

**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 standard 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 that, having made all reasonable enquiries, to the best of our knowledge and belief there are no other facts the omission of which would make any statement herein or this document misleading. This document may be updated and/or amended from time to time by way of addenda.

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

The Structured Products are complex products. Investors should exercise caution in relation to 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, where necessary, seek professional advice, before they invest in the Structured Products.

The Structured Products constitute 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 fund which has issued the underlying securities or its trustee (if applicable) or manager; 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).

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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 28 April 2023 issued by BOCI Asia Limited (referred to as “we”, “us” or “our” except in Appendix 2 – Auditor’s Report and Consolidated Financial Statements of the Issuer for the year ended 31 December 2023, pursuant to which reference to “we”, “us” or “our” refers to our Independent Auditor, PricewaterhouseCoopers). 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 not regulated by any of the bodies referred to in Rule 15A.13(2) of the Listing Rules but are licensed for type 1 (Dealing in securities) and type 6 (Advising on corporate finance) regulated activities by the Securities and Futures Commission (“SFC”).

**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 and our subsidiaries are not aware of any litigation or claims of material importance pending or threatened against us or them.

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

There has been no material adverse change in our financial position or trading position since 31 December 2023 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. Furthermore, the levy for the investor compensation fund is currently suspended.

However, for each transaction effected on the Stock Exchange, the following trading fees and levies calculated on the value of the consideration for the Structured Products will be payable by each of the buyer and seller:

- (i) a trading fee of 0.00565 per cent. charged by the Stock Exchange;
- (ii) a transaction levy at the rate of 0.0027 per cent. charged by SFC; and
- (iii) a transaction levy of 0.00015 per cent. charged by the Financial Reporting Council.

**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 read the relevant documents?**

The following documents are available on the website of the HKEX at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at [www.bocifp.com](http://www.bocifp.com):

- (a) our annual audited consolidated financial statements for the year ended 31 December 2023 and the auditor's report;
- (b) the base listing document dated 28 April 2023 which contains our consolidated financial statements for the year ended 31 December 2022 and the auditor's report;
- (c) our latest audited consolidated financial statements and any interim or quarterly financial statements (if any);
- (d) the consent letter issued by PricewaterhouseCoopers (the "**Auditor**") dated 30 April 2024;
- (e) this document (and any addendum to this document); and
- (f) the 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).

各上市文件亦可於香港交易所披露易網站 ([www.hkexnews.hk](http://www.hkexnews.hk)) 及本公司網站 [www.bocifp.com](http://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 26 April 2024 and the references to its name in this document, in the form and context in which they are included. The Auditor's report was not prepared exclusively 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 own any of our shares or shares in any member of our Group, nor does it have the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our securities or securities of any member of our Group.

### **How can you get further information about us?**

You may visit [www.bocifp.com](http://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](http://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.

This document has not been reviewed by the Securities and Futures Commission. You are advised to exercise caution in relation to the offer of the Structured Products.

## OVERVIEW OF OUR WARRANTS

### What is a Warrant?

A Warrant is a type of derivative warrants. Our derivative warrant linked to a share of a company, a unit or share of a fund, 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) our related transaction costs;
- (g) the supply and demand for the derivative warrant; and
- (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 our website [www.bocifp.com](http://www.bocifp.com) to obtain further information on our warrants or any notice given by us 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 of a company or unit or share of a fund listed on the Stock Exchange;
- (b) Hang Seng Index, Hang Seng China Enterprises Index, Hang Seng TECH Index and Hang Seng China H-Financials Index; and/or
- (c) overseas stock indices, contracts listed on reputable commodity and derivatives exchanges, and foreign currencies.

A list of eligible underlying assets for CBBCs is available on the website of HKEX at [https://www.hkex.com.hk/Products/Securities/Structured-Products/Eligible-Underlying-Assets?sc\\_lang=en](https://www.hkex.com.hk/Products/Securities/Structured-Products/Eligible-Underlying-Assets?sc_lang=en).

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 the units or shares of a fund listed on the Stock Exchange, the Stock Exchange's trading 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 follow closely 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 follow closely 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 of the CBBCs.

### **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 our website at [www.bocifp.com](http://www.bocifp.com) to obtain further information on CBBCs or any notice given by us 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 fund which issues the underlying securities or its trustee (if applicable) or manager; or
- (c) any index compiler or any company which has issued any constituent securities 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 (the “**FIRO**”) came into operation on 7 July 2017. The FIRO provides a regime for the orderly resolution of financial institutions with a view to avoiding or mitigating the risks otherwise posed 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), the Issuer is subject to and bound by the FIRO. 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 as a result, 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. In rare cases where we are prohibited by law to pay such amount, we will not be able to do so.

**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. In addition, if an Underlying Asset is an index and the calculation and/or publication of the index level by the index compiler is suspended for whatever reasons, trading in the relevant series of Structured Products may 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 or shares in the underlying fund 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 funds**

#### *General risks*

In the case of Structured Products which relate to the units or shares of a fund:

- (a) neither we nor any of our affiliates have the ability to control or predict the actions of the trustee (if applicable) or the manager of the relevant fund. Neither the trustee (if applicable) nor the manager of the relevant fund (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 fund. The trustee (if applicable) or the manager of the relevant fund is responsible for making strategic, investment and other trading decisions with respect to the management of the relevant fund consistent with its investment objectives and in compliance with the investment restrictions as set out in the constitutive documents of the relevant fund. The manner in which the relevant fund is managed and the timing of actions may have a significant impact on the performance of the relevant fund. Hence, the market price of the relevant units or shares is also subject to these risks.

#### *Exchange traded funds*

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

- (a) an ETF is exposed to the economic, political, currency 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 creation or redemption of units or shares 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 or shares 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.

#### *ETF investing through the QFI regimes and/or China Connect*

Where the Underlying Asset comprises the units or shares of an ETF (“**China ETF**”) issued and traded outside Mainland China with direct investment in the Mainland China’s securities markets through the Qualified Foreign Institutional Investor regime and the Renminbi Qualified Foreign Institutional Investor regime (“**QFI regimes**”) and/or the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect (collectively, “**China Connect**”), you should note that, amongst others:

- (a) the novelty and untested nature of China Connect make China ETFs riskier than traditional ETFs investing directly in more developed markets. The policy and rules for the QFI regimes and China Connect prescribed by the Mainland China government are new and subject to change, and there may be uncertainty to their interpretation and/or implementation. The uncertainty and change of the laws and regulations in Mainland China may adversely impact on the performance of China ETFs and the trading price of the relevant units or shares;

- (b) a China 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 a China ETF may also be affected by interventions by the applicable government(s) and regulators in the financial markets;
- (c) trading of securities invested by a China ETF under China Connect will be subject to a daily quota ("**Daily Quota**") which is utilized on a first-come-first-serve basis under the China Connect. In the event that the Daily Quota under China Connect is reached, the manager may need to suspend creation of further units or shares of such China ETF, and therefore may affect liquidity in unit or shares trading of such China ETF. In such event, the trading price of a unit or share of such China ETF is likely to be at a significant premium to its net asset value, and may be highly volatile. The People's Bank of China and the State Administration of Foreign Exchange have jointly published the detailed implementation rules removing the investment quota under the QFI regimes with effect from 6 June 2020; and
- (d) there are risks and uncertainties associated with the current mainland Chinese tax laws applicable to a China ETF investing in the mainland China through QFI regimes and/or China Connect. Although such China ETF may have made a tax provision in respect of potential tax liability, the provision may be excessive or inadequate. Any shortfall between the provisions and actual tax liabilities may be covered by the assets of such China ETF and may therefore adversely affect the net asset value of such China ETF and the market value and/or potential payout of the Structured Products.

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

*Real estate investment trust ("REIT")*

If our Structured Products linked to 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 or shares the REIT against those of other equity securities;
- (f) the future size and liquidity of the market for the units or shares 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 or shares and the price of the Structured Products.

#### *Commodity market risk*

Where the Underlying Asset comprises the units or shares of a fund whose value relates directly to the value of a commodity, you should note that fluctuations in the price of the commodity could materially adversely affect the value of the underlying units. Commodity market is generally subject to greater risks than other markets. The price of a commodity is highly volatile. Price movement of a commodity is influenced by, among other things, interest rates, changing market supply and demand relationships, trade, fiscal, monetary and exchange control programmes and policies of governments, and international political and economic events and policies.

#### **Risk specific to Underlying Asset adopting the multiple counters model**

If our Structured Products are linked to the Underlying Asset that adopts the multiple counters model for trading its units or shares on the Stock Exchange in Hong Kong dollars (“**HKD**”) and another foreign currency (such as Renminbi or United States Dollars) (“**Foreign Currency**”) separately, the novelty and relatively untested nature of the Stock Exchange’s multiple counters model may bring the following additional risks:

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

BOCI and its other subsidiaries (“BOCI Group”) are well-positioned to offer 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.

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 Group. With our team of financial professionals that combines international vision and extensive experience in the local markets, we and our subsidiaries provide a broad range of investment banking services for a diverse group of domestic and international companies, financial institutions, government agencies and individuals through our subsidiaries and affiliates in Hong Kong. We and our subsidiaries engage in the provision of banking services, underwriting and financial advisory, sales and trading of securities and other financial instruments.

### Members of the Issuer’s board of directors as of 31 March 2024 are:

- (1) Leung Yiu Kei
- (2) Mak Sin Yue Michael
- (3) Lee Kin Man
- (4) Qian Feng
- (5) Wong See Hung

### The following directors have resigned from his/her directorship after publication of our previous base listing document dated 28 April 2023 on the following date:

Mr. Wang Jun has resigned as director of the Board of Directors of the Issuer with effect from 11 December 2023.

Madam Chen Xiaolu has resigned as director of the Board of Directors of the Issuer with effect from 14 December 2023.

Madam Li Tong has resigned as director of the Board of Directors of the Issuer with effect from 17 January 2024.

### The following director has been appointed after publication of our previous base listing document dated 28 April 2023 on the following date:

Mr. Mak Sin Yue Michael was appointed as a director of the Board of Directors of the Issuer with effect from 1 June 2023.

**APPENDIX 1 – TERMS AND CONDITIONS OF STRUCTURED PRODUCTS**

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

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## **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:

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

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

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

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

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

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

“**Company**” means the company specified as such in the relevant 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 occurrence of any severe weather condition or other event 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 such severe weather condition or other event; 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:

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

E: Existing Entitlement immediately prior to the Bonus Issue

X: Existing Exercise Price immediately prior to the Bonus Issue

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

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

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

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

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

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

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

The rights attaching to the Warrants after the adjustment shall, after such Restructuring Event, relate to the number of shares of the corporation(s) resulting from or surviving such Restructuring Event or other securities (the “**Substituted Securities**”) or cash offered in substitution for the affected

Shares, as the case may be, to which the holder of such number of Shares to which the Warrants related immediately before such Restructuring Event would have been entitled upon such Restructuring Event. Thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in Hong Kong dollars equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected.

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

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

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

The Exercise Price will be adjusted to:

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

The Entitlement will be adjusted to:

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

Where:

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

E: The existing Entitlement immediately prior to the Cash Distribution

X: Existing Exercise Price immediately prior to the Cash Distribution

CD: The Cash Distribution per Share

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

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

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

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

## 6. Purchase by the Issuer

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

## 7. Global Warrant Certificate

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

## 8. Meetings of Warrantholders and Modification

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

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

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

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

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

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

## 9. Notices

All notices in English and Chinese to the Warrantholder will be validly given if published on the website of Hong Kong Exchanges and Clearing Limited, [www.hkex.com.hk](http://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 the undertaking, property or assets of the Company, (each an “**Insolvency Event**”), all unexercised Warrants shall terminate automatically upon the occurrence of any Insolvency Event and the Issuer shall have no further obligation under the Warrants, except that in the case of a series of put Warrants:

- (A) if the Issuer determines in good faith and in a commercially reasonable manner that there is any residual value in the put Warrants upon the occurrence of such Insolvency Event:
  - (i) the Issuer shall pay to each Warrantholder the residual value of the put Warrants in cash representing the fair market value in respect of each put Warrant held by such Warrantholder on or about the occurrence of such Insolvency Event less the cost to the Issuer of unwinding any related hedging arrangement as determined by the Issuer in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner. Payment will be made to each Warrantholder in such manner as shall be notified to the Warrantholder in accordance with Condition 9; and
  - (ii) the Issuer may, but shall not be obliged to, determine such cash amount by having regard to the manner in which the options contracts or futures contracts of the Shares traded on the Stock Exchange are calculated;
- (B) otherwise, if the Issuer determines in good faith and in a commercially reasonable manner that there is no residual value in the put Warrants upon the occurrence of such Insolvency Event, the put Warrants shall lapse and cease to be valid for any purpose upon the occurrence of the Insolvency Event.

For the purpose of this Condition 10, an Insolvency Event occurs,

- (i) in the case of a voluntary liquidation or winding up of the Company, on the effective date of the relevant resolution; or
- (ii) in the case of an involuntary liquidation or dissolution or winding up of the Company, on the date of the relevant court order; or
- (iii) 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 the undertaking, property or assets of the Company, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of the applicable 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**

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:

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

In respect of Index Put Warrants:

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

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

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

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

“**Closing Level**” means the level specified as such in the relevant 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 occurrence of any severe weather condition or other event 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 such severe weather condition or other event; 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](http://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**

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

### **Agent**

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



## **PART C – TERMS AND CONDITIONS OF CASH-SETTLED WARRANTS OVER EXCHANGE TRADED FUND**

*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:

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

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

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

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

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

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

“**Entitlement**” means the number specified as such in the relevant 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;

“**Fund**” means the exchange traded fund 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 occurrence of any severe weather condition or other event 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 such severe weather condition or other event; 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;

“**Unit**” means the share or unit of the Fund 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 Warranholders in respect of the Warrants which are the subject of the exercise or have expired worthless, as the case may be, and thereby cancel the relevant Warrants and, 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 Fund 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 Fund 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 Fund or otherwise in lieu of a cash distribution and without any payment or other consideration being made or given by such holders) (a “**Bonus Issue**”) the Entitlement shall be adjusted on the Business Day on which trading in the Units becomes ex-entitlement (“**Bonus Issue Adjustment Date**”) in accordance with the following formula:

The Exercise Price will be adjusted to:

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

The Entitlement will be adjusted to:

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

Where:

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

E: Existing Entitlement immediately prior to the Bonus Issue

X: Existing Exercise Price immediately prior to the Bonus Issue

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

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

(C) *Subdivisions and Consolidations.* If and whenever the Fund shall subdivide its Units or any class of its outstanding Units into a greater number of units or shares (a “**Subdivision**”) or consolidate the Units or any class of its outstanding unit or share capital comprised of the Units into a smaller number of units or 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 Fund is to or may merge 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 Fund 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 or shares of the trust(s) or corporation(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 Fund, 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 Fund.

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

The Exercise Price will be adjusted to:

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

The Entitlement will be adjusted to:

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

Where:

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

E: The existing Entitlement immediately prior to the Cash Distribution

X: Existing Exercise Price immediately prior to the Cash Distribution

CD: The Cash Distribution per Unit

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

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

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

- (F) *Other Adjustments.* Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the Warrants as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:
- (a) not materially prejudicial to the interests of the Warrantheholders generally (without considering the circumstances of any individual Warrantheholder 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 Warrantheholder. 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 Warranholders and Modification

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

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

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

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

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

- (B) *Modification.* The Issuer may, without the consent of the Warranholders, effect 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 Warranholders generally (without considering the circumstances of any individual Warranholder 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 Warranholders 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 Warranholder will be validly given if published on the website of Hong Kong Exchanges and Clearing Limited, [www.hkex.com.hk](http://www.hkex.com.hk).

## 10. Termination or Liquidation of the Fund

In the event of a Termination or liquidation or dissolution of the Fund or, if applicable, the trustee of the Fund (including any successor trustee appointed from time to time) (“**Trustee**”) (in its capacity as trustee of the Fund) 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 the Fund’s or the Trustee’s (as the case may be) undertaking, property or assets, all unexercised Warrants will lapse and shall cease to be valid for any purpose. The unexercised Warrants will lapse and shall cease to be valid (i) in the case of a Termination, on the effective date of the Termination; (ii) in the case of a voluntary liquidation, on the effective date of the relevant resolution; (iii) in the case of an involuntary liquidation or dissolution, on the date of the relevant court order; or (iv) 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 of such Fund or, if applicable, Trustee, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

For the purpose of this Condition 10, “**Termination**” means (i) the Fund is terminated or required to be terminated for whatever reason, or the termination of the Fund commences; (ii) where applicable, the Fund is held or is conceded by the Trustee or the manager of the Fund (including any successor manager appointed from time to time) not to have been constituted or to have been imperfectly constituted; (iii) where applicable, the Trustee ceases to be authorised under the Fund to hold the property of the Fund in its name and perform its obligations under the trust deed constituting the Fund; or (iv) the Fund ceases to be authorised as an authorised collective investment scheme under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

## 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**

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:

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

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

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

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

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

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

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

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

“**Closing Price**” means the closing price of one Share (as derived from the Daily Quotation Sheet of the Stock Exchange, subject to any 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 occurrence of any severe weather condition or other event 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 such severe weather condition or other event; 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:

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

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

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

“**Settlement Currency**” means the currency specified as such in the relevant 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:

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

E: Existing Entitlement immediately prior to the Bonus Issue

X: Existing Strike Price immediately prior to the Bonus Issue

Y: Existing Call Price immediately prior to the Bonus Issue

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

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

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

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

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

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

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

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

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

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

The Strike Price will be adjusted to:

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

The Call Price will be adjusted to:

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

The Entitlement will be adjusted to:

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

Where:

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

- E: The existing Entitlement immediately prior to the Cash Distribution
- X: Existing Strike Price immediately prior to the Cash Distribution
- Y: Existing Call Price immediately prior to the Cash Distribution
- CD: The Cash Distribution per Share
- OD: The Ordinary Dividend per Share, provided that the OD shall be zero if the date on which the Shares are traded on an ex-Ordinary Dividend basis is not the Cash Distribution Adjustment Date
- S: The closing price of an existing Share as derived from the Daily Quotation Sheet of the Stock Exchange on the Business Day immediately preceding the Cash Distribution Adjustment Date

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

- (F) *Other Adjustments.* Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the CBBCs as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:
  - (a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction); or
  - (b) determined by the Issuer in good faith to be appropriate and commercially reasonable.
- (G) *Notice of Adjustments.* All determinations made by the Issuer and/or the Agent pursuant hereto will be conclusive and binding on the Holders. The Issuer and/or the Agent will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with Condition 11.

## 7. Illegality or Impracticability

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

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

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

## 8. Purchases by the Issuer

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

## 9. Global Certificate

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

## 10. Meetings of Holders and Modification

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

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

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

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

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

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

## 11. Notices

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



## 12. 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 the undertaking, property or assets of the Company, (each an “**Insolvency Event**”), all unexercised CBBCs shall terminate automatically upon the occurrence of any Insolvency Event and the Issuer shall have no further obligation under the CBBCs, except that in the case of a series of bear CBBCs:

- (A) if the Issuer determines in good faith and in a commercially reasonable manner that there is any residual value in the bear CBBCs upon the occurrence of such Insolvency Event:
  - (i) the Issuer shall pay to each Holder the residual value of the bear CBBCs in cash representing the fair market value in respect of each bear CBBC held by such Holder on or about the occurrence of such Insolvency Event less the cost to the Issuer of unwinding any related hedging arrangement as determined by the Issuer in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner. Payment will be made to each Holder in such manner as shall be notified to the Holder in accordance with Condition 11; and
  - (ii) the Issuer may, but shall not be obliged to, determine such cash amount by having regard to the manner in which the options contracts or futures contracts of the Shares traded on the Stock Exchange are calculated;
- (B) otherwise, if the Issuer determines in good faith and in a commercially reasonable manner that there is no residual value in the bear CBBCs upon the occurrence of such Insolvency Event, the bear CBBCs shall lapse and cease to be valid for any purpose upon the occurrence of the Insolvency Event.

For the purpose of this Condition 12, an Insolvency Event occurs,

- (i) in the case of a voluntary liquidation or winding up of the Company, on the effective date of the relevant resolution; or
- (ii) in the case of an involuntary liquidation or dissolution or winding up of the Company, on the date of the relevant court order; or
- (iii) 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 the undertaking, property or assets of the Company, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of the applicable 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**

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:

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

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

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

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

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

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

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

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

“**Closing Level**” means the level specified as such in the relevant 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 occurrence of any severe weather condition or other event 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 such severe weather condition or other event; 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:

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

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

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

“**Second Exchange Rate**” means the rate specified as such in the relevant 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](http://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**

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 EXCHANGE TRADED FUND**

*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:

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

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

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

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

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

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

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

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

“**Closing Price**” means the closing price of one Unit (as derived from the Daily Quotation Sheet of the Stock Exchange, subject to any 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;

“**Fund**” means the exchange traded fund 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 occurrence of any severe weather condition or other event 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 such severe weather condition or other event; 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:

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

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

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

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

“**Unit**” means the share or unit of the Fund 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 Fund 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 Fund 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 Fund 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 Fund shall subdivide its Units or any class of its outstanding Units into a greater number of units or shares (a “**Subdivision**”) or consolidate the Units or any class of its outstanding Units into a smaller number of units or 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 Fund 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 Fund 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 or shares of the trust(s) or corporation(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 Fund, 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 Fund.

If and whenever the Fund 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](http://www.hkex.com.hk).

## 12. Termination or Liquidation of the Fund

In the event of a termination, liquidation or dissolution of the Fund or, if applicable, the trustee of the Fund (including any successor trustee appointed from time to time) (“**Trustee**”) (in the capacity as trustee of the Fund) 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 the Fund’s or the Trustee’s (as the case may be) undertaking, property or assets, all unexercised CBBCs will lapse and shall cease to be valid for any purpose. The unexercised CBBCs will lapse and shall cease to be valid (i) in the case of a Termination, on the effective date of the Termination; (ii) in the case of voluntary liquidation, on the effective date of the relevant resolution; (iii) in the case of an involuntary liquidation or dissolution, on the date of the relevant court order; or (iv) 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 such Fund’s or Trustee’s (as the case may be) 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.

For the purpose of this Condition 12, “**Termination**” means (i) the Fund is terminated or required to be terminated for whatever reason, or the termination of the Fund commences; (ii) where applicable, the Fund is held or is conceded by the Trustee or the manager of the Fund (including any successor manager appointed from time to time) not to have been constituted or to have been imperfectly constituted; (iii) where applicable, the Trustee ceases to be authorised under the Fund to hold the property of the Fund in its name and perform its obligations under the trust deed constituting the Fund; or (iv) the Fund ceases to be authorised as an authorised collective investment scheme under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

### **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**

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 CONSOLIDATED FINANCIAL**  
**STATEMENTS OF THE ISSUER FOR THE YEAR ENDED 31 DECEMBER**  
**2023**

This information in this Appendix 2 has been extracted from our audited consolidated financial statements for the year ended 31 December 2023. The page numbers above the page numbers of this document refer to the pages of our consolidated financial statements.



## ***Independent Auditor's Report***

To the Members of BOCI Asia Limited  
(incorporated in Hong Kong with limited liability)

### **Opinion**

#### *What we have audited*

The consolidated financial statements of BOCI Asia Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 8 to 111, comprise:

- the consolidated statement of financial position as at 31 December 2023;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

#### *Our opinion*

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 2023, 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.

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### **Basis for Opinion**

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence*

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.



## ***Independent Auditor's Report (Continued)***

To the Members of BOCI Asia Limited  
(incorporated in Hong Kong with limited liability)

### **Other Information**

The directors of the Company are responsible for the other information. The other information comprises the information included in the report of directors, but does not include the consolidated financial statements and our auditor's report thereon.

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.

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### **Responsibilities of 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 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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## ***Independent Auditor's Report (Continued)***

To the Members of BOCI Asia Limited  
(incorporated in Hong Kong with limited liability)

### **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. We report our opinion 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 consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism 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.
- 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.



***Independent Auditor's Report (Continued)***

To the Members of BOCI Asia Limited  
(incorporated in Hong Kong with limited liability)

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)**

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- 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 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.

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 26 April 2024



BOCI ASIA LIMITED  
中銀國際亞洲有限公司

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2023

	Notes	2023 HK\$	2022 HK\$
Revenue			
<i>Revenue from contracts with customers and dividend income</i>	5a	1,037,906,177	1,417,130,212
<i>Interest income from bank deposits, loans to customers and balances from banks and other financial institutions</i>	5a	1,560,138,733	924,625,360
		<u>2,598,044,910</u>	<u>2,341,755,572</u>
Trading gain, net	5b	193,684,127	36,890,148
Other income	6	520,667,801	209,270,844
Total income		<u>3,312,396,838</u>	<u>2,587,916,564</u>
		-----	-----
Commission and clearing expenses		(480,727,945)	(600,652,886)
Staff costs	7	(421,734,686)	(553,422,806)
Other operating expenses		(960,813,346)	(960,512,481)
		<u>(1,863,275,977)</u>	<u>(2,114,588,173)</u>
		-----	-----
Finance costs	11	(266,345,332)	(113,419,802)
		<u>(266,345,332)</u>	<u>(113,419,802)</u>
		-----	-----
Operating profit before net charge for impairment allowance		1,182,775,529	359,908,589
Net charge for impairment allowance	9	(2,706,582)	(661,153)
		<u>1,180,068,947</u>	<u>359,247,436</u>
Profit before taxation	10	1,180,068,947	359,247,436
Income tax expense	12	(27,063,597)	(5,440,590)
		<u>(27,063,597)</u>	<u>(5,440,590)</u>
Profit for the year		<u>1,153,005,350</u>	<u>353,806,846</u>
		=====	=====

The above consolidated income statement should be read in conjunction with the accompany notes.

BOCI ASIA LIMITED  
中銀國際亞洲有限公司

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023 HK\$	2022 HK\$
Profit for the year	1,153,005,350	353,806,846
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Changes in the fair value of debt instruments at fair value through other comprehensive income	198	-
Total comprehensive income for the year	<u>1,153,005,548</u>	<u>353,806,846</u>

The above consolidated statement of comprehensive income should be read in conjunction with the accompany notes.

BOCI ASIA LIMITED  
中銀國際亞洲有限公司

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 HK\$	2022 HK\$
<b>NON-CURRENT ASSETS</b>			
Plant and equipment	13	-	-
Right-of-use assets	16(a)	25,609,496	43,686,787
Intangible assets	14	49,715,218	51,443,439
Financial assets at fair value through other comprehensive income	17	300,000	299,704
Statutory deposits and other assets		95,110,797	117,449,188
Deferred income tax assets	15	2,087,426	708,904
Total non-current assets		<u>172,822,937</u>	<u>213,588,022</u>
<b>CURRENT ASSETS</b>			
Financial assets at fair value through profit or loss	18	175,019,570	176,824,838
Debt instruments at amortised cost	19	3,578,026,183	993,212,552
Derivative financial instruments	21	69,111,846	213,331,430
Loans and receivables	22	14,850,141,148	15,337,157,355
Amounts due from the immediate holding company	25	7,691,811,872	4,617,005,456
Cash and balances with banks	23	4,178,992,382	5,152,290,707
Tax recoverable		270,533	3,834,550
Total current assets		<u>30,543,373,534</u>	<u>26,493,656,888</u>
<b>CURRENT LIABILITIES</b>			
Subordinated loans from the immediate holding company	25	2,500,000,000	2,500,000,000
Bank loans	20	392,845,852	-
Amounts due to the immediate holding company	25	3,533,362,618	2,706,554,739
Amounts due to fellow subsidiaries	24	3,031,791	2,326,697
Amounts due to a related company	25	330,179	335,790
Accounts and other payables, and other provisions	26	6,186,898,902	4,553,628,563
Deposits from customers	27	4,246,071,096	4,113,345,649
Derivative financial instruments	21	94,031,913	261,625,510
Financial liabilities at fair value through profit or loss	28	-	2,982,080
Lease liabilities	16(c)	18,347,466	17,852,502
Taxation payable		128,556,859	63,969,561
Total current liabilities		<u>17,103,476,676</u>	<u>14,222,621,091</u>
<b>NET CURRENT ASSETS</b>		<u>13,439,896,858</u>	<u>12,271,035,797</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>13,612,719,795</u>	<u>12,484,623,819</u>

BOCI ASIA LIMITED  
中銀國際亞洲有限公司

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)


As at 31 December 2023

	Notes	2023 HK\$	2022 HK\$
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		13,612,719,795	12,484,623,819
<b>NON-CURRENT LIABILITIES</b>			
Accounts and other payables, and other provisions	26	5,476,606	12,038,712
Lease liabilities	16(c)	7,794,110	26,141,576
Total non-current liabilities		<u>13,270,716</u>	<u>38,180,288</u>
Net assets		<u><u>13,599,449,079</u></u>	<u><u>12,446,443,531</u></u>
<b>EQUITY</b>			
Share capital	29	2,000,000,000	2,000,000,000
Reserve for fair value change of financial assets at fair value through other comprehensive income		135,198	135,000
Retained earnings		<u>11,599,313,881</u>	<u>10,446,308,531</u>
Total equity		<u><u>13,599,449,079</u></u>	<u><u>12,446,443,531</u></u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 8 to 111 were approved by the Board of Directors on 26 April 2024 and were signed on its behalf:

  
 .....  
 Wong See Hung  
 Director

  
 .....  
 Lee Kin Man  
 Director

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 2023

	Share capital HK\$	Reserve for fair value change of financial assets at fair value through other comprehensive income HK\$	Retained earnings (Note) HK\$	Total HK\$
Balance at 1 January 2022	2,000,000,000	135,000	10,092,501,685	12,092,636,685
Profit and total comprehensive income for the year	-	-	353,806,846	353,806,846
Balance at 31 December 2022	<u>2,000,000,000</u>	<u>135,000</u>	<u>10,446,308,531</u>	<u>12,446,443,531</u>
Balance at 1 January 2023	2,000,000,000	135,000	10,446,308,531	12,446,443,531
Profit and total comprehensive income for the year	-	198	1,153,005,350	1,153,005,548
Balance at 31 December 2023	<u>2,000,000,000</u>	<u>135,198</u>	<u>11,599,313,881</u>	<u>13,599,449,079</u>

Note

As at 31 December 2023, a regulatory reserve of HK\$22,337,437 (2022: HK\$29,478,435) attributable to the Company's banking subsidiary was included in the retained earnings above. The regulatory reserve is maintained to satisfy the provisions of the Hong Kong Banking Ordinance for prudential supervision purpose of the Company's banking subsidiary and is subject to consultation with the Hong Kong Monetary Authority ("HKMA").

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

BOCI ASIA LIMITED  
中銀國際亞洲有限公司

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Notes	2023 HK\$	2022 HK\$
<b>Cash flows from operating activities</b>			
Cash (used in)/generated from operating activities	30(a)	(3,025,491,601)	1,819,585,172
Dividend received		18,968,176	20,658,523
Interest received		1,830,380,097	988,179,115
Interest paid		(261,941,988)	(110,938,719)
Interest element on lease liabilities		(981,594)	(865,699)
Hong Kong and overseas profits tax paid		(4,486,892)	(255,536,331)
Hong Kong profits tax refund		44,196,088	18,748,281
		<u>(1,399,357,714)</u>	<u>2,479,830,342</u>
<b>Cash flows from financing activities</b>			
Proceeds from bank loans	30(b)	390,580,000	-
Repayment of bank loans	30(b)	-	(200,000,000)
Principal portion of lease payments	30(b)	(17,852,502)	(17,968,397)
		<u>372,727,498</u>	<u>(217,968,397)</u>
Net cash (used in)/generated from operating activities		<u>(1,399,357,714)</u>	<u>2,479,830,342</u>
Net cash generated from/(used in) financing activities		<u>372,727,498</u>	<u>(217,968,397)</u>
Net (decrease)/increase in cash and cash equivalents		(1,026,630,216)	2,261,861,945
Cash and cash equivalents at beginning of year		5,031,891,056	2,770,029,111
Cash and cash equivalents at end of year		<u>4,005,260,840</u>	<u>5,031,891,056</u>
<b>Analysis of balances of cash and cash equivalents</b>			
Cash at banks and in hand	23	2,855,528,348	2,844,955,738
Placements with banks with original maturity within three months	23	1,149,732,492	2,186,935,318
Cash and cash equivalents at end of year		<u>4,005,260,840</u>	<u>5,031,891,056</u>

Note: The consolidated statement of cash flows has been restated to reclassify the cash flow from debt instruments at amortised cost from investing activities to operating activities in view of the nature of the Group's business.

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

BOCI ASIA LIMITED  
中銀國際亞洲有限公司

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

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") provide 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, brokerage services for dealing of securities, futures and option contracts, securities margin financing services, and sales and trading of securities and other financial instruments.

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 Limited 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 26 April 2024.

Information about subsidiaries

Particulars of the Company's subsidiaries as at 31 December 2023 are as follows:

<u>Name</u>	<u>Place of incorporation</u>	<u>Principal activities</u>	<u>Particulars of issued share capital</u>	<u>Interest held</u>
Bank of China International Limited 中銀國際有限公司	Hong Kong	Banking and related financing services	HK\$1,000,000,000	100% <sup>#</sup>
BOCI Research Limited 中銀國際研究有限公司	Hong Kong	Research	US\$130,000	100% <sup>#</sup>
BOCI Securities Limited 中銀國際證券有限公司	Hong Kong	Securities and futures dealing and brokerage	HK\$406,000,000	100% <sup>#</sup>

<sup>#</sup> Shares held directly by the Company



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2. SUMMARY OF MATERIAL 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 Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of financial assets at fair value through other comprehensive income, 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 32 to the consolidated financial statements.

**(a) Amendments or annual improvements that are initially adopted for the financial year beginning on 1 January 2023**

The Group has applied the following amendments or annual improvements for the first time for their annual reporting period commencing 1 January 2023.

Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of accounting policies</i>
Amendments to HKAS 8	<i>Definition of accounting estimates</i>
Amendments to HKAS 12	<i>Deferred tax related to assets and liabilities arising from a single transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

The directors consider that the amendments listed above did not have material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Regarding the amendments to HKAS 12, "International Tax Reform – Pillar Two Model Rules", the amendments introduce a temporary mandatory exception from deferred tax accounting for the income tax arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (OECD), including tax laws that implement qualified domestic minimum top-up taxes described in those rules. The amendments also introduce disclosure requirements about such tax. The application of the amendments does not have a material impact on the Group's financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

**(b) Standards, amendments and interpretations issued that are not yet mandatorily effective and have not been early adopted by the Group in 2023**

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

Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current<sup>1</sup></i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (amendments)<sup>1</sup></i>
HK Int 5 (Revised) (2020)	<i>Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause<sup>1</sup></i>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier finance arrangement<sup>1</sup></i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>2</sup></i>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2024

<sup>2</sup> No mandatory effective date yet determined but available for adoption

The above new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (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 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Group has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation (continued)

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interests; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment in that former subsidiary retained; reclassifies the amounts previously recognised in other comprehensive income to the income statement or retained earnings, as appropriate, on the same basis as directly disposed of the related assets or liabilities; recognises any resulting differences as gain or loss in the income statement.

If the Group is committed by the Board to a sale plan involving loss of control of a subsidiary (a disposal group) that is unlikely to be withdrawn or changed significantly, the Group shall classify all the assets and liabilities of that subsidiary as held for sale only when the following criteria are met on or before the end of the reporting period: (i) the carrying amount will be recovered principally through a sale transaction rather than through continuing use; (ii) the subsidiary is available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of its kind and its sale must be highly probable, including a high probability of shareholders' approval, if needed; (iii) an active programme to locate a buyer at a reasonable price has been initiated and to complete the sale within one year, regardless of whether the Group will or will not retain a non-controlling interest after the sale. Disposal group (other than investment properties and financial instruments) is initially recognised and subsequently remeasured at the lower of its carrying amount and fair value less costs to sell. Properties, plant and equipment classified as held for sale are not depreciated.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the transaction provides evidence of impairment of the assets transferred.

In the Company's statement of financial position, the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable. Dividend income from subsidiaries is recognised in the income statement when the right to receive payment is established.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3 Foreign currency translation

**(a) Functional and presentation currency**

Items included in the consolidated financial statements of the Group 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 ("HK\$"), which is the Company's functional and presentation currency.

**(b) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or exchange rates at the end of the reporting period for items that are re-measured. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions using the exchange rates prevailing at the dates of the transactions and monetary assets and liabilities denominated in foreign currencies translated at the exchange rate at the end of the reporting period are recognised directly in the consolidated income statement, except when deferred in other comprehensive income as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on monetary securities held at fair value through profit or loss are reported as part of the fair value gain or loss. Changes in the fair value of monetary securities denominated in foreign currency classified as fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the securities and other changes in the carrying amount of the securities. Translation differences related to changes in the amortised cost are recognised in the consolidated income statement, and other changes in the carrying amount are recognised in other comprehensive income.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Plant and equipment (continued)

Depreciation of plant and equipment is calculated using the straight-line method to allocate their costs 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 period.

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 is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If after assessment, the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Group's previously held interest in the acquiree (if any), the excess is recognised immediately in the consolidated income statement as a gain on bargain. Subsequently, goodwill is subject to impairment testing at least annually.

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 units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.6 Impairment of investment in subsidiaries and other non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Potential indications of impairment may include significant adverse changes in the technological, market, economic or legal environment in which the assets operate or whether there has been a significant or prolonged decline in value below their cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Impairment of intangible assets with indefinite useful life are tested for impairment annually.

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). Impaired assets are reviewed for possible reversal of the impairment at each reporting date.

In the Company's financial position, impairment testing of the investment in a subsidiary is also required upon receiving dividend from that entity if the dividend exceeds the total comprehensive income of that entity concerned in the period the dividend is declared or if the carrying amount of that entity in the Company's financial position exceeds the carrying amount of that entity's net assets including goodwill in its consolidated financial position.

2.7 Financial assets and liabilities

**2.7.1 Financial assets**

*2.7.1.1 Amortised cost and effective interest rate*

The amortised cost is the amount at which the financial asset or liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost a financial liability. The calculation does not consider expected credit losses ("ECL") and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired ("POCI") financial assets – assets that are credit-impaired (see definition in notes 3.2.7 to these consolidated financial statements) at initial recognition – the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.



31 December 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.7 Financial assets and liabilities (continued)

**2.7.1 Financial assets (continued)**

*2.7.1.2 Initial recognition and measurement*

Financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument. 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.

At initial recognition, the Group measures a financial asset at its fair value plus or minus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset, such as fees and commissions. Transaction costs of financial assets carried at fair value through profit or loss ("FVPL") are expensed in profit or loss. Immediately after initial recognition, an ECL is recognised for financial assets measured at amortised cost and investments in debt instruments measured at fair value through other comprehensive income ("FVOCI"), as described in notes 3.2.7 to these consolidated financial statements, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

*2.7.1.3 Classification and subsequent measurement*

The Group has adopted HKFRS 9 and classifies its financial assets in the following measurement categories: FVPL; FVOCI; or amortised cost.

Classification and subsequent measurement of financial assets depend on:

- (i) the Group's business model for managing the asset; and
- (ii) the cash flow characteristics of the asset.

Based on these factors, the Group classified its financial assets into one of the following measurement categories:

- **Amortised cost (debt instruments)**

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ("SPPI"), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any ECL allowance recognised and measured as described in note 3.2.7 to these consolidated financial statements. Interest income from these financial assets is recognised in profit or loss using the effective interest rate method.

31 December 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.7 Financial assets and liabilities (continued)

**2.7.1 Financial assets (continued)**

*2.7.1.3 Classification and subsequent measurement (continued)*

• **FVOCI (debt instruments)**

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income ("OCI"), except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is recognised in profit or loss using the effective interest rate method.

• **FVOCI (equity instruments)**

Gains and losses on these financial assets are never recycled to the consolidated income statement. Dividends are recognised as revenue in the consolidated income statement when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income.

• **FVPL**

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

31 December 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.7 Financial assets and liabilities (continued)

**2.7.1 Financial assets (continued)**

*2.7.1.3 Classification and subsequent measurement (continued)*

• **FVPL (Continued)**

A gain or loss on a debt investment (including the interest component) that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the consolidated income statement within "Trading gain, net" in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in "other income- net investment income".

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value profit or loss are also recognised as revenue in the consolidated income statement when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the consolidated income statement.

Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Business model assessment: the Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

31 December 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.7 Financial assets and liabilities (continued)

**2.7.1 Financial assets (continued)**

*2.7.1.3 Classification and subsequent measurement (continued)*

The SPPI test: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the "SPPI test"). "Principal" for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset. In making SPPI assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassified debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes should be infrequent.

**2.7.2 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.

31 December 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.7 Financial assets and liabilities (continued)

**2.7.2 Derecognition of financial assets (continued)**

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.

**2.7.3 Impairment of financial assets**

The Group records the allowance for impairment on financial assets for debt instruments recorded at amortised cost or at FVOCI, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss, in this section all referred to as "financial instruments". Equity instruments are not subject to impairment under HKFRS 9.

The ECL is based on the credit losses expected to arise over the life of the asset (the lifetime basis), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the twelve months' ECL (the twelve-month basis).

The twelve-month basis is the portion of the lifetime basis that represents the ECLs that result from default events on a financial instrument that are possible within the twelve months after the reporting date.

Both lifetime basis and twelve-month basis are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. The Group's policy for grouping financial assets measured on a collective basis is explained in note 3.2.7 to these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.7 Financial assets and liabilities (continued)

**2.7.3 Impairment of financial assets (continued)**

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained in note 3.2.7 to these consolidated financial statements.

Based on the above process, the Group classifies financial assets into three stages, each of which is associated with an ECL requirement that is reflective of the assessed credit risk profile in each instance:

- A financial asset is classified under Stage 1 if it was not credit-impaired upon origination and there has not been a significant increase in its credit risk since inception. A provision for twelve-month ECL is required.
- A financial asset is classified under Stage 2 if it was not credit-impaired upon origination but has since suffered a significant increase in credit risk. A provision for life-time ECL is required.
- A financial asset which has been credit-impaired with objective evidence of default is classified under Stage 3. The assessed ECL is expected to be unchanged from the existing individual allowances taken for such assets.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

For the receivables and contract assets that result from transactions that are within the scope of HKFRS 15, included in trade and receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 3.2.7 to these consolidated financial statements for further details.

**2.7.4 Financial liabilities**

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. At initial recognition, the Group measures a financial liability at its fair value plus or minus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the issue of the financial liability, such as fees and commissions. Transaction costs of financial liabilities carried at fair value through profit or loss are expensed in profit or loss.

*2.7.4.1 Classification and subsequent measurement*

Financial liabilities are classified into two categories: financial liabilities at fair value through profit or loss and other financial liabilities. All financial liabilities are classified at inception and recognised initially at fair value of the consideration received less directly attributable transaction costs. Fair value represents quoted prices if active market exists. When no active market exists, fair value is estimated by valuation techniques that are commonly used by market participants or dealer quotes.

31 December 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.7 Financial assets and liabilities (continued)

**2.7.4 Financial liabilities (continued)**

*2.7.4.1 Classification and subsequent measurement (continued)*

(a) Financial liabilities at fair value through profit or loss

This category has two sub-categories: financial liabilities held for trading, and those designated at fair value through profit or loss at inception.

A financial liability is classified as held for trading if it is incurred principally for the purpose of repurchasing in the short term. It is carried at fair value and any gains and losses from changes in fair value are recognised in the consolidated income statement.

A financial liability is typically classified as fair value through profit or loss at inception if it meets the following criteria:

- (i) The designation eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as "an accounting mismatch") that would otherwise arise from measuring the financial assets or financial liabilities or recognising the gains and losses on them on different bases;
- (ii) A group of financial assets and/or financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and this is the basis on which information about the financial assets and/or financial liabilities is provided internally to the management; or
- (iii) The designation relates to financial instruments containing one or more embedded derivative that significantly modifies the cash flow resulting from those financial instruments.

Financial liabilities at fair value through profit or loss are designated as such at inception. Financial liabilities held for trading and those designated at fair value through profit or loss are carried at fair value and any gains and losses from changes in fair value are recognised in the consolidated income statement.

(b) Other financial liabilities

Other financial liabilities are carried at amortised cost. Any difference between proceeds net of transaction costs and the redemption value is recognised in the consolidated income statement over the period of the other financial liabilities using the effective interest method.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.7 Financial assets and liabilities (continued)

**2.7.4 Financial liabilities (continued)**

*2.7.4.2 Derecognition*

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 profit or loss.

2.8 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.

2.9 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as finance costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.10 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 through the use of 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.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.12 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.

**(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.12 Employee benefits (continued)

(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.

2.13 Income tax

Tax expenses for the period comprise current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised directly in other comprehensive income. In this case, the tax is also recognised in other comprehensive income.

**Current income tax**

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

**Deferred 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. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the end of reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.13 Income tax (continued)

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.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax related to fair value re-measurement of financial assets at FVOCI, 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 realization of the deferred gain or loss.

2.14 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

*Group as a lessee*

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, restoration costs and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets.

If ownership of the right-of-use asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.14 Leases (continued)

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

2.15 Dividends

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.16 Revenue

**Revenue recognition**

*Revenue from contracts with customers*

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

HKFRS 15 introduces a 5-step approach when recognising revenue from contracts with customers:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

HKFRS 15 affects the Group in respect of revenue recognition on contracts with customers. HKFRS 15 provides guidance in relation to revenue recognition which emphasises that revenue can only be recognised upon performance obligations is satisfied. Brokerage and corporate financial services related fee income are recognised when the Group has satisfied its performance obligation under the relevant contract which therefore affect the timing of recognition of revenue.

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If the contract terms and the Group’s activities do not fall into any of these 3 situations, then under HKFRS 15 the Group recognises revenue for the sale of that goods or services at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.16 Revenue (continued)

**Revenue recognition (Continued)**

*Revenue from contracts with customers (continued)*

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Brokerage commission is recognised on a point-in-time basis when the relevant services are rendered.

Underwriting and placement commission is recognised on a point-in-time basis when the underwriting and placement arrangement has been completed.

Corporate finance income from sponsorship is recognised over time based on work-in-progress method. Other corporate finance income is recognized on a point-in-time when the services has been completed. Advances received are included in contract liabilities.

*Revenue from other sources*

Interest income from financial assets is recognised under HKFRS 9.

Interest income from debt instruments at amortised cost, bank deposits and loans to customers 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 discounting at original effective interest rate of the instrument, and continues unwinding the discount as interest income. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Dividend income from listed investments is recognised when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.17 Contract assets

A contract asset is the right to consideration in exchange for services transferred to the customer. If the Group performs by transferring services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment.

2.18 Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

2.19 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

A contingent asset is not recognised but is disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

2.20 Fiduciary activities

Trust accounts maintained by the Group to hold clients' monies are treated as the off-balance sheet items and disclosed in notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

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 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 ("BOCI EC") of BOC International Holdings Limited that makes key and strategic decision.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2. SUMMARY OF MATERIAL 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.

2.24 Share capital

Ordinary shares are classified as equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

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 Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to recognise potential adverse effects on the Group's financial performance.

The Company is a wholly owned subsidiary of BOC International Holdings Limited (collectively refer as "BOCI Group"). 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

BOCI 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 ("BOCI Board"); and (3) the Senior Management.

Shareholder level

BOCI Group is a wholly-owned subsidiary and also an investment banking arm of Bank of China Limited ("BOC"). BOC, as the shareholder, authorises the BOCI Board to lead the Company.

Board level

The BOCI Board is responsible for setting the fundamental strategic goals and risk vision of the Group. The BOCI Board appoints the Risk Policy Committee ("BOCI RPC"), Strategy Development Committee ("BOCI SDC") and the Audit Committee ("BOCI AC"), which assist the BOCI Board in overseeing the BOCI Group's risk management functions.

BOCI RPC is responsible for assisting the BOCI Board in fulfilling their oversight responsibilities by providing guidance regarding the risk governance and the development of acceptable risk profile. BOCI RPC approves risk management policies, new business proposals and conducts regular review of major risk exposures and the approval of risk limits to ensure that BOCI Group's risk-taking activities are consistent with its business strategy, capital structure, and risk tolerance.

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

BOCI AC is responsible for assisting the BOCI 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Senior Management level

The Executive Committee ("BOCI EC") is composed of the management-in-charge, 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 Internal Control and Risk Management Committee ("BOCI ICRMC"), the Operating Committee ("BOCI OC"), the Commitment Committee ("BOCI CC") and the Investment Committee ("BOCI IC").

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

BOCI ICRMC is responsible for overseeing the risk management process of the BOCI 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 BOCI Board and BOCI RPC, and under the guidance of BOCI 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 BOCI Board;
- Evaluating and approving significant transactions; and
- Undertaking any other duties assigned by BOCI RPC of the BOCI Board or BOCI EC.

BOCI ICRMC is chaired by the Deputy CEO and is composed of senior management of the major functional areas.

BOCI 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.

BOCI OC is responsible for assisting BOCI EC:

- To analyse, 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;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Senior Management level (continued)

BOCI OC is responsible for assisting BOCI EC: (continued)

- To provide oversight of the implementation of Business Continuity Plan;
- To review major process re-engineering and automation projects, and monitor their implementation; and
- To oversight operational risk management issues; and to resolve cross department disputes on operational matters.

BOCI IC is composed of senior management, related business heads and head of risk management. It is responsible for overseeing BOCI Group's principal investment business.

Risk control functions

The segregation of duties and the integrity of operating systems within BOCI Group are two basic features of BOCI Group's practice. Control and support units such as risk management, financial management, asset and liability management, legal and compliance, human resources, operations and information technology are independent of the business reporting lines. These units contribute to BOCI Group's risk management system through their complementary reporting and control functions. The Risk Management Division ("BOCI RMD") evaluates and monitors the market and credit risk exposure on a regular basis. BOCI RMD reports any risk issues and risk analysis on business proposals to BOCI ICRMC, BOCI RPC and the BOCI Board. The Asset and Liability Management Division ("BOCI ALMD") 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 BOCI RMD (hereafter collectively refer to as "trading book" and refer to notes 3.1.1, 3.1.2, 3.1.3 and 3.1.4 to these consolidated financial statements 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 BOCI ALMD. Non-trading book market risk generally arises from investment in debt securities classified as fair value through other comprehensive income held for liquidity purposes as well as investments in debt securities classified as fair value through other comprehensive income 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

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 2023	Change in volatility		
HK\$'000			
Change in equity price	<b>10%</b>	<b>0%</b>	<b>-10%</b>
<b>10%</b>	(16,400)	(4,095)	8,209
<b>-10%</b>	(27,648)	(15,343)	(3,038)
31 December 2022	Change in volatility		
HK\$'000			
Change in equity price	<b>10%</b>	<b>0%</b>	<b>-10%</b>
<b>10%</b>	(32,185)	(18,788)	(5,391)
<b>-10%</b>	(14,126)	(729)	12,668

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 BOCI RMD by using VaR tools on a daily basis. For non-trading book, both BOCI RMD and BOCI ALMD 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 BOCI Board to control the adverse impact on capital in case of uncontrollable market conditions.

BOCI ASIA LIMITED  
中銀國際亞洲有限公司

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

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 2023	Less than 1 month and repayable on demand 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	83,639	-	-	-	11,472	95,111
Financial assets at fair value through other comprehensive income	-	-	-	-	300	300
Debt instruments at amortised cost	769,658	891,310	1,917,058	-	-	3,578,026
Financial assets at fair value through profit or loss	-	-	-	-	175,020	175,020
Derivative financial instruments	-	-	-	-	69,112	69,112
Amounts due from the immediate holding company	5,979,353	751,808	959,000	-	1,651	7,691,812
Financial assets included in account and other receivables	209,704	-	-	-	6,385,273	6,594,977
Loans to customers	8,130,273	74,872	-	-	3,144	8,208,289
Cash and balances with banks	2,708,273	271,906	17,836	-	1,180,977	4,178,992
<b>Total assets</b>	<b>17,880,900</b>	<b>1,989,896</b>	<b>2,893,894</b>	<b>-</b>	<b>7,826,949</b>	<b>30,591,639</b>
Lease liabilities	(1,510)	(3,030)	(13,808)	(7,794)	-	(26,142)
Subordinated loans from the immediate holding company	(2,500,000)	-	-	-	-	(2,500,000)
Bank loans	(392,846)	-	-	-	-	(392,846)
Amounts due to the immediate holding company	(2,002,041)	(357,122)	(232,725)	-	(941,475)	(3,533,363)
Amounts due to fellow subsidiaries	-	-	-	-	(3,032)	(3,032)
Amounts due to a related company	-	-	-	-	(330)	(330)
Financial liabilities included in accounts and other payables	(155,496)	-	-	-	(5,892,153)	(6,047,649)
Deposits from customers	(1,932,472)	(1,557,512)	(726,008)	-	(30,079)	(4,246,071)
Derivative financial instruments	-	-	-	-	(94,032)	(94,032)
<b>Total liabilities</b>	<b>(6,984,365)</b>	<b>(1,917,664)</b>	<b>(972,541)</b>	<b>(7,794)</b>	<b>(6,961,101)</b>	<b>(16,843,465)</b>
<b>Total interest repricing gap</b>	<b>10,896,535</b>	<b>72,232</b>	<b>1,921,353</b>	<b>(7,794)</b>		

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3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Market risk (continued)

3.1.3 Interest rate risk (continued)

At 31 December 2022	Less than 1 month and repayable on demand 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	111,024	-	-	-	6,425	117,449
Financial assets at fair value through other comprehensive income	-	-	-	-	300	300
Debt instruments at amortised cost	399,471	398,396	195,346	-	-	993,213
Financial assets at fair value through profit or loss	-	-	-	-	176,825	176,825
Derivative financial instruments	-	-	-	-	213,331	213,331
Amounts due from the immediate holding company	4,609,308	-	-	-	7,697	4,617,005
Financial assets included in account and other receivables	328,149	-	-	-	4,515,726	4,843,875
Loans to customers	10,450,050	11,729	-	-	-	10,461,779
Cash and balances with banks	3,307,493	90,374	26,754	-	1,727,670	5,152,291
<b>Total assets</b>	<b>19,205,495</b>	<b>500,499</b>	<b>222,100</b>	<b>-</b>	<b>6,647,974</b>	<b>26,576,068</b>
Lease liabilities	(1,469)	(2,948)	(13,435)	(26,142)	-	(43,994)
Subordinated loans from the immediate holding company	(2,500,000)	-	-	-	-	(2,500,000)
Amounts due to the immediate holding company	(1,627,449)	(12,930)	(18,144)	-	(1,048,032)	(2,706,555)
Amounts due to fellow subsidiaries	-	-	-	-	(2,327)	(2,327)
Amounts due to a related company	-	-	-	-	(336)	(336)
Financial liabilities included in accounts and other payables	(392,500)	-	-	-	(4,026,915)	(4,419,415)
Deposits from customers	(3,617,573)	(195,974)	(299,799)	-	-	(4,113,346)
Derivative financial instruments	-	-	-	-	(261,626)	(261,626)
Financial liabilities at fair value through profit or loss	-	-	-	-	(2,982)	(2,982)
<b>Total liabilities</b>	<b>(8,138,991)</b>	<b>(211,852)</b>	<b>(331,378)</b>	<b>(26,142)</b>	<b>(5,342,218)</b>	<b>(14,050,581)</b>
<b>Total interest repricing gap</b>	<b>11,066,504</b>	<b>288,647</b>	<b>(109,278)</b>	<b>(26,142)</b>		

As at 31 December 2023, 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\$112 million (2022: HK\$108 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Market risk (continued)

3.1.4 Foreign exchange risk

The Group 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 BOCI RMD and BOCI ALMD on a daily basis.

As at 31 December 2023, the Group did not have significant open foreign currency positions, except for USD and RMB. The USD net long open position amounted to approximately HK\$249 million (2022: HK\$985 million). The RMB net short open position amounted to approximately HK\$212 million (2022: HK\$235 million).

USD and RMB denominated assets mainly consist of short-term deposits, loans and receivables and amounts due from the immediate holding company, while USD and RMB denominated liabilities include accounts and other payables, deposits from customers and amounts due to the immediate holding company and fellow subsidiaries.

As HK\$ is pegged to USD, the Group is not exposed to significant foreign exchange risk on USD. Should RMB appreciate/depreciate against HK\$ by 5% (2022: 5%), the profit before taxation would decrease/increase by HK\$11 million (2022: HK\$12 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 BOCI RMD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

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 note 3.2.4 to these consolidated financial statements 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 values of instruments that are favourable to the Group (i.e., assets where their fair values are positive) and (ii) the potential exposures of each counterparty from market movements. The credit risk exposure is monitored on a daily basis and collateral is obtained to mitigate the credit risk depending on credit assessment of the counterparty.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

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 financial assets at fair value through other comprehensive income are unrated and all debt instruments at amortised cost are AA+ to 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 2023	Gross amounts of recognised financial assets HK\$'000	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position HK\$'000	Net amounts of financial assets presented in the consolidated statement of financial position HK\$'000	Related amounts not set off in the consolidated statement of financial position		
				Financial instruments HK\$'000	Cash collateral received HK\$'000	Net amount HK\$'000
<b>Financial assets</b>						
Loans and receivables	8,085,566	(2,918,298)	5,167,268	(1,880,946)	-	3,286,322
Derivative financial instruments	46,412	-	46,412	(3,030)	-	43,382
Amounts due from the immediate holding company	7,691,812	-	7,691,812	(3,533,363)	-	4,158,449
<b>Total</b>	<b>15,823,790</b>	<b>(2,918,298)</b>	<b>12,905,492</b>	<b>(5,417,339)</b>	<b>-</b>	<b>7,488,153</b>

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31 December 2023

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Credit risk (continued)

3.2.3 Offsetting financial instruments (continued)

At 31 December 2023	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	
<b>Financial liabilities</b>						
Accounts and other payables	(7,926,008)	2,918,298	(5,007,710)	1,880,946	-	(3,126,764)
Derivative financial instruments	(50,076)	-	(50,076)	3,030	-	(47,046)
Amounts due to the immediate holding company	(3,533,363)	-	(3,533,363)	3,533,363	-	-
<b>Total</b>	<b>(11,509,447)</b>	<b>2,918,298</b>	<b>(8,591,149)</b>	<b>5,417,339</b>	<b>-</b>	<b>(3,173,810)</b>
<b>At 31 December 2022 (restated)</b>						
	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	Financial instruments HK\$'000	Cash collateral received HK\$'000	Net amount HK\$'000
<b>Financial assets</b>						
Loans and receivables	6,780,148	(2,830,976)	3,949,172	(1,106,945)	-	2,842,227
Derivative financial instruments	47,515	-	47,515	(4,480)	-	43,035
Amounts due from the immediate holding company	4,617,005	-	4,617,005	(2,706,555)	-	1,910,450
<b>Total</b>	<b>11,444,668</b>	<b>(2,830,976)</b>	<b>8,613,692</b>	<b>(3,817,980)</b>	<b>-</b>	<b>4,795,712</b>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Credit risk (continued)

3.2.3 Offsetting financial instruments (continued)

At 31 December 2022 (restated)	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	
<b>Financial liabilities</b>						
Accounts and other payables	(6,256,582)	2,830,976	(3,425,606)	1,106,945	-	(2,318,661)
Derivative financial instruments	(50,101)	-	(50,101)	4,480	-	(45,621)
Amounts due to the immediate holding company	(2,706,555)	-	(2,706,555)	2,706,555	-	-
<b>Total</b>	<b>(9,013,238)</b>	<b>2,830,976</b>	<b>(6,182,262)</b>	<b>3,817,980</b>	<b>-</b>	<b>(2,364,282)</b>

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 necessarily result in an offset of assets and liabilities in the consolidated financial statements. 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.



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31 December 2023

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Credit risk (continued)

3.2.3 Offsetting financial instruments (continued)

The tables below reconcile the loans and receivables, derivative financial instruments, amounts due from the immediate holding company, amounts due to the immediate holding company and accounts and other payables as presented in the consolidated statement of financial position:

	2023 HK\$000	2022 HK\$000 (restated)
Loans and receivables subject to offsetting	5,167,268	3,949,172
Loans and receivables not in the scope of offsetting disclosure	9,745,143	11,448,043
	<hr/>	<hr/>
Loans and receivables as disclosed in the consolidated statement of financial position before impairment allowance	14,912,411	15,397,215
Less: Impairment allowance	(62,270)	(60,058)
	<hr/>	<hr/>
Loans and receivables as disclosed in the consolidated statement of financial position (Note 22)	14,850,141	15,337,157
	<hr/> <hr/>	<hr/> <hr/>
Derivative financial assets subject to offsetting	46,412	47,515
Derivative financial assets not in the scope of offsetting disclosure	22,700	165,816
	<hr/>	<hr/>
Derivative financial assets as disclosed in the consolidated statement of financial position (Note 21)	69,112	213,331
	<hr/> <hr/>	<hr/> <hr/>
Derivative financial liabilities subject to offsetting	(50,076)	(50,101)
Derivative financial liabilities not in the scope of offsetting disclosure	(43,956)	(211,525)
	<hr/>	<hr/>
Derivative financial liabilities as disclosed in the consolidated statement of financial position (Note 21)	(94,032)	(261,626)
	<hr/> <hr/>	<hr/> <hr/>
Amounts due from the immediate holding company subject to offsetting	7,691,812	4,617,005
Amounts due from the immediate holding company not in the scope of offsetting disclosure	-	-
	<hr/>	<hr/>
Amounts due from the immediate holding company as disclosed in the consolidated statement of financial position (Note 25)	7,691,812	4,617,005
	<hr/> <hr/>	<hr/> <hr/>

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31 December 2023

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Credit risk (continued)

3.2.3 Offsetting financial instruments (continued)

The tables below reconcile the loans and receivables, derivative financial instruments, amounts due from the immediate holding company, amounts due to the immediate holding company and accounts and other payables as presented in the consolidated statement of financial position: (continued)

	2023 HK\$'000	2022 HK\$'000 (restated)
Amounts due to the immediate holding company subject to offsetting	(3,533,363)	(2,706,555)
Amounts due to the immediate holding company not in the scope of offsetting disclosure	-	-
	<u>(3,533,363)</u>	<u>(2,706,555)</u>
Amounts due to the immediate holding company as disclosed in the consolidated statement of financial position (Note 25)	<u>(3,533,363)</u>	<u>(2,706,555)</u>
Accounts and other payables subject to offsetting	(5,007,710)	(3,425,606)
Accounts and other payables not in the scope of offsetting disclosure	(1,184,666)	(1,140,061)
	<u>(6,192,376)</u>	<u>(4,565,667)</u>
Accounts and other payables as disclosed in the consolidated statement of financial position (Note 26)	<u>(6,192,376)</u>	<u>(4,565,667)</u>

The comparative figures in the note have been restated to conform with current year presentation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

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, BOCI 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.

For loans to customers (demand loans and term loans), those loans are generally secured by various forms of collaterals such as listed stocks, bonds, properties, insurance policies and deposits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

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

The following table summarises maximum exposure to credit risk of the Group at 31 December 2023 and 2022 before collateral held or other credit enhancement attached. For on-balance-sheet assets, the exposures set out below are based on carrying amounts as reported in the consolidated statement of financial position.

<b>Maximum exposure to credit risk</b>	Notes	2023 HK\$'000	2022 HK\$'000
Loans to customers			
- Margin loans	1	5,645,158	7,129,961
- Demand loans	2	2,236,863	2,951,153
- Term loans	3	1,957	8,940
- Repo loans	4	324,311	371,725
Statutory deposits and other assets	5	95,111	117,449
Financial assets included in accounts and other receivables	6	6,594,977	4,843,875
Financial assets at fair value through other comprehensive income	7	300	300
Debt instruments at amortised cost	8	3,578,026	993,213
Derivative financial instruments	9	69,112	213,331
Cash and balances with banks	10	4,178,992	5,152,291
At 31 December		22,724,807	21,782,238

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Credit risk (continued)

3.2.5 Maximum exposure to credit risk before collateral held or other credit enhancement (continued)

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Group based on the following:

- (1) Margin loans are fully secured by collaterals including listed stocks, bonds and deposits, with fair value greater than the outstanding loan amounts. No margin loans were considered to be credit impaired at the end of the reporting periods.
- (2) Majority of demand loans were fully secured by collateral in the form of listed stocks, bonds, properties, insurance policies and deposits, with fair value of collaterals generally greater than the outstanding loan amounts. Approximately HK\$1.3 million provision was made as at 31 December 2023 for those classified as stage 3 credit-impaired loans (2022: HK\$1.3 million provision).
- (3) Secured term loans to individuals and corporates are fully secured 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.
- (4) Repo loans are secured by listed stocks and debt securities as collateral as at 31 December 2023.
- (5) Statutory deposits are placed with regulators and considered to have minimal risk.
- (6) There was no significant 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\$6,470 million (2022: HK\$4,790 million) is receivables from dealing 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 31, 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.

A provision of approximately HK\$59 million (2022: HK\$58 million) was made as at 31 December 2023 for those classified as credit-impaired fees and receivables. There was no reversal of impairment provision for fees and receivables in 2023 (2022: Nil).

- (7) Financial assets at fair value through other comprehensive income are mainly unlisted club debentures with insignificant credit risk exposure.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Credit risk (continued)

3.2.5 Maximum exposure to credit risk before collateral held or other credit enhancement (continued)

- (8) Debt instruments at amortised costs represent Hong Kong Exchange Fund Bills, United States Treasury Bills and other debt securities issued by the HKMA, the United States Department of the Treasury and public interest entities respectively. They constitute direct, unsecured, unconditional and general obligations of the issuers. No debt instruments at amortised cost were considered to be impaired.
- (9) 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.
- (10) Cash and balances with banks were deposited in reputable banks including 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 31) with minimum credit risk.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

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:

	2023 HK\$'000	2022 HK\$'000
Loans to customers		
Neither past due nor impaired	8,203,798	10,460,999
Past due but not impaired	5,516	1,852
Impaired	1,276	1,273
	<hr/>	<hr/>
Gross	8,210,590	10,464,124
Impairment allowance	(2,301)	(2,345)
	<hr/>	<hr/>
	8,208,289	10,461,779
	<hr/>	<hr/>
Financial assets included in accounts and other receivables		
Neither past due nor impaired	6,594,488	4,818,331
Past due but not impaired	1,137	25,799
Impaired	59,322	57,457
	<hr/>	<hr/>
Gross	6,654,947	4,901,587
Impairment allowance	(59,970)	(57,712)
	<hr/>	<hr/>
	6,594,977	4,843,875
	<hr/>	<hr/>
Total	<u><u>14,803,266</u></u>	<u><u>15,305,654</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

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 that were past due but not impaired were as follows:

	2023 HK\$'000		2022 HK\$'000	
	Margin loans	Account receivables from dealing in securities	Margin loans	Account receivables from dealing in securities
Individual				
Past due 1 day	5,516	539	209	-
Past due 2 to 5 days	-	-	242	-
Past due 6 to 30 days	-	-	-	2
Past due 31 to 90 days	-	-	-	-
Past due over 90 days	-	598	-	610
Sub-total	<u>5,516</u>	<u>1,137</u>	<u>451</u>	<u>612</u>
Fair value of collateral	<u>98,985</u>	<u>6,892</u>	<u>113,193</u>	<u>267</u>
Corporate				
Past due 1 day	-	-	1,401	25,187
Past due 2 to 5 days	-	-	-	-
Past due 6 to 30 days	-	-	-	-
Past due 31 to 90 days	-	-	-	-
Past due over 90 days	-	-	-	-
Sub-total	<u>-</u>	<u>-</u>	<u>1,401</u>	<u>25,187</u>
Fair value of collateral	<u>-</u>	<u>-</u>	<u>6,805</u>	<u>-</u>
Total loans and receivables that were past due but not impaired	<u>5,516</u>	<u>1,137</u>	<u>1,852</u>	<u>25,799</u>
Total fair value of collateral	<u>98,985</u>	<u>6,892</u>	<u>119,998</u>	<u>267</u>

All other financial assets in loans and receivables are neither past due nor impaired.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Credit risk (continued)

3.2.7 Impairment allowances

The Group has below financial assets that are subject to the ECL model, the maximum exposure of these financial assets equal to each of their carrying amounts.

- Financial assets at fair value through other comprehensive income
- Statutory deposits and other assets
- Debt instruments at amortised cost
- Financial assets included in loans and receivables, excluding the receivables arising from corporate financial services
- Amounts due from the immediate holding company
- Cash and balances with bank

The Group assessed the ECL of the above financial assets by applying a general ('three-stage') impairment model based on changes in credit quality since initial recognition of financial assets as summarised below:

Stage 1: A loss allowance for a financial instrument should be measured at an amount equal to 12-month ECL if the credit risk on that financial instrument has not increased significantly since initial recognition.

Stage 2: A loss allowance for a financial instrument should be measured at an amount equal to the lifetime ECL if the credit risk on that financial instrument has increased significantly since initial recognition.

Stage 3: Lifetime ECL are recognised on the financial instrument if the credit risk of a financial instrument increases to the point that it is considered credit-impaired.

The following diagram summaries the impairment requirements under HKFRS 9 (other than purchased or originated credit-impaired financial assets):

Stage 1	Stage 2	Stage 3
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

For those financial assets classified in stage 1 and 2, the Group establishes model for measuring the ECL by using a statistical approach. This approach involves estimation of four risk parameters, i.e. Probability of Default ("PD"), Loss Given Default ("LGD"), Exposure at Default ("EAD") and expected life, as well as the use of effective interest rate ("EIR") and forward-looking information.

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3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Credit risk (continued)

3.2.7 Impairment allowances (continued)

For those financial assets classified in stage 3, the Group assesses the ECL by measuring the recoverable amount for each credit-impaired asset.

Definition of default and credit-impaired assets

In general, financial assets will be considered as credit-impaired when hitting 90 or above days past due while it is observed that some financial assets, for example, bank deposits and interbank borrowings, cash at banks with low credit risk tolerance will be considered as credit-impaired when hitting 30 or above days past due. Financial asset is credit-impaired when one or more events that have occurred and have a significant impact on the expected future cash flows of the financial assets, which include the following events:

- Significant financial difficulties of the issuer or borrower;
- A breach of contracts, such as a default or past-due event for more than 91 days;
- The lenders for economic or contractual reasons relating to the borrower's financial difficulty granted the borrower a concession that would not otherwise be considered;
- It becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for the financial asset because of financial difficulties;
- The purchase or origination of a financial asset at a deep discount that reflects incurred credit losses; or

Default under the definition of HKFRS 9 is considered occurred when one of the following conditions is met:

- Loans or receivables which are considered uncollectible after exhausting all collection efforts, have no asset value and have already been classified as "loss";
- A debtor with difficulty in repayment applies for debt restructuring to cut the outstanding debt; and
- Loans or receivables require to be written off as specified by the local regulatory authorities.

Staging criteria

Movement between Stages 1, 2 and 3 is based on a set of predefined criteria whereas the Group has adopted a guideline to identify significant increase in credit risk since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition that is consistent with the internal credit risk management strategy. The criteria included, but not limited to, the following elements:

- External/internal credit rating;
- Days past due record;
- Loan classification for loan portfolio; and
- Other credit risk events, such as margin call, force liquidation, bankruptcy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Credit risk (continued)

3.2.7 Impairment allowances (continued)

Staging criteria (continued)

The financial assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group. No significant changes to estimation techniques or assumptions were made during the reporting period.

Multiple scenarios and forward-looking information

ECL is calculated as a probability-weighted product of the PD, LGD and present value of exposure at default discounted at effective interest rate across scenarios. Three scenarios are adopted in the probability-weighted ECL which included the Baseline, Upside, and Downside scenarios which presented different severity under the respective macroeconomic scenarios.

The Group considers both historical loss experience and current observable data, and uses reasonable and supportable information of future economic forecasts to estimate the amount of ECL. The Group adopted macroeconomic forecast data for countries/regions that have material impact to the Group's business. Besides, with reference to the macroeconomic factors ("MEF") normally adopted in International Monetary Fund ("IMF") stress testing, the regional macroeconomic factors ("MEF"), including Gross Domestic Product ("GDP"), Consumer Price Index ("CPI"), Unemployment Rate ("URATE"), Property Price Index ("PPI"), Equity Price Index ("EQI") and Interest Rate ("INT") were considered in the LGD modelling for forward-looking adjustment. The Group then applies regression analysis, a commonly-adopted statistical method, to identify the most relevant MEFs from these MEFs for each of the LGD models employed. The Group adopted MEF forecasts and probability data from external vendor to ensure independence for unbiased ECL measurement.

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables arising from business of corporate finance activities and financial advisory. The expected loss rates are based on historical loss rates adjusted to reflect current and forward-looking information. External ratings, where available, are used by management for managing ECL of the trade receivables arising from business of corporate finance activities and financial advisory.

Of the above financial assets, management considers that statutory deposits and other assets, amounts due from the immediate holding company, amounts due from a fellow subsidiary and amounts due from a related company are subject to 12-month ECL (stage 1) and the identified impairment loss is insignificant as the Group has no default history on such financial assets in past 5 years. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the counterparties to settle the amount due to the Group. As a result, the impairment loss as assessed was immaterial.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Credit risk (continued)

3.2.7 Impairment allowances (continued)

Multiple scenarios and forward-looking information (Continued)

Analysis of the gross carrying amount and recognised ECL according to the stage of ECL of financial instruments for which an ECL is recognised was presented in the respective notes to the consolidated financial statements.

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. BOCI ALMD 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 BOCI 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; and
- Foreign exchange rate derivatives: forwards, options, swaps.

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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 flows.

<b>At 31 December 2023</b>	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
<b>Non-derivative cash outflow liabilities</b>					
Subordinated loans from the immediate holding company	2,512,782	-	-	-	2,512,782
Bank loans	392,846	-	-	-	392,846
Amounts due to the immediate holding company	2,945,591	360,295	236,399	-	3,542,285
Amounts due to fellow subsidiaries	3,032	-	-	-	3,032
Amounts due to a related company	330	-	-	-	330
Financial liabilities included in accounts and other payables	6,047,356	155	138	-	6,047,649
Lease liabilities	1,570	3,139	14,125	7,848	26,682
Deposits from customers	1,975,107	1,587,094	769,232	-	4,331,433
	<u>13,878,614</u>	<u>1,950,683</u>	<u>1,019,894</u>	<u>7,848</u>	<u>16,857,039</u>
<b>Cash flow from derivative financial assets and liabilities</b>					
Settled on net basis	-	-	-	-	-
Settled on gross basis					
Total inflow	362,866	13,658	20,039	-	396,563
Total (outflow)	(369,384)	(15,238)	(26,488)	(1,688)	(412,798)
	<u>(6,518)</u>	<u>(1,580)</u>	<u>(6,449)</u>	<u>(1,688)</u>	<u>(16,235)</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Liquidity risk (continued)

3.3.1 Undiscounted cash flows by contractual maturities (continued)

<b>At 31 December 2022</b>	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
<b>Non-derivative cash outflow liabilities</b>					
Subordinated loans from the immediate holding company	2,511,155	-	-	-	2,511,155
Amounts due to the immediate holding company	2,677,104	13,125	18,594	-	2,708,823
Amounts due to fellow subsidiaries	2,327	-	-	-	2,327
Amounts due to a related company	336	-	-	-	336
Financial liabilities included in accounts and other payables	4,411,888	-	4,870	2,657	4,419,415
Lease liabilities	1,570	3,139	14,126	26,682	45,517
Deposits from customers	3,780,686	196,505	306,939	-	4,284,130
Financial liabilities at fair value through profit or loss	2,982	-	-	-	2,982
	<u>13,388,048</u>	<u>212,769</u>	<u>344,529</u>	<u>29,339</u>	<u>13,974,685</u>
<b>Cash flow from derivative financial assets and liabilities</b>					
Settled on net basis	-	-	-	-	-
Settled on gross basis					
Total inflow	714,215	28,905	87,314	-	830,434
Total (outflow)	(680,727)	(43,350)	(130,412)	-	(854,489)
	<u>33,488</u>	<u>(14,445)</u>	<u>(43,098)</u>	<u>-</u>	<u>(24,055)</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.4 Financial instruments by category

The carrying amount of each of the categories of financial instruments as at the end of the reporting period are as below:

At 31 December 2023	Financial assets at fair value through profit or loss HK\$'000	Financial assets through other comprehensive income HK\$'000	Financial assets at amortised cost HK\$'000	Total HK\$'000	
<u>Financial assets</u>					
Statutory deposits and other assets	-	-	95,111	95,111	
Financial assets at fair value through other comprehensive income	-	300	-	300	
Debt instruments at amortised cost	-	-	3,578,026	3,578,026	
Financial assets at fair value through profit or loss	175,020	-	-	175,020	
Derivatives financial instruments	69,112	-	-	69,112	
Amounts due from the immediate holding company	-	-	7,691,812	7,691,812	
Financial assets included in account and other receivables	-	-	6,594,977	6,594,977	
Loans to customers	-	-	8,208,289	8,208,289	
Cash and balances with banks	-	-	4,178,992	4,178,992	
Total	<u>244,132</u>	<u>300</u>	<u>30,347,207</u>	<u>30,591,639</u>	
At 31 December 2023			Financial liabilities at fair value through profit or loss HK\$'000	Financial liabilities at amortised cost HK\$'000	Total HK\$'000
<u>Financial liabilities</u>					
Lease Liabilities			-	26,142	26,142
Subordinated loans from the immediate holding company			-	2,500,000	2,500,000
Bank loans			-	392,846	392,846
Amounts due to the immediate holding company			-	3,533,363	3,533,363
Amounts due to fellow subsidiaries			-	3,032	3,032
Amounts due to a related company			-	330	330
Financial liabilities included in accounts and other payables			-	6,047,649	6,047,649
Deposits from customers			-	4,246,071	4,246,071
Derivative financial instruments			94,032	-	94,032
Total			<u>94,032</u>	<u>16,749,433</u>	<u>16,843,465</u>

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3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.4 Financial instruments by category

At 31 December 2022	Financial assets at fair value through profit or loss HK\$'000	Financial assets through other comprehensive income HK\$'000	Financial assets at amortised cost HK\$'000	Total HK\$'000
<u>Financial assets</u>				
Statutory deposits and other assets	-	-	117,449	117,449
Financial assets at fair value through other comprehensive income	-	300	-	300
Debt instruments at amortised cost	-	-	993,213	993,213
Financial assets at fair value through profit or loss	176,825	-	-	176,825
Derivatives financial instruments	213,331	-	-	213,331
Amounts due from the immediate holding company	-	-	4,617,005	4,617,005
Financial assets included in account and other receivables	-	-	4,843,875	4,843,875
Loans to customers	-	-	10,461,779	10,461,779
Cash and balances with banks	-	-	5,152,291	5,152,291
<b>Total</b>	<b>390,156</b>	<b>300</b>	<b>26,185,612</b>	<b>26,576,068</b>
At 31 December 2022		Financial liabilities at fair value through profit or loss HK\$'000	Financial liabilities at amortised cost HK\$'000	Total HK\$'000
<u>Financial liabilities</u>				
Lease Liabilities		-	43,994	43,994
Subordinated loans from the immediate holding company		-	2,500,000	2,500,000
Amounts due to the immediate holding company		-	2,706,555	2,706,555
Amounts due to fellow subsidiaries		-	2,327	2,327
Amounts due to a related company		-	336	336
Financial liabilities included in accounts and other payables		-	4,419,415	4,419,415
Deposits from customers		-	4,113,346	4,113,346
Derivative financial instruments		261,626	-	261,626
Financial liabilities at fair value through profit or loss		2,982	-	2,982
<b>Total</b>		<b>264,608</b>	<b>13,785,973</b>	<b>14,050,581</b>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.5 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\$18,800,532 (2022: gain of HK\$62,944,702).

(b) Financial instruments not measured at fair value

For financial instruments that are not measured in fair value, including debt instruments at amortised cost, loans and receivables, cash and balances with banks, amounts due from/to the immediate holding company, subordinated loan from the immediate holding company, amounts due from/to fellow subsidiaries, amounts due to a related company, accounts and other payables, statutory deposits and other assets and deposits from customers, their carrying amounts approximate the fair values.

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3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.5 Fair value of financial assets and liabilities (continued)

(c) Fair value hierarchy

HKFRS 13 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 and the OTC derivative contracts.

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes debt or equity instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

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3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.5 Fair value of financial assets and liabilities (continued)

3.5.1 Assets and liabilities measured at fair value

At 31 December 2023	Level 1 HK\$'000	Level 2 HK\$'000	Total HK\$'000
Financial assets at fair value through profit or loss			
- Equity securities	175,020	-	175,020
Derivatives financial instruments - assets	-	69,112	69,112
Financial assets at fair value through other comprehensive income			
- Club debentures	-	300	300
Total	<u>175,020</u>	<u>69,412</u>	<u>244,432</u>
Derivatives financial instruments - liabilities	-	94,032	94,032
Total	<u>-</u>	<u>94,032</u>	<u>94,032</u>
At 31 December 2022	Level 1 HK\$'000	Level 2 HK\$'000	Total HK\$'000
Financial assets at fair value through profit or loss			
- Equity securities	176,825	-	176,825
Derivatives financial instruments - assets	-	213,331	213,331
Financial assets at fair value through other comprehensive income			
- Club debentures	-	300	300
Total	<u>176,825</u>	<u>213,631</u>	<u>390,456</u>
Financial liabilities at fair value through profit or loss			
- Equity securities	2,982	-	2,982
Derivatives financial instruments - liabilities	-	261,626	261,626
Total	<u>2,982</u>	<u>261,626</u>	<u>264,608</u>

During the years ended 31 December 2023 and 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.6 Capital management

The Group's objectives when managing capital, which is a broader concept than the "equity" which include all the Group's consolidated equity of HK\$13,599,449,079 (2022: HK\$12,446,443,531) presented in the consolidated statement of financial position and the subordinated loans from the immediate holding company of HK\$2,500,000,000 (2022: 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 regulated 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 management of the banking subsidiary, employing techniques based on the Hong Kong Banking (Capital) Rules. The required information is filed with the HKMA on a quarterly basis.

In addition, the Company and certain subsidiaries 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 2023 and 2022, 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.

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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 BOCI 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            | <ul style="list-style-type: none"><li>• Provides a wide range of securities origination services for issuer clients, including underwriting and placement of public and private equity, debt and related securities.</li><li>• Advises clients on mergers, acquisitions and restructurings.</li></ul> |
| Brokerage & wealth management | <ul style="list-style-type: none"><li>• Provides brokerage and margin financing service to individual and institutional clients.</li></ul>  |
| Private banking               | <ul style="list-style-type: none"><li>• Provides a range of private banking services for high net-worth individual clients and corporate clients.</li></ul>   |
| Fixed income & equity market  | <ul style="list-style-type: none"><li>• Facilitates client transactions and makes markets in securities, derivatives, currencies, commodities and other financial instruments to satisfy client demands.</li><li>• Engages in principal and in proprietary trading activities.</li></ul>              |
| Leverage & structured finance | <ul style="list-style-type: none"><li>• Provides structured financing and financial advisory services.</li></ul>  |
| Treasury and others           | <ul style="list-style-type: none"><li>• Provides central treasury services on behalf of Group companies.</li></ul>  |

No segment assets and segment liabilities are disclosed as no such information are presented to the BOCI EC of BOCI Group, 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.

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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 31 for details of the related party transactions.

The Group's segment results for the years ended 31 December 2023 and 2022 were as follows:

	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
31 December 2023								
Total income – external	83,005	2,317,786	295,491	312,427	21,403	282,285	-	3,312,397
Total income – inter-segment	-	-	-	-	-	37,736	(37,736)	-
Commission and clearing expense	(5)	(434,507)	(5,067)	(40,639)	-	(510)	-	(480,728)
Depreciation and amortisation	-	(3,518)	-	(14,766)	-	(1,522)	-	(19,806)
Other operating expenses	(120,803)	(262,518)	(165,071)	(262,977)	(8,288)	144,146	-	(675,511)
Finance costs – external	-	(4,025)	(9,997)	(7,571)	(1)	(244,751)	-	(266,345)
Finance costs – inter-segment	-	-	(37,736)	-	-	-	37,736	-
Segment results	(37,803)	1,613,218	77,620	(13,526)	13,114	217,384	-	1,870,007
Unallocated cost								(687,231)
Operating profits								1,182,776
31 December 2022								
Total income – external	63,883	1,946,848	377,303	158,679	20,418	20,786	-	2,587,917
Total income – inter-segment	-	-	-	-	-	45,109	(45,109)	-
Commission and clearing expense	-	(551,991)	(3,886)	(42,445)	-	(2,331)	-	(600,653)
Depreciation and amortisation	-	(8,354)	-	(9,841)	-	(1,515)	-	(19,710)
Other operating expenses	(121,760)	(323,114)	(182,054)	(222,722)	(7,617)	55,807	-	(801,460)
Finance costs – external	-	(5,582)	(5,826)	(5,413)	(4)	(96,595)	-	(113,420)
Finance costs – inter-segment	-	-	(45,109)	-	-	-	45,109	-
Segment results	(57,877)	1,057,807	140,428	(121,742)	12,797	21,261	-	1,052,674
Unallocated cost								(693,427)
Operating profits								359,247

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5. REVENUE AND TRADING GAIN, NET

(a) Revenue

	2023 HK\$	2022 HK\$
<i>Revenue from contracts with customers and dividend income</i>		
Brokerage commission	871,650,772	1,275,066,724
Underwriting and placement commission	30,297,365	30,778,276
Corporate finance income	116,989,864	90,626,689
	<u>1,018,938,001</u>	<u>1,396,471,689</u>
Dividend income from listed equity securities held for trading	18,968,176	20,658,523
	<u>1,037,906,177</u>	<u>1,417,130,212</u>
	-----	-----
Interest income from bank deposits, loans to customers and balances from banks and other financial institutions (note)	1,560,138,733	924,625,360
	<u>1,560,138,733</u>	<u>924,625,360</u>
	-----	-----
Total	<u><u>2,598,044,910</u></u>	<u><u>2,341,755,572</u></u>

Note:

The amount includes interest income of HK\$629,835,893 (2022: HK\$467,890,727) from those bank deposits and loans to customers at amortised cost, and other interest income of HK\$930,302,840 (2022: HK\$456,731,633) from trust accounts with authorized institutions not otherwise dealt with in the consolidated financial statements.

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5. REVENUE AND TRADING GAIN, NET (CONTINUED)

(b) Trading gain, net

	2023 HK\$	2022 HK\$
Net realised/unrealised gain/(loss) on financial assets and financial liabilities at fair value through profit or loss (note)		
- Equity securities	(27,313,089)	(167,314,682)
- Debt securities	63,369,360	53,313,952
- Derivative financial instruments	157,627,856	150,890,878
	<u>193,684,127</u>	<u>36,890,148</u>
Trading gain from listed investments	108,647,868	5,919,025
Trading gain from unlisted investments	85,036,259	30,971,123
	<u>193,684,127</u>	<u>36,890,148</u>

Note:

Net realised/unrealised gain/(loss) on financial assets and financial liabilities through profit or loss includes interest income and interest expenses arising from financial assets and financial liabilities at fair value through profit or loss.

6. OTHER INCOME

	Notes	2023 HK\$	2022 HK\$
Management fee income from related companies	31	41,702,452	58,265,333
Handling and custodian fees		89,434,876	91,834,613
Foreign exchange gain/(loss), net		2,561,588	(14,390,118)
Interest income from			
- Lending to BOCI Group companies		242,704,398	53,034,710
- Debt instruments at amortised cost		109,017,919	8,592,476
- Others		31,808,524	11,707,086
Others		3,438,044	226,744
		<u>520,667,801</u>	<u>209,270,844</u>

During the years ended 31 December 2023 and 2022, all interest income was calculated using the effective interest rate method.



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7. STAFF COSTS

	2023 HK\$	2022 HK\$
Wages, salaries, other allowances and unutilised annual leave	343,103,528	380,016,133
Discretionary bonus and other long-term employee benefits	35,823,755	130,119,742
Pension costs - defined contribution plans	27,909,916	28,116,416
Staff medical, recruitment, training, welfare expenses and termination benefits	14,897,487	15,170,515
	<u>421,734,686</u>	<u>553,422,806</u>

Staff costs include directors' remuneration (note 8).

8. DIRECTORS' REMUNERATION

The following disclosures are made pursuant to section 383(1)(a) to (f) of the Companies Ordinance Cap. 622 and Parts 2 to 4 of the Companies (Disclosure of Information about Benefits of Directors) Regulation Cap. 622G:

	2023 HK\$	2022 HK\$
Basic salaries, housing allowances, other allowances and benefits in kind	10,088,594	9,159,832
Contributions to pension schemes	1,008,859	910,001
Discretionary bonus		
- Short term employee benefits	2,594,387	2,305,849
- Other long-term employee benefits	-	-
	<u>13,691,840</u>	<u>12,375,682</u>

In addition to the directors' remuneration paid by the Group and disclosed above, certain directors of the Company received remuneration from the immediate holding company, which totaled HK\$12,611,295 (2022: HK\$8,762,820), part of which was in respect of their services to the Group. 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.

During the year, no payments were made as compensation for the early termination of the appointment and no consideration was provided to third parties for making available directors' services (2022: Nil). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2022: None).

No significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Group had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2022: None).

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9. NET CHARGE FOR IMPAIRMENT ALLOWANCE

	2023 HK\$	2022 HK\$
Cash and balances with banks (note 23)	(10,828)	206,579
Loans and receivables (note 22)	(2,296,745)	(770,732)
Debt instruments at amortised cost (note 19)	(399,107)	(96,821)
Financial assets at fair value through other comprehensive income	98	(179)
	<u>(2,706,582)</u>	<u>(661,153)</u>

Analysis of the gross carrying amount and recognised ECL according to the stage of ECL of financial instruments for which an ECL is recognised was presented in the respective notes to the consolidated financial statements.

10. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Notes	2023 HK\$	2022 HK\$
Commission expenses		378,655,240	483,620,272
Clearing and settlement expenses		102,072,705	117,032,614
Operating lease related expenses			
- Building management fee and rates	31	7,305,962	6,885,066
- Recharged by the immediate holding company	31	4,075,380	3,647,063
Amortisation of intangible assets	14	1,728,221	1,728,221
Depreciation of right-of-use assets	16(d)	18,077,291	17,981,366
Management fee to related companies	31	687,231,088	693,426,613
Auditor's remuneration		1,095,080	1,045,080
Information technology and communications expenses		<u>142,660,702</u>	<u>142,289,260</u>

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11. FINANCE COSTS

	Note	2023 HK\$	2022 HK\$
Interest expenses:			
- Deposits from customers and securities brokerage clients		20,782,185	16,039,216
- Bank loans, other borrowings and balances from banks and other financial institutions		244,581,553	96,514,887
- Lease liabilities	16(d)	981,594	865,699
		<u>266,345,332</u>	<u>113,419,802</u>

12. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 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	2023 HK\$	2022 HK\$
Current income tax:			
Hong Kong profits tax			
- Current year		38,653,220	32,799,820
- Over-provision in prior years		(12,691,357)	(27,527,435)
Overseas tax			
- Current year		2,480,256	199,262
- Over-provision in prior years		-	-
Deferred income tax	15	(1,378,522)	(31,057)
		<u>27,063,597</u>	<u>5,440,590</u>

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12. INCOME TAX EXPENSE (continues)

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:

	2023 HK\$	2022 HK\$
Profit before taxation	1,180,068,947	359,247,436
Tax calculated at statutory tax rate of 16.5% (2022:16.5%)	194,711,376	59,275,827
Effect of different taxation rates in other countries	2,480,256	199,262
Income not subject to tax	(181,542,298)	(85,126,604)
Expenses not deductible for tax	1,783,174	290,385
Over-provision in prior years	(12,691,357)	(27,527,435)
Unused tax losses not recognised as deferred tax	22,042,740	58,044,889
Temporary difference not recognised	279,706	284,266
Income tax expense	<u>27,063,597</u>	<u>5,440,590</u>

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13. PLANT AND EQUIPMENT

	Leasehold improvements HK\$	Furniture, fixtures and equipment HK\$	Electronic equipment HK\$	Total HK\$
<b>Year ended 31 December 2023</b>				
Opening net book amount	-	-	-	-
Depreciation	-	-	-	-
Net book amount	-	-	-	-
<b>At 31 December 2023</b>				
Cost	6,563,455	1,113,554	47,665,278	55,342,287
Accumulated depreciation	(6,563,455)	(1,113,554)	(47,665,278)	(55,342,287)
Net book amount	-	-	-	-
<b>Year ended 31 December 2022</b>				
Opening net book amount	-	-	-	-
Depreciation	-	-	-	-
Net book amount	-	-	-	-
<b>At 31 December 2022</b>				
Cost	6,563,455	1,113,554	47,665,278	55,342,287
Accumulated depreciation	(6,563,455)	(1,113,554)	(47,665,278)	(55,342,287)
Net book amount	-	-	-	-

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14. INTANGIBLE ASSETS

	Goodwill HK\$	Computer software HK\$	Others HK\$	Total HK\$
<b>At 1 January 2022</b>				
Cost	64,629,784	83,751,707	8,641,105	157,022,596
Accumulated amortisation	(14,914,566)	(83,751,707)	(5,184,663)	(103,850,936)
Net book amount	<u>49,715,218</u>	<u>-</u>	<u>3,456,442</u>	<u>53,171,660</u>
Year ended 31 December 2022				
Opening net book amount	49,715,218	-	3,456,442	53,171,660
Amortisation	-	-	(1,728,221)	(1,728,221)
Closing net book amount	<u>49,715,218</u>	<u>-</u>	<u>1,728,221</u>	<u>51,443,439</u>
<b>At 31 December 2022 and 1 January 2023</b>				
Cost	64,629,784	83,751,707	8,641,105	157,022,596
Accumulated amortisation	(14,914,566)	(83,751,707)	(6,912,884)	(105,579,157)
Net book amount	<u>49,715,218</u>	<u>-</u>	<u>1,728,221</u>	<u>51,443,439</u>
Year ended 31 December 2023				
Opening net book amount	49,715,218	-	1,728,221	51,443,439
Amortisation	-	-	(1,728,221)	(1,728,221)
Closing net book amount	<u>49,715,218</u>	<u>-</u>	<u>-</u>	<u>49,715,218</u>
<b>At 31 December 2023</b>				
Cost	64,629,784	83,751,707	8,641,105	157,022,596
Accumulated amortisation	(14,914,566)	(83,751,707)	(8,641,105)	(107,307,378)
Net book amount	<u>49,715,218</u>	<u>-</u>	<u>-</u>	<u>49,715,218</u>

The goodwill in the Group is mostly attributable to securities brokerage business, the cash-generating units ("CGU"). No impairment loss was noted in 2023 and 2022, as the CGU involved was continue to be profitable.

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15. DEFERRED INCOME TAX ASSETS

	Notes	Accelerated tax depreciation HK\$	Impairment allowances HK\$	Tax loss HK\$	Total HK\$
At 1 January 2022		537,132	140,715	-	677,847
Recognised in the consolidated income statement	12	(81,006)	112,063	-	31,057
At 31 December 2022 and 1 January 2023		456,126	252,778	-	708,904
Recognised in the consolidated income statement	12	(49,229)	111,967	1,315,784	1,378,522
At 31 December 2023		406,897	364,745	1,315,784	2,087,426

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 did not recognise deferred income tax assets of approximately HK\$129,317,134 (2022: HK\$107,274,394) in respect of losses amounting to approximately HK\$783,740,204 (2022: HK\$650,147,841) that can be carried forward against future taxable income. These tax losses have no expiry date.

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16. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(a) Right-of-use assets

	2023 HK\$	2022 HK\$
At 1 January	43,686,787	7,436,279
Additions	-	54,231,874
Depreciation	(18,077,291)	(17,981,366)
	<u>25,609,496</u>	<u>43,686,787</u>
At 31 December	<u><u>25,609,496</u></u>	<u><u>43,686,787</u></u>

(b) Lease liabilities

	2023 HK\$	2022 HK\$
At 1 January	43,994,078	7,777,690
Additions	-	54,184,785
Accretion of interest	981,594	865,699
Payments	(18,834,096)	(18,834,096)
	<u>26,141,576</u>	<u>43,994,078</u>
At 31 December	<u><u>26,141,576</u></u>	<u><u>43,994,078</u></u>

(c) Maturity profile of lease liabilities

	2023 HK\$	2022 HK\$
-Within one year	18,834,096	18,834,096
-After one year but within five years	7,847,540	26,681,636
	<u>26,681,636</u>	<u>45,515,732</u>
Lease liabilities (undiscounted)	26,681,636	45,515,732
Discount amount	(540,060)	(1,521,654)
	<u>26,141,576</u>	<u>43,994,078</u>
Lease liabilities (discounted)	<u>26,141,576</u>	<u>43,994,078</u>
Current	<u>18,347,466</u>	<u>17,852,502</u>
Non-current	<u>7,794,110</u>	<u>26,141,576</u>

The weighted average incremental borrowing rate applied to the lease liabilities recognised at 31 December 2023 was 2.74% (2022: 2.74%).



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16. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

(d) Amounts recognised in the consolidated income statement for the years ended 31 December 2023 and 2022

	2023 HK\$	2022 HK\$
Depreciation expense of right-of-use assets	18,077,291	17,981,366
Interest expenses on lease liabilities	981,594	865,699
	<u>19,058,885</u>	<u>18,847,065</u>
Total amount recognised in profit or loss	<u>19,058,885</u>	<u>18,847,065</u>

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023 HK\$	2022 HK\$
Club debentures, unlisted	<u>300,000</u>	<u>299,704</u>

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 HK\$	2022 HK\$
Trading securities - at fair value		
- Equity securities, listed in Hong Kong	<u>175,019,570</u>	<u>176,824,838</u>
Market value of listed equity securities	<u>175,019,570</u>	<u>176,824,838</u>

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19. DEBT INSTRUMENTS AT AMORTISED COST

	2023 HK\$	2022 HK\$
Hong Kong Exchange Fund Bills	447,483,938	797,911,003
United States Treasury Bills	982,398,924	-
Other debt securities, unlisted	2,148,657,267	195,416,388
Less: Allowance for impairment losses – Stage 1	(513,946)	(114,839)
	<u>3,578,026,183</u>	<u>993,212,552</u>
Analysed by type of issuers as follows:		
Sovereigns	1,429,794,157	797,866,087
Public sector entity	1,150,742,093	195,346,465
Bank	997,489,933	-
	<u>3,578,026,183</u>	<u>993,212,552</u>
Analysed by issue specific credit rating as follows:		
AA+ to AA-	2,580,536,250	993,212,552
A+ to A-	997,489,933	-
	<u>3,578,026,183</u>	<u>993,212,552</u>

The movement in debt instruments at amortised cost is summarised as follow:

	2023 HK\$	2022 HK\$
At 1 January	993,212,552	699,974,585
Additions	10,623,924,045	2,984,742,312
Redemptions	(8,147,729,226)	(2,700,000,000)
	<u>3,469,407,371</u>	<u>984,716,897</u>
Change in impairment allowance	(399,107)	(96,821)
Amortization	109,017,919	8,592,476
	<u>3,578,026,183</u>	<u>993,212,552</u>
At 31 December	<u>3,578,026,183</u>	<u>993,212,552</u>

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19. DEBT INSTRUMENTS AT AMORITISED COST (CONTINUED)

The movement in allowance for impairment of debt instruments at amortised cost is as follows:

	2023 HK\$	2022 HK\$
Beginning of year – Stage 1	114,839	18,018
Net charge during the year – Stage 1 (note 9)	399,107	96,821
	<u>513,946</u>	<u>114,839</u>
At 31 December	<u><u>513,946</u></u>	<u><u>114,839</u></u>

Analysis of the gross carrying amount of debt instruments at amortised cost for which an ECL is recognised as follows according to the stage of ECL:

	Stage 1 12-month ECL HK\$	Total HK\$
Gross carrying amount as at 1 January 2022	699,992,603	699,992,603
Originated or purchased financial assets	2,984,742,312	2,984,742,312
Redemptions and others	(2,691,407,524)	(2,691,407,524)
	<u>993,327,391</u>	<u>993,327,391</u>
Gross carrying amount as at 31 December 2022 and 1 January 2023	993,327,391	993,327,391
Originated or purchased financial assets	10,623,924,045	10,623,924,045
Redemptions and others	(8,038,711,307)	(8,038,711,307)
	<u>3,578,540,129</u>	<u>3,578,540,129</u>
Gross carrying amount as at 31 December 2023	<u><u>3,578,540,129</u></u>	<u><u>3,578,540,129</u></u>

There were no overdue of debt instruments at amortised cost of the Group as at 31 December 2023 and 2022.

As at 31 December 2023, debt instruments at amortised cost were classified under Stage 1.

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20. BANK LOANS

	2023 HK\$	2022 HK\$
Bank loans – unsecured	392,845,852	-

At 31 December 2023, the bank loan of the Group was unsecured, borne prevailing market interest rate and repayable within 3 month.

As at 31 December 2023, the Group has banking facilities of HK\$958,000,000 (2022: HK\$958,000,000) from authorized financial institutions in Hong Kong, of which HK\$390,580,000 (2022: Nil) banking facilities has been drawn down.

21. 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).

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21. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

<b>Derivatives</b>	<b>Description</b>
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 foreign exchange rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an exchange of currencies.

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 parameter.

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.

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21. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	Notional amount HK\$'000	Assets HK\$	Liabilities HK\$
Derivatives – held for trading			
At 31 December 2023			
Exchange rate contracts	1,902,274	4,590,699	4,650,341
Equity contracts	4,222,365	64,521,147	89,381,572
		<u>69,111,846</u>	<u>94,031,913</u>
At 31 December 2022			
Exchange rate contracts	732,505	2,539,495	3,107,690
Equity contracts	7,676,876	210,791,935	258,517,820
		<u>213,331,430</u>	<u>261,625,510</u>

22. LOANS AND RECEIVABLES

	2023 HK\$	2022 HK\$
Account receivables from dealing in securities	6,470,336,248	4,788,633,421
Fees and commission receivable	110,970,828	89,599,399
Deposits, prepayments and other receivables	120,514,258	54,857,977
Loans to customers	8,210,590,039	10,464,124,075
Gross	<u>14,912,411,373</u>	<u>15,397,214,872</u>
Less: Impairment allowance	<u>(62,270,225)</u>	<u>(60,057,517)</u>
	<u>14,850,141,148</u>	<u>15,337,157,355</u>

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22. LOANS AND RECEIVABLES (CONTINUED)

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

As at 31 December 2023, deposits, prepayments and other receivables included prepaid expenses of HK\$46,874,931 (2022: HK\$31,503,981).

As at 31 December 2023, the loans to customers, which included approximately HK\$5,972 million (2022: HK\$7,511 million) of receivables from margin clients and repo loans, were secured by listed securities held as collateral of fair value of HK\$33,367 million (2022: HK\$40,761 million) and cash deposits of HK\$183 million (2022: HK\$313 million). The Group is permitted to sell or re-pledge such collateral. As at 31 December 2023 and 2022, 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, HKFE Clearing Corporation Limited and the Stock Exchange Options Clearing House of approximately HK\$129 million, HK\$52 million and HK\$119 million respectively as at 31 December 2023 (2022: HK\$204 million, HK\$91 million and HK\$87 million respectively).

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.

The movement in the allowance for impairment allowances of loans and receivables is as follows:

Account receivables from dealing in securities, financial assets included in deposits, prepayments and other receivables and loans to customers	Stage 1 HK\$	Stage 3 HK\$	Total HK\$
At 1 January 2022	27,969	1,273,452	1,301,421
Net charge for the year	1,043,727	-	1,043,727
Exchange difference	-	213	213
At 31 December 2022 and 1 January 2023	1,071,696	1,273,665	2,345,361
Net (reversal)/charge for the year	(47,376)	313	(47,063)
Exchange difference	-	2,287	2,287
As at 31 December 2023	1,024,320	1,276,265	2,300,585

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22. LOANS AND RECEIVABLES (CONTINUED)

The movement in the allowance for impairment allowances of loans and receivables is as follows:  
(continued)

Fees and commission receivable	Lifetime ECL (simplified approach) HK\$	Lifetime ECL (simplified approach)-credit impaired HK\$	Total HK\$
At 1 January 2022	528,556	58,347,746	58,876,302
Net reversal for the year	(272,995)	-	(272,995)
Exchange difference	-	(891,151)	(891,151)
At 31 December 2022 and 1 January 2023	255,561	57,456,595	57,712,156
Net charge for the year	391,808	1,952,000	2,343,808
Exchange difference	-	(86,324)	(86,324)
As at 31 December 2023	647,369	59,322,271	59,969,640

Analysis of the gross carrying amount of loans and receivables for which an ECL is recognised as follows according to the stage of ECL:

Account receivables from dealing in securities, financial assets included in deposits, prepayments and other receivables and loans to customers	Stage 1 HK\$	Stage 3 HK\$	Total HK\$
Gross carrying amount as at 1 January 2022	23,193,125,988	1,273,452	23,194,399,440
Net decrease	(7,918,288,161)	-	(7,918,288,161)
Exchange difference	-	213	213
Gross carrying amount as at 31 December 2022 and 1 January 2023	15,274,837,827	1,273,665	15,276,111,492
Net (decrease)/increase	(521,548,478)	313	(521,548,165)
Exchange difference	-	2,287	2,287
Gross carrying amount as at 31 December 2023	14,753,289,349	1,276,265	14,754,565,614



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22. LOANS AND RECEIVABLES (CONTINUED)

Analysis of the gross carrying amount of loans and receivables for which an ECL is recognised as follows according to the stage of ECL: (continued)

Fees and commission receivable	Lifetime ECL (simplified approach) HK\$	Lifetime ECL (simplified approach)- credit impaired HK\$	Total HK\$
Gross carrying amount as at 1 January 2022	40,446,901	58,347,746	98,794,647
Net decrease	(8,304,097)	-	(8,304,097)
Exchange difference	-	(891,151)	(891,151)
Gross carrying amount as at 31 December 2022 and 1 January 2023	<u>32,142,804</u>	<u>57,456,595</u>	<u>89,599,399</u>
Net increase	19,505,753	1,952,000	21,457,753
Exchange difference	-	(86,324)	(86,324)
Gross carrying amount as at 31 December 2023	<u><u>51,648,557</u></u>	<u><u>59,322,271</u></u>	<u><u>110,970,828</u></u>

23. CASH AND BALANCES WITH BANKS

	2023 HK\$	2022 HK\$
Cash at banks and in hand	2,855,528,348	2,844,955,738
Placements with banks		
- with original maturity within three months	1,149,732,492	2,186,935,318
- with original maturity over three months	173,809,092	120,466,373
Gross	<u>4,179,069,932</u>	<u>5,152,357,429</u>
Less: Allowance for impairment losses – Stage 1	(77,550)	(66,722)
	<u><u>4,178,992,382</u></u>	<u><u>5,152,290,707</u></u>

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23. CASH AND BALANCES WITH BANKS (CONTINUED)

The movement in allowance for impairment of cash and balances with banks is as follows:

	2023 HK\$	2022 HK\$
Beginning of year - Stage 1	66,722	273,301
Net charge/(reversal) during the year - Stage 1 (note 9)	10,828	(206,579)
	<u>77,550</u>	<u>66,722</u>
At 31 December	<u><u>77,550</u></u>	<u><u>66,722</u></u>

Analysis of the gross carrying amount of cash and balances with banks for which an ECL is recognised as follows according to the stage of ECL:

	Stage 1 12-month ECL HK\$	Total HK\$
Gross carrying amount as at 1 January 2022	4,879,748,435	4,879,748,435
Net increase	272,608,994	272,608,994
	<u>5,152,357,429</u>	<u>5,152,357,429</u>
Gross carrying amount as at 31 December 2022 and 1 January 2023	5,152,357,429	5,152,357,429
Net decrease	(973,287,497)	(973,287,497)
	<u>4,179,069,932</u>	<u>4,179,069,932</u>
Gross carrying amount as at 31 December 2023	<u><u>4,179,069,932</u></u>	<u><u>4,179,069,932</u></u>

The Group maintains trust accounts with authorized institutions as part of its normal business transactions. At 31 December 2023, trust accounts with authorized institutions not otherwise dealt with in the consolidated financial statements amounted to approximately HK\$21,637 million (2022: HK\$28,600 million).

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24. AMOUNTS DUE TO FELLOW SUBSIDIARIES

Amounts due to fellow subsidiaries are all non-interest bearing with carrying balances approximated 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 securities 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.

As at 31 December 2023 and 2022, the Group did not have any equity securities lending or borrowing to and from the fellow subsidiary.

Furthermore, 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.

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25. 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 2023, an amount of HK\$7,690,161,311 (2022: HK\$4,609,308,168) 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.
- As at 31 December 2023, an amount of HK\$1,650,561 (2022: HK\$7,697,288) was lent to the immediate holding company for the same purpose, which is unsecured, interest free and repayable upon demand.
- As at 31 December 2023, an amount of HK\$2,591,888,271 (2022: HK\$1,658,521,271) was borrowed from the immediate holding company by a subsidiary of the Company for cash management and general funding purpose, which is unsecured, bears prevailing market interest rate and repayable within one year.
- As at 31 December 2023, an amount of HK\$498,682,423 (2022: HK\$498,682,423) was borrowed from the immediate holding company by the Company for the same purpose, which is unsecured, interest free and repayable upon demand.
- As at 31 December 2023, an amount of HK\$442,791,924 (2022: HK\$549,351,045) 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.

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25. 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:

- As of 31 December 2023, an amount of HK\$330,179 (2022: HK\$335,790) was due to an associate of the immediate holding company which is unsecured, interest free and repayable upon demand.

The subordinated loans from the immediate holding company were borrowed by a subsidiary of the Company:

- HK\$1,400 million (2022: HK\$1,400 million) drawn under a loan facility maturing on 30 October 2025. The amount shall be repayable with one month notice.
- HK\$500 million (2022: HK\$500 million), drawn under a loan facility maturing on 30 October 2025. The amount shall be repayable with one month notice.

Both subordinated loans are unsecured, bear interest at 1-month HIBOR plus 50 basis points (2022: 1-month HIBOR plus 50 basis points).

The Company has:

- HK\$600 million (2022: HK\$600 million) drawn under a loan facility. Pursuant to the written consent from the SFC dated 31 December 2013, the maturity date of such loan facility is extended to 22 December 2025 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 (2022: 1-month HIBOR plus 200 basis points).

The loans were approved and allowed by the SFC as subordinated loans for exclusion from ranking liabilities in accordance with section 53(2) of the Hong Kong Securities and Futures (Financial Resources) Rules in the computation of regulatory liquid capital.

26. ACCOUNTS AND OTHER PAYABLES, AND OTHER PROVISIONS

	2023 HK\$	2022 HK\$
Account payables from dealing in securities	5,969,733,006	4,111,209,784
Account payables from securities trading	-	195,416,388
Discretionary bonus provision	134,513,424	153,420,657
Others payables and accrued expenses	88,129,078	105,620,446
	6,192,375,508	4,565,667,275

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26. ACCOUNTS AND OTHER PAYABLES, AND OTHER PROVISIONS (CONTINUED)

The carrying amounts of account payables approximate their fair values.

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 authorized institutions, HKFE Clearing Corporation Limited and Stock Exchange Options Clearing House and other financial institutions, which amounted to approximately HK\$21,937 million as at 31 December 2023 (2022: HK\$28,982 million).

Discretionary bonus provisions represent bonus to be paid to staff. An amount of approximately HK\$5.5 million (2022: HK\$12 million) is due more than one year as at 31 December 2023.

Movement of bonus provision during the financial year are set out below:

	2023 HK\$	2022 HK\$
Carrying amount as at 1 January	153,420,657	174,364,003
Net charged for the year	35,823,755	130,119,742
Settlement made during the year	(54,730,988)	(151,063,088)
Carrying amount as at 31 December	<u>134,513,424</u>	<u>153,420,657</u>

27. DEPOSITS FROM CUSTOMERS

All the deposits from customers are time, call and notice deposits and maturing within 1 year. Deposits from related parties are set out in note 31(a)(viii).

28. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 HK\$	2022 HK\$
Trading securities – at fair value		
- Equity securities, listed in Hong Kong	-	2,982,080
	<u>                    </u>	<u>                    </u>

29. SHARE CAPITAL

	2023 HK\$	2022 HK\$
Issued and fully paid:		
200,000 (2022: 200,000) ordinary shares	<u>2,000,000,000</u>	<u>2,000,000,000</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash flow from operating activities

Reconciliation of profit before taxation to cash generated from operating activities:

	2023 HK\$	2022 HK\$
Profit before taxation	1,180,068,947	359,247,436
Interest income	(1,943,669,574)	(997,959,632)
Interest expense	266,345,332	113,419,802
Dividend income	(18,968,176)	(20,658,523)
Amortisation of intangible assets	1,728,221	1,728,221
Depreciation of right-of-use assets	18,077,291	17,981,366
Net charge for impairment on financial assets	2,706,582	661,153
	<u>(493,711,377)</u>	<u>(525,580,177)</u>
Decrease in statutory deposits and other assets	22,338,391	42,418,501
Decrease in loans and receivables	488,991,020	7,927,393,978
Decrease/(Increase) in derivative financial instruments – assets	144,219,584	(60,551,344)
Decrease in financial assets at fair value through profit or loss	1,805,268	593,001,097
Increase in debt instruments at amortised cost	(2,476,194,819)	(284,742,312)
(Increase)/decrease in cash and balances with banks with original maturity over three months	(53,342,719)	1,989,252,951
Movement in balances with the immediate holding company, net	(2,247,998,537)	(5,174,616,095)
Movement in balances with fellow subsidiaries, net	705,094	552,705
Movement in balances with a related company, net	(5,611)	(31,325)
(Decrease)/increase in derivative financial instruments – liabilities	(167,593,597)	68,014,364
Increase/(decrease) in accounts and other payables	1,626,708,233	(656,282,697)
Increase/(decrease) in deposits from customers	131,569,549	(2,073,853,210)
Decrease in financial liabilities at fair value through profit or loss	(2,982,080)	(25,391,264)
	<u>(3,025,491,601)</u>	<u>1,819,585,172</u>
Cash (used in)/generated from operating activities	<u>(3,025,491,601)</u>	<u>1,819,585,172</u>

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30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Net cash generated from financing activities

Reconciliation of liabilities to net cash generated from financing activities:

	Bank loans HK\$	Lease liabilities HK\$
At 1 January 2022	200,115,171	7,777,690
Changes from financing cash flows		
Repayment of bank loans	(200,000,000)	-
Capital element of lease liabilities	-	(17,968,397)
New lease liabilities arising from additional lease during the year	-	54,184,785
Other changes		
Finance charges on bank loans	78,801	
Interest element on bank loans	(193,972)	
Finance charges on lease liabilities	-	865,699
Interest element of lease liabilities	-	(865,699)
At 31 December 2022	<u>-</u>	<u>43,994,078</u>
At 1 January 2023	-	43,994,078
Changes from financing cash flows		
Proceeds from bank loans	390,580,000	-
Capital element of lease liabilities	-	(17,852,502)
Other changes		
Finance charges on bank loans	2,265,852	-
Interest element on bank loans	-	-
Finance charges on lease liabilities	-	981,594
Interest element of lease liabilities	-	(981,594)
At 31 December 2023	<u>392,845,852</u>	<u>26,141,576</u>

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	2023 HK\$	2022 HK\$
Within operating activities	981,594	865,699
Within financing activities	17,852,502	17,968,397
	<u>18,834,096</u>	<u>18,834,096</u>



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31. 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**

<u>2023</u>	Notes	BOC International Holdings Limited and its subsidiaries HK\$'000	Bank of China Limited and its subsidiaries HK\$'000	Associates of BOC International Holdings Limited HK\$'000
<u>Consolidated income statement</u>				
Interest income from bank deposits	i	7,786	42,231	-
Brokerage commission	ii	36,228	436,643	-
Underwriting and placement commission	iii	-	6,941	-
Management fee income	iv	41,702	-	-
Other income – interest income	i	249,407	2,203	-
Interest expense on loans and other borrowings	vii	(228,134)	-	-
Interest expense on customer deposits	viii	(13)	(364)	-
Interest expense – lease related	xiii	-	(982)	-
Commission expenses arising from brokerage activities	ii	(676)	(187,216)	(243)
Management fee expense	v	(687,231)	-	-
Operating lease related expenses	ix	(4,075)	(7,282)	-
Staff medical, recruitment, training & welfare expenses	x	-	(8,008)	-
Bank charges	xi	-	(3,434)	-
Marketing and business promotion expenses	xii	-	(23,015)	-
		<u>                    </u>	<u>                    </u>	<u>                    </u>

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31. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Summary of transactions entered into during the ordinary course of business with BOC International Holdings Limited and its subsidiaries, Bank of China Limited and its subsidiaries, and associates of BOC International Holdings Limited (continued)

<u>2022</u>	Notes	BOC International Holdings Limited and its subsidiaries HK\$'000	Bank of China Limited and its subsidiaries HK\$'000	Associates of BOC International Holdings Limited HK\$'000
<u>Consolidated income statement</u>				
Interest income from bank deposits	i	1,071	38,594	-
Brokerage commission	ii	20,037	545,448	-
Underwriting and placement commission	iii	-	1,646	-
Corporate finance and other fees	iii	-	12,530	-
Management fee income	iv	58,265	-	-
Other income – interest income	i	53,035	-	-
Interest expense on loans and other borrowings	vii	(95,813)	-	-
Interest expense on customer deposits	viii	(185)	(5)	-
Interest expense – lease related	xiii	-	(866)	-
Commission expenses arising from brokerage activities	ii	(1,488)	(232,890)	-
Management fee expense	v	(693,427)	-	-
Operating lease related expenses	ix	(3,647)	(6,885)	-
Staff medical, recruitment, training & welfare expenses	x	-	(7,809)	-
Bank charges	xi	(5)	(4,047)	-
Marketing and business promotion expenses	xii	-	(21,000)	-
		<u>                    </u>	<u>                    </u>	<u>                    </u>

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31. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Summary of transactions entered into during the ordinary course of business with BOC International Holdings Limited and its subsidiaries, Bank of China Limited and its subsidiaries, and associates of BOC International Holdings Limited (continued)

<u>2023</u>	Notes	BOC International Holdings Limited and its subsidiaries HK\$'000	Bank of China Limited and its subsidiaries HK\$'000	Associates of BOC International Holdings Limited HK\$'000
<u>Consolidated statement of financial position</u>				
Bank balances and cash	i	-	2,553,427	-
Account receivables from dealing in securities	ii	142,692	1,260,616	384,810
Fee and commission receivable	iii	-	29,267	-
Right-of-use assets	xiii	-	25,610	-
Derivative and other financial instruments (assets)	vi	4,597	181	-
		=====	=====	=====
Deposits from customers	viii	212,974	2,173	-
Account payables arising from dealing in securities	ii	541,835	2,608,610	-
Amounts due to a related company	iii	-	-	330
Lease liabilities	xiii	-	26,142	-
Derivative and other financial instruments (liabilities)	vi	14,066	3,845	-
		=====	=====	=====

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31. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Summary of transactions entered into during the ordinary course of business with BOC International Holdings Limited and its subsidiaries, Bank of China Limited and its subsidiaries, and associates of BOC International Holdings Limited (continued)

<u>2022</u>	Notes	BOC International Holdings Limited and its subsidiaries HK\$'000	Bank of China Limited and its subsidiaries HK\$'000	Associates of BOC International Holdings Limited HK\$'000
<u>Consolidated statement of financial position</u>				
Bank balances and cash	i	162,939	3,605,383	-
Account receivables from dealing in securities	ii	220,623	2,395,990	365,311
Fee and commission receivable	iii	-	27,195	-
Right-of-use assets	xiii	-	43,687	-
Derivative and other financial instruments (assets)	vi	4,928	30	-
		<u>          </u>	<u>          </u>	<u>          </u>
Deposits from customers	viii	44,923	2,143	-
Account payables arising from dealing in securities	ii	273,824	2,029,429	-
Amounts due to a related company	iii	-	-	336
Lease liabilities	xiii	-	43,994	-
Derivative and other financial instruments (liabilities)	vi	45,558	2,616	-
		<u>          </u>	<u>          </u>	<u>          </u>

- (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 amounts lent to BOCI Group companies for cash management purpose as disclosed in note 6 and note 25 to the consolidated financial statements.

31 December 2023

31. 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\$36,228,000 and HK\$436,643,000 (2022: approximately HK\$20,037,000 and HK\$545,448,000) 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\$676,000 and HK\$187,216,000 (2022: approximately HK\$1,488,000 and HK\$232,890,000) as commission expenses.

As at 31 December 2023, the Group had a net payable of approximately HK\$466,722,000 to fellow subsidiaries in BOC International Holdings Limited Group and net payable of approximately HK\$1,347,994,000 to Bank of China Limited and its subsidiaries as a result of the above transactions executed (2022: net payable of approximately HK\$53,201,000 to fellow subsidiaries in BOC International Holdings Limited Group and net receivable of approximately HK\$366,561,000 from Bank of China Limited and its subsidiaries).

(iii) Underwriting and placement commission income, corporate finance and other fees and commission expenses

In the ordinary course of business, the Group provided underwriting and placement, and corporate finance service to customers and received commission income. During the year, the Group earned a total income of approximately HK\$6,941 from Bank of China Limited and its subsidiaries (2022: approximately HK\$14,176,000). These commissions earned were executed at the relevant market rates at the time of the transactions. As at 31 December 2023, the Group had an outstanding fee receivable of approximately HK\$29,267,000 from Bank of China Limited and its subsidiaries (2022: approximately HK\$27,195,000).

During the year ended 31 December 2023, the Group had not incurred underwriting commission expense and corporate finance commission expenses payable to Bank of China Limited and its subsidiaries (2022: none).

During the year ended 31 December 2023, the Group had not incurred underwriting commission expense and corporate finance commission expenses payable to a fellow subsidiary (2022: none).

During the year ended 31 December 2023, the Group had not incurred underwriting commission expense and corporate finance commission expenses to an associate of the immediate holding company (2022: none).

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31. 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)**

- (iii) Underwriting and placement commission income, corporate finance and other fees and commission expenses (continued)

Underwriting and placement activity and corporate finance activity were also jointly conducted by the Group and an associate of the immediate holding company. As at 31 December 2023 and 2022, the Group has no outstanding fee receivable from the related party for its services provided. The Group had not earned from a related party during the year ended 31 December 2023 (2022: none).

- (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 subsidiaries, BOC International (Singapore) Pte. Ltd., Bank of China International (UK) Limited, and BOC International (USA) Inc., under which the immediate holding company and the fellow subsidiaries 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 all parties giving not less than one month's written notice.

- (vi) Derivative and other financial instruments (assets/liabilities) and net realised/unrealised gain/(loss) on financial assets and financial liabilities

In the ordinary course of business, the Group entered into foreign exchange swap contracts with its immediate holding company, BOC International Holdings Limited for funding purposes. These transactions were executed at the relevant market rates at the time of the transactions.

In the ordinary course of business, the Group entered into equity contracts and exchange 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.

31 December 2023

31. 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)**

(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 approximately HK\$228,134,000 for the loans obtained from BOC International Holdings Limited (2022: approximately HK\$95,813,000).

(viii) Deposits from customers and interest expense on customer deposits

In the ordinary course of business, the Group accepted deposits from fellow subsidiaries in BOC International Holdings Limited and other subsidiaries of Bank of China Limited. As at 31 December 2023, the outstanding customer deposits amounted to approximately HK\$212,974,000 and HK\$2,173,000 respectively (2022: approximately HK\$44,923,000 and HK\$2,143,000) and interest expenses of approximately HK\$377,000 (2022: approximately HK\$190,000) were paid during the year.

(ix) Operating lease related expenses

In the ordinary course of business, the Group and its immediate holding company, BOC International Holdings Limited have lease agreements with Bank of China Limited and its subsidiaries. The Group was charged for rental, building management fee and rates at the relevant market rate at the time of the transactions.

Also, the Group's immediate holding company, BOC International Holdings Limited, has lease agreements with external parties and the Group was recharged for the operating lease rental by its immediate holding company at the relevant market rate at the time of the transaction.

(x) Staff medical, recruitment, training & welfare expenses

The Group paid fees to Bank of China Limited and its subsidiaries for the insurance and training services provided to the Group.

(xi) Bank charges

In the ordinary course of business, the Group has incurred bank charges to Bank of China Limited and its subsidiaries as a result of its daily operations.

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31. 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)**

(xii) Marketing and business promotion expenses

The Group paid fees to Bank of China Limited and its subsidiaries for the marketing and business promotion services provided to the Group.

(xiii) Right-of-use assets and lease liabilities

The Group has lease agreements with Bank of China Limited and its subsidiaries, under which the Group pays lease payments for the use of underlying right-of-use assets. Under HKFRS 16, the Group recognised right-of-use assets and lease liabilities, representing the right to use the underlying assets and the present value of lease payments to be made over the lease term respectively.

At 31 December 2023, the Group recognised right-of-use assets of HK\$54,231,873 (2022: HK\$54,231,873) with accumulated depreciation of right-of-use assets of HK\$28,622,377 (2022: HK\$10,545,086) and lease liabilities of HK\$26,141,576 (2022: HK\$43,994,078) in respect of the lease agreements signed with Bank of China Limited and its subsidiaries. Interest expense of HK\$981,594 (2022: HK\$865,699) was paid to Bank of China Limited and its subsidiaries for the relevant lease agreements.

(xiv) 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. The Group considered the directors are key managements and their compensation was disclosed in note 8 to the consolidated financial statements.

(xv) As at 31 December 2023, the Group has obtained banking and other facilities amounting to HK\$533,000,000 (2022: approximately HK\$533,000,000) from Bank of China Limited and its subsidiaries. As at 31 December 2023, no amount has been drawn down (2022: Nil).

(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 had not accepted deposits and paid interest expenses (2022: Nil) to the Charity Fund. As at 31 December 2023, there is no outstanding customer deposits (2022: Nil) placed by the Charity Fund.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

*Fair value of derivatives or other financial instruments*

The fair value of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data. Changes in methodologies about these valuation techniques could affect reported fair value of financial instruments.

*Impairment allowance on loans and receivables*

In determining ECL, the Group applies judgement in determining what is considered to be a significant increase in credit risk and in making assumptions and estimates to incorporate relevant information about past events, current conditions and assessment of future economic conditions. Judgement has been applied in determining the lifetime and point of initial recognition of revolving facilities. The probability of default ("PD") and loss given default ("LGD") models which support these determinations are reviewed regularly in light of differences between loss estimates and actual loss experience. Refer to note 3.2.7 to these consolidated financial statements for details.

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32. CRITICAL ACCOUNTING ESTIMATES, AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

*Taxes*

Determining 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.

*Revenue recognition of corporate finance income on sponsorship fees*

The Group generates corporate finance income from sponsorship services. Revenue is recognised on a project basis over time based on work-in-progress method. The stage of completion assessment is made to determine the amount of revenue to recognise based on the estimated time and effort made on a particular project. Revenue is recognised to the extent of the stage of completion with respect to the performance obligations fulfilled. Any advances received are included in contract liabilities.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

33. 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:

	2023 HK\$	2022 HK\$
<b>NON-CURRENT ASSETS</b>		
Plant and equipment	-	-
Investment in subsidiaries	1,722,792,046	1,722,792,046
Deferred income tax assets	129,374	58,050
Statutory deposits and other assets	584	1,191
Total non-current assets	<u>1,722,922,004</u>	<u>1,722,851,287</u>
<b>CURRENT ASSETS</b>		
Financial assets at fair value through profit or loss	173,270,550	175,716,948
Debt instruments at amortised cost	982,328,515	-
Derivative financial instruments	18,290,263	163,307,156
Accounts and other receivables	127,354,149	162,788,485
Amounts due from the immediate holding company	3,159,920,916	2,136,393,535
Amounts due from a subsidiary	18,608,761	34,081,506
Cash and balances with banks	71,656,580	1,373,871,179
Total current assets	<u>4,551,429,734</u>	<u>4,046,158,809</u>
<b>CURRENT LIABILITIES</b>		
Subordinated loan from the immediate holding company	600,000,000	600,000,000
Amounts due to the immediate holding company	1,435,417,159	637,547,936
Amounts due to fellow subsidiaries	532,769	411,740
Amounts due to a subsidiary	-	4,380,755
Amounts due to a related company	330,179	335,790
Accounts and other payables, and other provisions	52,594,567	60,259,128
Derivative financial instruments	43,150,799	211,033,041
Financial liabilities at fair value through profit or loss	-	2,982,080
Taxation payable	83,064	84,475
Total current liabilities	<u>2,132,108,537</u>	<u>1,517,034,945</u>
<b>NET CURRENT ASSETS</b>	<u>2,419,321,197</u>	<u>2,529,123,864</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u>4,142,243,201</u>	<u>4,251,975,151</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS


31 December 2023

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

	2023 HK\$	2022 HK\$
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	4,142,243,201	4,251,975,151
<b>NET ASSETS</b>	<u>4,142,243,201</u>	<u>4,251,975,151</u>
<b>EQUITY</b>		
Share capital	2,000,000,000	2,000,000,000
Retained earnings	<u>2,142,243,201</u>	<u>2,251,975,151</u>
Total equity	<u>4,142,243,201</u>	<u>4,251,975,151</u>

The financial position of the Company was approved by the Board of Directors on 26 April 2024 and was signed on its behalf:

  
.....  
Wong See Hung  
Director

  
.....  
Lee Kin Man  
Director

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

33. 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 2022	2,000,000,000	2,578,330,493	4,578,330,493
Total comprehensive loss for the year	-	(326,355,342)	(326,355,342)
Balance at 31 December 2022	<u>2,000,000,000</u>	<u>2,251,975,151</u>	<u>4,251,975,151</u>
Balance at 1 January 2023	2,000,000,000	2,251,975,151	4,251,975,151
Total comprehensive loss for the year	-	(109,731,950)	(109,731,950)
Balance at 31 December 2023	<u>2,000,000,000</u>	<u>2,142,243,201</u>	<u>4,142,243,201</u>

**PARTIES**

**OUR REGISTERED OFFICE**

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**PricewaterhouseCoopers**  
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