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).

Base Listing Document dated 8 May 2017

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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 6 May 2016 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 2016, 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 launch announcement and supplemental listing document ("**Launch Announcement and Supplemental Listing Document**") will be issued in respect of each series of Structured Products, which will include detailed commercial terms of the relevant series. You must read this document (including any addendum to this document to be issued from time to time), together with such Launch Announcement and Supplemental Listing Document (including any addendum to such Launch Announcement and 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, have the same meaning ascribed to them in the terms and conditions ("**Conditions**") set forth in Appendix 1 to this document and the Launch Announcement and 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. We have included references to websites to guide you to sources of freely available information. The information on these websites does not form part of our Listing Documents. We do not accept any responsibility for the information on those websites. Such information has not been prepared for the purposes of our Structured Products. You should conduct your own web searches and consult publicly available information to ensure that you are viewing the most up-to-date information.

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 2016 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 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 2016 and the auditor's report;

(b) the consent letter issued by Ernst & Young (the "**Auditor**") dated 8 May 2017;

(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 Launch Announcement and Supplemental Listing Document as long as the relevant series of Structured Products is listed on the Stock Exchange (together with a Chinese translation of each of these documents).

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 2017 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 Launch Announcement and 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 Launch Announcement and 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 Launch Announcement and 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 trusts 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 Launch Announcement and 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 Launch Announcement and 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 Launch Announcement and 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 Launch Announcement and 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 Launch Announcement and 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.

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) for Category R CBBCs only, 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 Launch Announcement and 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;

(b) the trustee or the manager of the underlying trust; 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.

Hong Kong resolution regime

The Financial Institutions (Resolution) Ordinance ("**FIRO**") was enacted by the Legislative Council of Hong Kong in June 2016. The FIRO has not yet commenced operation as at the date of this document, but will come into operation on a day to be appointed by the Secretary for Financial Services and the Treasury of the Hong Kong Special Administrative Region Government by notice published in the Hong Kong Government Gazette.

The FIRO provides a regime for the orderly resolution of financial institutions with a view to avoiding or mitigating the risks otherwise posted by their non-viability to the stability and effective working of the financial system of Hong Kong, including the continued performance of critical financial functions. The FIRO seeks to provide the relevant resolution authorities with administrative powers to bring about timely and orderly resolution in order to stabilise and secure continuity for a failing financial institution in Hong Kong. In particular, it is envisaged that subject to certain safeguards, the relevant resolution authority would be provided with powers to affect contractual and property rights as well as payments (including in respect of any priority of payment) that creditors would receive in resolution, including but not limited to powers to write off, or convert into equity, all or a part of the liabilities of the failing financial institution.

As a licensed corporation that is a subsidiary of Bank of China Limited (a global systemically important bank), we will be subject to and bound by the FIRO once it comes into operation. The exercise of any resolution power by the relevant resolution authority under the FIRO in respect of us may have a material adverse effect on the value of the Structured Products, and you may not be able to recover all or any amount due under the Structured Products.

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 Launch Announcement and 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:

(a) the spread between bid and ask prices quoted by the Liquidity Provider may be significantly wider than its normal standard;

(b) the quantity for which liquidity will be provided by the Liquidity Provider may be significantly smaller than its normal standard; and/or

(c) 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, it has become illegal or impracticable:

(a) for us to perform our obligations under the Structured Products in whole or in part as a result of (i) the adoption of or any change in any relevant law or regulation 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, (each of (i) and (ii), a "**Change in Law Event**");

(b) for us to maintain our hedging arrangement with respect to the Structured Products due to a Change in Law Event,

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:

(a) voting rights or rights to receive dividends or other distributions or any other rights that a holder of the Underlying Asset would normally be entitled to; or

(b) voting rights or rights to receive dividends or other distributions or any other rights with respect to any company constituting any underlying index.

Valuation risk

An investment in 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 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 ETF ("**RQFII ETF**")*

An RQFII ETF is issued and traded outside Mainland China with direct investment in the Mainland China's securities 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) an RQFII ETF primarily invests in securities traded in the Mainland China's securities markets and is subject to concentration risk. Investment in the Mainland China's securities 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.

ETF traded through dual counters model

Where the Underlying Asset of Structured Products comprises the units of an 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:

(a) 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

(b) 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 Launch Announcement and 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.

Payments made by us to certain holders with respect to the Structured Products may be subject to United States withholding tax under the United States Foreign Account Tax Compliance Act

The Foreign Account Tax Compliance Act ("**FATCA**") generally imposes a 30 per cent. United States withholding tax on certain United States source payments, including interest (and original issue discount), dividends (and "dividend equivalent" payments), or other fixed or determinable annual or periodical gain, profits, and income, and on the gross proceeds from a disposition of property of a type which can produce United States source interest or dividends ("**Withholdable Payments**"), if paid to a foreign financial institution (including amounts paid to a foreign financial institution on behalf of a holder), unless such institution enters into an agreement with the US Treasury to collect and provide to the US Treasury substantial information regarding United States account holders (including certain account holders that are foreign entities with United States owners) with such institution, or such institution otherwise complies with its obligations under FATCA. A Structured Product may constitute an account for these purposes. FATCA also generally imposes a withholding tax of 30 per cent. on Withholdable Payments made to a nonfinancial foreign entity unless such entity provides the withholding agent with a certification that it does not have any substantial United States owners or a certification identifying the direct and indirect substantial United States owners of the entity, or otherwise establishes an exemption.

In addition, under FATCA, "passthru payments" made by a foreign financial institution to "recalcitrant holders" or noncompliant foreign financial institutions are subject to a 30 per cent. United States withholding tax. A "recalcitrant holder" generally is a holder of an account with a foreign financial institution that fails to comply with certain requests for information that will help enable the relevant foreign financial institution to comply with its obligations under FATCA (a Structured Product may constitute an account for these purposes). Pursuant to US Treasury regulations, a passthru payment is any Withholdable Payment and any "foreign passthru payment", which has yet to be defined.

If we determine that withholding is appropriate with respect to the Structured Products, we (or an applicable withholding agent) would be entitled to withhold taxes at the applicable statutory rate without being required to pay any additional amounts with respect to amounts so withheld.

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 and the United States of America. 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.

Taxation in the United States of America

The Foreign Account Tax Compliance Act ("**FATCA**") (Sections 1471 through 1474 of the US Internal Revenue Code) generally imposes a 30 per cent. United States withholding tax on certain United States source payments, including interest (and original issue discount), dividends (and "dividend equivalent" payments), or other fixed or determinable annual or periodical gain, profits, and income, and on the gross proceeds from a disposition of property of a type which can produce United States source interest or dividends ("**Withholdable Payments**"), if paid to a foreign financial institution (including amounts paid to a foreign financial institution on behalf of a holder), unless such institution enters into an agreement with the US Treasury to collect and provide to the US Treasury substantial information regarding United States account holders (including certain account holders that are foreign entities with United States owners) with such institution, or such institution otherwise complies with its obligations under FATCA. A Structured Product may constitute an account for these purposes. FATCA also generally imposes a withholding tax of 30 per cent. on Withholdable Payments made to a nonfinancial foreign entity unless such entity provides the withholding agent with a certification that it does not have any substantial United States owners or a certification identifying the direct and indirect substantial United States owners of the entity, or otherwise establishes an exemption. Under certain circumstances, a holder may be eligible for refunds or credits of such taxes.

In addition, under FATCA, "passthru payments" made by a foreign financial institution to "recalcitrant holders" or noncompliant foreign financial institutions are subject to a 30 per cent. United States withholding tax. A "recalcitrant holder" generally is a holder of an account with a foreign financial institution that fails to comply with certain requests for information that will help enable the relevant foreign financial institution to comply with its obligations under FATCA (a Structured Product may constitute an account for these purposes). Pursuant to US Treasury regulations, a passthru payment is any Withholdable Payment and any "foreign passthru payment", which has yet to be defined.

Under the current United States Treasury regulations and related guidance, the 30 per cent. United States withholding tax on "recalcitrant holders" or noncompliant foreign financial institutions generally may be imposed on "foreign passthru payments" made by us with respect to the Structured Products after the later of (i) 31 December 2018 or (ii) the date of publication in the US Federal Register of final regulations defining the term "foreign passthru payment." However, payments on an obligation will not be treated as "foreign passthru payments" if such obligation is outstanding on or before the date that is six months after the date on which final regulations defining the term "foreign passthru payment" are filed with the US Federal Register.

If we determine that withholding is appropriate with respect to the Structured Products, we (or an applicable withholding agent) would be entitled to withhold taxes at the applicable statutory rate without being required to pay any additional amounts with respect to amounts so withheld.

Foreign financial institutions and nonfinancial foreign entities located in jurisdictions that have an intergovernmental agreement with the United States governing FATCA may be subject to different rules. Holders are urged to consult with their own tax advisors regarding the possible implications of FATCA on their investment in the Structured Products.

The above summary only applies to you if you are a non-US Holder. You are a non-US Holder unless you are: (1) an individual citizen or resident of the United States; (2) a corporation, partnership or other entity (excluding a trust) that is formed or organized under the laws of the United States or any political subdivision of the United States (or is taxable as an entity so formed or organized); (3) an estate, the income of which is subject to US federal income taxation regardless of its source; or (4) a trust that is subject to the jurisdiction of a US court and for which one or more "United States persons" (as defined in the US Internal Revenue Code) control all of the substantial decisions, or has otherwise made an appropriate election under the US tax regulations.

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 United States Securities Act of 1933, as amended (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

Each dealer has represented and agreed, and each further dealer appointed in respect of the Structured Products will be required to represent and agree, that:

(a) in respect to Structured Products having a maturity of less than one year: (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and (ii) it has not offered or sold and will not offer or sell any Structured Products other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Structured Products would otherwise constitute a contravention of Section 19 of Financial Services and Markets Act, as amended (the "**FSMA"**) by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Structured Products in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Structured Products in, from or otherwise involving the United Kingdom.

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 Launch Announcement and Supplemental Listing Document.

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 share issuance, merger and acquisition, bond issuance, fixed-income, private banking, private equity, global commodities, asset management, equity derivatives, leveraged and structured financing and so on.

Members of the Issuer's board of directors as of 31 March 2017 are:

(1) Leung Yiu Kei
(2) Chen Xiaolu
(3) Wang Jun
(4) Bian Fang
(5) Lee Kin Man
(6) Mak Chi Kin
(7) Ng Meng Hua
(8) Ho Yui Kwong Kenny

The following directors have resigned from their directorship after the publication of our previous base listing document dated 6 May 2016 on the following dates:

Madam Lu Ying, Mr. Yu Ka Fai and Mr. Van Runckelen Didier resigned as directors of the Board of Directors of the Issuer with effect from 11 August 2016, 1 September 2016 and 18 January 2017, respectively.

The following directors have been appointed after the publication of our previous base listing document dated 6 May 2016:

Mr. Ng Meng Hua and Mr. Ho Yui Kwong Kenny have been appointed as directors of the Board of Directors of the Issuer with effect from 22 July 2016 and 31 March 2017, respectively.

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

These Conditions will, together with the supplemental provisions contained in the relevant Launch Announcement and Supplemental Listing Document, subject to completion and amendment, be endorsed on the back of the global warrant certificate. The applicable Launch Announcement and 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 Launch Announcement and 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 Launch Announcement and 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 adjustment to such closing prices as may be necessary to reflect any event as contemplated in Condition 5 such as capitalisation, rights issue, distribution or the like) in respect of each Valuation Date;

"**Board Lot**" has the meaning given to it in the relevant Launch Announcement and 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:

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

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

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

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 Launch Announcement and Supplemental Listing Document;

"**Entitlement**" means the number specified as such in the relevant Launch Announcement and 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 Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Condition 5;

"**Expiry Date**" means the date specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Launch Announcement and Supplemental Listing Document**" means the launch announcement and supplemental listing document relating to a particular series of Warrants;

"**Listing Date**" means the date specified as such in the relevant Launch Announcement and 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 Launch Announcement and Supplemental Listing Document;

"**Settlement Currency**" means the currency specified as such in the relevant Launch Announcement and 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 Launch Announcement and 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:

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. Contracts (Rights of Third Parties) Ordinance

A person who is not a party to these Conditions has no right under the Contracts (Rights of Third Parties) Ordinance (Cap. 623 of the Laws of Hong Kong) to enforce or to enjoy the benefit of any term of the Warrants.

17. 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.

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 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 Launch Announcement and Supplemental Listing Document, subject to completion and amendment, be endorsed on the back of the global warrant certificate. The applicable Launch Announcement and 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 Launch Announcement and 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 Launch Announcement and 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 Launch Announcement and 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:

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

In respect of Index Put Warrants:

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

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 Launch Announcement and Supplemental Listing Document subject to any adjustment in accordance with Condition 5;

"**Divisor**" means the number specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Exchange Rate**" means the rate specified as such in the relevant Launch Announcement and 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 Launch Announcement and Supplemental Listing Document;

"**First Exchange Rate**" means the rate specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Index**" means the index specified as such in the relevant Launch Announcement and 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 Launch Announcement and Supplemental Listing Document;

"**Index Currency Amount**" has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

"**Index Exchange**" means the index exchange specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Interim Currency**" means the currency specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Launch Announcement and Supplemental Listing Document**" means the launch announcement and supplemental listing document relating to a particular series of Warrants;

"**Listing Date**" means the date specified as such in the relevant Launch Announcement and 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 Launch Announcement and Supplemental Listing Document;

"**Settlement Currency**" means the currency specified as such in the relevant Launch Announcement and 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 Launch Announcement and Supplemental Listing Document; and

"**Valuation Date**" means the date specified as such in the relevant Launch Announcement and 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 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.

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. Contracts (Rights of Third Parties) Ordinance

A person who is not a party to these Conditions has no right under the Contracts (Rights of Third Parties) Ordinance (Cap. 623 of the Laws of Hong Kong) to enforce or to enjoy the benefit of any term of the Warrants.

15. Governing Law

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

16. Language

A Chinese translation of these Conditions is available upon request during usual business hours on any weekday (Saturdays, Sundays and holidays excepted) at the 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.

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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 Launch Announcement and Supplemental Listing Document, and subject to completion and amendment, be endorsed on the back of the global warrant certificate. The relevant Launch Announcement and 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 Launch Announcement and 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 Launch Announcement and 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 adjustment to such closing prices as may be necessary to reflect any event as contemplated in Condition 5 such as capitalisation, rights issue, distribution or the like) in respect of each Valuation Date;

"**Board Lot**" has the meaning given to it in the relevant Launch Announcement and 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:

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

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

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

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 Launch Announcement and 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 Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Condition 5;

"**Expiry Date**" means the date specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Launch Announcement and Supplemental Listing Document**" means the launch announcement and supplemental listing document relating to a particular series of Warrants;

"**Listing Date**" means the date specified as such in the relevant Launch Announcement and 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 Launch Announcement and Supplemental Listing Document;

"**Settlement Currency**" means the currency specified as such in the relevant Launch Announcement and 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 Launch Announcement and Supplemental Listing Document;

"**Unit**" means the unit specified as such in the relevant Launch Announcement and 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:

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

The Entitlement will be adjusted to:

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

Where:

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:

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

The Entitlement will be adjusted to:

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

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 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 pursuant hereto will be conclusive and binding on the Warrantholder. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with Condition 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 Warrantholders shall be decided by poll. A meeting may be convened by the Issuer or by Warrantholders holding not less than 10 per cent. of the Warrants for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons (including any nominee appointed by the Warrantholder) holding or representing not less than 25 per cent. of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons (including any nominee appointed by the Warrantholder) being or representing Warrantholders whatever the number of Warrants so held or represented.

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

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

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

(B) *Modification*. The Issuer may, without the consent of the Warrantholders, effect 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. Contracts (Rights of Third Parties) Ordinance

A person who is not a party to these Conditions has no right under the Contracts (Rights of Third Parties) Ordinance (Cap. 623 of the Laws of Hong Kong) to enforce or to enjoy the benefit of any term of the Warrants.

17. 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.

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 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 Launch Announcement and Supplemental Listing Document, subject to completion and amendment, be endorsed on the back of global certificate. The relevant Launch Announcement and 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 Launch Announcement and 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 Launch Announcement and 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 Launch Announcement and 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 Launch Announcement and 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:

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

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

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

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 adjustment to such closing price as may be necessary to reflect any event as contemplated in Condition 6 such as capitalization, rights issue, distribution or the like) on the Valuation Date;

"**Company**" means the company specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Entitlement**" has the meaning given to it in the relevant Launch Announcement and 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 Launch Announcement and Supplemental Listing Document;

"**Launch Announcement and Supplemental Listing Document**" means the launch announcement and supplemental listing document relating to a particular series of CBBCs;

"**Listing Date**" means the date specified as such in the relevant Launch Announcement and 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 (subject to any adjustment to such Spot Price as may be necessary to reflect any event as contemplated in Condition 6 such as capitalization, rights issue, distribution or the like) 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 (subject to any adjustment to such Spot Price as may be necessary to reflect any event as contemplated in Condition 6 such as capitalization, rights issue, distribution or the like) during the MCE Valuation Period;

"**Number of CBBC(s) per Entitlement**" means the amount specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Observation Commencement Date**" means the date specified as such in the relevant Launch Announcement and 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 Launch Announcement and 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:

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

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

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

"**Settlement Currency**" means the currency specified as such in the relevant Launch Announcement and 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 Launch Announcement and 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 Launch Announcement and 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:

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. Contracts (Rights of Third Parties) Ordinance

A person who is not a party to these Conditions has no right under the Contracts (Rights of Third Parties) Ordinance (Cap. 623 of the Laws of Hong Kong) to enforce or to enjoy the benefit of any term of the CBBCs.

18. 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.

19. 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 Launch Announcement and Supplemental Listing Document, subject to completion and amendment, be endorsed on the back of global certificate. The relevant Launch Announcement and 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 Launch Announcement and 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 Launch Announcement and 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 Launch Announcement and 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 Launch Announcement and 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:

$$\begin{array}{c}\text{Cash Settlement Amount}\\\text{per Board Lot}\end{array} = \frac{(\text{Closing Level} - \text{Strike Level}) \text{ x one Board Lot x Index Currency Amount}}{\text{Divisor}}$$

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

$$\begin{array}{c}\text{Cash Settlement Amount}\\\text{per Board Lot}\end{array} = \frac{(\text{Strike Level} - \text{Closing Level}) \text{ x one Board Lot x Index Currency Amount}}{\text{Divisor}}$$

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 Launch Announcement and Supplemental Listing Document subject to any adjustment in accordance with Condition 6;

"**Divisor**" means the number specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Exchange Rate**" means the rate specified as such in the relevant Launch Announcement and 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 Launch Announcement and Supplemental Listing Document;

"**First Exchange Rate**" means the rate specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Index**" means the index specified as such in the relevant Launch Announcement and 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 Launch Announcement and Supplemental Listing Document;

"**Index Currency Amount**" has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

"**Index Exchange**" means the index exchange given to it in the relevant Launch Announcement and Supplemental Listing Document;

"**Interim Currency**" means the currency specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Launch Announcement and Supplemental Listing Document**" means the launch announcement and supplemental listing document relating to a particular series of CBBCs;

"**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 Launch Announcement and 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 Launch Announcement and 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:

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

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

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

"**Second Exchange Rate**" means the rate specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Settlement Currency**" means the currency specified as such in the relevant Launch Announcement and 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 Launch Announcement and 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 Launch Announcement and 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. 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.

14. 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.

15. Contracts (Rights of Third Parties) Ordinance

A person who is not a party to these Conditions has no right under the Contracts (Rights of Third Parties) Ordinance (Cap. 623 of the Laws of Hong Kong) to enforce or to enjoy the benefit of any term of the CBBCs.

16. Governing Law

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

17. Language

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

Agent

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

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 Launch Announcement and Supplemental Listing Document, subject to completion and amendment, be endorsed on the back of global certificate. The relevant Launch Announcement and 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 Launch Announcement and 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 Launch Announcement and 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 Launch Announcement and 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 Launch Announcement and 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:

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

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

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

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 adjustment to such closing price as may be necessary to reflect any event as contemplated in Condition 6 such as capitalization, rights issue, distribution or the like) on the Valuation Date;

"**Entitlement**" has the meaning given to it in the relevant Launch Announcement and 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 Launch Announcement and Supplemental Listing Document;

"**Launch Announcement and Supplemental Listing Document**" means the launch announcement and supplemental listing document relating to a particular series of CBBCs;

"**Listing Date**" means the date specified as such in the relevant Launch Announcement and 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 (subject to any adjustment to such Spot Price as may be necessary to reflect any event as contemplated in Condition 6 such as capitalization, rights issue, distribution or the like) 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 (subject to any adjustment to such Spot Price as may be necessary to reflect any event as contemplated in Condition 6 such as capitalization, rights issue, distribution or the like) during the MCE Valuation Period;

"**Observation Commencement Date**" means the date specified as such in the relevant Launch Announcement and 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 Launch Announcement and 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:

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

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

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

"**Number of CBBC(s) per Entitlement**" means the amount specified as such in the relevant Launch Announcement and 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 Launch Announcement and 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 Launch Announcement and Supplemental Listing Document;

"**Unit**" means the unit specified as such in the relevant Launch Announcement and 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:

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. Contracts (Rights of Third Parties) Ordinance

A person who is not a party to these Conditions has no right under the Contracts (Rights of Third Parties) Ordinance (Cap. 623 of the Laws of Hong Kong) to enforce or to enjoy the benefit of any term of the CBBCs.

18. 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.

19. 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 2016

This information in this Appendix 2 has been extracted from our consolidated financial statements for the year ended 31 December 2016. The page numbers above the page numbers of this document refer to the pages of our financial statements.

INDEPENDENT AUDITOR'S REPORT
To the members of BOCI Asia Limited
中銀國際亞洲有限公司
(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of BOCI Asia Limited (the "Company") and its subsidiaries (the "Group") set out on pages 7 to 88, which comprise the consolidated statement of financial position as at 31 December 2016, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") and with reference to Practice Note 820 (Revised), *The Audit of Licensed Corporations and Associated Entities of Intermediaries* issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial statements and auditor's report thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the report of the directors.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT (continued)
To the members of BOCI Asia Limited
中銀國際亞洲有限公司
(Incorporated in Hong Kong with limited liability)

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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 preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

In addition, the directors are required to ensure that the financial statements are in accordance with the records kept under the Hong Kong Securities and Futures (Keeping of Records) Rules and satisfy the requirements of the Hong Kong Securities and Futures (Accounts and Audit) Rules.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. In addition, we are required to obtain reasonable assurance about whether the financial statements are in accordance with the records kept under the Hong Kong Securities and Futures (Keeping of Records) Rules and satisfy the requirements of the Hong Kong Securities and Futures (Accounts and Audit) Rules.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITOR'S REPORT (continued)
To the members of BOCI Asia Limited
中銀國際亞洲有限公司
(Incorporated in Hong Kong with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 2017

BOCI ASIA LIMITED
中銀國際亞洲有限公司

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016

	Notes	2016 HK$	2015 HK$
Revenue	5a	2,512,849,970	3,396,285,352
Trading gain, net	5b	296,215,354	207,524,393
Other income	6	249,442,911	372,269,607
Total income		3,058,508,235	3,976,079,352
Commission and clearing expenses		(604,737,028)	(1,027,017,864)
Staff costs	7	(651,251,544)	(902,708,424)
Other operating expenses		(862,633,954)	(872,773,632)
		(2,118,622,526)	(2,802,499,920)
Finance costs	10	(113,157,321)	(250,395,946)
Profit before taxation	9	826,728,388	923,183,486
Income tax expense	11	(63,434,134)	(153,550,508)
Profit for the year		763,294,254	769,632,978
Attributable to:			
Equity holders of the Company		763,294,254	769,632,978

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 2016

	2016 HK$	2015 HK$
Profit for the year	763,294,254	769,632,978
Other comprehensive income	-	-
Total comprehensive income for the year	763,294,254	769,632,978
Attributable to:		
Equity holders of the Company	763,294,254	769,632,978

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 2016

	Notes	2016 HK$	2015 HK$
NON-CURRENT ASSETS			
Plant and equipment	12	48,761	262,744
Intangible assets	13	49,715,218	49,715,218
Available-for-sale financial assets	15	355,000	355,000
Statutory deposits and other assets		102,488,896	121,951,471
Deferred income tax assets	14	1,312,198	1,312,218
Total non-current assets		153,920,073	173,596,651
CURRENT ASSETS			
Financial assets at fair value through profit or loss	16	3,327,798,641	3,498,438,235
Held-to-maturity financial assets	17	149,839,110	150,000,000
Derivative financial instruments	18	169,252,385	140,222,052
Loans and receivables	19	18,719,067,794	23,477,503,691
Amounts due from the immediate holding company	22	985,935,698	841,485,810
Amounts due from a related company	22	1,992,387	-
Cash and balances with banks	20	7,624,810,921	9,166,621,194
Taxation recoverable		53,510,568	26,559,972
Total current assets		31,032,207,504	37,300,830,954
CURRENT LIABILITIES			
Deposits and balances from banks	29	90,002,466	-
Subordinated loans from the immediate holding company	22	2,500,000,000	2,500,000,000
Amounts due to the immediate holding company	22	5,170,669,442	9,936,061,833
Amounts due to fellow subsidiaries	21	2,385,132,096	2,811,535,109
Amounts due to a related company	22	5,558,585	9,233,382
Accounts and other payables	23	5,432,500,991	7,271,204,179
Deposits from customers	24	7,759,645,415	7,325,959,586
Derivative financial instruments	18	239,259,329	273,118,111
Financial liabilities at fair value through profit or loss	25	60,265,161	221,996,628
Taxation payable		-	85,063,118
Total current liabilities		23,643,033,485	30,434,171,946
NET CURRENT ASSETS		7,389,174,019	6,866,659,008
TOTAL ASSETS LESS CURRENT LIABILITIES		7,543,094,092	7,040,255,659

BOCI ASIA LIMITED
中銀國際亞洲有限公司

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2016

	Notes	2016 HK$	2015 HK$
TOTAL ASSETS LESS CURRENT LIABILITIES		7,543,094,092	7,040,255,659
NON-CURRENT LIABILITIES			
Accounts and other payables	23	39,589,769	96,602,840
Amounts due to the immediate holding company	22	-	203,442,750
Total non-current liabilities		39,589,769	300,045,590
Net assets		7,503,504,323	6,740,210,069
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	26	2,000,000,000	2,000,000,000
Reserve for fair value changes of available-for-sale financial assets		15,000	15,000
Retained earnings		5,503,489,323	4,740,195,069
Total equity		7,503,504,323	6,740,210,069

R Leung

Leung Yiu Kei
Director

Bian Fang
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 2016

	Attributable to equity holders of the Company			
	Share capital HK$	Reserve for fair value changes of available-for-sale financial assets HK$	Retained earnings HK$	Total HK$
Balance at 1 January 2015	2,000,000,000	15,000	3,970,562,091	5,970,577,091
Total comprehensive income for the year	-	-	769,632,978	769,632,978
Balance at 31 December 2015	2,000,000,000	15,000	4,740,195,069	6,740,210,069
Balance at 1 January 2016	2,000,000,000	15,000	4,740,195,069	6,740,210,069
Total comprehensive income for the year	-	-	763,294,254	763,294,254
Balance at 31 December 2016	2,000,000,000	15,000	5,503,489,323	7,503,504,323

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 2016

	Note	2016 HK$	2015 HK$
Cash flows from operating activities			
Net cash used in operating activities	27	(2,723,081,519)	(1,288,822,563)
Cash flows from investing activities			
Purchase of held-to maturity financial assets	17	(849,644,714)	(24,578,053,934)
Proceeds from redemption of held-to-maturity financial assets	17	850,000,000	26,847,610,288
Interest received from held-to-maturity financial assets		-	4,725,791
Exchange effect	17	-	1,776,072
Net cash generated from investing activities		355,286	2,276,058,217
Cash flows from financing activities			
Proceeds from subordinated loans from the immediate holding company		-	215,000,000
Net cash generated from financing activities		-	215,000,000
Net (decrease)/increase in cash and cash equivalents		(2,722,726,233)	1,202,235,654
Cash and cash equivalents at beginning of year		9,142,729,345	7,940,493,691
Cash and cash equivalents at end of year		6,420,003,112	9,142,729,345
Analysis of balances of cash and cash equivalents			
Cash at banks and in hand	20	1,650,615,732	3,011,541,543
Short-term bank deposits and placements with banks with original maturity within three months	20	4,769,387,380	6,131,187,802
Cash and cash equivalents at end of year		6,420,003,112	9,142,729,345

The accompanying notes form an integral part of these consolidated financial statements.

1. CORPORATE AND GROUP 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 Company and its subsidiaries (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.

In the opinion of the directors, the immediate holding company is BOC International Holdings Limited, which is incorporated in Hong Kong. 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.

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 28 April 2017.

Information about subsidiaries

Particulars of the Company's subsidiaries as at 31 December 2016 are as follows:

Name	Place of incorporation	Principal activities	Particulars of issued share capital	Interest held
Bank of China International Limited 中銀國際有限公司	Hong Kong	Banking and related financing services	HK$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

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 the Company 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"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale 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 consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 30.

(a) Changes in accounting policies and disclosures

The Group has adopted the following new and revised HKFRSs for the first time for the current year’s financial statements.

Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

The nature and the impact of each amendment is described below:

- Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

  (i) the materiality requirements in HKAS 1;
  (ii) that specific line items in the income statement and the statement of financial position may be disaggregated;
  (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and
  (iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(a) Changes in accounting policies and disclosures (continued)

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the income statement. The amendments have had no significant impact on the Group's financial statements.

- 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 a 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 applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

- *Annual Improvements to HKFRSs 2012-2014 Cycle* issued in October 2014 sets out amendments to a number of HKFRSs. Details of the amendments are as follows:

  HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*: Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in HKFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are applied prospectively. The amendments have had no impact on the Group as the Group did not have any disposal group held for sale during the year.

  HKFRS 7 *Financial Instruments: Disclosures*: Clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in HKFRS 7 in order to assess whether the HKFRS 7 disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures need not be provided for any period beginning before the annual period in which the entity first applies the amendments. The amendments have had no impact on the Group as the Group does not have any servicing contracts.

  HKAS 19 *Employee Benefits*: Clarifies that market depth of high quality corporate bonds used for discounting the post-employment benefit obligation for defined benefit plans is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. The amendment has had no impact on the Group as the Group does not have any defined benefit plans.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(b) Issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 9	*Financial Instruments*[2]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 15	Clarification of HKFRS15 *Revenue from Contracts with Customers*[3]
HKFRS 16	*Leases*[3]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]

[1] Effective for annual periods beginning on or after 1 January 2017
[2] Effective for annual periods beginning on or after 1 January 2018
[3] Effective for annual periods beginning on or after 1 January 2019

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

- 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 and is currently assessing the impact of the standard.

- HKFRS 15 establishes a new five-step model to account for 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. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to 1 January 2018. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(b) Issued but not yet effective Hong Kong Financial Reporting Standards (continued)

- HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases - Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt HKFRS 16 on 1 January 2019 and is currently assessing the impact of HKFRS 16 upon adoption.

- Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 January 2017.

- Amendments to HKAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 January 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.2 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. 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 Company 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:

(i) the contractual arrangement with the other vote holders of the investee;
(ii) rights arising from other contractual arrangements; and
(iii) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of the subsidiaries 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.

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 the subsidiaries. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated 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 and the Group's functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the 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 income statement is also recognised in other comprehensive income or income statement, 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.

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.

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, principally as follows:

Leasehold improvements	5 years
Furniture, fixtures and equipment	3 - 5 years
Electronic equipment	3 - 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of 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.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within other operating expenses in the consolidated income statement.

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.

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;

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Financial assets (continued)

2.7.1 Classification (continued)

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money or services directly to a debtor with no intention of trading the receivable. They are included in the consolidated statement of financial positions as current assets, 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.

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.

Financial assets 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 income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

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 of or impaired at which time the cumulative gain or loss previously recognised in other comprehensive income should be recognised in the consolidated income statement. However, interest calculated using the effective interest method and foreign currency gains and losses on monetary assets classified as available-for-sale financial assets are 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 the consolidated income statement. Translation differences on non-monetary securities are recognised in other comprehensive income.

The fair values of quoted investments are based on the 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Impairment of financial assets (continued)

(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.

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.

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.

Any adjustments that reflect the estimation of bonus forfeited by the employees are recognised to the consolidated income statement during the year.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Income tax (continued)

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.

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 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 Dividends

Dividends recognised in the consolidated financial statements represent interim dividend paid and final dividend for the year declared and approved by the members.

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 when the services related to the underlying transactions are rendered in accordance with the terms of the underlying agreements and mandates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Revenue (continued)

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 account receivables 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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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);
- (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); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

3. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of risks: market risk, credit risk, operational risk, liquidity risk, legal risk, compliance risk, reputational risk and strategic 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 organisation and policies extend to cover the Group as there is no separate risk management organisation and policies for the Group. The risk management policy in BOCI Group applies to the Group as well.

Risk governance structure
The Group establishes a comprehensive organisation structure with both decision-making and control functions. The structure comprises three basic tiers: (1) the Shareholder; (2) the Board of Directors ("Board"); and (3) the Senior Management as led by the Chief Executive Officer ("CEO").

Shareholder level
The immediate holding company is a wholly-owned subsidiary and also an investment banking arm of Bank of China Limited ("BOC"). BOC, as the shareholder, authorises the Board to lead the Company.

Board level
The Board of the immediate holding company ("Holdings' Board") is responsible for setting the fundamental strategic goals and risk vision of the Group. The Holdings' Board appoints the Risk Management Committee ("RMC"), Strategy Development Committee ("SDC") and the Audit Committee ("AC"), which assist the Board in overseeing the Group's risk management functions.

RMC is responsible for assisting the Holdings' Board 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.

SDC is responsible for providing a high level strategic decision-making and co-ordination forum for the Group and advising the Board on the Group's long-term development needs and goals. Also, it is responsible for ensuring that the Group's resources are well-used and overseeing the implementation status of the Company's strategic plans.

3. FINANCIAL RISK MANAGEMENT (continued)

Board level (continued)
AC is responsible for assisting the Holdings' Board in fulfilling their oversight responsibilities by monitoring the entire risk management process. Additionally, it is responsible for ensuring the independence of the internal and external auditors.

Management level
The Executive Committee ("EC") is composed of the CEO, Deputy CEO, Chief Financial Officer, and heads of the 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 Operating Committee ("OC"), the Commitment Committee ("CC") and the Investment Committee ("IC").

RCC, CC, OC and IC derive their decision-making authority from RMC and the EC. They consist of the Group's senior management, business heads and heads of the control and support units.

The RCC is responsible for overseeing the risk management process of the Group as follows:

- 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 Holdings' Board;
- Evaluating and approving significant transactions; and
- Undertaking any other duties assigned by the RMC of the Holdings' Board or the EC.

The RCC is chaired by the Deputy Chief Executive Officer and is composed of senior management of the major functional areas.

The OC is responsible for assisting the EC:

- To analysis, coordinate, review cross department operational process and issues, improving the operational efficiency and effectiveness;
- To advise middle offices and back offices on operational collaboration and resources allocations;
- To oversight the middle and back offices operations, strengthening the cost control and improve the cost effectiveness;
- To oversight the implementation of Business Continuity Plan;
- To review major process re-engineering and automation projects, and monitor their implementation; and

3. FINANCIAL RISK MANAGEMENT (continued)

Management level (continued)

- To oversight operational risk management issues; and to resolve cross department disputes on operational matters.

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 a regular basis. The RMD reports any risk issues and risk analysis on business proposals to RCC, RMC and the Holdings' Board. The Finance & Treasury Division ("FTD") evaluates and monitors the liquidity and market risks (i.e. interest rate and currency risk) of non-trading book.

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. FINANCIAL RISK MANAGEMENT (continued)

3.1 Market risk (continued)

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 Holdings' 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 limit is set. 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 Holdings' Board sets stress limits on both equity derivatives and fixed income desks that may be undertaken. Potential future stress loss is assessed using a number of hypothetical extreme market scenarios include the stress scenarios of different risk parameters such as equity level, volatilities, interest rate and credit spread. Stress scenarios are regularly reviewed to reflect a more updated and relevant market conditions and company business operations.

3. 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 2016 HK$'000	Change in volatility		
Change in equity price	**10%**	**0%**	**-10%**
10%	235,720	296,330	348,399
-10%	(394,354)	(351,792)	(319,985)

31 December 2015 HK$'000	Change in volatility		
Change in equity price	**10%**	**0%**	**-10%**
10%	271,578	306,003	340,429
-10%	(387,863)	(353,437)	(319,011)

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 a daily basis. For non-trading book, both RMD and FTD are responsible for monitoring and managing the interest rate risk with the aim to preserve capital and to ensure the steadiness and continuation of operations. The Group sets limits on the level of mismatch in interest rate and duration gap to control the risks associated with both parallel and non-parallel shifts of yield curves. Limit on stress loss is also imposed by the Board to control for the adverse impact on capital in case of uncontrollable market conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2016

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.

At 31 December 2016	Less than 1 month HK$'000	Between 1 to 3 months HK$'000	Between 3 to 12 months HK$'000	Over 1 year HK$'000	Non-interest bearing HK$'000	Total HK$'000
Statutory deposits and other assets	-	-	-	-	102,489	102,489
Available-for-sale financial assets	-	-	-	-	355	355
Held-to-maturity financial assets	49,996	99,843	-	-	-	149,839
Financial assets at fair value through profit or loss	-	-	-	-	3,327,799	3,327,799
Derivative financial instruments	-	-	-	-	169,252	169,252
Amounts due from the immediate holding company	782,800	200,000	-	-	3,136	985,936
Amounts due from a related company	-	-	-	-	1,992	1,992
Account and other receivables	645,865	-	-	-	4,283,728	4,929,593
Loans to customers	13,680,376	105,857	3,242	-	-	13,789,475
Cash and balances with banks	4,584,184	680,426	1,172,711	-	1,187,490	7,624,811
Others	-	-	-	-	104,587	104,587
Total assets	19,743,221	1,086,126	1,175,953	-	9,180,828	31,186,128
Bank loans and other borrowings – unsecured	(90,002)	-	-	-	-	(90,002)
Subordinated loans from the immediate holding company	(2,500,000)	-	-	-	-	(2,500,000)
Amounts due to the immediate holding company	(3,993,148)	(55,445)	(585,382)	-	(536,695)	(5,170,670)
Amounts due to fellow subsidiaries	-	-	-	-	(2,385,132)	(2,385,132)
Amounts due to a related company	-	-	-	-	(5,559)	(5,559)
Accounts and other payables	(722,422)	-	-	-	(4,749,669)	(5,472,091)
Deposits from customers	(4,933,575)	(1,500,911)	(1,325,159)	-	-	(7,759,645)
Derivative financial instruments	-	-	-	-	(239,259)	(239,259)
Financial liabilities at fair value through profit or loss	-	-	-	-	(60,265)	(60,265)
Others	-	-	-	-	-	-
Total liabilities	(12,239,147)	(1,556,356)	(1,910,541)	-	(7,976,579)	(23,682,623)
Total interest repricing gap	7,504,074	(470,230)	(734,588)	-		

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Market risk (continued)

3.1.3 Interest rate risk (continued)

At 31 December 2015	Less than 1 month HK$'000	Between 1 to 3 months HK$'000	Between 3 to 12 months HK$'000	Over 1 year HK$'000	Non-interest bearing HK$'000	Total HK$'000
Statutory deposits and other assets	-	-	-	-	121,951	121,951
Available-for-sale financial assets	-	-	-	-	355	355
Held-to-maturity financial assets	150,000	-	-	-	-	150,000
Financial assets at fair value through profit or loss	-	-	-	-	3,498,438	3,498,438
Derivative financial instruments	-	-	-	-	140,222	140,222
Amounts due from the immediate holding company	833,915	1,196	-	-	6,375	841,486
Account and other receivables	975,485	-	-	-	5,585,722	6,561,207
Loans to customers	16,830,107	79,500	6,691	-	-	16,916,298
Cash and balances with banks	7,860,369	9,116	11,131	-	1,286,005	9,166,621
Others	-	-	-	-	77,850	77,850
Total assets	26,649,876	89,812	17,822	-	10,716,918	37,474,428
Subordinated loans from the immediate holding company	(2,500,000)	-	-	-	-	(2,500,000)
Amounts due to the immediate holding company	(4,074,275)	(1,678,754)	(3,492,629)	(203,443)	(690,404)	(10,139,505)
Amounts due to fellow subsidiaries	-	-	-	-	(2,811,535)	(2,811,535)
Amounts due to a related company	-	-	-	-	(9,233)	(9,233)
Accounts and other payables	(902,956)	-	-	-	(6,464,851)	(7,367,807)
Deposits from customers	(6,334,784)	(956,262)	(34,914)	-	-	(7,325,960)
Derivative financial instruments	-	-	-	-	(273,118)	(273,118)
Financial liabilities at fair value through profit or loss	-	-	-	-	(221,996)	(221,996)
Others	-	-	-	-	(85,064)	(85,064)
Total liabilities	(13,812,015)	(2,635,016)	(3,527,543)	(203,443)	(10,556,201)	(30,734,218)
Total interest repricing gap	12,837,861	(2,545,204)	(3,509,721)	(203,443)		

As at 31 December 2016, if 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$65 million (2015: HK$89 million) higher/lower, mainly as a result of higher/lower net interest income earned on floating rate bank balances, loans to customers, balances with the immediate holding company, subordinated loan from the immediate holding company and deposits from customers.

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Market risk (continued)

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 Group sets 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 both RMD and FTD on a daily basis.

As at 31 December 2016, 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$1,193 million (2015: net long position of HK$1,161 million). The CNY net short open position amounted to approximately HK$741 million (2015: net short position of HK$931 million).

USD and CNY denominated assets mainly consist of short-term deposits, loans and receivables and amounts due from the 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 is not exposed to significant foreign exchange risk on USD. Should CNY appreciates/depreciates against HKD by 5% (2015: 5%), the profit before taxation would decrease/increase by HK$37 million (2015: HK$46.5 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.

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 clients. 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.

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 market risk management framework, including VaR and stress limits.

As at the end of the reporting periods, all available-for-sale financial assets are unrated and all held-to-maturity financial assets are AA+ rating.

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 2016	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 fellow subsidiaries	160,317	(160,317)	-	-	-	-
Loans and receivables	7,477,029	(3,878,744)	3,598,285	(805,980)	-	2,792,305
Derivative financial instruments	88,080	-	88,080	(11,811)	-	76,269
Amounts due from the immediate holding company	985,936	-	985,936	(985,936)	-	-
Total	8,711,362	(4,039,061)	4,672,301	(1,803,727)	-	2,868,574

3. FINANCIAL RISK MANAGEMENT (continued)

3.2 Credit risk (continued)

3.2.3 Offsetting financial instruments (continued)

At 31 December 2016	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral pledged	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Financial liabilities						
Amounts due to a fellow subsidiary	(2,545,419)	160,317	(2,385,102)	-	-	(2,385,102)
Accounts and other payables	(8,060,921)	3,878,744	(4,182,177)	805,980	-	(3,376,197)
Derivative financial instruments	(81,937)	-	(81,937)	11,811	-	(70,126)
Amounts due to the immediate holding company	(5,170,669)	-	(5,170,669)	985,936	-	(4,184,733)
Total	(15,858,946)	4,039,061	(11,819,885)	1,803,727		(10,016,158)

At 31 December 2015	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral received	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets						
Amounts due from fellow subsidiaries	449,532	(449,532)	-	-	-	-
Loans and receivables	7,566,371	(3,476,506)	4,089,865	(1,004,293)	-	3,085,572
Derivative financial instruments	100,658	-	100,658	(25,187)	-	75,471
Amounts due from the immediate holding company	841,486	-	841,486	(841,486)	-	-
Total	8,958,047	(3,926,038)	5,032,009	(1,870,966)	-	3,161,043

3. FINANCIAL RISK MANAGEMENT (continued)

3.2 Credit risk (continued)

3.2.3 Offsetting financial instruments (continued)

At 31 December 2015	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	(3,261,037)	449,532	(2,811,505)	-	-	(2,811,505)
Accounts and other payables	(9,087,773)	3,476,506	(5,611,267)	1,004,293	-	(4,606,974)
Derivative financial instruments	(99,021)	-	(99,021)	25,187	-	(73,834)
Amounts due to the immediate holding company	(10,139,505)	-	(10,139,505)	841,486	-	(9,298,019)
Total	(22,587,336)	3,926,038	(18,661,298)	1,870,966	-	(16,790,332)

The Group 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 consolidated 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 consolidated statement of financial position.

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, 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.

For derivative transactions, generally the Group will 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.

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 are fully backed by collaterals including listed stocks, bonds and deposits, with fair value greater than the outstanding loan amounts. No margin loans were considered to be impaired at the end of the reporting periods.

- Secured term loans to individuals and corporates are fully backed by various types of collaterals, such as listed stocks, bonds, properties, insurance policies and deposits, with fair value of collaterals greater than the outstanding loan amounts.

- Available-for-sale financial assets are mainly unlisted club debentures with insignificant credit risk exposure.

- Cash and balances with banks were deposited in reputable 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 29) 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 account receivables for trading in securities, options and futures contracts as at the end of the reporting periods. Among those unimpaired accounts and other receivables, approximately HK$4,118 million (2015: HK$6,334 million) is receivables from trading in securities, which normally has a settlement term of two days. Except for the account receivables arising from dealing in securities from other subsidiaries of Bank of China Limited as disclosed in note 29, there is no concentration of credit risk with respect to account receivables, as the Group has a large number of customers who are internationally dispersed. All the account receivables arising from other subsidiaries of Bank of China Limited were fully settled within two business days after the end of the reporting periods.

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:

	2016 HK$'000	2015 HK$'000
Loans to customers		
Neither past due nor impaired	13,752,297	16,753,382
Past due but not impaired	38,941	162,917
Impaired	1,763	-
Gross	13,793,001	16,916,299
Impairment allowance	(1,763)	-
	13,791,238	16,916,299
Accounts and other receivables		
Neither past due nor impaired	4,927,829	6,560,799
Past due but not impaired	1	406
Impaired	38,631	19,551
Gross	4,966,461	6,580,756
Impairment allowance	(38,631)	(19,551)
	4,927,830	6,561,205
Total	18,719,068	23,477,504

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:

	2016 HK$'000		2015 HK$'000	
Individual	Margin loans	Account receivables from dealing in securities	Margin loans	Account receivables from dealing in securities
Past due 1 day	645	-	36,752	-
Past due 2 to 5 days	5,811	-	119,673	-
Past due 6 to 30 days	-	-	6,492	-
Past due over 30 days	18,867	1	-	264
Total	25,323	1	162,917	264
Fair value of collateral	99,240	-	260,983	2
Corporate				
Past due 1 day	-	-	-	-
Past due 2 to 5 days	256	-	-	-
Past due 6 to 30 days	13,362	-	-	-
Past due over 30 days	-	-	-	142
Total	13,618	-	-	142
Fair value of collateral	139,293	-	-	633,774

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 consolidated statement of financial position assets 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.

The Group measures and monitors its 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 gross basis include:

- Equity derivatives: listed and over-the-counter stock options, listed index options, equity swaps, exchange-traded futures;
- Foreign exchange rate derivatives: non-deliverable forwards, options;
- Interest rate derivatives: cross currency interest rate swaps; and
- Foreign exchange rate derivatives: currency forward.

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 the expected undiscounted cash inflows.

At 31 December 2016	On demand and up to 1 month HK$'000	1 to 3 months HK$'000	3 to 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Non-derivative cash outflow liabilities					
Deposits and balances from banks	90,004	-	-	-	90,004
Subordinated loans from the immediate holding company	2,502,414	-	-	-	2,502,414
Amounts due to the immediate holding company	5,030,438	56,549	88,626	-	5,175,613
Amounts due to fellow subsidiaries	2,385,132	-	-	-	2,385,132
Amounts due to a related company	5,559	-	-	-	5,559
Accounts and other payables	5,171,772	8,515	252,214	39,590	5,472,091
Deposits from customers	4,935,164	1,503,742	1,333,119	-	7,772,025
Financial liabilities at fair value through profit or loss	60,265	-	-	-	60,265
	20,180,748	1,568,806	1,673,959	39,590	23,463,103
Cash flow from derivative financial assets and liabilities					
Settled on net basis	-	-	-	-	-
Settled on gross basis					
Total inflow	3,077,566	406,824	75,950	-	3,560,340
Total (outflow)	(3,052,368)	(411,155)	(84,057)	-	(3,547,580)
	25,198	(4,331)	(8,107)	-	12,760

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Liquidity risk (continued)

3.3.1 Undiscounted cash flows by contractual maturities (continued)

At 31 December 2015	On demand and up to 1 month HK$'000	1 to 3 months HK$'000	3 to 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Non-derivative cash outflow liabilities					
Subordinated loans from the immediate holding company	2,501,161	-	-	-	2,501,161
Amounts due to the immediate holding company	5,339,371	1,710,065	2,976,459	206,832	10,232,727
Amounts due to fellow subsidiaries	2,811,535	-	-	-	2,811,535
Amounts due to a related company	9,233	-	-	-	9,233
Accounts and other payables	6,817,289	9,148	444,767	96,603	7,367,807
Deposits from customers	6,335,033	956,920	36,396	-	7,328,349
Financial liabilities at fair value through profit or loss	221,996	-	-	-	221,996
	24,035,618	2,676,133	3,457,622	303,435	30,472,808
Cash flow from derivative financial assets and liabilities					
Settled on net basis	-	-	-	-	-
Settled on gross basis					
Total inflow	3,713,526	1,469,947	1,034,159	-	6,217,632
Total (outflow)	(3,723,871)	(1,472,774)	(1,083,482)	-	(6,280,127)
	(10,345)	(2,827)	(49,323)	-	(62,495)

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 the consolidated income statement during the year is approximately a gain of HK$58,325,000 (2015: HK$82,627,000).

(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.

3. FINANCIAL RISK MANAGEMENT (continued)

3.4 Fair value of financial assets and liabilities (continued)

(c) Fair value hierarchy

HKFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges and exchanges traded derivatives like bond futures.

Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of debt securities without active secondary markets, the OTC derivative contracts and issued structured notes.

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.

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 2016	Level 1 HK$'000	Level 2 HK$'000	Total HK$'000
Financial assets at fair value through profit or loss			
- Equity securities	3,327,798	-	3,327,798
Derivatives financial instruments	-	169,252	169,252
Available-for-sale financial assets			
- Club debentures	-	355	355
Total	3,327,798	169,607	3,497,405
Financial liabilities at fair value through profit or loss			
- Equity securities	60,265	-	60,265
Derivatives financial instruments	98,806	140,453	239,259
Total	159,071	140,453	299,524

At 31 December 2015	Level 1 HK$'000	Level 2 HK$'000	Total HK$'000
Financial assets at fair value through profit or loss			
- Equity securities	3,498,438	-	3,498,438
Derivatives financial instruments	-	140,222	140,222
Available-for-sale financial assets			
- Club debentures	-	355	355
Total	3,498,438	140,577	3,639,015
Financial liabilities at fair value through profit or loss			
- Equity securities	221,996	-	221,996
Derivatives financial instruments	116,230	156,888	273,118
Total	338,226	156,888	495,114

During the years ended 31 December 2016 and 2015, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

3. FINANCIAL RISK MANAGEMENT (continued)

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$7,503,504,323 (2015: HK$6,740,210,069) on the face of consolidated statement of financial position and the subordinated loans from the immediate holding company of HK$2,500,000,000 (2015: HK$2,500,000,000), are:

- To comply with the capital requirements under the Banking (Capital) Rules of the Hong Kong Banking Ordinance for the subsidiary carrying out banking business;
- To comply with the requirements of Hong Kong 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.

Capital adequacy of the banking subsidiary of the Group is monitored daily by the Group's management, employing techniques based on the Hong Kong 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 11.25%.

In addition, the Company and certain subsidiaries of the Group are also subject to statutory capital requirement issued by the Hong Kong Securities and Futures Commission ("SFC") ranging from HK$100,000 to HK$10,000,000.

During the years ended 31 December 2016 and 2015, 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.

The subsidiaries regulated by the SFC are also required to maintain adequate financial resources to support their businesses. The Hong Kong Securities and Futures (Financial Resources) Rules require a licensed corporation to maintain liquid capital which is not less than its required liquid capital. During the year, the subsidiaries regulated by the SFC have maintained adequate financial capital to meet the 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 EC 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.

The main business segments of the Group are as follows:

Investment banking	• Provides a wide range of securities origination services for issuer clients, including underwriting and placement of public and private equity, debt and related securities. • Advices clients on mergers, acquisitions and restructurings.
Brokerage & wealth management	• Provides brokerage, margin financing service, and private banking to individual and institutional clients.
Private banking	• Provides a range of services for high net-worth individual clients and corporate clients.
Fixed income & equity market	• Facilitates client transactions and makes markets in securities, derivatives, currencies, commodities and other financial instruments to satisfy client demands. • Engages in principal and in proprietary trading activities.
Leverage & structured finance	• Provides structured financing and financial advisory services.
Treasury and others	• 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, which is the chief operating decision maker.

Over 90% of the Group's revenue and profit are derived from its business activities in Hong Kong.

4. SEGMENT INFORMATION (continued)

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 29 for details of the related party transactions.

The Group's segment results for the year ended 31 December 2016 and 2015 are as follows:

31 December 2016	Investment banking HK$'000	Brokerage & wealth management HK$'000	Private banking HK$'000	Fixed income & equity market HK$'000	Leveraged & structured finance HK$'000	Treasury and others HK$'000	Elimination HK$'000	Total HK$'000
Total income – external	328,051	2,054,581	364,729	244,597	12,496	54,054	-	3,058,508
Total income – inter-segment	-	-	13,752	-	-	52,577	(66,329)	-
Commission and clearing expense	(1,500)	(586,663)	(12,135)	-	1	(4,440)	-	(604,737)
Depreciation	-	(194)	(10)	(4)	-	(6)	-	(214)
Other operating expenses	(216,809)	(503,225)	(143,417)	(103,915)	(7,080)	(3,133)	-	(977,579)
Finance costs – external	-	(5,080)	(13,287)	-	-	(94,790)	-	(113,157)
Finance costs – inter-segment	-	-	(52,577)	-	-	(13,752)	66,329	-
Segment results	109,742	959,419	157,055	140,678	5,417	(9,490)	-	1,362,821
Unallocated cost								(536,093)
Operating profits								826,728

31 December 2015	Investment banking HK$'000	Brokerage & wealth management HK$'000	Private banking HK$'000	Fixed income & equity market HK$'000	Leveraged & structured finance HK$'000	Treasury and others HK$'000	Elimination HK$'000	Total HK$'000
Total income – external	210,237	2,906,258	559,160	148,841	19,475	132,107	-	3,976,078
Total income – inter-segment	-	-	25,095	-	-	95,790	(120,885)	-
Commission and clearing expense	(21)	(1,007,528)	(18,115)	(254)	(6)	(1,094)	-	(1,027,018)
Depreciation	(80)	(1,502)	(31)	(33)	-	(7)	-	(1,653)
Other operating expenses	(260,511)	(584,537)	(234,271)	(163,831)	(31,650)	36,269	-	(1,238,531)
Finance costs – external	-	(6,870)	(24,465)	(10)	(5)	(219,046)	-	(250,396)
Finance costs – inter-segment	-	-	(94,636)	-	(1,154)	(25,095)	120,885	-
Segment results	(50,375)	1,305,821	212,737	(15,287)	(13,340)	18,924	-	1,458,480
Unallocated cost								(535,297)
Operating profits								923,183

5. REVENUE AND TRADING GAIN, NET

(a) Revenue

	2016 HK$	2015 HK$
Brokerage commission	1,205,895,184	2,112,597,164
Underwriting and placement commission	408,350,560	328,072,779
Corporate finance and loan syndication fees	195,979,037	89,733,788
Interest income from bank deposits and loans to customers	665,113,373	809,497,289
Dividend income from listed equities held for trading	37,511,816	56,384,332
	2,512,849,970	3,396,285,352

(b) Trading gain, net

	2016 HK$	2015 HK$
Net realised/unrealised gain/(loss) on financial assets and financial liabilities (note)		
- Equity securities	3,949,180	(399,664,114)
- Debt securities	166,294,459	209,125,053
- Derivative financial instruments	125,971,715	398,063,454
	296,215,354	207,524,393

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 (2015: Nil).

The net realised/unrealised gain on financial assets and financial liabilities included:

	2016 HK$	2015 HK$
Trading gain from listed investments	215,347,186	138,636,556
Trading gain from unlisted investments	80,868,168	68,887,837
	296,215,354	207,524,393

6. OTHER INCOME

	Note	2016 HK$	2015 HK$
Management fee income from a related company	29	128,504,142	155,530,330
Handling and custodian fees		83,987,688	88,852,048
Foreign exchange gain, net		17,397,639	102,453,513
Interest income from			
- BOCI Group companies	29	10,520,008	13,143,332
- Held-to-maturity financial assets		195,548	4,552,368
- Others		3,974,586	2,205,146
Others		4,863,300	5,532,870
		249,442,911	372,269,607

7. STAFF COSTS

	2016 HK$	2015 HK$
Wages, salaries, other allowances and unutilised annual leave	404,737,143	395,554,984
Discretionary bonus and other long-term employee benefits	201,116,621	459,301,981
Pension costs - defined contribution plans	29,605,007	28,196,286
Staff medical, recruitment, training, welfare expenses and termination benefits	15,792,773	19,655,173
	651,251,544	902,708,424

Note:
Staff costs include directors' remuneration (note 8).

8. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2016 HK$	2015 HK$
Basic salaries, housing allowances, other allowances and benefits in kind	10,560,064	9,050,559
Contributions to pension schemes	980,888	887,263
Discretionary bonus		
- Short term employee benefits	9,132,295	11,314,380
- Other long-term employee benefits	2,429,605	4,114,322
	23,102,852	25,366,524

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$17,411,091 (2015: HK$38,196,755), 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 which are required to be disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation (2015: Nil).

9. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Note	2016 HK$	2015 HK$
Operating lease rental in respect of leased premises		62,772,444	57,426,229
Depreciation	12	213,983	1,653,441
Management fee to related companies	29	536,093,479	535,297,470
Auditors' remuneration		814,000	814,000
Write-off and disposal of plant and equipment	12	-	80,917
Impairment of fees and commission receivable (note)		20,844,700	2,854,428

Note:

	2016 HK$	2015 HK$
Individually assessed impairment loss		
- loans and receivables		
- new provisions	20,844,700	2,854,428

10. FINANCE COSTS

	2016 HK$	2015 HK$
Interest expenses:		
- deposits from customers and securities brokerage client	19,344,342	36,430,264
- bank loans and other borrowings	93,812,979	213,965,682
	113,157,321	250,395,946

11. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 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	2016 HK$	2015 HK$
Current income tax:			
Hong Kong profits tax			
- Current year		72,118,664	158,005,533
- Over-provision in prior years		(9,240,928)	(5,271,301)
Overseas tax		556,378	989,895
Deferred income tax	14	20	(173,619)
		63,434,134	153,550,508

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:

	2016 HK$	2015 HK$
Profit before taxation	826,728,388	923,183,486
Tax calculated at statutory tax rate of 16.5% (2015: 16.5%)	136,410,184	152,325,275
Effect of different taxation rates in other countries	556,378	989,895
Income not subject to tax	(48,072,351)	(42,248,178)
Expenses not deductible for tax purposes	4,523,710	1,955,903
Over provisions in prior years	(9,240,928)	(5,271,301)
Unused tax losses not recognised	4,806	45,862,320
Utilisation of previously unrecognised tax losses	(20,726,263)	-
Others	(21,402)	(63,406)
Income tax expense at effective tax rate of 7.7% (2015: 16.6%)	63,434,134	153,550,508

12. PLANT AND EQUIPMENT

	Leasehold improvements HK$	Furniture, fixtures and equipment HK$	Electronic equipment HK$	Total HK$
Year ended 31 December 2015				
Opening net book amount	1,426,828	422,504	147,770	1,997,102
Disposal	-	(917)	(80,000)	(80,917)
Depreciation	(1,317,327)	(280,500)	(55,614)	(1,653,441)
Net book amount	109,501	141,087	12,156	262,744
At 31 December 2015				
Cost	17,608,492	2,870,089	150,333,841	170,812,422
Accumulated depreciation	(17,498,991)	(2,729,002)	(150,321,685)	(170,549,678)
Net book amount	109,501	141,087	12,156	262,744
Year ended 31 December 2016				
Opening net book amount	109,501	141,087	12,156	262,744
Depreciation	(109,501)	(92,326)	(12,156)	(213,983)
Net book amount	-	48,761	-	48,761
At 31 December 2016				
Cost	17,608,492	2,505,277	148,516,865	168,630,634
Accumulated depreciation	(17,608,492)	(2,456,516)	(148,516,865)	(168,581,873)
Net book amount	-	48,761	-	48,761

13. INTANGIBLE ASSETS

	Goodwill HK$
Carrying amount as at 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016	49,715,218

The goodwill in the Group is mostly attributable to securities brokerage business, the cash-generating units ("CGU"). No impairment loss was noted in 2015 and 2016, as the CGU involved was highly profitable. In 2016, net profit of HK$533,325,738 (2015: HK$894,921,940) was generated by the securities brokerage business.

14. DEFERRED INCOME TAX

	Note	Accelerated tax depreciation HK$
At 1 January 2015		1,138,599
Recognised in the consolidated income statement	11	173,619
At 31 December 2015 and 1 January 2016		1,312,218
Recognised in the consolidated income statement	11	(20)
At 31 December 2016		1,312,198

Deferred income tax assets are recognised for tax loss carry-forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group does not recognise deferred income tax assets of approximately HK$27,422,396 (2015: HK$48,143,853) in respect of losses amounting to approximately HK$166,196,339 (2015: HK$291,780,924) that can be carried forward against future taxable income, as certain subsidiaries of the Group have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised. These tax losses have no expiry date.

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016 HK$	2015 HK$
Club debentures, unlisted as at 1 January and 31 December	355,000	355,000

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 HK$	2015 HK$
Trading securities - at fair value		
- Equity securities, listed in Hong Kong	3,327,798,641	3,498,438,235
Market value of listed securities	3,327,798,641	3,498,438,235

17. HELD-TO-MATURITY FINANCIAL ASSETS

	2016 HK$	2015 HK$
Hong Kong Exchange Fund Bills, unlisted	149,839,110	150,000,000
Analysed by type of issuers as follows:		
Sovereigns	149,839,110	150,000,000
Analysed by issue specific credit rating as follows:		
Fitch, AA+	149,839,110	150,000,000

The movement in held-to-maturity financial assets is summarised as follow:

	2016 HK$	2015 HK$
At 1 January	150,000,000	2,421,505,849
Additions	849,644,714	24,578,053,934
Redemption	(850,000,000)	(26,847,610,288)
Exchange effect	-	(1,776,072)
Others	194,396	(173,423)
At 31 December	149,839,110	150,000,000

There were no overdue and impairment allowances made for the held-to-maturity financial assets of the Group as at 31 December 2016 and 31 December 2015.

18. DERIVATIVE FINANCIAL INSTRUMENTS

The Group enters into equity, foreign exchange and interest rate 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	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: • 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.

18. 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.

	Notional amount HK$'000	Assets HK$	Liabilities HK$
Derivatives – held for trading			
At 31 December 2016			
Exchange rate contracts	3,458,417	11,333,365	14,860,683
Equity contracts	10,550,311	155,911,169	222,390,795
Interest rate contracts	80,000	2,007,851	2,007,851
		169,252,385	239,259,329
At 31 December 2015			
Exchange rate contracts	6,115,513	16,713,266	17,579,755
Equity contracts	8,504,715	123,508,786	255,538,356
		140,222,052	273,118,111

19. LOANS AND RECEIVABLES

	2016 HK$	2015 HK$
Account receivables from dealing in securities	4,760,560,208	6,334,091,250
Account receivables from securities trading	-	132,601
Fees and commission receivable	110,034,459	70,633,251
Deposits, prepayments and other receivables	97,630,043	175,898,875
Loans to customers	13,791,237,834	16,916,298,469
Gross	18,759,462,544	23,497,054,446
Less: Impairment allowance		
- loans to customers	(1,763,309)	-
- fees and commission receivable	(38,631,441)	(19,550,755)
Total	18,719,067,794	23,477,503,691

The carrying amounts of loans and receivables approximate their fair value.

As at 31 December 2016, the loans to customers, which included approximately HK$9,287 million (2015: HK$11,892 million) of receivables from margin clients, were secured by listed securities held as collateral of fair value of HK$117,756 million (2015: HK$130,387 million) and cash deposits of HK$223 million (2015: HK$506 million). The Group is permitted to sell or re-pledge such collateral. As at 31 December 2016 and 2015, there were no collateral re-pledged.

The receivables exclude the brokerage client monies maintained in the trust accounts with a clearing participant and other brokers, Hong Kong Futures Exchange Clearing Corporation Limited and the Stock Exchange Options Clearing House of approximately HK$333 million, HK$171 million and HK$271 million respectively as at 31 December 2016 (2015: HK$234 million, HK$222 million and HK$397 million respectively).

As at the end of the reporting periods, there were impairment allowance on loans and receivables amounted to HK$40,394,750 (2015: HK$19,550,755) (Note 3.2.6).

During the year, there were no loans to employees which are required to be disclosed pursuant to sections 280 and 281 of the Hong Kong Companies Ordinance.

19. LOANS AND RECEIVABLES (continued)

Impairment allowances against loans and receivables:

	Loans to customers HK$	Fees and commission receivable HK$	Total HK$
At 1 January 2015	-	16,696,327	16,696,327
Charged to income statement	-	2,854,428	2,854,428
At 31 December 2015 and at 1 January 2016	-	19,550,755	19,550,755
Charged to income statement	1,764,014	19,080,686	20,844,700
Exchange difference	(705)	-	(705)
At 31 December 2016	1,763,309	38,631,441	40,394,750

20. CASH AND BALANCES WITH BANKS

	2016 HK$	2015 HK$
Cash at banks and in hand	1,650,615,732	3,011,541,543
Short-term bank deposits		
- with original maturity within three months	4,497,658,269	6,131,187,802
- with original maturity over three months	1,204,807,809	23,891,849
Placements with banks		
- with original maturity within three months	271,729,111	-
	7,624,810,921	9,166,621,194

The Group maintains trust accounts with authorised institutions and other financial institutions as part of its normal business transactions. At 31 December 2016, trust accounts with authorised institutions and other financial institutions not otherwise dealt with in the consolidated financial statements amounted to approximately HK$32,604 million (2015: HK$35,780 million).

21. AMOUNTS DUE TO FELLOW SUBSIDIARIES

Amounts due to fellow subsidiaries are all non-interest bearing with carrying balances approximating their fair value.

During the year, the Group 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 Group 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 statement of 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 2016, the Group lent equity securities, which are all classified as financial assets at fair value through profit or loss, with fair value of HK$2,543,988,269 (2015: HK$3,304,305,657) to the fellow subsidiary and received a cash collateral of HK$2,545,383,679 (2015: HK$3,260,209,300).

As at 31 December 2016, the Group has borrowed equity securities with fair value of HK$129,402,379 (2015: HK$339,989,805) from the fellow subsidiary and placed a cash collateral of HK$160,317,332 (2015: HK$449,531,610) to the fellow subsidiary. The Group 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 to fellow subsidiaries of the Group are repayable upon demand and unsecured.

22. AMOUNTS DUE FROM/TO THE IMMEDIATE HOLDING COMPANY/A RELATED COMPANY/SUBORDINATED LOANS FROM THE IMMEDIATE HOLDING COMPANY

The Group entered several transactions with the immediate holding company with amounts and terms of the transactions as follows:

- As at 31 December 2016, an amount of HK$982,800,000 (2015: HK$835,110,637) was lent to the immediate holding company for cash management and general funding purpose, which is unsecured, bears prevailing market interest rate and repayable within a year.

- An amount of HK$3,135,698 (2015: HK$6,375,173) was lent to the immediate holding company for the same purpose, which is unsecured, interest free and repayable upon demand.

- As at 31 December 2016, an amount of HK$4,135,293,267 (2015: HK$8,671,549,706) was borrowed from the immediate holding company by a subsidiary of the Group for cash management and general funding purpose, which is unsecured, bears prevailing market interest rate and repayable within one year. In the prior year, an amount of HK$203,442,750 was borrowed from the immediate holding company by a subsidiary for same purpose, which is unsecured, bears prevailing market interest rate and repayable over one year. An amount of HK$498,682,422 (2015: HK$574,108,541) 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$536,693,753 (2015: HK$690,403,586) 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.

22. AMOUNTS DUE FROM/TO THE IMMEDIATE HOLDING COMPANY/A RELATED COMPANY/SUBORDINATED LOANS FROM THE IMMEDIATE HOLDING COMPANY (continued)

The Group also entered the following transaction with a related company with amounts and terms of the transaction as follows:

- An amount of HK$1,992,387 due from a related company (2015: Nil) and an amount of HK$5,558,585 (2015: HK$9,233,382) due to a related company are unsecured, interest-free and repayable upon demand with carrying balances approximating their fair value.

The subordinated loans from the immediate holding company were borrowed by:

A subsidiary of the Company
(i) HK$1,400 million (2015: HK$1,400 million) drawn under a loan facility maturing on 24 October 2017. The amount shall be repayable with one month notice.

(ii) HK$500 million (2015: 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 Commission.

Both subordinated loans are unsecured, bear interest at 1-month HIBOR plus 50 basis points (2015: 1-month HIBOR plus 50 basis points).

The Company
(i) HK$600 million (2015: HK$600 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 2016 to 2 January 2018 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 (2015: 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.

23. ACCOUNTS AND OTHER PAYABLES

	2016 HK$	2015 HK$
Account payables from dealing in securities	4,935,141,725	6,611,645,653
Account payables from securities trading	3,307,998	454,627
Discretionary bonus payable	290,749,618	540,496,365
Others payables and accrued expenses	242,891,419	215,210,374
	5,472,090,760	7,367,807,019

The carrying amounts of account payables approximate their fair value.

Account payables represent amounts due to brokerage clients, brokers and clearing houses, and are due within one month. Account payables 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$33,379 million as at 31 December 2016 (2015: HK$36,634 million).

Discretionary bonus payable represents bonus to be paid to staff. An amount of HK$40 million (2015: HK$97 million) is due more than one year as at 31 December 2016.

24. 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 29(a)(viii).

25. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 HK$	2015 HK$
Trading securities – at fair value		
- Equity securities, listed in Hong Kong	60,265,161	221,996,628

26. SHARE CAPITAL

	2016 HK$	2015 HK$
Issued and fully paid:		
200,000 (2015: 200,000) ordinary shares	2,000,000,000	2,000,000,000

27. CASH FLOWS FROM OPERATING ACTIVITIES

Reconciliation of profit before taxation to net cash used in operating activities:

	2016 HK$	2015 HK$
Profit before taxation	826,728,388	923,183,486
Interest income	(650,087,410)	(833,950,503)
Interest expense	113,157,321	250,395,946
Dividend income	(37,511,816)	(56,384,332)
Depreciation	213,983	1,653,441
Impairment of fees and commission receivable	20,844,700	2,854,428
Write-off and disposal of plant and equipment	-	80,917
	273,345,166	287,833,383
Decrease/(increase) in statutory deposits and other assets	19,462,575	(17,066,426)
Decrease in loans and receivables	4,742,551,858	11,688,664,473
(Increase)/decrease in derivative financial instruments – assets	(29,030,333)	264,837,867
Decrease/(increase) in financial assets at fair value through profit or loss	170,639,594	(530,337,012)
Increase in cash and balances with banks with original maturity over three months	(1,180,915,960)	(21,113,778)
Increase in bank loans and other borrowings – unsecured	90,002,466	-
Movement in balances with the immediate holding company	(5,113,285,029)	(1,874,031,976)
Movement in balances with fellow subsidiaries	(426,403,013)	1,539,613,231
Movement in balances with a related company	(5,667,184)	(8,668,257)
Decrease in derivative financial instruments – liabilities	(33,858,782)	(595,121,740)
Decrease in accounts and other payables	(1,895,716,259)	(7,204,228,735)
Increase/(decrease) in deposits from customers	432,522,707	(4,663,206,570)
Decrease in financial liabilities at fair value through profit or loss	(161,731,467)	(618,106,256)
Dividend received	37,511,816	56,384,332
Interest received	644,932,353	829,422,979
Interest paid	(111,994,199)	(252,568,488)
Hong Kong and overseas tax paid	(175,447,828)	(171,129,590)
Net cash used in operating activities	(2,723,081,519)	(1,288,822,563)

28. COMMITMENTS

Commitments under operating leases

As at 31 December, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2016 HK$	2015 HK$
Land and buildings:		
Less than one year	52,186,398	32,335,230
Between one and five years	69,204,285	32,484,182
	121,390,683	64,819,412

Financial commitments

As at 31 December 2016, the Group has no forward deposits placed (2015: HK$345,085,380).

29. 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:

(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

2016	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
Consolidated income statement				
Interest income from bank deposits	i	-	103,315	-
Brokerage commission	ii	41,625	391,143	-
Underwriting and placement commission	iii	-	140,525	5,329
Management fee income	iv	128,504	-	-
Other income – interest income	i	10,520	-	-
Net realised/unrealised (loss)/gain on trading securities and derivatives	x	(57)	23	-
Interest expense on loans and other borrowings	vii	(90,960)	(587)	-
Interest expense on customer deposits	viii	(493)	(960)	-
Commission expenses arising from brokerage activities	ii	(4,793)	(149,278)	(1,055)
Commission expenses arising from corporate finance activities	iii	(3,923)	(1,485)	-
Management fee expense	v	(536,093)	-	-
Operating lease rental in respect of leased premises	ix	-	(59,073)	-
Bank charges	xii	(76)	(10,751)	-
Staff medical, recruitment, training & welfare expenses	xi	-	(10,855)	-

29. 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)

2015	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
Consolidated income statement				
Interest income from bank deposits	i	-	99,278	-
Interest income from Certificate of Deposit	xiv	-	4,267	-
Brokerage commission	ii	77,808	720,518	-
Underwriting and placement commission	iii	-	7,406	8,330
Management fee income	iv	155,530	-	-
Other income – interest income	i	13,143	-	-
Net realised/unrealised gain on trading securities and derivatives	x	2,586	-	-
Interest expense on loans and other borrowings	vii	(183,959)	(16,965)	-
Interest expense on customer deposits	viii	(1,137)	(5,079)	-
Commission expenses arising from brokerage activities	ii	(7,081)	(267,545)	(3,109)
Management fee expense	v	(535,297)	-	-
Operating lease rental in respect of leased premises	ix	-	(45,010)	-
Bank charges	xii	(85)	(22,861)	-
Staff medical, recruitment, training & welfare expenses	xi	-	(11,011)	-

29. 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)

2016	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
Consolidated statement of financial position				
Bank balances and cash	i	-	6,953,203	-
Account receivables arising from dealing in securities	ii	239,212	1,529,497	180,125
Amounts due from a related company	iii	-	-	1,992
Fee and commission receivable	iii	-	5,233	-
Derivative and other financial instruments (assets)	vi	684	71,329	-
Deposits and balances from banks	viii	-	90,002	-
Deposits from customers	viii	125,273	2,053	-
Account payables arising from dealing in securities	ii	480,534	1,969,420	-
Amount due to a related company	iii	-	-	5,559
Derivative and other financial instruments (liabilities)	vi	44,971	4,139	-

29. 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)

2015	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
Consolidated statement of financial position				
Bank balances and cash	i	-	8,758,129	-
Account receivables arising from dealing in securities	ii	517,698	1,803,531	494,470
Derivative and other financial instruments (assets)	vi	4,945	274,844	-
Deposits from customers	viii	294,625	2,040	-
Account payables arising from dealing in securities	ii	704,420	1,677,977	2,281
Amount due to a related company	iii	-	-	9,233
Derivative and other financial instruments (liabilities)	vi	58,785	10,518	-

(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 22.

29. 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$41,625,000 and HK$391,143,000 (2015: approximately HK$77,808,000 and HK$720,518,000) from fellow subsidiaries controlled by BOCI Group and Bank of China Limited and its subsidiaries respectively as a result of securities transactions executed in Hong Kong. In return, the Group paid approximately HK$4,793,000 and HK$149,278,000 (2015: approximately HK$7,081,000 and HK$267,545,000) as commission expenses.

As at 31 December 2016, the Group had a net payable of HK$241,322,000 from fellow subsidiaries in BOC International Holdings Limited Group and net payable of HK$439,923,000 from Bank of China Limited and its subsidiaries (2015: net payable of HK$125,554,000 from fellow subsidiaries in BOC International Holdings Limited and net payable of HK$2,363,986,000 from Bank of China Limited and its subsidiaries) as a result of the above transactions executed.

(iii) Underwriting and placement commission income and corporate finance commission expenses

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$140,525,000 from Bank of China Limited and its subsidiaries (2015: HK$7,406,000). These commissions earned were executed at the relevant market rates at the time of the transactions. As at 31 December 2016, the Group had an outstanding fee receivable of HK$5,233,000 from Bank of China Limited and its subsidiaries (2015: Nil).

During the year, the Group incurred corporate finance commission expenses of HK$3,923,000 (2015: Nil) and HK$1,485,000 (2015: Nil) from a fellow subsidiary of BOC International Holdings Limited and a subsidiary of Bank of China Limited respectively.

An underwriting and placement activity was also jointly conducted by the Group and one of its associates. As at 31 December 2016, the Group has outstanding fee receivable and payable from/to the associate, amounted to HK$1,992,000 (2015: Nil) and HK$5,559,000 (2015: HK$9,233,000) respectively. Fee income of HK$5,329,000 (2015: fee income of HK$8,330,000) was earned from the associate during the year.

29. 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)

(iv) Management fee income

The Group has agreements with fellow subsidiaries (BOCI Leveraged & Structured Finance Limited, BOCI Financial Products Limited and BOCI Private Wealth Management Limited), under which the Group provides management and administrative services in return for a fee which is agreed and reviewed on an annual basis. These agreements can be terminated by either party giving not less than one month's written notice.

(v) Management fee expense

The Group has agreements with the immediate holding company (BOC International Holdings Limited) and its fellow subsidiary (BOC International (Singapore) Pte. Ltd.) under which the immediate holding company and the fellow subsidiary provide administration and support services to the Group in return for a fee which is agreed and reviewed on an annual basis. These agreements 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) 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$90,960,000 and HK$587,000 (2015: HK$183,959,000 and HK$16,965,000) for the loans obtained from BOC International Holdings Limited and other subsidiaries of Bank of China Limited respectively.

29. 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)

(viii) Deposits from customers, deposits and balances from banks 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 2016, the outstanding customer deposits amounted to HK$125,273,000 and HK$2,053,000 (2015: HK$294,625,000 and HK$2,040,000), the outstanding deposits and balances from banks amounted to HK$90,002,466 (2015: Nil) and interest expenses of HK$493,000 and HK$960,000 (2015: HK$1,137,000 and HK$5,079,000) 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 lease was 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 28 are with that fellow subsidiary.

(x) Net realised/unrealised (loss)/gain on trading securities

During the year, the Group has realised/unrealised (loss)/gain on trading securities with BOC International Holdings Limited and a subsidiary of Bank of China 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.

29. 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)

(xiv) Held-to-maturity financial assets

In 2015, 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. As at 31 December 2016, there was no outstanding balance of Certificate of Deposit (2015: Nil) issued by Bank of China Limited, and no interest income (2015: HK$4,267,000) was earned during the year.

(b) Transaction with BOC Poverty Relief and Education Charity Fund Limited

BOCI Group has established a charitable fund, namely 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$1,365 (2015: HK$12,522) to the Charity Fund. As at 31 December 2016, there is outstanding customer deposits amounting to HK$13,612,261 (2015: HK$13,610,881) placed by the Charity Fund.

30. CRITICAL ACCOUNTING ESTIMATES, AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Impairment allowances on loans and receivables

Loans to customers

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.

Fees and commission receivable

The Group reviews its fees and commission receivable to assess impairment at least on an annual basis. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgements as to whether there is any objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within other operating expenses. When a receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against other operating expenses in the income statement.

30. CRITICAL ACCOUNTING ESTIMATES, AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (continued)

(a) Impairment allowances on loans and receivables (continued)

Based on the assessment made by management, there are overdue loans to customers during 2016 and 2015 and correspondingly impairment allowances were provided as at 31 December 2016 (2015: Nil). For accounts and other receivables, there are impaired receivables during 2016 and 2015 and accordingly impairment allowances were provided as at 31 December 2016 and 2015.

More details on the credit risk of the loans and receivables are included in notes 3.2 and 19.

(b) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not quoted in active markets (for example, over-the-counter derivatives) is determined by using valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, 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 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.

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting periods is as follows:

	2016 HK$	2015 HK$
NON-CURRENT ASSETS		
Plant and equipment	-	-
Investment in subsidiaries	1,722,792,046	1,722,792,046
Deferred income tax assets	25,257	30,879
Statutory deposits and other assets	2,043	-
Total non-current assets	1,722,819,346	1,722,822,925
CURRENT ASSETS		
Financial assets at fair value through profit or loss	3,327,068,204	3,497,950,591
Derivative financial instruments	80,625,475	29,894,308
Accounts and other receivables	208,696,151	315,261,928
Amounts due from the immediate holding company	550,000,000	681,195,827
Amounts due from a related company	1,992,387	-
Cash and balances with banks	1,932,252,080	2,004,225,622
Taxation recoverable	43,430,495	20,910,818
Total current assets	6,144,064,792	6,549,439,094
CURRENT LIABILITIES		
Subordinated loans from the immediate holding company	600,000,000	600,000,000
Amounts due to the immediate holding company	629,236,638	739,941,423
Amounts due to fellow subsidiaries	2,385,115,349	2,810,726,690
Amounts due to a related company	-	3,336,647
Accounts and other payables	303,565,429	650,431,442
Derivative financial instruments	147,152,260	161,923,877
Financial liabilities at fair value through profit or loss	60,281,252	222,085,462
Total current liabilities	4,125,350,928	5,188,445,541
NET CURRENT ASSETS	2,018,713,864	1,360,993,553
TOTAL ASSETS LESS CURRENT LIABILITIES	3,741,533,210	3,083,816,478

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2016

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

	2016 HK$	2015 HK$
TOTAL ASSETS LESS CURRENT LIABILITIES	3,741,533,210	3,083,816,478
NON-CURRENT LIABILITIES		
Accounts and other payables	18,576,139	36,860,224
Total non-current liabilities	18,576,139	36,860,224
Net assets	3,722,957,071	3,046,956,254
EQUITY		
Capital and reserves attributable to the Company's equity holders		
Share capital	2,000,000,000	2,000,000,000
Retained earnings	1,722,957,071	1,046,956,254
Total equity	3,722,957,071	3,046,956,254

Leung Yiu Kei
Director

Bian Fang
Director

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserve is as follows:

	Share capital HK$	Retained earnings HK$	Total HK$
Balance at 1 January 2015	2,000,000,000	1,269,478,122	3,269,478,122
Loss for the year	-	(222,521,868)	(222,521,868)
Total comprehensive income for the year	-	(222,521,868)	(222,521,868)
Balance at 31 December 2015	2,000,000,000	1,046,956,254	3,046,956,254
Balance at 1 January 2016	2,000,000,000	1,046,956,254	3,046,956,254
Profit for the year	-	676,000,817	676,000,817
Total comprehensive income for the year	-	676,000,817	676,000,817
Balance at 31 December 2016	2,000,000,000	1,722,957,071	3,722,957,071

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