event or the exercise of the CBBCs at expiry. To effect such payment an amount equivalent to the Exercise Expenses shall be deducted from the Cash Settlement Amount in accordance with Condition 4.

(C) For the purposes of these Conditions:

“**Board Lot**” has the meaning given to it in the relevant Supplemental Listing Document;

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

“**Call Price**” means the price specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with Condition 6;

“**Cash Settlement Amount**” means, for every Board Lot:

(a) following a Mandatory Call Event:

(i) in the case of a series of Category R CBBCs, the Residual Value; or

(ii) in the case of a series of Category N CBBCs, zero; and

(b) at expiry:

(i) in respect of a series of bull CBBCs:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement} \times (\text{Closing Price} - \text{Strike Price}) \times \text{one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

(ii) in the respect of a series of bear CBBCs:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement} \times (\text{Strike Price} - \text{Closing Price}) \times \text{one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

“**Category N CBBCs**” means a series of CBBCs where the Call Price is equal to the Strike Price;

“**Category R CBBCs**” means a series of CBBCs where the Call Price is different from the Strike Price;

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

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

“**Closing Price**” means the closing price of one Unit (as derived from the Daily Quotation Sheet of the Stock Exchange, subject to any adjustments to such closing price as may be necessary to reflect any capitalization, rights issue, distribution or the like) on the Valuation Date;

“**Entitlement**” has the meaning given to it in the relevant Supplemental Listing Document, subject to any adjustment in accordance with Condition 6;

“**Exercise Expenses**” means any charges or expenses including any taxes or duties which are incurred in respect of the early termination of CBBCs upon the occurrence of a Mandatory Call Event or the exercise of the CBBCs upon expiry;

“**Expiry Date**” means the date specified as such in the relevant Supplemental Listing Document;

“**Listing Date**” means the date specified as such in the relevant Supplemental Listing Document;

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

“**Mandatory Call Event**” occurs when the Spot Price of the Units on any Trading Day during the Observation Period is:

- (a) in respect of a series of bull CBBCs, at or below the Call Price; or
- (b) in respect of a series of bear CBBCs, at or above the Call Price;

“**Market Disruption Event**” means:

- (1) the occurrence or existence on any Trading Day during the one-half hour period that ends at the close of trading of any suspension of, or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in (a) the Units; or (b) any options or futures contracts relating to the Units if, in any case, such suspension or limitation is, in the determination of the Issuer, material;
- (2) the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a “BLACK” rainstorm signal on any day which either (i) results in the Stock Exchange being closed for trading for the entire day; or (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case where the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session), provided that there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening 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 issued; or
- (3) a limitation or closure of the Stock Exchange due to any unforeseen circumstances;

“**Maximum Trade Price**” means the highest Spot Price of the Units during the MCE Valuation Period;

“**MCE Valuation Period**” means the period commencing from and including the moment upon which the Mandatory Call Event occurs (the trading session during which the Mandatory Call Event occurs is the “**1st Session**”) and up to the end of the trading session on the Stock Exchange immediately following the 1st Session (“**2nd Session**”) unless, in the determination of the Issuer in its good faith, the 2nd Session for any reason (including, without limitation, a Market Disruption Event occurring and subsisting in the 2nd Session) does not contain any continuous period of 1 hour or more than 1 hour during which trading in the Units is permitted on the Stock Exchange with no limitation imposed, the MCE Valuation Period shall be extended to the end of the subsequent trading session following the 2nd Session during which trading in the Units is permitted on the Stock Exchange with no limitation imposed for a continuous period of at least 1 hour notwithstanding the existence or continuance of a Market Disruption Event in such postponed trading session, unless the Issuer determines in its good

faith that each trading session on each of the four Trading Days immediately following the date on which the Mandatory Call Event occurs does not contain any continuous period of 1 hour or more than 1 hour during which trading in the Units is permitted on the Stock Exchange with no limitation imposed.

In that case (1) the period commencing from the 1st Session up to, and including, the last trading session on the Stock Exchange of the fourth Trading Day immediately following the date on which the Mandatory Call Event occurs shall be deemed to be the MCE Valuation Period, and (2) the Issuer shall determine the Maximum Trade Price or the Minimum Trade Price (as the case may be) having regard to the then prevailing market conditions, the last reported Spot Price and such other factors as the Issuer may determine to be relevant in its good faith.

For the avoidance of doubt, all Spot Prices available throughout the extended MCE Valuation Period shall be taken into account to determine the Maximum Trade Price or the Minimum Trade Price (as the case may be) for the calculation of the Residual Value.

For the purpose of this definition:

- (1) the pre-opening session, the morning session and, in the case of half day trading, the closing auction session (if applicable) of the same day; and
 - (2) the afternoon session and the closing auction session (if applicable) of the same day,
- shall each be considered as one trading session only;

“**Minimum Trade Price**” means the lowest Spot Price of the Units during the MCE Valuation Period;

“**Observation Commencement Date**” means the date specified as such in the relevant Supplemental Listing Document;

“**Observation Period**” means the period from (and including) the Observation Commencement Date to (and including) the Trading Day immediately preceding the Expiry Date;

“**Post MCE Trades**” has the meaning given to it in the relevant Supplemental Listing Document, subject to such modification and amendment prescribed by the Stock Exchange from time to time;

“**Residual Value**” means, for every Board Lot:

- (i) in respect of a series of bull CBBCs:

$$\text{Residual Value per Board Lot} = \frac{\text{Entitlement} \times (\text{Minimum Trade Price} - \text{Strike Price}) \times \text{one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

- (ii) in respect of a series of bear CBBCs:

$$\text{Residual Value per Board Lot} = \frac{\text{Entitlement} \times (\text{Strike Price} - \text{Maximum Trade Price}) \times \text{one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

“**Number of CBBC(s) per Entitlement**” means the amount specified as such 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 Cash Settlement Amount electronically through CCASS to the relevant bank account designated by the relevant Holder (“**Designated Bank Account**”);

“Spot Price” means:

- (a) in respect of a continuous trading session of the Stock Exchange, the price per Unit concluded by means of automatic order matching on the Stock Exchange as reported in the official real-time dissemination mechanism for the Stock Exchange during such continuous trading session in accordance with the Trading Rules, excluding direct business (as defined in the Trading Rules); and
- (b) in respect of a pre-opening session or a closing auction session (if applicable) of the Stock Exchange, as the case may be, the final Indicative Equilibrium Price (“**IEP**”) (as defined in the Trading Rules) of the Units (if any) calculated at the end of the pre-order matching period of such pre-opening session or closing auction session (if applicable), as the case may be, in accordance with the Trading Rules, excluding direct business (as defined in the Trading Rules),

subject to such modification and amendment prescribed by the Stock Exchange from time to time;

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

“Strike Price” means the price specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with Condition 6;

“Trading Day” means any day on which the Stock Exchange is scheduled to open for trading for its regular trading sessions;

“Trading Rules” means the Rules and Regulations of the Stock Exchange prescribed by the Stock Exchange from time to time.

“Trust” means the trust specified as such in the relevant supplemental listing document;

“Unit” means the unit specified as such in the relevant supplemental listing document; and

“Valuation Date” means the Trading Day immediately preceding the Expiry Date unless, in the determination of the Issuer, a Market Disruption Event has occurred on that day in which case, the Valuation Date shall be the first succeeding Trading Day on which the Issuer determines that there is no Market Disruption Event, unless the Issuer determines that there is a Market Disruption Event occurring on each of the four Trading Days immediately following the original date which (but for the Market Disruption Event) would have been the Valuation Date. In that case:

- (a) the fourth Trading Day immediately following the original date shall be deemed to be the Valuation Date (regardless of the Market Disruption Event); and
- (b) the Issuer shall determine the Closing Price having regard to the then prevailing market conditions, the last reported trading price of the Share on the Stock Exchange and such other factors as the Issuer determines to be relevant.

3. Exercise of CBBCs, Mandatory Call Event, Automatic Exercise and Expiry

- (A) The CBBCs are exercisable on the Expiry Date, provided that a Mandatory Call Event has not occurred.
- (B) Upon the occurrence of a Mandatory Call Event, the CBBCs will terminate automatically on the Mandatory Call Date. Any CBBC in respect of which a Mandatory Call Event has occurred will entitle the Holder to receive the Cash Settlement Amount (if any) in accordance with Condition 4(D).

- (C) Any CBBC which has not automatically terminated on a Mandatory Call Date will automatically be exercised if, on the Expiry Date, the value of the Cash Settlement Amount is greater than zero (without prior notice being given to the Holders). The Holders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Holders the Cash Settlement Amount (if any) in accordance with Condition 4(D).
- (D) For the avoidance of doubt, where the CBBCs have been exercised on the Expiry Date or have automatically terminated on a Mandatory Call Date (as the case may be), payment of the Cash Settlement Amount (if any) shall constitute full and final settlement of the obligations of the Issuer with respect to the CBBCs. Subject to such payment having been made, the Issuer shall have no obligation towards the relevant Holder under the CBBCs subsequent to such Expiry Date or Mandatory Call Date (as the case may be).
- (E) Any CBBC which has not been automatically terminated or which has not been automatically exercised in accordance with Condition 3(B) or Condition 3(C) (as the case may be) shall expire immediately without value thereafter and all rights of the Holder and obligations of the Issuer with respect to such CBBC shall cease.

4. Exercise of CBBCs, Cancellation and Payment

- (A) CBBCs may only be exercised in Board Lots or integral multiples thereof.
- (B) The Holders will not be required to deliver an exercise notice for any purpose in relation to the CBBCs.
- (C) The Issuer will with effect from the first Business Day following the Mandatory Call Date or the Expiry Date (as the case may be), remove from its register the name of the person in respect of the CBBCs which (i) are the subject of an occurrence of a Mandatory Call Event; (ii) are the subject of an exercise pursuant to automatic exercise in accordance with these Conditions; or (iii) have expired worthless, and thereby cancel the relevant CBBCs.
- (D) Subject to automatic exercise of CBBCs or the occurrence of a Mandatory Call Event in accordance with these Conditions, the Issuer will make a payment, in respect of every Board Lot, to the relevant Holder equal to the Cash Settlement Amount minus any determined Exercise Expenses. If the Cash Settlement Amount is equal to or less than the determined Exercise Expenses, no amount is payable.

The Cash Settlement Amount minus any determined Exercise Expenses shall be dispatched not later than 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 Holder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of the Settlement Disruption Event.

If the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on the Valuation Date, then that Valuation Date shall be postponed to the first succeeding Trading Day on which the Issuer determines that there is no Market Disruption Event, unless the Issuer determines that there is a Market Disruption Event occurring on each of the four Trading Days immediately following the original date that, but for the Market Disruption Event, would have been the Valuation Date. In that case (i) that fourth Trading Day immediately following such original date shall be deemed to be the Valuation Date, notwithstanding the Market Disruption

Event, and (ii) the Issuer shall determine the Closing Price having regard to the then prevailing market conditions, the last reported trading price of the Units on the Stock Exchange and such other factors as the Issuer determines to be relevant.

5. Agent

- (A) The Agent will be acting as agent of the Issuer in respect of any CBBCs and will not assume any obligation or duty to or any relationship of agency or trust for the Holders.
- (B) The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the initial Agent and to appoint another agent provided that it will at all times maintain an agent in Hong Kong for so long as the CBBCs are listed on the Stock Exchange. Notice of any such termination or appointment will be given to the Holders in accordance with Condition 11.

6. Adjustments

Adjustments may be made by the Issuer and/or the Agent to these Conditions (including without limitation (i) the Strike Price, (ii) the Call Price and/or (iii) the Entitlement) on the basis of the following provisions:

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

The Strike Price will be adjusted to:

$$\text{Adjusted Strike Price} = \frac{1}{\text{Adjustment Factor}} \times X$$

The Call Price will be adjusted to:

$$\text{Adjusted Call Price} = \frac{1}{\text{Adjustment Factor}} \times Y$$

The Entitlement will be adjusted to:

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

Where:

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

E: Existing Entitlement immediately prior to the Rights Offer

X: Existing Strike Price immediately prior to the Rights Offer

Y: Existing Call Price immediately prior to the Rights Offer

S: Cum-Rights Unit price being the closing price of an existing Unit as derived from the Daily Quotation Sheet of the Stock Exchange on the last Business Day on which the Units are traded on a cum-Rights basis

R: Subscription price per new Unit as specified in the Rights Offer plus an amount equal to any distributions or other benefits foregone to exercise the Rights

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

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made. The adjustments of the Strike Price and the Call Price (which shall be rounded to the nearest 0.001) shall take effect on the Rights Issue Adjustment Date.

For the purposes of these Conditions:

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

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

The Strike Price will be adjusted to:

$$\text{Adjusted Strike Price} = \frac{1}{\text{Adjustment Factor}} \times X$$

The Call Price will be adjusted to:

$$\text{Adjusted Call Price} = \frac{1}{\text{Adjustment Factor}} \times Y$$

The Entitlement will be adjusted to:

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

Where:

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

E: Existing Entitlement immediately prior to the Bonus Issue

X: Existing Strike Price immediately prior to the Bonus Issue

Y: Existing Call Price immediately prior to the Bonus Issue

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

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made. The adjustments of the Strike Price and the Call Price (which shall be rounded to the nearest 0.001) shall take effect on the Bonus Issue Adjustment Date.

(C) *Subdivisions and Consolidations.* If and whenever the Trust shall subdivide its Units or any class of its outstanding Units into a greater number of units (a “**Subdivision**”) or consolidate the Units or any class of its outstanding Units into a smaller number of units (a “**Consolidation**”), then:

- (i) in the case of a Subdivision, the Entitlement in effect immediately prior thereto will be increased whereas the Strike Price and the Call Price (which shall be rounded to the nearest 0.001) will be decreased in the same ratio as the Subdivision; and
- (ii) in the case of a Consolidation, the Entitlement in effect immediately prior thereto will be decreased whereas the Strike Price and the Call Price (which shall be rounded to the nearest 0.001) will be increased in the same ratio as the Consolidation,

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

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

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

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

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

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

The Strike Price will be adjusted to:

$$\text{Adjusted Strike Price} = \frac{1}{\text{Adjustment Factor}} \times X$$

The Call Price will be adjusted to:

$$\text{Adjusted Call Price} = \frac{1}{\text{Adjustment Factor}} \times Y$$

The Entitlement will be adjusted to:

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

Where:

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

E: The existing Entitlement immediately prior to the Cash Distribution

X: Existing Strike Price immediately prior to the Cash Distribution

Y: Existing Call Price immediately prior to the Cash Distribution

CD: The Cash Distribution per Unit

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

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

The adjustment of the Strike Price and the Call Price (which shall be rounded to the nearest 0.001) shall take effect on the Cash Distribution Adjustment Date.

(F) *Other Adjustments.* Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the CBBCs as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:

(a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction); or

(b) determined by the Issuer in good faith to be appropriate and commercially reasonable.

(G) *Notice of Adjustments.* All determinations made by the Issuer and/or the Agent pursuant hereto will be conclusive and binding on the Holders. The Issuer and/or the Agent 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. **Illegality or Impracticability**

The Issuer is entitled to terminate the CBBCs if it determines in good faith and in a commercially reasonable manner that, for reasons beyond its control, it has become or it will become illegal or impracticable:

- (a) for it to perform its obligations under the CBBCs in whole or in part as a result of:
 - (i) the adoption of, or any change in, any relevant law or regulation (including any tax law); or
 - (ii) the promulgation of, or any change in, the interpretation by any court, tribunal, governmental, administrative, legislative, regulatory or judicial authority or power with competent jurisdiction of any relevant law or regulation (including any tax law),(each of (i) and (ii), a “**Change in Law Event**”); or
- (b) for it or any of its affiliates to maintain the Issuer’s hedging arrangements with respect to the CBBCs due to a Change in Law Event.

Upon the occurrence of a Change in Law Event, the Issuer will, if and to the extent permitted by the applicable law or regulation, pay to each Holder a cash amount that the Issuer determines in good faith and in a commercially reasonable manner to be the fair market value in respect of each CBBC held by such Holder immediately prior to such termination (ignoring such illegality or impracticability) less the cost to the Issuer of unwinding any related hedging arrangement as determined by the Issuer in its sole and absolute discretion. Payment will be made to each Holder in such manner as shall be notified to the Holder in accordance with Condition 11.

8. **Purchases by the Issuer**

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

9. **Global Certificate**

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

10. **Meetings of Holders and Modification**

- (A) *Meetings of Holders.* Notices for convening meetings to consider any matter affecting the Holder’s interests will be given to the Holder in accordance with the provisions of Condition 11.

Every question submitted to a meeting of the Holder shall be decided by poll. A meeting may be convened by the Issuer or by Holders holding not less than 10 percent of the CBBCs for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons (including any nominee appointed by the Holder) holding or representing not less than 25 percent of the CBBCs for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Holders whatever the number of CBBCs so held or represented.

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

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

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

- (B) *Modification.* The Issuer may, without the consent of the Holders, effect any modification of the terms and conditions of the CBBCs or the Instrument which, in the opinion of the Issuer, is: (i) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such modification in any particular jurisdiction); (ii) of a formal, minor or technical nature; (iii) made to correct a manifest error; or (iv) necessary in order to comply with mandatory provisions of the laws or regulations of Hong Kong. Any such modification shall be binding on the Holders and shall be notified to them by the Agent before the effective date or as soon as practicable thereafter in accordance with Condition 11.

11. Notices

All notices in English and Chinese to the Holder will be validly given if published on the website of Hong Kong Exchanges and Clearing Limited, www.hkex.com.hk.

12. Liquidation

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

13. Further Issues

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

14. Delisting

- (A) If at any time the Units cease to be listed on the Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments to the rights attaching to the CBBCs as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Holders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Holder or the tax or other consequences that may result in any particular jurisdiction).
- (B) Without prejudice to the generality of Condition 14(A), where the Units are, or, upon the delisting, become, listed on any other stock exchange, these Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Holders, make such adjustments to the entitlements of Holders on automatic expiry or exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into the relevant currency) as may be appropriate in the circumstances.

- (C) The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Holders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Holders in accordance with Condition 11 as soon as practicable after they are determined.

15. Taxation

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

16. Good Faith and Commercially Reasonable Manner

Any exercise of discretion by the Issuer under these Conditions will be made in good faith and in a commercially reasonable manner.

17. Governing Law

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

18. Language

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

Agent

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

APPENDIX 2
AUDITOR'S REPORT AND OUR CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

This information in this Appendix 2 has been extracted from our consolidated financial statements for the year ended 31 December 2014. The page numbers above the page numbers of this document refer to the pages of our financial statements.

INDEPENDENT AUDITORS' REPORT
To the shareholders of BOCI Asia Limited

中銀國際亞洲有限公司

(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of BOCI Asia Limited (the "Company") and its subsidiaries (collectively the "Group") set out on pages 6 to 88, which comprise the consolidated and company statements of financial position as at 31 December 2014 and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In addition, the directors also have a responsibility to ensure that the consolidated 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.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with section 80 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing and with reference to Practice Note 820 "The Audit of Licensed Corporations and Associated Entities of Intermediaries" issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement, and whether the consolidated financial statements are in accordance with the records kept under the Hong Kong Securities and Futures (Keeping of Records) Rules and satisfy the requirements of the Hong Kong Securities and Futures (Accounts and Audit) Rules.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated financial statements.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the shareholders of BOCI Asia Limited

中銀國際亞洲有限公司

(Incorporated in Hong Kong with limited liability)

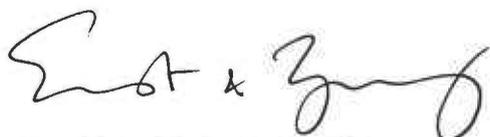
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Report on matters under the Hong Kong Securities and Futures (Keeping of Records) Rules and Hong Kong Securities and Futures (Accounts and Audit) Rules of the Hong Kong Securities and Futures Ordinance

In our opinion, the consolidated 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
Hong Kong
28 April 2015

BOCI ASIA LIMITED
中銀國際亞洲有限公司

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2014

	Notes	2014 HK\$	2013 HK\$
Revenue	5a	3,109,058,778	2,510,099,203
Trading gain, net	5b	583,114,876	396,420,597
Other income	6	303,148,726	220,001,809
Total income		<u>3,995,322,380</u>	<u>3,126,521,609</u>
Commission and clearing expenses		(804,682,222)	(592,991,372)
Staff costs	7	(896,348,069)	(722,053,158)
Other operating expenses		(910,489,809)	(768,900,527)
		<u>(2,611,520,100)</u>	<u>(2,083,945,057)</u>
Finance costs	10	<u>(221,628,242)</u>	<u>(167,641,090)</u>
Profit before taxation	9	1,162,174,038	874,935,462
Income tax expense	11	<u>(135,393,722)</u>	<u>(127,023,960)</u>
Profit for the year		<u>1,026,780,316</u>	<u>747,911,502</u>
Attributable to:			
Equity holders of the Company		<u>1,026,780,316</u>	<u>747,911,502</u>

The accompanying notes form an integral part of these consolidated financial statements.

BOCI ASIA LIMITED

中銀國際亞洲有限公司

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	2014 HK\$	2013 HK\$
Profit for the year	1,026,780,316	747,911,502
Other comprehensive income	-	-
Total comprehensive income for the year	<u>1,026,780,316</u>	<u>747,911,502</u>
Attributable to:		
Equity holders of the Company	<u>1,026,780,316</u>	<u>747,911,502</u>

The accompanying notes form an integral part of these consolidated financial statements.

BOCI ASIA LIMITED
中銀國際亞洲有限公司

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 HK\$	2013 HK\$
NON-CURRENT ASSETS			
Plant and equipment	14	1,997,102	4,302,820
Intangible assets	15	49,715,218	49,715,218
Available-for-sale financial assets	18	355,000	355,000
Statutory deposits and other assets		104,885,045	14,449,575
Deferred income tax assets	17	1,138,599	970,510
Total non-current assets		<u>158,090,964</u>	<u>69,793,123</u>
CURRENT ASSETS			
Financial assets at fair value through profit or loss	19	2,968,101,223	995,992,670
Held-to-maturity financial assets	20	2,421,505,849	240,039,978
Derivative financial instruments	21	405,059,919	104,115,581
Loans and receivables	22	35,169,047,436	27,330,683,952
Amounts due from the immediate holding company	25	948,066,301	1,904,146,027
Cash and balances with banks	23	7,943,271,762	8,460,290,387
Taxation recoverable		-	33,203,843
Total current assets		<u>49,855,052,490</u>	<u>39,068,472,438</u>
CURRENT LIABILITIES			
Bank loans and other borrowings – unsecured	33	-	1,500,095,570
Subordinated loans from the immediate holding company	25	2,285,000,000	2,285,000,000
Amounts due to the immediate holding company	25	12,120,117,050	9,075,128,782
Amounts due to fellow subsidiaries	24	1,271,921,878	260,902,371
Amounts due to a related company	25	17,901,639	16,214,648
Accounts and other payables	26	14,469,244,626	9,694,939,410
Deposits from customers	27	11,991,338,698	10,276,833,647
Derivative financial instruments	21	868,239,851	174,990,983
Financial liabilities at fair value through profit or loss	28	840,102,884	791,540,114
Taxation payable		75,908,609	55,842,114
Total current liabilities		<u>43,939,775,235</u>	<u>34,131,487,639</u>
NET CURRENT ASSETS		<u>5,915,277,255</u>	<u>4,936,984,799</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>6,073,368,219</u>	<u>5,006,777,922</u>

BOCI ASIA LIMITED
中銀國際亞洲有限公司

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2014

	Notes	2014 HK\$	2013 HK\$
TOTAL ASSETS LESS CURRENT LIABILITIES		6,073,368,219	5,006,777,922
NON-CURRENT LIABILITIES			
Deferred income tax liabilities	17	-	764,184
Accounts and other payables	26	102,791,128	62,216,963
Total non-current liabilities		102,791,128	62,981,147
Net assets		5,970,577,091	4,943,796,775
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital: nominal value	29	-	2,000,000,000
Share capital and other statutory capital reserves	29	2,000,000,000	-
Reserve for fair value changes of available-for-sale financial assets		15,000	15,000
Retained earnings		3,970,562,091	2,943,781,775
Total equity		5,970,577,091	4,943,796,775



.....
 Director



.....
 Director

The accompanying notes form an integral part of these consolidated financial statements.

BOCI ASIA LIMITED
中銀國際亞洲有限公司

STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 HK\$	2013 HK\$
NON-CURRENT ASSETS			
Investment in subsidiaries	16	1,722,792,046	1,722,792,046
Plant and equipment	14	79,626	256,789
Total non-current assets		<u>1,722,871,672</u>	<u>1,723,048,835</u>
CURRENT ASSETS			
Financial assets at fair value through profit or loss	19	2,967,366,986	995,157,455
Derivative financial instruments	21	69,819,298	45,174,263
Loans and receivables	22	805,477,856	873,252,617
Amounts due from the immediate holding company	25	334,975,218	683,146,027
Cash and balances with banks	23	1,223,070,282	811,019,933
Taxation recoverable		-	32,869,880
Total current assets		<u>5,400,709,640</u>	<u>3,440,620,175</u>
CURRENT LIABILITIES			
Subordinated loans from the immediate holding company	25	385,000,000	385,000,000
Amounts due to the immediate holding company	25	489,233,857	487,600,696
Amounts due to fellow subsidiaries	24	1,268,564,381	251,686,997
Amounts due to a related company	25	11,666,174	16,214,648
Accounts and other payables	26	264,825,649	138,546,091
Derivative financial instruments	21	518,129,449	116,774,733
Financial liabilities at fair value through profit or loss	28	840,213,785	791,540,114
Taxation payable		35,425,228	-
Total current liabilities		<u>3,813,058,523</u>	<u>2,187,363,279</u>
NET CURRENT ASSETS		<u>1,587,651,117</u>	<u>1,253,256,896</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,310,522,789</u>	<u>2,976,305,731</u>

BOCI ASIA LIMITED
中銀國際亞洲有限公司

STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2014

	Notes	2014 HK\$	2013 HK\$
TOTAL ASSETS LESS CURRENT LIABILITIES		3,310,522,789	2,976,305,731
NON-CURRENT LIABILITIES		-----	-----
Deferred income tax liabilities	17	-	746,061
Accounts and other payables	26	41,044,667	21,236,000
Total non-current liabilities		41,044,667	21,982,061
		-----	-----
Net assets		3,269,478,122	2,954,323,670
		=====	=====
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital: nominal value	29	-	2,000,000,000
Share capital and other statutory capital reserves	29	2,000,000,000	-
Retained earnings	30	1,269,478,122	954,323,670
Total equity		3,269,478,122	2,954,323,670
		=====	=====



.....
 Director



.....
 Director

The accompanying notes form an integral part of these consolidated financial statements.

BOCI ASIA LIMITED
中銀國際亞洲有限公司

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to equity holders of the Company			Total HK\$
	Share capital HK\$	Reserve for fair value changes of available-for-sale financial assets HK\$	Retained earnings HK\$	
Balance at 1 January 2013	2,000,000,000	15,000	2,195,870,273	4,195,885,273
Total comprehensive income for the year	-	-	747,911,502	747,911,502
Balance at 31 December 2013	2,000,000,000	15,000	2,943,781,775	4,943,796,775
Balance at 1 January 2014	2,000,000,000	15,000	2,943,781,775	4,943,796,775
Total comprehensive income for the year	-	-	1,026,780,316	1,026,780,316
Balance at 31 December 2014	2,000,000,000	15,000	3,970,562,091	5,970,577,091

The accompanying notes form an integral part of these consolidated financial statements.

BOCI ASIA LIMITED
 中銀國際亞洲有限公司

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Note	2014 HK\$	2013 HK\$
Cash flow from operating activities			
Net cash generated from operating activities	31	1,668,516,953	2,784,889,337
		-----	-----
Cash flows from investing activities			
Purchase of plant and equipment	14	-	(71,300)
Purchase of held-to maturity financial assets	20	(30,232,454,716)	(240,039,978)
Proceeds from redemption of held-to-maturity financial assets	20	28,051,478,825	-
Interest received from held-to-maturity financial assets		7,002,472	-
Exchange effect	20	(396,796)	-
		-----	-----
Net cash used in investing activities		(2,174,370,215)	(240,111,278)
		-----	-----
Net (decrease) /increase in cash and cash equivalents		(505,853,262)	2,544,778,059
Cash and cash equivalents at beginning of year		8,446,346,953	5,901,568,894
		-----	-----
Cash and cash equivalents at end of year		7,940,493,691	8,446,346,953
		=====	=====
Analysis of balances of cash and cash equivalents			
Cash at banks and in hand with original maturity within three months	23	2,816,325,683	1,088,768,230
Short-term bank deposits with original maturity within three months	23	5,124,168,008	7,130,741,057
Placements with banks with original maturity within three months	23	-	226,837,666
		-----	-----
Cash and cash equivalents at end of year		7,940,493,691	8,446,346,953
		=====	=====

The accompanying notes form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

1. GENERAL INFORMATION

BOCI Asia Limited (the “Company”) is a limited liability company incorporated in Hong Kong. The address of its registered office is 26/F, Bank of China Tower, 1 Garden Road, Central, Hong Kong.

The Group provides a broad range of investment banking services for a diverse group of domestic and international companies, financial institutions, government agencies and individuals through its subsidiaries and affiliates in Hong Kong. The Group engages in the provision of banking services, underwriting and financial advisory, sales and trading of securities and other financial instruments.

The consolidated financial statements of the Group for the year ended 31 December 2014 comprise the Company and its subsidiaries (collectively, the “Group”).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of BOCI Asia Limited have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), “Accounts and Audit”, which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 34.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(a) Standards, amendments and interpretations effective for the year and relevant to the Group's operations

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011), 'Investment Entities', effective from 1 January 2014: The amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The amendments have had no impact on the Group as the Company does not qualify as an investment entity as defined in HKFRS 10.
- Amendment to HKAS 32, 'Offsetting financial assets and financial liabilities', effective from 1 January 2014: The amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The Group has adopted the accounting standard and there is no significant impact on the Group's consolidated financial statements.
- Amendments to HKAS 36, 'Recoverable Amount Disclosures for Non-Financial Assets', effective from 1 January 2014: The HKAS 36 Amendments remove the unintended disclosure requirement made by HKFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments have had no impact on the financial position or performance of the Group.
- Amendment to HKFRS 13 included in Annual Improvements 2010-2012 Cycle, 'Short-term Receivables and Payables', effective from 1 January 2014: The amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has had no impact on the Group.

There are some other new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 January 2014. However, they do not have significant impact on the Group's consolidated financial statements and have therefore not been analysed in detail.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(b) New and revised HKFRSs and new disclosure requirements under the Hong Kong Companies Ordinance not yet adopted by the Group

The following standards and amendments to existing standards have been published but are not effective for the financial year beginning 1 January 2014, and the Group has not early adopted them. Amongst the new and revised HKFRSs, the following are expected to be relevant to the Group's consolidated financial statements upon become effective:

- HKFRS 9, 'Financial instruments', effective for annual periods beginning on or after 1 January 2018: In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.
- HKFRS 15, 'Revenue from Contracts with Customers', effective for annual periods beginning on or after 1 January 2017: HKFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. The Group expects to adopt HKFRS 15 on 1 January 2017 and is currently assessing the impact of HKFRS 15 upon adoption.
- Amendments to HKAS 16 and HKAS 38, 'Clarification of Acceptable Methods of Depreciation and Amortisation', effective for annual periods beginning on or after 1 January 2016: Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(b) New and revised HKFRSs and new disclosure requirements under the Hong Kong Companies Ordinance not yet adopted by the Group (continued)

- Annual Improvements 2010-2012 Cycle, ‘Amendments to a number of HKFRSs’, effective for annual periods beginning on or after 1 July 2014: The Annual Improvements to HKFRSs 2010-2012 Cycle issued in January 2014 sets out amendments to a number of HKFRSs. Except for those described in note 2.2, the Group expects to adopt the amendments from 1 January 2015. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendment most applicable to the Group are as follows:

HKFRS 8 Operating Segments: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

There are no other HKFRSs or HKFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

In addition, the requirements of Part 9 “Accounts and Audit” of the Hong Kong Companies Ordinance (Cap. 622) will come into operation as from the Company’s first financial year commencing after 3 March 2014 in accordance with section 358 of that Ordinance, which will be the year ending 31 December 2015. The Group is in the process of making an assessment of the expected impact of the changes in the period of initial application of Part 9 of the Ordinance. So far it has concluded that the impact is unlikely to be significant and will primarily affect the presentation and disclosure of information in the consolidated financial statements.

2.2 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary (collectively referred to as the “Group”) for the year ended 31 December 2014. The financial statements of the subsidiary are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiary are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss are attributed to the owners of the parent of the Group. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation (continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiary below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

(a) Subsidiaries

A subsidiary is entity (including a structured entity), directly or indirectly, controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Group has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

Investments in subsidiaries are accounted for by the Group at cost less impairment. The results of subsidiaries are accounted for by the Group to the extent of dividend and receivable.

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional currency and the Company's and Group's presentation currency.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Foreign currency translation (continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Plant and equipment

Plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Costs include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are expensed in the consolidated income statement during the financial period in which they are incurred.

Depreciation of plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold improvements	5 years
Furniture, fixtures and equipment	3 - 10 years
Electronic equipment	3 - 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2.5 Intangible assets – goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is carried at cost less accumulated impairment loss and is tested annually for impairment. Impairment losses on goodwill are not reversed. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Group allocates goodwill to each business segment in each country in which it operates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Impairment of investment in subsidiaries and other non-financial assets

Assets other than financial assets and non-current assets/a disposal group classified as held for sale are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 Financial assets

2.7.1 Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets, and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its investments at initial recognition.

(a) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the short term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of recent actual pattern of short-term profit-making. Derivatives, including separated embedded derivatives, are classified as held for trading.

A financial asset is typically classified as fair value through profit or loss at inception if it meets the following criteria:

- (i) The designation eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as "accounting mismatch") that would otherwise arise from measuring the financial assets or financial liabilities or recognising the gains and losses on them on different bases;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Financial assets (continued)

2.7.1 Classification (continued)

(a) Financial assets at fair value through profit or loss (continued)

- (ii) A group of financial assets and/or financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and this is the basis on which information about the financial assets and/or financial liabilities is provided internally to the management; or
- (iii) The designation relates to financial instruments containing one or more embedded derivative that significantly modifies the cash flow resulting from those financial instruments.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money or services directly to a debtor with no intention of trading the receivable. They are included in the consolidated statement of financial positions as current assets as loans and receivables and amounts due from an intermediate holding company, except for maturities greater than 12 months after the end of reporting period which are classified as non-current assets as statutory deposits and other assets.

(c) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Available-for-sale financial assets are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in market conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Financial assets (continued)

2.7.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated statement of financial position. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the consolidated income statement in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated income statement when the Group's right to receive payments is established.

Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and accumulated in equity, until the financial asset is derecognised or impaired at which time the gain or loss accumulated in equity is reclassified to the consolidated income statement. However, interest calculated using the effective interest method is recognised in the consolidated income statement.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the securities and other changes in the carrying amount of the securities. The translation differences on monetary securities are recognised in consolidated income statement; translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active or the security is unlisted, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Financial assets (continued)

2.7.3 Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.8 Impairment of financial assets

(a) Assets carried at amortised cost

A provision for impairment of loans and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement within other operating expenses. When a loan or receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against other operating expenses in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Impairment of financial assets

(b) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the investment below its cost is considered in determining whether the investment are impaired.

If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated income statement – is removed from equity and recognised in the consolidated income statement.

Impairment losses recognised on equity instruments in the consolidated income statement are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in consolidated income statement, the impairment loss is reversed through the consolidated income statement.

2.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.10 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as finance costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Financial liabilities

(a) Classification, recognition and measurement

All financial liabilities are carried at amortised cost. Any differences between proceeds net of transaction costs and the redemption value are recognised in the consolidated income statement over the period of the financial liabilities using the effective interest method.

(b) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated income statement.

2.12 Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are recognised immediately in the consolidated income statement.

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.14 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of reporting period.

Employee entitlements to sick leave and maternity leave or paternity leave are not recognised until the time of leave.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Employee benefits (continued)

(b) Bonus plans

Provisions for bonus plans are recognised when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

The Group recognises a liability and an expense for bonuses, with reference to the performance of the Group. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation. Liabilities for bonus plans that are expected to be settled within 12 months are measured at the amounts expected to be paid when they are settled.

Bonus payments that are not due wholly within 12 months after the end of the year in which the employees render the related services are included as other long-term employee benefits.

The long-term employee benefits are measured at the present value of the expected payments which also reflects the possibility that some employees may leave without receiving the bonus.

(c) Pension obligations

The Group offers a mandatory provident fund scheme and a defined contribution plan, the assets of which are generally held in separate trustee-administered funds. These pension plans are generally funded by payments from employees and by the Group.

The Group's contributions to the mandatory provident fund scheme and the defined contribution retirement schemes are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

2.15 Income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the end of reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not be reversed in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Income tax (continued)

Income tax payable on profits, based on the applicable tax law in each jurisdiction, is recognised as an expense in the period in which profits arise. The tax effects of income tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred tax related to fair value re-measurement of available-for-sale financial assets and cash flow hedges, which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the consolidated income statement together with the deferred gain or loss.

2.16 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the consolidated income statement on a straight-line basis over the period of the lease.

2.17 Dividend distribution

Dividends recognised in the consolidated financial statements represent interim dividend paid and final dividend for the year declared and approved by the shareholders.

2.18 Revenue

Revenue which also represents the turnover, comprises (i) brokerage commission, (ii) underwriting and placement commission, (iii) corporate finance and loan syndication fees, (iv) dividend income from financial assets held for trading, and (v) interest income from bank deposits and loans to customers.

Brokerage commission is recognised on a trade-date basis.

Underwriting and placement commission is recognised in accordance with the terms of the underlying agreements and mandates.

Corporate finance and loan syndication fees are recognised when services are rendered.

Dividend income is recognised when the right to receive payment is established.

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

A contingent asset is not recognised but is disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

2.20 Fiduciary activities

Trust accounts maintained by the Group to hold clients' monies are treated as the off-balance sheet items and disclosed in notes to the consolidated financial statements.

2.21 Securities borrowing and lending

Securities may be lent under an agreement to return them by the borrower. Such securities are retained on the consolidated statement of financial position when substantially all the risks and rewards of ownership remain with the Group, and the counterparty liability is included separately on the consolidated statement of financial position when cash collateral is received.

Similarly, where the Group borrows securities under an agreement to return them to the lender but does not acquire the risks and rewards of ownership, the cash consideration paid is treated as a collateral placed to the lender, as an accounts receivable in the consolidated statement of financial position.

Securities borrowed are not recognised in the consolidated financial statements, unless these are sold to third parties, at which point the obligation to repurchase the securities is recorded as financial liabilities at fair value through profit or loss and any subsequent gain or loss included in trading gain/(loss), net.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Committee ("EC") of the Group that makes key and strategic decision.

2.23 Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a); and
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

31 December 2014

3. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (e.g. currency risk, interest rate risk), credit risk and liquidity risk.

The Company is a wholly owned subsidiary of BOC International Holdings Limited (collectively refer to "BOCI Group" in this section). BOCI Group's risk management organization and policies extend to cover the Group as there is no separate risk management organization and policies for the Group. The risk management policy in BOCI Group applies to the Group as well.

The Group overall risk management programme focuses on the unpredictability of financial markets and seeks to recognise potential adverse effects on the financial performance of BOCI Group and the Group.

Risk management organisation

The Group's risk management organisation seeks to maximise returns while maintaining a strong and prudent risk management by promoting transparency and accuracy in its risk assessment and management processes. The Group leverages on the risk management organisation of its immediate holding company which consists of the following main components:

Board level

The Board of Directors ("Board") of the immediate holding company is responsible for setting the fundamental strategic goals and risk vision of the Group. The Board of Directors appoints the Risk Management Committee ("RMC") and the Audit Committee ("AC"), which assist the Board in overseeing the Group's risk management functions.

RMC is responsible for assisting the Board of Directors in fulfilling their oversight responsibilities by providing guidance regarding the risk governance and the development of acceptable risk profile. RMC approves new business proposal and conducts regular review of major risk exposures and the approval of risk limits to ensure that the Group's risk-taking activities are consistent with its business strategy, capital structure, and risk tolerance.

AC is responsible for assisting the Board of Directors in fulfilling their oversight responsibilities by monitoring the entire risk management process. Additionally, it is responsible for ensuring the independence of the internal and external auditors.

Management level

The EC is composed of the Chief Executive Officer, Deputy Chief Executive Officer, Chief Operating Officer, Chief Risk Officer and heads of major divisions. It operates on a partnership model to provide integrated executive leadership. Moreover, it is responsible for the appointment and operation of the Risk Control Committee ("RCC"), the Commitment Committee ("CC") and the Investment Committee ("IC").

RCC, CC and IC derive their decision-making authority from RMC and the Executive Committee ("EC"). They consist of the Group's senior management, business heads and heads of the control and support units.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

3. FINANCIAL RISK MANAGEMENT (continued)

Management level (continued)

The RCC is responsible for overseeing the risk management process of the Group and is responsible for:

- Managing exposures to market risk, credit risk, operational risk, financial and liquidity risk, legal risk, reputation and compliance risks;
- Evaluating and approving all risk management policies, and monitoring their implementation in accordance to the principles and policies established by the Board and the RMC, and under the guidance of the EC;
- Evaluating and approving internal risk limits and delegations;
- Supervising and coordinating risk management activities, reviewing the completeness and effectiveness of risk management infrastructures, and facilitating the building of risk culture;
- Monitoring overall risk exposure and organising investigations to any risk event that considers material;
- Evaluating and approving new product and new business proposals in accordance to the policies and authorities delegated by the Board;
- Evaluating and approving significant transactions; and
- Undertaking any other duties assigned by the RMC of the Board or the EC.

The RCC is comprised of senior management of the major functional areas.

The CC is composed of senior management representing the business, compliance and support units. It is responsible for overseeing the Group's underwriting, distribution and financial advisory business activities.

The IC is composed of senior management, related business heads and head of risk management. It is responsible for overseeing the Group's principal investment business.

Risk control functions

The segregation of duties and the integrity of operating systems within the Group are two basic features of the Group's practice. Control and support units such as risk management, finance and treasury, legal and compliance, human resources, operations and information technology are independent of the business reporting lines. These units contribute to the Group's risk management system through their complementary reporting and control functions. The Risk Management Division ("RMD") evaluates and monitors the market and credit risk exposure on regular basis. The RMD reports any risk issues and risk analysis on business proposals to RCC, RMC and the Board. The Finance & Treasury Division ("FTD") evaluates and monitors the liquidity, interest rate and foreign exchange risk of non-trading book.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Market risk

The Group takes on exposure to market risks, which is the risk that the market value or fair value of a financial instrument will fluctuate because of changes in market parameters. Market risks arise from open positions in interest rate, currency and equity products.

The Group's market risk mainly arises from its proprietary trading business, which comprises equity derivatives and fixed income trading units, and is regularly monitored by RMD (hereafter collectively refer to as "trading book" and refer to 3.1.1, 3.1.2, 3.1.3 and 3.1.4 for details on risk monitoring). The trading book in the Group mainly represents the financial positions classified as financial assets at fair value through profit or loss in the consolidated statement of financial position.

The remaining market risk of the Group arises from non-trading activities (hereafter collectively refer to as "non-trading book") and is managed by FTD. Non-trading book market risk generally arises from investment in available-for-sale debt securities held for liquidity purposes as well as investments in available-for-sale debt securities are restricted to high quality securities and subject to daily mark-to-market and monitoring. As of the end of the reporting periods, the Group's exposure to the non-trading book is insignificant to its operations.

3.1.1 Value at risk and stress test

BOCI Group adopts the Value at Risk ("VaR") approach to derive quantitative measures for trading book market risks under normal market conditions. The Board sets VaR limits on both equity derivatives and fixed income units that may be undertaken. BOCI Group monitors VaR separately for equity derivatives unit and fixed income unit and each on a group basis, therefore no separate VaR is prepared. BOCI Group's exposure to non-trading book is not considered to be significant and no VaR is prepared. Further, the VaR is prepared in BOCI Group as a whole and no separate VaR is prepared for the financial position in the Group.

VaR is an estimate of the maximum potential loss in a defined period under defined confidence level in normal market conditions. Diversification effects within and across portfolios are taken into account either explicitly through the use of analytical formulae with pre-determined correlations or implicitly through the use of historical simulations. BOCI Group calculates VaR using a 99% confidence level and a holding period of 1 day. However, the use of this approach does not prevent losses outside these limits in the event of more significant market movement.

BOCI Group performs back testing on a regular basis to assess the predictive power of the VaR calculations. Back testing involves comparing actual daily profit or loss with VaR estimates. BOCI Group will review the VaR model if the back testing does not show a satisfactory result.

Stress testing is used as a supplement to BOCI Group's VaR analysis. The Board sets stress limits on both equity derivatives and fixed income desks that may be undertaken. Potential future stress loss is assessed using a number of hypothetical extreme market scenarios include the stress scenarios of different risk parameters such as equity level, volatilities, interest rate and credit spread. Stress scenarios are regularly reviewed to reflect a more updated and relevant market conditions and company business operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Market risk (continued)

3.1.2 Equity price risk

The value of the equity and derivative portfolio held by the Group is mainly subject to change in market volatility and share price of the underlying equity securities.

The table below shows the impact on the profit before taxation of the Group for hypothetical changes in underlying prices and volatilities. No correlation is taken into consideration in presenting the below analysis.

31 December 2014 HK\$'000	Change in volatility		
Change in equity price	10%	0%	-10%
10%	(14,073)	75,609	165,290
-10%	(251,868)	(162,186)	(72,505)

31 December 2013 HK\$'000	Change in volatility		
Change in equity price	10%	0%	-10%
10%	(25,876)	21,487	68,851
-10%	(155,665)	(108,301)	(60,937)

The Group does not have non-trading book exposure to equity price risk as at the end of the reporting periods.

3.1.3 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in interest rates. The Group takes on exposure on both fair value and cash flow interest rate risks.

Interest rate risk from trading book is monitored by RMD by using VaR tools on daily basis. For non-trading book interest rate risk, the Board sets limits on the level of mismatch of interest rate repricing, duration gap and stress test that may be undertaken, which is monitored on a regular basis by FTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Market risk (continued)

3.1.3 Interest rate risk (continued)

The table below summarises the Group's exposure to interest rate risks. Included in the table are the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Less than 1 month HK\$'000	Between 1-3 months HK\$'000	Between 3-12 months HK\$'000	Over 1 year HK\$'000	Non-interest bearing HK\$'000	Total HK\$'000
At 31 December 2014						
Statutory deposits and other assets	-	-	-	-	104,885	104,885
Available-for-sale financial assets	-	-	-	-	355	355
Held-to-maturity financial assets	2,318,952	-	102,554	-	-	2,421,506
Financial assets at fair value through profit or loss	-	-	-	-	2,968,101	2,968,101
Derivative financial instruments	-	-	-	-	405,060	405,060
Amounts due from immediate holding company	909,400	32,837	1,321	-	4,508	948,066
Accounts and other receivables	1,116,743	-	-	-	13,441,963	14,558,706
Loans to customers	20,593,709	9,918	6,714	-	-	20,610,341
Cash and balances with banks	5,477,010	14,942	2,778	-	2,448,542	7,943,272
Others	-	-	-	-	52,851	52,851
Total assets	30,415,814	57,697	113,367	-	19,426,265	50,013,143
Subordinated loans from immediate holding company	(2,285,000)	-	-	-	-	(2,285,000)
Amounts due to immediate holding company	(10,080,991)	(10,277)	(3,022)	-	(2,025,827)	(12,120,117)
Amounts due to fellow subsidiaries	-	-	-	-	(1,271,922)	(1,271,922)
Amounts due to an associate company of BOCI Group	-	-	-	-	(17,902)	(17,902)
Accounts and other payables	(1,242,024)	-	-	-	(13,330,011)	(14,572,035)
Deposits from customers	(9,885,953)	(1,999,918)	(105,468)	-	-	(11,991,339)
Derivative financial instruments	-	-	-	-	(868,240)	(868,240)
Financial liabilities at fair value through profit or loss	-	-	-	-	(840,103)	(840,103)
Others	-	-	-	-	(75,908)	(75,908)
Total liabilities	(23,493,968)	(2,010,195)	(108,490)	-	(18,429,913)	(44,042,566)
Total interest repricing gap	6,921,846	(1,952,498)	4,877	-		

BOCI ASIA LIMITED
中銀國際亞洲有限公司

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Market risk (continued)

3.1.3 Interest rate risk (continued)

	Less than 1 month HK\$'000	Between 1-3 months HK\$'000	Between 3-12 months HK\$'000	Over 1 year HK\$'000	Non-interest bearing HK\$'000	Total HK\$'000
At 31 December 2013						
Statutory deposits and other assets	-	-	-	-	14,450	14,450
Available-for-sale financial assets	-	-	-	-	355	355
Held-to-maturity financial assets	240,040	-	-	-	-	240,040
Financial assets at fair value through profit or loss	-	-	-	-	995,993	995,993
Derivative financial instruments	-	-	-	-	104,116	104,116
Amounts due from immediate holding company	1,844,146	30,000	30,000	-	-	1,904,146
Accounts and other receivables	1,335,631	-	-	-	8,163,408	9,499,039
Loans to customers	17,738,581	82,481	10,582	-	-	17,831,644
Cash and balances with banks	7,662,778	102,050	136,197	-	559,265	8,460,290
Others	-	-	-	-	88,192	88,192
Total assets	28,821,176	214,531	176,779	-	9,925,779	39,138,265
Bank loans and other borrowings – unsecured	(1,500,096)	-	-	-	-	(1,500,096)
Subordinated loans from immediate holding company	(2,285,000)	-	-	-	-	(2,285,000)
Amounts due to immediate holding company	(6,406,427)	(759,305)	(1,399,796)	-	(509,601)	(9,075,129)
Amounts due to fellow subsidiaries	-	-	-	-	(260,902)	(260,902)
Amounts due to an associate company of BOCI Group	-	-	-	-	(16,215)	(16,215)
Accounts and other payables	(1,637,946)	-	-	-	(8,119,210)	(9,757,156)
Deposits from customers	(9,738,124)	(389,029)	(149,681)	-	-	(10,276,834)
Derivative financial instruments	-	-	-	-	(174,991)	(174,991)
Financial liabilities at fair value through profit or loss	-	-	-	-	(791,540)	(791,540)
Others	-	-	-	-	(56,606)	(56,606)
Total liabilities	(21,567,593)	(1,148,334)	(1,549,477)	-	(9,929,065)	(34,194,469)
Total interest repricing gap	7,253,583	(933,803)	(1,372,698)	-		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Market risk (continued)

3.1.3 Interest rate risk (continued)

As at 31 December 2014, if general market interest rates had been 100 basis point higher or lower with other variables held constant, profit before taxation for the year would have been approximately HK\$50 million (2013: HK\$57 million) higher/lower, mainly as a result of higher/lower net interest income earned on floating rate bank balances, loans to customers, balances with an intermediate holding company, subordinated loan from immediate holding company and deposits from customers.

3.1.4 Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency rates fluctuations. The foreign exchange risk of the trading book is managed in the Group either by using foreign exchange spots or other derivative transactions. It is controlled under the risk management framework, including VaR and stress limits.

For non-trading book, the Board set limits on individual and aggregate open positions of various currencies. Stress loss limits of non-trading book are also set. The foreign exchange risk of non-trading book is monitored by FTD on a daily basis.

As at 31 December 2014, the Group did not have significant open foreign currency positions, except for USD and CNY. The USD net long open position amounted to approximately HK\$1,784 million (2013: net long position of HK\$193 million). The CNY net short open position amounted to approximately HK\$1,693 million (2013: net long position of HK\$24 million).

USD and CNY denominated assets mainly consist of short-term deposits, loans and receivables and amounts due from immediate holding company, while USD and CNY denominated liabilities include accounts and other payables, deposits from customers and amounts due to the immediate holding company and fellow subsidiaries.

As HKD is pegged to USD, the Group does not expose to significant foreign exchange risk on USD. Shall CNY appreciates/depreciates against HKD by 5% (2013: 5%), the profit before taxation would decrease/increase by HK\$84.7 million (2013: HK\$1.2 million).

3.2 Credit risk

Credit risk represents the loss that the Group would suffer if a client or counterparty fails to meet its contractual obligations. Credit exposures arise principally in loans and receivables, debt securities and derivative financial instruments. There is also credit risk in off-balance sheet financial arrangements such as loan commitments. The credit risk management and control are centralised in RMD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

3. FINANCIAL RISK MANAGEMENT (continued)

3.2 Credit risk (continued)

3.2.1 Loans and receivables

The Group assesses credit risk of loans to corporate and individual clients and to financial institutions by performing credit assessment.

The credit risk management system of the Group comprises of pre-trade and post-trade credit control functions.

Regarding the pre-trade credit control functions, the Group has policies and procedures in place to ensure that credits are granted to clients with appropriate creditworthiness. The Group has its own in-house assessment methodologies for evaluating the creditworthiness of its counterparties. The Group credit approval process involves a detailed assessment of the counterparty's creditworthiness and also the risks related to the specific type of credit facility applied for.

Credit limits are set up to cap the maximum credit exposures that the Group intends to assume over specified periods. The Group's credit policy and procedure also sets out the procedures for the approval of exceptional cases when the Group may assume exposures beyond the set limits. Exposure to credit risk is managed in part by obtaining collateral from the counterparties.

The Group has maintained relationships with various financial institutions and other counterparties, and has credit limits in place for these counterparties.

Post-trade credit control encompasses exposure and collateral monitoring and reporting. Collaterals covering the credit risk exposure in case of default are subject to mark-to-market and monitoring on a daily basis (refer to 3.2.4 for details).

In particular, credit risk from customer securities dealing receivables under securities brokerage business is normally controlled through delivery-against-payment settlement and custody arrangement.

3.2.2 Debt securities and derivatives

Credit risk is inherent in debt securities and derivatives.

The Group assesses credit risk of derivative counterparties using external credit ratings and internal credit assessment. The Group controls the credit exposures by imposing potential market exposure limits. At any one time, the amount subject to credit risk includes (i) the current fair value of instruments that are favourable to the Group (i.e., assets where their fair values are positive) and (ii) the potential exposures of each counterparty from market movements. The credit risk exposure is monitored on a daily basis and collateral is obtained to mitigate the credit risk depending on credit assessment of the counterparty.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

3. FINANCIAL RISK MANAGEMENT (continued)

3.2 Credit risk (continued)

3.2.2 Debt securities and derivatives (continued)

Settlement risk arises in any situation where a payment in cash, securities or equities is made in the expectation of a corresponding receipt in cash, securities or equities. Daily settlement limits are established for each counterparty to cover the aggregate settlement risk arising from the Group's market transactions on any single day.

Credit risk management of trading book debt securities is mainly on portfolio basis. Issuer concentration limit and country concentration limit are set. Debt securities in the trading book are monitored under the risk management framework, including VaR and stress limits.

As at the end of the reporting periods, all available-for-sale and held-to-maturity financial assets are unrated debt securities.

3.2.3 Offsetting financial instruments

The following financial tables present details of the Group's financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements.

At 31 December 2014	Gross amounts of recognised financial assets HK\$'000	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position HK\$'000	Net amounts of financial assets presented in the consolidated statement of financial position HK\$'000	Related amounts not set off in the consolidated statement of financial position		
				Financial instruments HK\$'000	Cash collateral received HK\$'000	Net amount HK\$'000
Financial assets						
Amounts due from a fellow subsidiary	388,241	(388,241)	-	-	-	-
Loans and receivables	18,736,950	(7,632,240)	11,104,710	(6,019,841)	-	5,084,869
Derivative financial instruments	332,101	-	332,101	(17,598)	-	314,503
Amounts due from the immediate holding company	948,066	-	948,066	(948,066)	-	-
Total	20,405,358	(8,020,481)	12,384,877	(6,985,505)	-	5,399,372

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

3. FINANCIAL RISK MANAGEMENT (continued)

3.2 Credit risk (continued)

3.2.3 Offsetting financial instruments (continued)

At 31 December 2014	Gross amounts of recognised financial liabilities HK\$'000	Gross amounts of recognised financial assets set off in the consolidated statement of financial position HK\$'000	Net amounts of financial liabilities presented in the consolidated statement of financial position HK\$'000	Related amounts not set off in the consolidated statement of financial position		Net amount HK\$'000
				Financial instruments HK\$'000	Cash collateral pledged HK\$'000	
Financial liabilities						
Amounts due to fellow subsidiaries	(1,656,968)	388,241	(1,268,727)	-	-	(1,268,727)
Accounts and other payables	(18,786,441)	7,632,240	(11,154,201)	6,019,841	-	(5,134,360)
Derivative financial instruments	(328,157)	-	(328,157)	17,598	120,293	(190,266)
Amounts due to the immediate holding company	(12,120,117)	-	(12,120,117)	948,066	-	(11,172,051)
Total	(32,891,683)	8,020,481	(24,871,202)	6,985,505	120,293	(17,765,404)

At 31 December 2013	Gross amounts of recognised financial assets HK\$'000	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position HK\$'000	Net amounts of financial assets presented in the consolidated statement of financial position HK\$'000	Related amounts not set off in the consolidated statement of financial position		Net amount HK\$'000
				Financial instruments HK\$'000	Cash collateral received HK\$'000	
Financial assets						
Amounts due from a fellow subsidiary	240,074	(240,074)	-	-	-	-
Loans and receivables	12,924,590	(4,939,130)	7,985,460	(3,462,461)	-	4,522,999
Derivative financial instruments	55,713	-	55,713	(9,758)	-	45,955
Amounts due from the immediate holding company	1,904,146	-	1,904,146	(1,904,146)	-	-
Total	15,124,523	(5,179,204)	9,945,319	(5,376,365)	-	4,568,954

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

3. FINANCIAL RISK MANAGEMENT (continued)

3.2 Credit risk (continued)

3.2.3 Offsetting financial instruments (continued)

At 31 December 2013	Gross amounts of recognised financial liabilities HK\$'000	Gross amounts of recognised financial assets set off in the consolidated statement of financial position HK\$'000	Net amounts of financial liabilities presented in the consolidated statement of financial position HK\$'000	Related amounts not set off in the consolidated statement of financial position		Net amount HK\$'000
				Financial instruments HK\$'000	Cash collateral pledged HK\$'000	
Financial liabilities						
Amounts due to a fellow subsidiary	(491,731)	240,074	(251,657)	-	-	(251,657)
Accounts and other payables	(11,526,710)	4,939,130	(6,587,580)	3,462,461	-	(3,125,119)
Derivative financial instruments	(53,999)	-	(53,999)	9,758	8,187	(36,054)
Amounts due to the immediate holding company	(9,075,129)	-	(9,075,129)	1,904,146	-	(7,170,983)
Total	(21,147,569)	5,179,204	(15,968,365)	5,376,365	8,187	(10,583,813)

The Group further manages its credit exposure by entering into master netting arrangements with counterparties where it is appropriate and feasible to do so. Master netting arrangements do not generally result in an offset of assets and liabilities in the financial statements as transactions are usually accounted for individually on a gross basis. However, the credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if an event of default occurs.

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements above, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar arrangement will have the option to settle all such amounts on a net basis in the event of default of the other party. The Group and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously; the financial assets and liabilities are therefore not set off in the statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

3. FINANCIAL RISK MANAGEMENT (continued)

3.2 Credit risk (continued)

3.2.4 Collateral

The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of collateral.

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

Collateral held as security for financial assets is determined by the nature of the instrument. Generally, loans are secured by various forms of collateral including listed stocks, properties, debt securities, and other credit enhancements. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

For derivative transactions, generally the Group will normally require non-investment grade financial institutions and non-financial institutions to collateralise potential market exposure. Among other factors, the approval will be based upon the liquidity of the collateral (which reflects the ability to unwind a position as necessary), the price volatility of the collateral, the suitability of the collateral as a hedge to the exposure and the legal ability to apply such collateral.

Collateral monitoring is a crucial part of the credit risk measurement process. For margin financing, the collateral for covering the credit risk exposure are subject to mark-to-market and monitoring on a daily basis. A margin call to margin client would be made if there is an excess in margin loan limit or insufficient margin value to cover his/her credit risk exposure.

For loans to customers (margin loans), the collateral for covering the credit risk exposure in case of default are subject to mark-to-market and monitoring on a daily basis. A margin call to margin client would be made if there is an excess in margin loan limit or insufficient margin value to cover his/her risk credit exposure.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

3. FINANCIAL RISK MANAGEMENT (continued)

3.2 Credit risk (continued)

3.2.5 Maximum exposure to credit risk before collateral held or other credit enhancement

As at the end of the reporting periods, the maximum exposure to credit risk for each category of financial assets is the carrying amount stated in the consolidated statement of financial position.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Group based on the following:

- Margin loans to individuals and corporates are fully backed by various types of collaterals including listed stocks, bonds and deposits, with fair value of collaterals greater than the outstanding loan amounts. No margin loans were considered to be impaired at the end of the reporting periods.
- Term loans to individuals and corporate are backed by listed stocks as at 31 December 2014 and 2013. They were not impaired as at 31 December and 2013.
- Available-for-sale debt investments are mainly unlisted club debentures with insignificant credit risk exposure.
- Cash and balances with banks were deposited in reputable large commercial banks including a fellow subsidiary and other subsidiaries of Bank of China Limited. The Group has policies in place to ensure that cash and balances with banks are either placed with high credit quality financial institutions or related companies (note 23) with minimum credit risk.
- Derivative financial instruments are considered to have minimal risk as offsetting enforceable netting agreements are signed with counterparties with collateral placed. Daily exposure monitoring was performed to ensure the credit risk exposure is within limit.
- Statutory deposits are placed with regulators and considered to have minimal risk.
- There was no material impairment on accounts receivable for dealing in securities, options and futures contracts as at the end of the reporting periods. Among those unimpaired accounts and other receivables, approximately HK\$13,929 million (2013: HK\$8,702 million) is receivables from dealing in securities, which normally has a settlement term of two days. Except for the accounts receivable arising from dealing in securities from other subsidiaries of Bank of China Limited as disclosed in note 33, there is no concentration of credit risk with respect to accounts receivable, as the Group has a large number of customers who are internationally dispersed. All the accounts receivable arising from other subsidiaries of Bank of China Limited were fully settled within two business days after the end of the reporting periods.

BOCI ASIA LIMITED
中銀國際亞洲有限公司

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

3. FINANCIAL RISK MANAGEMENT (continued)

3.2 Credit risk (continued)

3.2.6 Loans and receivables - Overdue and provision

Significant loans and receivables as at 31 December are summarised as follows:

	2014 HK\$'000	2013 HK\$'000
Loans to customers		
Neither past due nor impaired	20,575,214	17,796,946
Past due but not impaired	35,126	34,698
	<u>20,610,340</u>	<u>17,831,644</u>
Gross	20,610,340	17,831,644
Accounts and other receivables		
Neither past due nor impaired	14,558,216	9,498,695
Past due but not impaired	491	345
Impaired	16,696	-
	<u>14,575,403</u>	<u>9,499,040</u>
Gross	14,575,403	9,499,040
Impairment allowance	(16,696)	-
	<u>14,558,707</u>	<u>9,499,040</u>
Total	<u><u>35,169,047</u></u>	<u><u>27,330,684</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

3. FINANCIAL RISK MANAGEMENT (continued)

3.2 Credit risk (continued)

3.2.6 Loans and receivables - Overdue and provision (continued)

Gross amount of loans and receivables by class to customers that were past due but not impaired were as follows:

	2014		2013	
	Margin loans	HK\$'000 Account receivables from dealing in securities	Margin loans	HK\$'000 Account receivables from dealing in securities
Individual				
Past due 1 day	400	369	34,698	340
Past due 2 - 5 days	27,443	-	-	-
Past due 6 - 30 days	-	119	-	-
Past due over 30 days	2,267	-	-	5
Total	<u>30,110</u>	<u>488</u>	<u>34,698</u>	<u>345</u>
Fair value of collateral	<u>149,800</u>	<u>50,150</u>	<u>70,318</u>	<u>4,399</u>
Corporate				
Past due 1 day	-	3	-	-
Past due 2 - 5 days	5,016	-	-	-
Past due 6 - 30 days	-	-	-	-
Past due over 30 days	-	-	-	-
Total	<u>5,016</u>	<u>3</u>	<u>-</u>	<u>-</u>
Fair value of collateral	<u>115,000</u>	<u>2</u>	<u>-</u>	<u>-</u>

The movement of impairment allowance is disclosed in note 22.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet the obligations of financial contracts that require funding for settlement and to maintain margin and collateral positions. It is crucial for the Group to maintain an appropriate level of liquidity, especially during periods of adverse conditions in particular for systematic risks associated with the financial markets, such as the financial tsunami happened in 2008. FTD is responsible for managing liquidity risk with the aim to:

- Ensure the availability of adequate funding to meet obligations as and when they fall due; and
- To cater for a liquidity crisis.

The nature of businesses of the Group is financial intermediaries and a major part of its assets in the financial statements arise from securities turnover and collateralised margin lending for securities clients. The maturity profile of the Group's asset portfolio is therefore short-term skewed with high turnover ratio in assets. Appropriate credit control is in place to ensure that brokerage transactions are settled on time. This reduces liquidity concern on the Group when acting in the capacity of an agent.

To fulfill the funding needs, the Group relies on acquiring short-term liquidity in order to gain the flexibility in matching with funding movement. The short-term funding needs are growing at a high speed as the businesses are expanding rapidly. Nevertheless, with the strong liquidity support from Bank of China Limited, the growing short-term funding needs are met.

The Group measures and monitors their net funding requirements by constructing maturity profile that projects future cash flows arising from assets, liabilities and off balance sheet transactions. The Board sets liquidity ratios and limits on the mismatch, which are taken to control liquidity risks due to asset-liabilities mismatch.

3.3.1 Undiscounted cash flows by contractual maturities

The table below presents the cash flows payable by the Group under non-derivative financial liabilities, derivative financial assets/liabilities that will be settled on a net basis and derivative financial assets/liabilities that will be settled on gross basis by remaining contractual maturities at the end of reporting period.

The Group's derivatives that will be settled on a net basis include:

- Equity derivatives: listed and over-the-counter stock options, listed index options, equity swaps, exchange-traded futures; and
- Foreign exchange rate derivatives: non-deliverable forwards, options

The Group's derivatives that will be settled on a gross basis include:

- Interest rate derivatives: cross currency interest rate swaps; and
- Foreign exchange rate derivatives: currency forward

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Liquidity risk (continued)

3.3.1 Undiscounted cash flows by contractual maturities (continued)

The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Group manages the inherent liquidity risk based on expected undiscounted cash inflows.

At 31 December 2014	On demand and up to 1 month HK\$'000	1-3 months HK\$'000	3-12 Months HK\$'000	1-5 years HK\$'000	Total HK\$'000
Non-derivative cash flow					
Liabilities					
Subordinated loans from immediate holding company	2,286,332	-	-	-	2,286,332
Amounts due to immediate holding company	11,794,567	10,367	320,217	-	12,125,151
Amounts due to fellow subsidiaries	1,271,922	-	-	-	1,271,922
Amounts due to a related company	17,902	-	-	-	17,902
Accounts and other payables	14,032,668	8,093	446,385	102,791	14,589,937
Deposits from customers	9,886,459	2,001,202	106,968	-	11,994,629
Financial liabilities at fair value through profit or loss	840,103	-	-	-	840,103
	<u>40,129,953</u>	<u>2,019,662</u>	<u>873,570</u>	<u>102,791</u>	<u>43,125,976</u>
Cash flow from derivative financial assets and liabilities (note)					
Settled on net basis	-	-	-	-	-
Settled on gross basis					
Total inflow	4,514,170	444,683	435,811	-	5,394,664
Total (outflow)	(5,464,525)	(484,760)	(690,003)	(66,962)	(6,706,250)
	<u>(950,355)</u>	<u>(40,077)</u>	<u>(254,192)</u>	<u>(66,962)</u>	<u>(1,311,586)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Liquidity risk (continued)

3.3.1 Undiscounted cash flows by contractual maturities (continued)

At 31 December 2013	On demand and up to 1 month HK\$'000	1-3 months HK\$'000	3-12 Months HK\$'000	1-5 years HK\$'000	Total HK\$'000
Non-derivative cash flow					
Liabilities					
Bank loans and other borrowings – unsecured	1,500,621	-	-	-	1,500,621
Subordinated loans from immediate holding company	2,285,968	-	-	-	2,285,968
Amounts due to immediate holding company	6,925,869	764,279	1,409,005	-	9,099,153
Amounts due to fellow subsidiaries	260,902	-	-	-	260,902
Accounts and other payables	9,414,609	7,868	288,677	62,217	9,773,371
Deposits from customers	9,740,193	389,577	152,293	-	10,282,063
Financial liabilities at fair value through profit or loss	791,540	-	-	-	791,540
	<u>30,919,702</u>	<u>1,161,724</u>	<u>1,849,975</u>	<u>62,217</u>	<u>33,993,618</u>
Cash flow from derivative financial assets and liabilities (note)					
Settled on net basis	<u>(7)</u>	<u>-</u>	<u>(24)</u>	<u>-</u>	<u>(31)</u>
Settled on gross basis					
Total inflow	<u>(4,156,486)</u>	<u>(56,726)</u>	<u>(131,153)</u>	<u>-</u>	<u>(4,344,365)</u>
Total (outflow)	<u>4,143,360</u>	<u>60,144</u>	<u>139,585</u>	<u>-</u>	<u>4,343,089</u>
	<u>(13,126)</u>	<u>3,418</u>	<u>8,432</u>	<u>-</u>	<u>(1,276)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

3. FINANCIAL RISK MANAGEMENT (continued)

3.4 Fair value of financial assets and liabilities

(a) Financial instruments measured at fair value using valuation technique

If a financial instrument has an active market, the quoted market price in the active market is used to determine its fair value.

If the market for a financial instrument is not active, valuation techniques are used to establish its fair value. These valuation techniques are commonly used by market participants and demonstrated to provide reliable estimates of prices obtained in actual market transactions.

Inputs to these valuation techniques are generally market observable, of which:

- The fair value of debt securities is obtained from market quotes.
- The fair value of foreign exchange spots, forwards and swaps is measured using spot or forward exchange rates.
- The fair value of equity options is established using option valuation models (e.g. the Black-Scholes model).

For financial instruments measured at fair value using a valuation technique, the total amount of the change in fair value estimated using a valuation technique that was recognised in consolidated income statement during the year is approximately a loss of HK\$22,966,000 (2013: gain of HK\$10,670,000).

(b) Financial instruments not measured at fair value

For financial instruments that are not measured in fair value, including held-to-maturity financial assets, loans and receivables, cash and balances with banks, amounts due to the immediate holding company, subordinated loan from the immediate holding company, amounts due to fellow subsidiaries, accounts and other payables, and deposits from customers, their carrying amounts approximate the fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

3. FINANCIAL RISK MANAGEMENT (continued)
- 3.4 Fair value of financial assets and liabilities (continued)
- (c) Fair value hierarchy (continued)

HKFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges and exchanges traded derivatives like bond futures.

Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of debt securities without active secondary markets, the OTC derivative contracts and issued structured notes.

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes debt or equity instruments with significant unobservable components and investment return guarantee contracts related to provident fund and retirement fund schemes managed by the Group.

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

3. FINANCIAL RISK MANAGEMENT (continued)

3.4 Fair value of financial assets and liabilities (continued)

3.4.1 Assets and liabilities measured at fair value

At 31 December 2014	Level 1 HK\$'000	Level 2 HK\$'000	Total HK\$'000
Financial assets at fair value through profit or loss			
- Equity securities	2,968,101	-	2,968,101
Derivatives financial instruments	-	405,060	405,060
Available-for-sale financial assets			
- Club debentures	-	355	355
Total	<u>2,968,101</u>	<u>405,415</u>	<u>3,373,516</u>
Financial liabilities at fair value through profit or loss			
- Equity securities	840,103	-	840,103
Derivatives financial instruments	373,043	495,197	868,240
Total	<u>1,213,146</u>	<u>495,197</u>	<u>1,708,343</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

3. FINANCIAL RISK MANAGEMENT (continued)

3.4 Fair value of financial assets and liabilities (continued)

3.4.1 Assets and liabilities measured at fair value

At 31 December 2013	Level 1 HK\$'000	Level 2 HK\$'000	Total HK\$'000
Financial assets at fair value through profit or loss			
- Equity securities	995,993	-	995,993
Derivatives financial instruments	-	104,116	104,116
Available-for-sale financial assets			
- Club debentures	-	355	355
Total	<u>995,993</u>	<u>104,471</u>	<u>1,100,464</u>
Financial liabilities at fair value through profit or loss			
- Equity securities	791,540	-	791,540
Derivatives financial instruments	72,656	102,335	174,991
Total	<u>864,196</u>	<u>102,335</u>	<u>966,531</u>

During the years ended 31 December 2014 and 2013, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

3.5 Capital management

The Group's objectives when managing capital, which is a broader concept than the "equity" which include all the Group's equity of HK\$5,970,577,091 (2013: HK\$4,943,796,775) on the face of consolidated statement of financial position and the subordinated loans from the immediate holding company of HK\$2,285,000,000 (2013: HK\$2,285,000,000), are:

- To comply with the capital requirements under the Banking (Capital) Rules of the Banking Ordinance for the subsidiary carrying out banking business;
- To comply with the requirements of Securities and Futures Ordinance for the Company and its subsidiaries in carrying various types of activities;
- To support the Group's stability and growth;
- To optimise risk adjusted return to the shareholder; and
- To maintain a strong capital base to support the development of its business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

3. FINANCIAL RISK MANAGEMENT (continued)

3.5 Capital management (continued)

Capital adequacy of the banking subsidiary of the Group is monitored daily by the Group's management, employing techniques based on the Banking (Capital) Rules. The required information is filed with the Hong Kong Monetary Authority ("HKMA") on a quarterly basis.

The HKMA requires each bank to maintain a ratio of total regulatory capital to the risk-weighted asset (the capital adequacy ratio) at or above the minimum of 12%.

In addition, the Company and certain subsidiaries of the Group are also subject to statutory capital requirement issued by the Securities and Futures Commission ("SFC") ranging from HK\$100,000 to HK\$10,000,000.

During the years ended 31 December 2014 and 2013, the banking subsidiary complied with all externally imposed capital requirements by the HKMA. The subsidiaries regulated by the SFC complied with the statutory capital requirement.

4. SEGMENT INFORMATION

The operating business of BOC International Holdings Limited ("BOCI Group"), the Group's immediate holding company, are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products. The Group's operating business segment and structure follows that of BOCI Group.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the Executive Committee as its chief operating decision maker.

All transactions between business segments are conducted on an arm's length basis, with intra-segment income and costs being eliminated. Income and expenses directly associated with each segment are included in determining business segment performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

4. SEGMENT INFORMATION (continued)

The main business segments of the Group are as follows:

- | | |
|-------------------------------|---|
| Investment banking | <ul style="list-style-type: none">• Provides a wide range of securities origination services for issuer clients, including underwriting and placement of public and private equity, debt and related securities.• Advices clients on mergers, acquisitions and restructurings. |
| Brokerage & wealth management | <ul style="list-style-type: none">• Provides brokerage, margin financing service, and private banking to individual and institutional clients. |
| Fixed income & equity market | <ul style="list-style-type: none">• Facilitates client transactions and makes markets in securities, derivatives, currencies, commodities and other financial instruments to satisfy client demands.• Engages in principal and in proprietary trading activities. |
| Leverage & structured finance | <ul style="list-style-type: none">• Provides structured financing and financial advisory services. |
| Treasury and others | <ul style="list-style-type: none">• Provides central treasury services on behalf of Group companies. |

No segment assets and segment liabilities are disclosed as no such information are presented to the EC, who is the chief operating decision maker.

Over 90% of the Group's revenue and profit are derived from its business activities in Hong Kong.

No individual customer, except for Bank of China Limited and its subsidiaries, contributed more than 10% of each individual segment income above. Please refer to note 33 for details of the related party transactions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

4. SEGMENT INFORMATION (continued)

The Group's segment results for the year ended 31 December 2014 and 2013 are as follows:

	Investment banking	Brokerage & wealth management	Private banking	Fixed income & equity market	Leveraged & structured finance	Treasury and others	Elimination	Total
31 December 2014	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total income - external	329,130	2,537,716	736,291	301,882	30,299	60,004	-	3,995,322
Total income – inter-segment	-	-	45,833	-	-	126,318	(172,151)	-
Commission and clearing expense	(9)	(785,284)	(14,510)	(62)	(102)	(4,715)	-	(804,682)
Depreciation	(102)	(1,965)	(86)	(56)	-	(17)	-	(2,226)
Other operating expenses	(284,666)	(533,263)	(229,798)	(169,550)	(40,547)	46,240	-	(1,211,584)
Finance costs - external	-	(12,964)	(84,976)	(7)	-	(123,681)	-	(221,628)
Finance costs – inter-segment	-	-	(123,747)	-	(2,571)	(45,833)	172,151	-
Segment results	44,353	1,204,240	329,007	132,207	(12,921)	58,316	-	1,755,202
Unallocated cost								(593,028)
Operating profits								1,162,174

	Investment banking	Brokerage & wealth management	Private banking	Fixed income & equity market	Leveraged & structured finance	Treasury and others	Elimination	Total
31 December 2013	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total income - external	296,558	1,800,368	650,679	231,542	39,984	107,391	-	3,126,522
Total income – inter-segment	-	-	42,161	-	-	102,950	(145,111)	-
Commission and clearing expense	(724)	(531,939)	(59,481)	(142)	(111)	(594)	-	(592,991)
Depreciation	(207)	(2,632)	(333)	(152)	(36)	(20)	-	(3,380)
Other operating expenses	(231,060)	(465,789)	(159,200)	(146,819)	(11,523)	23,529	-	(990,862)
Finance costs - external	-	(18,301)	(39,555)	(8)	(2)	(109,776)	-	(167,642)
Finance costs – inter-segment	-	-	(103,405)	-	455	(42,161)	145,111	-
Segment results	64,567	781,707	330,866	84,421	28,767	81,319	-	1,371,647
Unallocated cost								(496,712)
Operating profits								874,935

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

5. REVENUE AND TRADING GAIN, NET

(a) Revenue

	2014 HK\$	2013 HK\$
Brokerage commission	1,476,456,686	1,258,372,403
Underwriting and placement commission	644,015,416	498,068,933
Corporate finance and loan syndication fees	153,508,843	117,284,656
Interest income from bank deposits and loans to customers	777,331,560	609,383,173
Dividend income from listed equities held for trading	57,746,273	26,990,038
	<u>3,109,058,778</u>	<u>2,510,099,203</u>

(b) Trading gain, net

	2014 HK\$	2013 HK\$
Net realised/unrealised gain/(loss) on financial assets and financial liabilities (note)		
- Equity securities	93,499,801	(9,819,684)
- Debt securities	242,124,069	153,972,270
- Derivative financial instruments	247,491,006	252,268,011
	<u>583,114,876</u>	<u>396,420,597</u>

Note:

Net realised/unrealised gain/(loss) on financial assets and financial liabilities includes interest income and interest expenses arising from financial assets and financial liabilities at fair value through profit or loss.

All the net realised/unrealised gain/(loss) are arising from trading financial assets or financial liabilities. There was no net realised/unrealised gain/(loss) on financial assets and financial liabilities designated at fair value through profit or loss (2013: Nil).

The net realised/unrealised gain on financial assets and financial liabilities included:

	2014 HK\$	2013 HK\$
Trading gain from listed investments	467,218,721	313,526,718
Trading gain from unlisted investments	115,896,155	82,893,879
	<u>583,114,876</u>	<u>396,420,597</u>

BOCI ASIA LIMITED
中銀國際亞洲有限公司

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

6. OTHER INCOME

	Note	2014 HK\$	2013 HK\$
Management fee income from related company	33	149,727,204	111,656,631
Handling and custodian fees		83,332,796	60,691,071
Foreign exchange gain, net		42,036,584	29,831,987
Interest income from			
- BOCI Group companies	33	12,218,494	11,260,643
- Held-to-maturity financial assets		7,095,656	39,978
- Others		3,038,193	3,901,532
Others		5,699,799	2,619,967
		<u>303,148,726</u>	<u>220,001,809</u>

7. STAFF COSTS

	2014 HK\$	2013 HK\$
Wages, salaries, other allowances and unutilised annual leave	360,569,126	365,587,345
Discretionary bonus and other long-term employee benefits	497,089,602	314,235,527
Pension costs - defined contribution plans	22,460,318	24,259,919
Staff medical, recruitment, training, welfare expenses and termination benefits	16,229,023	17,970,367
	<u>896,348,069</u>	<u>722,053,158</u>

Note:
Staff costs include directors' remuneration (note 8).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

8. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622) with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32) is as follows:

	2014 HK\$	2013 HK\$
Fees		
Other remuneration:		
Basic salaries, housing allowances, other allowances and benefits in kind	6,534,871	5,009,749
Contributions to pension schemes	649,195	492,781
Discretionary bonus		
- Short term employee benefits	11,277,260	4,546,667
- Other long-term employee benefits	4,100,822	1,653,333
	<u>22,562,148</u>	<u>11,702,530</u>

In addition to the directors' remuneration disclosed above, certain directors of the Company received remuneration from the immediate holding company and a fellow subsidiary, which totals HK\$30,888,992 (2013: HK\$21,472,534), part of which is in respect of their services to the Group, the immediate holding company and its fellow subsidiaries. No apportionment has been made as the directors consider that it is impracticable to apportion this amount between their services to the Group and their services to the Company's immediate holding company and the fellow subsidiaries.

During the year, there were no loans to directors and officers which are required to be disclosed pursuant to section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), with reference to section 161B of the predecessor Hong Kong Companies Ordinance (Cap. 32).

BOCI ASIA LIMITED
中銀國際亞洲有限公司

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

9. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Note	2014 HK\$	2013 HK\$
Operating lease rental in respect of leased premises		60,410,873	55,936,766
Depreciation	14	2,226,286	3,379,530
Management fee to related companies	33	593,028,292	496,712,212
Auditors' remuneration		776,500	780,340
Write-off and disposal of plant and equipment	14	79,432	997
Impairment of intangible assets	15	-	290,730
Impairment of fees and commission receivable		16,696,327	500,000
		<u>16,696,327</u>	<u>500,000</u>

10. FINANCE COSTS

	2014 HK\$	2013 HK\$
Interest expenses:		
- deposits from customers and securities brokerage client	57,873,006	58,653,268
- bank loans and other borrowings	163,755,236	108,987,822
	<u>221,628,242</u>	<u>167,641,090</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

11. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the consolidated income statement represents:

	Note	2014 HK\$	2013 HK\$
Current income tax:			
Hong Kong profits tax			
- Current year		142,905,470	85,946,416
- Over-provision in prior years		(7,009,985)	(57,926)
Overseas tax		430,510	3,935,626
Deferred income tax	17	(932,273)	37,199,844
		<u>135,393,722</u>	<u>127,023,960</u>

The tax on the Group's profit before taxation differs from the theoretical amount that would arise using the tax rate of Hong Kong as follows:

	2014 HK\$	2013 HK\$
Profit before taxation	<u>1,162,174,038</u>	<u>874,935,462</u>
Tax calculated at 16.5% (2013: 16.5%)	191,758,716	144,364,351
Effect of different taxation rates in other countries	430,510	3,935,626
Income not subject to tax	(49,752,710)	(25,844,106)
Expenses not deductible for tax purposes	863,068	3,274,815
Over provisions in prior years	(7,009,985)	(57,926)
Others	(895,877)	1,351,200
Income tax expense at 11.7% (2013: 14.5%)	<u>135,393,722</u>	<u>127,023,960</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

12. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK\$315,154,452 (2013: HK\$187,310,550) (note 30).

13. DIVIDENDS

No dividend was declared or paid during the year (2013: Nil).

14. PLANT AND EQUIPMENT

The Group

	Leasehold improvements	Furniture, fixtures and equipment	Electronic equipment	Total
	HK\$	HK\$	HK\$	HK\$
Year ended 31 December 2013				
Opening net book amount	4,928,256	1,128,304	1,555,487	7,612,047
Additions	-	71,300	-	71,300
Disposal	(997)	-	-	(997)
Depreciation	(1,923,806)	(388,309)	(1,067,415)	(3,379,530)
Net book amount	<u>3,003,453</u>	<u>811,295</u>	<u>488,072</u>	<u>4,302,820</u>
At 31 December 2013				
Cost	18,219,380	3,611,339	156,986,292	178,817,011
Accumulated depreciation	(15,215,927)	(2,800,044)	(156,498,220)	(174,514,191)
Net book amount	<u>3,003,453</u>	<u>811,295</u>	<u>488,072</u>	<u>4,302,820</u>
Year ended 31 December 2014				
Opening net book amount	3,003,453	811,295	488,072	4,302,820
Disposal	-	(79,432)	-	(79,432)
Depreciation	(1,576,625)	(309,359)	(340,302)	(2,226,286)
Net book amount	<u>1,426,828</u>	<u>422,504</u>	<u>147,770</u>	<u>1,997,102</u>
At 31 December 2014				
Cost	17,608,492	2,951,249	155,756,735	176,316,476
Accumulated depreciation	(16,181,664)	(2,528,745)	(155,608,965)	(174,319,374)
Net book amount	<u>1,426,828</u>	<u>422,504</u>	<u>147,770</u>	<u>1,997,102</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

14. PLANT AND EQUIPMENT (continued)

The Company

	Leasehold improvement HK\$	Furniture, fixtures and equipment HK\$	Electronic equipment HK\$	Total HK\$
Year ended 31 December 2013				
Opening net book amount	69,930	414,223	15,052	499,205
Depreciation	(67,754)	(161,657)	(13,005)	(242,416)
Closing net book amount	<u>2,176</u>	<u>252,566</u>	<u>2,047</u>	<u>256,789</u>
At 31 December 2013				
Cost	623,389	978,426	1,867,507	3,469,322
Accumulated depreciation	(621,213)	(725,860)	(1,865,460)	(3,212,533)
Net book amount	<u>2,176</u>	<u>252,566</u>	<u>2,047</u>	<u>256,789</u>
Year ended 31 December 2014				
Opening net book amount	2,176	252,566	2,047	256,789
Disposal	-	(75,000)	-	(75,000)
Depreciation	(2,176)	(98,733)	(1,254)	(102,163)
Closing net book amount	<u>-</u>	<u>78,833</u>	<u>793</u>	<u>79,626</u>
At 31 December 2014				
Cost	21,500	648,823	185,420	855,743
Accumulated depreciation	(21,500)	(569,990)	(184,627)	(776,117)
Net book amount	<u>-</u>	<u>78,833</u>	<u>793</u>	<u>79,626</u>

BOCI ASIA LIMITED
中銀國際亞洲有限公司

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

15. INTANGIBLE ASSETS

The Group

	Goodwill HK\$	Broking membership HK\$	Total HK\$
Carrying amount at 1 January 2013	49,715,218	290,681	50,005,899
Exchange difference	-	49	49
Impairment and write-off during the year	-	(290,730)	(290,730)
	<u> </u>	<u> </u>	<u> </u>
Carrying amount as at 31 December 2013, 1 January 2014 and 31 December 2014	<u>49,715,218</u>	<u>-</u>	<u>49,715,218</u>

The goodwill in the Group is mostly attributable to securities brokerage business, the cash-generating units (“CGU”). No impairment loss was noted in 2014 and 2013, as the CGU involved was highly profitable. In 2014, net profit of HK\$584,584,430 (2013: HK\$477,254,447) was generated by the securities brokerage business.

16. INVESTMENT IN SUBSIDIARIES

	2014 HK\$	2013 HK\$
Investment at cost:		
Unlisted shares	<u>1,722,792,046</u>	<u>1,722,792,046</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

16. INVESTMENT IN SUBSIDIARIES (continued)

The following is a list of the subsidiaries at 31 December 2014:

<u>Name</u>	<u>Place of incorporation</u>	<u>Principal activities</u>	<u>Particulars of issued share capital</u>	<u>Interest held</u>
Bank of China International Limited 中銀國際有限公司	Hong Kong	Banking and related financing services	HK\$1,000,000,000	100% [#]
BOCI Research Limited 中銀國際研究有限公司	Hong Kong	Research	US\$130,000	100% [#]
BOCI Securities Limited 中銀國際證券有限公司	Hong Kong	Securities dealing and brokerage	HK\$406,000,000	100% [#]
BOCI Secretaries Limited 中銀國際秘書有限公司	Hong Kong	Nominees services	HK\$6,000	100%
Modenia Limited	Hong Kong	Nominees services	HK\$100	100%

[#] Shares held directly by the Company.

17. DEFERRED INCOME TAX

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2013: 16.5%).

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated statement of financial position:

The Group	2014 HK\$	2013 HK\$
Deferred tax assets	1,138,599	970,510
Deferred tax liabilities	-	(764,184)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

17. DEFERRED INCOME TAX (continued)

The Company

	2014 HK\$	2013 HK\$
Deferred tax liabilities	-	(746,061)

The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred tax assets	Note	Tax losses HK\$	Accelerated tax depreciation HK\$	Total HK\$
At 1 January 2013		36,889,461	636,894	37,526,355
Recognised in the consolidated income statement	11	(36,889,461)	333,616	(36,555,845)
At 31 December 2013 and 1 January 2014		-	970,510	970,510
Recognised in the consolidated income statement	11	-	168,089	168,089
At 31 December 2014		-	1,138,599	1,138,599
Deferred tax liabilities				Accelerated tax depreciation HK\$
At 1 January 2013				120,185
Recognised in the consolidated income statement	11			643,999
At 31 December 2013 and 1 January 2014				764,184
Recognised in the consolidated income statement	11			(764,184)
At 31 December 2014				-

The Group and the Company have no significant unrecognised deferred tax position (2013: Nil).

BOCI ASIA LIMITED
中銀國際亞洲有限公司

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS

The Group

	2014 HK\$	2013 HK\$
Non-current assets		
- Club debentures, unlisted at 1 January and at 31 December	355,000	355,000

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group

	2014 HK\$	2013 HK\$
Trading securities - at fair value		
- Equity securities, listed in Hong Kong	2,968,101,223	995,992,670
Market value of listed securities	2,968,101,223	995,992,670

The Company

	2014 HK\$	2013 HK\$
Trading securities - at fair value		
- Equity securities, listed in Hong Kong	2,967,366,986	995,157,455
Market value of listed securities	2,967,366,986	995,157,455

BOCI ASIA LIMITED
中銀國際亞洲有限公司

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

20. HELD-TO-MATURITY FINANCIAL ASSETS

The Group

	2014 HK\$	2013 HK\$
Certificates of Deposits, unlisted	2,318,951,586	240,039,978
Debt securities, listed in Hong Kong	12,616,897	-
Hong Kong Exchange Fund Bills, unlisted	89,937,366	-
	<u>2,421,505,849</u>	<u>240,039,978</u>
Analysed by type of issuers as follows:		
Banks	2,331,568,483	240,039,978
Sovereigns	89,937,366	-
	<u>2,421,505,849</u>	<u>240,039,978</u>
Analysed by issue specific credit rating as follows:		
Unrated	2,371,560,857	240,039,978
Fitch, AA+	49,944,992	-
	<u>2,421,505,849</u>	<u>240,039,978</u>

The movement in held-to-maturity financial assets is summarised as follow:

The Group

	2014 HK\$	2013 HK\$
At 1 January	240,039,978	-
Additions	30,232,454,716	240,000,000
Redemption	(28,051,478,825)	-
Exchange effect	396,796	-
Others	93,184	39,978
	<u>2,421,505,849</u>	<u>240,039,978</u>
At 31 December	<u>2,421,505,849</u>	<u>240,039,978</u>

There were no impairment allowances and no overdue of held-to-maturity financial assets for the Group and the Company as at 31 December 2014 and 31 December 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

21. DERIVATIVE FINANCIAL INSTRUMENTS

The Group enters into equity and foreign exchange derivative financial instruments for trading and risk management purposes. The types of derivatives utilised by the Group are shown in the following table:

Derivatives	Description
Forwards and futures	These instruments are contractual obligations to buy or sell financial instruments or commodities on a future date at a specified price. Forward contracts are tailor-made agreements that are transacted between counterparties in the over-the-counter (OTC) market, whereas futures are standardised contracts transacted on regulated exchanges. The major types of forward and futures transactions undertaken by the Group are index futures.
Options	Options are contractual agreements under which, typically, the seller (writer) grants the purchaser the right, but not the obligation, either to buy (call option) or to sell (put option) by or at a set date, a specified quantity of a financial instrument or commodity at a predetermined price. The purchaser pays a premium to the seller for this right. Options involving more complex payment structures are also transacted. Options may be traded OTC or on a regulated exchange, and may be traded in the form of securities (warrants).
Swaps	<p>These are transactions in which two parties exchange cash flows on a specified notional amount for a predetermined period. Most swaps are traded OTC. The major types of swap transactions undertaken by the Group are as follows:</p> <ul style="list-style-type: none">• Interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an exchange of currencies or interest rates (for example, fixed rate for floating rate);• Credit default swaps are the most common form of credit derivative, under which the party buying protection makes one or more payments to the party selling protection in exchange for an undertaking by the seller to make a payment to the buyer following a credit event (as defined in the contract) with respect to a third party. Settlement following a credit event may be a net cash amount, or cash in return for physical delivery of one or more obligations of the credit entity (as defined in the contract) and is made regardless of whether the protection buyer has actually suffered a loss. After a credit event and settlement, the contract is terminated; and• Equity swaps give the receiver exposure to the cash flows and economic benefits and risks of an underlying asset, without having to own the asset, in exchange for a series of payments, often based on a reference interest rate, e. g. LIBOR.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

21. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Most of the Group's derivative transactions relate to sales and trading activities. Sales activities include the structuring and marketing of derivative products to customers to enable them to take, transfer, modify or reduce current or expected risks. Activities in derivatives are entered into principally for the purpose of generating profits from short-term fluctuations in price or margin. Positions may be traded actively or be held over a period of time to benefit from expected changes in currency rates, interest rates, equity prices or other market parameters.

The contract/notional amounts and fair values of derivative financial instruments held by the Group are set out in the following tables. The contract/notional amounts of these instruments indicate the volume of transactions outstanding at the end of reporting periods and certain of them provide a basis for comparison with fair value instruments recognised in the consolidated statement of financial position. However, they do not necessarily indicate the amounts of future cash flows involved or the current fair values of the instruments and, therefore, do not indicate the Group's exposure to credit or market risks. The derivative financial instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate fair values of derivative financial instruments assets and liabilities can fluctuate significantly from time to time.

The Group

	Notional Amount HK\$'000	Assets HK\$	Liabilities HK\$
Derivatives – held for trading			
At 31 December 2014			
Exchange rate contracts	5,115,804	11,795,097	26,768,563
Equity contracts	15,896,842	393,264,822	841,471,288
		<u>405,059,919</u>	<u>868,239,851</u>
At 31 December 2013			
Exchange rate contracts	8,359,567	6,937,156	6,212,087
Equity contracts	4,328,296	97,178,425	168,778,896
		<u>104,115,581</u>	<u>174,990,983</u>

The Company

	Notional Amount HK\$'000	Assets HK\$	Liabilities HK\$
Derivatives – held for trading			
At 31 December 2014			
Equity contracts	10,096,110	69,819,298	518,129,449
		<u>69,819,298</u>	<u>518,129,449</u>
At 31 December 2013			
Equity contracts	5,912,377	45,174,263	116,774,733
		<u>45,174,263</u>	<u>116,774,733</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

22. LOANS AND RECEIVABLES

The Group

	2014 HK\$	2013 HK\$
Accounts receivable from dealing in securities	13,928,884,978	8,702,859,695
Accounts receivable from securities trading	332,879,027	612,158,690
Fees and commission receivable	160,465,674	142,177,583
Deposits, prepayments and other receivables	153,173,538	41,843,916
Gross	<u>14,575,403,217</u>	<u>9,499,039,884</u>
Impairment allowance	(16,696,327)	-
Loans to customers	<u>14,558,706,890</u>	<u>9,499,039,884</u>
	<u>20,610,340,546</u>	<u>17,831,644,068</u>
Total	<u><u>35,169,047,436</u></u>	<u><u>27,330,683,952</u></u>

The Company

	2014 HK\$	2013 HK\$
Accounts receivable from securities trading	648,513,055	719,905,103
Fees and commission receivable	160,465,674	142,177,583
Deposits, prepayments and other receivables	13,195,454	11,169,931
Gross	<u>822,174,183</u>	<u>873,252,617</u>
Impairment allowance	(16,696,327)	-
Total	<u><u>805,477,856</u></u>	<u><u>873,252,617</u></u>

The carrying amounts of loans and receivables approximate their fair value.

As at 31 December 2014, the loans to customers, which included approximately HK\$15,568 million (2013: HK\$12,659 million) of receivables from margin clients, were secured by listed securities held as collateral of fair value of HK\$103,519 million (2013: HK\$79,130 million) and cash deposits of HK\$712 million (2013: HK\$524 million). The Group is permitted to sell or re-pledge such collateral. As at 31 December 2013 and 2014, there were no collateral re-pledged.

The receivables had excluded the brokerage client monies maintained in the trust accounts with a clearing participant, Hong Kong Futures Exchange Clearing Corporation Limited and the Stock Exchange Options Clearing House of approximately HK\$249 million, HK\$232 million and HK\$489 million respectively as at 31 December 2014 (2013: HK\$82 million, HK\$130 million and HK\$204 million respectively).

BOCI ASIA LIMITED
中銀國際亞洲有限公司

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

22. LOANS AND RECEIVABLES (continued)

As at the end of the reporting periods, there were impairment allowance on accounts and other receivables amounted to HK\$16,696,327 (2013: Nil) (Note 3.2.6).

23. CASH AND BALANCES WITH BANKS

The Group

	2014 HK\$	2013 HK\$
Cash at banks and in hand	2,816,325,683	1,088,768,230
Short-term bank deposits		
– with original maturity within three months	5,124,168,008	7,130,741,057
– with original maturity over three months	2,778,071	13,943,434
Placements with banks		
– with original maturity within three months	-	226,837,666
	<u>7,943,271,762</u>	<u>8,460,290,387</u>

The Company

	2014 HK\$	2013 HK\$
Cash at banks and in hand	70,515,470	172,948,176
Short-term bank deposits		
– with original maturity within three months	1,152,554,812	638,071,757
	<u>1,223,070,282</u>	<u>811,019,933</u>

The Group maintains trust accounts with authorised institutions and other financial institutions as part of its normal business transactions. At 31 December 2014, trust accounts with authorised institutions and other financial institutions not otherwise dealt with in the consolidated financial statements amounted to approximately HK\$24,232 million (2013: HK\$18,185 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

24. AMOUNTS DUE FROM A SUBSIDIARY/TO FELLOW SUBSIDIARIES

Amounts due from a subsidiary/to fellow subsidiaries are all non-interest bearing with carrying balances approximating their fair value.

During the year, the Company has entered into securities borrowing and lending arrangements with a fellow subsidiary in the normal course of business on a principal basis, in which it transfers and receives equity securities to and from the fellow subsidiary. The Company has determined that it continues to retain substantially all the risks and rewards of the securities lent and therefore has not derecognised such in the consolidated financial position.

Under securities borrowing and lending agreements, cash collateral was required and collected for securities borrowed and lent respectively. No interest was charged on the collateral deposits received and placed.

As at 31 December 2014, the Company lent equity securities, which are all classified as financial assets at fair value through profit or loss, with fair value of HK\$1,711,128,291 (2013: HK\$519,722,258) to the fellow subsidiary and received a cash collateral of HK\$1,656,756,050 (2013: HK\$490,632,310).

As at 31 December 2014, the Company has borrowed equity securities with fair value of HK\$472,066,304 (2013: HK\$295,377,509) from the fellow subsidiary and placed a cash collateral of HK\$388,240,669 (2013: HK\$240,073,945) to the fellow subsidiary. The Company shorted part of the borrowed equity securities which are all classified as financial liabilities at fair value through profit or loss in the consolidated statement of financial position.

Further, a subsidiary of the Group also engages in securities borrowing and lending arrangements but in an agency capacity for its customers. The relevant securities are not recognised in the consolidated statement of financial position.

Except for the cash collateral received and deposited under stock borrowing and lending transactions, all the amounts due from a subsidiary/to fellow subsidiaries of the Group are repayable upon demand and unsecured.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

25. AMOUNTS DUE FROM/TO THE IMMEDIATE HOLDING COMPANY/SUBORDINATED LOANS FROM THE IMMEDIATE HOLDING COMPANY/A RELATED COMPANY

The Group and the Company entered several transactions with the immediate holding company with amounts and terms of the transactions as follows:

The Group

- As at 31 December 2014, an amount of HK\$948,066,301 (2013: HK\$1,904,146,027) was lent to the immediate holding company for cash management and general funding purpose, which is unsecured and bears prevailing market interest rate and repayable within a year.
- An amount of HK\$10,094,290,004 (2013: HK\$8,248,352,364) was borrowed from the immediate holding company by a subsidiary of the Group for cash management and general funding purpose, which is unsecured and bears prevailing market interest rate. Relevant balances with the immediate holding company would be due within a year after the end of the reporting periods. As at 31 December 2014, an amount of HK\$317,176,191 (2013: HK\$317,176,191) was borrowed from the immediate holding company by the Company for same purpose, which is unsecured, interest free and repayable upon demand.
- An amount of HK\$1,708,650,855 (2013: HK\$509,600,227) was paid by the immediate holding company on behalf of the Group for daily administrative activities, which is unsecured, interest free and repayable upon demand.
- An amount of HK\$17,901,639 (2013: HK\$16,214,648) was borrowed from a related company by the Company which is unsecured, interest-free and repayable upon demand with carrying balances approximating their fair value.

The Company

- As at 31 December 2014, an amount of HK\$334,975,218 (2013: HK\$683,146,027) was lent to the immediate holding company for cash management and general funding purpose, which is unsecured and bears prevailing market interest rate and repayable within a month.
- In the prior year, an amount of HK\$4,381,092 was borrowed from the immediate holding company by the Company for cash management purpose, which is unsecured, bears market interest rate and repayable within 3 months. As at 31 December 2014, an amount of HK\$317,176,191 (2013: HK\$317,176,191) was borrowed from the immediate holding company by the Company for the same purpose, which is unsecured, interest free and repayable upon demand.
- An amount of HK\$172,057,666 (2013: HK\$166,043,413) was paid by the immediate holding company on behalf of the Company for daily administrative activities, which are unsecured, interest free and repayable upon demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

25. AMOUNTS DUE FROM/TO THE IMMEDIATE HOLDING COMPANY/SUBORDINATED LOANS FROM THE IMMEDIATE HOLDING COMPANY/A RELATED COMPANY (continued)

The Company (continued)

- An amount of HK\$11,666,174 (2013: HK\$16,214,648) was borrowed from a related company by the Company which is unsecured, interest-free and repayable upon demand with carrying balances approximating their fair value.

The subordinated loans from immediate holding company were borrowed by:

A subsidiary of the Company

- HK\$1,400 million (2013: HK\$1,400 million) drawn under a loan facility maturing on 24 October 2015. The amount shall be repayable with one month notice.
- HK\$500 million (2013: HK\$500 million), drawn under a loan facility with no stated maturity. The amount should be repayable upon obtaining consent from the Hong Kong Securities and Futures Commissions.

Both the subordinated loans are unsecured, bear interest at 1-month HIBOR plus 50 basis points (2013: 1-month HIBOR plus 50 basis points).

The Company

- HK\$385 million (2013: HK\$385 million) drawn under a loan facility. Pursuant to the written consent from the Hong Kong Securities and Futures Commission dated 31 December 2013, the maturity date of such loan facility is extended from 2 January 2014 to 2 January 2016 with the remaining terms unchanged. The amount shall be repayable with one month notice. The loan is unsecured, bear interest at 1-month HIBOR plus 200 basis points (2013: 1-month HIBOR plus 200 basis points).

The loans were approved and allowed by the Hong Kong Securities and Futures Commission as subordinated loans for exclusion from ranking liabilities in accordance with section 53(2) of the Hong Kong Securities and Futures (Financial Resources) Rules in the computation of regulatory liquid capital.

26. ACCOUNTS AND OTHER PAYABLES

The Group

	2014 HK\$	2013 HK\$
Accounts payable from dealing in securities	13,837,438,708	9,131,996,895
Accounts payable from securities trading	200,065	219,103
Discretionary bonus payable	548,823,965	344,987,480
Others payables and accrued expenses	185,573,026	279,952,895
	<u>14,572,035,754</u>	<u>9,757,156,373</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

26. ACCOUNTS AND OTHER PAYABLES (continued)

The Company

	2014 HK\$	2013 HK\$
Accounts payable from securities trading	3,970,940	2,228,010
Discretionary bonus payable	202,145,335	120,143,834
Other payables and accrued expenses	99,754,041	37,410,247
	<u>305,870,316</u>	<u>159,782,091</u>

The carrying amounts of accounts payable approximate their fair value. All accounts payables are non-interest bearing.

Accounts payable represent amounts due to brokerage clients, brokers and clearing houses, and are due within one month. Accounts payable to clients exclude those payables placed in trust accounts with authorised institutions, Hong Kong Futures Exchange Clearing Corporation Limited and Stock Exchange Options Clearing House and other financial institutions, which amounted to approximately HK\$25,202 million as at 31 December 2014 (2013: HK\$18,601 million).

Discretionary bonus payable represents bonus to be paid to staff. An amount of HK\$103 million (2013: HK\$62 million) and HK\$41 million (2013: HK\$21 million) are due more than one year for the Group and Company respectively as at 31 December 2014.

27. DEPOSITS FROM CUSTOMERS

All the deposits from customers are time, call and notice deposits and maturing within 1 year. Deposits from related parties are set out in note 33(a)(viii).

28. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group

	2014 HK\$	2013 HK\$
Trading securities – at fair value		
- Equity securities, listed in Hong Kong	840,102,884	791,540,114
	<u>840,102,884</u>	<u>791,540,114</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

28. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

The Company

	2014 HK\$	2013 HK\$
Trading securities – at fair value		
- Equity securities, listed in Hong Kong	840,213,785	791,540,114
	<u>840,213,785</u>	<u>791,540,114</u>

During the year, the Company has entered into securities borrowing and lending arrangements with a fellow subsidiary. The financial liabilities at fair value through profit or loss arose from the Company's short selling of borrowed equity securities (refer to note 24). Under securities borrowing and lending agreement, cash collateral was required and collected for securities borrowed and lent respectively.

No interest was charged on the collateral deposits received and placed. Refer to note 23 for details.

29. SHARE CAPITAL

	2014 HK\$	2013 HK\$
Authorised: (note (i))		
Nil (2013: 200,000) ordinary shares of HK\$10,000 each (note (ii))	-	2,000,000,000
	<u>-</u>	<u>2,000,000,000</u>
Issued and fully paid:		
200,000 (2013: 200,00) ordinary shares of HK\$10,000 each	2,000,000,000	2,000,000,000
	<u>2,000,000,000</u>	<u>2,000,000,000</u>

Notes:

- (i) Under the Hong Kong Companies Ordinance (Cap. 622) which commenced operation on 3 March 2014, the concept of authorised share capital no longer exists.
- (ii) In accordance with section 135 of the Hong Kong Companies Ordinance (Cap. 622), the Company's shares no longer have a par or nominal value with effect from 3 March 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members of the Company as a result of this transition.

BOCI ASIA LIMITED
中銀國際亞洲有限公司

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

30. RETAINED EARNINGS

The Company

	Note	2014 HK\$	2013 HK\$
Balance at 1 January		954,323,670	767,013,120
Profit for the year	12	315,154,452	187,310,550
At 31 December		<u>1,269,478,122</u>	<u>954,323,670</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

31. CASH FLOW FROM OPERATING ACTIVITIES

Reconciliation of profit before taxation to net generated from operating activities:

	2014 HK\$	2013 HK\$
Profit before taxation	1,162,174,038	874,935,462
Interest income	(797,954,920)	(624,585,326)
Interest expense	221,628,242	167,641,090
Dividend income	(57,746,273)	(26,990,038)
Depreciation	2,226,286	3,379,530
Impairment of fees and commission receivable	16,696,327	500,000
Impairment of intangible assets	-	290,730
Write-off and disposal of plant and equipment	79,432	997
Exchange gain arising from revaluation of intangible assets denominated in other currencies	-	(49)
	<u>547,103,132</u>	<u>395,172,396</u>
(Increase)/decrease in statutory deposits and other assets	(90,435,470)	2,405,333
Increase in loans and receivables	(7,854,925,887)	(6,154,732,942)
Increase in derivative financial instruments - assets	(300,944,338)	(54,584,676)
Increase in financial assets at fair value through profit or loss	(1,972,108,553)	(776,380,012)
Decrease in cash and balances with banks with original maturity over three months	11,165,363	8,464,656
(Decrease)/increase in bank loans and other borrowings – unsecured	(1,500,095,570)	1,019,001,589
Movement in balances with the immediate holding company	4,001,067,994	3,156,931,289
Movement in balances with fellow subsidiaries	1,011,019,507	183,314,083
Movement in balances an associate company of BOCI Group	1,686,991	12,270,000
Increase in derivative financial instruments - liabilities	693,248,868	64,987,570
Increase in accounts and other payables	4,814,879,381	399,468,626
Increase in deposits from customers	1,719,629,258	3,428,791,422
Increase in financial liabilities at fair value through profit or loss	48,562,770	638,375,937
Dividend received	57,746,273	26,990,038
Interest received	790,725,340	624,163,189
Interest paid	(226,752,448)	(161,867,347)
Hong Kong and overseas tax paid	(83,055,658)	(27,881,814)
Net cash generated from operating activities	<u><u>1,668,516,953</u></u>	<u><u>2,784,889,337</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

32. COMMITMENTS

Commitments under operating leases

At 31 December, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2014 HK\$	2013 HK\$
Land and buildings:		
Less than one year	44,172,059	43,356,184
Between one and five years	15,914,183	56,098,734
	<u>60,086,242</u>	<u>99,454,918</u>

In the prior year, the Group had a non-cancellable equity underwriting commitment of HK\$214,929,183 which expired within a month after the end of the reporting period.

33. RELATED PARTY TRANSACTIONS

Other than related party transactions disclosed elsewhere in the consolidated financial statements, the major transactions with related parties, which the Group entered into during the year are summarised as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

33. RELATED PARTY TRANSACTIONS (continued)

(a) Summary of transactions entered into during the ordinary course of business with BOC International Holdings Limited and its subsidiaries, Bank of China Limited and its subsidiaries, and associates of BOC International Holdings Limited

<u>2014</u>	Note	BOC International Holdings Limited and its subsidiaries HK\$'000	Bank of China Limited and its subsidiaries HK\$'000	Associates of BOC International Holdings Limited HK\$'000
<u>Consolidated income statement</u>				
Interest income from bank deposits	i	-	152,135	-
Interest income from Certificate of Deposit	xiv	-	7,055	-
Brokerage commission	ii	82,529	511,082	-
Underwriting and placement commission	iii	-	104,343	(1,687)
Management fee income	iv	44,774	-	-
Other income – interest income	i	12,218	-	-
Net realised/unrealised gain on trading securities and derivatives	x	(2,312)	(14,311)	-
Interest expense on loans and other borrowings	vii	(140,495)	(20,423)	-
Interest expense on customer deposits	viii	(1,020)	(834)	-
Commission expenses arising from brokerage activities	ii	(9,097)	(184,611)	(3,232)
Management fee expense	v	(553,773)	-	-
Operating lease rental in respect of leased premises	ix	-	(53,249)	-
Bank charges	xii	(72)	(6,101)	-
Staff medical, recruitment, training & welfare expenses	xi	-	(9,592)	-
		=====	=====	=====

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

33. RELATED PARTY TRANSACTIONS (continued)

(a) **Summary of transactions entered into during the ordinary course of business with BOC International Holdings Limited and its subsidiaries, Bank of China Limited and its subsidiaries, and associates of BOC International Holdings Limited (continued)**

<u>2013</u>	Note	BOC International Holdings Limited and its subsidiaries HK\$'000	Bank of China Limited and its subsidiaries HK\$'000	Associates of BOC International Holdings Limited HK\$'000
<u>Consolidated income statement</u>				
Interest income from bank deposits	i	-	86,204	-
Interest income from Certificate of Deposit	xiv	-	40	-
Brokerage commission	ii	50,811	493,159	-
Underwriting and placement commission	iii	-	6,884	(12,270)
Management fee income	iv	111,657	-	-
Other income – interest income	i	11,261	-	-
Net realised/unrealised gain on trading securities and derivatives	x	(7,769)	20,541	-
Interest expense on loans and other borrowings	vii	(102,707)	(1,923)	-
Interest expense on customer deposits	viii	(1,017)	(792)	-
Commission expenses arising from brokerage activities	ii	(6,886)	(171,866)	(2,002)
Management fee expense	v	(496,712)	-	-
Operating lease rental in respect of leased premises	ix	-	(49,452)	-
Bank charges	xii	-	(6,098)	-
Staff medical, recruitment, training & welfare expenses	xi	-	(11,328)	-
		=====	=====	=====

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

33. RELATED PARTY TRANSACTIONS (Continued)

(a) Summary of transactions entered into during the ordinary course of business with BOC International Holdings Limited and its subsidiaries, Bank of China Limited and its subsidiaries, and associates of BOC International Holdings Limited (continued)

<u>2014</u>	Note	BOC International Holdings Limited and its subsidiaries HK\$'000	Bank of China Limited and its subsidiaries HK\$'000	Associates of BOC International Holdings Limited HK\$'000
<u>Consolidated statement of financial position</u>				
Bank balances and cash	i	-	7,621,286	-
Accounts receivable arising from dealing in securities	ii	2,096,356	3,528,830	339,081
Fee and commission receivables and others	iii	-	7,446	-
Derivative and other financial instruments (assets)	vi	1,658	10,552	-
Held-to-maturity financial assets	xiv	-	2,318,952	-
		=====	=====	=====
Deposits from customers	viii	149,041	2,030	-
Accounts payable arising from dealing in securities	ii	2,409,581	5,892,816	-
Amount due to an associate company of BOCI Group	iii	-	-	17,902
Derivative and other financial instruments (liabilities)	vi	141,350	82,910	-
		=====	=====	=====

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

33. RELATED PARTY TRANSACTIONS (Continued)

(a) **Summary of transactions entered into during the ordinary course of business with BOC International Holdings Limited and its subsidiaries, Bank of China Limited and its subsidiaries, and associates of BOC International Holdings Limited (continued)**

<u>2013</u>	Note	BOC International Holdings Limited and its subsidiaries HK\$'000	Bank of China Limited and its subsidiaries HK\$'000	Associates of BOC International Holdings Limited HK\$'000
<u>Consolidated statement of financial position</u>				
Bank balances and cash	i	-	6,597,619	-
Accounts receivable arising from dealing in securities	ii	290,870	2,837,139	114,967
Derivative financial instruments (assets)	vi	453	784	-
Held-to-maturity financial assets	xiv	-	240,040	-
		=====	=====	=====
Deposits from customers	viii	180,838	2,020	-
Bank loans and other borrowings	vii	-	1,500,096	-
Accounts payable arising from dealing in securities	ii	819,318	2,949,184	-
Amount due to an associate company of BOCI Group	iii	-	-	16,215
Derivative financial instruments (liabilities)	vi	197	713	-
		=====	=====	=====

- (i) Interest income from bank deposits and bank balances and interest income from the immediate holding company and fellow subsidiaries of BOCI Group

In the ordinary course of business, the Group placed its cash and short-term funds with Bank of China Limited and its related entities. These deposits were conducted at prices and terms that were no more favourable than those contracted with other third party customers.

The Group also received interest income from amount lent to BOCI Group companies for cash management purpose as disclosed in note 25.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

33. RELATED PARTY TRANSACTIONS (continued)

(a) Summary of transactions entered into during the ordinary course of business with BOC International Holdings Limited and its subsidiaries, Bank of China Limited and its subsidiaries, and associates of BOC International Holdings Limited (continued)

(ii) Commission income and expense arising from brokerage activities

During the year, the Group earned brokerage commission from securities dealing of approximately HK\$82,529,000 and HK\$511,082,000 (2013: approximately HK\$50,811,000 and HK\$493,159,000) from fellow subsidiaries controlled by BOCI Group and Bank of China Limited and its related entities as a result of securities transactions executed in Hong Kong. In return, the Group paid approximately HK\$9,097,000 and HK\$184,611,000 (2013: approximately HK\$6,886,000 and HK\$171,866,000) as commission expenses.

As at 31 December 2014, the Group had a net payable of HK\$313,225,000 from fellow subsidiaries in BOC International Holdings Limited and net payable of HK\$2,363,986,000 from BOC Hong Kong (Holdings) Limited (2013: net payable of HK\$528,448,000 from fellow subsidiaries in BOC International Holdings Limited and net payable of HK\$112,045,000 from BOC Hong Kong (Holdings) Limited) as a result of the above transactions executed.

(iii) Underwriting and placement commission

In the ordinary course of business, the Group provided underwriting and placement services to customers and received underwriting and placement fee income. During the year, the Group earned HK\$104,343,000 from Bank of China Limited and its subsidiaries (2013: HK\$6,884,000). These commissions earned were executed at the relevant market rates at the time of the transactions. As at 31 December 2014, there was outstanding fee receivable from BOC Hong Kong (Holdings) Limited and its subsidiaries, amounting to HK\$7,446,000 (2013: Nil).

An underwriting and placement activity was also jointly conducted by the Group and one of its associates. As at 31 December 2014, the Group has outstanding fee payable to the associate, amounted to HK\$17,902,000 (2013: receivable of HK\$16,215,000) for its services provided. Fee expense of HK\$1,687,000 (2013: fee income of HK\$12,270,000) was shared to the associate during the year.

(iv) Management fee income

The Group has an agreement with BOCI Financial Products Limited, a fellow subsidiary in BOC International Holdings Limited, under which the Company provides management and administrative services in return for a fee which is agreed and reviewed on an annual basis. This agreement can be terminated by either party giving not less than one month's written notice.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

33. RELATED PARTY TRANSACTIONS (continued)

(a) Summary of transactions entered into during the ordinary course of business with BOC International Holdings Limited and its subsidiaries, Bank of China Limited and its subsidiaries, and associates of BOC International Holdings Limited (continued)

(v) Management fee expense

The Group has an agreement with its immediate holding company (BOC International Holdings Limited) and its fellow subsidiaries (BOCI Leveraged & Structured Finance Limited and BOC International (Singapore) Pte. Ltd.) under which the immediate holding company and its fellow subsidiaries provide administration and support services to the Company in return for a fee which is agreed and reviewed on an annual basis. This agreement can be terminated by either party giving not less than one month's written notice.

(vi) Derivative and other financial instruments assets/liabilities

In the ordinary course of business, the Group entered into equity contracts, exchange rate contracts and interest rate contracts with fellow subsidiaries of BOCI Group and other subsidiaries of Bank of China Limited. These transactions were executed at the relevant market rates at the time of the transactions.

(vii) Bank loans and related interest expenses

In the ordinary course of business, the Group obtained loans from BOC International Holdings Limited and other subsidiaries of Bank of China Limited to finance its margin financing activities and daily operations. The above borrowings were entered at the relevant market rates at the time of the transactions. During the year, the Group paid an interest expense of HK\$140,495,000 and HK\$20,423,000 (2013: HK\$102,707,000 and HK\$1,923,000) for the bank loans obtained from BOC International Holdings Limited and other subsidiaries of Bank of China Limited respectively.

(viii) Deposits from customers and interest expense on customer deposits

In the ordinary course of business, the Group accepted deposits from fellow subsidiaries in BOC International Holdings Limited and other subsidiaries of Bank of China Limited. As at 31 December 2014, the outstanding customer deposits amounted to HK\$149,041,000 and HK\$2,030,000 (2013: HK\$180,838,000 and HK\$2,020,000) and interest expenses of HK\$1,020,000 and HK\$834,000 (2013: HK\$1,017,000 and HK\$792,000) were paid during the year.

(ix) Operating lease rental in respect of leased premises

In the ordinary course of business, the Group entered into an office lease agreement with a subsidiary of Bank of China (Hong Kong) Limited. The leases were executed at the relevant market rates at the time of the transactions. Significant portion of the operating lease commitment in relating to land and building as disclosed in note 32 are with that fellow subsidiary.

31 December 2014

33. RELATED PARTY TRANSACTIONS (continued)

(a) Summary of transactions entered into during the ordinary course of business with BOC International Holdings Limited and its subsidiaries, Bank of China Limited and its subsidiaries, and associates of BOC International Holdings Limited (continued)

(x) Net realised/ unrealised gain on trading securities

During the year, the Group has realised/ unrealised gain on trading securities with fellow subsidiaries in BOC International Holdings Limited in the ordinary course of business.

(xi) Staff medical, recruitment, training & welfare expenses

The Group paid fees to fellow subsidiaries of Bank of China (Hong Kong) Limited for the insurance and training services provided to the Group.

(xii) Bank charges

In the ordinary course of business, the Group has incurred bank charges to Bank of China (Hong Kong) Limited and its related entities as a result of its daily operations.

(xiii) Key management compensation

Key management are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, considering directors are key management which compensation was disclosed in note 8 to the consolidated financial statements.

(xiv) Held-to-maturity financial assets

The Group purchased Certificate of Deposits issued by Bank of China Limited. These securities were purchased at prices and terms that were no more favourable than those contracted with other third party customers. At 31 December 2014, HK\$2,319 million (2013: HK\$240 million) of Certificate of Deposits were purchased from Bank of China Limited, and interest income of HK\$7,054,967 (2013: HK\$39,978) interest income was earned.

(b) Transaction with BOC Poverty Relief and Education Charity Fund Limited

BOCI Group has established a charitable fund, named BOC Poverty Relief and Education Charity Fund Limited (the "Charity Fund"), in 2008 and registered with Inland Revenue Department of Hong Kong SAR Government.

During the year, the Group accepted deposits and paid interest expenses of HK\$16,740 (2013: HK\$3,716) to the Charity Fund. As at 31 December 2014, there is outstanding customer deposits amounting to HK\$2,028,085 (2013: HK\$2,038,331) placed by the Charity Fund.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

34. CRITICAL ACCOUNTING ESTIMATES, AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group's consolidated financial statements and its financial result are influenced by accounting policies, assumptions, estimates, and management judgement which necessarily have to be made in the course of preparation of the consolidated financial statements.

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events.

Accounting policies and management's judgements for certain items are especially critical for the Group's results and financial situation due to their materiality in amount.

(a) Impairment allowances on loans and advances

The Group reviews its loan portfolios to assess impairment at least on an annual basis. In determining whether an impairment loss should be recorded in the consolidated income statement, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Based on the assessment made by management, there is overdue but not impaired loan on customers during 2014 and 2013 and correspondingly no impairment allowances were provided for the years ended 31 December 2014 and 2013. For accounts and other receivables, there is overdue but not impaired receivables during 2013 and 2014 and impaired receivables during 2014 and accordingly impairment allowance was provided for the year ended 31 December 2014 (31 December 2013: nil).

More details on the credit risk of the loans and advances are included in note 3.2 and 22.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

34. CRITICAL ACCOUNTING ESTIMATES, AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (continued)

(b) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in active markets (for example, over-the-counter derivatives) is determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

(c) Held-to-maturity financial assets

The Group follows the guidance of HKAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity date as held-to-maturity financial assets. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity.

(d) Income taxes

Determining income tax provisions involves significant judgement. There are many transactions and calculation for which the ultimate tax determination is uncertain. The Group evaluates tax implications of transactions and tax provisions are set up accordingly. Deferred tax assets are recognised for tax losses not yet used and temporary deductible difference arising from donation provisions. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

35. IMMEDIATE HOLDING COMPANY AND ULTIMATE HOLDING COMPANY

The immediate holding company is BOC International Holdings Limited. The Company is subject to the control of the State Council of the People's Republic of China Government through China Investment Corporation and its wholly-owned subsidiary Central Huijin Investment Ltd.

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 April 2015.

PARTIES

OUR REGISTERED OFFICE

BOCI Asia Limited

26/F, Bank of China Tower
1 Garden Road
Hong Kong

LIQUIDITY PROVIDER AND AGENT

BOCI Securities Limited

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

AUDITOR

Ernst & Young

22nd Floor
Citic Tower
1 Tim Mei Avenue
Central
Hong Kong

