

1. FURTHER INFORMATION ABOUT THE COMPANY

(A) Incorporation

We were incorporated in Hong Kong under the Companies Ordinance as a private limited company on September 12, 2001 under the name of BOC Hong Kong (Holdings) Limited 中銀香港(控股)有限公司 with an authorised share capital of HK\$100,000,000,000 divided into 100,000,000,000 ordinary shares of HK\$1.00 each, two of which were issued and credited as fully paid. Our registered office is at 52nd Floor, Bank of China Tower, 1 Garden Road, Hong Kong.

(B) Changes in Share Capital

Pursuant to a written resolution of all our shareholders passed on September 30, 2001, the Directors were given a general mandate to allot and issue shares.

In connection with the Restructuring and Merger, the Directors allotted and issued an aggregate of 52,863,901,323 ordinary shares of HK\$1.00 each to BOC (BVI) and Hua Chiao as follows:

- (a) on September 30, 2001, 10,221,060,465 ordinary shares of HK\$1.00 each were allotted and issued fully paid at par to BOC (BVI) in consideration for the transfer of the entire issued share capital of BOCHK from BOC to us;
- (b) on October 1, 2001:
 - (i) 35,744,965,551 ordinary shares of HK\$1.00 each were allotted and issued fully paid at par to BOC (BVI) in respect of the transfer of the Merging Branches and the shares held by BOC or its nominees in Nanyang, Chiyu and BOC-CC to BOCHK; and
 - (ii) 6,897,875,307 ordinary shares of HK\$1.00 each were allotted and issued fully paid at par to Hua Chiao in respect of the transfer of the Undertaking of Hua Chiao to BOCHK.

On June 17, 2002, the Directors allotted and issued five ordinary shares of HK\$1.00 each fully paid for cash at par, two shares to BOC (BVI) and three shares to Hua Chiao. On June 25, 2002, four ordinary shares of HK\$1.00 each in the capital of the Company were transferred by BOC (BVI) to Mr. Liu Mingkang, which shares are held on trust for BOC (BVI).

Pursuant to written resolutions of all our shareholders passed on July 10, 2002, referred to in the section headed “— Written Resolutions of All the Shareholders of the Company” in this Appendix, the authorised and issued share capital of the Company, comprising 100,000,000,000 and 52,863,901,330 ordinary shares of HK\$1.00 each, respectively, was consolidated and divided into 20,000,000,000 Shares and 10,572,780,266 Shares, respectively (the “**Share Consolidation**”).

As at the date of this prospectus, our authorised share capital is HK\$100,000,000,000 divided into 20,000,000,000 Shares, 10,572,780,266 of which are issued and credited as fully paid. Other than pursuant to the exercise of any options which may be granted under the Share Option Scheme and the Sharesave Plan, there is no present intention to issue any of our authorised but unissued share capital and, without the prior approval of our shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of us.

Save as disclosed herein and in the section headed “— Written Resolutions of All the Shareholders of the Company” in this Appendix, there has been no alteration in our share capital since our incorporation.

(C) Written Resolutions of All the Shareholders of the Company

Pursuant to written resolutions of all our shareholders passed on July 10, 2002:

- (a) the authorized and issued share capital of the Company, comprising 100,000,000,000 and 52,863,901,330 ordinary shares of HK\$1.00 each, respectively, was consolidated and divided into 20,000,000,000 Shares and 10,572,780,266 Shares, respectively;
- (b) we adopted new articles of association and converted into a public company;
- (c) the rules of the Share Option Scheme were conditionally approved and adopted and the Directors were authorized to grant options thereunder to subscribe for Shares and to allot, issue and deal with Shares upon the exercise of options granted under the rules of the Share Option Scheme;
- (d) the rules of the Sharesave Plan were conditionally approved and adopted and the Directors were authorized to grant options thereunder to subscribe for Shares and to allot, issue and deal with Shares upon the exercise of options granted under the rules of the Sharesave Plan;
- (e) subject to sub-paragraphs (i) and (ii) below, a general and unconditional mandate (the “**Issue Mandate**”) was granted to the Directors to exercise, during the Relevant Period, all of our powers to allot, issue, distribute and otherwise deal with additional shares and to make, issue or grant offers, agreements, options and warrants which will or might require shares to be allotted, issued, distributed or otherwise dealt with during or after the end of the Relevant Period:
 - (i) the aggregate nominal amount of our share capital allotted, issued, distributed or otherwise dealt with or agreed conditionally or unconditionally to be allotted, issued, distributed or otherwise dealt with (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in this paragraph (e), otherwise than pursuant to (A) a Rights Issue, (B) any option scheme or similar arrangement for the time being adopted for the grant or issue to the Directors and/or our officers and/or employees and/or the directors and/or officers and/or employees of our subsidiaries of shares or rights to acquire shares, including pursuant to the Share Option Scheme and the Sharesave Plan or (C) any scrip dividend or similar arrangement pursuant to the Articles of Association from time to time, shall not exceed the aggregate of (1) 20% of the aggregate nominal amount of our share capital in issue as at the date on which dealings in the Shares commence on the Stock Exchange and (2) the aggregate nominal amount of our share capital which may be repurchased by us pursuant to the authority granted to the Directors as referred to in paragraph (f) below; and

- (ii) for the purpose of this paragraph (e) and paragraph (f) below:
 - (A) “**Relevant Period**” means the period from the passing of the resolution until the earliest of:
 - (1) the conclusion of our next annual general meeting;
 - (2) the expiration of the period within which our next annual general meeting is required by the Articles of Association or by law to be held; or
 - (3) the revocation or variation of the authority given under such resolution by an ordinary resolution of our shareholders in general meeting;
 - (B) “**Rights Issue**” means an offer of shares open for a period fixed by the Directors to holders of shares on the register of members on a fixed record date in proportion to their then holdings of such shares (or such class of our shares), subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any legal or practical restrictions or obligations under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in any territory applicable to us; and
 - (C) “**shares**” means shares of all classes in our capital and warrants and other securities which carry a right to subscribe or purchase our shares;
- (f) (i) subject to sub-paragraph (ii) below, a general and unconditional mandate (the “**Repurchase Mandate**”) was granted to the Directors to exercise, during the Relevant Period, all of our powers to purchase shares on the Stock Exchange or any other stock exchange recognized for this purpose by the Securities and Futures Commission and the Stock Exchange in accordance with all applicable laws, including the Hong Kong Code on Share Repurchases and the Listing Rules; and
 - (ii) the aggregate nominal amount of shares which may be purchased or agreed conditionally or unconditionally to be purchased by the Directors pursuant to the approval in this paragraph (f) shall not exceed 10% of the aggregate nominal amount of our share capital in issue as at the date on which dealings in the Shares commence on the Stock Exchange; and
- (g) conditional upon the Listing Committee of the Stock Exchange granting the listing (the “**Listing**”) of, and permission to deal in, the Shares in issue and the Shares to be issued upon the exercise of options granted under the Share Option Scheme and the Sharesave Plan:
 - (i) the Global Offering was noted and approved; and
 - (ii) the Listing was approved.

2. FURTHER INFORMATION ON THE SELLING SHAREHOLDER

The Selling Shareholder was incorporated in the British Virgin Islands as an international business corporation on September 5, 2001 under the name of BOC Hong Kong (BVI) Limited with an authorized share capital of US\$12,800,000,000 (HK\$99,840,000,000) divided into 12,800,000,000 shares of US\$1.00 each, one of which was issued and credited as fully paid. As

at the date of this prospectus, the authorized share capital of the Selling Shareholder is US\$12,800,000,000 (HK\$99,840,000,000) divided into 12,800,000,000 shares of US\$1.00 each, 5,893,080,254 of which are issued and credited as fully paid.

The Selling Shareholder is our immediate controlling shareholder. The Selling Shareholder is a wholly owned subsidiary of BOCHKG, which in turn is a wholly owned subsidiary of BOC, our ultimate controlling shareholder. The registered office of the Selling Shareholder is at Romasco Place, Wickhams Cay 1, P.O. Box 3140, Road Town, Tortola, British Virgin Islands.

3. THE RESTRUCTURING AND MERGER

The Restructuring and Merger involved the following:

- (a) On May 31, 2001, the Transferring Banks and BOCHK entered into the Merger Agreement.
- (b) On September 30, 2001, the parties to the Merger Agreement, BOCHKG, BOC (BVI) and us, entered into the Supplemental Merger Agreement, supplementing the Merger Agreement. In the Supplemental Merger Agreement, BOCHKG, BOC (BVI) and us undertook to comply with and be bound by the terms of the Merger Agreement (as supplemented).
- (c) It was agreed in the Merger Agreement (as supplemented) that, at the Appointed Time:
 - (i) the Bank of China Hong Kong Branch, the Hong Kong Branches of the PRC organized banks, Kwangtung Shenzhen Branch and Sin Hua Shenzhen Branch (together, the “**Merging Branches**”) and the Undertaking of Hua Chiao shall be transferred to, and vest in, BOCHK with the intent that BOCHK shall succeed to the Merging Branches and the Undertaking of Hua Chiao; and
 - (ii) the shares held by BOC or its nominees in Nanyang, Chiyu and BOC-CC shall be transferred to BOCHK.
- (d) In order to implement the terms of the Merger Agreement (as supplemented), BOC procured that the Bank of China (Hong Kong) Limited (Merger) Bill was submitted to the Legislative Council for its consideration. The Bill was passed by the Legislative Council on July 12, 2001, signed by the Acting Chief Executive of Hong Kong on July 19, 2001 and took effect as the Merger Ordinance on July 20, 2001.
- (e) Pursuant to the Merger Ordinance, at the Appointed Time:
 - (i) all Property and Liabilities of the Merging Branches and the Undertaking of Hua Chiao, the transfer of which is governed by Hong Kong law, were transferred to, and vested in, BOCHK; and
 - (ii) the shares held by BOC or its nominees in Nanyang, Chiyu and BOC-CC were transferred to BOCHK.
- (f) The Merger Agreement and the Merger Ordinance both provided that BOCHK shall designate a day and time of that day to be the Appointed Time, to be published in the Government of the Hong Kong Special Administrative Region Gazette. At a directors’ meeting on September 17, 2001, BOCHK designated the commencement of October 1, 2001 as the Appointed Time. A notice to this effect was published in the Gazette on September 21, 2001.

- (g) To the extent that any Property and Liabilities of the Merging Branches and the Undertaking of Hua Chiao were not transferred to BOCHK by the Merger Ordinance, the Merger Agreement (as supplemented) provides that such Property and Liabilities shall be transferred to BOCHK through other proper and effective means. In addition, the parties to the Merger Agreement (as supplemented) agree to do and execute all necessary acts, deeds and documents to complete such transfers.
- (h) If such other proper and effective means require the consent of a third party, and such consent was not obtained by the Appointed Time, BOCHK and the relevant Transferring Bank have the option of agreeing that the relevant Property should be held by the relevant Transferring Bank on trust for BOCHK under the terms of the relevant Deed of Trust and Indemnity.
- (i) Immediately prior to the Appointed Time, BOC was authorized as a bank note issuing bank pursuant to the Legal Tender Notes Issue Ordinance. By the Legal Tender Notes Issue Ordinance (Amendment of Schedule) Notice 2001, the Financial Secretary, with effect from October 1, 2001, replaced BOC as a bank note issuing bank with BOCHK.
- (j) Pursuant to the Merger Ordinance, with effect from the Appointed Time:
 - (i) all legal tender notes issued by BOC transferred to BOCHK, and such legal tender notes are deemed to have been issued by BOCHK who, from the Appointed Time, is liable to pay the bearer of those notes on demand; and
 - (ii) the certificates of indebtedness issued by the Exchange Fund to back the legal tender notes previously issued by BOC transferred to BOCHK.
- (k) On September 5, 2001, BOC (BVI) was duly incorporated in the British Virgin Islands as a subsidiary of BOC.
- (l) On September 12, 2001, BOCHKG and we were duly incorporated in Hong Kong as subsidiaries of BOC.
- (m) On September 27, 2001:
 - (i) the shares held by BOC in BOC (BVI) were transferred to BOCHKG, making BOC (BVI) a subsidiary of BOCHKG; and
 - (ii) the shares held by BOC in us were transferred to BOC (BVI) or its nominee, making us a subsidiary of BOC (BVI).
- (n) On September 30, 2001, the beneficial interest in the shares held by BOC in BOCHK were transferred to us. In consideration for receiving these shares, we issued shares to BOC (BVI), which in turn issued shares to BOCHKG, and which in turn issued shares to BOC.
- (o) On September 30, 2001:
 - (i) we, BOC and BOCHK entered into the Trademark Licence Agreement; and
 - (ii) BOC and BOCHK entered into the Deed of Copyright Assignment.
- (p) At the Appointed Time, the Merger Agreement (as supplemented) and the Merger Ordinance provided that the Merging Branches, the Undertaking of Hua Chiao and the shares held by BOC or its nominees in Nanyang, Chiyu and BOC-CC, were to be transferred to BOCHK. Shares were issued in consideration for these transfers, as

described in the sections headed “Further Information About the Company — Changes in Share Capital” and “Subsidiaries” in this Appendix.

- (q) At the Appointed Time, pursuant to Merger Ordinance, the name of Po Sang Bank Limited was changed to Bank of China (Hong Kong) Limited.

4. SUBSIDIARIES

Our subsidiaries are those companies which are listed in Appendix VII.

The following alterations in the share capital of our subsidiaries have taken place within the two years preceding the date of this prospectus:

(a) BOCHK

Pursuant to a written resolution of all the shareholders of BOCHK passed on September 3, 2001, the authorized share capital of BOCHK, comprising 4,000,000 ordinary shares of HK\$100.00 each, was subdivided into 400,000,000 ordinary shares of HK\$1.00 each. The authorized share capital of BOCHK was also increased from HK\$400,000,000 to HK\$100,000,000,000 by the creation of an additional 99,600,000,000 ordinary shares of HK\$1.00 each ranking *pari passu* in all respects with the existing ordinary shares in the capital of BOCHK.

Pursuant to a further written resolution of all the shareholders of BOCHK passed on September 30, 2001, the directors of BOCHK were given a general mandate to allot and issue shares.

On October 1, 2001, in connection with the Restructuring and Merger, the directors of BOCHK allotted an aggregate of 42,642,840,858 shares of HK\$1.00 each to us as follows:

- (i) 35,744,965,551 shares of HK\$1.00 each were allotted fully paid at par to us in consideration for the transfer of the Merging Branches and the shares held by BOC or its nominees in Nanyang, Chiyu and BOC-CC to BOCHK; and
- (ii) 6,897,875,307 shares of HK\$1.00 each were allotted fully paid at par to us in consideration for the transfer of the Undertaking of Hua Chiao to BOCHK.

The 42,642,840,858 shares referred to above were issued to us on October 31, 2001.

(b) Glister Company Limited

Glister Company Limited was incorporated in Hong Kong on March 26, 2001 with an authorized share capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1.00 each. On that date, two ordinary shares of HK\$1.00 each were allotted and issued fully paid for cash at par.

(c) Glory Cardinal Limited

Glory Cardinal Limited was incorporated in Hong Kong on May 4, 2001 with an authorized share capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1.00 each. On that date, two ordinary shares of HK\$1.00 each were allotted and issued fully paid for cash at par.

(d) Grace Charter Limited

Grace Charter Limited was incorporated in Hong Kong on May 4, 2001 with an authorized share capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1.00 each. On that date, two ordinary shares of HK\$1.00 each were allotted and issued fully paid for cash at par.

(e) Mellow Trading Limited

On February 5, 2002, one ordinary share of HK\$1.00 each was allotted and issued fully paid for cash at par by way of a rights issue, thereby increasing the issued share capital of Mellow Trading Limited from HK\$2.00 to HK\$3.00.

(f) Pacific Trend Profits Corporation

Pacific Trend Profits Corporation was incorporated in the British Virgin Islands on April 20, 2001 with an authorized share capital of US\$50,000 (HK\$390,000) divided into 50,000 shares of US\$1.00 each. On June 18, 2001, one registered share of US\$1.00 each was allotted and issued fully paid for cash at par.

(g) Prosper Glory Limited

Prosper Glory Limited was incorporated in Hong Kong on May 14, 2001 with an authorized share capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1.00 each. On that date, 2 ordinary shares were allotted and issued fully paid for cash at par. On June 19, 2001, 1,998 ordinary shares of HK\$1.00 each were allotted and issued fully paid for cash at par, thereby increasing the issued share capital of Prosper Glory Limited from HK\$2.00 to HK\$2,000.

(h) Yien Yieh (Nominee) Limited

Yien Yieh (Nominee) Limited was incorporated in Hong Kong on June 26, 2001 with an authorized share capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1.00 each. On that date, 2,000 ordinary shares of HK\$1.00 each were allotted and issued fully paid for cash at par.

Save as disclosed in this prospectus, there has been no alteration in the share capital of any of our subsidiaries within the two years preceding the date of this prospectus.

5. REPURCHASE OF OUR OWN SECURITIES

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below, together with certain other information required by the Stock Exchange to be included in this prospectus concerning the repurchase of our own securities.

(A) Shareholders' Approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a written resolution of all our shareholders passed on July 10, 2002, the Repurchase Mandate was given to the Directors, as further described in the section headed "Further Information About the Company — Written Resolutions of All the Shareholders of the Company" in this Appendix.

The exercise in full of the Repurchase Mandate, on the basis of 10,572,780,266 Shares in issue immediately following the completion of the Global Offering, could result in the repurchase of up to 1,057,278,026 Shares during the period in which the Repurchase Mandate remains in force.

(B) Source of Funds

Repurchases must be funded out of funds legally available for the purpose in accordance with a company's memorandum and articles of association, the Listing Rules and the applicable laws of Hong Kong. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Any repurchases made by us may be made out of capital paid up on the Shares to be repurchased, our funds which would otherwise be available for dividend or distribution or out of an issue of new shares made for the purpose of the repurchase and, in the case of any premium payable on the repurchase, out of our funds which would otherwise be available for dividend or distribution or out of our share premium account.

(C) Trading Restrictions

The total number of shares which a company may repurchase on the Stock Exchange or another stock exchange recognized for this purpose by the Securities and Futures Commission under the Hong Kong Code on Share Repurchases is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue as at the date on which the repurchase mandate is granted. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange.

In addition, the repurchase of securities on the Stock Exchange in any calendar month is limited to a maximum of 25% of the trading volume of such securities on the Stock Exchange in the immediately preceding calendar month.

The Listing Rules also prohibit a company from repurchasing its securities on the Stock Exchange if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange.

A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(D) Status of Repurchased Securities

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed.

(E) Suspension of Repurchase

A company may not make any repurchase of securities after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, during the period of one month immediately preceding either the preliminary announcement of a company's annual results or the publication of its interim report, a company (other than an investment company listed pursuant to the provisions of Chapter 21 of the Listing Rules) may not repurchase its securities on the Stock Exchange unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a company has breached the Listing Rules.

(F) Reporting Requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the aggregate prices paid and the reasons of the directors for making such repurchases.

(G) Connected Persons

A company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "connected person", that is, a director, chief executive or substantial shareholder of such company or any of its subsidiaries or any of their respective Associates and a connected person shall not knowingly sell the securities to the company on the Stock Exchange.

No connected person has notified us that he has a present intention to sell Shares to us, or has undertaken not to sell any of the Shares held by him to us, if the Repurchase Mandate is exercised.

(H) Reasons for Repurchases

The Directors believe that it is in our best interests and the best interests of our shareholders for the Directors to have general authority from our shareholders to enable us to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where the Directors believe that such repurchases will benefit us and our shareholders.

On the basis of our current financial position as disclosed in this prospectus and taking into account our current working capital position, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or our gearing position as compared with the position disclosed in this prospectus. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels which, in the opinion of the Directors, are from time to time appropriate for us.

(I) General

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective Associates currently intends to sell any Shares to us or our subsidiaries if the Repurchase Mandate is exercised.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate only in accordance with the Listing Rules, the applicable laws of Hong Kong, the Memorandum of Association and the Articles of Association.

If, as a result of a repurchase of Shares, a shareholder's proportionate interest in the voting rights of us is increased, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers

Code. The Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

6. FURTHER INFORMATION ABOUT THE BUSINESS

(A) Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by us or our subsidiaries within the two years immediately preceding the date of this prospectus and are or may be material:

- (a) the Hong Kong Underwriting Agreement;
- (b) the Deed of Indemnity and the Indemnity Agreement;
- (c) the Strategic Placing Agreement;
- (d) the Merger Agreement;
- (e) the Supplemental Merger Agreement;
- (f) the Deeds of Trust and Indemnity;
- (g) the Trademark Licence Agreement;
- (h) the Deed of Copyright Assignment;
- (i) the Derivatives Agreement;
- (j) 2002 Sale Agreement and a letter agreement dated July 6, 2002 making amendments thereto;
- (k) the Loan Deed;
- (l) the three loan servicing agreements all dated July 6, 2002 entered into between (i) BOCHK and BOC Cayman, (ii) BOCHK and Zhong Gang and (iii) Nanyang and Zhong Gang and the fee letters relating to each of these three loan servicing agreements, see the section headed “Bank of China and Its Relationship with Us — Connected Transactions — Classified Loans — Loan Servicing Agreements” for further details;
- (m)
 - (i) a sale and purchase agreement dated September 28, 2001 entered into between BOCHK and Gold Fortune relating to the sale by BOCHK of its shares in and loans to Honplex Group Limited for a total consideration of HK\$6,500,000 and a related debt assignment agreement of the same date entered into between BOCHK, Honplex Group Limited and Gold Fortune;
 - (ii) a sale and purchase agreement dated September 28, 2001 entered into between BOCHK and Gold Fortune relating to the sale by BOCHK of its shares in and loans to Netpro Group Limited for a total consideration of HK\$4,000,000 and a related debt assignment agreement of the same date entered into between BOCHK, Netpro Group Limited and Gold Fortune;
 - (iii) a sale and purchase agreement dated September 28, 2001 entered into between BOC Hong Kong branch and Gold Fortune relating to the sale by BOC Hong Kong branch of its shares in Chakney Company Limited for a consideration of HK\$50,000;
 - (iv) a sale and purchase agreement dated September 28, 2001 entered into between BOC Hong Kong branch and Gold Fortune relating to the sale by

- BOC Hong Kong branch of its shares in and loans to Hang Fung International Limited for a total consideration of HK\$35,610,001 and a related debt assignment agreement of the same date entered into between BOC Hong Kong branch, Hang Fung International Limited and Gold Fortune;
- (v) a sale and purchase agreement dated September 28, 2001 entered into between China South Sea Hong Kong branch and Gold Fortune relating to the sale by China South Sea Hong Kong branch of its shares in and loans to Earnson Venture Limited for a total consideration of HK\$6,500,000 and a related debt assignment agreement of the same date entered into between China South Sea Hong Kong branch, Earnson Venture Limited and Gold Fortune;
- (vi) a sale and purchase agreement dated September 28, 2001 entered into between China South Sea Hong Kong branch and Gold Fortune relating to the sale by China South Sea Hong Kong branch of its shares in Holm-Oak Development Limited for a consideration of HK\$1;
- (vii) a sale and purchase agreement dated September 28, 2001 entered into between Hua Chiao and Gold Fortune relating to the sale by Hua Chiao of its shares in Kindsome Development Limited for a consideration of HK\$0.90;
- (viii) a sale and purchase agreement dated September 28, 2001 entered into between Arene Trading Limited and Gold Fortune relating to the sale by Arene Trading Limited of its shares in Kindsome Development Limited for a consideration of HK\$0.10;
- (ix) a debt assignment agreement dated September 28, 2001 entered into between Hua Chiao, Kindsome Development Limited and Honour Plus Enterprises Limited relating to the sale by Hua Chiao of its loans to Kindsome Development Limited for a consideration of HK\$1,080,000;
- (x) a sale and purchase agreement dated September 28, 2001 entered into between Hua Chiao and Gold Fortune relating to the sale by Hua Chiao of its shares in and loans to Marketway Developments Limited for a total consideration of HK\$9,800,000 and a related debt assignment agreement of the same date entered into between Hua Chiao, Marketway Developments Limited and Gold Fortune;
- (xi) a sale and purchase agreement dated September 28, 2001 entered into between Hua Chiao and Gold Fortune relating to the sale by Hua Chiao of its shares in and loans to Star Venture Developments Limited for a total consideration of HK\$2 and a related debt assignment agreement of the same date entered into between Hua Chiao, Star Venture Developments Limited and Gold Fortune;
- (xii) a sale and purchase agreement dated September 28, 2001 entered into between Hua Chiao and Gold Fortune relating to the sale by Hua Chiao of its shares in and loans to Up Wing Developments Limited for a total consideration of HK\$5,000,001 and a related debt assignment agreement of the same date entered into between Hua Chiao, Up Wing Developments Limited and Gold Fortune;

- (xiii) a sale and purchase agreement dated September 28, 2001 entered into between Arene Trading Limited and Gold Fortune relating to the sale by Arene Trading Limited of its shares in and loans to Newyard Investment Limited for a total consideration of HK\$2 and a related debt assignment agreement of the same date entered into between Arene Trading Limited, Newyard Investment Limited and Gold Fortune;
- (xiv) a sale and purchase agreement dated September 28, 2001 entered into between Arene Trading Limited and Gold Fortune relating to the sale by Arene Trading Limited of its shares in Noise Galore Limited for a consideration of HK\$1;
- (xv) a sale and purchase agreement dated September 28, 2001 entered into between Kincheng and Gold Fortune relating to the sale by Kincheng of its shares in Bonaparte Investment Limited for a consideration of HK\$168.23;
- (xvi) a sale and purchase agreement dated September 28, 2001 entered into between Kincheng Investments & Developments (H.K.) Limited and Gold Fortune relating to the sale by Kincheng Investments & Developments (H.K.) Limited of its shares in Bonaparte Investment Limited for a consideration of HK\$10,598,333.87;
- (xvii) a sale and purchase agreement dated September 28, 2001 entered into between Kincheng and Gold Fortune relating to the sale by Kincheng of its shares in and loans to Kincheng Investments & Developments (China) Limited for a total consideration of HK\$105,730,000 and a related debt assignment agreement of the same date entered into between Kincheng, Kincheng Investments & Developments (China) Limited and Gold Fortune;
- (xviii) a sale and purchase agreement dated September 28, 2001 entered into between Kwangtung and Gold Fortune relating to the sale by Kwangtung of its shares in Benebridge Company Limited for a consideration of HK\$11,144,858.63;
- (xix) a sale and purchase agreement dated September 28, 2001 entered into between Kwangtung Hong Kong branch and Gold Fortune relating to the sale by Kwangtung Hong Kong branch of its shares in and loans to Kong Fa Enterprises Limited for a total consideration of HK\$20,350,001 and a related debt assignment agreement of the same date entered into between Kwangtung Hong Kong branch, Kong Fa Enterprises Limited and Gold Fortune;
- (xx) a sale and purchase agreement dated September 28, 2001 entered into between Kwangtung and Gold Fortune relating to the sale by Kwangtung of its shares in Mildew Company Limited for a consideration of HK\$18,503,851.40;
- (xxi) a sale and purchase agreement dated September 28, 2001 entered into between Nanyang and Gold Fortune relating to the sale by Nanyang of its shares in and loans to Chung Kong Investment Limited for a total consideration of HK\$3,000,000 and a related debt assignment agreement of the same date entered into between Nanyang, Chung Kong Investment Limited and Gold Fortune;

- (xxii) a sale and purchase agreement dated September 28, 2001 entered into between Nanyang and Gold Fortune relating to the sale by Nanyang of its shares in and loans to Hung Tai Company Limited for a total consideration of HK\$3,000,001 and a related debt assignment agreement of the same date entered into between Nanyang, Hung Tai Company Limited and Gold Fortune;
- (xxiii) a sale and purchase agreement dated September 28, 2001 entered into between National Commercial and Gold Fortune relating to the sale by National Commercial of its shares in Tallinn Investment Company Limited for a consideration of HK\$105,556.80;
- (xxiv) a sale and purchase agreement dated September 28, 2001 entered into between National Commercial and Gold Fortune relating to the sale by National Commercial of its shares in and loans to Giant Ace Investment Limited for a total consideration of HK\$19,780,000 and a related debt assignment agreement of the same date entered into between National Commercial, Giant Ace Investment Limited and Gold Fortune;
- (xxv) a sale and purchase agreement dated September 28, 2001 entered into between Sin Hua Hong Kong branch and Gold Fortune relating to the sale by Sin Hua Hong Kong branch of its shares in Sin Mei Enterprises Limited for a consideration of HK\$43,300,251.98;
- (xxvi) a sale and purchase agreement dated September 28, 2001 entered into between Sin Hua Hong Kong branch and Gold Fortune relating to the sale by Sin Hua Hong Kong branch of its shares in and loans to Swift Gain Enterprise Corp. for a total consideration of HK\$20,350,001 and a related debt assignment agreement of the same date entered into between Sin Hua Hong Kong branch, Swift Gain Enterprise Corp. and Gold Fortune;
- (xxvii) a sale and purchase agreement dated September 28, 2001 entered into between Sin Hua Hong Kong branch and Gold Fortune relating to the sale by Sin Hua Hong Kong branch of its shares in Sin Hock Company Limited for a consideration of HK\$1;
- (xxviii) a sale and purchase agreement dated September 28, 2001 entered into between Yien Yieh and Gold Fortune relating to the sale by Yien Yieh of its shares in Yien Yieh (China) Limited for a consideration of HK\$28,500,000;
- (xxix) a sale and purchase agreement dated September 28, 2001 entered into between BOC Hong Kong branch and BOC Investment relating to the sale by BOC Hong Kong branch of its shares in Bank of China Group Investment (Beijing) Limited for a total consideration of HK\$1;
- (xxx) a sale and purchase agreement dated September 9, 2001, as supplemented on September 25, 2001, entered into between Chiyu and BOC Investment relating to the sale by Chiyu of its shares in 廈門港廈房地產開發有限公司 (Xiamen Gangxia Real Estate Development Co. Ltd.)¹ for a total consideration of HK\$1,570,000;
- (xxxi) a sale and purchase agreement dated September 17, 2001 entered into between BOCHK, Chiyu, Hua Chiao, Nanyang and Nam Tung (Macau)

¹The English translation of the company's Chinese name is for illustrative purposes only.

- S.A.R.L. relating to the sale by BOCHK, Chiyu, Hua Chiao and Nanyang of their shares in Xiamen United Development (Group) Co. Ltd for a total consideration of HK\$4;
- (xxxii) a sale and purchase agreement dated September 11, 2001 entered into between BOCHK and BOC Investment relating to the sale by BOCHK of its shares in Qingdao International Finance Centre Company Limited (formerly Qingdao Zhong Yin Building Company Limited) for a consideration of HK\$2;
 - (xxxiii) bought and sold notes dated September 7, 2001 between each of BOCHK, Nanyang, Chiyu, Hua Chiao, Kwangtung and BOC Hong Kong branch (each a “**BOC Insurance Vendor**”) and BOC Investment relating to the sale by each BOC Insurance Vendor of its shares in BOC Group Insurance for a consideration of HK\$41,454,728.75, HK\$44,555,885, HK\$41,449,510, HK\$41,449,510, HK\$44,555,885 and HK\$33,384,000, respectively;
 - (xxxiv) bought and sold notes dated September 26, 2001 between The China South Sea Bank (Nominees) Limited, and BOCI Asia Limited relating to the sale by The China South Sea Bank (Nominees) Limited of certain of its shares in BOCI Securities for a consideration of HK\$22,165,000;
 - (xxxv) bought and sold notes dated September 26, 2001 between The China South Sea Bank (Nominees) Limited and BOCI Nominees Limited relating to the sale by The China South Sea Bank (Nominees) Limited of certain of its shares in BOCI Securities for a consideration of HK\$765,000;
 - (xxxvi) bought and sold notes dated September 26, 2001 between Kincheng Investments & Developments (H.K.) Limited, Sin Hua Bank (Nominee) Limited, Nanyang Commercial Bank (Nominees) Limited, Arene Trading Limited, The Kwangtung Provincial Bank (Nominees) Limited, The China State Bank (Nominees) Limited, Che Hsing (Nominees) Limited, Yien Yieh (Nominee) Limited, Po Sang Financial Investment Services Company Limited and Chiyu Banking Corporation (Nominees) Limited (each a “**BOCI Securities Vendor**”) and BOCI Asia Limited relating to the sale by each BOCI Securities Vendor of certain of its shares in BOCI Securities for a consideration of HK\$22,930,000 each;
 - (xxxvii) contract notes dated September 3, 2001 between Sun Chung Estate Company, Limited and Hua Chiao relating to the acquisition by Hua Chiao of shares in Fortune Holds Development Limited for a consideration of HK\$14,500;
- (n) Services and Relationship Agreement;
 - (o) BOC Markets Services Agreement;
 - (p) Credit Card Cooperation and Services Agreement;
 - (q) an agreement dated March 19, 2002 entered into between BOCHK and Sun Chung relating to the leasing, management, repairing and maintenance of Bank of China Building and Bank of China Tower by Sun Chung for BOCHK, and a deed of delegation dated March 19, 2002 relating thereto, see the section headed “Bank of China and Its Relationship with Us — Connected Transactions — Property, Property Management and Letting Agency — Property Management and Letting Agency” for further details;

- (r) (i) a sale and purchase agreement dated July 6, 2002 entered into between Kawell, BOC Investment and BOCHK relating to the acquisition by BOCHK of the whole of the issued share capital of Sin Chiao and Perento and the shareholder loans from Kawell to Sin Chiao and Perento for a consideration of HK\$1 billion and (ii) a deed of assignment dated July 10, 2002 entered into between Kawell and BOCHK relating to the assignment of the shareholder loans;
- (s) an agreement dated July 12, 2001 entered into between MTR Corporation Limited and BOCHK relating to the acquisition by BOCHK of Site C, Office Development at Olympic Station, Kowloon, Hong Kong for a consideration of HK\$1,090 million;
- (t) a sale and purchase agreement dated March 5, 2002 entered into between Hua Chiao and Superich Company Limited relating to the sale by Hua Chiao of its shares in Wang Tat Enterprises Company Limited for a consideration of HK\$56,600,000;
- (u) a sale and purchase agreement dated September 7, 2001 entered into between BOC Hong Kong branch and Li Rong Xiang and a supplemental sale and purchase agreement dated March 6, 2002 entered into between BOCHK and Li Rong Xiang relating to the sale by BOCHK of its shares in Hegent Company Limited for a consideration of RMB30,740,000 (HK\$28,961,749);
- (v) an agreement dated December 28, 2000 entered into between BOC Computer (Shenzhen) Software Centre and 深圳市星彥投資發展有限公司 (Shenzhen Xinyan Investment Development Co. Ltd.)¹ and a supplemental agreement dated December 28, 2000 relating to the development of a commercial and residential building in Shenzhen for a total consideration of RMB8,000,000 (HK\$7,537,215). BOC Computer (Shenzhen) Software Centre and 深圳市星彥投資發展有限公司 (Shenzhen Xinyan Investment Development Co. Ltd.)¹ have joint and several liability in relation to the development;
- (w) the powers of attorney dated June 25, 2002 granted by each Transferring Bank in favor of BOCHK to do any acts, matters or things which BOCHK considers necessary to secure, among other things, the performance of the relevant Transferring Bank's obligations under the Merger Agreement (as supplemented) and the relevant Deed of Trust and Indemnity; and
- (x) the powers of attorney dated June 25, 2002 granted by each Transferring Bank in favor of BOCHK to do any acts, matters or things which BOCHK considers necessary to secure, among other things, the performance of the relevant Transferring Bank's obligations under the Loan Deed.

(B) Confidential Material Contracts

Under paragraph 17 (“**Paragraph 17**”) of the Third Schedule to the Companies Ordinance, we are required to include a statement that there has been delivered to the Registrar of Companies for registration every material contract, not being a contract entered into in the ordinary course of the business carried on or intended to be carried on by us or a contract entered into more than two years before the date of issue of this prospectus. In addition, under paragraph 53 (“**Paragraph 53**”) of Part A of Appendix I to the Listing Rules, we are required to include in this prospectus details of a reasonable period of time (being not less than 14 days) during which, and a place in Hong Kong at which, all material contracts (not

¹The English translation of the company's Chinese name is for illustrative purposes only.

being contracts entered into in the ordinary course of business) entered into by any member of the Group within the two years immediately preceding the issue of this prospectus.

We have applied to the Securities and Futures Commission for an exemption under Section 38A of the Companies Ordinance from strict compliance with Paragraph 17 and to the Stock Exchange for a waiver from strict compliance with Paragraph 53 in respect of the contracts described below on the ground that they contain confidential information, the disclosure of which would constitute a breach of the duty of confidentiality by the Group under common law. The Securities and Futures Commission has issued a certificate of exemption under Section 38A of the Companies Ordinance granting an exemption from strict compliance with Paragraph 17 and the Stock Exchange has granted a waiver from strict compliance with Paragraph 53.

We have entered into the following contracts in relation to which we are subject to a duty of confidentiality:

1. nine Deeds of Trust and Indemnity between the Transferring Banks and BOCHK. Under each Deed of Trust and Indemnity, the relevant Transferring Bank declared itself a trustee for BOCHK in respect of property comprising the rights, interests and benefits of such Transferring Bank under certain specified agreements which, as they are not governed by Hong Kong law, were not transferred on October 1, 2001 by the Merger Ordinance or the Merger Agreement. The schedule to each of the Deeds of Trust and Indemnity contains information on the specified agreements, including the nature of the agreements and the identities of the borrowers, lenders and other parties to each of the specified agreements;
2. the 2002 Sale Agreement between BOCHK and BOC Cayman which involves the sale of a portfolio of loans by BOCHK to BOC Cayman. The schedule to the 2002 Sale Agreement contains information on the loans, including the identities of the borrowers, the customer identification numbers, the loan account number and the outstanding principal owed by the borrower; and
3. the Loan Deed between, among others, BOCHK, Nanyang and the Transferring Banks pursuant to which Nanyang and the Transferring Banks confirm that they are holding their interests in certain portfolios of loans on trust for BOCHK and another party. The schedule to the Loan Deed contains information similar to the schedule to the 2002 Sale Agreement.

In relation to the above documents which are to be registered and made available for public inspection pursuant to Paragraph 17 and Paragraph 53, we are allowed to remove from the schedules of agreements and loan transactions therein the following information: dates of the agreements, names of the customers, names of the counterparties, customer identification numbers, loan account numbers, outstanding principal amounts (in Hong Kong and U.S. dollars) and description of the agreements (other than generic description such as guarantee, loan agreement and share mortgage) as disclosure of any of such information, together or alone, would constitute a breach of the duty of confidentiality by the Group under common law.

(C) Intellectual Property Rights

(i) The Group has applied for registration of the following trademarks in Hong Kong:

<u>Trademark</u>	<u>Applicant</u>	<u>Class</u>	<u>Application Number</u>	<u>Application Date</u>
中銀至 In 網域 In Town & Device	BOC Group BOC-CC	16	15792/1999	November 2, 1999
中銀至 In 網域 In Town & Device	BOC Group BOC-CC	35	15793/1999	November 2, 1999
中銀至 In 網域 In Town & Device	BOC Group BOC-CC	36	15794/1999	November 2, 1999
Y NOT & y not	BOC-CC	9	05134/2002	April 15, 2002
Y NOT & y not	BOC-CC	16	03504/2002	March 13, 2002
Y NOT & y not	BOC-CC	36	03505/2002	March 13, 2002
Y NOT & y not	BOC-CC	38	03506/2002	March 13, 2002

(ii) The Group has registered the following trademarks in Hong Kong:

<u>Trademark</u>	<u>Owner</u>	<u>Class</u>	<u>Registration Number</u>	<u>Registration Date</u>
U-point Device	BOC-CC	16	12411/1999	September 24, 1998
U-point Device	BOC-CC	36	12412/1999	September 24, 1998
SET Device	BOC-CC	16	16337/1999	November 10, 1998
Circle Device	Nanyang	36	07591/1994	June 30, 1992
S Device	BOCHK	36	01635/1999	November 10, 1997
寶生 & Great Wall Device	Po Sang Financial Investment Services Company Limited	14	02903/1989	December 30, 1987

(iii) The Group has registered the following trademark in the PRC:

<u>Trademark</u>	<u>Owner</u>	<u>Class</u>	<u>Registration Number</u>	<u>Registration Date</u>
Circle Device	Nanyang	36	776560	January 28, 1995

- (iv) Pursuant to the Trademark Licence Agreement, BOC granted to BOCHK and us, with effect from the Appointed Time, a royalty-free, non-exclusive and non-transferable (except as provided therein) licence to use the following trademarks in connection with the operation of our businesses anywhere in the world:

Registered Trademarks

Trademark	Registration Number	Class
1. 中银卡	9984/2000	36
2. 外汇宝	B07904/2000	36
3. Logo	1892/94	36
4. Logo and 中银集团	7401/96	36
5. 中银集团	B10163/95	36
6. Logo and 中国银行	10922/96	36
7. Logo	1611/92	25
8. Logo	1655/91	14
9. Logo	1656/91	18
10. Logo	5138/92	28
11. Logo	3322/93	9
12. Logo	2208/91	34
13. Logo	2207/91	26
14. Logo	2206/91	16
15. Logo	2205/91	6

Unregistered Trademarks

1. 中国银行
 2. Bank of China
 3. BOC
 4. 中银
 5. Bank of China Group
- (v) The classes of trademarks referred to above relate to, among other goods and/or services, precious metals, printed matter, promotional services, banking and financial services and telecommunications services.
- (vi) Pursuant to the Deed of Copyright Assignment, BOC transferred and assigned to BOCHK on October 1, 2001, for a nominal consideration, all its existing and future copyright and all other rights, interests and title in and to the drawings, plans, designs, diagrams, specifications, printing plates and other materials in connection with the design, production and printing of the various bank notes of BOC currently in circulation and/or planned to be circulated in Hong Kong. BOC has agreed to take all necessary steps reasonably within its power so as to vest such rights in BOCHK.
- (vii) Pursuant to the Merger Agreement, all of the intellectual property assets including trademarks owned by the Merging Branches and the Undertaking of Hua Chiao have been transferred or will be transferred (as the case may be) to BOCHK.

(viii) The Group has registered the following domain names:

<u>Domain Name</u>	<u>Registration Date</u>	<u>Place of Registration</u>
boc-card.com	April 12, 2000	Hong Kong
boccard.com.hk	June 24, 2001	Hong Kong
bocgroup.com	April 17, 2002	Hong Kong
bocgtdc.com.hk	January 26, 1998	Hong Kong
bochk.com	April 17, 2002	Hong Kong
boci.com.hk	June 24, 2001	Hong Kong
bocis.com	November 24, 1999	Hong Kong
bocis.com.hk	June 24, 2001	Hong Kong
bocsign.com	May 19, 1999	Hong Kong
bocsino.com	April 9, 1997	Hong Kong
boct.com	August 8, 1997	Hong Kong
chinacard.com.hk	June 24, 2001	Hong Kong
chiyubank.com	August 8, 1997	Hong Kong
cnsign.com	May 19, 1999	Hong Kong
intown.com.hk	August 16, 1999	Hong Kong
intowncard.com	March 26, 2000	Hong Kong
nanyang-bank.com	August 9, 2001	Hong Kong
nanyangbankhk.com	June 3, 1996	Hong Kong
posang.com.hk	August 7, 1996	Hong Kong
sino-iis.com	July 16, 1998	Hong Kong
u-pointcard.com	June 21, 1998	Hong Kong
upointcard.com	September 10, 1998	Hong Kong
upointcard.com.hk	June 24, 2001	Hong Kong
uthpoint.com	June 21, 1998	Hong Kong
y-not.com.hk	April 4, 2002	Hong Kong

(ix) Save as disclosed herein, there are no trademarks, patents or other intellectual or industrial property rights which are material in relation to the Group's business.

7. DISCLOSURE OF INTERESTS

(A) Substantial Shareholders

So far as the Directors are aware, immediately following the completion of the Global Offering and assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be taken up in the Global Offering, the following shareholders will be interested in more than 10% of the Shares then in issue:

<u>Name</u>	<u>Before Global Offering</u>		<u>After Global Offering</u>	
	<u>Number of Shares</u>	<u>Voting Power</u>	<u>Number of Shares</u>	<u>Voting Power</u>
BOC (BVI) ⁽¹⁾	9,193,205,204	87%	6,894,770,204	65%
Hua Chiao ⁽²⁾	1,379,575,062	13%	1,379,575,062	13%

(1) BOC (BVI) is a wholly owned subsidiary of BOCHKG, which in turn is a wholly owned subsidiary of BOC. Accordingly, BOCHKG and BOC are deemed to have an interest under the SDI Ordinance in the Shares in which BOC (BVI) is interested. The number of Shares shown includes the one Share held by Mr. Liu Mingkang on trust for BOC (BVI).

(2) BOC beneficially owns 93.64% of Hua Chiao. Accordingly, BOC is deemed to have an interest under the SDI Ordinance in the Shares in which Hua Chiao is interested.

So far as the Directors are aware, the following persons are, directly or indirectly, interested in 10% or more of the nominal value of the shares carrying the right to vote in all circumstances at general meetings of the following non-wholly owned subsidiaries of the Company:

(a) BOC Group Trustee

<u>Name</u>	<u>Number of Shares</u>	<u>Voting Power</u>
BOCHK ⁽¹⁾	13,200	66%
BOCI ⁽²⁾	6,800	34%

(1) BOCHK has an indirect interest in the shares which are held directly by its subsidiaries. BOCHK is a wholly owned subsidiary of the Company, which in turn is a subsidiary of BOC (BVI), which in turn is a wholly owned subsidiary of BOCHKG, which in turn is a wholly owned subsidiary of BOC. Accordingly, the Company, BOC (BVI), BOCHKG and BOC are deemed to have an interest under the SDI Ordinance in the shares in which BOCHK is interested.

(2) BOCI is a wholly owned subsidiary of BOC. Accordingly, BOC is deemed to have an interest under the SDI Ordinance in the shares in which BOCI is interested.

(b) BOCI-Prudential Trustee

<u>Name</u>	<u>Number of Shares</u>	<u>Voting Power</u>
BOC Group Trustee ⁽¹⁾	192	64%
Prudential	108	36%

(1) BOCHK and BOCI are deemed to have an interest under the SDI Ordinance in the shares in which BOC Group Trustee are interested. Please see the disclosure in paragraph (a) above.

(c) Chiyu

<u>Name</u>	<u>Number of Shares</u>	<u>Voting Power</u>
BOCHK ⁽¹⁾	2,114,773	70.49%
Chip Bee Private Institution ⁽²⁾	416,407	13.88%
Chip Bee Foundation ⁽³⁾	334,334	11.14%

(1) BOCHK is a wholly owned subsidiary of the Company, which in turn is a subsidiary of BOC (BVI), which in turn is a wholly owned subsidiary of BOCHKG, which in turn is a wholly owned subsidiary of BOC. Accordingly, the Company, BOC (BVI), BOCHKG and BOC are deemed to have an interest under the SDI Ordinance in the shares in which BOCHK is interested.

(2) Chip Bee Private Institution's address is Jimei Xiamen, Fujian, PRC.

(3) Chip Bee Foundation's address is Jimei Xiamen, Fujian, PRC.

The shares held by BOCHK in Chiyu may be affected by certain third party rights. Please see the section headed "The Restructuring and Merger — Issues in Relation to Chiyu" for further information.

Save as disclosed herein, the Directors are not aware of any person (other than a Director or our chief executive) who will be, immediately following the completion of the Global Offering, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

(B) Interests of Directors

Save as disclosed in paragraph 10(E) below and other than nominee shares in certain of our subsidiaries held on trust for us by Mr. Liu Mingkang and one Share held on trust for BOC (BVI) by Mr. Liu Mingkang, none of the Directors or our chief executive has any interest in our equity or debt securities or the equity or debt securities of any of our associated corporations (within the meaning of the SDI Ordinance) which will have to be notified to us and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which he is taken or deemed to have under Section 31 of, or Part I of the Schedule to, the SDI Ordinance) or which will be required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, in each case once the Shares are listed.

(C) Particulars of Service Agreement

Our executive Director and chief executive, Dr. Liu Jinbao, has entered into a service agreement with us for a term of three years from October 1, 2001, subject to termination by either party giving to the other not less than 60 days prior notice in writing or 60 days' payment in lieu of notice. Under the terms of this service agreement, Dr. Liu shall receive a basic salary of HK\$235,000 per month and retirement and other benefits as set out in the employee handbook.

Save as disclosed in this prospectus, none of the Directors has or is proposed to have a service agreement with us or any of our subsidiaries (other than agreements expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

(D) Directors' Remuneration

The aggregate remuneration paid and benefits in kind granted by the Group to the Directors for the year ended December 31, 2001 (assuming the Group was in existence during that year and that the Restructuring and Merger had taken place) was HK\$6,614,840.

Under the arrangements currently in force, the aggregate remuneration payable to, and the benefits in kind receivable by, the Directors by the Group for the year ending December 31, 2002 is estimated to be approximately HK\$7,500,000.

(E) Agency Fees or Commissions Received

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any of our share or loan capital or the share or loan capital of any of our subsidiaries within the two years immediately preceding the date of this prospectus.

(F) Related Party Transactions

During the two years preceding the date of this prospectus, we have engaged in related party transactions as described in the section headed "Bank of China and Its Relationship with Us — Connected Transactions" and section 41 of the Accountants' Report set out in Appendix I.

(G) Disclaimers

Save as disclosed in this prospectus:

- (a) none of the Directors or our chief executive has any interest in our equity or debt securities or the equity or debt securities of any of our associated corporations (within the meaning of the SDI Ordinance) which will have to be notified to us and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which he is taken or deemed to have under Section 31 of, or Part I of the Schedule to, the SDI Ordinance) or which will be required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, in each case once the Shares are listed;
- (b) none of our Directors or officers is, at the date of this prospectus, a legal or beneficial owner of any of the Shares and we are not aware of any arrangement which may, at a subsequent date, result in a change of control of us;
- (c) none of the Directors nor any of the parties listed in the section headed "Other Information — Consents and Qualifications of Experts" in this Appendix is interested, directly or indirectly, in the promotion of or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to us or our subsidiaries, or are proposed to be acquired or disposed of by or leased to us or our subsidiaries;
- (d) none of the Directors nor any of the parties listed in the section headed "Other Information — Consents and Qualifications of Experts" in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business;

- (e) save in connection with the Underwriting Agreements, none of the parties listed in the section headed “Other Information — Consents and Qualifications of Experts” in this Appendix:
 - (i) has any shareholding in us or any of our subsidiaries; and
 - (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our securities or the securities of any of our subsidiaries; and
- (f) there is no family relationship between any of the Directors or senior managers.

8. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme which was conditionally approved and adopted by a written resolution of all the shareholders of the Company passed on July 10, 2002:

(A) Purpose and Who May Join

The purpose of the Share Option Scheme is to provide Participants (as defined below) with the opportunity to acquire proprietary interests in us, to attract and retain the best available personnel, to encourage and motivate Participants to work towards enhancing our value and the value of the Shares and to allow them to participate in our growth and to align the interests of our shareholders and the Participants.

The Board may, in its absolute discretion, on and subject to the terms of the Share Option Scheme, offer to grant to any person the Board may select, subject to compliance with applicable laws, being a full-time or part-time employee, executive or officer of the Group, an executive or non-executive director of the Group or a full-time or part-time employee, executive, officer or director of BOC or any of its subsidiaries (other than the Group) (an “Affiliate”) serving as a member of any committee of the Group (a “Participant”), options to subscribe for Shares at a price calculated in accordance with paragraph 8(B) below.

(B) Price of Shares

The subscription price for Shares under the Share Option Scheme shall be determined on the date of grant at the discretion of the Board as an amount per Share which shall be the highest of:

- (a) the nominal value of a Share;
- (b) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the date of grant, which must be a business day; and
- (c) the average closing price of the Shares as stated in the Stock Exchange’s daily quotations sheets for the five business days immediately preceding the date of grant.

(C) Grant of Options

An offer of the grant of an option shall be made to a Participant by the Board by letter (in duplicate) in such form as the Board may from time to time determine requiring the Participant to undertake to hold the option on the terms and conditions on which it is to be granted and to be bound by the provisions of the Share Option Scheme and shall remain open for acceptance by the Participant concerned for a period of not less than 7 days after the date on which it is made.

An option shall be deemed to have been granted and accepted when the duplicate letter comprising the acceptance of the offer duly signed by the grantee together with a remittance in favour of the Company in respect of the option price of HK\$1.00 or an undertaking to pay the option price of HK\$1.00 on demand of the Company is received by the Company within the time and period open for acceptance as set out in the letter referred to above.

(D) Maximum Number of Shares

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under the Sharesave Plan and any other share option schemes and savings-based share option plans of any company in the Group (the “**Other Schemes and Plans**”) shall not in aggregate exceed 10% of the Shares in issue immediately prior to the listing of the Shares on the Stock Exchange, that is, 1,057,278,026 Shares (the “**Scheme Limit**”).

Subject to the approval of the shareholders of the Company in general meeting, the Company may renew the Scheme Limit, provided that such limit as renewed shall not exceed 10% of the Shares in issue as at the date of approval of such limit. Options previously granted under the Share Option Scheme and the Other Schemes and Plans (including those options outstanding, cancelled, lapsed in accordance with such schemes and plans or exercised) shall not be counted for the purpose of calculating the Scheme Limit as renewed.

Subject to the separate approval of the shareholders of the Company in general meeting, the Company may grant options beyond the Scheme Limit, provided that the options in excess of the Scheme Limit are granted only to Participants specifically identified by the Company before such shareholders’ approval is sought.

The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and all outstanding options granted and yet to be exercised under the Other Schemes and Plans shall not exceed 30% of the Shares in issue from time to time (the “**Overall Limit**”). Neither options under the Share Option Scheme nor options under the Other Schemes and Plans may be granted if this will result in the Overall Limit being exceeded.

No option shall be granted to any one Participant such that the total number of Shares issued and to be issued upon the exercise of the options granted and to be granted to such Participant under the Share Option Scheme and the Other Schemes and Plans (including exercised, cancelled and outstanding options) in any 12-month period up to and including the date of grant exceeds 1% of the Shares in issue from time to time (the “**Participant Limit**”). Subject to the approval of the shareholders of the Company in general meeting, the Board may grant options to a Participant such that the Participant Limit is exceeded. Such Participant and his Associates shall abstain from voting at such general meeting.

(E) Time of Exercise of Options

Subject to the terms of the Share Option Scheme, an option may be exercised in whole or in part at any time or times (subject to any terms of the offer of the grant of the option including a vesting scale) after the date prescribed by the Board in its absolute discretion and from time to time as is specified in the offer and on or before the termination date prescribed by the Board, but such termination date shall not be more than ten years after the date of grant. No performance targets are required to be achieved by any grantee before an option is capable of being exercised by the grantee except as otherwise imposed by the Board and stated in the relevant letter of offer of the grant of an option.

(F) Rights are Personal to Grantee

An option shall be personal to the grantee and shall not be capable of being assigned or transferred. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any option or enter into any agreement or purport to do any of the foregoing.

(G) Rights on Ceasing Employment with the Group

In the event of a grantee who is an employee or executive, officer, director or committee member of the Group on the date of grant ceasing to be an employee or executive, officer, director or committee member of the Group for any reason other than those reasons set out in paragraphs 8(H), (I), (J) and (K) below on any date prior to the date upon which the options held by him otherwise cease to be exercisable, all the options which were exercisable may only be exercised in whole or in part before the expiration of three months after his ceasing to be an employee or executive, officer, director or committee member of the Group and all of such options which are not capable of exercise by such grantee shall lapse and determine on the date of cessation of his employment or the date on which he ceases to act as an executive, officer, director or committee member of the Group, unless the Board shall in its absolute discretion resolve and determine otherwise.

(H) Rights on Ceasing Employment with an Affiliate of the Group

In the event of a grantee who is an employee or executive, officer, director or committee member of the Group on the date of grant ceasing to be an employee or executive, officer, director or committee member of the Group, but becoming or remaining an employee or executive, officer or director of an Affiliate on any date prior to the date upon which the options held by him otherwise cease to be exercisable, all the options granted to such grantee shall, unless the Board shall in its absolute discretion resolve and determine otherwise, continue to be vested and exercisable in accordance with their terms, and in the event that such grantee ceases to be an employee or executive, officer or director of an Affiliate and of the Group other than for the reasons set out in paragraphs 8(I), (J) and (K) below, all the options which were vested and exercisable may only be exercised in whole or in part before the expiration of three months after his ceasing to be an employee or executive, officer or director of an Affiliate and of the Group and all of such options which are not vested or capable of exercise by such grantee shall lapse and determine on the date of cessation of his employment or the date on which he ceases to act as an executive, officer or director of an Affiliate and of the Group, unless the Board shall in its absolute discretion resolve and determine otherwise.

(I) Rights on Death or Insanity

If, at any time after an offer of the grant of an option has been accepted by a grantee, the grantee dies or becomes insane, other than in circumstances where a grantee who is an employee would have ceased employment on the grounds that he is guilty of serious misconduct but for his death or insanity, then (subject to paragraphs 8(L), (M), (N) and (P) below), all of his options which immediately prior to the death or insanity were exercisable may only be exercised in whole or in part by his legal representatives or receiver before the earlier of:

- (a) the expiration of 12 months after his death or the date of the receiving order; or
- (b) the expiration of the relevant option period(s),

provided however that the Board may in its absolute discretion allow the legal representatives or receiver to exercise the options on such terms and conditions as the Board may determine even if the dead or insane grantee could not have exercised them at the time of death or

insanity. Any option not so exercised shall lapse and determine at the end of the said period. Any option which is not vested or exercisable prior to the death or insanity shall lapse and terminate forthwith upon the death or insanity.

(J) Rights on Permanent Disability

If, at any time after an offer of the grant of an option has been accepted by a grantee who is an employee or executive, officer, director or committee member of the Group on the date of grant, the grantee ceases to be an employee or executive, officer or director of the Group or an Affiliate on the grounds of permanent disability (as defined in the Share Option Scheme) on any date prior to the date upon which the options held by him otherwise cease to be exercisable, all the options will continue to be exercisable in accordance with their terms as if such grantee was still an employee or executive, officer or director of the Group or an Affiliate.

(K) Rights on Summary Dismissal

In the event of a grantee who is an employee or executive, officer, director or committee member of the Group on the date of grant ceasing to be an employee or executive, officer or director of the Group or an Affiliate on the grounds of his summary dismissal, all the options, whether exercisable or not, shall lapse and determine forthwith, unless the Board shall in its absolute discretion resolve and determine otherwise.

(L) Rights on Takeover

If a general offer is made to all the holders of Shares (or all such holders other than the offeror and/or any person acting in concert with the offeror) and such offer is, becomes or is declared unconditional after the date of the letter by which an offer of the grant of an option is made but prior to the expiry of the option period, the grantee shall be entitled to exercise the option in whole or in part (to the extent not already exercised), and notwithstanding that it may not otherwise have been exercisable, at any time before the earlier of (i) the expiry of the option period and (ii) the date falling one month after the date on which the offer is, becomes or is declared unconditional.

(M) Rights on Winding-Up

In the event of an effective resolution being passed for the members' voluntary winding-up of the Company or if an order is made for the compulsory winding-up of the Company on any date prior to the date of expiry of the option period, notice thereof shall be given by the Company to grantees with options outstanding in full or in part at such date. If a grantee immediately prior to such event had any outstanding option which had not been fully exercised, the grantee may by notice in writing to the Company within 30 days after the date of such resolution or order elect to be treated as if the option had been exercised in whole or in part immediately before the passing of such resolution or the making of such order, and notwithstanding that it may not otherwise have been exercisable, and shall accordingly be entitled to receive out of the assets available in the winding-up such sum or other distribution as would have been received in respect of the Shares the subject of such election reduced by an amount equal to the subscription price which would otherwise have been payable in respect thereof.

(N) Rights on Compromise or Arrangement

If a compromise or arrangement between the Company and its members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company, the Company shall give notice thereof to the grantees who have options outstanding at the same time as it despatches notices to all

members or creditors of the Company summoning the meeting to consider such a compromise or arrangement and thereupon:

- (a) as the Board determines at its discretion, each grantee whose options are not otherwise exercisable at that time (1) may accept an offer of new options granted in substitution for options held by such grantee, subject to the auditors from time to time of the Company certifying that the terms of the new options are fair and reasonable as regards the grantee or (2) may until the expiry of the earliest of (i) the option period, (ii) the period of two months from the date of such notice and (iii) the date on which such compromise or arrangement is sanctioned by the court, exercise in whole or in part his options; and
- (b) each grantee whose options are exercisable at that time may until the expiry of the earliest of (i) the option period, (ii) the period of two months from the date of such notice and (iii) the date on which such compromise or arrangement is sanctioned by the court, exercise in whole or in part his options,

but the exercise of an option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court and becoming effective. The Company may thereafter require each grantee to transfer or otherwise deal with the Shares issued upon the exercise of options in these circumstances so as to place the grantee in the same position as nearly as would have been the case had such Shares been the subject of such compromise or arrangement. Except insofar as options are exercised or substituted options are accepted by grantees in accordance with the foregoing, all outstanding options shall lapse upon the compromise or arrangement becoming effective.

(O) Changes in Capitalisation and Reorganisation

In the event there is a change in the capital structure of the Company, whether through a consolidation, subdivision or a reduction of share capital, capitalisation of profits or reserves or issue of Shares by way of rights, such corresponding alterations (if any) shall be made in:

- (a) the aggregate number of Shares available for the grant of options;
- (b) the number of Shares subject to outstanding options and the subscription price of each outstanding option; and/or
- (c) the securities to which the option relates,

as the auditors from time to time of the Company (acting as experts and not as arbitrators and absent fraud or manifest error whose decision shall be final and binding) shall at the request of the Company certify in writing generally or as regards a particular grantee to be in their opinion fair and reasonable, provided that any such alterations shall be made on the basis that (i) the aggregate percentage of the issued share capital of the Company available for the grant of options shall remain, as nearly as possible, the same as it was before such change but shall not be greater than the Scheme Limit or the Overall Limit (subject to adjustments), (ii) the number of Shares in respect of which any option has already been granted shall be altered so as to represent, as nearly as possible, the same percentage of the issued share capital of the Company after as before such change, (iii) the aggregate subscription price relating to any option shall not be increased and (iv) no alteration shall be made to the extent that any Share to which an option relates would be issued at less than the nominal value of a Share. The issue of Shares or other securities of the Company as consideration in a transaction shall not be regarded as a circumstance requiring any adjustments referred to above.

(P) Lapse of Option

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (a) the date of expiry of the option period;
- (b) the expiry of any of the periods referred to in paragraphs 8(G), (H), (I), (L), (M) and (N) above;
- (c) (subject to paragraph 8(M) above) the date of the commencement of the winding-up of the Company (as determined by applicable law);
- (d) subject to paragraphs 8(G), (H), (I) and (J) above, the date on which the grantee who is an employee or executive, officer, director or committee member of the Group at the date of grant ceases to be an employee or executive, officer or director of the Group and of an Affiliate; and
- (e) the date on which the grantee commits or permits a breach of paragraph 8(F) above or any material breach of any of the terms of the offer of the grant of an option, the Share Option Scheme or option.

(Q) Cancellation of Options Granted But Not Exercised

Options granted but not exercised may not be cancelled without the consent of the relevant grantees thereof and any new options issued to the same grantee in replacement of options cancelled may only be issued under the Share Option Scheme (or the Other Schemes and Plans) to the extent unissued options (excluding the cancelled options) are available for issue, within the limits prescribed in paragraph 8(D) above.

(R) Grant of Options to Connected Persons

The independent non-executive Directors (not being the independent non-executive Director who is, or whose Associate is, a grantee) will be required to approve each grant of options to any Director, chief executive or substantial shareholder of the Company or any of their respective Associates.

If a grant of an option to a substantial shareholder or an independent non-executive Director of the Company or to any of their respective Associates would result in the total number of Shares issued and to be issued upon the exercise of the options granted and to be granted under the Share Option Scheme and the Other Schemes and Plans (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of grant of such option:

- (a) representing in aggregate over 0.1% of the Shares in issue from time to time; and
- (b) having an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on each date of grant, in excess of HK\$5,000,000,

such further grant of options shall be approved by the shareholders of the Company in general meeting voting by way of a poll. The Company shall send a circular to the shareholders of the Company containing the information required by the Listing Rules. All connected persons of the Company shall abstain from voting at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular.

(S) Period of Share Option Scheme

The Share Option Scheme shall remain in force for a period of ten years commencing on the first day of dealings in the Shares on the Stock Exchange, after which time no further options will be granted but the provisions of the Share Option Scheme shall in all other respects remain in force.

(T) Amendments and Termination of the Share Option Scheme

The Board may from time to time in its absolute discretion waive, modify or amend any of the provisions of the Share Option Scheme as it deems desirable, provided that, except with the prior approval of the shareholders of the Company in general meeting, no alteration shall be made to any of the provisions of the Share Option Scheme relating to, among other things, the purpose of the Share Option Scheme, the definition of "Participant", the matters referred to in paragraphs 8(B), (D), (G), (H), (I), (J) and (K) above and the matters set out in Rule 17.03 of the Listing Rules to the advantage of Participants.

Save as otherwise provided in the terms of the Share Option Scheme, neither an amendment of a material nature to the Share Option Scheme nor any change to the terms of options granted may be made by the Board without the prior approval of the shareholders of the Company in general meeting.

The Company by resolution in general meeting may at any time terminate the operation of the Share Option Scheme before the expiry of the period referred to in paragraph 8(S) above and in such event no further offer shall be made but in all other respects the provisions of the Share Option Scheme shall remain in force. All options granted and accepted prior to such termination shall continue to be valid and exercisable in accordance with their terms and the terms of the Share Option Scheme.

(U) Ranking of Shares

The Shares to be allotted and issued upon the exercise of an option shall be subject to all the provisions of the Memorandum of Association and the Articles of Association from time to time in force and shall rank *pari passu* in all respects with the then existing fully paid Shares in issue on the date of registration and shall entitle the holders to participate in all dividends and other distributions paid or made on or after the date of registration, other than any dividends and other distributions declared or recommended or resolved to be paid or made if the record date thereof shall be on or before the date of registration.

(V) Administration

The Share Option Scheme shall be administered by the Board and the Board shall, subject to the provisions of the Share Option Scheme, so administer it in such manner as it shall in its discretion deem fit.

(W) Present Status of the Share Option Scheme

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares to be issued upon the exercise of options granted under the Share Option Scheme (which, when aggregated with the Shares to be issued upon the exercise of options granted under the Other Schemes and Plans, is restricted to 10% of the relevant class of Shares in issue at the date of listing of the Company). At the date of this prospectus, no options have been granted or agreed to be granted under the Share Option Scheme.

(X) Conditions

The Share Option Scheme shall take effect subject to the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued under the Share Option Scheme on the Stock Exchange.

9. SHARES/SAVE PLAN

The principal terms of the Sharesave Plan, which was conditionally approved and adopted by a written resolution of all the shareholders of the Company passed on July 10, 2002, are the same as the terms of the Share Option Scheme except for paragraphs 8(G), (H), (I) and (J) above and the following:

(A) Purpose and Who May Join

The purposes of the Sharesave Plan are to encourage broad-based employee ownership of the Shares, to increase employee awareness and participation in the Share price performance, to provide employees with an additional vehicle for asset accumulation and to align the interests of all employees with those of our shareholders.

An invitation to submit an application form to apply for the grant of an option under the Sharesave Plan (an “**Invitation**”) may be made by the Board to any employee or director of the Group having such qualifying period of service (if any) as the Board may determine from time to time and not having been granted any options under the Share Option Scheme at the date of the Invitation (an “**Eligible Employee**”), such Eligible Employee being selected in the absolute discretion of the Board.

(B) Applications

Applications from Eligible Employees in relation to an Invitation shall only be valid if received by the Company not later than the date specified in the Invitation as the Board may determine, provided that no application shall be valid if received by the Company after the tenth anniversary of the first day of dealings in the Shares on the Stock Exchange or after the Sharesave Plan has been terminated in accordance with its provisions.

(C) Grant of Options

The Board may grant an option to any Eligible Employee who has submitted a valid application form upon the terms set out in the Sharesave Plan, together with a remittance in favour of the Company in respect of the option price of HK\$1.00 or an undertaking to pay the option price of HK\$1.00 on demand of the Company.

Subject to paragraph 9(F) below, in respect of an option, the number of Shares to which an option relates shall be the maximum number of Shares (rounded down to the next whole number) which can be paid for at the subscription price with moneys equal to the amount of the Savings Contract Repayment due on the Maturity Date under the Savings Contract to be made in connection with the relevant option, provided that no option shall be granted to subscribe for a number of Shares which exceeds any number determined by the Board from time to time for this purpose.

For the purposes of the above, the Savings Contract Repayment on the Maturity Date shall be taken as including interest at an interest rate as may be determined by the Board unless the Board shall have determined, in relation to every option to be granted on the day in question, that it shall be taken as not including such interest.

The amount of the monthly contribution under the Savings Contract to be made in connection with an option shall, subject to the option of the Board to reduce the number of

applications for options referred to below, be the amount which the relevant Eligible Employee shall have specified in his application form that he is willing to contribute, which amount shall not be less than 1% and not more than 10% of the Eligible Employee's monthly salary as at the date of application or such other maximum or minimum amounts as may for the time being be permitted by the Board.

If the grant of options on any day would cause the limits on the maximum number of Shares in respect of which options may be granted under the Sharesave Plan to be exceeded, the Board may, at its option, reduce the number of applications for options by reducing the monthly contributions to be made under the Savings Contract as stated in the application forms in a manner which the Board considers fair and reasonable or adopt such other provision for reducing the number of Shares over which options are granted so far as is necessary to ensure that such limits are not exceeded.

No grantee of an outstanding option shall be granted a further option until the first-mentioned option has expired or unless the date of grant of such further option falls in the penultimate month or the month in which the first-mentioned option is due to expire.

For the purposes of the Sharesave Plan:

“Actual Savings” means, in respect of a Savings Contract, the aggregate of the actual savings contributions an Eligible Employee has made by the day in question and interest accrued thereon less any amount withdrawn before then;

“Exercise Period(s)” means the period(s) during which an option may be exercised during the option period, being (i) the 30 day period (excluding the anniversary days) immediately after the first and second anniversary days from the date of grant or such other date as determined by the Board, if the last day of that 30 day period is not a business day, such period shall include the first business day immediately thereafter and (ii) the 30 day period (excluding the Maturity Date) immediately after the Maturity Date, if the last day of that 30 day period is not a business day, such period shall include the first business day immediately thereafter, or (iii) such other period(s) as may be determined by the Board;

“Maturity Date” means a date determined by the Board prior to the grant of an option being the third anniversary of the date of grant or such other date as determined by the Board;

“Savings Body” means BOCHK, unless the Board determines otherwise;

“Savings Contract” means a commitment by an Eligible Employee to make a savings contribution to the Savings Body, for such period and on such terms as the Board may specify from time to time;

“Savings Contract Repayment” means, in respect of a Savings Contract on any particular day, the aggregate of the savings contributions the Eligible Employee has undertaken to make by the day in question and interest which may be accrued thereon at an interest rate as may be determined by the Board.

(D) Time of Exercise of Options

Subject to the terms of the Sharesave Plan, an option may be exercised in whole or in part during an Exercise Period. No performance targets are required to be achieved by any grantee before an option is capable of being exercised by the grantee.

(E) Exercise of Options

When exercised in an Exercise Period, an option shall be exercised in whole or in part by delivering to the Company:

- (a) a written notice, in a form from time to time reasonably specified by the Board, specifying the number of Shares to be subscribed, which notice shall constitute an irrevocable instruction and authorisation by the grantee to the Company, or such other person nominated by it, on behalf of the grantee to execute such documents and generally do all such things as the Company may consider necessary to effect the registration of the Shares to be subscribed in the name of the grantee; and
- (b) payment in full of the aggregate subscription price.

Where an option is exercised in an Exercise Period, the total number of Shares which may be subscribed upon the exercise of such option shall not exceed the number of Shares which may be subscribed with the Actual Savings as at the date of exercise.

(F) Rollover of Actual Savings

Unless the Board determines otherwise, a grantee may elect not to exercise the relevant option in whole or in part, but instead use all or part of his Actual Savings at the Maturity Date to apply for further options under the Sharesave Plan in response to the next Invitation to which the relevant grantee is eligible to be granted a further option (the “**Successive Invitation**”).

In the application form and Savings Contract in response to a Successive Invitation (the “**Successive Application**”), the grantee shall state the Rollover Amount.

Any option the Board may grant (a “**Successive Option**”) in relation to a valid Successive Application shall be granted under the terms of paragraph 9(C) above, save that for the purposes of the second sub-paragraph of paragraph 9(C) above, the Savings Contract Repayment on the Maturity Date of such Successive Option shall be taken as the aggregate of the Rollover Amount and interest thereon (at an interest rate as may be determined by the Board) and any further contributions committed to be made by the Eligible Employee under the relevant Savings Contract and interest thereon at such interest rate, unless the Board shall have determined, in relation to every option to be granted on the day in question, that it shall be taken as not including such interest.

Unless the Board determines otherwise, on the Maturity Date of a Successive Option, a grantee may not use all or any part of the Actual Savings as at the Maturity Date of the Successive Option to apply for further options under the terms of this paragraph.

(G) Rights on Ceasing Employment with an Affiliate of the Group

In the event of a grantee who is an employee or executive, officer or director of the Group on the date of grant ceasing to be an employee or executive, officer or director of the Group, but becoming or remaining an employee or executive, officer or director of an Affiliate on any date prior to the Maturity Date, then (subject to paragraphs 8(L), (M) and (N) above) all the options granted to such grantee shall, unless the Board shall in its absolute discretion resolve and determine otherwise, continue to be vested and exercisable in accordance with their terms, and in the event that such grantee ceases to be an employee or executive, officer or director of the Group and of an Affiliate, other than for the reasons set out in paragraphs 9(H), (I) and (J) below, prior to the Maturity Date, all the options of such grantee shall lapse and determine on the date of cessation of his employment or the date on which he ceases to act as an

executive, officer or director of the Group and of an Affiliate, unless the Board shall in its absolute discretion resolve and determine otherwise.

(H) Rights on Death or Insanity

If, at any time after an option has been granted to a grantee, the grantee dies or becomes insane, other than in circumstances where a grantee would have ceased employment on the grounds that he is guilty of serious misconduct but for his death or insanity, then (subject to paragraphs 8(L), (M) and (N) above), all of his options, subject to their terms and conditions and any terms and conditions of the Savings Contract, may be exercised in whole or in part to the extent of the Actual Savings as at the date such grantee ceases to be an employee, executive, officer or director of an Affiliate or of the Group by reason of death or insanity by his legal representatives or receiver during the ensuing Exercise Period(s) within the relevant option period, provided however that the Board may in its absolute discretion allow the legal representatives or receiver to exercise the options on such terms and conditions as the Board may determine even if the dead or insane grantee could not have exercised them at the time of death or insanity. Any option not so exercised shall lapse and determine at the end of the said period.

(I) Rights on Permanent Disability

If, at any time after an option has been granted to a grantee who is an employee or executive, officer or director of the Group on the date of grant, the grantee ceases to be an employee or executive, officer or director of the Group or an Affiliate on the grounds of permanent disability on any date prior to the Maturity Date, then (subject to paragraphs 8(L), (M) and (N) above) all the options of such grantee will continue to be exercisable to the extent of the Actual Savings as at the date such grantee ceases to be an employee, executive, officer or director of the Group or of an Affiliate by reason of such permanent disability in accordance with their terms and those of the relevant Savings Contract as if such grantee were still an employee or executive, officer or director of the Group or an Affiliate.

(J) Rights on Normal Retirement

In the event of a grantee who is an employee or executive, officer or director of the Group on the date of grant ceasing to be an employee or executive, officer or director of the Group or an Affiliate on the grounds of his normal retirement, then (subject to paragraphs 8(L), (M) and (N) above) all the options of such grantee will continue to be exercisable to the extent of the Actual Savings as at the date such grantee ceases to be an employee, executive, officer or director of the Group or of an Affiliate by reason of normal retirement in accordance with their terms and those of the relevant Savings Contract as if such Grantee were still an employee or executive, officer or director of the Group or an Affiliate.

(K) Present Status of the Sharesave Plan

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares to be issued upon the exercise of options granted under the Sharesave Plan (which, when aggregated with the Shares to be issued upon the exercise of options granted under the Share Option Scheme and any other share option schemes and savings-based share option plans of any company in the Group, is restricted to 10% of the relevant class of Shares in issue at the date of listing of the Company). At the date of this prospectus, no options have been granted or agreed to be granted under the Sharesave Plan.

(L) Conditions

The Sharesave Plan shall take effect subject to the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued under the Sharesave Plan on the Stock Exchange.

10. PRE-LISTING SHARE OPTION SCHEME

The principal terms of the Pre-Listing Share Option Scheme, which has been adopted by the Selling Shareholder, are the same as the terms of the Share Option Scheme except for the following:

(A) Purpose and Who May Join

The purpose of the Pre-Listing Share Option Scheme is to provide the BVI Scheme Participants (as defined below) with the opportunity to acquire proprietary interests in us, to attract and retain the best available personnel, to encourage and motivate BVI Scheme Participants to work towards enhancing our value and the value of the Shares and to allow them to participate in our growth and to align the interests of our shareholders and the BVI Scheme Participants.

The board of directors of the Selling Shareholder (the “**BVI Board**”) may, in its absolute discretion, on and subject to the terms of the Pre-Listing Share Option Scheme, offer to grant to any person the BVI Board may select, subject to compliance with applicable laws, being a full-time or part-time employee, executive or officer of the Group or an executive or non-executive director of the Group (a “**BVI Scheme Participant**”), options to purchase certain Shares held by the Selling Shareholder.

(B) Price of Shares

The purchase price for Shares under the Pre-Listing Share Option Scheme shall be determined on the date of grant at the discretion of the BVI Board as an amount per Share which shall not be less than the Offer Price.

(C) Time of Exercise of Options

Subject to the terms of the Pre-Listing Share Option Scheme, an option may be exercised in whole or in part at any time or times (subject to any terms of the offer of the grant of the option including a vesting scale) after the date prescribed by the BVI Board in its absolute discretion and from time to time as is specified in the offer and on or before the termination date prescribed by the BVI Board, but such termination date shall not be more than ten years after the date of grant. No performance targets are required to be achieved by any grantee before an option is capable of being exercised by the grantee except as otherwise imposed by the BVI Board and stated in the relevant letter of offer of the grant of an option.

(D) Exercise of Options

Options shall be exercised in whole or in part by delivering to the Selling Shareholder:

- (a) a written notice, in a form from time to time reasonably specified by the BVI Board, specifying the number of Shares to be purchased, which notice shall constitute an irrevocable instruction and authorisation by the grantee to the Selling Shareholder, or such other person nominated by it, on behalf of the grantee to execute such documents and generally do all such things as the Selling Shareholder may consider

necessary to effect the registration of the Shares to be purchased in the name of the grantee; and

- (b) payment in full of the aggregate purchase price, together with an amount equal to any stamp duty or other tax payable at such time on the transfer of the Shares to be purchased.

An option may not be exercised and shall be deemed as not having been validly exercised unless:

- (a) the BVI Board considers that the transfer of Shares pursuant to such exercise would be lawful in all relevant jurisdictions and the BVI Board may require the grantee to provide an opinion from legal counsel from any relevant jurisdiction in a form acceptable to the BVI Board confirming that such exercise would be lawful; and
- (b) in a case where, if the option was exercised, the Selling Shareholder would be obliged to (or would suffer a disadvantage if it were not to) account for any tax or stamp duty (in any jurisdiction) for which the grantee in question would be liable by virtue of the exercise of the option (a “**Tax Liability**”), the grantee has either:
 - (i) made a payment to the Selling Shareholder of an amount at least equal to the Selling Shareholder’s estimate of the Tax Liability; or
 - (ii) entered into arrangements acceptable to the Selling Shareholder to secure that such a payment is made (whether by authorising the sale of some or all of the Shares on his behalf and the payment to the Selling Shareholder of the relevant amount out of the proceeds of sale or otherwise),

provided that if the Shares are transferred as aforesaid without a payment as referred to in sub-paragraph (i) having been made or arrangements as referred to in sub-paragraph (ii) having been entered into, the Selling Shareholder may at its absolute discretion choose to pay for such a Tax Liability on behalf of the grantee and the amount of the Tax Liability so paid shall be treated as a loan to the grantee who has exercised the option which shall be repayable on demand and which, without prejudice to any rights the Selling Shareholder may have against the grantee, the grantee shall be deemed to have authorized the Selling Shareholder, any relevant company in the Group or any relevant substantial shareholder of the Selling Shareholder or any of its Associates to withhold from or set-off any remuneration subsequently payable to that grantee (to the extent permitted by law).

(E) Present Status of the Pre-Listing Share Option Scheme

As at the date of this prospectus, the Selling Shareholder has granted options to nine Directors and approximately 60 senior management personnel of BOCHK, including the directors (except the independent non-executive directors), senior management and senior management personnel and those of Nanyang, Chiyu and BOC-CC at the same levels. The Selling Shareholder has granted options, conditional on the granting by the Listing Committee of the listing of, and permission to deal in, the Shares in issue on the Stock Exchange, to purchase an aggregate of 31,132,600 Shares, which represents less than 0.3% of our issued share capital at the date of the Global Offering at the Offer Price. None of these options may be exercised within one year from the date on which dealings in the Shares commence on the Stock Exchange. These options have a vesting period of four years (25% of the number of Shares subject to such options will vest at the end of each year) from the date on which dealings in the Shares commence on the Stock Exchange with a valid exercise period of ten years. No offer to grant any options under the Pre-Listing Share Option Scheme will be made on or after the date on which dealings in the Shares commence on the Stock Exchange.

Particulars of the options granted to the Directors and senior management personnel are set out below:

<u>Name of Grantee</u>	<u>Number of underlying Shares in respect of which options were granted</u>
LIU Mingkang	1,735,200
SUN Changji	1,590,600
LIU Jinbao	1,735,200
PING Yue	1,446,000
HUA Qingshan	1,446,000
LI Zaohang	1,446,000
HE Guangbei	1,446,000
ZHOU Zaiqun	1,446,000
ZHANG Yanling	<u>1,446,000</u>
	13,737,000
Senior Management Personnel	<u>17,395,600</u>
Total	<u>31,132,600</u>

11. OTHER INFORMATION

(A) Litigation

Save as disclosed in this prospectus, neither we nor any of our subsidiaries is involved in any litigation, arbitration or claim of material importance and, so far as we are aware, no litigation, arbitration or claim of material importance is pending or threatened against us or any of our subsidiaries.

(B) Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and the Shares to be issued upon the exercise of options granted under the Share Option Scheme and the Sharesave Plan.

All necessary arrangements have been made enabling the securities to be admitted into CCASS.

(C) Expenses

The aggregate commissions and estimated expenses payable by the Selling Shareholder in respect of the Global Offering, including a portion of the expenses of the Hong Kong Underwriters and the International Purchasers, are estimated to amount to approximately HK\$1,071 million (assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK\$9.50 per Offer Share, being the maximum Offer Price).

The preliminary expenses of the Company are HK\$52,107 and are payable by the Company.

(D) Consents and Qualifications of Experts

BOCI Asia, Goldman Sachs (Asia) L.L.C. and UBS Warburg Asia Limited, as the Joint Sponsors, PricewaterhouseCoopers, as our auditors and independent reporting accountants, Chesterton Petty Limited, as our property valuer, Jones Lang LaSalle, as a property valuer, and

Jun He Law Offices, as our PRC legal advisers, have given and have not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or valuation certificates and/or the references to their names included herein in the form and context in which they are respectively included.

The qualifications of the parties who have given opinions in this prospectus are as follows:

<u>Name</u>	<u>Qualifications</u>
BOCI Asia	Registered securities dealer under the Securities Ordinance
Goldman Sachs (Asia) L.L.C.	Registered investment adviser under the Securities Ordinance
UBS Warburg Asia Limited	Registered investment adviser under the Securities Ordinance
PricewaterhouseCoopers	Certified public accountants
Chesterton Petty Limited	International Property Consultants
Jones Lang LaSalle	Property Consultants
Jun He Law Offices	PRC lawyers approved by the relevant authorities in the PRC to advise on securities matters

(E) Taxation of Holders of Shares

The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is HK\$2.00 for every HK\$1,000 (or part thereof) of the consideration or, if higher, the fair value of the Shares being sold or transferred.

The Hong Kong Offer Shares are Hong Kong property for the purpose of the Estate Duty Ordinance. Accordingly, Hong Kong estate duty may be payable in respect thereof on the death of an owner of Shares.

(F) Tax and Estate Duty

Conditional upon completion of the Global Offering, BOC and the Selling Shareholder have given, pursuant to the Deed of Indemnity, joint and several indemnities in connection with, among other things, any liability for Hong Kong estate duty by reason of any transfer of property (within the meaning of Section 35 of the Estate Duty Ordinance) to any member of the Group made or deemed to have been made on or before the date of completion of the Global Offering and any tax liabilities of the Group arising on or before the date of completion of the Global Offering, except in certain circumstances as set out in the section headed “Bank of China and Its Relationship with Us — The Global Offering — Indemnities”.

(G) Promoter

The promoter of the Company is BOC, which is a state-owned enterprise established under the laws of the PRC.

Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given, or proposed to be paid, allotted or given, to the promoter in connection with the Global Offering or the related party transactions described in this prospectus.

(H) Miscellaneous

- (a) Save as disclosed in this prospectus:
 - (i) within the two years immediately preceding the date of this prospectus, neither we nor any of our subsidiaries have issued or agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash;
 - (ii) none of our share or loan capital or the share or loan capital of any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and
 - (iii) none of our equity or debt securities is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought.
- (b) Neither we nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares.
- (c) We have no outstanding convertible debt securities.