

Equity Linked Deposits (Put Option)

offered by



Bank of China (Hong Kong) Limited

(incorporated in Hong Kong with limited liability and is a licensed bank regulated by the Hong Kong Monetary Authority and registered with the Securities and Futures Commission for types 1 and 4 regulated activities under the Securities and Futures Ordinance)

("Bank")

Product Arranger

Bank of China (Hong Kong) Limited

Our Equity Linked Deposits (Put Option) ("**Equity Linked Deposits**") are not equivalent to conventional time deposits and are **not principal protected**. They are unlisted structured investment products embedded with derivatives. **You may sustain a total loss in your investment.**

The Securities and Futures Commission ("**SFC**") has authorised the issue of this Principal Brochure and the termsheet based on the standard format as set out in Appendix 2 to this Principal Brochure as part of the offering documents for our Equity Linked Deposits under section 105(1) of the Securities and Futures Ordinance ("**SFO**") (Cap.571, Laws of Hong Kong). The SFC takes no responsibility for the contents of this Principal Brochure, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Principal Brochure. The SFC's authorisation does not imply its endorsement or recommendation of the Equity Linked Deposits referred to in this Principal Brochure.

IMPORTANT

You are warned that the performance of our Equity Linked Deposits may fluctuate and you may sustain a total loss of your investment. You should therefore ensure that you understand the nature of our Equity Linked Deposits and carefully study the risk factors set out in this Principal Brochure and other documents comprising the Offering Documents (as defined at page 9 of this Principal Brochure) for our Equity Linked Deposits and, where necessary, seek independent professional advice, before you decide to invest in our Equity Linked Deposits.

The Offering Documents of our Equity Linked Deposits include particulars given in compliance with the Code on Unlisted Structured Investment Products issued by the SFC (the "**Code**") for the purpose of giving information with regard to the Bank (as the Offeror and the Product Arranger) and our Equity Linked Deposits. References to the "**Bank**", "**we**" or "**us**" in this Principal Brochure mean Bank of China (Hong Kong) Limited. We (as the Offeror and the Product Arranger) accept full responsibility for the contents of, and the completeness and accuracy of the information contained in each of the Offering Documents and confirm, having made all reasonable enquiries, that to the best of our knowledge and belief the Offering Documents, when read together, will contain no untrue or misleading statement, or other facts the omission of which would make any statement therein untrue or misleading. We (as the Offeror and the Product Arranger) also confirm that our Equity Linked Deposits comply with the Code. As at the date of this Principal Brochure, we (as the Offeror) meet the core requirements applicable to issuers set out in paragraph 3.3 of the Code and we (as the Product Arranger) meet the eligibility requirements applicable to product arrangers set out in paragraph 4.2 of the Code.

Our Equity Linked Deposits constitute general unsecured contractual obligations of Bank of China (Hong Kong) Limited (as the Offeror) and of no other person. If you invest in our Equity Linked Deposits, you are relying upon the creditworthiness of Bank of China (Hong Kong) Limited (as the Offeror) and have no rights under the terms of the Equity Linked Deposits against the issuer of the Linked Stock.

Post-sale cooling-off period pursuant to Part IV of the Code and market making arrangement pursuant to Part III of the Code **DO NOT APPLY** to any of our Equity Linked Deposits because we will only offer Equity Linked Deposits with an Investment Tenor of not more than six months.

If English is not your preferred language, you may request for copies of this Principal Brochure written in Chinese from our sales staff at our designated branches. 倘若英文並非閣下屬意的語言，閣下可向本行指定分行的銷售人員索取本指南的中文語言版本。

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KEY FACTS STATEMENT

Equity Linked Deposits offered by the Bank

This is an unlisted structured investment product embedded with derivatives. This statement provides you with the key information about our Equity Linked Deposits. You should not invest in our Equity Linked Deposits based on the information contained in this statement alone. You should read and understand the remaining sections of this Principal Brochure (in particular, the section headed "Risk Factors") and the other Offering Documents before deciding whether to invest.

Capitalised terms used in this statement not otherwise defined in this statement shall have the meanings given to them in the Terms and Conditions of our Equity Linked Deposits set out in Appendix 1 to this Principal Brochure.

What are the key risks?

- **Not principal protected**

Our Equity Linked Deposits are NOT principal protected. You may receive the Linked Stock instead of the Principal Amount in cash on the Maturity Date depending on the Final Closing Price of the Linked Stock on the Determination Date as compared to the Strike Price. The market value of the Linked Stock you receive may be substantially below your Principal Amount or **may even become worthless**.

- **Not a time deposit**

Our Equity Linked Deposits are unlisted structured investment products embedded with derivatives. They are NOT the same as and should NOT be treated as a substitute for conventional time deposits.

- **Not protected deposit**

Our Equity Linked Deposits are NOT protected deposits for the purposes of the Deposit Protection Scheme in Hong Kong.

- **Not covered by Investor Compensation Fund**

Our Equity Linked Deposits are not listed on any stock exchange and are not covered by the Investor Compensation Fund in Hong Kong.

- **Not the same as investment in the Linked Stock**

Investing in our Equity Linked Deposits is not the same as investing in the Linked Stock. You have no rights in the Linked Stock during the period from and including the Trade Date to and excluding the scheduled Determination Date. Movements in the market price of the Linked Stock may not lead to any corresponding change in the performance of our Equity Linked Deposits.

- **Liquidity risk**

Our Equity Linked Deposits are not transferable and are designed to be held until their maturity. All our Equity Linked Deposits have an Investment Tenor of not more than six months. There will be no post-sale cooling-off period and market making arrangements for our Equity Linked Deposits, and you cannot transfer or early terminate your Equity Linked Deposits.

- **Limited potential maximum gain**

The potential maximum gain under our Equity Linked Deposits is limited to the predetermined Coupon Amount (less any Cash Settlement Expenses) even if your view on the market price movement of the Linked Stock is correct.

- **No collateral**

Our Equity Linked Deposits are NOT secured on any of our assets or any collateral.

- **Credit and insolvency risk**

If you invest in our Equity Linked Deposits, you are relying upon the creditworthiness of Bank of China (Hong Kong) Limited (as the Offeror) and of no other person. If we become insolvent or default on our obligations under our Equity Linked Deposits, you can only claim as the unsecured creditor of Bank of China (Hong Kong) Limited regardless of the performance of the Linked Stock. You have no rights under the terms of your Equity Linked Deposit against the issuer of the Linked Stock. **In the worst case scenario, you could lose all of your Principal Amount.**

Bank of China (Hong Kong) Limited is not the ultimate holding company of the group to which we belong and with which our name is identified. The ultimate holding company of our group is Bank of China Limited who does not guarantee our obligations under our Equity Linked Deposits.

- **Early termination risk by us**

We may early terminate an Equity Linked Deposit if a Merger Event, a Tender Offer or an Extraordinary Disruption Event occurs. If an Equity Linked Deposit is early terminated by us, the amount payable by us (if any) on such termination will be determined by us (acting in good faith and in a commercially reasonable manner), which may be substantially less than your Principal Amount. Please refer to pages 14 to 15 of this Principal Brochure for further details.

- **Exposure to market price movement of Linked Stock after the Determination Date**

Your settlement at maturity will be determined on the Determination Date but settlement will only occur on the Maturity Date. If we are to deliver the Linked Stock, you will be exposed to any market price movement of the Linked Stock between the Determination Date and the Maturity Date (being the second Exchange Business Day after the Determination Date), and to the market risk of holding the Linked Stock after the Maturity Date if you choose not to sell the Linked Stock on the Maturity Date.

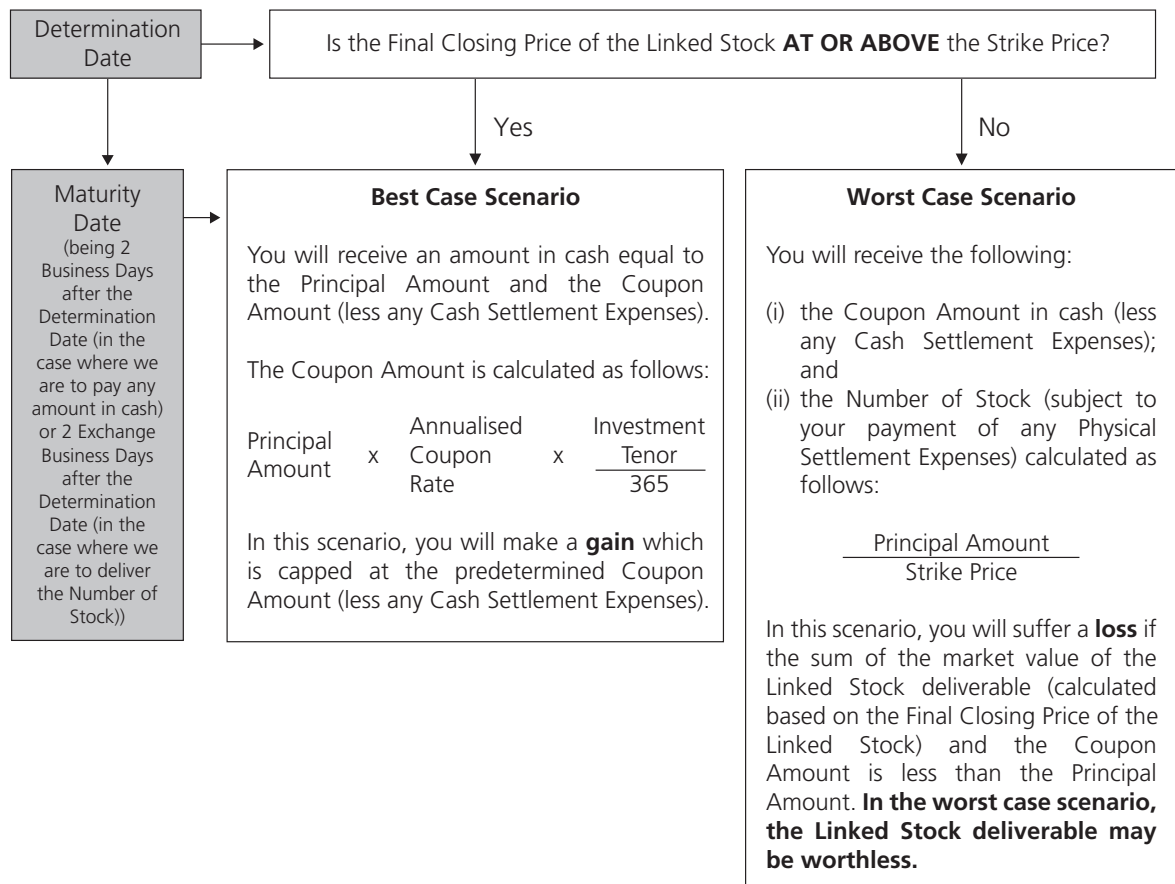
- **Conflicts of interest**

Potential and actual conflicts of interest may arise from the different roles played by us and our subsidiaries and affiliates in connection with our Equity Linked Deposits. Although our economic interests in each role may be adverse to your interests in our Equity Linked Deposits, we maintain regulatorily required information barriers between our different business areas as well as policies and procedures designed to minimise and manage such conflicts of interest to comply with applicable laws and regulations, and to ensure our transactions or dealings will be transacted at arm's length.

What are the key features of an Equity Linked Deposit?

- **Product Type:** Our Equity Linked Deposits are unlisted structured investment products which have an embedded put option over the Linked Stock. By investing in an Equity Linked Deposit:
 - (i) you are selling a put option over the Linked Stock to us under which you will be obliged to buy a number of the Linked Stock from us at the pre-determined price called the Strike Price which will be delivered to you on the Maturity Date (being the second Exchange Business Day after the Determination Date) if certain conditions are met on the Determination Date; and
 - (ii) you will receive an option premium in return which forms part of the Coupon Amount payable in cash on the Maturity Date.
- **Linked Stock:** Our Equity Linked Deposit is linked to shares of a company or units of a fund (including an exchange-traded fund or a real estate investment trust) listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Exchange**") and quoted in Hong Kong dollars. Not all listed stocks can be selected as the Linked Stock. You should check with our staff at our designated branches for the details of the available stocks.
- **Strike Price:** This is the benchmark price we use to compare with the Final Closing Price of the Linked Stock for determination of the settlement at maturity, which will be specified in the Termsheet as a fixed percentage of the Spot Price of the Linked Stock.
- **Deposit Currency:** Hong Kong dollars ("**HKD**").
- **Minimum Principal Amount:** HKD100,000
- **Investment Tenor:** It starts from and including the Trade Date to but excluding the scheduled Maturity Date. You will be exposed to the risks associated with our Equity Linked Deposits starting from the Trade Date. We will not offer any Equity Linked Deposit with an Investment Tenor of more than six months. You may request for a tailor-made tenor to suit your investment strategy, provided that the Investment Tenor will not be more than six months.

- **Settlement At Maturity:** The settlement under our Equity Linked Deposits on the Maturity Date depends on the Final Closing Price of the Linked Stock to be recorded on the Determination Date as illustrated in the diagram below:



What are the fees and charges?

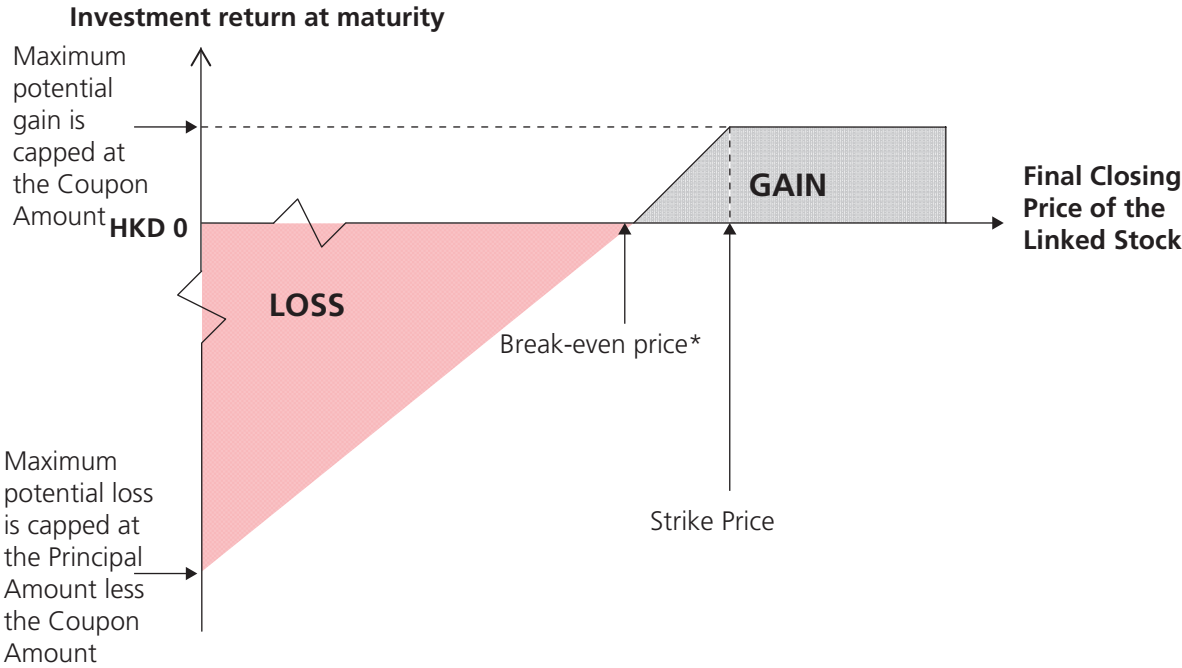
- **Cash Settlement Expenses** are all charges or expenses, including any taxes and duties that are incurred for payment of a cash amount to you. Cash Settlement Expenses, if applicable, will be deducted from any cash amount you may receive under your Equity Linked Deposit. Currently, no Cash Settlement Expenses are payable. If any Cash Settlement Expenses are payable in the future, we will inform you in advance.
- **Physical Settlement Expenses** are out-of-pocket expenses relating to the delivery and receipt of the Linked Stock which are deliverable to you on the Maturity Date. These expenses include the buyer's stamp duty (currently at a rate of 0.1% of the transaction amount of the Linked Stock calculated at the Strike Price) and our administrative fees (being 0.2% of the Principal Amount). Physical Settlement Expenses will have to be paid by you before the Linked Stock will be delivered to you on the Maturity Date.

There is no subscription or service charge for placing an order for an Equity Linked Deposit with us. All related charges incurred by us (including our hedging cost) will be factored into the calculation of the Annualised Coupon Rate.

You should note that any Cash Settlement Expenses or Physical Settlement Expenses will reduce your gain or increase your loss under your investment in our Equity Linked Deposits. Please refer to pages 29 to 30 of this Principal Brochure for further details.

Scenario Analysis

The diagram below shows the maximum potential gain or loss of our Equity Linked Deposits. Please note that (i) the diagram is based on the assumptions that (a) the Final Closing Price of the Linked Stock is the same as the price at which investors would be able to sell the Linked Stock and (b) the Bank is not insolvent or has not defaulted on its obligations under the Equity Linked Deposit; and (ii) the diagram does not take into account any Cash Settlement Expenses or Physical Settlement Expenses payable by you on the Maturity Date.



If the Final Closing Price of the Linked Stock is below the Strike Price, you will receive (i) the Number of Stock and (ii) the Coupon Amount on the Maturity Date. The market value of the Linked Stock delivered (calculated based on the Final Closing Price of the Linked Stock) may be substantially less than your Principal Amount, or **may even become worthless**.

Please refer to the section headed “Scenario Analysis” in this Principal Brochure for more detailed illustrative examples of how our Equity Linked Deposits work.

* The break-even price is calculated as follows:

$$\frac{\text{Principal Amount} - \text{Coupon Amount}}{\text{Number of Stock}}$$

How can you apply for our Equity Linked Deposits?

If you wish to apply for our Equity Linked Deposits, you can contact our sales staff at any of our designated branches in Hong Kong to enquire about our Equity Linked Deposits and the application procedure. Please refer to page 29 of this Principal Brochure for further details.

You may apply for an Equity Linked Deposit by placing an order with us on any Business Day which will become the Trade Date. Once you place your Equity Linked Deposit order with us, you will be committed to purchase the Equity Linked Deposit and a cash amount equal to the Principal Amount will be frozen in your Settlement Account. If your Equity Linked Deposit order is accepted by us on the Trade Date, such cash amount equal to the Principal Amount will be deducted from your Settlement Account on the Trade Date.

All terms will be finalised at the time when you place your Equity Linked Deposit order. We will send you a Confirmation in the form as set out in Appendix 3 to this Principal Brochure which sets out the specific terms applicable to your Equity Linked Deposit within 2 Business Days after the Trade Date. The Terms and Conditions of our Equity Linked Deposits set out in Appendix 1 to this Principal Brochure as amended, varied and/or supplemented by the relevant Confirmation will constitute the full legally binding terms and conditions applicable to your Equity Linked Deposit.

Adjustments to the terms and conditions of our Equity Linked Deposits

Upon the occurrence of certain corporate events (such as Potential Adjustment Event), the Bank (as the Offeror) can adjust some of the terms and conditions (such as the Strike Price) of our Equity Linked Deposits to account for that event in order to preserve the economic equivalence of our Equity Linked Deposits. Any adjustment will be made by us in our sole and absolute discretion (acting in good faith and in a commercially reasonable manner). The occurrence of such event may negatively impact on your investment in our Equity Linked Deposit. Please refer to pages 25 to 26 of this Principal Brochure for further details.

Is there any post-sale cooling-off period for our Equity Linked Deposits?

Post-sale cooling-off period pursuant to Part IV of the Code is mandatory for unlisted structured investment products with a tenor of more than one year. Since we will not offer any Equity Linked Deposit with an Investment Tenor of more than six months, post-sale cooling-off period pursuant to Part IV of the Code **DOES NOT APPLY** to any of our Equity Linked Deposits. You cannot cancel or unwind your Equity Linked Deposit after your order is accepted by us on the Trade Date.

Is there any market making arrangement for our Equity Linked Deposit before maturity?

Market making arrangement pursuant to Part III of the Code is mandatory for unlisted structured investment products with a tenor of more than six months. Since we will not offer any Equity Linked Deposit with an Investment Tenor of more than six months, market making arrangement pursuant to Part III of the Code **DOES NOT APPLY** to any of our Equity Linked Deposits. You cannot early terminate your Equity Linked Deposit after your order is accepted by us on the Trade Date.

Our ongoing disclosure obligations

We (as the Offeror and the Product Arranger) will keep the SFC and all investors in our Equity Linked Deposits informed as soon as reasonably practicable if (a) we (as the Offeror) cease to meet any core requirements applicable to issuers in Appendix A to the Code, (b) we (as the Product Arranger) cease to meet any eligibility requirements applicable to product arrangers under paragraph 4.2 of the Code, and (c) to the extent permitted by any applicable law, there are any changes in our financial condition or other circumstances which could reasonably be expected to have a material adverse effect on our ability to fulfill our commitment in connection with our Equity Linked Deposits. Please contact our sales staff at any of our designated branches for details.

Offering Documents

The following offering documents ("**Offering Documents**") contain detailed information about the Bank (as the Offeror and the Product Arranger) and our Equity Linked Deposits. You should read all of these Offering Documents before deciding whether to invest in our Equity Linked Deposits:

- (i) this Principal Brochure for our Equity Linked Deposits dated 28 April 2011 and the addendum thereto (if any) as specified in the relevant Termsheet;
- (ii) the latest Financial Disclosure Document and the addendum thereto (if any) as specified in the relevant Termsheet, which will include our most recently published audited annual report and unaudited interim report (if any); and
- (iii) the relevant Termsheet.

Before accepting an order for an Equity Linked Deposit, we (as the intermediary) are obliged to distribute to you ALL of the above Offering Documents in English or Chinese as you may prefer.

Our contact details**Bank of China (Hong Kong) Limited**

Address: 14th Floor, Bank of China Tower, 1 Garden Road, Hong Kong

Website: www.bochk.com

Important

If you are in doubt, you should seek independent professional advice. The SFC takes no responsibility for the contents of this statement and makes no representation as to its accuracy or completeness.

RISK FACTORS

You should read and understand the nature of all the risks before deciding whether to invest in our Equity Linked Deposits.

Risks relating to our Equity Linked Deposits

- **Our Equity Linked Deposits are unlisted structured investment products and are NOT protected deposit**

Our Equity Linked Deposits are unlisted structured investment products embedded with derivatives. They are not protected deposit under the Deposit Protection Scheme in Hong Kong. They are not the same as and should not be treated as a substitute for conventional time deposits.

- **Our Equity Linked Deposits are NOT principal protected. The potential maximum gain is limited**

Our Equity Linked Deposits are not principal protected. Your settlement at maturity under our Equity Linked Deposits will depend on the Final Closing Price of the Linked Stock as compared to the Strike Price.

If the Final Closing Price of the Linked Stock is at or above the Strike Price, you will receive the Principal Amount and the Coupon Amount in cash. The amount of potential maximum gain under our Equity Linked Deposits is capped and limited to the predetermined Coupon Amount (less any Cash Settlement Expenses) even if your view on the market price movement of the Linked Stock is correct.

If the Final Closing Price of the Linked Stock is below the Strike Price, you will receive the following on the Maturity Date (i) the Coupon Amount in cash (less any Cash Settlement Expenses), and (ii) (subject to payment of any Physical Settlement Expenses) the Number of Stock calculated by dividing the Principal Amount by the Strike Price. The market value of the Linked Stock that you receive (calculated based on the Final Closing Price of the Linked Stock) may be substantially less than your Principal Amount. **In the worst case, the Linked Stock you receive may become worthless.**

- **Our Equity Linked Deposits are designed to be held to their maturity. There is no post-sale cooling-off period or market making arrangement for our Equity Linked Deposits because we will not offer any Equity Linked Deposit with an Investment Tenor of more than six months**

Our Equity Linked Deposits are not transferable and are designed to be held until their maturity. We will not provide any post-sale cooling-off period or market making arrangements for our Equity Linked Deposits because we will not offer any Equity Linked Deposit with an Investment Tenor of more than six months. You cannot transfer, cancel, unwind or early terminate your Equity Linked Deposit after your order is accepted by us on the Trade Date.

- **Our Equity Linked Deposits are not listed on any stock exchange. They are not covered by the Investor Compensation Fund**

Our Equity Linked Deposits are not listed on any stock exchange, and are not covered by the Investor Compensation Fund established under the SFO if we default under our Equity Linked Deposits.

Risk relating to the Linked Stock

- **You have no rights in the Linked Stock**

Investing in our Equity Linked Deposits is not the same as investing in the Linked Stock. During the period from and including the Trade Date to and excluding the scheduled Determination Date of our Equity Linked Deposit, you have no rights in the Linked Stock. In case where the Linked Stock is determined on the Determination Date to be deliverable on the Maturity Date, you are entitled to all those rights attaching to the Linked Stock to be delivered to you as if you had been registered as the holder of such Linked Stock from the Determination Date onwards. However, during the period from and including the Determination Date and until such time as the Linked Stock is delivered to you on the Maturity Date (“**Intervening Period**”), we are not under any obligation (i) to deliver to you any letter, certificate, notice, circular, dividend, distribution or any other document or payment whatsoever received by a registered holder of such Linked Stock, or (ii) to exercise any or all rights (including voting rights) attaching to such Linked Stock.

However, we will notify you of the receipt of any dividend, distribution, bonus issue, shares or units issued pursuant to a share split or consolidation during the Intervening Period, in respect of the Linked Stock to be delivered to you, and make available such dividend or distribution payment of the Linked Stock to you in a commercially reasonable manner upon production of such evidence of entitlement and identification as we may reasonably require. We are not liable to you in respect of any loss or damage which you may suffer as a result, whether directly or indirectly, of you not being registered as legal owner of such Linked Stock during the Intervening Period. Please refer to Condition 5 of the Terms and Conditions as set out in Appendix 1 to this Principal Brochure for further details.

- **You may receive odd lots of the Linked Stock**

If we are to deliver the Linked Stock to you on the Maturity Date, you may receive odd lots of the Linked Stock. You may not be able to sell odd lots of the Linked Stock, and even if you manage to sell such odd lots of the Linked Stock, they may be sold at a lower price than the Linked Stock in board lot or multiple of board lots.

- **Exposure to the market price movements of the Linked Stock after the Determination Date in the case of physical delivery of the Linked Stock**

You should note that if you are to receive the Linked Stock on the Maturity Date, you will be exposed to the market price movement of the Linked Stock between the Determination Date and the Maturity Date (being the second Exchange Business Day after the Determination Date). If you decide to hold the Linked Stock deliverable to you on the Maturity Date, you will be further exposed to the risk of market price fluctuation of the Linked Stock from the Maturity Date until you sell the Linked Stock.

- **Risk factors specific to an Equity Linked Deposit linked to a fund**

Neither we nor our affiliates have the ability to control or predict the actions of the manager and/or the trustee of a fund. The manager and/or the trustee are not involved in the offer of our Equity Linked Deposits and have no obligation to consider your interests in taking any action that might affect the market value of the fund and the performance of our Equity Linked Deposits.

We have no role in the underlying assets of a fund. The manager is responsible for making strategic, investment and other trading decisions with respect to the management of the fund assets, consistent with its investment objectives and/or investment restrictions as set out in its constitutive documents. The performance of the fund assets is significantly dependent upon the capabilities of the management team of the manager. The manner in which the fund assets are managed and the timing of such decisions will have a significant impact on the performance of the fund assets, and hence the performance of the fund and our Equity Linked Deposits.

Exchange Traded Fund

If our Equity Linked Deposits are linked to a fund which is an exchange traded fund ("ETF"), you should note that the investment objective of most ETFs is to track the performance of the equity(ies) or assets underlying the ETFs or, as the case may be, a specified index. However, increases in the price of the equity(ies) or assets underlying the ETFs or the level of the related index (as the case may be) may not lead to an increase in the price of the ETFs of the same magnitude or even any increase at all. Similarly, movements in the market price of the ETFs may not lead to any corresponding change in the performance of our Equity Linked Deposits.

An ETF is exposed to the political, economic, currency and other risks related to the underlying asset pool or index that the ETF is designed to track. There may also be disparity between the performance of the ETF and the performance of the underlying asset pool or index that the ETF is designed to track as a result of, for example, failure of the tracking strategy, currency differences, fees and expenses. In addition, where the index or market that the ETF tracks is subject to restricted access, the efficiency in the unit creation or redemption to keep the price of the ETF in line with its net asset value may be disrupted, causing the ETF to trade at a premium or discount to its net asset value. Such risks may have a negative impact on the performance of the ETF and our Equity Linked Deposits.

If an ETF adopts 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, you should note that:

- (a) by investing in financial derivative instruments, the ETF is exposed to the credit, potential contagion and concentration risks of the counterparties who issued the 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 ETF. Even if the 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 ETF seeks to realise such collateral; and
- (b) the ETF may be exposed to a higher liquidity risk if the ETF invests in financial derivative instruments which do not have an active secondary market.

Fund Disruption Event

If we (as the Offeror) in our sole and absolute discretion (acting in good faith and in a commercially reasonable manner) determine that a Fund Disruption Event (such as any material change or material breach in the mandate or risk profile) occurs, we will early terminate the affected Equity Linked Deposit. Please refer to the paragraph headed “We may early terminate an Equity Linked Deposit if a Merger Event, a Tender Offer or an Extraordinary Disruption Event occurs” below for further details.

You should read the offering document of the fund for further information about the risks applicable to the fund.

Risks relating to certain corporate or disruption events

- **We may adjust the terms of our Equity Linked Deposit if a Potential Adjustment Event, a Merger Event or Tender Offer occurs**

If we (as the Offeror) in our sole and absolute discretion (acting in good faith and in a commercially reasonable manner) determine that a Potential Adjustment Event (such as rights issue, bonus issue, consolidation or subdivision of the Linked Stock), a Merger Event (such as consolidation, amalgamation, merger or binding share exchange of the issuer of the Linked Stock) or a Tender Offer (such as a takeover offer, tender offer, exchange offer, solicitation, proposal to the issuer of the Linked Stock) occurs on or prior to the Determination Date, we (as the Offeror) may in our sole and absolute discretion (acting in good faith and in a commercially reasonable manner) make adjustments to the terms of an Equity Linked Deposit. Our adjustment to the terms may include, but is not limited to, the Strike Price, to account for the diluting or concentrative effect in order to preserve the economic equivalence of the Equity Linked Deposit. **The occurrence of any of such events may negatively impact on your investment in the Equity Linked Deposit.**

All adjustments or determinations made by us (as the Offeror) are final, conclusive and binding on you. We will notify you and the SFC as soon as practicable upon the occurrence of any such event, any adjustment made and the effective date of such adjustment.

- **We may early terminate an Equity Linked Deposit if a Merger Event, a Tender Offer or an Extraordinary Disruption Event occurs**

Merger Event or Tender Offer – If we (as the Offeror) in our sole and absolute discretion (acting in good faith and in a commercially reasonable manner) determine that a Merger Event or Tender Offer occurs, where we as the Offeror (acting in good faith and in a commercially reasonable manner) consider that adjustment to the terms is unable to preserve the economic equivalence of an affected Equity Linked Deposit, we will early terminate the affected Equity Linked Deposit, determine the Early Termination Amount and arrange for payment of the Early Termination Amount to you on the second Business Day after the effective day of such early termination.

Extraordinary Disruption Event – If we (as the Offeror) in our sole and absolute discretion (acting in good faith and in a commercially reasonable manner) determine that an Extraordinary Disruption Event (such as Delisting, Fund Disruption Event or Hedging Disruption) occurs, we will early terminate the affected Equity Linked Deposit, determine the Early Termination Amount and arrange for payment of the Early Termination Amount to you on the second Business day after the effective day of such early termination.

Early Termination Amount – The Early Termination Amount is determined by us (as the Offeror), in our sole and absolute discretion (acting in good faith and in a commercially reasonable manner), as representing the fair value of such Equity Linked Deposit as of the date of early termination of such Equity Linked Deposit, by reference to, without limitation, the market interest rate movements, the current and expected market price and price volatility of the Linked Stock, the remaining Investment Tenor, our creditworthiness, our transaction costs (including the unwind cost of hedging) and our operational or administrative costs. **Such amount may be substantially less than your Principal Amount. You may suffer a substantial loss if the Equity Linked Deposit is early terminated under these circumstances.**

All determinations made by us are final, conclusive and binding on you. We will notify you and the SFC as soon as practicable upon the occurrence of any such event if we determine that relevant Equity Linked Deposit shall be early terminated, the Early Termination Amount and the effective date of such early termination.

- **Impact of Market Disruption Event**

If a Market Disruption Event (such as suspension of trading on the Exchange of the Linked Stock) occurs on the scheduled Determination Date, then the Determination Date shall be postponed to the first following Exchange Business Day on which there is no Market Disruption Event unless a Market Disruption Event occurs on each of the eight Exchange Business Days immediately following the scheduled Determination Date. In that case, that eighth Exchange Business Day shall be deemed to be the Determination Date, notwithstanding the Market Disruption Event, and we (as the Offeror) will determine (acting in good faith and in a commercially reasonable manner) the fair market price of the Linked Stock on the eighth Exchange Business Day by reference to, without limitation, the last reported price of the Linked Stock, the market interest rate movements and the prevailing market conditions. Such price shall be deemed to be the Final Closing Price for the purpose of determining the settlement at maturity. Our determination may have unforeseen adverse impact on your potential gain or loss on the Equity Linked Deposit. Delay in determining the Final Closing Price will cause consequential delay in settlement. We will not be liable for any interest in respect of any loss or damage that you may suffer as a result of such delay.

- **Impact of Settlement Disruption Event**

In the case where we are required to deliver the Linked Stock to you on the Maturity Date, if a Settlement Disruption Event (such as the clearing system is closed down for any unforeseeable reason) occurs on the scheduled Maturity Date, then the Maturity Date shall be postponed to the first following Exchange Business Day on which there is no Settlement

Disruption Event. If a Settlement Disruption Event prevents settlement on each of the eight Exchange Business Days immediately following the scheduled Maturity Date, then we will pay a cash amount equal to the fair market value of the Linked Stock deliverable as of that eighth Exchange Business Day as determined by us in our sole and absolute discretion (acting in good faith and in a commercially reasonable manner) by reference to, without limitation, the last reported price of the Linked Stock, the market interest rate movements, and the prevailing market conditions, and such cash amount will be credited to your Settlement Account on the second Business Day after that eighth Exchange Business Day. **Such cash amount may be substantially less than your Principal Amount and you may suffer substantial loss.** We will not be liable for any interest in respect of the amount due or any loss or damage that you may suffer as a result of the existence of a Settlement Disruption Event.

Risks relating to us as the Offeror

- **There is no collateral. You will be relying on the creditworthiness of Bank of China (Hong Kong) Limited when you invest in our Equity Linked Deposits**

When investing in our Equity Linked Deposits, you will be relying upon the creditworthiness of Bank of China (Hong Kong) Limited (as the Offeror) and of no other person, you do not own the Linked Stock and you have no rights under the terms of the Equity Linked Deposits against the issuer of the Linked Stock. There is no assurance of protection against a default by us in respect of our payment or delivery obligations under our Equity Linked Deposits. We are a large financial institution and we have many financial products and contracts outstanding at any given time. Our Equity Linked Deposits represent the general unsecured contractual obligations of Bank of China (Hong Kong) Limited and of no other person and are not secured on any assets or any collateral.

If we become insolvent or default on our obligations under our Equity Linked Deposits, you can only claim as the unsecured creditor of Bank of China (Hong Kong) Limited regardless of the performance of the Linked Stock. **In the worst case scenario, you could lose all of your Principal Amount.**

Bank of China (Hong Kong) Limited is not the ultimate holding company of the group to which we belong and with which our name is identified. The ultimate holding company of our group is Bank of China Limited who does not guarantee our obligations under our Equity Linked Deposit.

- **Risk relating to our hedging activities**

We and/or our respective subsidiaries and/or affiliates may enter into hedging transactions in the market to enable us to fulfill our obligations under our Equity Linked Deposits. These transactions typically involve contracts for the purchase and/or sale of the Linked Stock and the establishment of long and/or short positions in the Linked Stock which may be constantly adjusted. In certain circumstances, these activities could adversely affect the market price of the Linked Stock on the Determination Date and push the Final Closing Price of the Linked Stock down to a level below the Strike Price, resulting in the physical delivery of the Linked Stock with a market value less than or substantially less than your Principal Amount **and you may suffer substantial loss.**

- **There could be conflicts of interest arising out of our other activities which may affect our Equity Linked Deposit**

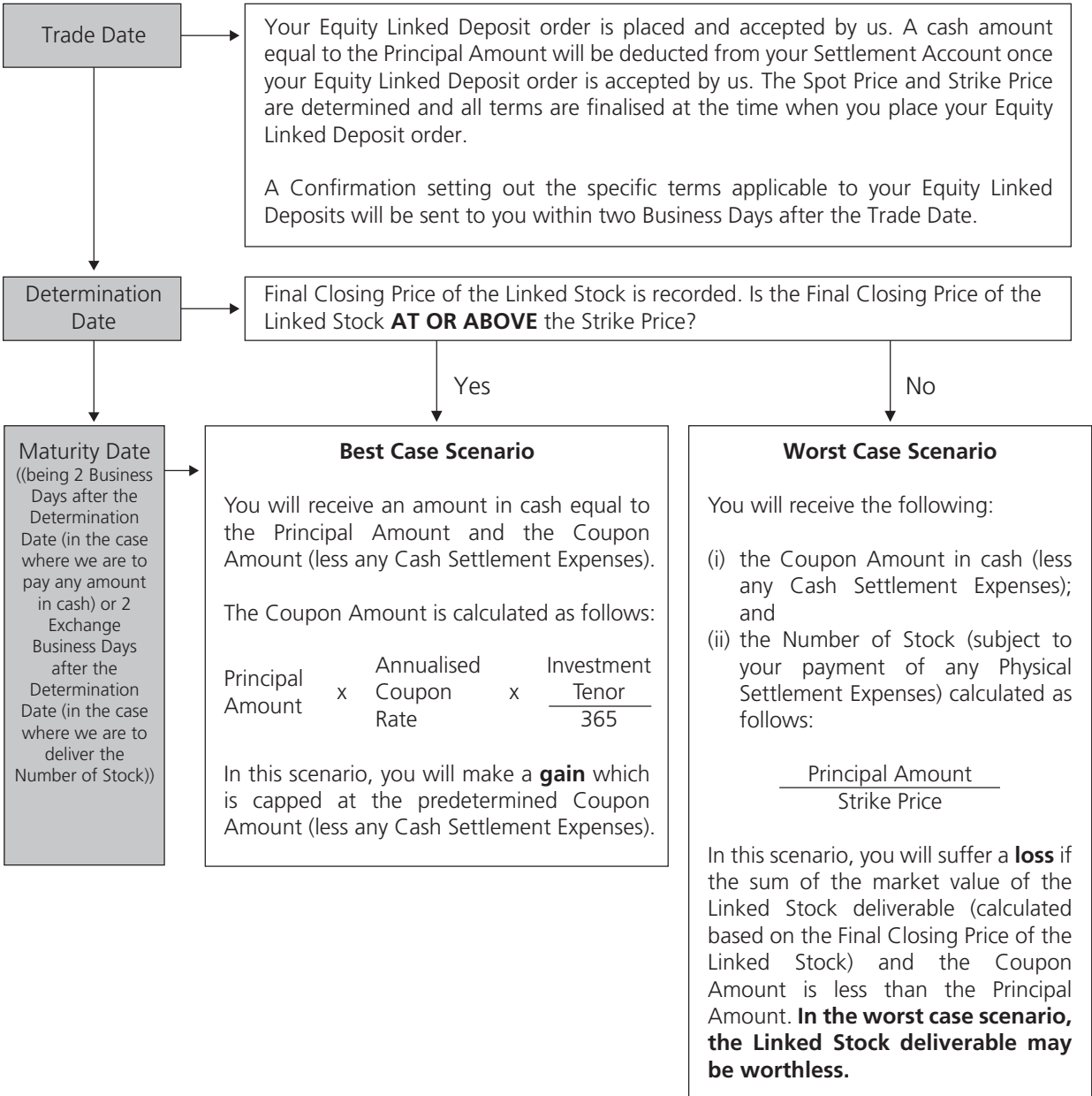
We and our subsidiaries and affiliates may engage in transactions involving, and may provide investment and other services to, any company or fund to which our Equity Linked Deposit is linked. Those transactions may have a positive or negative impact on the performance of our Equity Linked Deposits. We and our subsidiaries and affiliates may have officers who serve as directors of any of the companies to which our Equity Linked Deposit is linked. In addition, we may issue other competing financial products which may affect the performance of our Equity Linked Deposits.

You should note that potential or actual conflicts of interest may arise from the different roles played by us and our subsidiaries and affiliates in connection with our Equity Linked Deposit and our economic interest in each such role may be adverse to your interest. We shall deal with such conflict of interest (if any) in compliance with any applicable laws or regulations. We also maintain regulatorily required information barriers between our different business areas as well as policies and procedures designed to minimize and manage such potential or actual conflicts of interest to comply with applicable laws and regulations, and to ensure those transactions or dealings will be transacted at arm's length.

- **Risks relating to the maintenance and operation of your accounts with us**

You should note that the maintenance and operation of your Settlement Account and Securities Account with us are subject to the general account opening terms separately agreed between you and us at the time of your opening of such accounts (as may be modified from time to time). It is important that you understand and accept the terms and conditions of operation of such Settlement Account and Securities Account which may also affect or even lead to early termination of our Equity Linked Deposits. Please contact our sales staff at our designated branches for further details.

HOW DO OUR EQUITY LINKED DEPOSITS WORK? – A FLOWCHART DESCRIPTION



WHAT ARE THE KEY FEATURES OF OUR EQUITY LINKED DEPOSITS?

Below are the key features of our Equity Linked Deposits. You should read all of this Principal Brochure and the Financial Disclosure Document together with the addendum thereto (if any) and the relevant Termsheet before deciding whether or not to invest in our Equity Linked Deposits.

Capitalised terms used in this section not otherwise defined below shall have the meanings given to them in the Terms and Conditions of our Equity Linked Deposits set out in Appendix 1 to this Principal Brochure.

What is our Equity Linked Deposit?

Our Equity Linked Deposit is an unlisted structured investment product embedded with derivatives. Derivatives are financial instruments whose value and return would be based on the performance of their linked stock(s) or asset(s).

Our Equity Linked Deposit has an embedded put option over the Linked Stock. By investing in an Equity Linked Deposit:

- (i) you are selling a put option over the Linked Stock to us under which you will be obliged to buy a number of the Linked Stock from us at the Strike Price which will be delivered to you on the Maturity Date if certain conditions are met on the Determination Date; and
- (ii) you will receive an option premium in return which forms part of the Coupon Amount. The Coupon Amount will be payable in cash (less any Cash Settlement Expenses) on the Maturity Date.

Glossary of our Equity Linked Deposits

The meaning of the key terms of our Equity Linked Deposits is summarized below:

A. Application for our Equity Linked Deposits

Principal Amount:

- The amount invested by you in an Equity Linked Deposit, which is subject to the Minimum Principal Amount of HKD100,000.
- If you apply for an Equity Linked Deposit, a cash amount equal to the Principal Amount will be deducted from your Settlement Account on the Trade Date once your Equity Linked Deposit order is accepted by us on the Trade Date.
- The Principal Amount will be specified in the Termsheet.

- Deposit Currency:**
- HKD (being the currency in which an Equity Linked Deposit is denominated).
 - The Principal Amount and, where applicable, any cash amount payable by us are denominated in the Deposit Currency.
- Linked Stock:**
- Each Equity Linked Deposit is linked to a Linked Stock, which will be shares of a company or units of a fund (including an exchange-traded fund or a real estate investment trust) listed on the Exchange and quoted in Hong Kong dollars.
 - Not all listed stock can be selected as a Linked Stock. You should check with our sales staff for the details of the available stocks.
 - The Linked Stock will be specified in the Termsheet.
- Spot Price:**
- The prevailing market price of the Linked Stock at the time your Equity Linked Deposit order is placed on the Trade Date (as published by the Exchange), which will be specified in the Termsheet.
 - We will use the Spot Price to calculate the Strike Price.
- Strike Price:**
- This is the benchmark price we use to compare with the Final Closing Price of the Linked Stock for determination of the settlement at maturity, which will be specified in the Termsheet.
 - It is a discounted price of the Spot Price (calculated to 4 decimal places, 0.00005 being rounded upwards). You are obliged to buy the Linked Stock from us at the Strike Price if the Final Closing Price of the Linked Stock is lower than the Strike Price.
- Trade Date:**
- The day on which your Equity Linked Deposit order is placed and accepted by us and a cash amount equal to the Principal Amount will be deducted from your Settlement Account.
 - The Trade Date will be specified in the Termsheet.

- All the terms of your Equity Linked Deposit will be finalised and we will determine the Spot Price and the Strike Price at the time when you place your Equity Linked Deposit order on the Trade Date.
- We will send you a Confirmation setting out the finalised terms of your Equity Linked Deposit, which reflects the specific terms as summarised in the relevant Termsheet, to you within two Business Days after the Trade Date.

Investment Tenor:

- The number of calendar days from and including the Trade Date to but excluding the scheduled Maturity Date, which will be specified in the Termsheet.
- We will not offer any Equity Linked Deposit with an Investment Tenor of more than six months. You may request for a tailor-made tenor to suit your investment strategy, provided that the Investment Tenor will not be more than six months.

Business Day:

- The day on which commercial banks are open for business in Hong Kong, excluding Saturday and Sunday.

B. At maturity of our Equity Linked Deposits

Determination Date:

- The day when the Final Closing Price of the Linked Stock is recorded for the purposes of determining the types of settlement and the investment payout on the Maturity Date.
- The Determination Date will be specified in the Termsheet, subject to postponement as elaborated on page 25 of this Principal Brochure.

Final Closing Price:

- The official closing price of the Linked Stock (as published by the Exchange) as of the Determination Date.

Settlement at maturity:

- If the Final Closing Price of the Linked Stock is **at or above** the Strike Price, you will receive on the Maturity Date a cash amount equal to the Principal Amount and the Coupon Amount (less any Cash Settlement Expenses).

- If the Final Closing Price of the Linked Stock is **below** its Strike Price, you will receive on the Maturity Date (i) the Coupon Amount (less any Cash Settlement Expenses) and (ii) (subject to your payment of any Physical Settlement Expenses) the Number of Stock.

Number of Stock:

- In respect of an Equity Linked Deposit, the Number of Stock is calculated as follows:

$$\frac{\text{Principal Amount}}{\text{Strike Price}}$$

Coupon Amount:

- The Coupon Amount for an Equity Linked Deposit is a cash amount payable on the Maturity Date calculated as follows (calculated to 2 decimal places, 0.005 being rounded upwards):

$$\text{Principal Amount} \times \text{Annualised Coupon Rate} \times \text{Investment Tenor} / 365$$

Annualised Coupon Rate:

- A pre-determined rate used to calculate the Coupon Amount, which is expressed as an annualised rate. It is based on the hypothetical assumption that the Equity Linked Deposit can be rolled over on the same terms for a period of 365 days. It does not reflect the Actual Coupon Rate of an Equity Linked Deposit. You should not rely on the annualised rate as an indication of the expected return for an Equity Linked Deposit.
- It is determined based on a number of factors, including but not limited to, the choice of the Linked Stock, implied volatility of the Linked Stock, the Investment Tenor, the Strike Price, the cost of our hedging arrangement relating to our Equity Linked Deposit, and the prevailing market interest rate

Actual Coupon Rate:

- This is the actual coupon rate for the Investment Tenor of an Equity Linked Deposit, being the Annualised Coupon Rate x Investment Tenor / 365.

Maturity Date:

- The scheduled day on which you will receive either (i) the Principal Amount and the Coupon Amount in cash or (ii) the Coupon Amount in cash and the Number of Stock as settlement at maturity.

- The Maturity Date will be set as the second Business Day (in the case where we are to pay any amount in cash) or the second Exchange Business Day (in the case where we are to deliver the Number of Stock) after the Determination Date, subject to postponement as elaborated on pages 23 to 24 of this Principal Brochure.

Exchange Business Day:

- A day on which the Exchange is scheduled to open for trading.

Cash Settlement Expenses:

- Cash Settlement Expenses are all charges or expenses, including any taxes and duties that are incurred for payment of a cash amount to you. Currently, there are no such charges or expenses.
- If any Cash Settlement Expenses are payable in future, we will inform you in advance before you place your order for an Equity Linked Deposit.

Physical Settlement Expenses:

- If the Linked Stock is deliverable to you, you will have to pay for all Physical Settlement Expenses.
- Physical Settlement Expenses are out-of-pocket expenses relating to the delivery and receipt of the Linked Stock which are deliverable to you on the Maturity Date. These expenses include the buyer's stamp duty (currently at a rate of 0.1% of the transaction amount of the Linked Stock delivered at the Strike Price) and our administrative fees (being 0.2% of the Principal Amount). Please ask us for details of such charges.

When will the Linked Stock be delivered?

If the Linked Stock is deliverable to you, we will do so on the Maturity Date provided that you have paid all Physical Settlement Expenses. The date for the delivery of the Linked Stock (i.e. the Maturity Date) will be the second Exchange Business Day after the Determination Date. The Linked Stock is expected to be delivered by electronic transfer to your Securities Account.

What happens if a Settlement Disruption Event occurs?

In the case where we are required to deliver the Linked Stock to you on the Maturity Date, upon the occurrence of an event beyond our control which we (as the Offeror), in our sole and absolute discretion (acting in good faith and in a commercially reasonable manner), determine that it is not practicable to deliver the Linked Stock to you on the scheduled Maturity Date (for example, if the Central Clearing and Settlement System is closed down for any unforeseeable reasons on the Maturity Date) ("**Settlement Disruption Event**"), the Maturity Date shall be postponed to the following Exchange Business Day on which there is no Settlement Disruption

Event. We will notify you and the SFC as soon as practicable if the Maturity Date is postponed. If such event persists on each of the eight Exchange Business Days following the scheduled Maturity Date, then we will pay a cash amount equal to the fair value of the Linked Stock deliverable as of that eighth Exchange Business Day as determined by us in our sole and absolute discretion (acting in good faith and in a commercially reasonable manner) by reference to, without limitation, the last reported price of the Linked Stock, the market interest rate movements and the prevailing market conditions, and such cash amount will be credited to your Settlement Account on the second Business Day after that eighth Exchange Business Day. We will notify you and the SFC on the second Business Day after that eighth Exchange Day about the relevant settlement arrangement (including the determination of such cash amount).

We will not be liable for any interest in respect of the amount due or any loss or damage that you may suffer as a result of the existence of a Settlement Disruption Event. You should also refer to Condition 4 of the Terms and Conditions as set out in Appendix 1 to this Principal Brochure for more details.

What if odd lots or a fraction of the Linked Stock is deliverable?

In case where the Number of Stock is determined to be deliverable on the Maturity Date, the Number of Stock in respect of an Equity Linked Deposit will be calculated by dividing the Principal Amount by the Strike Price (which amount will not be rounded), which may not be in multiples of the trading board lot of the Linked Stock. If the Number of Stock deliverable on the Maturity Date comprises any odd lots of the Linked Stock, you will receive such odd lots of the Linked Stock.

If the Number of Stock comprises any fractional shares or units ("**Fractional Stock**"), we will pay you that Fractional Stock in cash (no Cash Settlement Expenses will be charged) which is calculated as follows (calculated to 2 decimal places, 0.005 being rounded upwards):

$$\text{Fractional Stock} \times \text{Final Closing Price of the Linked Stock}$$

Do you have any rights in the Linked Stock during the Investment Tenor of the Equity Linked Deposit?

You have no rights in the Linked Stock during the period from and including the Trade Date to and excluding the scheduled Determination Date.

In case where the Linked Stock is deliverable to you on the Maturity Date, you are entitled to all those rights attaching to the Linked Stock to be delivered to you as if you had been registered as the holder of such Linked Stock from the Determination Date onwards.

During the period from and including the Determination Date and until such time that the Linked Stock is delivered to you on the Maturity Date ("**Intervening Period**"), we are not under any obligation (i) to deliver to you any letter, certificate, notice, circular, dividend, distribution or any other document or payment whatsoever received by a registered holder of such Linked Stock; or (ii) to exercise any or all rights (including voting rights) attaching to such Linked Stock. We are not liable to you in respect of any loss or damage which you may suffer as a result, whether directly or indirectly, of you not being registered as the legal owner of such Linked Stock during

the Intervening Period. However, we will notify you of the receipt of any dividend, distribution, bonus issue, shares or units issued pursuant to a share split or consolidation during the Intervening Period, in respect of the Linked Stock to be delivered to you, and make available such dividend or distribution payment of the Linked Stock to you in a commercially reasonable manner upon production of such evidence of entitlement and identification as we may reasonably require.

Please refer to Condition 5 of the Terms and Conditions as set out in Appendix 1 to this Principal Brochure for further details.

Will the Determination Date be subject to adjustment?

The Determination Date will be specified in the Termsheet, or if such day is not an Exchange Business Day, then the following Exchange Business Day. Provided that if we determine that a Market Disruption Event in respect of the Linked Stock (such as suspension of trading on the Exchange) occurs on the scheduled Determination Date ("**Disrupted Day**"), the Determination Date will be postponed to the first succeeding Exchange Business Day which is not a Disrupted Day, unless each of the eight Exchange Business Days immediately following the scheduled Determination Date is a Disrupted Day. In that case (i) that eighth Exchange Business Day shall be deemed to be the Determination Date, notwithstanding the fact that such day is a Disrupted Day, and (ii) we (as the Offeror) will determine (acting in good faith and in a commercially reasonable manner) the fair market price of the Linked Stock on that eighth Exchange Business Day, by reference to, without limitation, the last reported price of the Linked Stock, the market interest rate movements and the prevailing market conditions. Such price shall be deemed to be the Final Closing Price for the purpose of determining the settlement at maturity. The Maturity Date will be postponed accordingly.

You should refer to Condition 9 of the Terms and Conditions as set out in Appendix 1 to this Principal Brochure for more details.

When will the terms and conditions of the Equity Linked Deposit be adjusted?

The terms and conditions of the Equity Linked Deposits may be adjusted if we (as the Offeror) in our sole and absolute discretion (acting in good faith and in a commercially reasonable manner) determine that a Potential Adjustment Event (such as rights issue, bonus issue, consolidation and subdivision of the Linked Stock), a Merger Event (such as consolidation, amalgamation, merger or binding share exchange of the issuer of the Linked Stock) or a Tender Offer (such as a takeover offer, tender offer, exchange offer, solicitation, proposal to the issuer of the Linked Stock) occurs on or prior to the Determination Date. We (as the Offeror) will, in our sole and absolute discretion (acting in good faith and in a commercially reasonable manner) make the corresponding adjustments to the terms of the Equity Linked Deposit, including but not limited to the Strike Price, to account for the diluting or concentrative effect of such event in order to preserve the economic equivalence of the Equity Linked Deposit. **The occurrence of any of such events may negatively impact on your investment in the Equity Linked Deposit.**

We will notify you and the SFC as soon as practicable upon the occurrence of such event, any adjustment made and the effective date of such adjustment. You should refer to Conditions 6 and 7 of the Terms and Conditions as set out in Appendix 1 to this Principal Brochure for more details.

Are there any situations where our Equity Linked Deposits may be early terminated before maturity?

If we (as the Offeror) in our sole and absolute discretion (acting in good faith and in a commercially reasonable manner) determine that a Merger Event (such as consolidation, amalgamation, merger or binding share exchange of the issuer of the Linked Stock) or a Tender Offer (such as a takeover offer, tender offer, exchange offer, solicitation, proposal to the issuer of the Linked Stock) occurs on or prior to the Determination Date, where we in our sole and absolute discretion (acting in good faith and in a commercially reasonable manner), determine that adjustment to the terms of the Equity Linked Deposit is unable to preserve the economic equivalence of the Equity Linked Deposits, we will early terminate the relevant Equity Linked Deposit.

If we (as the Offeror) in our sole and absolute discretion (acting in good faith and in a commercially reasonable manner) determine that an Extraordinary Disruption Event (such as delisting or hedging disruption) occurs, we will early terminate the relevant Equity Linked Deposit.

If an Equity Linked Deposit is early terminated due to the occurrence of any of the above events, we will pay you Early Termination Amount on the second Business Day after the effective day of such early termination. Such Early Termination Amount is determined by us (as the Offeror), in our sole and absolute discretion (acting in good faith and in a commercially reasonable manner), representing the fair value of such Equity Linked Deposit as of the date of early termination of such Equity Linked Deposit, by reference to, without limitation, the market interest rate movements, the current and expected market price and price volatility of the Linked Stock, the remaining Investment Tenor, our creditworthiness, our transaction costs (including the unwind cost of hedging) and our operational or administrative costs. **Such amount may be substantially less than your Principal Amount. You may suffer a substantial loss if the Equity Linked Deposit is terminated early under these circumstances.**

We will notify you and the SFC as soon as practicable upon the occurrence of any such event if we determine that the relevant Equity Linked Deposit shall be terminated, the Early Termination Amount and the effective date of such early termination. You should refer to Conditions 7 and 8 of the Terms and Conditions as set out in Appendix 1 to this Principal Brochure for more details.

What is the governing law of our Equity Linked Deposits?

Our Equity Linked Deposits are governed by the laws of Hong Kong Special Administrative Region of the People's Republic of China.

FURTHER INFORMATION RELATING TO OUR EQUITY LINKED DEPOSITS

What is included in our Equity Linked Deposit documentation?

Offering Documents

The following documents constitute the Offering Documents of our Equity Linked Deposits. You should read all of these Offering Documents before deciding whether to invest:

- (i) **Principal Brochure:** This Principal Brochure, together with the addendum thereto (if any) as specified in the Termsheet, contains an overview of our Equity Linked Deposits, including:
 - a key facts statement for our Equity Linked Deposits;
 - the product features and risk factors relating to our Equity Linked Deposits;
 - the Terms and Conditions for our Equity Linked Deposits;
 - the general procedure of investing in our Equity Linked Deposits; and
 - the general information about us.
- (ii) **Financial Disclosure Document:** The Financial Disclosure Document, together with the addendum thereto (if any), comprises our most recently published audited annual report and unaudited interim report (if any). The Termsheet will specify the date(s) of the latest Financial Disclosure Document and the addendum thereto (if any).
- (iii) **Termsheet:** The Termsheet sets out a summary of the specific terms that are applicable to an Equity Linked Deposit that you wish to apply for. We have set out in Appendix 2 to this Principal Brochure a standard form of the Termsheet for our Equity Linked Deposit. The Termsheet sets out the variables which will be specified at the time you apply for our Equity Linked Deposit.

The offer of our Equity Linked Deposits is made only on the basis of the above Offering Documents. Before accepting an order for an Equity Linked Deposit, we (as the intermediary) are obliged to distribute to you all of the above Offering Documents in English or Chinese as you may prefer.

Legal documents

The following documents set out the legally binding terms and conditions of our Equity Linked Deposits:

- (i) **Terms and Conditions of the Equity Linked Deposits:** The terms and conditions that are applicable to all our Equity Linked Deposits are set out in Appendix 1.
- (ii) **Confirmation for the Equity Linked Deposits:** The form of Confirmation for our Equity Linked Deposits are set out in Appendix 3 to this Principal Brochure. The Terms and Conditions as set out in Appendix 1 may be applied, disapplied, amended, varied and/or

supplemented by the specific terms and conditions that are applicable to an Equity Linked Deposit. These specific terms and conditions will be set out in the relevant Confirmation which reflects the specific terms as summarised in the relevant Termsheet. In the event of any inconsistency between the Terms and Conditions and the relevant Confirmation, the relevant Confirmation will prevail. The Confirmation applicable to an Equity Linked Deposit will be sent to you within 2 Business Days after the Trade Date.

To whom are our Equity Linked Deposits designed for?

Our Equity Linked Deposits are designed for investors who:

- have a neutral to mildly positive outlook on the market price of the Linked Stock;
- have experience in investing in unlisted structured investment products in particular equity linked deposits and are looking for more tailored ways of investing in accordance with their market views;
- are willing to risk their principal invested;
- are prepared to hold their investment in their Equity Linked Deposits until the Maturity Date;
- are prepared to receive the Linked Stock (the market value of which may be substantially less than the Principal Amount) if the Final Closing Price of the Linked Stock is below the Strike Price; and
- are prepared to take our credit risk.

Our Equity Linked Deposits are not designed for investors who:

- have a negative outlook on the market or the Linked Stock;
- do not have knowledge or experience investing in derivative investments;
- do not want to take our credit risk;
- do not want to risk any part of their principal; or
- may need to early terminate their Equity Linked Deposits before the Maturity Date for liquidity needs.

Comparison with conventional time deposit

Our Equity Linked Deposit is not the same as and should not be treated as a substitute for conventional time deposits. Our Equity Linked Deposit is not a deposit protected by the Deposit Protection Scheme in Hong Kong. Although the interest rate payable under a conventional time deposit may be lower, or substantially lower than the potential return under our Equity Linked Deposit, an investment in a conventional time deposit is protected by the Deposit Protection Scheme. Accordingly, an investor in a conventional time deposit will not be exposed to the risk of investment loss arising from our default up to the protection limit under the Deposit Protection Scheme.

How can I apply for an Equity Linked Deposit?

Our Equity Linked Deposits are only available from the Bank (as an intermediary). To invest in our Equity Linked Deposits, you must already have, or you must open, a settlement account and a securities account to which settlement under our Equity Linked Deposits can be credited by us (as the intermediary). If you wish to apply for our Equity Linked Deposits, you can contact our sales staff at any of our designated branches in Hong Kong to enquire about our Equity Linked Deposits.

To invest in an Equity Linked Deposit, you will need to fill in an application form provided by us. We may accept or reject an Equity Linked Deposit application at our sole and absolute discretion, and will notify you in person or by telephone as soon as your application is accepted or rejected on the Trade Date.

You may apply for an Equity Linked Deposit by placing an order with us on any Business Day which will become the Trade Date. Once you place your Equity Linked Deposit order with us, you will be committed to purchase the Equity Linked Deposit and a cash amount equal to the Principal Amount will be frozen in your Settlement Account. If your Equity Linked Deposit order is accepted by us on the Trade Date, such cash amount equal to the Principal Amount will be deducted from your Settlement Account on the Trade Date.

All terms will be finalised at the time when you place your Equity Linked Deposit order. A Confirmation setting out the specific terms applicable to your Equity Linked Deposit will be sent to you within 2 Business Days after the Trade Date. The Terms and Conditions of our Equity Linked Deposits set out in Appendix 1 to this Principal Brochure as amended, varied and/or supplemented by the relevant Confirmation will constitute the full legally binding terms and conditions applicable to your Equity Linked Deposit.

Your Equity Linked Deposit order cannot be withdrawn or cancelled once it is accepted by us on the Trade Date. Post-sale cooling-off period does not apply to our Equity Linked Deposits.

Do I have to pay any fees or charges?

No subscription charges – There is no subscription charge for placing an order for an Equity Linked Deposit with us. All related charges incurred by us (including our hedging cost) will be factored into the calculation of the Annualised Coupon Rate.

Cash Settlement Expenses – Cash Settlement Expenses are all charges or expenses, including any taxes and duties that are incurred for payment of a cash amount to you. Cash Settlement Expenses, if applicable, will be deducted from any cash amount you may receive under your Equity Linked Deposit. Currently, no cash settlement expense is payable. If any Cash Settlement Expenses are payable in the future, we will inform you in advance before you place your order for an Equity Linked Deposits.

Physical Settlement Expenses – Physical Settlement Expenses are out-of-pocket expenses relating to the delivery and receipt of the Linked Stock which are deliverable to you on the Maturity Date. These expenses include the buyer's stamp duty (currently at a rate of 0.1% of the transaction amount of the Linked Stock calculated at the Strike Price) and our administrative fees (being 0.2% of the Principal Amount). Physical Settlement Expenses will have to be paid by you before the Linked Stock will be delivered to you on the Maturity Date. Please ask us for details of such charges.

You should note that any Cash Settlement Expenses or Physical Settlement Expenses will reduce your gain or increase your loss under your investment in the Equity Linked Deposit.

Is post-sale cooling-off period available?

No. Post-sale cooling-off period pursuant to Part IV of the Code is mandatory for unlisted structured investment products with a tenor of more than one year. The post-sale cooling-off period pursuant to Part IV of the Code **DOES NOT APPLY** to our Equity Linked Deposits because we will not offer any Equity Linked Deposit with an Investment Tenor of more than six months.

Is there any market making arrangement for your Equity Linked Deposit before maturity?

No. Market making arrangement pursuant to Part III of the Code is mandatory for unlisted structured investment products with a tenor of more than six months. The market making arrangement pursuant to Part III of the Code **DOES NOT APPLY** to our Equity Linked Deposits because we will not offer any Equity Linked Deposit with an Investment Tenor of more than six months. You cannot transfer or early terminate your Equity Linked Deposit after your order is accepted by us on the Trade Date.

How will I know what the settlement at maturity will be?

We will notify you within 2 Business Days after the Determination Date of your settlement at maturity (being (i) the Principal Amount and the Coupon Amount or (ii) the Number of Stocks and the Coupon Amount payable or deliverable by us).

What are our key responsibilities in the offer of our Equity Linked Deposits?

We act as the Offeror and the Product Arranger in the offer of our Equity Linked Deposits. We (as the Offeror) will enter into the Equity Linked Deposit with you as a principal. We (as the Product Arranger) will perform the administrative functions in the offer of our Equity Linked Deposits.

We (as the Offeror and the Product Arranger), on behalf of our directors, will accept service at our registered office specified at the back page of this Principal Brochure.

Where can I find more information about the Bank and the Equity Linked Deposit?

You can obtain further information on the Bank from our website www.bochk.com.

Information contained in the website referred to in this Principal Brochure or a Termsheet does not form part of this Principal Brochure or that Termsheet.

What are our on-going disclosure obligations?

We (as the Offeror and the Product Arranger) will keep the SFC and all investors in our Equity Linked Deposits informed as soon as reasonably practicable if (a) we (as the Offeror) cease to

meet any core requirements applicable to issuers in Appendix A to the Code, (b) we (as the Product Arranger) cease to meet any eligibility requirements applicable to Product Arrangers under paragraph 4.2 of the Code, and (c) to the extent permitted by any applicable law, changes in the financial condition or other circumstances which could reasonably be expected to have a material adverse effect on our ability to fulfil our commitment in connection with our Equity Linked Deposits. Please contact our sales staff for further details.

How do we make use of the proceeds of our Equity Linked Deposits?

The proceeds of our Equity Linked Deposits will be used for our general corporate purposes.

Who is responsible for the Offering Documents of our Equity Linked Deposits?

We (as the Offeror and the Product Arranger) accept full responsibility for the contents of, and the completeness and accuracy of the information contained in each of the Offering Documents of our Equity Linked Deposits and confirm, having made all reasonable enquiries, that to the best of our knowledge and belief the Offering Documents, when read together, will contain no untrue or misleading statement, or other facts the omission of which would make any statement therein untrue or misleading.

This Principal Brochure is accurate at the date of this Principal Brochure. You must not assume that information in this Principal Brochure is accurate at any time after the date of this Principal Brochure. Any updated information of this Principal Brochure will be specified in the Termsheet.

Where can I read copies of the documentation for the Equity Linked Deposits?

While any of our Equity Linked Deposits remains outstanding, you can read copies of the following documents (without any charges):

- our articles of association (in English version only);
- this Principal Brochure and the addendum thereto (if any) (in separate English and Chinese language versions);
- our latest Financial Disclosure Document and the addendum thereto (if any) (English and Chinese language versions contained in one document);
- upon request by an investor of an Equity Linked Deposit, the Termsheet for that Equity Linked Deposit (in separate English and Chinese language versions);
- a certified true copy of the letter of our auditors consenting to the inclusion of their report in the Financial Disclosure Document and the addendum thereto (if any) (in English language version only); and
- any notices given by us under the terms and conditions of our Equity Linked Deposit (in separate English and Chinese language versions),

by visiting our office at 8th Floor, Bank of China Tower, 1 Garden Road, Hong Kong during normal business hours (other than on Saturdays, Sundays or public holidays).

A reasonable fee will be charged if you want to take photocopies of any of such documents.

Is this a prospectus?

This Principal Brochure does not constitute a prospectus under the Companies Ordinance (Cap.32, Laws of Hong Kong).

Hong Kong Taxation

The statements below regarding taxation are based on the laws and practice in Hong Kong on the date of this Principal Brochure. The relevant laws, rules and practice relating to tax are subject to change and amendment (and such change may be made on a retrospective basis). As such, there can be no guarantee that the summary provided below will continue to be applicable after the date of this Principal Brochure. The statements below do not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to invest in our Equity Linked Deposits and do not purport to deal with the tax consequences applicable to all categories of investors. You should consult your own tax adviser about the tax consequences of investing in our Equity Linked Deposits.

Profits tax

Investors carrying on a trade, profession or business in Hong Kong, and derive gain (or return) on our Equity Linked Deposits or on the sale of the Linked Stock delivered upon maturity may be subject to profits tax in Hong Kong if such gain is of revenue nature and sourced in Hong Kong. Capital gains are not subject to profit tax in Hong Kong. Investors not carrying on business in Hong Kong will not be subject to profits tax on gains made on our Equity Linked Deposits or on the sale of the Linked Stock delivered upon maturity.

Stamp duty

Our Equity Linked Deposits are not expected to be subject to Hong Kong stamp duty or bearer instrument duty upon their execution. However, if under the terms and conditions of an Equity Linked Deposit, there is any transfer of stocks (which fall within the meaning of "Hong Kong Stock" under the Stamp Duty Ordinance), stamp duty will be payable at the rate of 0.2% by reference to the value of the consideration paid or their market value, which will be payable as to 0.1% by the seller (being the Bank) and as to 0.1% by the buyer (being the investor), subject to any applicable exemption or remission. Please see the relevant Termsheet for further details.

SCENARIO ANALYSIS

The following hypothetical examples are for illustrative purposes only. They do not reflect a complete analysis of all possible potential gain or loss scenarios and must not be relied on as an indication of the actual performance of the Linked Stock or this product. They do not take into account any cash and physical settlement expenses (including the buyer's stamp duty) payable by the investor upon cash settlement or delivery of the Linked Stock. You should not rely on these examples when making an investment decision.

This scenario analysis for our Equity Linked Deposit is based on the following terms:

Investment Tenor: 41 calendar days (commencing from and including Trade Date to but excluding the scheduled Maturity Date)

Trade Date: 1 March 20XX

Determination Date: 9 April 20XX

Maturity Date: 11 April 20XX

Linked Stock: Shares in Company A

Deposit Currency: Hong Kong dollars

Principal Amount: HKD139,500

Spot Price: HKD100.00

Strike Price: HKD93.0000 (being 93% of the Spot Price)

Annualised Coupon Rate: 12.00% per annum*

* The Annualised Coupon Rate is expressed in an annualised format and is based on the hypothetical assumption that the Equity Linked Deposit can be rolled over on the same terms for a period of 365 days. It does not reflect the Actual Coupon Rate of the Equity Linked Deposit. You should not rely on the Annualised Coupon Rate as an indication of the expected return for the Equity Linked Deposit.

Actual Coupon Rate: Annualised Coupon Rate x Investment Tenor / 365
= 12.00% per annum x 41/365
= 1.3479% (as shown up to 4 decimal places)

Coupon Amount: The Coupon Amount is calculated as follows:

$$\begin{aligned} &= \text{Principal Amount} \times \frac{\text{Annualised Coupon Rate}}{365} \times \text{Investment Tenor} \\ &= \text{HKD}139,500.00 \times 12.00\% \times \frac{41}{365} \\ &= \text{HKD}1,880.38 \text{ (rounded to the nearest 2 decimal places)} \end{aligned}$$

Number of Stock deliverable in the case of physical settlement Assuming the Final Closing Price of the Linked Stock is lower than the Strike Price, you will receive the following on the Maturity Date:

- (i) the Coupon Amount in cash (i.e. HKD1,880.38); and
- (ii) the Number of Stock calculated as follows:

$$\begin{aligned} &= \frac{\text{Principal Amount}}{\text{Strike Price}} \\ &= \frac{\text{HKD}139,500.00}{\text{HKD}93} \\ &= 1,500 \text{ shares} \end{aligned}$$

Scenario 1 (Best Case Scenario) – Final Closing Price of the Linked Stock is AT or ABOVE Strike Price

Assuming the Final Closing Price of the Linked Stock on the Determination Date is HKD120.00 per share, which is higher than the Strike Price, you will receive the Principal Amount and the Coupon Amount in cash on the Maturity Date calculated as follows:

= Principal Amount + Coupon Amount

= HKD139,500.00 + HKD1,880.38

= HKD141,380.38

In this scenario, you have an actual gain of the Coupon Amount of HKD1,880.38, representing an actual rate of return of 1.35% (i.e. Coupon Amount (HKD1,880.38) / Principal Amount (HKD139,500) x 100%) (rounded to the nearest 2 decimal places). This is the maximum gain under the Equity Linked Deposit even if your view on the Linked Stock is correct.

Scenario 2 (Break-even Scenario) – Final Closing Price of the Linked Stock is BELOW the Strike Price but AT the break-even price

Assuming that the Final Closing Price of the Linked Stock is at the break-even price, which is below the Strike Price, you will receive on the Maturity Date (i) the Number of Stock (i.e. 1,500 shares), and (ii) the Coupon Amount in cash (i.e. HKD1,880.38).

The break-even price at maturity for the Equity Linked Deposit is calculated as follows:

$$\frac{\text{Principal Amount} - \text{Coupon Amount}}{\text{Number of Stock}}$$

In this scenario, the break-even price is HKD91.75, as calculated as follows:

$$\begin{aligned} &= \frac{\text{HKD}139,500.00 - \text{HKD}1,880.38}{1,500} \\ &= \text{HKD } 91.75 \text{ (rounded to the nearest 2 decimal places)} \end{aligned}$$

Assuming you can sell the Number of Stock on the Maturity Date at the break-even price, you will obtain the total amount of HKD139,505.38 (i.e. the market value of the Number of Stock (1,500 x HKD91.75) + Coupon Amount (HKD1,880.38)) which will be approximately equal to the Principal Amount, representing an actual rate of return of approximately 0% (i.e. [the market value of the Number of Stock (1,500 x HKD91.75) + Coupon Amount (HKD1,880.38) – Principal Amount (HKD139,500)] / Principal Amount (HKD139,500) x 100%) (rounded to the nearest 2 decimal places).

Scenario 3 (Loss Scenario) – Final Closing Price of the Linked Stock is BELOW Strike Price

Assuming the Final Closing Price of the Linked Stock is HKD86.00 per share, which is below the Strike Price, you will receive on the Maturity Date (i) the Number of Stock (i.e. 1,500 shares) and (ii) the Coupon Amount in cash (i.e. HKD1,880.38).

In this scenario, you suffer an unrealised loss of HKD8,619.62 (i.e. Principal Amount (HKD139,500) – [market value of the Number of Stock (HKD86.00 x 1,500 shares) + Coupon Amount (HKD1,880.38)]) by reference to the Final Closing Price of the Linked Stock, representing an actual rate of loss of 6.18% (i.e. the unrealised loss (HKD8,619.62) / Principal Amount (HKD139,500) x 100%) (rounded to the nearest 2 decimal places).

Any further downside movement in the market price of the Linked Stock after the Determination Date up to the Maturity Date could adversely affect your investment. Furthermore, if you decide to hold the Linked Stock deliverable to you on the Maturity Date, you will be further exposed to the risk of market price fluctuation of the Linked Stock from the Maturity Date until you sell the Linked Stock.

Scenario 4 (Worst Case Scenario) – Final Closing Price of the Linked Stock drops to zero

Assuming the Final Closing Price of the Linked Stock is HKD0.00 per share, which is below the Strike Price, you will receive on the Maturity Date (i) the Number of Stock (i.e. 1,500 shares) and (ii) the Coupon Amount in cash (i.e. HKD1,880.38).

In this scenario, you suffer an unrealised loss of HKD137,619.62 (i.e. Principal Amount (HKD139,500) – [market value of the Number of Stock (HKD0.00 x 1,500 shares) + Coupon Amount (HKD 1,880.38)]) if the market price of the Linked Stock remains at zero on the Maturity Date, representing an actual rate of loss of 98.65% (i.e. the unrealised loss (HKD137,619.62) / Principal Amount (HKD139,500) x 100%) (rounded to the nearest 2 decimal places).

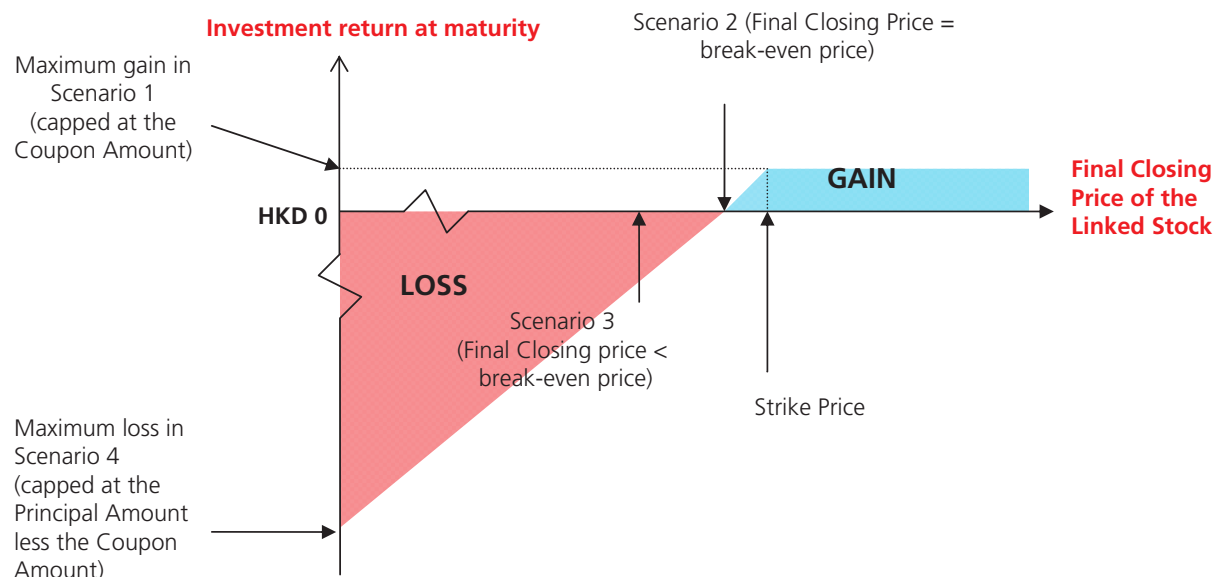
Scenario 5 (Default Scenario) – The Bank defaults in payment or becomes insolvent

Assuming that the Bank becomes insolvent or defaults on its obligations under the Equity Linked Deposit, you can only claim as an unsecured creditor of Bank of China (Hong Kong) Limited regardless of the performance of the Linked Stock. You may get nothing back and may lose all of your Principal Amount, being HKD139,500.

Scenario Summary and Potential Return Analysis

The table and diagram below illustrate the potential gain or loss for the Principal Amount under scenarios 1 to 5 above:

Scenario	Final Closing Price of the Linked Stock	Total payout on Maturity Date	Investment return at maturity (HKD)	Investment return against Principal Amount (Actual %)
1	HKD120.00	HKD141,380.38	HKD1,880.38	1.35%
2	HKD91.75	1,500 shares and HKD1,880.38	– HKD5.38	Approximately 0%
3	HKD86.00	1,500 shares and HKD1,880.38	– HKD8,619.62	–6.18%
4	HKD0.00	1,500 shares and HKD1,880.38	– HKD137,619.62	–98.65%
5	You will be ranked as unsecured creditor against Bank of China (Hong Kong) Limited if the Bank becomes insolvent or defaults on its obligations under the Equity Linked Deposit and may lose the entire Principal Amount of HKD139,500.			



Note: The illustration above is based on the assumptions that (i) the Final Closing Price of the Linked Stock is the same as the market price of the Linked Stock on the Maturity Date and (ii) the Bank is not insolvent or has not defaulted on its obligations under the Equity Linked Deposit. You should note that any further downside movements in the market price of the Linked Stock after the Determination Date up to the Maturity Date could adversely affect your investment.

INFORMATION ABOUT US

We are listed on The Stock Exchange of Hong Kong Limited. We were incorporated in Hong Kong on 1 October 2001. As at 31 December 2010, we had a total net asset amount of HK\$104,674,000,000.

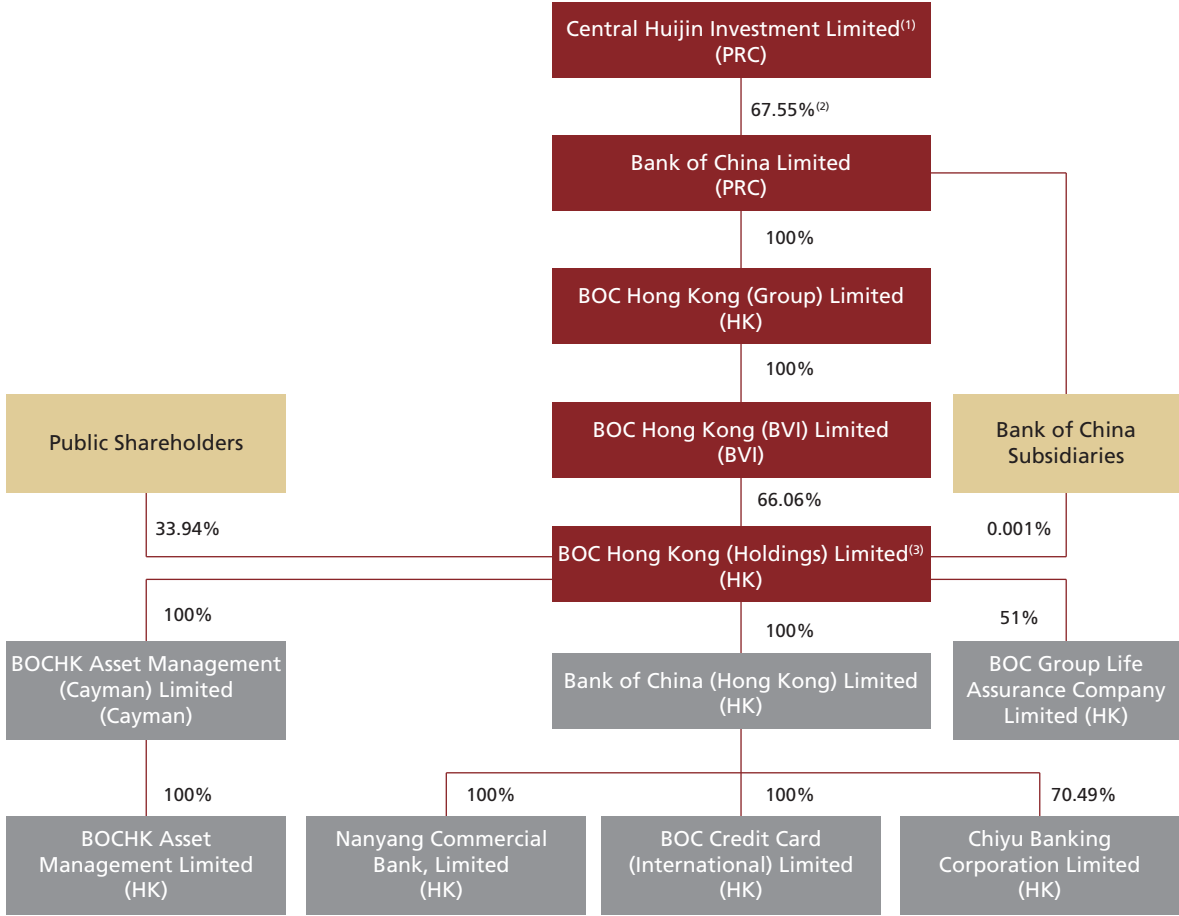
On 1 October 2001, substantially all of the commercial banking businesses and related assets and liabilities of nine entities previously within the Bank of China group were transferred to Po Sang Bank Limited, another member of the Bank of China group, whose name was then changed to Bank of China (Hong Kong) Limited. These included the Hong Kong branch of Bank of China, the Hong Kong and Mainland China branches of seven banks incorporated in the PRC, and one Hong Kong incorporated subsidiary bank of Bank of China. On the same date, two additional Hong Kong incorporated subsidiary banks, Nanyang Commercial Bank, Limited (“Nanyang”) and Chiyu Banking Corporation Limited (“Chiyu”), and BOC Credit Card (International) Limited (“BOC Credit Card”), a credit card subsidiary company of Bank of China became subsidiaries of the Bank. To realise the full benefits of the merger, a major restructuring has also been undertaken to integrate these merged operations and to enhance them in line with leading market practices. Nanyang and Chiyu, however, continue to conduct their business operations separately in most respects.

As a result of the merger, the Bank became the principal bank for the Bank of China’s Hong Kong commercial banking operations, and became its principal operating subsidiary. In addition, the Bank replaced Bank of China as a bank-note issuing bank in Hong Kong.

Certain of the pre-merger businesses of Bank of China in Hong Kong that were not engaged in commercial banking such as insurance, securities brokerage and investment banking continued to be operated through other subsidiaries of Bank of China, and did not become part of the Bank of China group at that time.

The Bank and its subsidiaries are collectively referred to below as the “Group”.

The following chart sets forth our corporate organisation, principal operating subsidiaries and shareholding structure:



(1) Acting on behalf of the PRC Government and previously known as Central SAFE Investments Ltd.
 (2) As a percentage of the total issued share capital of Bank of China Limited which comprises A shares and H shares.
 (3) Based on the register maintained pursuant to the Securities and Futures Ordinance.

Outline of Business

Overview

We, together with our key subsidiaries, are a leading commercial banking group in Hong Kong. With over 270 branches and more than 510 ATMs and other distribution channels in Hong Kong, we offer a comprehensive range of financial products and services to retail and corporate customers. In addition, we have branches in Mainland China to meet the cross-border banking needs of our Hong Kong and Mainland China customers. The Bank is one of the three continuing members of the Hong Kong Association of Banks. The chairmanship of the Hong Kong Association of Banks alternates every year among the continuing members.

We provide a comprehensive range of retail banking products and services to our retail customers, including deposits, home mortgage loans, home ownership scheme loans, remittances, credit cards, insurance, foreign exchange, bullion trading and investment product services such as securities, investment funds, and personal wealth management services. We provide our corporate and institutional customers with a variety of banking products and services, including deposits, loan facilities such as working capital finance, syndicated loans, project finance and asset finance, and non-interest income based products and services such as syndicated loan arrangements, credit facility arrangements, trade finance arrangements, custodian services, cash management products and services, Mandatory Provident Fund services and insurance services. Through our treasury operations, we participate in inter-bank money market transactions and provide order execution services for our customers with respect to their foreign exchange and derivative transactions. We also participate in capital markets transactions to effect our securities investments and engage in proprietary trading, primarily of foreign exchange and debt securities.

In recent years, we have made substantial investments in our technology platform and distribution capabilities. In addition to our extensive branch and ATM network, we offer 24-hour automated telephone banking and online banking services. These resources enable us to deliver a broad range of banking products and services through multiple delivery channels that are convenient to our customers.

China business is one of the key components of our long-term growth strategy and represents one of our competitive advantages. Our mainland branches provide diversified services and products to customers, including automated funds transfer services so that Mainland mortgagors can make repayments through any of our branches in Hong Kong.

RMB Banking Services

Towards the end of 2003 the Bank was appointed as the clearing bank for personal Renminbi ("RMB") business in Hong Kong and our RMB banking services were launched in late February 2004. The Group remains the market leader in Hong Kong in the RMB personal banking services, including RMB deposits, RMB credit card and ATM deliverance of RMB. The Group is one of the leading banks in Hong Kong that offers RMB services to corporate customers, including a one-stop RMB notes collection service for designated merchants and a service which allows same-day fund transfer to designated locations in the Mainland.

APPENDIX 1

TERMS AND CONDITIONS OF OUR EQUITY LINKED DEPOSITS

*The following is the text of the terms and conditions (the “**Terms and Conditions**”) applicable to our Equity Linked Deposit. The relevant Confirmation in relation to each Equity Linked Deposit may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, applies, disapplies, amends, varies and/or supplements these Terms and Conditions for the purpose of such Equity Linked Deposit. Capitalised terms used in these Terms and Conditions and not otherwise defined herein shall have the meaning given to them in the relevant Confirmation.*

The SFC takes no responsibility as to the contents of the Terms and Conditions. The SFC’s authorisation of this Principal Brochure does not imply the SFC’s endorsement of the Terms and Conditions.

1. ACCEPTANCE AND CONFIRMATION

- 1.1 The Customer may from time to time make an application for an Equity Linked Deposit with the Bank. The Bank may in its sole and absolute discretion accept an application for an Equity Linked Deposit from the Customer on such terms as the Bank in its sole discretion thinks fit.
- 1.2 Upon acceptance by the Bank of an application in respect of an Equity Linked Deposit from the Customer, a binding contract between the Bank and the Customer in respect of that Equity Linked Deposit is formed. The Customer acknowledges and agrees that such contract will be on the terms set out in a Confirmation sent to the Customer by the Bank within two Business Days after the Trade Date and such Confirmation is conclusive as to the terms of the contract agreed between the Bank and the Customer in respect of the relevant Equity Linked Deposit.
- 1.3 These Terms and Conditions and the relevant Confirmation issued by the Bank in respect of such application together constitute all the terms and conditions agreed between the Bank and the Customer in respect of an Equity Linked Deposit (each an “**Agreement**”). Where there is any inconsistency between these Terms and Conditions and the Confirmation in respect of an Equity Linked Deposit, the Confirmation will prevail for the purposes of the relevant Equity Linked Deposit.
- 1.4 Where there is any inconsistency between the provisions of the Agreement and the terms of any account maintained by the Customer with the Bank to which an Equity Linked Deposit is booked, the Agreement will prevail for the purposes of the relevant Equity Linked Deposit.

2. PRINCIPAL AMOUNT

- 2.1 The Customer shall maintain an amount at least equal to the Principal Amount in the Settlement Account with the Bank on the Trade Date for each Equity Linked Deposit entered into between the Bank and the Customer.

2.2 On the Trade Date in respect of an Equity Linked Deposit, the Customer shall pay to the Bank the Principal Amount relating to that Equity Linked Deposit. The Customer authorises the Bank to debit the Principal Amount from the Settlement Account, and such payment shall be effected automatically by the Bank by debiting from the Settlement Account.

3. SETTLEMENT AT MATURITY

3.1 On the Maturity Date in respect of an Equity Linked Deposit, unless otherwise stated in the Confirmation:

(a) if the Final Closing Price of the Linked Stock is at or above the Strike Price, the Bank will pay the Customer a cash amount in the Deposit Currency equal to the Principal Amount and the Coupon Amount less the Cash Settlement Expenses (if any) to the Settlement Account; or

(b) if the Final Closing Price of the Linked Stock is below the Strike Price, the Bank will deliver to the Customer (subject to the payment of the Physical Settlement Expenses) the Number of Stock to the Securities Account and will pay the Coupon Amount in cash (less the Cash Settlement Expenses (if any)) to the Settlement Account. Provided that if the Number of Stock consists of a Fractional Stock, then in respect of that Fractional Stock, the Bank shall on the Maturity Date pay to the Customer a cash amount (calculated to 2 decimal places, 0.005 being rounded upwards) equal to the Final Closing Price of the Linked Stock multiplied by that Fractional Stock to the Settlement Account.

3.2 In the case of cash settlement (where a cash amount is payable by the Bank on the Maturity Date), the Customer may be required to pay all charges and/or expenses including any taxes or duties which are incurred for payment of the cash amount under the Equity Linked Deposit ("**Cash Settlement Expenses**").

3.3 In the case of physical settlement (where the Bank is required to deliver the Linked Stock to the Customer on the Maturity Date pursuant to Condition 3.1(b)), the Customer will be required to pay the Bank a sum, as determined by the Bank, equal to all charges incurred in respect of the delivery and receipt of the Linked Stock, including without limitation, any prevailing buyer's stamp duty, agent's expenses, levies, registration charges, administrative fees and other expenses payable on or in connection with the receipt of the Linked Stock (as specified in the Confirmation) (together "**Physical Settlement Expenses**").

4. SETTLEMENT DISRUPTION

4.1 In the case of physical settlement (where the Bank is required to deliver the Linked Stock to the Customer on the Maturity Date pursuant to Condition 3.1(b)) and the Bank determines that, in its sole and absolute discretion (acting in good faith and in a commercially reasonable manner), such delivery of the Linked Stock on the scheduled Maturity Date is not practicable by reason of a Settlement Disruption Event having occurred on such date, then the Maturity Date shall be postponed to the first following Exchange Business Day on which there is no Settlement Disruption Event. The Bank will notify the Customer as soon as practicable of the postponement after the scheduled Maturity Date.

If there is a Settlement Disruption Event on each of the eight Exchange Business Days immediately following such scheduled date that, but for the Settlement Disruption Event, would have been the Maturity Date, then the Bank will pay a cash amount (if any) equal to the fair value of the Linked Stock deliverable as of that eighth Exchange Business Day as determined by the Bank in its sole and absolute discretion (acting in good faith and in a commercially reasonable manner) by reference to, without limitation, the last reported price of the Linked Stock, the market interest rate movements and the prevailing market conditions, and such cash amount will be credited to the Settlement Account on the second Business Day after that eighth Exchange Business Day. The Bank will notify the Customer on the second Business Day after that eighth Exchange Business Day of the relevant settlement arrangement (including the determination of such cash amount).

- 4.2 The Bank will not be liable for any interest in respect of the amount due or any loss or damage that you may suffer as a result of any delay in settlement due to the existence of a Settlement Disruption Event.

5. INTERVENING PERIOD

- 5.1 In the case of physical settlement (where the Bank is required to deliver the Linked Stock to the Customer on the Maturity Date pursuant to Condition 3.1(b)), the Customer shall be entitled to all those rights attaching to the Linked Stock to be delivered to him from and including the Determination Date. Such rights shall include the rights that the Customer would be entitled to as if the Customer had been registered as the holder of such Linked Stock from the Determination Date onwards.

- 5.2 Notwithstanding Condition 5.1 above, as from and including the Determination Date and until such time that the Linked Stock is delivered to the Customer (the “**Intervening Period**”), the Bank shall not:

- (a) be obliged to deliver to the Customer any letter, certificate, notice, circular, dividend, distribution or any other document or payment whatsoever received by a registered holder of such Linked Stock;
- (b) be obliged to exercise any or all rights (including voting rights) attaching to the Linked Stock during the Intervening Period; or
- (c) be liable to such Customer in respect of any loss or damage which such Customer may sustain or suffer as a result, whether directly or indirectly, of such Customer not being registered during such Intervening Period as legal owner of such Linked Stock.

- 5.3 Notwithstanding Condition 5.2 above, the Bank shall:

- (a) notify the Customer of the receipt of any dividend, distribution, bonus issue, shares or units issued pursuant to a share split or consolidation, by the Bank during the Intervening Period, in respect of the Number of Stock to be delivered to such Customer; and
- (b) make available such dividend or distribution payment of the Linked Stock to the Customer in a commercially reasonable manner upon production of such evidence of entitlement and identification as may reasonably be required by the Bank.

5.4 This Condition 5 shall not be construed so as to give rise to any relationship of agency, trust or fiduciary between (i) the Bank and (ii) any Customer in its capacity as the beneficial owner of the Linked Stock during an Intervening Period. The Bank shall not owe any fiduciary duty to such Customer.

6. POTENTIAL ADJUSTMENT EVENT

6.1 If the Bank determines in its sole and absolute discretion (acting in good faith and in a commercially reasonable manner) that a Potential Adjustment Event in respect of the Linked Stock has occurred on or after the Trade Date but on or prior to the Determination Date, the Bank will in its sole and absolute discretion (acting in good faith and in a commercially reasonable manner) determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the Linked Stock, and if so, the Bank will (acting in good faith and in a commercially reasonable manner) (i) make the corresponding adjustments, relevant to the settlement, payment or other terms of the Equity Linked Deposit to account for the diluting or concentrative effect of such event in order to preserve the economic equivalence of the Equity Linked Deposits and (ii) determine the effective date(s) of such adjustment(s) .

6.2 If the Bank determines that a Potential Adjustment Event has occurred under this Condition 6, the Bank will notify the Customer as soon as practicable of the occurrence of such event, the corresponding adjustment made and the effective date of such adjustment. All determinations made by the Bank pursuant to the terms and conditions of the Equity Linked Deposit shall be conclusive and binding on the Customer except in the case of manifest error.

6.3 “**Potential Adjustment Event**” means any of the following events in respect of the Linked Stock or the Equity Issuer:

- (a) a subdivision, consolidation or reclassification of the Linked Stock (unless such event results in a Merger Event, in which case, the Bank will make a decision in accordance with Condition 7) or a free distribution or dividend of the Linked Stock to existing holders by way of bonus, capitalisation or similar issue;
- (b) an extraordinary distribution or dividend;
- (c) a call by the Equity Issuer in respect of the Linked Stock that are not fully paid;
- (d) a repurchase by the Equity Issuer or any of its subsidiaries of the Linked Stock, whether out of profits or capital and whether the consideration for such repurchase is cash, new shares, securities or otherwise; or
- (e) any other event that may, in the opinion of the Bank (acting in good faith and in a commercially reasonable manner), have a diluting or concentrative effect on the theoretical value of the Linked Stock.

7. MERGER EVENT OR TENDER OFFER

- 7.1 Upon the occurrence of any Merger Event or Tender Offer in relation to which the Merger Date or the Tender Offer Date (as the case may be) is on or after the Trade Date but on or prior to the Determination Date, the Bank, in its sole and absolute discretion (acting in good faith and in a commercially reasonable manner):
- (a) may make any corresponding adjustments to the terms of the Equity Linked Deposit to preserve the economic equivalence of the Equity Linked Deposit; and
 - (b) will determine the effective date of such adjustment.
- 7.2 If the Bank determines in its sole and absolute discretion (acting in good faith and in a commercially reasonable manner) that any of the foregoing adjustments contemplated in Condition 7.1 is unable to preserve the economic equivalence of the Equity Linked Deposit, then:
- (a) the Equity Linked Deposit shall be terminated by payment of the Early Termination Amount to the Customer on the second Business Day after the effective day of such early termination; and
 - (b) the Bank's obligation under the Equity Linked Deposits is satisfied and discharged in full upon its payment of the Early Termination Amount.
- 7.3 If the Bank determines that a Merger Event or Tender Offer (as the case may be) has occurred, the Bank will notify the Customer as soon as practicable of the occurrence of such event, the corresponding adjustment or termination (as applicable) made by the Bank, the effective date of such adjustment or termination and the Early Termination Amount (as applicable). All determinations made by the Bank pursuant to the terms and conditions of the Equity Linked Deposit shall be conclusive and binding on the Customer.

8. EXTRAORDINARY DISRUPTION EVENT

- 8.1 If the Bank determines in its sole and absolute discretion (acting in good faith and in a commercially reasonable manner) that an Extraordinary Disruption Event occurs on or after the Trade Date but on or prior to the Determination Date, the Bank will early terminate the Equity Linked Deposits by payment of the Early Termination Amount to the Customer on the second Business Day after the effective day of such early termination. The Bank's obligation under the Equity Linked Deposits shall be satisfied and discharged in full upon its payment of the Early Termination Amount.
- 8.2 If the Bank determines an Extraordinary Disruption Event has occurred, the Bank will notify the Customer as soon as practicable of the occurrence of such event, the termination made by the Bank, the Early Termination Amount payable by the Bank and the effective date of such termination. All terminations made by the Bank pursuant to the terms and conditions of Equity Linked Deposit shall be conclusive and binding on the Customer.
- 8.3 **"Extraordinary Disruption Event"** means any Change in Law, Hedging Disruption, Increased Cost of Hedging, Nationalisation, Insolvency, Delisting or, if applicable, Fund Disruption Event.

9. MARKET DISRUPTION

9.1 If the Bank determines that the scheduled Determination Date in respect of an Equity Linked Deposit is a Disrupted Day, the Determination Date will be postponed to the first succeeding Exchange Business Day on which it is not a Disrupted Day, unless each of the eight Exchange Business Days immediately following the scheduled Determination Date is a Disrupted Day. In that case,

- (a) that eighth Exchange Business Day shall be deemed to be the Determination Date, notwithstanding the fact that such day is a Disrupted Day; and
- (b) the Bank shall determine, acting in good faith and a commercially reasonable manner, the fair market price of the Linked Stock on that eighth Exchange Business Day by reference to, without limitation, the last reported price of the Linked Stock, the market interest rate movements and the prevailing market conditions, such price shall be deemed to be the Final Closing Price of the Linked Stock.

9.2 The Bank shall notify the Customer of this calculated Final Closing Price as soon as it has been calculated.

10. GOVERNING LAW

These Terms and Conditions are governed by, and will be construed in accordance with the laws of the Hong Kong Special Administrative Region of the People's Republic of China ("**Hong Kong**").

11. LANGUAGE

The Agreement for an Equity Linked Deposit may be presented in both the English and Chinese languages and both languages shall bear equal weight.

12. DEFINITIONS

In these Terms and Conditions, unless the context otherwise requires:

"**Actual Coupon Rate**" means the actual coupon rate for an Investment Tenor as specified in the Confirmation calculated in accordance with the following formula:

$$\text{Annualised Coupon Rate} \times \frac{\text{Investment Tenor}}{365}$$

"**Annualised Coupon Rate**" means the coupon rate per annum specified in the Confirmation, based on the hypothetical assumption that an Equity Linked Deposit can be rolled over on the same terms for a period of 365 days. It does not reflect the Actual Coupon Rate.

"**Bank**" means Bank of China (Hong Kong) Limited.

"**Business Day**" means a day on which commercial banks are generally open for business in Hong Kong (excluding Saturdays and Sundays).

“Change in Law” means, in respect of an Equity Linked Deposit, during the Investment Tenor:

- (a) due to the adoption of or any change in any applicable law or regulation (including without limitation, any tax law); or
- (b) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority),

the Bank determines (acting in good faith and in a commercially reasonable manner) that:

- (i) it has become illegal to hold, acquire or dispose of any Linked Stock; or
- (ii) it will incur a materially increased cost in performing its obligations under the Equity Linked Deposit (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position).

“Confirmation” means a confirmation relating to an Equity Linked Deposit confirming the final terms applicable to that Equity Linked Deposit.

“Coupon Amount” means an amount in the Deposit Currency calculated in accordance with the following formula (calculated to 2 decimal places, 0.005 being rounded upwards):

$$\text{Principal Amount} \times \text{Annualised Coupon Rate} \times \frac{\text{Investment Tenor}}{365}$$

“Customer” means the person or, if more than one, the persons jointly, party to the Agreement of an Equity Linked Deposit other than the Bank.

“Delisting” means, in respect of the Linked Stock, the Exchange announces during the Investment Tenor that pursuant to the rules of such Exchange, such Linked Stock cease (or will cease) to be listed, traded or publicly quoted on the Exchange for any reason (other than a Merger Event or Tender Offer) and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in Hong Kong.

“Deposit Currency” means the currency specified as such in the Confirmation.

“Determination Date” means, in respect of an Equity Linked Deposit, the date specified as such in the Confirmation, provided that if such date is not an Exchange Business Day, the following Exchange Business Day, subject to postponement in accordance with Condition 9.

“Disrupted Day” means an Exchange Business Day on which a Market Disruption Event occurs.

“Early Termination Amount” in respect of an Equity Linked Deposit means an amount determined by the Bank, in its sole and absolute discretion (acting in good faith and in a commercially reasonable manner) pursuant to Condition 7.2 or Condition 8.1 (as the case may be), as representing the fair value of such Equity Linked Deposit as of the date of

termination of such Equity Linked Deposit taking into account factors including but not limited to, the market interest rate movements, the current and expected market price and price volatility of the Linked Stock, the remaining Investment Tenor, the creditworthiness of the Bank, the related transaction costs (including the unwind cost of hedging) and the operational or administrative costs of the Bank.

“Equity Issuer” means the issuer(s) of the Linked Stock.

“Equity Linked Deposit” means an equity linked deposit constituted by these Terms and Conditions and the relevant Confirmation.

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

“Exchange Business Day” means a day on which the Exchange is scheduled to open for trading.

“Final Closing Price” means the official closing price of the Linked Stock as published by the Exchange as of the Determination Date, provided that if such day is a Disrupted Day, the Final Closing Price shall be determined in accordance with Condition 9.

“Fractional Stock” means a fraction of the Linked Stock.

“Fund Disruption Event” means, in the case where the Linked Stock is a unit in a fund, any of the following in respect of the Linked Stock or the Equity Issuer during the term of the Investment Tenor, in each case as determined by the Bank in its sole and absolute discretion (acting in good faith and in a commercially reasonable manner):

- (a) the Equity Issuer ceases to exist;
- (b) the Linked Stock is reclassified, the reference underlying(s) that the Equity Issuer tracks has changed or the Equity Issuer is acquired by, or aggregated into, another fund, whose mandate, risk-profile and/or benchmarks are deemed by the Bank to be different from the mandate, risk-profile and/or benchmarks stated of the Equity Issuer as of the Trade Date (or any proposal for the foregoing occurs);
- (c) there is a material change in the mandate, risk profile, prospectus, statement of additional information, articles of incorporation, investment management agreement or annual and semi-annual report of the Equity Issuer, or there is a material change in any other rule, law, regulation, similar guideline, constitutional documents, report or other document governing the investment by the Equity Issuer of its assets since the Trade Date;
- (d) there is any proposal to wind up or terminate the Equity Issuer, or any substantive litigation by the investors in the Equity Issuer; or
- (e) any material breach or violation of any investment strategy or guidelines stated in the mandate, risk profile, prospectus, statement of additional information, articles of incorporation, investment management agreement or annual and semi-annual report or other document governing the investment by the Equity Issuer of its assets that is reasonably likely to materially affect the value of the Linked Stock or the rights or remedies of any holder thereof since the Trade Date.

“Hedging Disruption” means, in respect of an Equity Linked Deposit, that the Bank or any of its affiliates are unable, after using its commercially reasonable efforts, to:

- (a) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the risk of entering into and performing its obligations under the Equity Linked Deposit; or
- (b) realise, recover or remit the proceeds of any such transaction(s) or asset(s),

provided that any such disruption that is incurred solely due to the deterioration of the creditworthiness of the Bank shall not be deemed a Hedging Disruption.

“Increased Cost of Hedging” means, in respect of an Equity Linked Deposit, the Bank would incur a materially increased (as compared with circumstances existing on the Trade Date) amount of tax, duty, expense or fee (other than brokerage commissions) to:

- (a) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the risk of entering into and performing its obligations under the Equity Linked Deposit; or
- (b) realise, recover or remit the proceeds of any such transaction(s) or asset(s),

provided that any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Bank shall not be deemed an Increased Cost of Hedging.

“Investment Tenor” means the number of calendar days from and including the Trade Date to but excluding the scheduled Maturity Date, as specified in the Confirmation.

“Insolvency” means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of, or any analogous proceeding affecting, an Equity Issuer:

- (a) the Linked Stock of that Equity Issuer are required to be transferred to a trustee, liquidator or other similar official; or
- (b) holders of the Linked Stock of that Equity Issuer become legally prohibited from transferring them.

“Linked Stock” means the shares or the units specified as such in the Confirmation.

“Market Disruption Event” means (i) any suspension of or limitation on trading by the relevant stock exchange in the Linked Stock, or (ii) any event that disrupts or impairs the ability of market participants in general to effect transactions in, or obtain market values for, the Linked Stock on the relevant stock exchange, which in either case is (in the determination of the Bank in good faith and in a commercially reasonable manner) material, or (iii) the relevant stock exchange fails to open for trading, or closes before its scheduled closing time.

“Maturity Date” means the second Business Day (in the case where the Bank is obliged to pay any amount in cash) or the second Exchange Business Day (in the case where the Bank is obliged to deliver the Linked Stock) after the Determination Date, subject to adjustment in accordance with Condition 4.

“Merger Date” means the closing date of a Merger Event in relation to the Linked Stock or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Bank (acting in good faith and in a commercially reasonable manner).

“Merger Event” means, in respect of the Linked Stock, any:

- (a) reclassification or change of such Linked Stock that results in a transfer of, or an irrevocable commitment to transfer, all such Linked Stock outstanding to another entity or person;
- (b) consolidation, amalgamation, merger or binding share exchange of an Equity Issuer with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Equity Issuer is the continuing entity and which does not result in any such reclassification or change of such Linked Stock outstanding);
- (c) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Linked Stock of the Equity Issuer that results in a transfer of or an irrevocable commitment to transfer such Linked Stock (other than such Linked Stock owned or controlled by such other entity or person); or
- (d) consolidation, amalgamation, merger or binding share exchange of the Equity Issuer or its subsidiaries with or into another entity in which the Equity Issuer is the continuing entity and which does not result in a reclassification or change of such Linked Stock outstanding but results in the outstanding Linked Stock (other than Linked Stock owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding Linked Stock immediately following such event,

in each case if the Merger Date is on or before the Determination Date.

“Minimum Principal Amount” means the minimum amount in the Deposit Currency for which an application must be made as specified in the Termsheet.

“Nationalisation” means, in respect of the Linked Stock, that all the shares or all or substantially all the assets of an Equity Issuer are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof.

“Number of Stock” means a fixed number of the Linked Stock calculated as follows:

$$\frac{\text{Principal Amount}}{\text{Strike Price}}$$

“Principal Amount” means the cash amount in the Deposit Currency specified as such in the Confirmation.

“Securities Account” means a securities account of the Customer specified as such in the Confirmation.

“Settlement Account” means a cash account of the Customer specified as such in the Confirmation.

“Settlement Disruption Event” means an event beyond the control of the Bank as a result of which the Bank cannot make delivery of the Linked Stock to the Securities Account as determined by the Bank in its sole and absolute discretion (acting in good faith and in a commercially reasonable manner).

“Spot Price” means the price specified as such in the Confirmation, being the prevailing market price of the Linked Stock at the time the Customer places an order on the Equity Linked Deposit on the Trade Date.

“Strike Price” means the price specified as such in the Confirmation, being a specified percentage of the Spot Price (calculated to 4 decimal places, 0.00005 being rounded upwards).

“Tender Offer” means a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10 per cent. and less than 100 per cent. of the outstanding voting shares of the Equity Issuer, as determined by the Bank, based upon the making of filings with governmental or self regulatory agencies or such other information as the Bank deems relevant.

“Tender Offer Date” means, in respect of a Tender Offer, the date on which voting shares or units in the amount of the applicable percentage threshold are actually purchased or otherwise obtained (as determined by the Bank in good faith and in a commercially reasonable manner).

“Trade Date” means the date specified as such in the Confirmation, being the date on which a binding contract is entered into between the Customer and the Bank in respect of an Equity Linked Deposit.

APPENDIX 2

FORM OF TERMSHEET FOR OUR EQUITY LINKED DEPOSITS

We set out below a standard form of the Termsheet for our Equity Linked Deposits. It is indicative only and must not be relied upon as being representative of the terms that will apply to any particular Equity Linked Deposit. Each Termsheet covers an Equity Linked Deposit only.

You must read the Termsheet for the particular Equity Linked Deposit you are interested in and all other Offering Documents before applying for an Equity Linked Deposit.

**Equity Linked Deposits (Put Option)
("Equity Linked Deposits") offered by
Bank of China (Hong Kong) Limited**

[insert date]

IMPORTANT RISK WARNING

- **Not principal protected**

Our Equity Linked Deposits are NOT principal protected. You may receive the Linked Stock instead of the Principal Amount in cash on the Maturity Date depending on the Final Closing Price of the Linked Stock on the Determination Date as compared to the Strike Price. The market value of the Linked Stock you receive may be substantially below your Principal Amount **or may even become worthless.**

- **Not a time deposit**

Our Equity Linked Deposits are unlisted structured investment products embedded with derivatives. They are NOT the same as and should NOT be treated as a substitute for conventional time deposits.

- **Not protected deposit**

Our Equity Linked Deposits are NOT protected deposits for the purposes of the Deposit Protection Scheme in Hong Kong.

- **Not covered by Investor Compensation Fund**

Our Equity Linked Deposits are not listed on any stock exchange and are not covered by the Investor Compensation Fund in Hong Kong.

- **Not the same as investment in the Linked Stock**

Investing in our Equity Linked Deposits is not the same as investing in the Linked Stock. You have no rights in the Linked Stock during the period from and including the Trade Date to and excluding the scheduled Determination Date. Movements in the market price of the Linked Stock may not lead to any corresponding change in the performance of our Equity Linked Deposits.

- **Liquidity risk**

Our Equity Linked Deposits are not transferable and are designed to be held until their maturity. All our Equity Linked Deposits have an Investment Tenor of not more than six months. There will be no post-sale cooling-off period and market making arrangements for our Equity Linked Deposits, and you cannot transfer or early terminate your Equity Linked Deposit.

- **Limited potential maximum gain**

The potential maximum gain under our Equity Linked Deposits is limited to the predetermined Coupon Amount (less any Cash Settlement Expenses) even if your view on the market price movement of the Linked Stock is correct.

- **No collateral**

Our Equity Linked Deposits are NOT secured on any of our assets or any collateral.

- **Credit and insolvency risk**

If you invest in our Equity Linked Deposits, you are relying upon the creditworthiness of Bank of China (Hong Kong) Limited (as the Offeror) and of no other person. If we become insolvent or default on our obligations under our Equity Linked Deposits, you can only claim as the unsecured creditor of Bank of China (Hong Kong) Limited regardless of the performance of the Linked Stock. You have no rights under the terms of your Equity Linked Deposit against the issuer of the Linked Stock. **In the worst case scenario, you could lose all of your Principal Amount.**

Bank of China (Hong Kong) Limited is not the ultimate holding company of the group to which we belong and with which our name is identified. The ultimate holding company of our group is Bank of China Limited who does not guarantee our obligations under our Equity Linked Deposit.

- **Early termination risk by us**

We may early terminate an Equity Linked Deposit if a Merger Event, a Tender Offer or an Extraordinary Disruption Event occurs. If an Equity Linked Deposit is early terminated by us, the amount payable by us (if any) on such termination will be determined by us (acting in good faith and in a commercially reasonable manner), which may be substantially less than your Principal Amount.

- **Exposure to market price movement of Linked Stock after the Determination Date**

Your settlement at maturity will be determined on the Determination Date but settlement will only occur on the Maturity Date. If we are to deliver the Linked Stock, you will be exposed to any market price movement of the Linked Stock between the Determination Date and the Maturity Date (being the second Exchange Business Day after the Determination Date), and to the market risk of holding the Linked Stock after the Maturity Date if you choose not to sell the Linked Stock on the Maturity Date.

- **Conflicts of interest**

Potential and actual conflicts of interest may arise from the different roles played by us and our subsidiaries and affiliates in connection with our Equity Linked Deposits. Although our economic interests in each role may be adverse to your interests in our Equity Linked Deposits, we maintain regulatorily required information barriers between our different business areas as well as policies and procedures designed to minimise and manage such conflicts of interest to comply with applicable laws and regulations, and to ensure our transactions or dealings will be transacted at arm's length.

Offering Documents

This Termsheet must be read in conjunction with:

- (i) the principal brochure for our Equity Linked Deposits dated 28 April 2011 ("**Principal Brochure**") [together with the addendum dated *[insert date]*]; and
- (ii) the financial disclosure document dated *[insert date]* ("**Financial Disclosure Document**") [together with the addendum dated *[insert date]*],

each issued by the Bank (this Termsheet, the Principal Brochure [(together with the addendum to the Principal Brochure)] and the Financial Disclosure Document [(together with the addendum to the Financial Disclosure Document)]) are together, the "**Offering Documents**").

You should read and understand each Offering Document before deciding whether to invest in our Equity Linked Deposits. If you are in any doubt of the contents of any Offering Document, you should seek independent professional advice.

If English is not your preferred language, you may request for copies of this Termsheet written in Chinese from our sales staff at our designated branches. 倘若英文並非閣下屬意的語言，閣下可向本行指定分行的銷售人員索取本條款表的中文語言版本。

INDICATIVE TERMS AND CONDITIONS

Terms which are not defined in this Termsheet shall have the same meanings as set out in the Terms and Conditions in Appendix 1 to the Principal Brochure.

The Bank (as the Offeror and the Product Arranger):	Bank of China (Hong Kong) Limited
Deposit Currency:	Hong Kong dollars (“HKD”)
Investment Tenor:	<i>[insert number of calendar days]</i> calendar days from and including the Trade Date to but excluding the scheduled Maturity Date.
Minimum Principal Amount:	HKD100,000
Principal Amount:	HKD <i>[insert principal amount]</i>
Trade Date:	<i>[insert trade date]</i>
Determination Date:	<i>[insert determination date]</i> , if such day is not an Exchange Business Day, then the following Exchange Business Day, unless a Market Disruption Event occurs on such day, such day will be postponed as provided in the Terms and Conditions.
Maturity Date:	Scheduled to be <i>[insert maturity date]</i> , being the second Business Day (in the case where the Bank is obliged to pay any amount in cash) or the second Exchange Business Day (in the case where the Bank is obliged to deliver the Linked Stock) after the Determination Date, unless a Settlement Disruption Event occurs, such day will be postponed as provided in the Terms and Conditions.
Annualised Coupon Rate:	<i>[insert annualised coupon rate]</i> per annum, based on the hypothetical assumption that the Equity Linked Deposit can be rolled over on the same terms for a period of 365 days. It does not reflect the Actual Coupon Rate of the Equity Linked Deposit. You should not rely on the annualised rate as an indication of the expected return for the Equity Linked Deposit.
Actual Coupon Rate:	<i>[insert actual coupon rate]</i> for the Investment Tenor (as shown up to 4 decimal places, being Annualised Coupon Rate x Investment Tenor / 365)

Linked Stock:	The [shares/units] of <i>[insert company/fund]</i> (Stock code: <i>[insert stock code]</i>)
Exchange:	The Stock Exchange of Hong Kong Limited
Spot Price:	<i>[insert spot price]</i>
Strike Price:	<i>[insert strike price]</i> (being <i>[inset number]</i> % of the Spot Price) (calculated to 4 decimal places, 0.00005 being rounded upwards)
Final Closing Price:	The official closing price of the Linked Stock as of the Determination Date (as published by the Exchange), provided that if such day is a Disrupted Day, the Final Closing Price in respect of such day shall be determined in accordance with the Terms and Conditions.
Coupon Amount:	<i>[insert Coupon Amount]</i> , being Principal Amount x Annualised Coupon Rate x Investment Tenor / 365
Settlement at maturity:	<p>(i) If the Final Closing Price of the Linked Stock is AT or ABOVE the Strike Price, you will receive in cash the Principal Amount and the Coupon Amount (less any Cash Settlement Expenses) on the Maturity Date;</p> <p>OR</p> <p>(ii) If the Final Closing Price of the Linked Stock is BELOW the Strike Price, you will receive the following on the Maturity Date:</p> <ol style="list-style-type: none"> a. the Coupon Amount in cash (less any Cash Settlement Expenses); and b. the Number of Stock (subject to your payment of any Physical Settlement Expenses) calculated by dividing the Principal Amount by the Strike Price.
Cash Settlement Expenses:	All charges or expenses including any taxes and duties that are incurred for payment of a cash amount to you. [Currently there are no such charges or expenses.][Cash Settlement Expenses are payable. Please ask us for details.]

Physical Settlement Expenses:

Physical Settlement Expenses are out-of-pocket expenses relating to the delivery and receipt of the Number of Stock which are deliverable to you on the Maturity Date. These expenses include the buyer’s stamp duty (being [0.1%] of the transaction amount of the Linked Stock calculated at the Strike Price) and our administrative fees (being [0.2%] of the Principal Amount).

Terms and Conditions:

Terms and Conditions of the Equity Linked Deposits in Appendix 1 to the Principal Brochure.

Confirmation:

The Confirmation will be sent to you within 2 Business Days after the Trade Date.

The Confirmation will apply, disapply, amend, vary, and/or supplement the Terms and Conditions. The Confirmation, together with the Terms and Conditions, constitute the full set of legal terms and conditions applicable to the Equity Linked Deposit. A form of the Confirmation is set out in Appendix 3 to the Principal Brochure.

Post-sale cooling off period:

Post-sale cooling-off period pursuant to Part IV of the Code on Unlisted Structured Investment Products issued by the Securities and Futures Commission (the “Code”) is mandatory for unlisted structured investment products with a tenor of more than one year. Since the Bank will only offer Equity Linked Deposits with an Investment Tenor of not more than six months, post-sale cooling-off period pursuant to Part IV of the Code **DOES NOT APPLY** to any of our Equity Linked Deposit.

Market making arrangements:

Market making arrangement pursuant to Part III of the Code is mandatory for unlisted structured investment products with a tenor of more than six months. Since the Bank will only offer Equity Linked Deposits with an Investment Tenor of not more than six months, market making arrangement pursuant to Part III of the Code **DOES NOT APPLY** to any of our Equity Linked Deposits. You cannot early terminate the Equity Linked Deposit after your Equity Linked Deposit order is accepted by us on the Trade Date.

[Updated information about the Bank

[insert details of the updated information]

No material adverse change

[Save as disclosed in the section headed *[insert heading]* of [the addendum to] our Financial Disclosure Document,] [There/there] has been no material adverse change in our financial or trading position since the date of our latest financial statements for the period ended *[insert date]*.

No material litigation

[Save as disclosed in the section headed *[insert heading]* of [the addendum to] our Financial Disclosure Document,] [There/there] are no litigation or arbitration proceedings against or affecting us, nor are we aware of any claims pending or, to our knowledge, threatened against us, which are material in the context of our offering of the Equity Linked Deposit.

Information relating to the Linked Stock

[insert linked stock] (the "**Newly Listed Stock**") was listed on The Stock Exchange of Hong Kong Limited on *[insert date]*. Prior to the listing of the Newly Listed Stock, there had been no public market for the Newly Listed Stock and an active public market for the Newly Listed Stock may not develop or be sustained in the future. You will not be able to analyze or compare the trading history of the Newly Listed Stock, particularly in relation to either the volatility or liquidity which may have an impact on the return of your investment.

Although the Newly Listed Stock is listed on The Stock Exchange of Hong Kong Limited, there is no guarantee that a trading market for the Newly Listed Stock will develop or, if a market does develop, the liquidity of that market. Also, the price and trading volume of the Newly Listed Stock may be highly volatile subject to the market sentiment, and may be more volatile than would generally be expected for a stock that has a longer trading history.]¹

The Linked Stock is listed on The Stock Exchange of Hong Kong Limited and the entity issuing such Linked Stock ("**Equity Issuer**") is required by the Exchange to continuously disclose information that has a material impact on market activity in and the price of their securities. You can find information about the Equity Issuer (including its published audited consolidated financial statements and interim financial statements) on the website operated by the Exchange: <http://www.hkexnews.hk> in addition to the Equity Issuer's website: [http://www.\[website address\]](http://www.[website address]). You may obtain historic price information of the Equity Issuer on the website operated by the Exchange at <http://www.hkexnews.hk>.

[Risks relating to exchange traded fund ("ETF")

An ETF is exposed to the political, economic, currency and other risks related to the underlying asset pool or index that the ETF is designed to track. There may also be disparity between the performance of the ETF and the performance of the underlying asset pool or index that the ETF is designed to track as a result of, for example, failure of the tracking strategy, currency differences, fees and expenses. In addition, where the index or market that the ETF tracks is subject to restricted access, the efficiency in the unit creation or redemption to keep the price

¹ Insert if the Linked Stock is a newly listed share or fund on The Stock Exchange of Hong Kong Limited.

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. Such risks may have a negative impact on the performance of the Linked Stock and the Equity Linked Deposit.

If an ETF adopts a synthetic replication investment strategy to achieve its investment objectives by investing in financial derivative instruments, you should note that (i) by investing in financial derivative instruments, the ETF is exposed to the credit, potential contagion and concentration risks of the counterparties who issued the financial derivative instruments, and the market value of any collateral held by the ETF may have fallen substantially when the ETF seeks to realise such collateral; and (ii) the ETF may be exposed to higher liquidity risk if such financial derivative instruments do not have an active secondary market. You should read the offering document of the ETF for further information about the risks applicable to the ETF. See the "Risk Factors" section on pages 12 to 14 of the Principal Brochure for further information.]²

Additional Information

Information contained in any third parties' websites referred to in this Termsheet does not form part of this Termsheet and we do not accept any responsibility for information contained in those websites.

Structured transactions are complex and may involve a high risk of loss. Prior to entering into a transaction you should consult with your own professional legal, regulatory, tax, financial and accounting advisors to the extent you consider it necessary, and make your own investment, hedging and trading decisions based upon your own judgment and advice from those independent professional advisers you consider necessary.

The information contained in the Principal Brochure, the Financial Disclosure Document (taken together with, and as updated by, [the addendum[s] thereto and] this Termsheet) is accurate as at the date of this Termsheet. We (as the Offeror and the Product Arranger) accept full responsibility for the accuracy of the information contained in the Principal Brochure [(together with the addendum thereto)], the Financial Disclosure Document [(together with the addendum thereto)] and this Termsheet and confirm, having made all reasonable enquiries, that to the best of our knowledge and belief the Offering Documents, when read together, will contain no untrue or misleading statement, or other facts the omission of which would make any statement therein untrue or misleading.

As at the date of this Termsheet, we (as the Offeror) meet the core requirements applicable to issuers set out in paragraph 3.3 of the Code and we (as the Product Arranger) meet the eligibility requirements applicable to Product Arrangers set out in paragraph 4.2 of the Code.

The Securities and Futures Commission ("**SFC**") has authorised the issue of this Termsheet based on the standard format set out in Appendix 2 to the Principal Brochure as part of the Offering Documents of our Equity Linked Deposit under section 105(1) of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong). The SFC takes no responsibility for the contents of this Termsheet, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Termsheet. The SFC's authorisation does not imply its endorsement or recommendation of the Equity Linked Deposits referred to in this Termsheet.

² Insert if the Linked Stock is a unit in an ETF.

APPENDIX 3

FORM OF CONFIRMATION FOR OUR EQUITY LINKED DEPOSITS

We set out below the form of the Confirmation for our Equity Linked Deposits.

The SFC takes no responsibility as to the contents of the form of the Confirmation. The SFC authorisation of this Principal Brochure does not imply its endorsement of the form of the Confirmation.

股票掛鈎存款 – 股權寶（認沽期權）確認書 EQUITY LINKED DEPOSIT (PUT OPTION) CONFIRMATION

合約編號 Contract No.:

日期 Date:

本確認書構成下文所述有關股票掛鈎存款 – 股權寶（認沽期權）（「股票掛鈎存款」）的「確認書」。本確認書引用、不引用、修訂、更改及／或補充日期為2011年4月28日的股票掛鈎存款指南（「指南」）附錄一所載的條款及章則。

This Confirmation constitutes the “Confirmation” relating to the Equity Linked Deposit (Put Option) (“**Equity Linked Deposit**”) described below. This Confirmation applies, disappplies, amends, varies and/or supplements the Terms and Conditions which are set out in the Appendix 1 of the principal brochure for Equity Linked Deposits dated 28 April 2011 (“**Principal Brochure**”).

本部分所用詞彙應視作與條款及章則所界定者具相同涵義。如條款及章則與本確認書有任何不一致，概以本確認書為準。

Terms used herein shall be deemed to be defined as such in the Terms and Conditions. In the event of any inconsistency between the Terms and Conditions and this Confirmation, this Confirmation will prevail.

本確認書所述有關股票掛鈎存款的條款如下：

The terms of the Equity Linked Deposit to which this Confirmation relates are as follows:

客戶姓名 Name of Customer(s) [name]	證券賬戶 Securities Account [number]
	結算賬戶 Settlement Account [number]
	印鑑編號 Sign. No. [number]
存款貨幣 Deposit Currency 港元Hong Kong dollars	本金金額 Principal Amount [currency][number]
掛鈎股票 Linked Stock [加入公司／基金]的[股份／單位] The [shares/units] of [insert company/fund] (股份代號 Stock code: [insert stock code])	

票息年率 (% 年率)* Annualised Coupon Rate (% p.a.)* [annualised coupon rate]	實際票息率 Actual Coupon Rate [actual coupon rate]	票息額 Coupon Amount [coupon amount]
投資期 Investment Tenor [number] 曆日 calendar days	現貨價 Spot Price [price]	交易日 Trade Date [date]
協定價 Strike Price [price]	定價日 Determination Date [date]	到期日 Maturity Date 預期為 Scheduled to be [date]
<p>* 票息年率乃按假設股票掛鈎存款按相同條款可滾存365日而計算的年度化比率表示。其並不反映股票掛鈎存款的實際票息利率。您(們)不應倚賴該年度化比率，作為股票掛鈎存款預期回報的指標。</p> <p>* The Annualised Coupon Rate is expressed in an annualised format and is based on the hypothetical assumption that the Equity Linked Deposit can be rolled over on the same terms for a period of 365 days. It does not reflect the Actual Coupon Rate of the Equity Linked Deposit. You should not rely on the annualised rate as an indication of the expected return for the Equity Linked Deposit.</p>		
<p>本金金額已於交易日從您(們)的上述結算賬戶扣除。 The Principal Amount was debited from your above Settlement Account on the Trade Date.</p>		
到期時交收 Settlement at Maturity:		
(i) 如掛鈎股票的最後收市價等於或高於協定價，閣下將於到期日以現金收取本金金額加票息額 (減任何現金交收開支)： If the Final Closing Price of the Linked Stock is AT or ABOVE the Strike Price, you will receive in cash the Principal Amount and the Coupon Amount (less any Cash Settlement Expenses) on the Maturity Date.		
或 OR		
(ii) 如掛鈎股票的最後收市價低於協定價，閣下將於到期日收取： (a) 票息額 (減任何現金交收開支)；及 (b) 股數 (惟須支付任何實物交收開支#)，計算方法是將本金金額除以協定價。 If the Final Closing Price of the Linked Stock is BELOW the Strike Price, you will receive the following on the Maturity Date: (a) the Coupon Amount in cash (less any Cash Settlement Expenses); and (b) the Number of Stock (subject to your payment of any Physical Settlement Expenses#) calculated by dividing the Principal Amount by the Strike Price.		
<p># 實物交收開支指交付及收取於到期日應交付予閣下的股數涉及的實報實銷開支。該等開支包括買方印花稅 (相等於按協定價計算的掛鈎股票交易金額的[0.1%])及本行的行政收費 (相等於本金金額的[0.2%])。</p> <p># Physical Settlement Expenses are out-of-pocket expenses relating to the delivery and receipt of the Number of Stock which are deliverable to you on the Maturity Date. These expenses include the buyer's stamp duty (being [0.1%] of the transaction amount of the Linked Stock calculated at the Strike Price) and our administrative fees (being [0.2%] of the Principal Amount).</p>		

請檢查及核實此確認書上列印的交易紀錄，若 貴戶認為交易記錄有任何錯誤、不妥當及/或未經授權，請立即以書面形式通知本行。除非本行在確認書日期起90天內收到該通知，否則此確認書上的交易記錄對 貴戶均具終局性約束力，而 貴戶並不可以任何理由對此確認書上的任何交易記錄提出爭議。請保存此確認書以備參考。 貴戶地址或個人資料如有變更，請從速以書面通知本行。

Please examine and verify each and every entry regarding the transaction set out in this Confirmation and notify the Bank immediately in writing of any entry which you consider wrong, irregular and/or unauthorised. Unless the Bank receives such notice within 90 days of the date of this Confirmation, each and every entry concerning the transaction set out in this Confirmation shall be conclusively binding on you and you shall not be entitled to dispute any entry recorded in this Confirmation on whatever ground. Please keep this Confirmation for reference and give immediate written advice to the Bank if there is any change of correspondence address or personal particulars.

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