

Principal Brochure dated 19 December 2011



## **The Bank of East Asia, Limited**

*(incorporated in Hong Kong with limited liability and is a licensed bank regulated by the Hong Kong Monetary Authority and registered with the Securities and Futures Commission for Types 1, 4, 6 and 9 regulated activities under the Securities and Futures Ordinance)*  
**(“Bank”)**

**as Offeror and Product Arranger**

### **Principal Brochure for Basket Equity Linked Deposits — with Callable and Optional Kick-in Features (“Basket Equity Linked Deposits”)**

**Our Basket Equity Linked Deposits are NOT equivalent to conventional time deposits and are NOT capital protected. They are structured investment products embedded with derivatives. You may sustain a total loss in your investment.**

The Securities and Futures Commission (“SFC”) has authorised our Basket Equity Linked Deposits under section 104A(1) of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) (“SFO”) and the issue of this Principal Brochure and the Term Sheet based on the standard format set out in Appendix 2 to this Principal Brochure as part of the Offering Documents for our Basket Equity Linked Deposits under section 105(1) of the SFO. The SFC takes no responsibility for our Basket Equity Linked Deposits or the contents of such documents, makes no representation as to their accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of such documents. The SFC’s authorisation does not imply its endorsement or recommendation of the Basket Equity Linked Deposits referred to in the Offering Documents, nor does it imply that the SFC guarantees the commercial merits of our Basket Equity Linked Deposits or their performance. The SFC’s authorisation does not mean our Basket Equity Linked Deposits are suitable for all investors nor is it an endorsement of their suitability for any particular investor or class of investors. Interested persons should consider obtaining independent advice before investing in our Basket Equity Linked Deposits.

## IMPORTANT

You are warned that the market value of our Basket Equity Linked Deposits may fluctuate and you may sustain a total loss of your investment. You should therefore ensure that you understand the nature of our Basket Equity Linked Deposits and carefully study the risk factors set out in this Principal Brochure and other documents comprising the Offering Documents (as described further on page 78 of this Principal Brochure) for our Basket Equity Linked Deposits and, where necessary, seek independent professional advice, before you decide whether to invest in our Basket Equity Linked Deposits.

The Offering Documents of our Basket Equity Linked Deposits include particulars given in compliance with the Code on Unlisted Structured Investment Products (“Code”) issued by the SFC for the purpose of giving information with regard to the Bank (as the Offeror and the Product Arranger) and our Basket Equity Linked Deposits. References to “Bank”, “we” or “us” in this Principal Brochure mean The Bank of East Asia, Limited. We (as the Offeror and the Product Arranger) accept full responsibility for the contents of, and the completeness and accuracy of the information contained in, the Offering Documents and confirm, having made all reasonable enquiries, that to the best of our knowledge and belief there is no untrue or misleading statement, or other facts the omission of which would make any statement herein untrue or misleading. We (as the Offeror and the Product Arranger) also confirm that we meet the eligibility requirements applicable to issuers and product arrangers respectively under the Code and our Basket Equity Linked Deposits comply with the Code.

Our Basket Equity Linked Deposits constitute general, unsecured contractual obligations of The Bank of East Asia, Limited (as the Offeror) and of no other person. If you invest in our Basket Equity Linked Deposits, you are relying upon the creditworthiness of The Bank of East Asia, Limited (as the Offeror) and have no rights under the terms of the Basket Equity Linked Deposits against the issuers of the Linked Stocks.

**Post-sale cooling-off period pursuant to Part IV of the Code applies to our Basket Equity Linked Deposits with an Investment Period of more than one year. Please refer to pages 81 to 82 of this Principal Brochure for further details.**

**If English is not your preferred language, you may request for copies of this Principal Brochure written in Chinese from our marketing officer. 倘若英文並非閣下屬意的語言，閣下可向本行的市場推廣人員索取本指南的中文語言版本。**

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## KEY FACTS STATEMENT A —

### Basket Equity Linked Deposit with Daily Callable Feature offered by the Bank

*This is an unlisted structured investment product embedded with derivatives. There are six variations of Basket Equity Linked Deposits. This statement provides you with the key information about one variation of our Basket Equity Linked Deposits that we may offer — Basket Equity Linked Deposit with Daily Callable Feature. This statement is part of the Offering Documents. You should not invest in our Basket Equity Linked Deposits based on this statement alone.*

*Capitalised terms used in this statement not otherwise defined herein shall have the meanings given to them in the product terms and conditions in Appendix 1 to this Principal Brochure.*

#### What are the key risks?

*Investment involves risks. You should read and understand the remaining sections of this Principal Brochure (in particular, the section headed “Risk Factors”) and the other Offering Documents before deciding whether to invest.*

- **Not a time deposit.** Our Basket Equity Linked Deposits are unlisted structured investment products embedded with derivatives. They are NOT equivalent to and should not be treated as substitutes for conventional time deposits.
- **Not protected deposits.** Our Basket Equity Linked Deposits are NOT protected deposits under the Deposit Protection Scheme in Hong Kong.
- **Not capital protected.** Our Basket Equity Linked Deposits are NOT capital protected. You may receive the Worst Performing Stock instead of the Deposit Amount in cash at maturity depending on the performance of each of the Linked Stocks in the Stock Basket during the Investment Period. The market value of the Worst Performing Stock you receive may be substantially less than your Deposit Amount or **may even become worthless.**
- **Capped maximum potential gain.** The amount of maximum potential gain under our Basket Equity Linked Deposits is capped and limited to the aggregate Potential Coupon Amount payable during the scheduled Deposit Tenor.
- **Potential payout is determined by each of the Linked Stocks in the Stock Basket.** The potential payout of our Basket Equity Linked Deposits depends on the performance of each of the Linked Stocks in the Stock Basket during the Investment Period. If any one of the Linked Stocks in the Stock Basket performs poorly against your expectation, you will not benefit from the performance of any other Linked Stocks in the Stock Basket.
- **No collateral.** Our Basket Equity Linked Deposits are NOT secured on any of our assets or any collateral.
- **Liquidity risk.** Our Basket Equity Linked Deposits are not transferable without our prior written consent and are designed to be held to maturity. Under normal market conditions, we provide limited market making arrangements for our Basket Equity Linked Deposits with an Investment Period of more than 6 months. If you try to early terminate your Basket Equity Linked Deposit before maturity under our market making arrangement, you may receive an amount which is substantially less than your Deposit Amount.
- **Not covered by Investor Compensation Fund.** Our Basket Equity Linked Deposits are not listed on any stock exchange and are not covered by the Investor Compensation Fund in Hong Kong.
- **Not the same as investment in any of the Linked Stocks.** Investing in our Basket Equity Linked Deposits is not the same as investing in any of the Linked Stocks in the Stock Basket. You have no rights in any of the Linked Stocks in the Stock Basket (except where the Worst Performing Stock is determined on the Determination Date to be deliverable to

you on the Maturity Date, in such case you will be entitled to the rights in such Worst Performing Stock as from the Determination Date). Movements in the market prices of any of the Linked Stocks may not lead to any corresponding change in the market value of and/or potential payout under our Basket Equity Linked Deposits.

- **Insolvency risk.** The settlement of our Basket Equity Linked Deposits is subject to the credit and insolvency risks of The Bank of East Asia, Limited. If the Bank becomes insolvent or defaults on its obligations under our Basket Equity Linked Deposits, you can only claim as an unsecured creditor of the Bank regardless of the performance of the Linked Stocks and the terms of our Basket Equity Linked Deposits. **In the worst case scenario, you could lose all of your Deposit Amount.**
- **Re-investment risk.** Our Basket Equity Linked Deposits will be early terminated if a Call Event has occurred on any Call Event Observation Date. No further Potential Coupon Amount will be accrued following such termination. You may not be able to enjoy the same rate of return if you re-invest in other investments with similar risk parameters.
- **Exposure to risks from the Trade Date.** Your Basket Equity Linked Deposit order is accepted and executed on Trade Date and all the terms of the Basket Equity Linked Deposit are finalised. You will be exposed to the risks associated with our Basket Equity Linked Deposits starting from the Trade Date.
- **Exposure to market price movement of the Worst Performing Stock after the Determination Date.** Your settlement at maturity will be determined on the Determination Date but settlement will only occur on the Maturity Date. If you are to receive the Worst Performing Stock, you will be exposed to any market price movement of such Worst Performing Stock between the Determination Date and the Maturity Date (being the second Clearing System Business Day after the Determination Date). If you decide to hold the number of the Worst Performing Stock delivered to you on the Maturity Date, you will be further exposed to the market risk of holding such Worst Performing Stock from the Maturity Date until you sell the Worst Performing Stock.
- **Conflicts of interest.** Potential and actual conflicts of interest may arise from the different roles played by us and our subsidiaries and affiliates in connection with our Basket Equity Linked Deposits. Our economic interests in each role may be adverse to your interests in our Basket Equity Linked Deposits.

#### **What are the key features of a Basket Equity Linked Deposit with Daily Callable Feature?**

- **Product Type:** Our Basket Equity Linked Deposits are unlisted structured investment products which have an embedded conditional put option over the Linked Stocks in the Stock Basket. If you invest in a Basket Equity Linked Deposit, you will be selling to the Bank a conditional put option over the Linked Stocks in the Stock Basket. If certain conditions are met, you will be obliged to buy a number of the Worst Performing Stock in the Stock Basket at its Reference Price from the Bank on the Determination Date, which will be delivered to you on the Maturity Date.
- **Investment Period and Deposit Tenor:** The Investment Period commences from and including the Trade Date to and including the Determination Date, while the Deposit Tenor commences from and including the Start Date to but excluding the Maturity Date. The Deposit Tenor generally ranges from 1 month to 3 years. You may request for a tailor-made Deposit Tenor to suit your investment strategy.
- **Linked Stocks:** The Stock Basket may comprise a minimum of two and a maximum of seven shares of companies or units of funds (being an exchange traded fund or a real estate investment trust) listed on The Stock Exchange of Hong Kong Limited and quoted in HKD. Not all Hong Kong listed stocks can be selected as a Linked Stock. You should check with our marketing officers for the details of the available stocks.
- **Deposit Currency:** The Deposit Currency can be HKD, United States dollar, Japanese Yen, Australian dollar, New Zealand dollar, Canadian dollar, GBP or Euro upon your request and accepted by us.

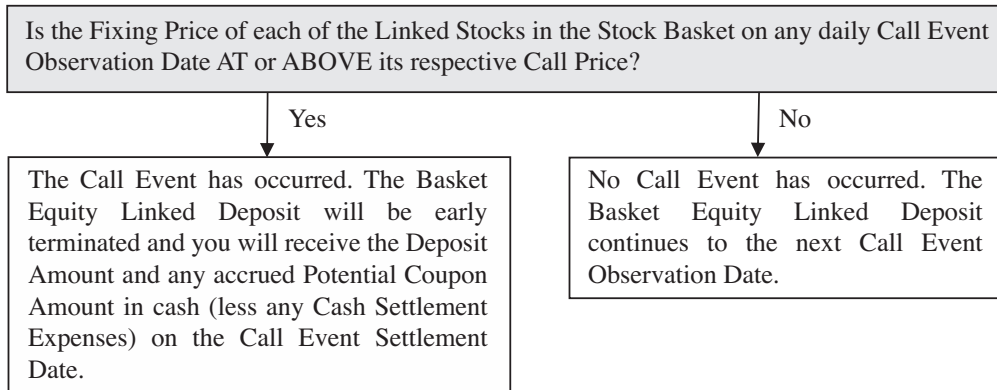
- **Minimum Deposit Amount:** HKD100,000 (or its equivalent in the Deposit Currency).
- **Potential Coupon Amount:** Subject to the occurrence of the Call Event or any early termination of the Basket Equity Linked Deposit otherwise, a Potential Coupon Amount (less any Cash Settlement Expenses) will be payable on each Coupon Payment Date (being each Coupon Period End Date if no Call Event has occurred), which is calculated as follows:

$$\text{Deposit Amount} \times \text{Annualised Coupon Rate} \times \frac{\text{Number of calendar days in the relevant Coupon Period}^*}{\text{Day Count Basis}^{**}}$$

\* Each Coupon Period means a period from and including a Coupon Period Start Date to but excluding the corresponding Coupon Period End Date, provided that if a Call Event has occurred during a Coupon Period, such period will start from and including the relevant Coupon Period Start Date to but excluding the Call Event Settlement Date.

\*\* Day Count Basis will be 365 if the Deposit Currency is HKD or GBP. If the Deposit Currency is not HKD or GBP, the Day Count Basis will be 360.

- **Daily Callable Feature:** A Call Event occurs if the Fixing Price of each of the Linked Stocks in the Stock Basket on any daily Call Event Observation Date is AT or ABOVE its respective Call Price. The Call Price of each Linked Stock in the Stock Basket is set at a specified percentage of its Initial Price and will be set out in the relevant Term Sheet. The same percentage will be used to calculate the Call Price of each of the Linked Stocks in the Stock Basket on all Call Event Observation Dates. The daily Call Event Observation Dates are set as each Exchange Business Day during the relevant period (excluding the Determination Date) as set out in the relevant Term Sheet. If a Call Event has occurred, the Basket Equity Linked Deposit will be early terminated and we will pay you the Deposit Amount and any accrued Potential Coupon Amount calculated up to but excluding the Call Event Settlement Date in cash (less any Cash Settlement Expenses) on the Call Event Settlement Date (being the second Business Day after the relevant Call Event Observation Date).



- **Settlement At Maturity:** If no Call Event has occurred on any daily Call Event Observation Dates and the Basket Equity Linked Deposit is not otherwise early terminated, your settlement at maturity will depend on the Fixing Price of the Worst Performing Stock on the Determination Date compared to its Reference Price. The Worst Performing Stock is the Linked Stock in the Stock Basket with the lowest Stock Performance on the Determination Date. The Stock Performance of a Linked Stock on the Determination Date will be calculated as follows (rounded up to 2 decimal places):

$$\left( \frac{\text{Fixing Price of the Linked Stock on the Determination Date}}{\text{Initial Price of the Linked Stock}} - 1 \right) \times 100\%$$

If more than one Linked Stock have the same lowest Stock Performance on the Determination Date, the Bank will, in its sole and absolute discretion acting in good faith and in a commercially reasonable manner, decide which Linked Stock with the lowest Stock Performance shall be the Worst Performing Stock.

Is the Fixing Price of the Worst Performing Stock on the Determination Date AT or ABOVE its Reference Price?

No

You will receive on the Maturity Date:

- (i) the Potential Coupon Amount for the final Coupon Period in cash (less any Cash Settlement Expenses); and
- (ii) a number of the Worst Performing Stock (subject to the payment of any Physical Settlement Expenses) which is calculated as follows:

$$\frac{\text{Deposit Amount (converted into HKD at the Exchange Rate if the Deposit Currency is not HKD)}}{\text{Reference Price of the Worst Performing Stock}}$$

Reference Price of the Worst Performing Stock

In this scenario, you will suffer a loss if the sum of the market value of the Worst Performing Stock delivered (calculated based on the Fixing Price of the Worst Performing Stock on the Determination Date) and the aggregate Potential Coupon Amount payable during the scheduled Deposit Tenor is less than the Deposit Amount.

Yes

You will receive on the Maturity Date the Deposit Amount and the Potential Coupon Amount for the final Coupon Period in cash (less any Cash Settlement Expenses).

In this scenario, you will make a profit which is capped at the aggregate Potential Coupon Amount payable during the scheduled Deposit Tenor.

### How can you apply for a Basket Equity Linked Deposit?

If you want to apply for our Basket Equity Linked Deposits, you can contact us (as the intermediary) through our marketing officers at any of our branches in Hong Kong to enquire about our Basket Equity Linked Deposits and the application procedure. Please refer to page 80 of this Principal Brochure for further details.

You may apply for a Basket Equity Linked Deposit by placing an order with us on (i) if an application period is not specified in the Term Sheet, any Business Day which will become the Trade Date or (ii) if an application period is specified in the Term Sheet, any Business Day during the application period. Once you place a Basket Equity Linked Deposit order with us, you will be committed to invest in the Basket Equity Linked Deposit and a cash amount equal to the Deposit Amount will be frozen in your designated cash account from the Order Date. If your Basket Equity Linked Deposit order is accepted and executed by us on the Trade Date, the Deposit Amount will be deducted from your designated cash account on the Start Date.

You should note that the Initial Price in respect of a Linked Stock in the Stock Basket can be set as either (i) the Fixing Price of such Linked Stock on the Trade Date; or (ii) the price of such Linked Stock as of the end of the morning trading session of the Exchange on the Trade Date (as published by the Exchange); or (iii) the specific price of such Linked Stock as agreed between you and us at the time you place your order on the Trade Date and your order will be executed at such agreed price. For the avoidance of doubt, the Initial Prices of all the Linked Stocks in the Stock Basket will be set by using the same method. If the Initial Price in respect of a Linked Stock is set in the cases of (i) and (ii) above, some of the commercial terms (such as the Reference Price and Call Price) will be specified as a specified percentage of the relevant Initial Price in the Term Sheet and you will not know all the exact commercial terms when you place the order. You will have to bear the risk of changing market conditions between the time

you place your order and the time all the commercial terms (including the Initial Prices) are recorded and determined on the Trade Date. If the Initial Price in respect of a Linked Stock is set in the case of (iii) above, you will know all the exact commercial terms when you place the order. In any event, if your order is accepted and executed by us on the Trade Date, a Confirmation setting out all the finalised terms of your Basket Equity Linked Deposit will be sent to you within 2 Business Days after the Trade Date.

### What are the fees and charges?

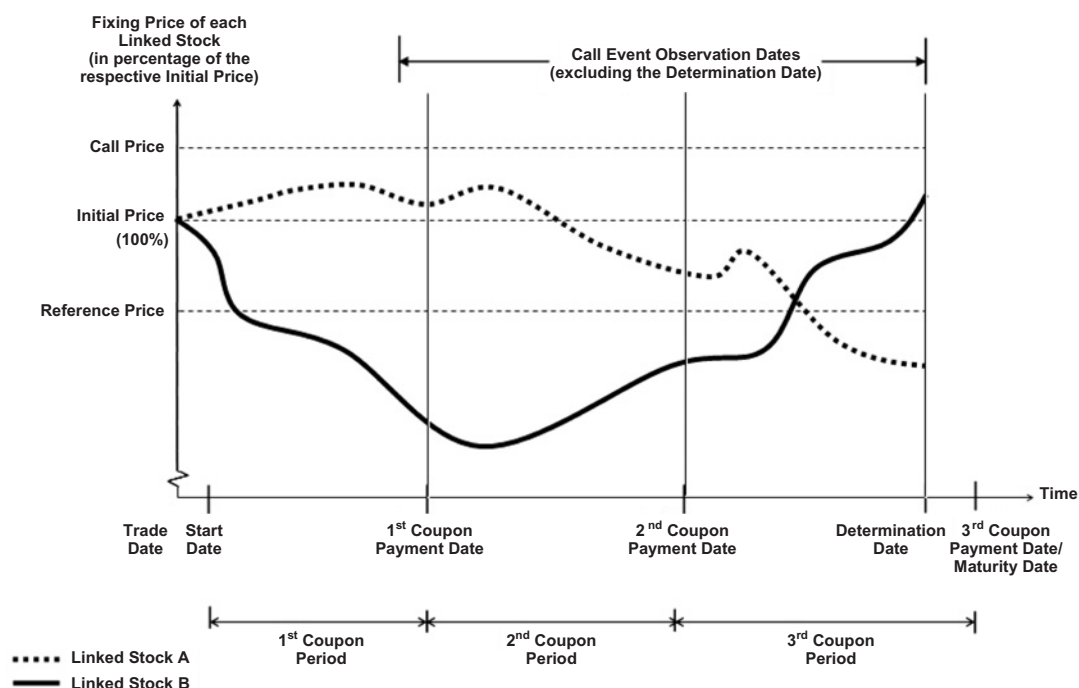
- **Cash Settlement Expenses** are all charges or expenses, including any taxes and duties that are incurred for payment of any cash amount under the Basket Equity Linked Deposit (except for the Residual Cash). Currently, no cash settlement expenses are payable.
- **Physical Settlement Expenses** are out-of-pocket expenses relating to the transfer and receipt of the number of the Worst Performing Stock on the Maturity Date. These expenses include the buyer's stamp duty and any other charges for provision of securities as notified by us from time to time. Physical Settlement Expenses, if applicable, will be payable by you before the Worst Performing Stock is delivered to you on the Maturity Date.

There are no subscription fees, charges or commission for placing a purchase order for a Basket Equity Linked Deposit with us. All related charges incurred by us (including our hedging cost) will be factored into the determination of the Annualised Coupon Rate.

Please refer to page 81 of this Principal Brochure for further details. You should note that any Cash Settlement Expenses or Physical Settlement Expenses will reduce your potential gain or increase your potential loss under your investment in the Basket Equity Linked Deposit.

### Worst case scenario

The below example illustrates the worst case scenario of a Basket Equity Linked Deposit with Daily Callable Feature.



The above example illustrates that:

- no Call Event has occurred on any daily Call Event Observation Date; and
- the Fixing Price of the Worst Performing Stock on the Determination Date (being Linked Stock A) is below its Reference Price.

You will receive the following:

- the Potential Coupon Amounts for the 1st and 2nd Coupon Periods in cash on the 1st and 2nd Coupon Payment Dates respectively; and

- (ii) the Potential Coupon Amount for the 3rd Coupon Period in cash and the number of Worst Performing Stock calculated by reference to its Reference Price on the Maturity Date. The market value of the number of Worst Performing Stock delivered (calculated based on the Fixing Price of the Worst Performing Stock on the Determination Date) may be substantially less than your Deposit Amount, or may even become worthless.

Your maximum potential loss under this example could be the Deposit Amount less the aggregate Potential Coupon Amount payable during the Deposit Tenor if the market value of the number of Worst Performing Stock on the Maturity Date falls to zero.

If the Bank becomes insolvent or defaults on its obligations under the Basket Equity Linked Deposit, you could lose all of your Deposit Amount.

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

### **Adjustment to the terms and conditions or early termination of the Basket Equity Linked Deposit**

The Bank (as the Offeror) can adjust some of the terms and conditions (such as the Call Prices and the Reference Prices) of the Basket Equity Linked Deposit upon the occurrence of certain events (such as a Potential Adjustment Event) to account for the diluting or concentrative effect of the relevant event so as to preserve the economic equivalence of the Basket Equity Linked Deposit. The Bank can also adjust some of the key dates (such as the Determination Date) upon the occurrence of certain disruption events. Any adjustment will be made by the Bank in its sole and absolute discretion (acting in good faith and in a commercially reasonable manner).

In addition, the Bank (as the Offeror) can early terminate the Basket Equity Linked Deposit upon the occurrence of certain events (such as an Additional Disruption Event or Merger Event where the Bank is unable to make adjustments to preserve the economic equivalence of the Basket Equity Linked Deposit). Please refer to pages 74 to 76 of this Principal Brochure for further details.

### **Post-sale cooling-off period**

#### ***Basket Equity Linked Deposit with an Investment Period of one year or less***

In respect of a Basket Equity Linked Deposit with an Investment Period of one year or less, there is no post-sale cooling-off period for you to cancel or unwind your purchase order after you have placed your purchase order with us on the Order Date.

#### ***Basket Equity Linked Deposit with an Investment Period of more than one year***

In respect of a Basket Equity Linked Deposit with an Investment Period of more than one year, there is a post-sale cooling-off period and you have the right to cancel or unwind your order (in whole but not in part) within 5 Business Days after you have placed your purchase order with us on the Order Date (“**Post-sale Cooling-off Period**”). If you choose to do so, you must submit an irrevocable written notice to us between 9:00a.m. and 3:00p.m. (Hong Kong time) on any Business Day during the Post-sale Cooling-off Period. Please contact our marketing officers for further details.

If you submit a written notice to us to cancel your purchase order before the Trade Date, we will release the Deposit Amount frozen by us in your Designated Cash Account on the day we receive your written notice and no Deposit Amount will be deducted from the Designated Cash Account on the Start Date. No market value adjustment will be deducted from the Designated Cash Account.

If you submit a written notice to us to unwind your purchase order on or after the Trade Date, the Deposit Amount will be deducted from the Designated Cash Account on the Start Date and we will then refund to you a cash amount equal to the Deposit Amount less any market value adjustment on the later of: (i) the second Business Day after the day you submitted the written notice or (ii) the third Business Day after the Start Date. The cash amount you receive will be capped at, and may be substantially less than the Deposit Amount.

The Term Sheet will specify if the post-sale cooling-off period is applicable to a particular Basket Equity Linked Deposit. Please refer to pages 81 to 82 of this Principal Brochure for further details.

**Is there any market making arrangement before expiry?**

***Basket Equity Linked Deposit with an Investment Period of 6 months or less***

In respect of a Basket Equity Linked Deposit with an Investment Period of 6 months or less, we will not provide any market making arrangements and you cannot early terminate the Basket Equity Linked Deposit after your order is accepted and executed by us on the Trade Date.

***Basket Equity Linked Deposit with an Investment Period of more than 6 months***

In respect of a Basket Equity Linked Deposit with an Investment Period of more than 6 months, we (as the market agent) will provide limited market making arrangement on a bi-weekly basis from the week after the Start Date up to the third Exchange Business Day before the Determination Date (each a “**Dealing Day**”). We (as the market agent) will make available an indicative bid price of your Basket Equity Linked Deposit on each Dealing Day during normal business hours upon request. The indicative bid price is subject to any intra-day changes and is provided for your reference only as it may not be equal to the actual bid price at which we are willing to early terminate your Basket Equity Linked Deposit.

If you wish to early terminate your Basket Equity Linked Deposit under our market making arrangement on a Dealing Day, you can apply to us at any of our branches between 9:30a.m. and 3:30p.m. (Hong Kong time) on such Dealing Day and request for an actual bid price. The actual bid price at which we are willing to early terminate your Basket Equity Linked Deposit will be determined by us at our sole and absolute discretion (acting in good faith and in a commercially reasonable manner) and will only be valid for a limited period of time as notified to you. You should note that if you early terminate your Basket Equity Linked Deposit before maturity, the amount you receive may be substantially less than your Deposit Amount.

The Term Sheet will specify if any market making arrangement is applicable to a particular Basket Equity Linked Deposit and the details of such market making arrangement. Please refer to pages 82 to 83 of this Principal Brochure for further details.

**Additional Information**

**A. Offering Documents**

The following Offering Documents contain detailed information about the Bank and our Basket Equity Linked Deposits. You should read and understand all of these documents before deciding whether to invest:

- (i) this Principal Brochure for our Basket Equity Linked Deposits dated 19 December 2011 and the addendum thereto (if any) as specified in the relevant Term Sheet;
- (ii) the Financial Disclosure Document and the addendum thereto (if any) as specified in the relevant Term Sheet, which will include our most recently published audited annual report and unaudited interim report (if any); and
- (iii) the relevant Term Sheet.

The offer of our Basket Equity Linked Deposits is made only on the basis of the Offering Documents. We (as the intermediary) have the obligation to distribute to you ALL of the above Offering Documents in English or Chinese as you may prefer.

**B. Our ongoing disclosure obligations**

We (as the Offeror and the Product Arranger) will keep the SFC and the investors informed as soon as reasonably practicable if (a) we (as the Offeror) cease to meet any core requirements in Appendix A to the Code, (b) we (as the Product Arranger) cease to meet any eligibility requirements under 4.2 of the Code and, (c) to the extent permitted by any applicable law, there are any changes in our financial condition or other circumstances which could reasonably be expected to have a material adverse effect on our ability (as the Offeror) to fulfil our commitment in connection with this product. Please contact our marketing officers for further details.

**Important**

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

## KEY FACTS STATEMENT B —

### Basket Equity Linked Deposit with Periodic Callable Feature offered by the Bank

*This is an unlisted structured investment product embedded with derivatives. There are six variations of Basket Equity Linked Deposits. This statement provides you with the key information about one variation of our Basket Equity Linked Deposits that we may offer — Basket Equity Linked Deposit with Periodic Callable Feature. This statement is part of the Offering Documents. You should not invest in our Basket Equity Linked Deposits based on this statement alone.*

*Capitalised terms used in this statement not otherwise defined herein shall have the meanings given to them in the product terms and conditions in Appendix 1 to this Principal Brochure.*

#### What are the key risks?

*Investment involves risks. You should read and understand the remaining sections of this Principal Brochure (in particular, the section headed “Risk Factors”) and the other Offering Documents before deciding whether to invest.*

- **Not a time deposit.** Our Basket Equity Linked Deposits are unlisted structured investment products embedded with derivatives. They are NOT equivalent to and should not be treated as substitutes for conventional time deposits.
- **Not protected deposits.** Our Basket Equity Linked Deposits are NOT protected deposits under the Deposit Protection Scheme in Hong Kong.
- **Not capital protected.** Our Basket Equity Linked Deposits are NOT capital protected. You may receive the Worst Performing Stock instead of the Deposit Amount in cash at maturity depending on the performance of each of the Linked Stocks in the Stock Basket during the Investment Period. The market value of the Worst Performing Stock you receive may be substantially less than your Deposit Amount or **may even become worthless.**
- **Capped maximum potential gain.** The amount of maximum potential gain under our Basket Equity Linked Deposits is capped and limited to the aggregate Potential Coupon Amount payable during the scheduled Deposit Tenor.
- **Potential payout is determined by each of the Linked Stocks in the Stock Basket.** The potential payout of our Basket Equity Linked Deposits depends on the performance of each of the Linked Stocks in the Stock Basket during the Investment Period. If any one of the Linked Stocks in the Stock Basket performs poorly against your expectation, you will not benefit from the performance of any other Linked Stocks in the Stock Basket.
- **No collateral.** Our Basket Equity Linked Deposits are NOT secured on any of our assets or any collateral.
- **Liquidity risk.** Our Basket Equity Linked Deposits are not transferable without our prior written consent and are designed to be held to maturity. Under normal market conditions, we provide limited market making arrangements for our Basket Equity Linked Deposits with an Investment Period of more than 6 months. If you try to early terminate your Basket Equity Linked Deposit before maturity under our market making arrangement, you may receive an amount which is substantially less than your Deposit Amount.
- **Not covered by Investor Compensation Fund.** Our Basket Equity Linked Deposits are not listed on any stock exchange and are not covered by the Investor Compensation Fund in Hong Kong.
- **Not the same as investment in any of the Linked Stocks.** Investing in our Basket Equity Linked Deposits is not the same as investing in any of the Linked Stocks in the Stock Basket. You have no rights in any of the Linked Stocks in the Stock Basket (except where the Worst Performing Stock is determined on the Determination Date to be deliverable to

you on the Maturity Date, in such case you will be entitled to the rights in such Worst Performing Stock as from the Determination Date). Movements in the market prices of any of the Linked Stocks may not lead to any corresponding change in the market value of and/or potential payout under our Basket Equity Linked Deposits.

- **Insolvency risk.** The settlement of our Basket Equity Linked Deposits is subject to the credit and insolvency risks of The Bank of East Asia, Limited. If the Bank becomes insolvent or defaults on its obligations under our Basket Equity Linked Deposits, you can only claim as an unsecured creditor of the Bank regardless of the performance of the Linked Stocks and the terms of our Basket Equity Linked Deposits. **In the worst case scenario, you could lose all of your Deposit Amount.**
- **Re-investment risk.** Our Basket Equity Linked Deposits will be early terminated if a Call Event has occurred on any Call Event Observation Date. No further Potential Coupon Amount will be accrued following such termination. You may not be able to enjoy the same rate of return if you re-invest in other investments with similar risk parameters.
- **Exposure to risks from the Trade Date.** Your Basket Equity Linked Deposit order is accepted and executed on Trade Date and all the terms of the Basket Equity Linked Deposit are finalised. You will be exposed to the risks associated with our Basket Equity Linked Deposits starting from the Trade Date.
- **Exposure to market price movement of the Worst Performing Stock after the Determination Date.** Your settlement at maturity will be determined on the Determination Date but settlement will only occur on the Maturity Date. If you are to receive the Worst Performing Stock, you will be exposed to any market price movement of such Worst Performing Stock between the Determination Date and the Maturity Date (being the second Clearing System Business Day after the Determination Date). If you decide to hold the number of the Worst Performing Stock delivered to you on the Maturity Date, you will be further exposed to the market risk of holding such Worst Performing Stock from the Maturity Date until you sell the Worst Performing Stock.
- **Conflicts of interest.** Potential and actual conflicts of interest may arise from the different roles played by us and our subsidiaries and affiliates in connection with our Basket Equity Linked Deposits. Our economic interests in each role may be adverse to your interests in our Basket Equity Linked Deposits.

#### **What are the key features of a Basket Equity Linked Deposit with Periodic Callable Feature?**

- **Product Type:** Our Basket Equity Linked Deposits are unlisted structured investment products which have an embedded conditional put option over the Linked Stocks in the Stock Basket. If you invest in a Basket Equity Linked Deposit, you will be selling to the Bank a conditional put option over the Linked Stocks in the Stock Basket. If certain conditions are met, you will be obliged to buy a number of the Worst Performing Stock in the Stock Basket at its Reference Price from the Bank on the Determination Date, which will be delivered to you on the Maturity Date.
- **Investment Period and Deposit Tenor:** The Investment Period commences from and including the Trade Date to and including the Determination Date, while the Deposit Tenor commences from and including the Start Date to but excluding the Maturity Date. The Deposit Tenor generally ranges from 1 month to 3 years. You may request for a tailor-made Deposit Tenor to suit your investment strategy.
- **Linked Stocks:** The Stock Basket may comprise a minimum of two and a maximum of seven shares of companies or units of funds (being an exchange traded fund or a real estate investment trust) listed on The Stock Exchange of Hong Kong Limited and quoted in HKD. Not all Hong Kong listed stocks can be selected as a Linked Stock. You should check with our marketing officers for the details of the available stocks.
- **Deposit Currency:** The Deposit Currency can be HKD, United States dollar, Japanese Yen, Australian dollar, New Zealand dollar, Canadian dollar, GBP or Euro upon your request and accepted by us.

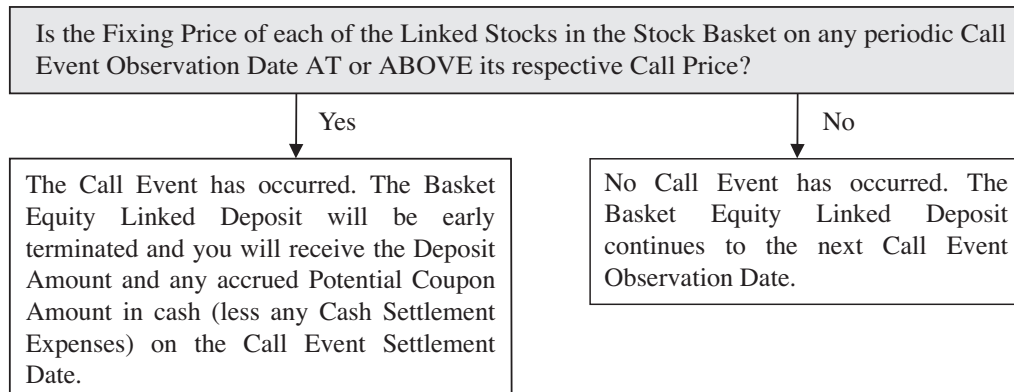
- **Minimum Deposit Amount:** HKD100,000 (or its equivalent in the Deposit Currency).
- **Potential Coupon Amount:** Subject to the occurrence of the Call Event or any early termination of the Basket Equity Linked Deposit otherwise, a Potential Coupon Amount (less any Cash Settlement Expenses) will be payable on each Coupon Payment Date (being each Coupon Period End Date if no Call Event has occurred), which is calculated as follows:

$$\text{Deposit Amount} \times \text{Annualised Coupon Rate} \times \frac{\text{Number of calendar days in the relevant Coupon Period}^*}{\text{Day Count Basis}^{**}}$$

\* Each Coupon Period means a period from and including a Coupon Period Start Date to but excluding the corresponding Coupon Period End Date, provided that if a Call Event has occurred during a Coupon Period, such period will start from and including the relevant Coupon Period Start Date to but excluding the Call Event Settlement Date.

\*\* Day Count Basis will be 365 if the Deposit Currency is HKD or GBP. If the Deposit Currency is not HKD or GBP, the Day Count Basis will be 360.

- **Periodic Callable Feature:** A Call Event occurs if the Fixing Price of each of the Linked Stocks in the Stock Basket on any periodic Call Event Observation Date is AT or ABOVE its respective Call Price. The Call Price of each Linked Stock in the Stock Basket is set at a specified percentage of its Initial Price and will be set out in the relevant Term Sheet. The same percentage will be used to calculate the Call Price of each of the Linked Stocks in the Stock Basket on all Call Event Observation Dates. The periodic Call Event Observation Dates are certain periodic dates (excluding the Determination Date) as specified in the relevant Term Sheet. If a Call Event has occurred, the Basket Equity Linked Deposit will be early terminated and we will pay you the Deposit Amount and any accrued Potential Coupon Amount calculated up to but excluding the Call Event Settlement Date in cash (less any Cash Settlement Expenses) on the Call Event Settlement Date (being the second Business Day after the relevant Call Event Observation Date).



- **Settlement At Maturity:** If no Call Event has occurred on any periodic Call Event Observation Dates and the Basket Equity Linked Deposit is not otherwise early terminated, your settlement at maturity will depend on the Fixing Price of the Worst Performing Stock on the Determination Date compared to its Reference Price. The Worst Performing Stock is the Linked Stock in the Stock Basket with the lowest Stock Performance on the Determination Date. The Stock Performance of a Linked Stock on the Determination Date will be calculated as follows (rounded up to 2 decimal places):

$$\left( \frac{\text{Fixing Price of the Linked Stock on the Determination Date}}{\text{Initial Price of the Linked Stock}} - 1 \right) \times 100\%$$

If more than one Linked Stock have the same lowest Stock Performance on the Determination Date, the Bank will, in its sole and absolute discretion acting in good faith and in a commercially reasonable manner, decide which Linked Stock with the lowest Stock Performance shall be the Worst Performing Stock.

Is the Fixing Price of the Worst Performing Stock on the Determination Date AT or ABOVE its Reference Price?

No

You will receive on the Maturity Date:

- (i) the Potential Coupon Amount for the final Coupon Period in cash (less any Cash Settlement Expenses); and
- (ii) a number of the Worst Performing Stock (subject to the payment of any Physical Settlement Expenses) which is calculated as follows:

$$\frac{\text{Deposit Amount (converted into HKD at the Exchange Rate if the Deposit Currency is not HKD)}}{\text{Reference Price of the Worst Performing Stock}}$$

Reference Price of the Worst Performing Stock

In this scenario, you will suffer a loss if the sum of the market value of the Worst Performing Stock delivered (calculated based on the Fixing Price of the Worst Performing Stock on the Determination Date) and the aggregate Potential Coupon Amount payable during the scheduled Deposit Tenor is less than the sum of the Deposit Amount.

Yes

You will receive on the Maturity Date the Deposit Amount and the Potential Coupon Amount for the final Coupon Period in cash (less any Cash Settlement Expenses).

In this scenario, you will make a profit which is capped at the aggregate Potential Coupon Amount payable during the scheduled Deposit Tenor.

### How can you apply for a Basket Equity Linked Deposit?

If you want to apply for our Basket Equity Linked Deposits, you can contact us (as the intermediary) through our marketing officers at any of our branches in Hong Kong to enquire about our Basket Equity Linked Deposits and the application procedure. Please refer to page 80 of this Principal Brochure for further details.

You may apply for a Basket Equity Linked Deposit by placing an order with us on (i) if an application period is not specified in the Term Sheet, any Business Day which will become the Trade Date or (ii) if an application period is specified in the Term Sheet, any Business Day during the application period. Once you place a Basket Equity Linked Deposit order with us, you will be committed to invest in the Basket Equity Linked Deposit and a cash amount equal to the Deposit Amount will be frozen in your designated cash account from the Order Date. If your Basket Equity Linked Deposit order is accepted and executed by us on the Trade Date, the Deposit Amount will be deducted from your designated cash account on the Start Date.

You should note that the Initial Price in respect of a Linked Stock in the Stock Basket can be set as either (i) the Fixing Price of such Linked Stock on the Trade Date; or (ii) the price of such Linked Stock as of the end of the morning trading session of the Exchange on the Trade Date (as published by the Exchange); or (iii) the specific price of such Linked Stock as agreed between you and us at the time you place your order on the Trade Date and your order will be executed at such agreed price. For the avoidance of doubt, the Initial Prices of all the Linked Stocks in the Stock Basket will be set by using the same method. If the Initial Price in respect of a Linked Stock is set in the cases of (i) and (ii) above, some of the commercial terms (such as the Reference Price and Call Price) will be specified as a specified percentage of the relevant Initial Price in the Term Sheet and you will not know all the exact commercial terms when you place the order. You will have to bear the risk of changing market conditions between the time

you place your order and the time all the commercial terms (including the Initial Prices) are recorded and determined on the Trade Date. If the Initial Price in respect of a Linked Stock is set in the case of (iii) above, you will know all the exact commercial terms when you place the order. In any event, if your order is accepted and executed by us on the Trade Date, a Confirmation setting out all the finalised terms of your Basket Equity Linked Deposit will be sent to you within 2 Business Days after the Trade Date.

### What are the fees and charges?

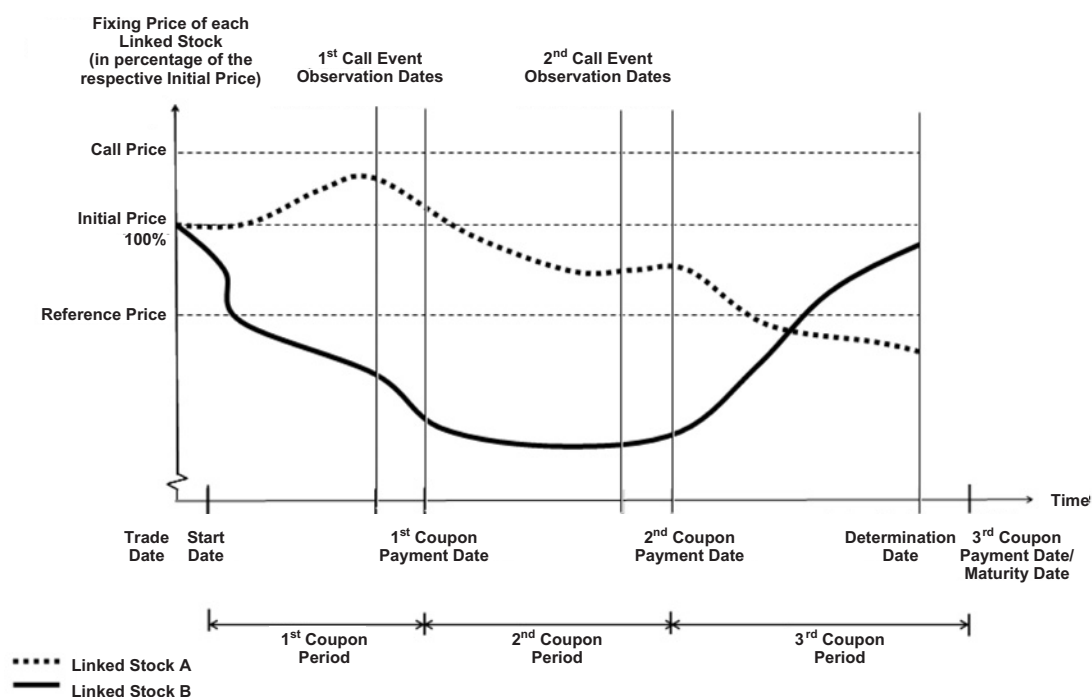
- **Cash Settlement Expenses** are all charges or expenses, including any taxes and duties that are incurred for payment of any cash amount under the Basket Equity Linked Deposit (except for the Residual Cash). Currently, no cash settlement expenses are payable.
- **Physical Settlement Expenses** are out-of-pocket expenses relating to the transfer and receipt of the number of the Worst Performing Stock on the Maturity Date. These expenses include the buyer's stamp duty and any other charges for provision of securities as notified by us from time to time. Physical Settlement Expenses, if applicable, will be payable by you before the Worst Performing Stock is delivered to you on the Maturity Date.

There are no subscription fees, charges or commission for placing a purchase order for a Basket Equity Linked Deposit with us. All related charges incurred by us (including our hedging cost) will be factored into the determination of the Annualised Coupon Rate.

Please refer to page 81 of this Principal Brochure for further details. You should note that any Cash Settlement Expenses or Physical Settlement Expenses will reduce your potential gain or increase your potential loss under your investment in the Basket Equity Linked Deposit.

### Worst case scenario

The below example illustrates the worst case scenario of a Basket Equity Linked Deposit with Periodic Callable Feature.



The above example illustrates that:

- no Call Event has occurred on any periodic Call Event Observation Date; and
- the Fixing Price of the Worst Performing Stock on the Determination Date (being Linked Stock A) is below its Reference Price.

You will receive the following:

- the Potential Coupon Amounts for the 1st and 2nd Coupon Periods in cash on the 1st and 2nd Coupon Payment Dates respectively; and

- (ii) the Potential Coupon Amount for the 3rd Coupon Period in cash and the number of Worst Performing Stock calculated by reference to its Reference Price on the Maturity Date. The market value of the number of Worst Performing Stock delivered (calculated based on the Fixing Price of the Worst Performing Stock on the Determination Date) may be substantially less than your Deposit Amount, or may even become worthless.

Your maximum potential loss under this example could be the Deposit Amount less the aggregate Potential Coupon Amount payable during the Deposit Tenor if the market value of the number of Worst Performing Stock on the Maturity Date falls to zero.

If the Bank becomes insolvent or defaults on its obligations under the Basket Equity Linked Deposit, you could lose all of your Deposit Amount.

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

### **Adjustment to the terms and conditions or early termination of the Basket Equity Linked Deposit**

The Bank (as the Offeror) can adjust some of the terms and conditions (such as the Call Prices and the Reference Prices) of the Basket Equity Linked Deposit upon the occurrence of certain events (such as a Potential Adjustment Event) to account for the diluting or concentrative effect of the relevant event so as to preserve the economic equivalence of the Basket Equity Linked Deposit. The Bank can also adjust some of the key dates (such as the Determination Date) upon the occurrence of certain disruption events. Any adjustment will be made by the Bank in its sole and absolute discretion (acting in good faith and in a commercially reasonable manner).

In addition, the Bank (as the Offeror) can early terminate the Basket Equity Linked Deposit upon the occurrence of certain events (such as an Additional Disruption Event or Merger Event where the Bank is unable to make adjustments to preserve the economic equivalence of the Basket Equity Linked Deposit). Please refer to pages 74 to 76 of this Principal Brochure for further details.

### **Post-sale cooling-off period**

#### ***Basket Equity Linked Deposit with an Investment Period of one year or less***

In respect of a Basket Equity Linked Deposit with an Investment Period of one year or less, there is no post-sale cooling-off period for you to cancel or unwind your purchase order after you have placed your purchase order with us on the Order Date.

#### ***Basket Equity Linked Deposit with an Investment Period of more than one year***

In respect of a Basket Equity Linked Deposit with an Investment Period of more than one year, there is a post-sale cooling-off period and you have the right to cancel or unwind your order (in whole but not in part) within 5 Business Days after you have placed your purchase order with us on the Order Date (“**Post-sale Cooling-off Period**”). If you choose to do so, you must submit an irrevocable written notice to us between 9:00a.m. and 3:00p.m. (Hong Kong time) on any Business Day during the Post-sale Cooling-off Period. Please contact our marketing officers for further details.

If you submit a written notice to us to cancel your purchase order before the Trade Date, we will release the Deposit Amount frozen by us in your Designated Cash Account on the day we receive your written notice and no Deposit Amount will be deducted from the Designated Cash Account on the Start Date. No market value adjustment will be deducted from the Designated Cash Account.

If you submit a written notice to us to unwind your purchase order on or after the Trade Date, the Deposit Amount will be deducted from the Designated Cash Account on the Start Date and we will then refund to you a cash amount equal to the Deposit Amount less any market value adjustment on the later of: (i) the second Business Day after the day you submitted the written notice or (ii) the third Business Day after the Start Date. The cash amount you receive will be capped at, and may be substantially less than the Deposit Amount.

The Term Sheet will specify if the post-sale cooling-off period is applicable to a particular Basket Equity Linked Deposit. Please refer to pages 81 to 82 of this Principal Brochure for further details.

**Is there any market making arrangement before expiry?**

***Basket Equity Linked Deposit with an Investment Period of 6 months or less***

In respect of a Basket Equity Linked Deposit with an Investment Period of 6 months or less, we will not provide any market making arrangements and you cannot early terminate the Basket Equity Linked Deposit after your order is accepted and executed by us on the Trade Date.

***Basket Equity Linked Deposit with an Investment Period of more than 6 months***

In respect of a Basket Equity Linked Deposit with an Investment Period of more than 6 months, we (as the market agent) will provide limited market making arrangement on a bi-weekly basis from the week after the Start Date up to the third Exchange Business Day before the Determination Date (each a “**Dealing Day**”). We (as the market agent) will make available an indicative bid price of your Basket Equity Linked Deposit on each Dealing Day during normal business hours upon request. The indicative bid price is subject to any intra-day changes and is provided for your reference only as it may not be equal to the actual bid price at which we are willing to early terminate your Basket Equity Linked Deposit.

If you wish to early terminate your Basket Equity Linked Deposit under our market making arrangement on a Dealing Day, you can apply to us at any of our branches between 9:30a.m. and 3:30p.m. (Hong Kong time) on such Dealing Day and request for an actual bid price. The actual bid price at which we are willing to early terminate your Basket Equity Linked Deposit will be determined by us at our sole and absolute discretion (acting in good faith and in a commercially reasonable manner) and will only be valid for a limited period of time as notified to you. You should note that if you early terminate your Basket Equity Linked Deposit before maturity, the amount you receive may be substantially less than your Deposit Amount.

The Term Sheet will specify if any market making arrangement is applicable to a particular Basket Equity Linked Deposit and the details of such market making arrangement. Please refer to pages 82 to 83 of this Principal Brochure for further details.

**Additional Information**

**A. Offering Documents**

The following Offering Documents contain detailed information about the Bank and our Basket Equity Linked Deposits. You should read and understand all of these documents before deciding whether to invest:

- (i) this Principal Brochure for our Basket Equity Linked Deposits dated 19 December 2011 and the addendum thereto (if any) as specified in the relevant Term Sheet;
- (ii) the Financial Disclosure Document and the addendum thereto (if any) as specified in the relevant Term Sheet, which will include our most recently published audited annual report and unaudited interim report (if any); and
- (iii) the relevant Term Sheet.

The offer of our Basket Equity Linked Deposits is made only on the basis of the Offering Documents. We (as the intermediary) have the obligation to distribute to you ALL of the above Offering Documents in English or Chinese as you may prefer.

**B. Our ongoing disclosure obligations**

We (as the Offeror and the Product Arranger) will keep the SFC and the investors informed as soon as reasonably practicable if (a) we (as the Offeror) cease to meet any core requirements in Appendix A to the Code, (b) we (as the Product Arranger) cease to meet any eligibility requirements under 4.2 of the Code and, (c) to the extent permitted by any applicable law, there are any changes in our financial condition or other circumstances which could reasonably be expected to have a material adverse effect on our ability (as the Offeror) to fulfil our commitment in connection with this product. Please contact our marketing officers for further details.

**Important**

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

## KEY FACTS STATEMENT C —

### Basket Equity Linked Deposit with Daily Callable and Daily Kick-in Features offered by the Bank

*This is an unlisted structured investment product embedded with derivatives. There are six variations of Basket Equity Linked Deposits. This statement provides you with the key information about one variation of our Basket Equity Linked Deposits that we may offer — Basket Equity Linked Deposit with Daily Callable and Daily Kick-in Features. This statement is part of the Offering Documents. You should not invest in our Basket Equity Linked Deposits based on this statement alone.*

*Capitalised terms used in this statement not otherwise defined herein shall have the meanings given to them in the product terms and conditions in Appendix 1 to this Principal Brochure.*

#### What are the key risks?

*Investment involves risks. You should read and understand the remaining sections of this Principal Brochure (in particular, the section headed “Risk Factors”) and the other Offering Documents before deciding whether to invest.*

- **Not a time deposit.** Our Basket Equity Linked Deposits are unlisted structured investment products embedded with derivatives. They are NOT equivalent to and should not be treated as substitutes for conventional time deposits.
- **Not protected deposits.** Our Basket Equity Linked Deposits are NOT protected deposits under the Deposit Protection Scheme in Hong Kong.
- **Not capital protected.** Our Basket Equity Linked Deposits are NOT capital protected. You may receive the Worst Performing Stock instead of the Deposit Amount in cash at maturity depending on the performance of each of the Linked Stocks in the Stock Basket during the Investment Period. The market value of the Worst Performing Stock you receive may be substantially less than your Deposit Amount or **may even become worthless.**
- **Capped maximum potential gain.** The amount of maximum potential gain under our Basket Equity Linked Deposits is capped and limited to the aggregate Potential Coupon Amount payable during the scheduled Deposit Tenor.
- **Potential payout is determined by each of the Linked Stocks in the Stock Basket.** The potential payout of our Basket Equity Linked Deposits depends on the performance of each of the Linked Stocks in the Stock Basket during the Investment Period. If any one of the Linked Stocks in the Stock Basket performs poorly against your expectation, you will not benefit from the performance of any other Linked Stocks in the Stock Basket.
- **No collateral.** Our Basket Equity Linked Deposits are NOT secured on any of our assets or any collateral.
- **Liquidity risk.** Our Basket Equity Linked Deposits are not transferable without our prior written consent and are designed to be held to maturity. Under normal market conditions, we provide limited market making arrangements for our Basket Equity Linked Deposits with an Investment Period of more than 6 months. If you try to early terminate your Basket Equity Linked Deposit before maturity under our market making arrangement, you may receive an amount which is substantially less than your Deposit Amount.
- **Not covered by Investor Compensation Fund.** Our Basket Equity Linked Deposits are not listed on any stock exchange and are not covered by the Investor Compensation Fund in Hong Kong.
- **Not the same as investment in any of the Linked Stocks.** Investing in our Basket Equity Linked Deposits is not the same as investing in any of the Linked Stocks in the Stock Basket. You have no rights in any of the Linked Stocks in the Stock Basket (except where the Worst Performing Stock is determined on the Determination Date to be deliverable to

you on the Maturity Date, in such case you will be entitled to the rights in such Worst Performing Stock as from the Determination Date). Movements in the market prices of any of the Linked Stocks may not lead to any corresponding change in the market value of and/or potential payout under our Basket Equity Linked Deposits.

- **Insolvency risk.** The settlement of our Basket Equity Linked Deposits is subject to the credit and insolvency risks of The Bank of East Asia, Limited. If the Bank becomes insolvent or defaults on its obligations under our Basket Equity Linked Deposits, you can only claim as an unsecured creditor of the Bank regardless of the performance of the Linked Stocks and the terms of our Basket Equity Linked Deposits. **In the worst case scenario, you could lose all of your Deposit Amount.**
- **Re-investment risk.** Our Basket Equity Linked Deposits will be early terminated if a Call Event has occurred on any Call Event Observation Date. No further Potential Coupon Amount will be accrued following such termination. You may not be able to enjoy the same rate of return if you re-invest in other investments with similar risk parameters.
- **Exposure to risks from the Trade Date.** Your Basket Equity Linked Deposit order is accepted and executed on Trade Date and all the terms of the Basket Equity Linked Deposit are finalised. You will be exposed to the risks associated with our Basket Equity Linked Deposits starting from the Trade Date.
- **Exposure to market price movement of the Worst Performing Stock after the Determination Date.** Your settlement at maturity will be determined on the Determination Date but settlement will only occur on the Maturity Date. If you are to receive the Worst Performing Stock, you will be exposed to any market price movement of such Worst Performing Stock between the Determination Date and the Maturity Date (being the second Clearing System Business Day after the Determination Date). If you decide to hold the number of the Worst Performing Stock delivered to you on the Maturity Date, you will be further exposed to the market risk of holding such Worst Performing Stock from the Maturity Date until you sell the Worst Performing Stock.
- **Conflicts of interest.** Potential and actual conflicts of interest may arise from the different roles played by us and our subsidiaries and affiliates in connection with our Basket Equity Linked Deposits. Our economic interests in each role may be adverse to your interests in our Basket Equity Linked Deposits.

#### **What are the key features of a Basket Equity Linked Deposit with Daily Callable and Daily Kick-in Features?**

- **Product Type:** Our Basket Equity Linked Deposits are unlisted structured investment products which have an embedded conditional put option over the Linked Stocks in the Stock Basket. If you invest in a Basket Equity Linked Deposit, you will be selling to the Bank a conditional put option over the Linked Stocks in the Stock Basket. If certain conditions are met, you will be obliged to buy a number of the Worst Performing Stock in the Stock Basket at its Reference Price from the Bank on the Determination Date, which will be delivered to you on the Maturity Date.
- **Investment Period and Deposit Tenor:** The Investment Period commences from and including the Trade Date to and including the Determination Date, while the Deposit Tenor commences from and including the Start Date to but excluding the Maturity Date. The Deposit Tenor generally ranges from 1 month to 3 years. You may request for a tailor-made Deposit Tenor to suit your investment strategy.
- **Linked Stocks:** The Stock Basket may comprise a minimum of two and a maximum of seven shares of companies or units of funds (being an exchange traded fund or a real estate investment trust) listed on The Stock Exchange of Hong Kong Limited and quoted in HKD. Not all Hong Kong listed stocks can be selected as a Linked Stock. You should check with our marketing officers for the details of the available stocks.
- **Deposit Currency:** The Deposit Currency can be HKD, United States dollar, Japanese Yen, Australian dollar, New Zealand dollar, Canadian dollar, GBP or Euro upon your request and accepted by us.

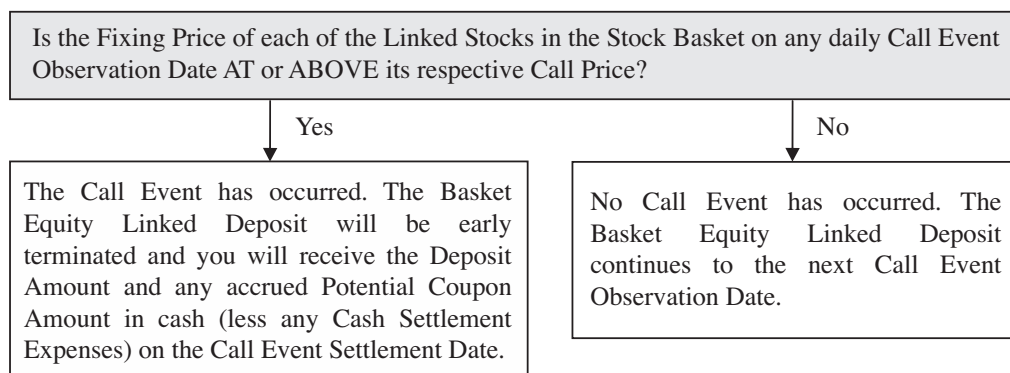
- **Minimum Deposit Amount:** HKD100,000 (or its equivalent in the Deposit Currency).
- **Potential Coupon Amount:** Subject to the occurrence of the Call Event or any early termination of the Basket Equity Linked Deposit otherwise, a Potential Coupon Amount (less any Cash Settlement Expenses) will be payable on each Coupon Payment Date (being each Coupon Period End Date if no Call Event has occurred), which is calculated as follows:

$$\text{Deposit Amount} \times \text{Annualised Coupon Rate} \times \frac{\text{Number of calendar days in the relevant Coupon Period}^*}{\text{Day Count Basis}^{**}}$$

\* Each Coupon Period means a period from and including a Coupon Period Start Date to but excluding the corresponding Coupon Period End Date, provided that if a Call Event has occurred during a Coupon Period, such period will start from and including the relevant Coupon Period Start Date to but excluding the Call Event Settlement Date.

\*\* Day Count Basis will be 365 if the Deposit Currency is HKD or GBP. If the Deposit Currency is not HKD or GBP, the Day Count Basis will be 360.

- **Daily Callable Feature:** A Call Event occurs if the Fixing Price of each of the Linked Stocks in the Stock Basket on any daily Call Event Observation Date is AT or ABOVE its respective Call Price. The Call Price of each Linked Stock in the Stock Basket is set at a specified percentage of its Initial Price and will be set out in the relevant Term Sheet. The same percentage will be used to calculate the Call Price of each of the Linked Stocks in the Stock Basket on all Call Event Observation Dates. The daily Call Event Observation Dates are set as each Exchange Business Day during the relevant period (excluding the Determination Date) as set out in the relevant Term Sheet. If a Call Event has occurred, the Basket Equity Linked Deposit will be early terminated and we will pay you the Deposit Amount and any accrued Potential Coupon Amount calculated up to but excluding the Call Event Settlement Date in cash (less any Cash Settlement Expenses) on the Call Event Settlement Date (being the second Business Day after the relevant Call Event Observation Date).

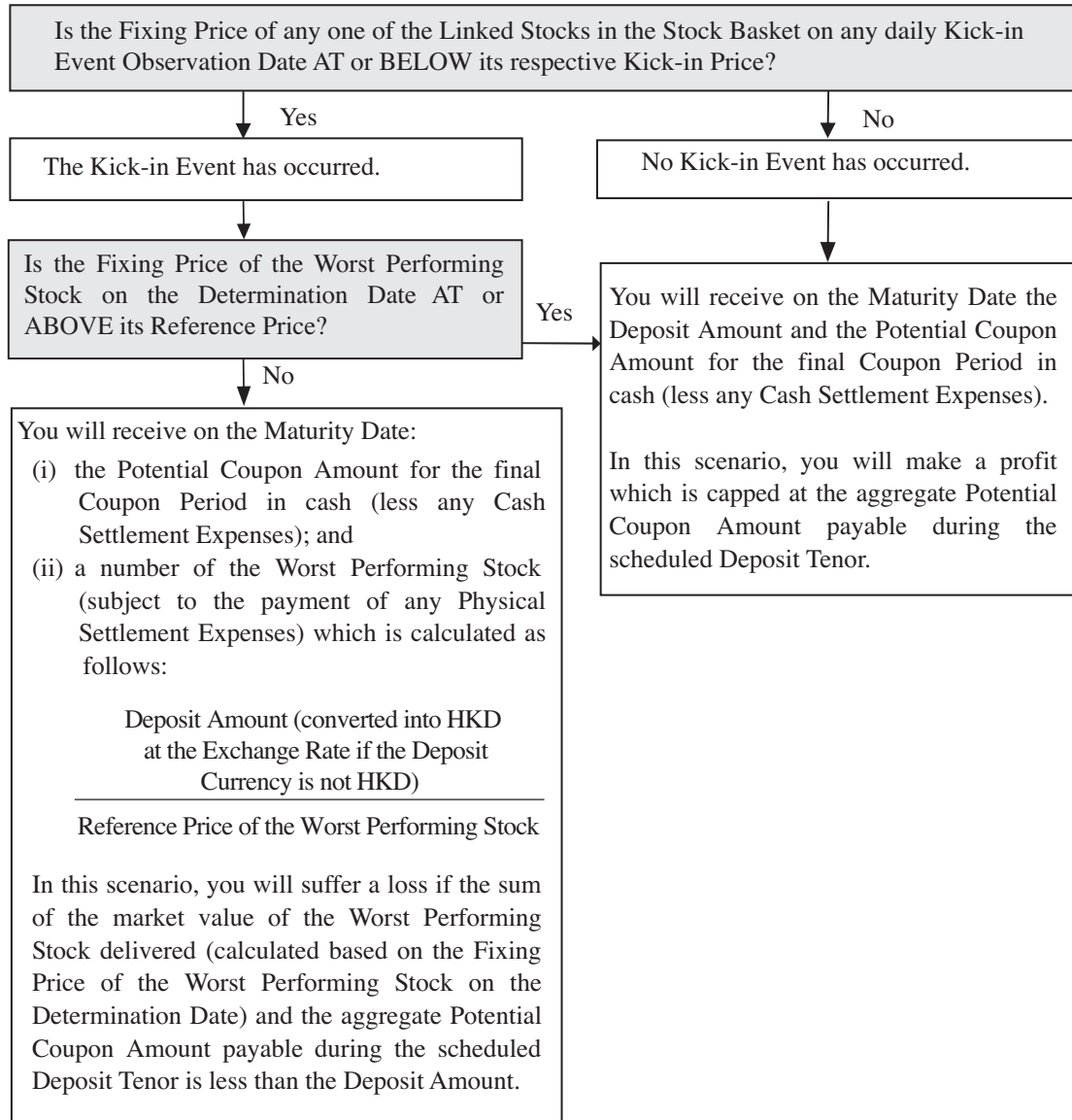


- **Daily Kick-in Feature and Settlement At Maturity:** If no Call Event has occurred on any daily Call Event Observation Dates and the Basket Equity Linked Deposit is not otherwise early terminated, your settlement at maturity will depend on:
  - (i) whether a daily Kick-in Event has occurred. A Kick-in Event occurs if the Fixing Price of any one of the Linked Stocks in the Stock Basket on any daily Kick-in Event Observation Date is AT or BELOW its respective Kick-in Price. The Kick-in Price of each Linked Stock in the Stock Basket is set at a specified percentage of its Initial Price and will be set out in the relevant Term Sheet. The same percentage will be used to calculate the Kick-in Price of each of the Linked Stocks in the Stock Basket on all Kick-in Event Observation Dates. The Kick-in Price of each Linked Stock will always be set at a level which is lower than its Reference Price. The daily Kick-in Event Observation Dates are set as each Exchange Business Day during the relevant period as set out in the relevant Term Sheet; and

- (ii) if a daily Kick-in Event has occurred, the Fixing Price of the Worst Performing Stock on the Determination Date compared to its Reference Price. The Worst Performing Stock is the Linked Stock in the Stock Basket with the lowest Stock Performance on the Determination Date. The Stock Performance of a Linked Stock on the Determination Date will be calculated as follows (rounded up to 2 decimal places):

$$\left( \frac{\text{Fixing Price of the Linked Stock on the Determination Date}}{\text{Initial Price of the Linked Stock}} - 1 \right) \times 100\%$$

If more than one Linked Stock have the same lowest Stock Performance on the Determination Date, the Bank will, in its sole and absolute discretion acting in good faith and in a commercially reasonable manner, decide which Linked Stock with the lowest Stock Performance shall be the Worst Performing Stock.



### How can you apply for a Basket Equity Linked Deposit?

If you want to apply for our Basket Equity Linked Deposits, you can contact us (as the intermediary) through our marketing officers at any of our branches in Hong Kong to enquire about our Basket Equity Linked Deposits and the application procedure. Please refer to page 80 of this Principal Brochure for further details.

You may apply for a Basket Equity Linked Deposit by placing an order with us on (i) if an application period is not specified in the Term Sheet, any Business Day which will become the

Trade Date or (ii) if an application period is specified in the Term Sheet, any Business Day during the application period. Once you place a Basket Equity Linked Deposit order with us, you will be committed to invest in the Basket Equity Linked Deposit and a cash amount equal to the Deposit Amount will be frozen in your designated cash account from the Order Date. If your Basket Equity Linked Deposit order is accepted and executed by us on the Trade Date, the Deposit Amount will be deducted from your designated cash account on the Start Date.

You should note that the Initial Price in respect of a Linked Stock in the Stock Basket can be set as either (i) the Fixing Price of such Linked Stock on the Trade Date; or (ii) the price of such Linked Stock as of the end of the morning trading session of the Exchange on the Trade Date (as published by the Exchange); or (iii) the specific price of such Linked Stock as agreed between you and us at the time you place your order on the Trade Date and your order will be executed at such agreed price. For the avoidance of doubt, the Initial Prices of all the Linked Stocks in the Stock Basket will be set by using the same method. If the Initial Price in respect of a Linked Stock is set in the cases of (i) and (ii) above, some of the commercial terms (such as the Reference Price, Call Price and Kick-in Price) will be specified as a specified percentage of the relevant Initial Price in the Term Sheet and you will not know all the exact commercial terms when you place the order. You will have to bear the risk of changing market conditions between the time you place your order and the time all the commercial terms (including the Initial Prices) are recorded and determined on the Trade Date. If the Initial Price in respect of a Linked Stock is set in the case of (iii) above, you will know all the exact commercial terms when you place the order. In any event, if your order is accepted and executed by us on the Trade Date, a Confirmation setting out all the finalised terms of your Basket Equity Linked Deposit will be sent to you within 2 Business Days after the Trade Date.

#### **What are the fees and charges?**

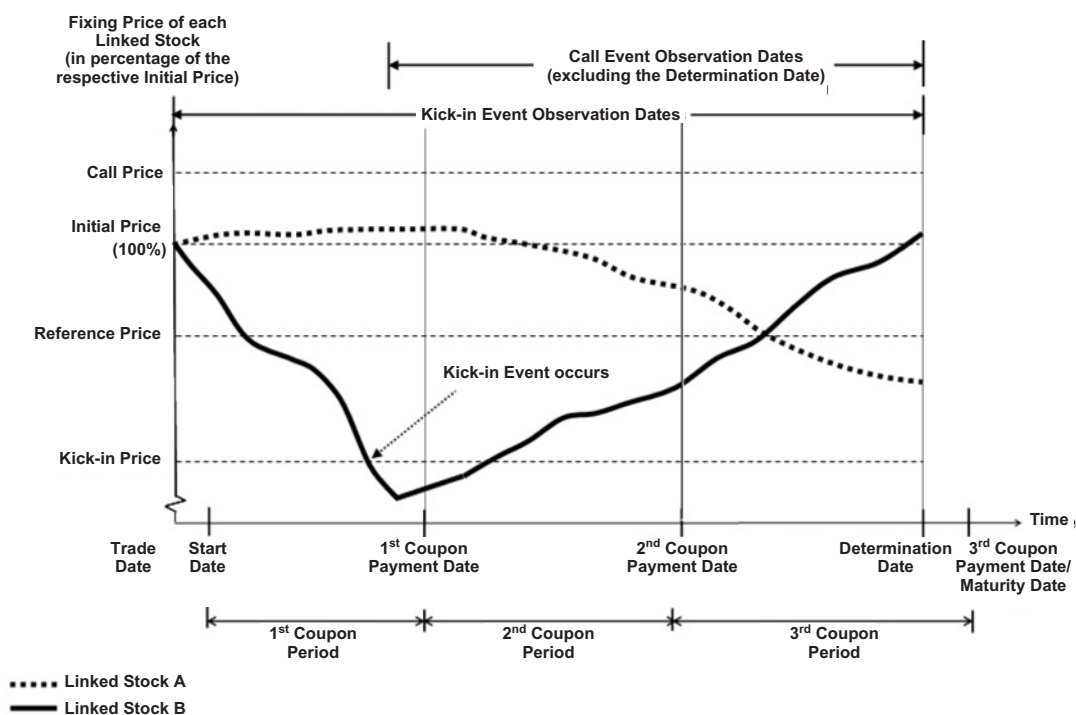
- **Cash Settlement Expenses** are all charges or expenses, including any taxes and duties that are incurred for payment of any cash amount under the Basket Equity Linked Deposit (except for the Residual Cash). Currently, no cash settlement expenses are payable.
- **Physical Settlement Expenses** are out-of-pocket expenses relating to the transfer and receipt of the number of the Worst Performing Stock on the Maturity Date. These expenses include the buyer's stamp duty and any other charges for provision of securities as notified by us from time to time. Physical Settlement Expenses, if applicable, will be payable by you before the Worst Performing Stock is delivered to you on the Maturity Date.

There are no subscription fees, charges or commission for placing a purchase order for a Basket Equity Linked Deposit with us. All related charges incurred by us (including our hedging cost) will be factored into the determination of the Annualised Coupon Rate.

Please refer to page 81 of this Principal Brochure for further details. You should note that any Cash Settlement Expenses or Physical Settlement Expenses will reduce your potential gain or increase your potential loss under your investment in the Basket Equity Linked Deposit.

## Worst case scenario

The below example illustrates the worst case scenario of a Basket Equity Linked Deposit with Daily Callable and Daily Kick-in Features.



The above example illustrates that:

- (i) no Call Event has occurred on any daily Call Event Observation Date;
- (ii) a Kick-in Event has occurred (where the Fixing Price of the Linked Stock B is at its Kick-in Price) on one of the Kick-in Event Observation Dates (which are set as each Exchange Business Day from and including the Trade Date to and including the Determination Date in this example); and
- (iii) the Fixing Price of the Worst Performing Stock on the Determination Date (being Linked Stock A) is below its Reference Price.

You will receive the following:

- (i) the Potential Coupon Amounts for the 1st and 2nd Coupon Periods in cash on the 1st and 2nd Coupon Payment Dates respectively; and
- (ii) the Potential Coupon Amount for the 3rd Coupon Period in cash and the number of Worst Performing Stock (being Linked Stock A) calculated by reference to its Reference Price on the Maturity Date. The market value of the number of Worst Performing Stock delivered (calculated based on the Fixing Price of the Worst Performing Stock on the Determination Date) may be substantially less than your Deposit Amount or may even become worthless.

Your maximum potential loss under this example could be the Deposit Amount less the aggregate Potential Coupon Amount payable during the Deposit Tenor if the market value of the number of Worst Performing Stock on the Maturity Date falls to zero.

If the Bank becomes insolvent or defaults on its obligations under the Basket Equity Linked Deposit, you could lose all of your Deposit Amount.

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

## **Adjustment to the terms and conditions or early termination of the Basket Equity Linked Deposit**

The Bank (as the Offeror) can adjust some of the terms and conditions (such as the Call Prices and the Reference Prices) of the Basket Equity Linked Deposit upon the occurrence of certain events (such as a Potential Adjustment Event) to account for the diluting or concentrative effect of the relevant event so as to preserve the economic equivalence of the Basket Equity Linked Deposit. The Bank can also adjust some of the key dates (such as the Determination Date) upon the occurrence of certain disruption events. Any adjustment will be made by the Bank in its sole and absolute discretion (acting in good faith and in a commercially reasonable manner).

In addition, the Bank (as the Offeror) can early terminate the Basket Equity Linked Deposit upon the occurrence of certain events (such as an Additional Disruption Event or Merger Event where the Bank is unable to make adjustments to preserve the economic equivalence of the Basket Equity Linked Deposit). Please refer to pages 74 to 76 of this Principal Brochure for further details.

## **Post-sale cooling-off period**

### ***Basket Equity Linked Deposit with an Investment Period of one year or less***

In respect of a Basket Equity Linked Deposit with an Investment Period of one year or less, there is no post-sale cooling-off period for you to cancel or unwind your purchase order after you have placed your purchase order with us on the Order Date.

### ***Basket Equity Linked Deposit with an Investment Period of more than one year***

In respect of a Basket Equity Linked Deposit with an Investment Period of more than one year, there is a post-sale cooling-off period and you have the right to cancel or unwind your order (in whole but not in part) within 5 Business Days after you have placed your purchase order with us on the Order Date (“**Post-sale Cooling-off Period**”). If you choose to do so, you must submit an irrevocable written notice to us between 9:00a.m. and 3:00p.m. (Hong Kong time) on any Business Day during the Post-sale Cooling-off Period. Please contact our marketing officers for further details.

If you submit a written notice to us to cancel your purchase order before the Trade Date, we will release the Deposit Amount frozen by us in your Designated Cash Account on the day we receive your written notice and no Deposit Amount will be deducted from the Designated Cash Account on the Start Date. No market value adjustment will be deducted from the Designated Cash Account.

If you submit a written notice to us to unwind your purchase order on or after the Trade Date, the Deposit Amount will be deducted from the Designated Cash Account on the Start Date and we will then refund to you a cash amount equal to the Deposit Amount less any market value adjustment on the later of: (i) the second Business Day after the day you submitted the written notice or (ii) the third Business Day after the Start Date. The cash amount you receive will be capped at, and may be substantially less than the Deposit Amount.

The Term Sheet will specify if the post-sale cooling-off period is applicable to a particular Basket Equity Linked Deposit. Please refer to pages 81 to 82 of this Principal Brochure for further details.

## **Is there any market making arrangement before expiry?**

### ***Basket Equity Linked Deposit with an Investment Period of 6 months or less***

In respect of a Basket Equity Linked Deposit with an Investment Period of 6 months or less, we will not provide any market making arrangements and you cannot early terminate the Basket Equity Linked Deposit after your order is accepted and executed by us on the Trade Date.

### ***Basket Equity Linked Deposit with an Investment Period of more than 6 months***

In respect of a Basket Equity Linked Deposit with an Investment Period of more than 6 months, we (as the market agent) will provide limited market making arrangement on a bi-weekly basis from the week after the Start Date up to the third Exchange Business Day before the Determination Date (each a “**Dealing Day**”). We (as the market agent) will make available an indicative bid price of your Basket Equity Linked Deposit on each Dealing Day during normal business hours upon request. The indicative bid price is subject to any intra-day changes and is provided for your reference only as it may not be equal to the actual bid price at which we are willing to early terminate your Basket Equity Linked Deposit.

If you wish to early terminate your Basket Equity Linked Deposit under our market making arrangement on a Dealing Day, you can apply to us at any of our branches between 9:30a.m. and 3:30p.m. (Hong Kong time) on such Dealing Day and request for an actual bid price. The actual bid price at which we are willing to early terminate your Basket Equity Linked Deposit will be determined by us at our sole and absolute discretion (acting in good faith and in a commercially reasonable manner) and will only be valid for a limited period of time as notified to you. You should note that if you early terminate your Basket Equity Linked Deposit before maturity, the amount you receive may be substantially less than your Deposit Amount.

The Term Sheet will specify if any market making arrangement is applicable to a particular Basket Equity Linked Deposit and the details of such market making arrangement. Please refer to pages 82 to 83 of this Principal Brochure for further details.

### **Additional Information**

#### **A. Offering Documents**

The following Offering Documents contain detailed information about the Bank and our Basket Equity Linked Deposits. You should read and understand all of these documents before deciding whether to invest:

- (i) this Principal Brochure for our Basket Equity Linked Deposits dated 19 December 2011 and the addendum thereto (if any) as specified in the relevant Term Sheet;
- (ii) the Financial Disclosure Document and the addendum thereto (if any) as specified in the relevant Term Sheet, which will include our most recently published audited annual report and unaudited interim report (if any); and
- (iii) the relevant Term Sheet.

The offer of our Basket Equity Linked Deposits is made only on the basis of the Offering Documents. We (as the intermediary) have the obligation to distribute to you ALL of the above Offering Documents in English or Chinese as you may prefer.

#### **B. Our ongoing disclosure obligations**

We (as the Offeror and the Product Arranger) will keep the SFC and the investors informed as soon as reasonably practicable if (a) we (as the Offeror) cease to meet any core requirements in Appendix A to the Code, (b) we (as the Product Arranger) cease to meet any eligibility requirements under 4.2 of the Code and, (c) to the extent permitted by any applicable law, there are any changes in our financial condition or other circumstances which could reasonably be expected to have a material adverse effect on our ability (as the Offeror) to fulfil our commitment in connection with this product. Please contact our marketing officers for further details.

### **Important**

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

## KEY FACTS STATEMENT D —

### Basket Equity Linked Deposit with Periodic Callable and Daily Kick-in Features offered by the Bank

*This is an unlisted structured investment product embedded with derivatives. There are six variations of Basket Equity Linked Deposits. This statement provides you with the key information about one variation of our Basket Equity Linked Deposits that we may offer — Basket Equity Linked Deposits with Periodic Callable and Daily Kick-in Features. This statement is part of the Offering Documents. You should not invest in our Basket Equity Linked Deposits based on this statement alone.*

*Capitalised terms used in this statement not otherwise defined herein shall have the meanings given to them in the product terms and conditions in Appendix 1 to this Principal Brochure.*

#### What are the key risks?

*Investment involves risks. You should read and understand the remaining sections of this Principal Brochure (in particular, the section headed “Risk Factors”) and the other Offering Documents before deciding whether to invest.*

- **Not a time deposit.** Our Basket Equity Linked Deposits are unlisted structured investment products embedded with derivatives. They are NOT equivalent to and should not be treated as substitutes for conventional time deposits.
- **Not protected deposits.** Our Basket Equity Linked Deposits are NOT protected deposits under the Deposit Protection Scheme in Hong Kong.
- **Not capital protected.** Our Basket Equity Linked Deposits are NOT capital protected. You may receive the Worst Performing Stock instead of the Deposit Amount in cash at maturity depending on the performance of each of the Linked Stocks in the Stock Basket during the Investment Period. The market value of the Worst Performing Stock you receive may be substantially less than your Deposit Amount or **may even become worthless.**
- **Capped maximum potential gain.** The amount of maximum potential gain under our Basket Equity Linked Deposits is capped and limited to the aggregate Potential Coupon Amount payable during the scheduled Deposit Tenor.
- **Potential payout is determined by each of the Linked Stocks in the Stock Basket.** The potential payout of our Basket Equity Linked Deposits depends on the performance of each of the Linked Stocks in the Stock Basket during the Investment Period. If any one of the Linked Stocks in the Stock Basket performs poorly against your expectation, you will not benefit from the performance of any other Linked Stocks in the Stock Basket.
- **No collateral.** Our Basket Equity Linked Deposits are NOT secured on any of our assets or any collateral.
- **Liquidity risk.** Our Basket Equity Linked Deposits are not transferable without our prior written consent and are designed to be held to maturity. Under normal market conditions, we provide limited market making arrangements for our Basket Equity Linked Deposits with an Investment Period of more than 6 months. If you try to early terminate your Basket Equity Linked Deposit before maturity under our market making arrangement, you may receive an amount which is substantially less than your Deposit Amount.
- **Not covered by Investor Compensation Fund.** Our Basket Equity Linked Deposits are not listed on any stock exchange and are not covered by the Investor Compensation Fund in Hong Kong.
- **Not the same as investment in any of the Linked Stocks.** Investing in our Basket Equity Linked Deposits is not the same as investing in any of the Linked Stocks in the Stock Basket. You have no rights in any of the Linked Stocks in the Stock Basket (except where the Worst Performing Stock is determined on the Determination Date to be deliverable to

you on the Maturity Date, in such case you will be entitled to the rights in such Worst Performing Stock as from the Determination Date). Movements in the market prices of any of the Linked Stocks may not lead to any corresponding change in the market value of and/or potential payout under our Basket Equity Linked Deposits.

- **Insolvency risk.** The settlement of our Basket Equity Linked Deposits is subject to the credit and insolvency risks of The Bank of East Asia, Limited. If the Bank becomes insolvent or defaults on its obligations under our Basket Equity Linked Deposits, you can only claim as an unsecured creditor of the Bank regardless of the performance of the Linked Stocks and the terms of our Basket Equity Linked Deposits. **In the worst case scenario, you could lose all of your Deposit Amount.**
- **Re-investment risk.** Our Basket Equity Linked Deposits will be early terminated if a Call Event has occurred on any Call Event Observation Date. No further Potential Coupon Amount will be accrued following such termination. You may not be able to enjoy the same rate of return if you re-invest in other investments with similar risk parameters.
- **Exposure to risks from the Trade Date.** Your Basket Equity Linked Deposit order is accepted and executed on Trade Date and all the terms of the Basket Equity Linked Deposit are finalised. You will be exposed to the risks associated with our Basket Equity Linked Deposits starting from the Trade Date.
- **Exposure to market price movement of the Worst Performing Stock after the Determination Date.** Your settlement at maturity will be determined on the Determination Date but settlement will only occur on the Maturity Date. If you are to receive the Worst Performing Stock, you will be exposed to any market price movement of such Worst Performing Stock between the Determination Date and the Maturity Date (being the second Clearing System Business Day after the Determination Date). If you decide to hold the number of the Worst Performing Stock delivered to you on the Maturity Date, you will be further exposed to the market risk of holding such Worst Performing Stock from the Maturity Date until you sell the Worst Performing Stock.
- **Conflicts of interest.** Potential and actual conflicts of interest may arise from the different roles played by us and our subsidiaries and affiliates in connection with our Basket Equity Linked Deposits. Our economic interests in each role may be adverse to your interests in our Basket Equity Linked Deposits.

#### **What are the key features of a Basket Equity Linked Deposit with Periodic Callable and Daily Kick-in Features?**

- **Product Type:** Our Basket Equity Linked Deposits are unlisted structured investment products which have an embedded conditional put option over the Linked Stocks in the Stock Basket. If you invest in a Basket Equity Linked Deposit, you will be selling to the Bank a conditional put option over the Linked Stocks in the Stock Basket. If certain conditions are met, you will be obliged to buy a number of the Worst Performing Stock in the Stock Basket at its Reference Price from the Bank on the Determination Date, which will be delivered to you on the Maturity Date.
- **Investment Period and Deposit Tenor:** The Investment Period commences from and including the Trade Date to and including the Determination Date, while the Deposit Tenor commences from and including the Start Date to but excluding the Maturity Date. The Deposit Tenor generally ranges from 1 month to 3 years. You may request for a tailor-made Deposit Tenor to suit your investment strategy.
- **Linked Stocks:** The Stock Basket may comprise a minimum of two and a maximum of seven shares of companies or units of funds (being an exchange traded fund or a real estate investment trust) listed on The Stock Exchange of Hong Kong Limited and quoted in HKD. Not all Hong Kong listed stocks can be selected as a Linked Stock. You should check with our marketing officers for the details of the available stocks.
- **Deposit Currency:** The Deposit Currency can be HKD, United States dollar, Japanese Yen, Australian dollar, New Zealand dollar, Canadian dollar, GBP or Euro upon your request and accepted by us.

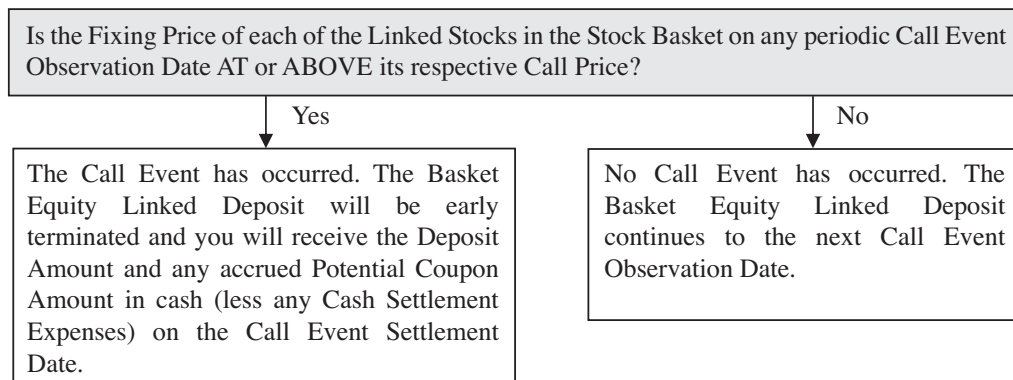
- **Minimum Deposit Amount:** HKD100,000 (or its equivalent in the Deposit Currency).
- **Potential Coupon Amount:** Subject to the occurrence of the Call Event or any early termination of the Basket Equity Linked Deposit otherwise, a Potential Coupon Amount (less any Cash Settlement Expenses) will be payable on each Coupon Payment Date (being each Coupon Period End Date if no Call Event has occurred), which is calculated as follows:

$$\text{Deposit Amount} \times \text{Annualised Coupon Rate} \times \frac{\text{Number of calendar days in the relevant Coupon Period}^*}{\text{Day Count Basis}^{**}}$$

\* Each Coupon Period means a period from and including a Coupon Period Start Date to but excluding the corresponding Coupon Period End Date, provided that if a Call Event has occurred during a Coupon Period, such period will start from and including the relevant Coupon Period Start Date to but excluding the Call Event Settlement Date.

\*\* Day Count Basis will be 365 if the Deposit Currency is HKD or GBP. If the Deposit Currency is not HKD or GBP, the Day Count Basis will be 360.

- **Periodic Callable Feature:** A Call Event occurs if the Fixing Price of each of the Linked Stocks in the Stock Basket on any periodic Call Event Observation Date is AT or ABOVE its respective Call Price. The Call Price of each Linked Stock in the Stock Basket is set at a specified percentage of its Initial Price and will be set out in the relevant Term Sheet. The same percentage will be used to calculate the Call Price of each of the Linked Stocks in the Stock Basket on all Call Event Observation Dates. The periodic Call Event Observation Dates are certain periodic dates (excluding the Determination Date) as specified in the relevant Term Sheet. If a Call Event has occurred, the Basket Equity Linked Deposit will be early terminated and we will pay you the Deposit Amount and any accrued Potential Coupon Amount calculated up to but excluding the Call Event Settlement Date in cash (less any Cash Settlement Expenses) on the Call Event Settlement Date (being the second Business Day after the relevant Call Event Observation Date).

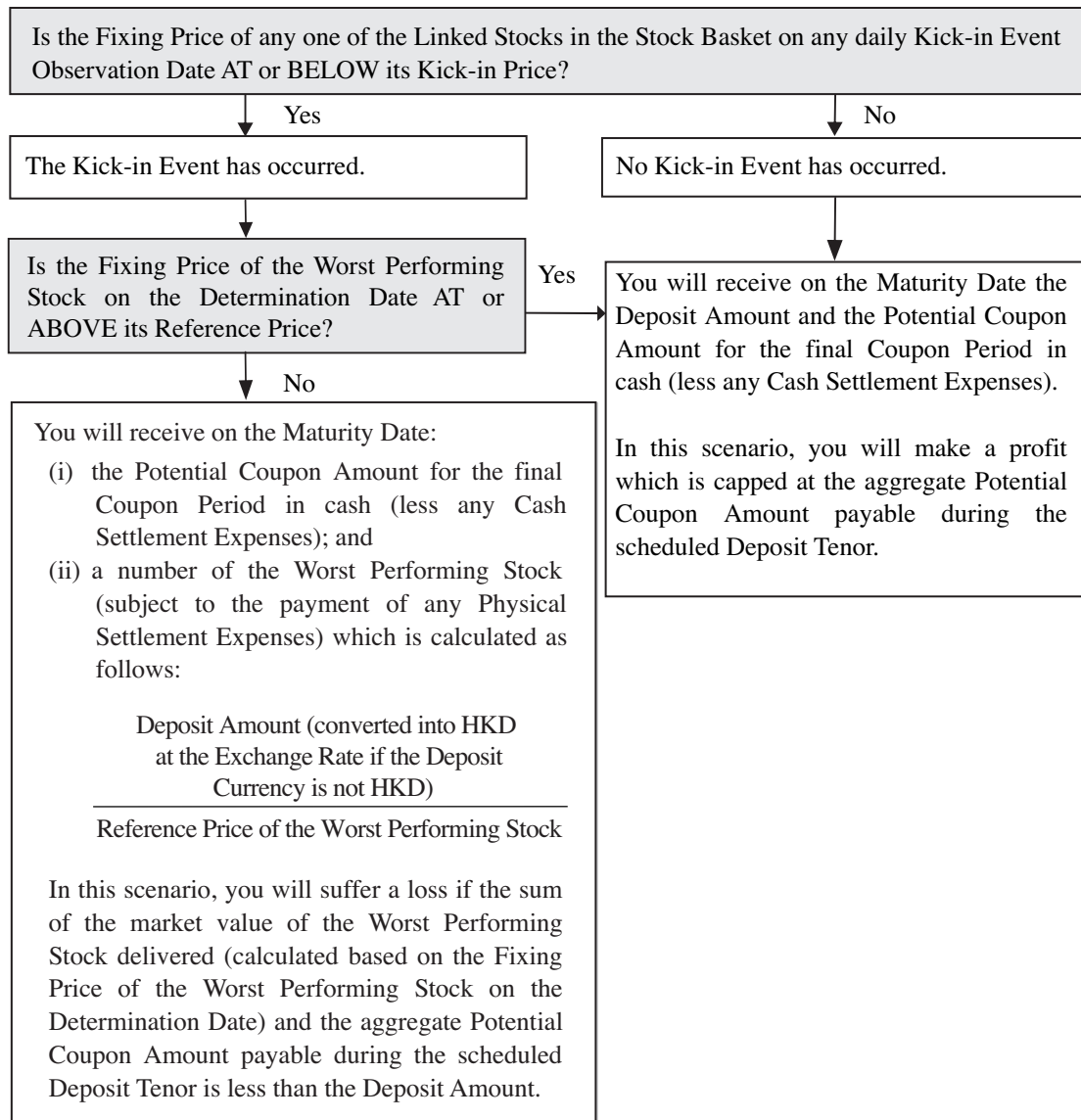


- **Daily Kick-in Feature and Settlement At Maturity:** If no Call Event has occurred on any periodic Call Event Observation Dates and the Basket Equity Linked Deposit is not otherwise early terminated, your settlement at maturity will depend on:
  - (i) whether a daily Kick-in Event has occurred. A Kick-in Event occurs if the Fixing Price of any one of the Linked Stocks in the Stock Basket on any daily Kick-in Event Observation Date is AT or BELOW its respective Kick-in Price. The Kick-in Price of each Linked Stock in the Stock Basket is set at a specified percentage of its Initial Price and will be set out in the relevant Term Sheet. The same percentage will be used to calculate the Kick-in Price of each of the Linked Stocks in the Stock Basket on all Kick-in Event Observation Dates. The Kick-in Price of each Linked Stock will always be set at a level which is lower than its Reference Price. The daily Kick-in Event Observation Dates are set as each Exchange Business Day during the relevant period as set out in the relevant Term Sheet; and

- (ii) if a daily Kick-in Event has occurred, the Fixing Price of the Worst Performing Stock on the Determination Date compared to its Reference Price. The Worst Performing Stock is the Linked Stock in the Stock Basket with the lowest Stock Performance on the Determination Date. The Stock Performance of a Linked Stock on the Determination Date will be calculated as follows (rounded up to 2 decimal places):

$$\left( \frac{\text{Fixing Price of the Linked Stock on the Determination Date}}{\text{Initial Price of the Linked Stock}} - 1 \right) \times 100\%$$

If more than one Linked Stock have the same lowest Stock Performance on the Determination Date, the Bank will, in its sole and absolute discretion acting in good faith and in a commercially reasonable manner, decide which Linked Stock with the lowest Stock Performance shall be the Worst Performing Stock.



### How can you apply for a Basket Equity Linked Deposit?

If you want to apply for our Basket Equity Linked Deposits, you can contact us (as the intermediary) through our marketing officers at any of our branches in Hong Kong to enquire about our Basket Equity Linked Deposits and the application procedure. Please refer to page 80 of this Principal Brochure for further details.

You may apply for a Basket Equity Linked Deposit by placing an order with us on (i) if an application period is not specified in the Term Sheet, any Business Day which will become the Trade Date or (ii) if an application period is specified in the Term Sheet, any Business Day during the application period. Once you place a Basket Equity Linked Deposit order with us, you will be committed to invest in the Basket Equity Linked Deposit and a cash amount equal to the Deposit Amount will be frozen in your designated cash account from the Order Date. If your Basket Equity Linked Deposit order is accepted and executed by us on the Trade Date, the Deposit Amount will be deducted from your designated cash account on the Start Date.

You should note that the Initial Price in respect of a Linked Stock in the Stock Basket can be set as either (i) the Fixing Price of such Linked Stock on the Trade Date; or (ii) the price of such Linked Stock as of the end of the morning trading session of the Exchange on the Trade Date (as published by the Exchange); or (iii) the specific price of such Linked Stock as agreed between you and us at the time you place your order on the Trade Date and your order will be executed at such agreed price. For the avoidance of doubt, the Initial Prices of all the Linked Stocks in the Stock Basket will be set by using the same method. If the Initial Price in respect of a Linked Stock is set in the cases of (i) and (ii) above, some of the commercial terms (such as the Reference Price, Call Price and Kick-in Price) will be specified as a specified percentage of the relevant Initial Price in the Term Sheet and you will not know all the exact commercial terms when you place the order. You will have to bear the risk of changing market conditions between the time you place your order and the time all the commercial terms (including the Initial Prices) are recorded and determined on the Trade Date. If the Initial Price in respect of a Linked Stock is set in the case of (iii) above, you will know all the exact commercial terms when you place the order. In any event, if your order is accepted and executed by us on the Trade Date, a Confirmation setting out all the finalised terms of your Basket Equity Linked Deposit will be sent to you within 2 Business Days after the Trade Date.

#### **What are the fees and charges?**

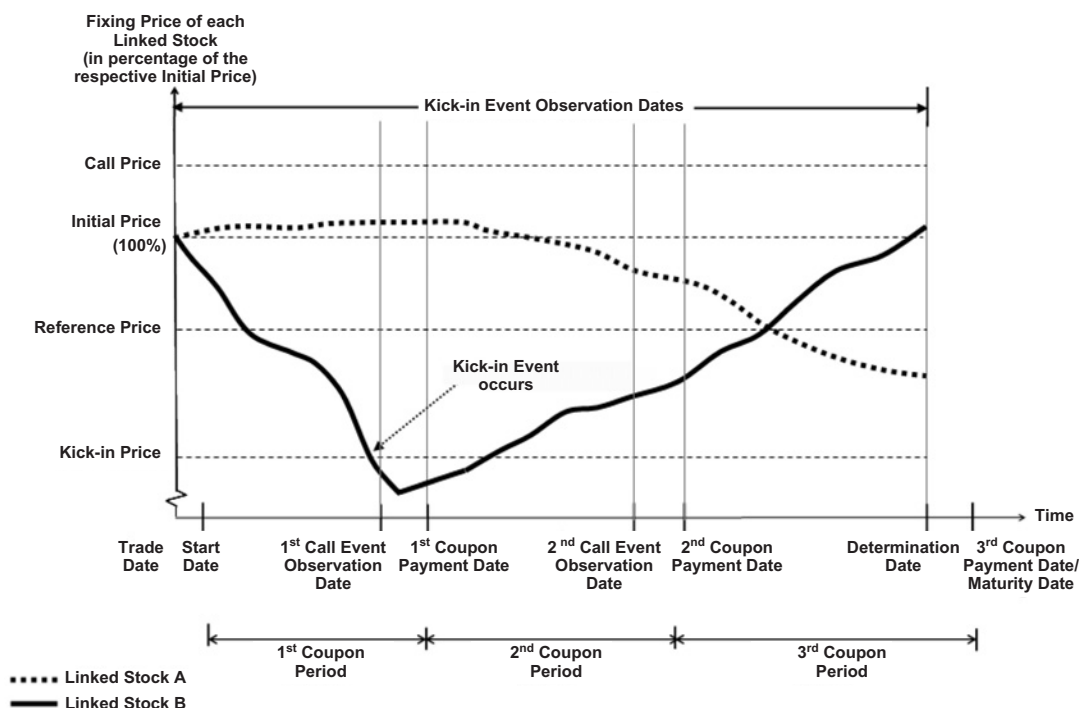
- **Cash Settlement Expenses** are all charges or expenses, including any taxes and duties that are incurred for payment of any cash amount under the Basket Equity Linked Deposit (except for the Residual Cash). Currently, no cash settlement expenses are payable.
- **Physical Settlement Expenses** are out-of-pocket expenses relating to the transfer and receipt of the number of the Worst Performing Stock on the Maturity Date. These expenses include the buyer's stamp duty and any other charges for provision of securities as notified by us from time to time. Physical Settlement Expenses, if applicable, will be payable by you before the Worst Performing Stock is delivered to you on the Maturity Date.

There are no subscription fees, charges or commission for placing a purchase order for a Basket Equity Linked Deposit with us. All related charges incurred by us (including our hedging cost) will be factored into the determination of the Annualised Coupon Rate.

Please refer to page 81 of this Principal Brochure for further details. You should note that any Cash Settlement Expenses or Physical Settlement Expenses will reduce your potential gain or increase your potential loss under your investment in the Basket Equity Linked Deposit.

## Worst case scenario

The below example illustrates the worst case scenario of a Basket Equity Linked Deposit with Periodic Callable and Daily Kick-in Features.



The above example illustrates that:

- (i) no Call Event has occurred on any periodic Call Event Observation Date;
- (ii) a Kick-in Event has occurred (where the Fixing Price of the Linked Stock B is at its Kick-in Price) on one of the Kick-in Event Observation Dates (which are set as each Exchange Business Day from and including the Trade Date to and including the Determination Date in this example); and
- (iii) the Fixing Price of the Worst Performing Stock on the Determination Date (being Linked Stock A) is below its Reference Price.

You will receive the following:

- (i) the Potential Coupon Amounts for the 1st and 2nd Coupon Periods in cash on the 1st and 2nd Coupon Payment Dates respectively; and
- (ii) the Potential Coupon Amount for the 3rd Coupon Period in cash and the number of Worst Performing Stock (being Linked Stock A) calculated by reference to its Reference Price on the Maturity Date. The market value of the number of Worst Performing Stock delivered (calculated based on the Fixing Price of the Worst Performing Stock on the Determination Date) may be substantially less than your Deposit Amount or may even become worthless.

Your maximum potential loss under this example could be the Deposit Amount less the aggregate Potential Coupon Amount payable during the Deposit Tenor if the market value of the number of Worst Performing Stock on the Maturity Date falls to zero.

If the Bank becomes insolvent or defaults on its obligations under the Basket Equity Linked Deposit, you could lose all of your Deposit Amount.

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

## **Adjustment to the terms and conditions or early termination of the Basket Equity Linked Deposit**

The Bank (as the Offeror) can adjust some of the terms and conditions (such as the Call Prices and the Reference Prices) of the Basket Equity Linked Deposit upon the occurrence of certain events (such as a Potential Adjustment Event) to account for the diluting or concentrative effect of the relevant event so as to preserve the economic equivalence of the Basket Equity Linked Deposit. The Bank can also adjust some of the key dates (such as the Determination Date) upon the occurrence of certain disruption events. Any adjustment will be made by the Bank in its sole and absolute discretion (acting in good faith and in a commercially reasonable manner).

In addition, the Bank (as the Offeror) can early terminate the Basket Equity Linked Deposit upon the occurrence of certain events (such as an Additional Disruption Event or Merger Event where the Bank is unable to make adjustments to preserve the economic equivalence of the Basket Equity Linked Deposit). Please refer to pages 74 to 76 of this Principal Brochure for further details.

## **Post-sale cooling-off period**

### ***Basket Equity Linked Deposit with an Investment Period of one year or less***

In respect of a Basket Equity Linked Deposit with an Investment Period of one year or less, there is no post-sale cooling-off period for you to cancel or unwind your purchase order after you have placed your purchase order with us on the Order Date.

### ***Basket Equity Linked Deposit with an Investment Period of more than one year***

In respect of a Basket Equity Linked Deposit with an Investment Period of more than one year, there is a post-sale cooling-off period and you have the right to cancel or unwind your order (in whole but not in part) within 5 Business Days after you have placed your purchase order with us on the Order Date (“**Post-sale Cooling-off Period**”). If you choose to do so, you must submit an irrevocable written notice to us between 9:00a.m. and 3:00p.m. (Hong Kong time) on any Business Day during the Post-sale Cooling-off Period. Please contact our marketing officers for further details.

If you submit a written notice to us to cancel your purchase order before the Trade Date, we will release the Deposit Amount frozen by us in your Designated Cash Account on the day we receive your written notice and no Deposit Amount will be deducted from the Designated Cash Account on the Start Date. No market value adjustment will be deducted from the Designated Cash Account.

If you submit a written notice to us to unwind your purchase order on or after the Trade Date, the Deposit Amount will be deducted from the Designated Cash Account on the Start Date and we will then refund to you a cash amount equal to the Deposit Amount less any market value adjustment on the later of: (i) the second Business Day after the day you submitted the written notice or (ii) the third Business Day after the Start Date. The cash amount you receive will be capped at, and may be substantially less than the Deposit Amount.

The Term Sheet will specify if the post-sale cooling-off period is applicable to a particular Basket Equity Linked Deposit. Please refer to pages 81 to 82 of this Principal Brochure for further details.

## **Is there any market making arrangement before expiry?**

### ***Basket Equity Linked Deposit with an Investment Period of 6 months or less***

In respect of a Basket Equity Linked Deposit with an Investment Period of 6 months or less, we will not provide any market making arrangements and you cannot early terminate the Basket Equity Linked Deposit after your order is accepted and executed by us on the Trade Date.

### ***Basket Equity Linked Deposit with an Investment Period of more than 6 months***

In respect of a Basket Equity Linked Deposit with an Investment Period of more than 6 months, we (as the market agent) will provide limited market making arrangement on a bi-weekly basis from the week after the Start Date up to the third Exchange Business Day before the Determination Date (each a “**Dealing Day**”). We (as the market agent) will make available an indicative bid price of your Basket Equity Linked Deposit on each Dealing Day during normal business hours upon request. The indicative bid price is subject to any intra-day changes and is provided for your reference only as it may not be equal to the actual bid price at which we are willing to early terminate your Basket Equity Linked Deposit.

If you wish to early terminate your Basket Equity Linked Deposit under our market making arrangement on a Dealing Day, you can apply to us at any of our branches between 9:30a.m. and 3:30p.m. (Hong Kong time) on such Dealing Day and request for an actual bid price. The actual bid price at which we are willing to early terminate your Basket Equity Linked Deposit will be determined by us at our sole and absolute discretion (acting in good faith and in a commercially reasonable manner) and will only be valid for a limited period of time as notified to you. You should note that if you early terminate your Basket Equity Linked Deposit before maturity, the amount you receive may be substantially less than your Deposit Amount.

The Term Sheet will specify if any market making arrangement is applicable to a particular Basket Equity Linked Deposit and the details of such market making arrangement. Please refer to pages 82 to 83 of this Principal Brochure for further details.

### **Additional Information**

#### **A. Offering Documents**

The following Offering Documents contain detailed information about the Bank and our Basket Equity Linked Deposits. You should read and understand all of these documents before deciding whether to invest:

- (i) this Principal Brochure for our Basket Equity Linked Deposits dated 19 December 2011 and the addendum thereto (if any) as specified in the relevant Term Sheet;
- (ii) the Financial Disclosure Document and the addendum thereto (if any) as specified in the relevant Term Sheet, which will include our most recently published audited annual report and unaudited interim report (if any); and
- (iii) the relevant Term Sheet.

The offer of our Basket Equity Linked Deposits is made only on the basis of the Offering Documents. We (as the intermediary) have the obligation to distribute to you ALL of the above Offering Documents in English or Chinese as you may prefer.

#### **B. Our ongoing disclosure obligations**

We (as the Offeror and the Product Arranger) will keep the SFC and the investors informed as soon as reasonably practicable if (a) we (as the Offeror) cease to meet any core requirements in Appendix A to the Code, (b) we (as the Product Arranger) cease to meet any eligibility requirements under 4.2 of the Code and, (c) to the extent permitted by any applicable law, there are any changes in our financial condition or other circumstances which could reasonably be expected to have a material adverse effect on our ability (as the Offeror) to fulfil our commitment in connection with this product. Please contact our marketing officers for further details.

### **Important**

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

## KEY FACTS STATEMENT E —

### Basket Equity Linked Deposit with Daily Callable and Expiry Kick-in Features offered by the Bank

*This is an unlisted structured investment product embedded with derivatives. There are six variations of Basket Equity Linked Deposits. This statement provides you with the key information about one variation of our Basket Equity Linked Deposits that we may offer — Basket Equity Linked Deposit with Daily Callable and Expiry Kick-in Features. This statement is part of the Offering Documents. You should not invest in our Basket Equity Linked Deposits based on this statement alone.*

*Capitalised terms used in this statement not otherwise defined herein shall have the meanings given to them in the product terms and conditions in Appendix 1 to this Principal Brochure.*

#### What are the key risks?

*Investment involves risks. You should read and understand the remaining sections of this Principal Brochure (in particular, the section headed “Risk Factors”) and the other Offering Documents before deciding whether to invest.*

- **Not a time deposit.** Our Basket Equity Linked Deposits are unlisted structured investment products embedded with derivatives. They are NOT equivalent to and should not be treated as substitutes for conventional time deposits.
- **Not protected deposits.** Our Basket Equity Linked Deposits are NOT protected deposits under the Deposit Protection Scheme in Hong Kong.
- **Not capital protected.** Our Basket Equity Linked Deposits are NOT capital protected. You may receive the Worst Performing Stock instead of the Deposit Amount in cash at maturity depending on the performance of each of the Linked Stocks in the Stock Basket during the Investment Period. The market value of the Worst Performing Stock you receive may be substantially less than your Deposit Amount or **may even become worthless.**
- **Capped maximum potential gain.** The amount of maximum potential gain under our Basket Equity Linked Deposits is capped and limited to the aggregate Potential Coupon Amount payable during the scheduled Deposit Tenor.
- **Potential payout is determined by each of the Linked Stocks in the Stock Basket.** The potential payout of our Basket Equity Linked Deposits depends on the performance of each of the Linked Stocks in the Stock Basket during the Investment Period. If any one of the Linked Stocks in the Stock Basket performs poorly against your expectation, you will not benefit from the performance of any other Linked Stocks in the Stock Basket.
- **No collateral.** Our Basket Equity Linked Deposits are NOT secured on any of our assets or any collateral.
- **Liquidity risk.** Our Basket Equity Linked Deposits are not transferable without our prior written consent and are designed to be held to maturity. Under normal market conditions, we provide limited market making arrangements for our Basket Equity Linked Deposits with an Investment Period of more than 6 months. If you try to early terminate your Basket Equity Linked Deposit before maturity under our market making arrangement, you may receive an amount which is substantially less than your Deposit Amount.
- **Not covered by Investor Compensation Fund.** Our Basket Equity Linked Deposits are not listed on any stock exchange and are not covered by the Investor Compensation Fund in Hong Kong.
- **Not the same as investment in any of the Linked Stocks.** Investing in our Basket Equity Linked Deposits is not the same as investing in any of the Linked Stocks in the Stock Basket. You have no rights in any of the Linked Stocks in the Stock Basket (except where the Worst Performing Stock is determined on the Determination Date to be deliverable to

you on the Maturity Date, in such case you will be entitled to the rights in such Worst Performing Stock as from the Determination Date). Movements in the market prices of any of the Linked Stocks may not lead to any corresponding change in the market value of and/or potential payout under our Basket Equity Linked Deposits.

- **Insolvency risk.** The settlement of our Basket Equity Linked Deposits is subject to the credit and insolvency risks of The Bank of East Asia, Limited. If the Bank becomes insolvent or defaults on its obligations under our Basket Equity Linked Deposits, you can only claim as an unsecured creditor of the Bank regardless of the performance of the Linked Stocks and the terms of our Basket Equity Linked Deposits. **In the worst case scenario, you could lose all of your Deposit Amount.**
- **Re-investment risk.** Our Basket Equity Linked Deposits will be early terminated if a Call Event has occurred on any Call Event Observation Date. No further Potential Coupon Amount will be accrued following such termination. You may not be able to enjoy the same rate of return if you re-invest in other investments with similar risk parameters.
- **Exposure to risks from the Trade Date.** Your Basket Equity Linked Deposit order is accepted and executed on Trade Date and all the terms of the Basket Equity Linked Deposit are finalised. You will be exposed to the risks associated with our Basket Equity Linked Deposits starting from the Trade Date.
- **Exposure to market price movement of the Worst Performing Stock after the Determination Date.** Your settlement at maturity will be determined on the Determination Date but settlement will only occur on the Maturity Date. If you are to receive the Worst Performing Stock, you will be exposed to any market price movement of such Worst Performing Stock between the Determination Date and the Maturity Date (being the second Clearing System Business Day after the Determination Date). If you decide to hold the number of the Worst Performing Stock delivered to you on the Maturity Date, you will be further exposed to the market risk of holding such Worst Performing Stock from the Maturity Date until you sell the Worst Performing Stock.
- **Conflicts of interest.** Potential and actual conflicts of interest may arise from the different roles played by us and our subsidiaries and affiliates in connection with our Basket Equity Linked Deposits. Our economic interests in each role may be adverse to your interests in our Basket Equity Linked Deposits.

#### **What are the key features of a Basket Equity Linked Deposit with Daily Callable and Expiry Kick-in Features?**

- **Product Type:** Our Basket Equity Linked Deposits are unlisted structured investment products which have an embedded conditional put option over the Linked Stocks in the Stock Basket. If you invest in a Basket Equity Linked Deposit, you will be selling to the Bank a conditional put option over the Linked Stocks in the Stock Basket. If certain conditions are met, you will be obliged to buy a number of the Worst Performing Stock in the Stock Basket at its Reference Price from the Bank on the Determination Date, which will be delivered to you on the Maturity Date.
- **Investment Period and Deposit Tenor:** The Investment Period commences from and including the Trade Date to and including the Determination Date, while the Deposit Tenor commences from and including the Start Date to but excluding the Maturity Date. The Deposit Tenor generally ranges from 1 month to 3 years. You may request for a tailor-made Deposit Tenor to suit your investment strategy.
- **Linked Stocks:** The Stock Basket may comprise a minimum of two and a maximum of seven shares of companies or units of funds (being an exchange traded fund or a real estate investment trust) listed on The Stock Exchange of Hong Kong Limited and quoted in HKD. Not all Hong Kong listed stocks can be selected as a Linked Stock. You should check with our marketing officers for the details of the available stocks.
- **Deposit Currency:** The Deposit Currency can be HKD, United States dollar, Japanese Yen, Australian dollar, New Zealand dollar, Canadian dollar, GBP or Euro upon your request and accepted by us.

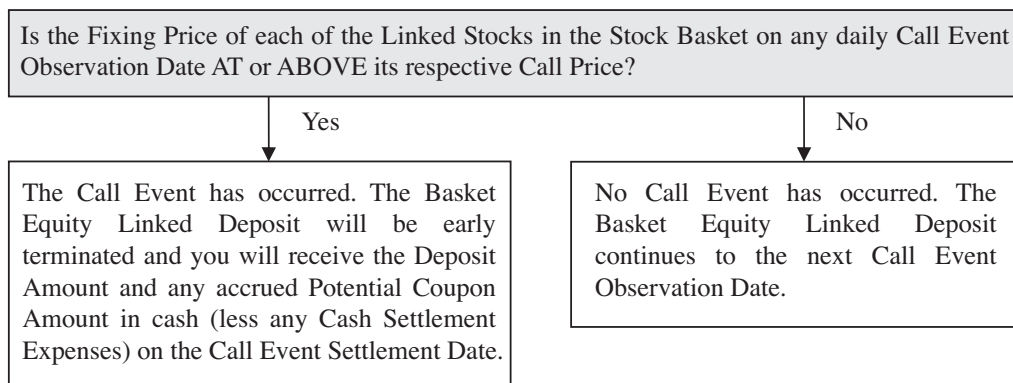
- **Minimum Deposit Amount:** HKD100,000 (or its equivalent in the Deposit Currency).
- **Potential Coupon Amount:** Subject to the occurrence of the Call Event or any early termination of the Basket Equity Linked Deposit otherwise, a Potential Coupon Amount (less any Cash Settlement Expenses) will be payable on each Coupon Payment Date (being each Coupon Period End Date if no Call Event has occurred), which is calculated as follows:

$$\text{Deposit Amount} \times \text{Annualised Coupon Rate} \times \frac{\text{Number of calendar days in the relevant Coupon Period}^*}{\text{Day Count Basis}^{**}}$$

\* Each Coupon Period means a period from and including a Coupon Period Start Date to but excluding the corresponding Coupon Period End Date, provided that if a Call Event has occurred during a Coupon Period, such period will start from and including the relevant Coupon Period Start Date to but excluding the Call Event Settlement Date.

\*\* Day Count Basis will be 365 if the Deposit Currency is HKD or GBP. If the Deposit Currency is not HKD or GBP, the Day Count Basis will be 360.

- **Daily Callable Feature:** A Call Event occurs if the Fixing Price of each of the Linked Stocks in the Stock Basket on any daily Call Event Observation Date is AT or ABOVE its respective Call Price. The Call Price of each Linked Stock in the Stock Basket is set at a specified percentage of its Initial Price and will be set out in the relevant Term Sheet. The same percentage will be used to calculate the Call Price of each of the Linked Stocks in the Stock Basket on all Call Event Observation Dates. The daily Call Event Observation Dates are set as each Exchange Business Day during the relevant period (excluding the Determination Date) as set out in the relevant Term Sheet. If a Call Event has occurred, the Basket Equity Linked Deposit will be early terminated and we will pay you the Deposit Amount and any accrued Potential Coupon Amount calculated up to but excluding the Call Event Settlement Date in cash (less any Cash Settlement Expenses) on the Call Event Settlement Date (being the second Business Day after the relevant Call Event Observation Date).



- **Expiry Kick-in Feature and Settlement At Maturity:** If no Call Event has occurred on any daily Call Event Observation Dates and the Basket Equity Linked Deposit is not otherwise early terminated, your settlement at maturity will depend on whether a Kick-in Event has occurred on the Determination Date. A Kick-in Event occurs if the Fixing Price of any one of the Linked Stocks in the Stock Basket on the Kick-in Event Observation Date (which is set as the Determination Date) is AT or BELOW its respective Kick-in Price. The Kick-in Price of each Linked Stock in the Stock Basket is set at a specified percentage of its Initial Price and will be set out in the relevant Term Sheet. The same percentage will be used to calculate the Kick-in Price of each of the Linked Stocks in the Stock Basket on the Kick-in Event Observation Date. The Kick-in Price of each Linked Stock will always be set at a level which is lower than its Reference Price.

Is the Fixing Price of any one of the Linked Stocks in the Stock Basket on the Kick-in Event Observation Date (which is the Determination Date) AT or BELOW its respective Kick-in Price?

Yes

No

The Kick-in Event has occurred. You will receive on the Maturity Date:

- (i) the Potential Coupon Amount for the final Coupon Period in cash (less any Cash Settlement Expenses); and
- (ii) a number of the Worst Performing Stock\* (subject to the payment of any Physical Settlement Expenses) which is calculated as follows:

$$\frac{\text{Deposit Amount (converted into HKD at the Exchange Rate if the Deposit Currency is not HKD)}}{\text{Reference Price of the Worst Performing Stock}}$$

Reference Price of the Worst Performing Stock

In this scenario, you will suffer a loss if the sum of the market value of the Worst Performing Stock delivered (calculated based on the Fixing Price of the Worst Performing Stock on the Determination Date) and the aggregate Potential Coupon Amount payable during the scheduled Deposit Tenor is less than the Deposit Amount.

No Kick-in Event has occurred. You will receive on the Maturity Date the Deposit Amount and the Potential Coupon Amount for the final Coupon Period in cash (less any Cash Settlement Expenses).

In this scenario, you will make a profit which is capped at the aggregate Potential Coupon Amount payable during the scheduled Deposit Tenor.

- \* The Worst Performing Stock is the Linked Stock in the Stock Basket with the lowest Stock Performance on the Determination Date. The Stock Performance of a Linked Stock on the Determination Date will be calculated as follows (rounded up to 2 decimal places):

$$\left( \frac{\text{Fixing Price of the Linked Stock on the Determination Date}}{\text{Initial Price of the Linked Stock}} - 1 \right) \times 100\%$$

If more than one Linked Stock have the same lowest Stock Performance on the Determination Date, the Bank will, in its sole and absolute discretion acting in good faith and in a commercially reasonable manner, decide which Linked Stock with the lowest Stock Performance shall be the Worst Performing Stock.

### How can you apply for a Basket Equity Linked Deposit?

If you want to apply for our Basket Equity Linked Deposits, you can contact us (as the intermediary) through our marketing officers at any of our branches in Hong Kong to enquire about our Basket Equity Linked Deposits and the application procedure. Please refer to page 80 of this Principal Brochure for further details.

You may apply for a Basket Equity Linked Deposit by placing an order with us on (i) if an application period is not specified in the Term Sheet, any Business Day which will become the Trade Date or (ii) if an application period is specified in the Term Sheet, any Business Day during the application period. Once you place a Basket Equity Linked Deposit order with us, you will be committed to invest in the Basket Equity Linked Deposit and a cash amount equal to the Deposit Amount will be frozen in your designated cash account from the Order Date. If your Basket Equity Linked Deposit order is accepted and executed by us on the Trade Date, the Deposit Amount will be deducted from your designated cash account on the Start Date.

You should note that the Initial Price in respect of a Linked Stock in the Stock Basket can be set as either (i) the Fixing Price of such Linked Stock on the Trade Date; or (ii) the price of such Linked Stock as of the end of the morning trading session of the Exchange on the Trade Date (as published by the Exchange); or (iii) the specific price of such Linked Stock as agreed

between you and us at the time you place your order on the Trade Date and your order will be executed at such agreed price. For the avoidance of doubt, the Initial Prices of all the Linked Stocks in the Stock Basket will be set by using the same method. If the Initial Price in respect of a Linked Stock is set in the cases of (i) and (ii) above, some of the commercial terms (such as the Reference Price, Call Price and Kick-in Price) will be specified as a specified percentage of the relevant Initial Price in the Term Sheet and you will not know all the exact commercial terms when you place the order. You will have to bear the risk of changing market conditions between the time you place your order and the time all the commercial terms (including the Initial Prices) are recorded and determined on the Trade Date. If the Initial Price in respect of a Linked Stock is set in the case of (iii) above, you will know all the exact commercial terms when you place the order. In any event, if your order is accepted and executed by us on the Trade Date, a Confirmation setting out all the finalised terms of your Basket Equity Linked Deposit will be sent to you within 2 Business Days after the Trade Date.

### What are the fees and charges?

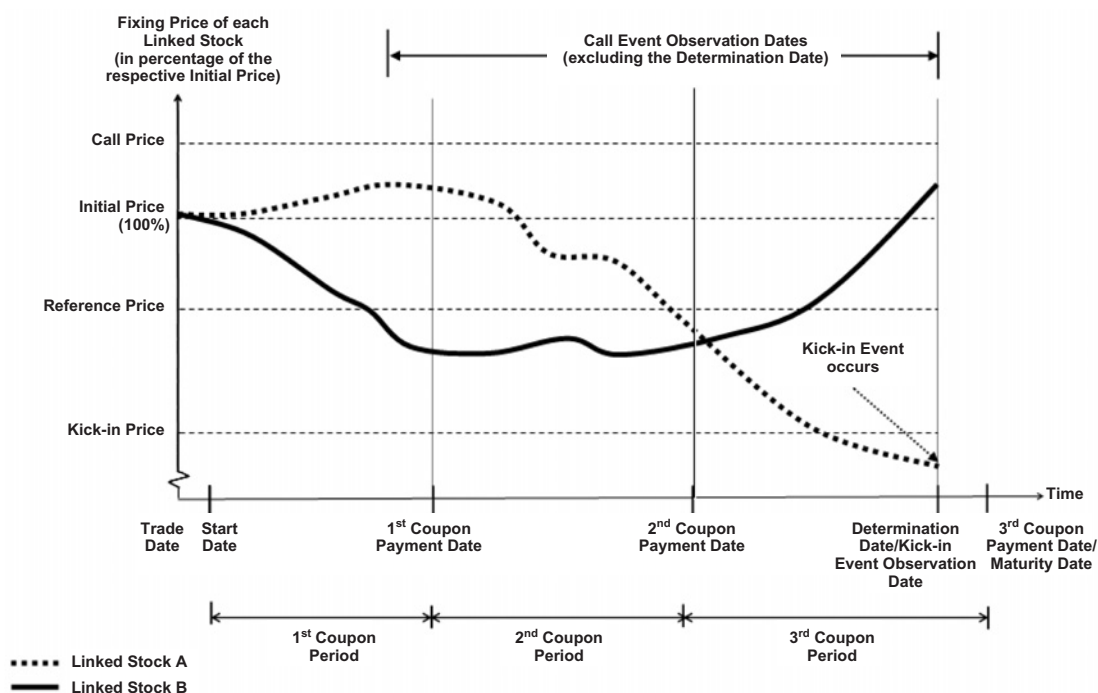
- **Cash Settlement Expenses** are all charges or expenses, including any taxes and duties that are incurred for payment of any cash amount under the Basket Equity Linked Deposit (except for the Residual Cash). Currently, no cash settlement expenses are payable.
- **Physical Settlement Expenses** are out-of-pocket expenses relating to the transfer and receipt of the number of the Worst Performing Stock on the Maturity Date. These expenses include the buyer's stamp duty and any other charges for provision of securities as notified by us from time to time. Physical Settlement Expenses, if applicable, will be payable by you before the Worst Performing Stock is delivered to you on the Maturity Date.

There are no subscription fees, charges or commission for placing a purchase order for a Basket Equity Linked Deposit with us. All related charges incurred by us (including our hedging cost) will be factored into the determination of the Annualised Coupon Rate.

Please refer to page 81 of this Principal Brochure for further details. You should note that any Cash Settlement Expenses or Physical Settlement Expenses will reduce your potential gain or increase your potential loss under your investment in the Basket Equity Linked Deposit.

### Worst case scenario

The below example illustrates the worst case scenario of a Basket Equity Linked Deposit with Daily Callable and Expiry Kick-in Features.



The above example illustrates that:

- (i) no Call Event has occurred on any daily Call Event Observation Date; and
- (ii) a Kick-in Event has occurred (where the Fixing Price of the Linked Stock A is below its Kick-in Price) on the Kick-in Event Observation Date (which is the Determination Date).

You will receive the following:

- (i) the Potential Coupon Amounts for the 1st and 2nd Coupon Periods in cash on the 1st and 2nd Coupon Payment Dates respectively; and
- (ii) the Potential Coupon Amount for the 3rd Coupon Period in cash and the number of Worst Performing Stock (being Linked Stock A) calculated by reference to its Reference Price on the Maturity Date. The market value of the number of Worst Performing Stock delivered (calculated based on the Fixing Price of the Worst Performing Stock on the Determination Date) may be substantially less than your Deposit Amount, or may even become worthless.

Your maximum potential loss under this example could be the Deposit Amount less the aggregate Potential Coupon Amount payable during the Deposit Tenor if the market value of the number of Worst Performing Stock on the Maturity Date falls to zero.

If the Bank becomes insolvent or defaults on its obligations under the Basket Equity Linked Deposit, you could lose all of your Deposit Amount.

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

### **Adjustment to the terms and conditions or early termination of the Basket Equity Linked Deposit**

The Bank (as the Offeror) can adjust some of the terms and conditions (such as the Call Prices and the Reference Prices) of the Basket Equity Linked Deposit upon the occurrence of certain events (such as a Potential Adjustment Event) to account for the diluting or concentrative effect of the relevant event so as to preserve the economic equivalence of the Basket Equity Linked Deposit. The Bank can also adjust some of the key dates (such as the Determination Date) upon the occurrence of certain disruption events. Any adjustment will be made by the Bank in its sole and absolute discretion (acting in good faith and in a commercially reasonable manner).

In addition, the Bank (as the Offeror) can early terminate the Basket Equity Linked Deposit upon the occurrence of certain events (such as an Additional Disruption Event or Merger Event where the Bank is unable to make adjustments to preserve the economic equivalence of the Basket Equity Linked Deposit). Please refer to pages 74 to 76 of this Principal Brochure for further details.

### **Post-sale cooling-off period**

#### ***Basket Equity Linked Deposit with an Investment Period of one year or less***

In respect of a Basket Equity Linked Deposit with an Investment Period of one year or less, there is no post-sale cooling-off period for you to cancel or unwind your purchase order after you have placed your purchase order with us on the Order Date.

#### ***Basket Equity Linked Deposit with an Investment Period of more than one year***

In respect of a Basket Equity Linked Deposit with an Investment Period of more than one year, there is a post-sale cooling-off period and you have the right to cancel or unwind your order (in whole but not in part) within 5 Business Days after you have placed your purchase order with us on the Order Date (“**Post-sale Cooling-off Period**”). If you choose to do so, you must submit an irrevocable written notice to us between 9:00a.m. and 3:00p.m. (Hong Kong time) on any Business Day during the Post-sale Cooling-off Period. Please contact our marketing officers for further details.

If you submit a written notice to us to cancel your purchase order before the Trade Date, we will release the Deposit Amount frozen by us in your Designated Cash Account on the day we receive your written notice and no Deposit Amount will be deducted from the Designated Cash Account on the Start Date. No market value adjustment will be deducted from the Designated Cash Account.

If you submit a written notice to us to unwind your purchase order on or after the Trade Date, the Deposit Amount will be deducted from the Designated Cash Account on the Start Date and we will then refund to you a cash amount equal to the Deposit Amount less any market value adjustment on the later of: (i) the second Business Day after the day you submitted the written notice or (ii) the third Business Day after the Start Date. The cash amount you receive will be capped at, and may be substantially less than the Deposit Amount.

The Term Sheet will specify if the post-sale cooling-off period is applicable to a particular Basket Equity Linked Deposit. Please refer to pages 81 to 82 of this Principal Brochure for further details.

### **Is there any market making arrangement before expiry?**

#### ***Basket Equity Linked Deposit with an Investment Period of 6 months or less***

In respect of a Basket Equity Linked Deposit with an Investment Period of 6 months or less, we will not provide any market making arrangements and you cannot early terminate the Basket Equity Linked Deposit after your order is accepted and executed by us on the Trade Date.

#### ***Basket Equity Linked Deposit with an Investment Period of more than 6 months***

In respect of a Basket Equity Linked Deposit with an Investment Period of more than 6 months, we (as the market agent) will provide limited market making arrangement on a bi-weekly basis from the week after the Start Date up to the third Exchange Business Day before the Determination Date (each a “**Dealing Day**”). We (as the market agent) will make available an indicative bid price of your Basket Equity Linked Deposit on each Dealing Day during normal business hours upon request. The indicative bid price is subject to any intra-day changes and is provided for your reference only as it may not be equal to the actual bid price at which we are willing to early terminate your Basket Equity Linked Deposit.

If you wish to early terminate your Basket Equity Linked Deposit under our market making arrangement on a Dealing Day, you can apply to us at any of our branches between 9:30a.m. and 3:30p.m. (Hong Kong time) on such Dealing Day and request for an actual bid price. The actual bid price at which we are willing to early terminate your Basket Equity Linked Deposit will be determined by us at our sole and absolute discretion (acting in good faith and in a commercially reasonable manner) and will only be valid for a limited period of time as notified to you. You should note that if you early terminate your Basket Equity Linked Deposit before maturity, the amount you receive may be substantially less than your Deposit Amount.

The Term Sheet will specify if any market making arrangement is applicable to a particular Basket Equity Linked Deposit and the details of such market making arrangement. Please refer to pages 82 to 83 of this Principal Brochure for further details.

### **Additional Information**

#### **A. Offering Documents**

The following Offering Documents contain detailed information about the Bank and our Basket Equity Linked Deposits. You should read and understand all of these documents before deciding whether to invest:

- (i) this Principal Brochure for our Basket Equity Linked Deposits dated 19 December 2011 and the addendum thereto (if any) as specified in the relevant Term Sheet;
- (ii) the Financial Disclosure Document and the addendum thereto (if any) as specified in the relevant Term Sheet, which will include our most recently published audited annual report and unaudited interim report (if any); and
- (iii) the relevant Term Sheet.

The offer of our Basket Equity Linked Deposits is made only on the basis of the Offering Documents. We (as the intermediary) have the obligation to distribute to you ALL of the above Offering Documents in English or Chinese as you may prefer.

**B. Our ongoing disclosure obligations**

We (as the Offeror and the Product Arranger) will keep the SFC and the investors informed as soon as reasonably practicable if (a) we (as the Offeror) cease to meet any core requirements in Appendix A to the Code, (b) we (as the Product Arranger) cease to meet any eligibility requirements under 4.2 of the Code and, (c) to the extent permitted by any applicable law, there are any changes in our financial condition or other circumstances which could reasonably be expected to have a material adverse effect on our ability (as the Offeror) to fulfil our commitment in connection with this product. Please contact our marketing officers for further details.

**Important**

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

## KEY FACTS STATEMENT F —

### Basket Equity Linked Deposit with Periodic Callable and Expiry Kick-in Features offered by the Bank

*This is an unlisted structured investment product embedded with derivatives. There are six variations of Basket Equity Linked Deposits. This statement provides you with the key information about one variation of our Basket Equity Linked Deposits that we may offer — Basket Equity Linked Deposit with Periodic Callable and Expiry Kick-in Features. This statement is part of the Offering Documents. You should not invest in our Basket Equity Linked Deposits based on this statement alone.*

*Capitalised terms used in this statement not otherwise defined herein shall have the meanings given to them in the product terms and conditions in Appendix 1 to this Principal Brochure.*

#### What are the key risks?

*Investment involves risks. You should read and understand the remaining sections of this Principal Brochure (in particular, the section headed “Risk Factors”) and the other Offering Documents before deciding whether to invest.*

- **Not a time deposit.** Our Basket Equity Linked Deposits are unlisted structured investment products embedded with derivatives. They are NOT equivalent to and should not be treated as substitutes for conventional time deposits.
- **Not protected deposits.** Our Basket Equity Linked Deposits are NOT protected deposits under the Deposit Protection Scheme in Hong Kong.
- **Not capital protected.** Our Basket Equity Linked Deposits are NOT capital protected. You may receive the Worst Performing Stock instead of the Deposit Amount in cash at maturity depending on the performance of each of the Linked Stocks in the Stock Basket during the Investment Period. The market value of the Worst Performing Stock you receive may be substantially less than your Deposit Amount or **may even become worthless.**
- **Capped maximum potential gain.** The amount of maximum potential gain under our Basket Equity Linked Deposits is capped and limited to the aggregate Potential Coupon Amount payable during the scheduled Deposit Tenor.
- **Potential payout is determined by each of the Linked Stocks in the Stock Basket.** The potential payout of our Basket Equity Linked Deposits depends on the performance of each of the Linked Stocks in the Stock Basket during the Investment Period. If any one of the Linked Stocks in the Stock Basket performs poorly against your expectation, you will not benefit from the performance of any other Linked Stocks in the Stock Basket.
- **No collateral.** Our Basket Equity Linked Deposits are NOT secured on any of our assets or any collateral.
- **Liquidity risk.** Our Basket Equity Linked Deposits are not transferable without our prior written consent and are designed to be held to maturity. Under normal market conditions, we provide limited market making arrangements for our Basket Equity Linked Deposits with an Investment Period of more than 6 months. If you try to early terminate your Basket Equity Linked Deposit before maturity under our market making arrangement, you may receive an amount which is substantially less than your Deposit Amount.
- **Not covered by Investor Compensation Fund.** Our Basket Equity Linked Deposits are not listed on any stock exchange and are not covered by the Investor Compensation Fund in Hong Kong.
- **Not the same as investment in any of the Linked Stocks.** Investing in our Basket Equity Linked Deposits is not the same as investing in any of the Linked Stocks in the Stock Basket. You have no rights in any of the Linked Stocks in the Stock Basket (except where the Worst Performing Stock is determined on the Determination Date to be deliverable to

you on the Maturity Date, in such case you will be entitled to the rights in such Worst Performing Stock as from the Determination Date). Movements in the market prices of any of the Linked Stocks may not lead to any corresponding change in the market value of and/or potential payout under our Basket Equity Linked Deposits.

- **Insolvency risk.** The settlement of our Basket Equity Linked Deposits is subject to the credit and insolvency risks of The Bank of East Asia, Limited. If the Bank becomes insolvent or defaults on its obligations under our Basket Equity Linked Deposits, you can only claim as an unsecured creditor of the Bank regardless of the performance of the Linked Stocks and the terms of our Basket Equity Linked Deposits. **In the worst case scenario, you could lose all of your Deposit Amount.**
- **Re-investment risk.** Our Basket Equity Linked Deposits will be early terminated if a Call Event has occurred on any Call Event Observation Date. No further Potential Coupon Amount will be accrued following such termination. You may not be able to enjoy the same rate of return if you re-invest in other investments with similar risk parameters.
- **Exposure to risks from the Trade Date.** Your Basket Equity Linked Deposit order is accepted and executed on Trade Date and all the terms of the Basket Equity Linked Deposit are finalised. You will be exposed to the risks associated with our Basket Equity Linked Deposits starting from the Trade Date.
- **Exposure to market price movement of the Worst Performing Stock after the Determination Date.** Your settlement at maturity will be determined on the Determination Date but settlement will only occur on the Maturity Date. If you are to receive the Worst Performing Stock, you will be exposed to any market price movement of such Worst Performing Stock between the Determination Date and the Maturity Date (being the second Clearing System Business Day after the Determination Date). If you decide to hold the number of the Worst Performing Stock delivered to you on the Maturity Date, you will be further exposed to the market risk of holding such Worst Performing Stock from the Maturity Date until you sell the Worst Performing Stock.
- **Conflicts of interest.** Potential and actual conflicts of interest may arise from the different roles played by us and our subsidiaries and affiliates in connection with our Basket Equity Linked Deposits. Our economic interests in each role may be adverse to your interests in our Basket Equity Linked Deposits.

#### **What are the key features of a Basket Equity Linked Deposit with Periodic Callable and Expiry Kick-in Features?**

- **Product Type:** Our Basket Equity Linked Deposits are unlisted structured investment products which have an embedded conditional put option over the Linked Stocks in the Stock Basket. If you invest in a Basket Equity Linked Deposit, you will be selling to the Bank a conditional put option over the Linked Stocks in the Stock Basket. If certain conditions are met, you will be obliged to buy a number of the Worst Performing Stock in the Stock Basket at its Reference Price from the Bank on the Determination Date, which will be delivered to you on the Maturity Date.
- **Investment Period and Deposit Tenor:** The Investment Period commences from and including the Trade Date to and including the Determination Date, while the Deposit Tenor commences from and including the Start Date to but excluding the Maturity Date. The Deposit Tenor generally ranges from 1 month to 3 years. You may request for a tailor-made Deposit Tenor to suit your investment strategy.
- **Linked Stocks:** The Stock Basket may comprise a minimum of two and a maximum of seven shares of companies or units of funds (being an exchange traded fund or a real estate investment trust) listed on The Stock Exchange of Hong Kong Limited and quoted in HKD. Not all Hong Kong listed stocks can be selected as a Linked Stock. You should check with our marketing officers for the details of the available stocks.
- **Deposit Currency:** The Deposit Currency can be HKD, United States dollar, Japanese Yen, Australian dollar, New Zealand dollar, Canadian dollar, GBP or Euro upon your request and accepted by us.

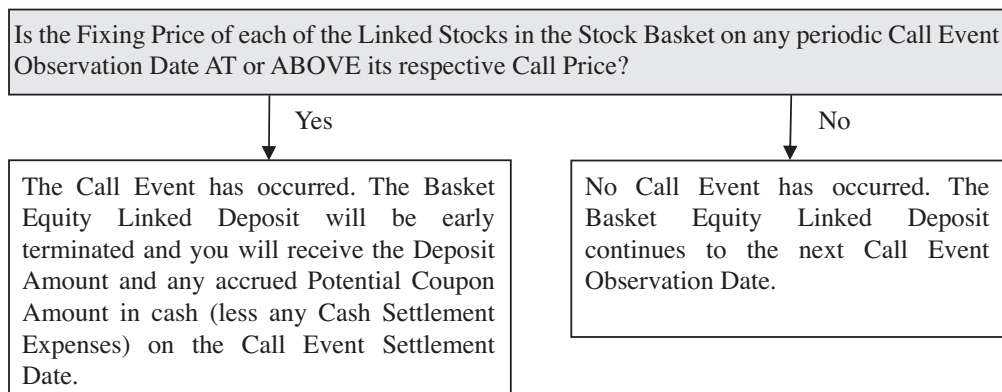
- **Minimum Deposit Amount:** HKD100,000 (or its equivalent in the Deposit Currency).
- **Potential Coupon Amount:** Subject to the occurrence of the Call Event or any early termination of the Basket Equity Linked Deposit otherwise, a Potential Coupon Amount (less any Cash Settlement Expenses) will be payable on each Coupon Payment Date (being each Coupon Period End Date if no Call Event has occurred), which is calculated as follows:

$$\text{Deposit Amount} \times \text{Annualised Coupon Rate} \times \frac{\text{Number of calendar days in the relevant Coupon Period}^*}{\text{Day Count Basis}^{**}}$$

\* Each Coupon Period means a period from and including a Coupon Period Start Date to but excluding the corresponding Coupon Period End Date, provided that if a Call Event has occurred during a Coupon Period, such period will start from and including the relevant Coupon Period Start Date to but excluding the Call Event Settlement Date.

\*\* Day Count Basis will be 365 if the Deposit Currency is HKD or GBP. If the Deposit Currency is not HKD or GBP, the Day Count Basis will be 360.

- **Periodic Callable Feature:** A Call Event occurs if the Fixing Price of each of the Linked Stocks in the Stock Basket on any periodic Call Event Observation Date is AT or ABOVE its respective Call Price. The Call Price of each Linked Stock in the Stock Basket is set at a specified percentage of its Initial Price and will be set out in the relevant Term Sheet. The same percentage will be used to calculate the Call Price of each of the Linked Stocks in the Stock Basket on all Call Event Observation Dates. The periodic Call Event Observation Dates are certain periodic dates (excluding the Determination Date) as specified in the relevant Term Sheet. If a Call Event has occurred, the Basket Equity Linked Deposit will be early terminated and we will pay you the Deposit Amount and any accrued Potential Coupon Amount calculated up to but excluding the Call Event Settlement Date in cash (less any Cash Settlement Expenses) on the Call Event Settlement Date (being the second Business Day after the relevant Call Event Observation Date).



- **Expiry Kick-in Feature and Settlement At Maturity:** If no Call Event has occurred on any periodic Call Event Observation Dates and the Basket Equity Linked Deposit is not otherwise early terminated, your settlement at maturity will depend on whether a Kick-in Event has occurred on the Determination Date. A Kick-in Event occurs if the Fixing Price of any one of the Linked Stocks in the Stock Basket on the Kick-in Event Observation Date (which is set as the Determination Date) is AT or BELOW its respective Kick-in Price. The Kick-in Price of each Linked Stock in the Stock Basket is set at a specified percentage of its Initial Price and will be set out in the relevant Term Sheet. The same percentage will be used to calculate the kick-in Price of each of the Linked Stocks in the Stock Basket on the Kick-in Event Observation Date. The Kick-in Price of each Linked Stock will always be set at a level which is lower than its Reference Price.

Is the Fixing Price of any one of the Linked Stocks in the Stock Basket on the Kick-in Event Observation Date (which is set as the Determination Date) AT or BELOW its Kick-in Price?

Yes

No

The Kick-in Event has occurred. You will receive on the Maturity Date:

- (i) the Potential Coupon Amount for the final Coupon Period in cash (less any Cash Settlement Expenses); and
- (ii) a number of the Worst Performing Stock\* (subject to the payment of any Physical Settlement Expenses) which is calculated as follows:

$$\frac{\text{Deposit Amount (converted into HKD at the Exchange Rate if the Deposit Currency is not HKD)}}{\text{Reference Price of the Worst Performing Stock}}$$

Reference Price of the Worst Performing Stock

In this scenario, you will suffer a loss if the sum of the market value of the Worst Performing Stock delivered (calculated based on the Fixing Price of the Worst Performing Stock on the Determination Date) and the aggregate Potential Coupon Amount payable during the scheduled Deposit Tenor is less than the Deposit Amount.

No Kick-in Event has occurred. You will receive on the Maturity Date the Deposit Amount and the Potential Coupon Amount for the final Coupon Period in cash (less any Cash Settlement Expenses).

In this scenario, you will make a profit which is capped at the aggregate Potential Coupon Amount payable during the scheduled Deposit Tenor.

- \* The Worst Performing Stock is the Linked Stock in the Stock Basket with the lowest Stock Performance on the Determination Date. The Stock Performance of a Linked Stock on the Determination Date will be calculated as follows (rounded up to 2 decimal places):

$$\left( \frac{\text{Fixing Price of the Linked Stock on the Determination Date}}{\text{Initial Price of the Linked Stock}} - 1 \right) \times 100\%$$

If more than one Linked Stock have the same lowest Stock Performance on the Determination Date, the Bank will, in its sole and absolute discretion acting in good faith and in a commercially reasonable manner, decide which Linked Stock with the lowest Stock Performance shall be the Worst Performing Stock.

### How can you apply for a Basket Equity Linked Deposit?

If you want to apply for our Basket Equity Linked Deposits, you can contact us (as the intermediary) through our marketing officers at any of our branches in Hong Kong to enquire about our Basket Equity Linked Deposits and the application procedure. Please refer to page 80 of this Principal Brochure for further details.

You may apply for a Basket Equity Linked Deposit by placing an order with us on (i) if an application period is not special in the Term Sheet, any Business Day which will become the Trade Date or (ii) if an application period is specified in the Term Sheet, any Business Day during the application period. Once you place a Basket Equity Linked Deposit order with us, you will be committed to invest in the Basket Equity Linked Deposit and a cash amount equal to the Deposit Amount will be frozen in your designated cash account from the Order Date. If your Basket Equity Linked Deposit order is accepted and executed by us on the Trade Date, the Deposit Amount will be deducted from your designated cash account on the Start Date.

You should note that the Initial Price in respect of a Linked Stock in the Stock Basket can be set as either (i) the Fixing Price of such Linked Stock on the Trade Date; or (ii) the price of such Linked Stock as of the end of the morning trading session of the Exchange on the Trade Date (as published by the Exchange); or (iii) the specific price of such Linked Stock as agreed

between you and us at the time you place your order on the Trade Date and your order will be executed at such agreed price. For the avoidance of doubt, the Initial Prices of all the Linked Stocks in the Stock Basket will be set by using the same method. If the Initial Price in respect of a Linked Stock is set in the cases of (i) and (ii) above, some of the commercial terms (such as the Reference Price, Call Price and Kick-in Price) will be specified as a specified percentage of the relevant Initial Price in the Term Sheet and you will not know all the exact commercial terms when you place the order. You will have to bear the risk of changing market conditions between the time you place your order and the time all the commercial terms (including the Initial Prices) are recorded and determined on the Trade Date. If the Initial Price in respect of a Linked Stock is set in the case of (iii) above, you will know all the exact commercial terms when you place the order. In any event, if your order is accepted and executed by us on the Trade Date, a Confirmation setting out all the finalised terms of your Basket Equity Linked Deposit will be sent to you within 2 Business Days after the Trade Date.

### What are the fees and charges?

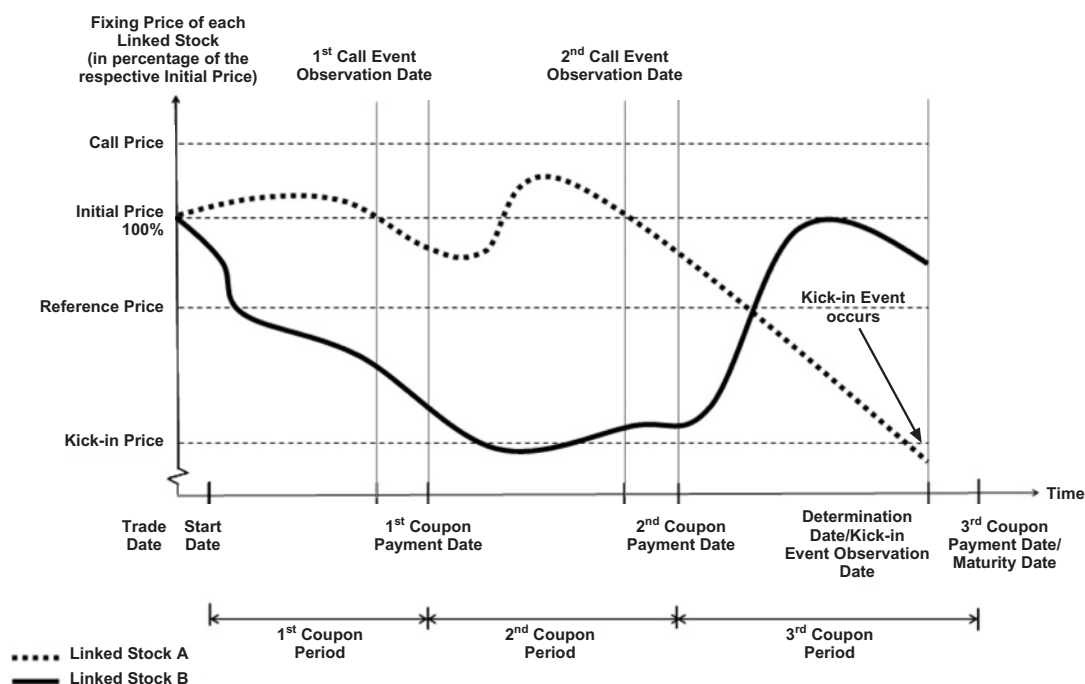
- **Cash Settlement Expenses** are all charges or expenses, including any taxes and duties that are incurred for payment of any cash amount under the Basket Equity Linked Deposit (except for the Residual Cash). Currently, no cash settlement expenses are payable.
- **Physical Settlement Expenses** are out-of-pocket expenses relating to the transfer and receipt of the number of the Worst Performing Stock on the Maturity Date. These expenses include the buyer's stamp duty and any other charges for provision of securities as notified by us from time to time. Physical Settlement Expenses, if applicable, will be payable by you before the Worst Performing Stock is delivered to you on the Maturity Date.

There are no subscription fees, charges or commission for placing a purchase order for a Basket Equity Linked Deposit with us. All related charges incurred by us (including our hedging cost) will be factored into the determination of the Annualised Coupon Rate.

Please refer to page 81 of this Principal Brochure for further details. You should note that any Cash Settlement Expenses or Physical Settlement Expenses will reduce your potential gain or increase your potential loss under your investment in the Basket Equity Linked Deposit.

### Worst case scenario

The below example illustrates the worst case scenario of a Basket Equity Linked Deposit with Periodic Callable and Expiry Kick-in Features.



The above example illustrates that:

- (i) no Call Event has occurred on any periodic Call Event Observation Date; and
- (ii) a Kick-in Event has occurred (where the Fixing Price of the Linked Stock A is below its Kick-in Price) on the Kick-in Event Observation Date (which is the Determination Date).

You will receive the following:

- (i) the Potential Coupon Amounts for the 1st and 2nd Coupon Periods in cash on the 1st and 2nd Coupon Payment Dates respectively; and
- (ii) the Potential Coupon Amount for the 3rd Coupon Period in cash and the number of Worst Performing Stock (being Linked Stock A) calculated by reference to its Reference Price on the Maturity Date. The market value of the number of Worst Performing Stock delivered (calculated based on the Fixing Price of the Worst Performing Stock on the Determination Date) may be substantially less than your Deposit Amount, or may even become worthless.

Your maximum potential loss under this example could be the Deposit Amount less the aggregate Potential Coupon Amount payable during the Deposit Tenor if the market value of the number of Worst Performing Stock on the Maturity Date falls to zero.

If the Bank becomes insolvent or defaults on its obligations under the Basket Equity Linked Deposit, you could lose all of your Deposit Amount.

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

### **Adjustment to the terms and conditions or early termination of the Basket Equity Linked Deposit**

The Bank (as the Offeror) can adjust some of the terms and conditions (such as the Call Prices and the Reference Prices) of the Basket Equity Linked Deposit upon the occurrence of certain events (such as a Potential Adjustment Event) to account for the diluting or concentrative effect of the relevant event so as to preserve the economic equivalence of the Basket Equity Linked Deposit. The Bank can also adjust some of the key dates (such as the Determination Date) upon the occurrence of certain disruption events. Any adjustment will be made by the Bank in its sole and absolute discretion (acting in good faith and in a commercially reasonable manner).

In addition, the Bank (as the Offeror) can early terminate the Basket Equity Linked Deposit upon the occurrence of certain events (such as an Additional Disruption Event or Merger Event where the Bank is unable to make adjustments to preserve the economic equivalence of the Basket Equity Linked Deposit). Please refer to pages 74 to 76 of this Principal Brochure for further details.

### **Post-sale cooling-off period**

#### ***Basket Equity Linked Deposit with an Investment Period of one year or less***

In respect of a Basket Equity Linked Deposit with an Investment Period of one year or less, there is no post-sale cooling-off period for you to cancel or unwind your purchase order after you have placed your purchase order with us on the Order Date.

#### ***Basket Equity Linked Deposit with an Investment Period of more than one year***

In respect of a Basket Equity Linked Deposit with an Investment Period of more than one year, there is a post-sale cooling-off period and you have the right to cancel or unwind your order (in whole but not in part) within 5 Business Days after you have placed your purchase order with us on the Order Date (“**Post-sale Cooling-off Period**”). If you choose to do so, you must submit an irrevocable written notice to us between 9:00a.m. and 3:00p.m. (Hong Kong time) on any Business Day during the Post-sale Cooling-off Period. Please contact our marketing officers for further details.

If you submit a written notice to us to cancel your purchase order before the Trade Date, we will release the Deposit Amount frozen by us in your Designated Cash Account on the day we receive your written notice and no Deposit Amount will be deducted from the Designated Cash Account on the Start Date. No market value adjustment will be deducted from the Designated Cash Account.

If you submit a written notice to us to unwind your purchase order on or after the Trade Date, the Deposit Amount will be deducted from the Designated Cash Account on the Start Date and we will then refund to you a cash amount equal to the Deposit Amount less any market value adjustment on the later of: (i) the second Business Day after the day you submitted the written notice or (ii) the third Business Day after the Start Date. The cash amount you receive will be capped at, and may be substantially less than the Deposit Amount.

The Term Sheet will specify if the post-sale cooling-off period is applicable to a particular Basket Equity Linked Deposit. Please refer to pages 81 to 82 of this Principal Brochure for further details.

### **Is there any market making arrangement before expiry?**

#### ***Basket Equity Linked Deposit with an Investment Period of 6 months or less***

In respect of a Basket Equity Linked Deposit with an Investment Period of 6 months or less, we will not provide any market making arrangements and you cannot early terminate the Basket Equity Linked Deposit after your order is accepted and executed by us on the Trade Date.

#### ***Basket Equity Linked Deposit with an Investment Period of more than 6 months***

In respect of a Basket Equity Linked Deposit with an Investment Period of more than 6 months, we (as the market agent) will provide limited market making arrangement on a bi-weekly basis from the week after the Start Date up to the third Exchange Business Day before the Determination Date (each a “**Dealing Day**”). We (as the market agent) will make available an indicative bid price of your Basket Equity Linked Deposit on each Dealing Day during normal business hours upon request. The indicative bid price is subject to any intra-day changes and is provided for your reference only as it may not be equal to the actual bid price at which we are willing to early terminate your Basket Equity Linked Deposit.

If you wish to early terminate your Basket Equity Linked Deposit under our market making arrangement on a Dealing Day, you can apply to us at any of our branches between 9:30a.m. and 3:30p.m. (Hong Kong time) on such Dealing Day and request for an actual bid price. The actual bid price at which we are willing to early terminate your Basket Equity Linked Deposit will be determined by us at our sole and absolute discretion (acting in good faith and in a commercially reasonable manner) and will only be valid for a limited period of time as notified to you. You should note that if you early terminate your Basket Equity Linked Deposit before maturity, the amount you receive may be substantially less than your Deposit Amount.

The Term Sheet will specify if any market making arrangement is applicable to a particular Basket Equity Linked Deposit and the details of such market making arrangement. Please refer to pages 82 to 83 of this Principal Brochure for further details.

### **Additional Information**

#### **A. Offering Documents**

The following Offering Documents contain detailed information about the Bank and our Basket Equity Linked Deposits. You should read and understand all of these documents before deciding whether to invest:

- (i) this Principal Brochure for our Basket Equity Linked Deposits dated 19 December 2011 and the addendum thereto (if any) as specified in the relevant Term Sheet;
- (ii) the Financial Disclosure Document and the addendum thereto (if any) as specified in the relevant Term Sheet, which will include our most recently published audited annual report and unaudited interim report (if any); and
- (iii) the relevant Term Sheet.

The offer of our Basket Equity Linked Deposits is made only on the basis of the Offering Documents. We (as the intermediary) have the obligation to distribute to you ALL of the above Offering Documents in English or Chinese as you may prefer.

**B. Our ongoing disclosure obligations**

We (as the Offeror and the Product Arranger) will keep the SFC and the investors informed as soon as reasonably practicable if (a) we (as the Offeror) cease to meet any core requirements in Appendix A to the Code, (b) we (as the Product Arranger) cease to meet any eligibility requirements under 4.2 of the Code and, (c) to the extent permitted by any applicable law, there are any changes in our financial condition or other circumstances which could reasonably be expected to have a material adverse effect on our ability (as the Offeror) to fulfil our commitment in connection with this product. Please contact our marketing officers for further details.

**Important**

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

## RISK FACTORS

You must consider all the risks associated with our Basket Equity Linked Deposits before deciding whether to invest in our Basket Equity Linked Deposits.

- **Our Basket Equity Linked Deposits are unlisted structured investment products and are NOT protected deposits.**

Our Basket Equity Linked Deposits are unlisted structured investment products embedded with derivatives. They are not equivalent to nor should they be treated as substitutes for conventional time deposits and are not protected deposits under the Deposit Protection Scheme in Hong Kong.

- **Our Basket Equity Linked Deposits are NOT capital protected.**

Our Basket Equity Linked Deposits are not capital protected. If you are to receive the number of Worst Performing Stock, the market value of such number of Worst Performing Stock that you receive (calculated based on the Fixing Price of the Worst Performing Stock on the Determination Date) may be substantially less than your Deposit Amount. **In the extreme case, the Worst Performing Stock that you receive may become worthless and your maximum potential loss could be the Deposit Amount less the aggregate Potential Coupon Amount payable during the Deposit Tenor.**

- **The maximum potential gain is limited.**

The amount of maximum potential gain under our Basket Equity Linked Deposits is capped and limited to the aggregate Potential Coupon Amount payable during the scheduled Deposit Tenor (less any Cash Settlement Expenses) even if your view on the market movement of each of the Linked Stocks in the Stock Basket is correct. If the Call Event has occurred on a Call Event Observation Date, the maximum potential gain under our Basket Equity Linked Deposits is limited to the aggregate Potential Coupon Amount accrued up to but excluding the Call Event Settlement Date (less any Cash Settlement Expenses).

- **Our Basket Equity Linked Deposits will be early terminated upon occurrence of a Call Event. You will be subject to re-investment risk when you invest in our Basket Equity Linked Deposits.**

Our Basket Equity Linked Deposits will be early terminated if a Call Event has occurred. A Call Event occurs if the Fixing Price of each of the Linked Stocks in the Stock Basket on any Call Event Observation Date is AT or ABOVE its respective Call Price. If a Call Event occurs, our Basket Equity Linked Deposits will be early terminated on the Call Event Settlement Date. We will pay you the Deposit Amount and any accrued Potential Coupon Amount in cash (less any Cash Settlement Expenses) on the Call Event Settlement Date. You will not receive any further Potential Coupon Amount following such termination. You may not be able to enjoy the same rate of return if you re-invest in other investments with similar risk parameters.

- **Your potential payout is determined by reference to each of the Linked Stocks in the Stock Basket.**

The potential payout of our Basket Equity Linked Deposits depends on the performance of each of the Linked Stocks in the Stock Basket during the Investment Period. That is, even if some of the Linked Stocks in the Stock Basket are performing well according to your expectation, if any one of the Linked Stocks in the Stock Basket performs poorly against your

expectation on any of the Kick-in Event Observation Date (if applicable) and the Determination Date, you will receive physical delivery of the Worst Performing Stock and may suffer a substantial loss of your investment, and you will not benefit from the strong performance of the other Linked Stock(s) in the Stock Basket.

- **Post-sale cooling-off period only applies to our Basket Equity Linked Deposits with an Investment Period of more than one year.**

In respect of a Basket Equity Linked Deposit with an Investment Period of one year or less, there is no post-sale cooling-off period for you to cancel or unwind your purchase order after you have placed your purchase order with us on the Order Date.

In respect of a Basket Equity Linked Deposit with an Investment Period of more than one year, there is post-sale cooling-off period and you have the right to cancel or unwind your purchase order (in whole but not in part) within 5 Business Days after you have placed your purchase order with us on the Order Date (“**Post-sale Cooling-off Period**”). If you choose to do so, you must submit an irrevocable written notice to us between 9:00a.m. and 3:00p.m. (Hong Kong time) on any Business Day during the Post-sale Cooling-off Period.

If you submit a written notice to us to cancel your purchase order before the Trade Date, the Deposit Amount will not be deducted from the Designated Cash Account on the Start Date. No market value adjustment will be deducted from the Designated Cash Account.

If you submit a written notice to us to unwind your purchase order on or after the Trade Date, the Deposit Amount will be deducted from the Designated Cash Account on the Start Date and we will refund to you a cash amount equal to the Deposit Amount less any market value adjustment on the later of: (i) the second Business Day after the day you submitted the written notice or (ii) the third Business Day after the Start Date.

**You should note that if you submit a written notice to us to unwind your purchase order on or after the Trade Date, the cash amount that you receive will be capped at, and may be substantially less than your Deposit Amount.**

The relevant Term Sheet for a Basket Equity Linked Deposit will specify if the post-sale cooling-off period is applicable for that Basket Equity Linked Deposit.

- **Our Basket Equity Linked Deposits are designed to be held to maturity. We will only provide limited market making arrangement for our Basket Equity Linked Deposits with an Investment Period of more than 6 months.**

Our Basket Equity Linked Deposits are not transferrable without our prior written consent and are designed to be held to their maturity. Unlike any of the Linked Stocks which is listed on The Stock Exchange of Hong Kong Limited (“**Exchange**”), there is only a limited market making arrangement for our Basket Equity Linked Deposits with an Investment Period of more than 6 months.

In respect of a Basket Equity Linked Deposit with an Investment Period of 6 months or less, we will not provide any market making arrangement and you **cannot early terminate** the Basket Equity Linked Deposit after your Basket Equity Linked Deposit order is accepted and executed by us on the Trade Date.

In respect of a Basket Equity Linked Deposit with an Investment Period of more than 6 months, we will provide limited market making arrangement on a bi-weekly basis starting from the week after the Start Date up to the third Exchange Business Day before the Determination Date, or if any such day is not an Exchange Business Day or is a Disrupted Day, the following Exchange Business Day which is not a Disrupted Day (each a “**Dealing**

**Day**”). The minimum amount at which you may request an early termination of a Basket Equity Linked Deposit under our market making arrangement is the Deposit Amount of such Basket Equity Linked Deposit. Accordingly, you can only early terminate your Basket Equity Linked Deposit in whole (but not in part) under our market making arrangement.

We will make available an indicative bid price of your Basket Equity Linked Deposit on each Dealing Day during normal business hours upon request. If you wish to early terminate your Basket Equity Linked Deposit under our market making arrangement on a Dealing Day, you can apply to us at any of our branches between 9:30a.m. and 3:30p.m. (Hong Kong time) on such Dealing Day and request for an actual bid price. The actual bid price at which we are willing to early terminate your Basket Equity Linked Deposit under our market making arrangement will be determined by us, in our sole and absolute discretion (acting in good faith and in a commercially reasonable manner), based on the indicative bid price and subject to adjustment for any intra-day market changes. You should note that the actual bid price will only be valid for a limited period of time as notified to you. **If you early terminate your Basket Equity Linked Deposit before maturity, you may receive an amount which is less than, or substantially less than, your Deposit Amount.**

The relevant Term Sheet for a Basket Equity Linked Deposit will specify if any market making arrangement is applicable to that Basket Equity Linked Deposit and the details on such market making arrangement. Please contact our marketing officer (as the intermediary) for further details on the market making arrangements.

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

As our Basket Equity Linked Deposits are not listed on any stock exchange, they are not covered by the Investor Compensation Fund established under the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) if we default under our Basket Equity Linked Deposits.

- **There is no collateral. When you invest in our Basket Equity Linked Deposits, you will be relying on the creditworthiness of The Bank of East Asia, Limited.**

When investing in our Basket Equity Linked Deposits, you will be relying upon the creditworthiness of The Bank of East Asia, Limited. There is no assurance of protection against a default by us in respect of our payment or delivery obligations under our Basket Equity Linked Deposits. We are a large global financial institution and have many financial products and contracts outstanding at any given time. Our Basket Equity Linked Deposits represent our general, unsecured contractual obligations and are not secured on any assets or any collateral.

If we become insolvent or default on our obligations under our Basket Equity Linked Deposits, you can only claim as our unsecured creditor regardless of the performance of any of the Linked Stocks and the terms of our Basket Equity Linked Deposits. **In the worst case scenario, you could lose all of your Deposit Amount.**

- **Market risk.**

Investment involves risk. Changes in the market price of any of the Linked Stocks may not lead to any corresponding change in the market value of our Basket Equity Linked Deposits. The market value of our Basket Equity Linked Deposits will fluctuate depending on a wide range of factors such as, without limitation, the market interest rate movements, the creditworthiness of The Bank of East Asia, Limited, the market value of the embedded put option and the current and expected market price and price volatility of any of the Linked Stocks.

- **You have no rights in any of the Linked Stocks in the Stock Basket.**

Our Basket Equity Linked Deposits are unlisted structured investment products. Investing in our Basket Equity Linked Deposits is not the same as investing in any of the Linked Stocks in the Stock Basket. You have no rights in any of the Linked Stocks in the Stock Basket (except where the Worst Performing Stock is determined on the Determination Date to be deliverable to you on the Maturity Date).

In case where the Worst Performing Stock is determined on the Determination Date to be deliverable on the Maturity Date, you are entitled to all those rights attaching to the Worst Performing Stock as if you had been registered as the holder of such Worst Performing Stock as from and including the Determination Date. During the period from and including the Determination Date and until such time as the Worst Performing Stock is delivered to you (“**Intervening Period**”), we are not under any obligation (i) to deliver to you any letter, certificate, notice, circular, dividend, distribution or any other document or payment whatsoever received by a registered holder of such Worst Performing Stock; or (ii) to exercise any or all rights (including voting rights) attaching to such Worst Performing Stock. We are not liable to you in respect of any loss or damage which you may suffer as a result, whether directly or indirectly, of us being registered as legal owner of such Worst Performing Stock during the Intervening Period. However, we will notify you of the receipt of any dividend, distribution, bonus issue, shares or units issued pursuant to a share split or consolidation, by us during the Intervening Period, in respect of the Worst Performing Stock beneficially owned by you, and make available such dividend or distribution payment of the Worst Performing Stock to you in a commercially reasonable manner upon production of such evidence of entitlement and identification as we may reasonably require. Please refer to Condition 5 of the Product Terms and Conditions as set out in Appendix 1 to this Principal Brochure for further details.

- **Exposure to market price movement of the Worst Performing Stock after the Determination Date.**

Your settlement at maturity will be determined on the Determination Date but settlement will only occur on the Maturity Date. You should note that if you are to receive the Worst Performing Stock on the Maturity Date, you will be exposed to any price movement of the Worst Performing Stock between the Determination Date and the Maturity Date (being the second Clearing System Business Day after the Determination Date). If you decide to hold the number of the Worst Performing Stock delivered to you on the Maturity Date, you will be further exposed to the market risk of holding such Worst Performing Stock from the Maturity Date until you sell the Worst Performing Stock.

- **There may be a time gap between Trade Date and Start Date and you will be exposed to risks from the Trade Date.**

There may be a time gap between the Trade Date and the Start Date, with the Start Date being 2 Business Days after the Trade Date which may be, at your request, shortened to the same day as the Trade Date or extended up to 14 Business Days after the Trade Date. Your Basket Equity Linked Deposit order is accepted and executed on Trade Date and all the terms of the Basket Equity Linked Deposit are finalised. You are exposed to the risks associated with our Basket Equity Linked Deposits from the Trade Date. Given the same Deposit Tenor, the longer the time gap between the Trade Date and the Start Date, the longer the period of time you will be exposed to the risks associated with our Basket Equity Linked Deposits.

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

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

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

- **We may adjust the terms and conditions of our Basket Equity Linked Deposits, substitute the Linked Stock or early terminate our Basket Equity Linked Deposits in our sole and absolute discretion acting in good faith and in a commercially reasonable manner.**

#### *Potential Adjustment Event*

If we (as the Offeror) in our sole and absolute discretion (acting in good faith and in a commercially reasonable manner) determine that a Potential Adjustment Event (such as rights issue, bonus share, consolidation or subdivision of a Linked Stock) has occurred on or after the Trade Date but on or prior to the Determination Date, we (as the Offeror) will in our sole and absolute discretion (acting in good faith and in a commercially reasonable manner) make adjustments to the terms and conditions of the Basket Equity Linked Deposit.

Our adjustment to the terms and conditions may include, but is not limited to, adjusting the Call Price, the Kick-in Price (if applicable) and the Reference Price of the affected Linked Stock, to account for the diluting or concentrative effect of the relevant event so as to maintain the economic equivalence of the Basket Equity Linked Deposit.

We will not take into account your specific circumstances and/or tax or other consequences of such adjustments in any particular jurisdiction. Please refer to Condition 8 of the Product Terms and Conditions as set out in Appendix 1 to this Principal Brochure for further details.

#### *Merger Event or Tender Offer*

If we (as the Offeror) in our sole and absolute discretion (acting in good faith and in a commercially reasonable manner) determine that a Merger Event (such as consolidation, amalgamation or merger) or a Tender Offer (such as a takeover offer or exchange offer) in respect of a Linked Stock has occurred on or after the Trade Date but on or prior to the Determination Date, we (as the Offeror) may in our sole and absolute discretion (acting in good faith and in a commercially reasonable manner) make adjustments to the terms and conditions of the Basket Equity Linked Deposit.

Our adjustment to the terms may include, but is not limited to, adjusting the Call Price, the Kick-in Price (if applicable) and the Reference Price of the affected Linked Stock to treat the shares or units of the surviving entity after the Merger Event or Tender Offer as the affected Linked Stock, so as to maintain the economic equivalence of the Basket Equity Linked

Deposit. For the avoidance of doubt, if the affected Linked Stock is determined on the Determination Date to be the Worst Performing Stock which is deliverable on the Maturity Date, such number of shares or units of the surviving entity will be delivered to you on the Maturity Date.

If we (as the Offeror) determine (acting in good faith and in a commercially reasonable manner) that in the case of a Merger Event or a Tender Offer, any of the foregoing adjustments is unable to preserve the economic equivalence of the Basket Equity Linked Deposit, we may substitute the affected Linked Stock with the shares or units of another entity (which is not already comprised in the Stock Basket) in the same business sector of the issuer of the affected Linked Stock trading on the Exchange with comparable market capitalisation as that of the issuer of the affected Linked Stock as of the Trade Date and make any further adjustment to the terms of the Basket Equity Linked Deposit to account for that event as we determine appropriate (acting in good faith and in a commercially reasonable manner). **Such substitution may have an adverse impact on the market value of the Basket Equity Linked Deposit.**

If we (as the Offeror) in our sole and absolute discretion (acting in good faith and in a commercially reasonable manner) determine that in the case of Merger Event or Tender Offer, it is unable to substitute the affected Linked Stock to account for that event as stated above, we will early terminate the affected Basket Equity Linked Deposit as soon as practicable after the occurrence of such event as determined by us in our sole and absolute discretion (acting in good faith and in a commercially reasonable manner), and arrange for payment of the Early Termination Amount (if any) within 2 Business Days after the effective date of such early termination.

Please refer to Condition 9 of the Product Terms and Conditions as set out in Appendix 1 to this Principal Brochure for further details.

#### *Additional Disruption Event*

If we (as the Offeror) in our sole and absolute discretion (acting in good faith and in a commercially reasonable manner) determine that an Additional Disruption Event (such as Delisting, Nationalisation or Insolvency) in respect of a Linked Stock has occurred on or after the Trade Date but on or prior to the Determination Date, we will seek to substitute the affected Linked Stock based on the same method as stated above and make any further adjustment to the terms of the Basket Equity Linked Deposit to account for that event as we determine appropriate (acting in good faith and in a commercially reasonable manner). **Such substitution may have an adverse impact on the market value of the Basket Equity Linked Deposit.** If we determine that it is unable to substitute the affected Linked Stock to account for that event as stated above, we will early terminate the affected Basket Equity Linked Deposit as soon as practicable after the occurrence of such event as determined by us in our sole and absolute discretion (acting in good faith and in a commercially reasonable manner), and arrange for payment of the Early Termination Amount (if any) within 2 Business Days after the effective date of such early termination.

The Early Termination Amount is determined by us (as the Offeror), in our sole and absolute discretion (acting in good faith and in a commercially reasonable manner), as representing the fair market value of such Basket Equity Linked Deposit at the time of the occurrence of such event. **The Early Termination Amount may be substantially less than your Deposit Amount. You may suffer a substantial loss if the Basket Equity Linked Deposit is early terminated under these circumstances.**

Please refer to Condition 10 of the Product Terms and Conditions as set out in Appendix 1 to this Principal Brochure for further details.

- **Your Basket Equity Linked Deposit order will be rejected if the Initial Price in respect of a Linked Stock cannot be recorded on the Trade Date.**

You should note that if the Initial Price in respect of a Linked Stock is set as either (i) the Fixing Price of that Linked Stock on the Trade Date or (ii) the price of that Linked Stock as of the end of the morning trading session of the Exchange on the Trade Date, and if such Initial Price in the cases of (i) and (ii) above cannot be recorded on the Trade Date due to a Market Disruption Event, your Basket Equity Linked Deposit order will be rejected and will not be executed by us. The Deposit Amount will not be deducted from the Designated Cash Account on the Start Date and we will not charge you any fees for rejecting such order.

- **Impact of Market Disruption Event.**

If we (as the Offeror) determine that a Market Disruption Event in respect of any Linked Stock in the Stock Basket occurs on any Call Event Observation Date, any Kick-in Event Observation Date (if applicable) or the Determination Date (as the case may be), that Call Event Observation Date, that Kick-in Event Observation Date or the Determination Date (as the case may be) for each Linked Stock in the Stock Basket (whether or not affected by the occurrence of the Market Disruption Event) will be postponed to the first succeeding Exchange Business Day on which there is no Market Disruption Event for any Linked Stock in the Stock Basket, unless a Market Disruption Event in respect of any Linked Stock in the Stock Basket occurs on each of the eight Exchange Business Days immediately following the scheduled Call Event Observation Date, the scheduled Kick-in Event Observation Date or the scheduled Determination Date (as the case may be). In that case, (i) that eighth Exchange Business Day shall be deemed to be the relevant Call Event Observation Date, the relevant Kick-in Event Observation Date or the Determination Date (as the case may be) for each Linked Stock in the Stock Basket, notwithstanding the Market Disruption Event, (ii) the official closing price of any unaffected Linked Stock(s) in the Stock Basket as published by the Exchange as of that eighth Exchange Business Day shall be deemed to be the Fixing Price of such Linked Stock(s) on the relevant Call Event Observation Date, the relevant Kick-in Event Observation Date or the Determination Date (as the case may be), and (iii) we (as the Offeror) will determine (acting in good faith and in a commercially reasonable manner) the fair market price of the affected Linked Stock in the Stock Basket on that eighth Exchange Business Day. Such fair market price shall be deemed to be the Fixing Price of the affected Linked Stock as of the relevant Call Event Observation Date, the relevant Kick-in Event Observation Date or the Determination Date (as the case may be).

Our determination may have unforeseen adverse impact on your potential gain or loss on the Basket Equity Linked Deposit. Delay in determining the Fixing Price of any Linked Stock may cause consequential delay in settlement. We will not be liable for any interest in respect of any loss or damage that you may suffer as a result of such delay.

- **Impact of Settlement Disruption Event.**

If we are to deliver the Worst Performing Stock to you on the Maturity Date and as a result of an event beyond our control which we (as the Offeror), in our sole and absolute discretion (acting in good faith and in a commercially reasonable manner), determine that it is not possible for us to deliver the Worst Performing Stock to your designated securities account on the scheduled Maturity Date (“**Settlement Disruption Event**”), then the Maturity Date shall be postponed to the first following Clearing System Business Day on which there is no Settlement Disruption Event. We will notify you of the postponement on the second Business Day after the original Maturity Date. If a Settlement Disruption Event prevents settlement on each of the eight Clearing System Business Days immediately following the scheduled Maturity Date, then in respect of the number of Worst Performing Stock that would have been delivered but for the occurrence of the Settlement Disruption Event, we will pay you a cash

amount equal to the fair market value of such number of Worst Performing Stock as of that eighth Clearing System Business Day as determined by us in our sole and absolute discretion (acting in good faith and in a commercially reasonable manner), and such cash amount will be credited to your designated cash account on the second Business Day after that eighth Clearing System Business Day. You do not have the right to elect for physical delivery of the number of the Worst Performing Stock under these circumstances. We will notify you on the second Business Day after that eighth Clearing System Business Day of the relevant settlement arrangement (including the determination of such cash amount). **Such cash amount may be substantially less than your Deposit Amount and you may suffer substantial loss under these circumstances.** We will not be liable for any interest in respect of the amount due or any loss or damage that you may suffer as a result of the existence of a Settlement Disruption Event.

- **Risk relating to our hedging activities.**

We and/or our respective affiliates may enter into hedging transactions in the market with our respective hedging counterparties to enable us to fulfill our obligations under a Basket Equity Linked Deposit. These transactions typically involve contracts for the purchase and/or sale of any of the Linked Stocks and the establishment of long and/or short positions in any of the Linked Stocks which may be constantly adjusted. It is possible that these activities could adversely affect the market price of any of the Linked Stocks during the Investment Period, resulting in the physical delivery of the number of the Worst Performing Stock with a market value less than or substantially less than your Deposit Amount.

However, if the hedging counterparties default or fail to fulfil their obligations under the hedging transactions which does not constitute a Hedging Disruption as contemplated in Condition 10 of the Product Terms and Conditions, we will bear all the risks involved and we will keep the same terms and structures pursuant to our Basket Equity Linked Deposits.

- **You may receive odd lots of the Worst Performing Stock.**

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

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

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

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

### *Exchange Traded Fund*

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

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

If an ETF adopts a synthetic replication investment strategy to achieve its investment objectives by investing in financial derivative instruments linked to the performance of an underlying asset pool or index that the ETF is designed to track, you should note that:

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

### *Real Estate Investment Trust*

If our Basket Equity Linked Deposits are linked to a fund which is a real estate investment trust (“**REIT**”), you should note that the investment objective of REITs is to invest in a real estate portfolio. Each REIT is exposed to risks relating to investments in real estate, including but not limited to (a) adverse changes in political or economic conditions; (b) changes in interest rates and the availability of debt or equity financing, which may result in an inability by the REIT to maintain or improve the real estate portfolio and finance future acquisitions; (c) changes in environmental, zoning and other governmental rules; (d) changes in market rents; (e) any required repair and maintenance of the portfolio properties; (f) breach of any property laws or regulations; (g) the relative illiquidity of real estate investment; (h) real estate taxes; (i) any hidden interests in the portfolio properties; (j) any increase in insurance premiums and (k) any uninsurable losses.

There may also be disparity between the market price of the units of a REIT and the net asset value per unit. This is because the market price of the units of a REIT also depends on many factors, including but not limited to (a) the market value and perceived prospects of the real estate portfolio; (b) changes in economic or market conditions; (c) changes in market valuations of similar companies; (d) changes in interest rates; (e) the perceived attractiveness of the units of the REIT against those of other equity securities; (f) the future size and liquidity

of the market for the units and the REIT market generally; (g) any future changes to the regulatory system, including the tax system and (h) the ability of the REIT to implement its investment and growth strategies and to retain its key personnel. Such risks may have a negative impact on the performance of the linked stock and therefore the potential gain of our Basket Equity Linked Deposits. In addition, increase in the market price of units of the REIT or its real estate portfolio may not lead to an increase in the market value of our Basket Equity Linked Deposits of the same magnitude or even any increase at all.

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

- **Investing in our Basket Equity Linked Deposits may involve exchange rate risk.**

Our Basket Equity Linked Deposits may be issued and settled in a currency other than HKD. If the Deposit Currency is not HKD, where we are to deliver the number of Worst Performing Stock to you on the Maturity Date, we will convert that foreign currency into HKD at the exchange rate specified in the relevant Term Sheet in making calculations for the number of Worst Performing Stock deliverable. If such number of Worst Performing Stock consists of any fractional shares or units (“**Fractional Stock**”), we will pay you that Fractional Stock in cash in HKD (whether the Deposit Currency is HKD or otherwise) by reference to the Fixing Price of the Worst Performing Stock on the Determination Date (“**Residual Cash**”) to your cash account in HKD. As such, before you could invest in our Basket Equity Linked Deposit, it is a precondition that you should hold a cash account in HKD with us, whether or not the Deposit Currency is HKD. You should note that fluctuation in the exchange rate may have an adverse impact on the number of Worst Performing Stock deliverable and the amount of Residual Cash and thus on your potential payout under our Basket Equity Linked Deposits.

In addition, if our Basket Equity Linked Deposits are not denominated in your home currency, you will be exposed to fluctuations in the prevailing exchange rate when you convert any payments received under our Basket Equity Linked Deposits back to your home currency.

- **Some of the terms of our Basket Equity Linked Deposits may only be determined after you have placed your purchase order.**

You should note that the Initial Price in respect of a Linked Stock in the Stock Basket can be set as either (i) the Fixing Price of such Linked Stock on the Trade Date; or (ii) the price of such Linked Stock as of the end of the morning trading session of the Exchange on the Trade Date (as published by the Exchange); or (iii) the specific price of such Linked Stock as agreed between you and us at the time you place your order on the Trade Date and your order will be executed at such agreed price. For the avoidance of doubt, the Initial Prices of all the Linked Stocks in the Stock Basket will be set by using the same method. If the Initial Price in respect of a Linked Stock in the Stock Basket is set in the cases of (i) and (ii) above, some of the commercial terms (including the Call Price, the Kick-in Price (if applicable) and the Reference Price) will be specified as a specified percentage of the relevant Initial Price in the Term Sheet and you will not know all the exact commercial terms when you place the order. You will have to bear the risk of changing market conditions between the time you place your order and the time all the commercial terms (including the Initial Prices) are recorded and determined on the Trade Date. If the Initial Price in respect of a Linked Stock is set in the case of (iii) above, you will know all the exact commercial terms when you place the order. The longer the time gap between the time you place your order and the Trade Date, the longer the period of time you will be subject to the risk of changing market conditions between the time you place your order and the Trade Date.

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

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

## WHAT ARE THE KEY FEATURES OF OUR BASKET EQUITY LINKED DEPOSITS?

- Our Basket Equity Linked Deposits have six combinations of different features as follows:
  - (i) Basket Equity Linked Deposit with Daily Callable feature;
  - (ii) Basket Equity Linked Deposit with Periodic Callable feature;
  - (iii) Basket Equity Linked Deposit with Daily Callable and Daily Kick-in features;
  - (iv) Basket Equity Linked Deposit with Periodic Callable and Daily Kick-in features;
  - (v) Basket Equity Linked Deposit with Daily Callable and Expiry Kick-in features; and
  - (vi) Basket Equity Linked Deposit with Periodic Callable and Expiry Kick-in features.
- Our Basket Equity Linked Deposits are unlisted structured investment products which have an embedded conditional put option over the Linked Stocks in the Stock Basket. If you invest in our Basket Equity Linked Deposits, you will be selling to the Bank a conditional put option over the Linked Stocks in the Stock Basket. If certain conditions are met, you will be obliged to buy a number of the Worst Performing Stock in the Stock Basket at its Reference Price from the Bank on the Determination Date, which will be delivered to you on the Maturity Date.

**Glossary — The key features of our Basket Equity Linked Deposits are set out below:**

### **A. Subscription for our Basket Equity Linked Deposits**

**Deposit Amount:**

The amount invested by you in a Basket Equity Linked Deposit, which is subject to the Minimum Deposit Amount of HKD100,000 or its equivalent in the Deposit Currency.

Once you place a Basket Equity Linked Deposit order with us on the Order Date, a cash amount equal to the Deposit Amount will be frozen in your designated cash account from the Order Date. Once your Basket Equity Linked Deposit order is accepted and executed by us on the Trade Date, the Deposit Amount will be deducted from your designated cash account on the Start Date.

**Deposit Currency:**

This is the currency in which a Basket Equity Linked Deposit is denominated, which can be HKD, United States dollar, Japanese Yen, Australian dollar, New Zealand dollar, Canadian dollar, GBP or Euro upon your request and accepted by us. You will pay the Deposit Amount and receive any Potential Coupon Amount and the Deposit Amount (if applicable) in the Deposit Currency.

If the Deposit Currency is not HKD, we will convert the Deposit Currency into HKD at the Exchange Rate specified in the relevant Term Sheet in making calculations for the number of Worst Performing Stock deliverable under a Basket Equity Linked Deposit.

**Stock Basket:**

A Basket Equity Linked Deposit is linked to a Stock Basket which comprises a minimum of two and a maximum of seven shares of companies or units of funds (each a “**Linked Stock**”) listed on The Stock Exchange of Hong Kong Limited (“**Exchange**”). Not all listed stocks can be selected as a Linked Stock. You should check with our marketing officers for the details of the available stocks.

The Linked Stocks comprising the Stock Basket will be specified in the Term Sheet.

**Initial Price:**

In respect of a Linked Stock, the Initial Price will be set in the Term Sheet as either (i) the Fixing Price of such Linked Stock on the Trade Date; or (ii) the price of such Linked Stock as of the end of the morning trading session of the Exchange on the Trade Date (as published by the Exchange); or (iii) the specific price of such Linked Stock as agreed between you and us at the time you place your order for a Basket Equity Linked Deposit with us on the Trade Date and your order will be executed at such agreed price. For the avoidance of doubt, the Initial Prices of all the Linked Stocks in the Stock Basket will be set by using the same method.

We will use the Initial Price of a Linked Stock to calculate its Call Price, Kick-in Price (if applicable) and Reference Price.

You should note that if the Initial Price of a Linked Stock is set in the cases of (i) and (ii) above, some of the commercial terms (being the Reference Price, Call Price and the Kick-in Price (if applicable)) will be specified as a specified percentage of the relevant Initial Price in the Term Sheet and you will not know all the exact commercial terms when you place the order. You will have to bear the risk of changing market conditions between the time you place your order and the time all the commercial terms (including the Initial Prices) are recorded and determined on the Trade Date. If the Initial Price in respect of a Linked Stock is set in the case of (iii) above, you will know all the exact commercial terms when you place the order. The longer the time gap between the time you place your order and the time upon all the commercial terms (including the Initial Prices) are recorded and determined on the Trade Date, the longer the period of time you will be subject to the risk of changing market conditions during such period.

**Fixing Price:**

In respect of an Exchange Business Day and a Linked Stock, the official closing price of the Linked Stock as of that day (as published by the Exchange).

**Order Date:**

The day on which you place your Basket Equity Linked Deposit order with us.

You may place your Basket Equity Linked Deposit order with us on (i) if an application period is not specified in the Term Sheet, any Business Day which will become the Trade Date or (ii) if an application period is specified in the Term Sheet, any Business Day during the application period.

**Application period:**

This is the period during which you can apply for our Basket Equity Linked Deposits. The last day of an application period will be the Trade Date. The Term Sheet will specify the application period if it is applicable.

**Trade Date:**

The day on which your Basket Equity Linked Deposit order is accepted and executed by us and all the terms of the Basket Equity Linked Deposit are finalised. You will be exposed to the risks associated with the Basket Equity Linked Deposit starting from the Trade Date.

The Trade Date will be specified in the Term Sheet. If an application period is specified in the Term Sheet, the last day of the application period will be the Trade Date. If an application period is not specified in the Term Sheet, the Order Date will be the Trade Date.

You should note that if the Initial Price in respect of a Linked Stock is set as either (i) the Fixing Price of that Linked Stock on the Trade Date or (ii) the price of that Linked Stock as of the end of the morning trading session of the Exchange on the Trade Date, and such Initial Price in the cases of (i) and (ii) above cannot be recorded on the Trade Date due to the occurrence of a Market Disruption Event, your Basket Equity Linked Deposit order will be rejected and will not be executed by us. The Deposit Amount will not be deducted from the Designated Cash Account on the Start Date and we will not charge you any fees for rejecting such order.

**Start Date:**

The day on which we will deduct the Deposit Amount for a Basket Equity Linked Deposit from your designated cash account. The Potential Coupon Amount will start to accrue from the Start Date.

The Start Date will be specified in the Term Sheet. Under normal circumstances, the Start Date is a day falling 2 Business Days after the Trade Date, but may be shortened to be the same day as the Trade Date or extended up to 14 Business Days after the Trade Date upon your request and accepted by us.

**Investment Period:**

The number of calendar days from and including the Trade Date to and including the Determination Date.

You should note that if the time gap between the Trade Date and the Start Date is of or more than two Business Days, the Investment Period will be longer than the Deposit Tenor. Given the same Deposit Tenor, the longer the time gap between the Trade Date and the Start Date, the longer the period of time you will be exposed to the risks associated with our Basket Equity Linked Deposits.

**Deposit Tenor:** The number of calendar days from and including the Start Date to but excluding the Maturity Date.

The Deposit Tenor generally ranges from 1 month to 3 years. You may request for a Deposit Tenor to suit your investment strategy.

**Business Day:** A day on which commercial banks are open for business in the location of the Deposit Currency and in Hong Kong, excluding Saturdays and Sundays.

**Exchange Business Day:** A day on which the Exchange is scheduled to open for trading.

## B. Potential Coupon Amount

**Potential Coupon Amount:** Subject to the occurrence of the Call Event or any early termination of the Basket Equity Linked Deposit otherwise, a Potential Coupon Amount will be payable on each Coupon Payment Date, which is calculated as follows (calculated to 2 decimal places, 0.005 being rounded upwards):

$$\text{Deposit Amount} \times \text{Annualised Coupon Rate} \times \frac{\text{Number of calendar days in the relevant Coupon Period}}{\text{Day Count Basis}}$$

**Annualised Coupon Rate:** A pre-determined percentage used to calculate the Potential Coupon Amount, which will be specified in the Term Sheet. It is expressed as an annualised rate based on the hypothetical assumption that the Basket Equity Linked Deposit can be rolled over on the same terms for 1 year and it does not represent the actual return.

The Annualised Coupon Rate is determined based on a number of factors, including but not limited to:

- the choice of the Linked Stocks in the Stock Basket;
- market price and price volatility of each of the Linked Stocks in the Stock Basket;
- the Deposit Tenor;
- the Investment Period;
- the Reference Prices of the Linked Stocks in the Stock Basket;
- the Call Prices of the Linked Stocks in the Stock Basket;

- the Kick-in Prices (if applicable) of the Linked Stocks in the Stock Basket;
- the schedule of Call Event Observation Date(s) and Kick-in Event Observation Date(s) (if applicable);
- the cost of our hedging arrangement relating to our Basket Equity Linked Deposits;
- the prevailing market interest rate; and
- the creditworthiness of The Bank of East Asia, Limited.

**Maximum Potential Gain:**

It is the maximum potential gain of a Basket Equity Linked Deposit in respect of the Deposit Tenor, which will be specified in the Term Sheet, being the Annualised Coupon Rate x Deposit Tenor / Day Count Basis. It is based on a hypothetical assumption that there is no early termination of the Basket Equity Linked Deposit.

**Coupon Period:**

The period during which the Potential Coupon Amount will be accrued starting from and including a Coupon Period Start Date to but excluding the corresponding Coupon Period End Date, provided that if a Call Event has occurred during a Coupon Period, such period will start from and including the relevant Coupon Period Start Date to but excluding the Call Event Settlement Date.

The Coupon Period Start Date and the Coupon Period End Date in respect of each Coupon Period will be specified in the Term Sheet.

**Day Count Basis:**

The denominator used to calculate the Potential Coupon Amount. The Day Count Basis will be 365 if the Deposit Currency is HKD or GBP. If the Deposit Currency is not HKD or GBP, the Day Count Basis will be 360.

**Coupon Payment Date:**

The date(s) when a Potential Coupon Amount will be paid, provided that if a Call Event has occurred during a Coupon Period, the Coupon Payment Date in respect of such Coupon Period will be the Call Event Settlement Date. If no Call Event has occurred, the Coupon Payment Date(s) will be set as each Coupon Period End Date.

## C. Callable Feature

**Call Event:**

A Call Event occurs if the Fixing Price of each of the Linked Stocks in the Stock Basket on a Call Event Observation Date is **AT or ABOVE** its respective Call Price.

If the Call Event has occurred, the Basket Equity Linked Deposit will be early terminated and you will receive the Deposit Amount and any accrued Potential Coupon Amount calculated up to but excluding the Call Event Settlement Date in cash (less any Cash Settlement Expenses) on the Call Event Settlement Date.

<b>Call Event Observation Date:</b>	<p>The date(s) on which the Bank will determine if a Call Event has occurred.</p> <p>If the daily callable feature is applicable, the Call Event Observation Dates are set as each Exchange Business Day during the relevant period (which may start from and including the Start Date to but excluding the Determination Date) as set out in the relevant Term Sheet.</p> <p>If the periodic callable feature is applicable, the Call Event Observation Dates are certain periodic dates (which may start from and including the Start Date to but excluding the Determination Date) as specified in the relevant Term Sheet.</p>
<b>Call Event Settlement Date:</b>	<p>The day on which you will receive the Deposit Amount and any accrued Potential Coupon Amount in cash when the Call Event has occurred.</p> <p>The Call Event Settlement Date will be set as the second Business Day after the Call Event Observation Date on which the Call Event has occurred.</p>
<b>Call Price:</b>	<p>This is the benchmark price we use to determine if a Call Event has occurred.</p> <p>The Call Price of each Linked Stock in the Stock Basket is set at a specified percentage of its Initial Price and will be specified in the relevant Term Sheet. The same percentage will be used to calculate the Call Price of each of the Linked Stocks in the Stock Basket on all Call Event Observation Date(s).</p>

#### **D. Settlement at maturity of our Basket Equity Linked Deposits**

<b>Kick-in Event:</b>	<p>The Term Sheet for a Basket Equity Linked Deposit will specify if a kick-in feature is applicable for that Basket Equity Linked Deposit. If a kick-in feature is applicable, the settlement at maturity will depend on whether a Kick-in Event has occurred.</p> <p>A Kick-in Event occurs if the Fixing Price of any one of the Linked Stocks in the Stock Basket on a Kick-in Event Observation Date is <b>AT or BELOW</b> its respective Kick-in Price.</p>
<b>Kick-in Event Observation Date:</b>	<p>The date(s) on which the Bank will determine if a Kick-in Event has occurred.</p> <p>If the daily kick-in feature is applicable, the Kick-in Event Observation Dates are set as each Exchange Business Day during the relevant period (which may start from and including the Trade Date to and including the Determination Date) as set out in the Term Sheet.</p> <p>If the expiry kick-in feature is applicable, the Kick-in Event Observation Date is set as the Determination Date.</p>
<b>Kick-in Price:</b>	<p>This is the benchmark price we use to determine if a Kick-in Event has occurred.</p>

The Kick-in Price of each Linked Stock in the Stock Basket is set at a specified percentage of its Initial Price and will be specified in the relevant Term Sheet. The same percentage will be used to calculate the Kick-in Price of each of the Linked Stocks in the Stock Basket on all Kick-in Event Observation Date(s). The Kick-in Price of each Linked Stock will always be set at a level which is lower than its Reference Price.

**Determination Date:**

If no Call Event has occurred and the Basket Equity Linked Deposit is not otherwise early terminated, the day when the Fixing Price of each of the Linked Stocks in the Stock Basket is recorded for the purposes of determining the Worst Performing Stock and the types of settlement on the Maturity Date.

The Determination Date will be specified in the Term Sheet.

**Reference Price:**

This is the benchmark price we use to compare with the Fixing Price of a Linked Stock in the Stock Basket on the Determination Date for determination of the settlement at maturity.

In the case of physical delivery of the Worst Performing Stock on the Maturity Date, the Reference Price represents the price that you are obliged to buy the number of the Worst Performing Stock.

The Reference Price of each Linked Stock in the Stock Basket is set at a specified percentage of its Initial Price and will be specified in the Term Sheet. The same percentage will be used to calculate the Reference Price of each of the Linked Stocks in the Stock Basket.

**Settlement at maturity:**

If no Call Event has occurred and the Basket Equity Linked Deposit is not otherwise early terminated, you will receive on the Maturity Date:

*For Basket Equity Linked Deposits where kick-in feature is not applicable:*

1. If the Fixing Price of the Worst Performing Stock on the Determination Date is AT or ABOVE its Reference Price,

the Deposit Amount and the Potential Coupon Amount for the final Coupon Period in cash in the Deposit Currency (less any Cash Settlement Expenses).

2. If the Fixing Price of the Worst Performing Stock on the Determination Date is BELOW its Reference Price,

(i) the Potential Coupon Amount for the final Coupon Period in cash in the Deposit Currency (less any Cash Settlement Expenses), and (ii) (subject to the payment of any Physical Settlement Expenses) a number of the Worst Performing Stock calculated as follows (rounded up to 2 decimal places):

$$\frac{\text{Deposit Amount} \\ \text{(converted into HKD at the Exchange Rate} \\ \text{if the Deposit Currency is not HKD)}}{\text{Reference Price of the Worst Performing Stock}}$$

We will deliver an integral number of the Worst Performing Stock to you on the Maturity Date (which may include odd lots). If the number of the Worst Performing Stock calculated in accordance with the above formula consists of any Fractional Stock, the Bank will settle such Fractional Stock on the Maturity Date by payment of the Residual Cash in HKD. No Cash Settlement Expenses will be payable for the Residual Cash.

*For Basket Equity Linked Deposits where daily kick-in feature is applicable:*

1. If (i) no Kick-in Event has occurred, or (ii) a Kick-in Event has occurred but the Fixing Price of the Worst Performing Stock on the Determination Date is AT or ABOVE its Reference Price,

the Deposit Amount and the Potential Coupon Amount for the final Coupon Period in cash in the Deposit Currency (less any Cash Settlement Expenses).

2. If a Kick-in Event has occurred and the Fixing Price of the Worst Performing Stock on the Determination Date is BELOW its Reference Price,

(i) the Potential Coupon Amount for the final Coupon Period in cash in the Deposit Currency (less any Cash Settlement Expenses), and (ii) (subject to the payment of any Physical Settlement Expenses) a number of the Worst Performing Stock calculated as follows (rounded up to 2 decimal places):

$$\frac{\text{Deposit Amount} \\ \text{(converted into HKD at the Exchange Rate} \\ \text{if the Deposit Currency is not HKD)}}{\text{Reference Price of the Worst Performing Stock}}$$

We will deliver an integral number of the Worst Performing Stock to you on the Maturity Date (which may include odd lots). If the number of the Worst Performing Stock calculated in accordance with the above formula consists of any Fractional Stock, the Bank will settle such Fractional Stock on the Maturity Date by payment of the Residual Cash in HKD. No Cash Settlement Expenses will be payable for the Residual Cash.

*For Basket Equity Linked Deposits where expiry kick-in feature is applicable:*

1. If no Kick-in Event has occurred,

the Deposit Amount and the Potential Coupon Amount for the final Coupon Period in cash in the Deposit Currency (less any Cash Settlement Expenses).

2. If a Kick-in Event has occurred,

(i) the Potential Coupon Amount for the final Coupon Period in cash in the Deposit Currency (less any Cash Settlement Expenses), and (ii) (subject to the payment of any Physical Settlement Expenses) a number of the Worst Performing Stock calculated as follows (rounded up to 2 decimal places):

$$\frac{\text{Deposit Amount} \\ (\text{converted into HKD at the Exchange Rate} \\ \text{if the Deposit Currency is not HKD})}{\text{Reference Price of the Worst Performing Stock}}$$

We will deliver an integral number of the Worst Performing Stock to you on the Maturity Date (which may include odd lots). If the number of the Worst Performing Stock calculated in accordance with the above formula consists of any Fractional Stock, the Bank will settle such Fractional Stock on the Maturity Date by payment of the Residual Cash in HKD. No Cash Settlement Expenses will be payable for the Residual Cash.

**Exchange Rate:**

The mid-market exchange rate for the number of units of Hong Kong dollar per 1 unit of the Deposit Currency, which appears on the screen page as specified in the Term Sheet as of the closing time of the Exchange on the Determination Date, or if such rate is not available on such screen page as of the closing time of the Exchange on the Determination Date, the exchange rate as determined by us in good faith and in a commercially reasonable manner.

The Term Sheet will specify if the Exchange Rate is applicable.

<b>Worst Performing Stock:</b>	The Linked Stock in the Stock Basket with the lowest Stock Performance on the Determination Date, provided that if more than one Linked Stock have the same lowest Stock Performance on the Determination Date, the Bank will in its sole and absolute discretion acting in good faith and in a commercially reasonable manner select any one of the Linked Stocks with the lowest Stock Performance to be the Worst Performing Stock.
<b>Stock Performance:</b>	In respect of a Linked Stock and the Determination Date, the percentage calculated in accordance with the following formula (calculated to 2 decimal places, 0.005% being rounded upwards):  $\left( \frac{\text{Fixing Price of that Linked Stock on the Determination Date}}{\text{Initial Price of that Linked Stock}} - 1 \right) \times 100\%$
<b>Maturity Date:</b>	The scheduled day on which you will receive either (i) the Deposit Amount and the Potential Coupon Amount in respect of the last Coupon Period in cash or (ii) the Potential Coupon Amount in respect of the last Coupon Period and the Residual Cash (if any) in HKD in cash and the number of the Worst Performing Stock as settlement at maturity.  The Maturity Date will be set as the second Business Day (in the case where we are to pay any amount in cash including the Residual Cash) or the second Clearing System Business Day (in the case where we are to deliver the Worst Performing Stock) after the Determination Date.
<b>Clearing System:</b>	The Central Clearing and Settlement System or any successors thereto.
<b>Clearing System Business Day:</b>	A day on which the Clearing System is scheduled to open for the acceptance and execution of settlement instructions.
<b>Cash Settlement Expenses:</b>	Cash Settlement Expenses are all charges or expenses, including any taxes and duties that are incurred for payment of any cash amount under the Basket Equity Linked Deposit (except for any Residual Cash). Cash Settlement Expenses, if any, will be deducted from any cash amount you may receive under the Basket Equity Linked Deposit. Currently there are no such charges or expenses.  If any Cash Settlement Expenses are payable in future, we will inform you in advance.
<b>Physical Settlement Expenses:</b>	If the Worst Performing Stock is deliverable to you, you will have to pay for all Physical Settlement Expenses.

Physical Settlement Expenses are out-of-pocket expenses relating to the transfer and receipt of the number of Worst Performing Stock which are deliverable to you on the Maturity Date. These expenses include the buyer's stamp duty (currently at a rate of 0.1% of the transaction amount of the Worst Performing Stock delivered by reference to its Reference Price) and any other charges for provision of securities services as notified by us from time to time.

#### **When will the Worst Performing Stock be delivered?**

- If the Worst Performing Stock is deliverable to you, we will do so on the Maturity Date (i.e. the second Clearing System Business Day after the Determination Date) provided that you have paid all Physical Settlement Expenses.
- The Worst Performing Stock is expected to be delivered by electronic transfer to your designated securities account.

#### **What happens if a Settlement Disruption Event occurs?**

- If we are to deliver the Worst Performing Stock to you on the Maturity Date and as a result of an event beyond our control which we (as the Offeror), in our sole and absolute discretion (acting in good faith and in a commercially reasonable manner), determine that it is not possible to deliver the Worst Performing Stock to your designated securities account on the original Maturity Date (for example, if the Central Clearing and Settlement System is closed down for any unforeseeable reasons on the Maturity Date) ("**Settlement Disruption Event**"), then the Maturity Date shall be postponed to the first following Clearing System Business Day on which there is no Settlement Disruption Event. We will notify you of the postponement on the second Business Day after the original Maturity Date. If such event persists on each of the eight Clearing System Business Days following the original Maturity Date, then in respect of the number of Worst Performing Stock that would have been delivered but for the occurrence of the Settlement Disruption Event, we will pay you a cash amount equal to the fair market value of such number of Worst Performing Stock as of that eighth Clearing System Business Day as determined by us in our sole and absolute discretion (acting in good faith and in a commercially reasonable manner) by reference to the prevailing market conditions, including without limitation, the last reported price of the Worst Performing Stock, the market interest rate movements and the price volatility of the Worst Performing Stock, and such cash amount will be credited to your designated cash account on the second Business Day after that eighth Clearing System Business Day. You will not have the right to elect for physical delivery of the number of the Worst Performing Stock in these circumstances. We will notify you on the second Business Day after that eighth Clearing System Business Day of the relevant settlement arrangement (including the determination of such cash amount).
- We will not be liable for any interest in respect of the amount due or any loss or damage that you may suffer as a result of the existence of a Settlement Disruption Event.
- You should also refer to Condition 4 of the Product Terms and Conditions as set out in Appendix 1 to this Principal Brochure for more details.

#### **Will the Trade Date, the Call Event Observation Date(s), the Kick-in Event Observation Date(s) (if applicable) or the Determination Date be subject to postponement?**

- You should note that if the Initial Price in respect of a Linked Stock is set as either (i) the Fixing Price of that Linked Stock on the Trade Date or (ii) the price of that Linked Stock as of the end of the morning trading session of the Exchange on the Trade Date, and if such Initial Price in the cases of (i) and (ii) above cannot be recorded on the Trade Date due to the

occurrence of a Market Disruption Event, your Basket Equity Linked Deposit order will be rejected and will not be executed by us. The Deposit Amount will not be deducted from the Designated Cash Account on the Start Date and we will not charge you any fees for rejecting such order.

- The Call Event Observation Date(s), the Kick-in Event Observation Date(s) (if applicable) and the Determination Date will be specified in the Term Sheet. If any such day is not an Exchange Business Day, the immediately following Exchange Business Day, provided that if we determine that a Market Disruption Event in respect of any Linked Stock in the Stock Basket (such as suspension of trading on the Exchange of any of the Linked Stock in the Stock Basket) occurs on any Call Event Observation Date, any Kick-in Event Observation Date or the Determination Date (as the case may be) (“**Disrupted Day**”), that Call Event Observation Date, that Kick-in Event Observation Date or the Determination Date (as the case may be) for each Linked Stock in the Stock Basket (whether or not affected by the occurrence of the Market Disruption Event) will be postponed to the first succeeding Exchange Business Day on which there is no Market Disruption Event for any Linked Stock in the Stock Basket, unless a Market Disruption Event in respect of any Linked Stock in the Stock Basket occurs on each of the eight Exchange Business Days immediately following the scheduled Call Event Observation Date, the scheduled Kick-in Event Observation Date or the scheduled Determination Date (as the case may be). In that case:
  - (a) that eighth Exchange Business Day shall be deemed to be the relevant Call Event Observation Date, the relevant Kick-in Event Observation Date or the Determination Date (as the case may be) for each Linked Stock in the Stock Basket, notwithstanding the Market Disruption Event,
  - (b) we (as the Offeror) will determine (acting in good faith and in a commercially reasonable manner) the fair market price of the affected Linked Stock in the Stock Basket on that eighth Exchange Business Day by reference to the prevailing market conditions, including without limitation, the last reported price of the affected Linked Stock. Such fair market price shall be deemed to be the Fixing Price of the affected Linked Stock on the relevant Call Event Observation Date, the relevant Kick-in Event Observation Date or the Determination Date (as the case may be), and
  - (c) the official closing price of the unaffected Linked Stock(s) in the Stock Basket as published by the Exchange as of that eighth Exchange Business Day shall be deemed to be the Fixing Price of such Linked Stock(s) on the relevant Call Event Observation Date, the relevant Kick-in Event Observation Date or the Determination Date (as the case may be).
- If we determine that a Market Disruption Event has occurred, we shall notify you as soon as practicable after the occurrence of such event and where applicable, we will notify you of the Fixing Price of each Linked Stock in the Stock Basket as soon as it has been calculated or determined (as the case may be). You should refer to Condition 11 of the Product Terms and Conditions as set out in Appendix 1 to this Principal Brochure for more details.

**When will the terms and conditions of the Basket Equity Linked Deposits be adjusted or when will the Linked Stock be substituted?**

- The terms and conditions of the Basket Equity Linked Deposits may be adjusted or a Linked Stock may be substituted if we (as the Offeror) in our sole and absolute discretion (acting in good faith and in a commercially reasonable manner) determine that certain extraordinary events occur.

*Adjustment*

- If we (as the Offeror) in our sole and absolute discretion (acting in good faith and in a commercially reasonable manner) determine that a Potential Adjustment Event (such as rights issue, bonus share, consolidation or subdivision of a Linked Stock) has occurred on or after

the Trade Date but on or prior to the Determination Date in respect of any Linked Stock, we (as the Offeror) will in our sole and absolute discretion (acting in good faith and in a commercially reasonable manner) make adjustments to the terms and conditions of that Basket Equity Linked Deposit. Our adjustment to the terms and conditions may include, but is not limited to, the Call Price, the Kick-in Price (if applicable) and the Reference Price of the affected Linked Stock, to account for the diluting or concentrative effect so as to maintain the economic equivalence of the Basket Equity Linked Deposit.

- If we (as the Offeror) in our sole and absolute discretion (acting in good faith and in a commercially reasonable manner) determine that a Merger Event (such as consolidation, amalgamation or merger) or a Tender Offer (such as a takeover offer or exchange offer) in respect of any Linked Stock has occurred on or after the Trade Date but on or prior to the Determination Date, we (as the Offeror) may in our sole and absolute discretion (acting in good faith and in a commercially reasonable manner) make adjustments to the terms and conditions of that Basket Equity Linked Deposit. Our adjustment to the terms and conditions may include, but is not limited to, adjusting the Call Price, the Kick-in Price (if applicable) and the Reference Price of the affected Linked Stock, to treat the shares or units of the surviving entity after the Merger Event or Tender Offer as the affected Linked Stock so as to maintain the economic equivalence of the Basket Equity Linked Deposit.
- In determining the aforesaid adjustment(s):
  - (a) if options contracts or futures contracts of the affected Linked Stock are traded on the Exchange or any other exchange, we will follow any adjustment to the terms of the relevant options contract or futures contract made and announced by the Exchange or such other exchange, unless following such adjustment is not able to preserve the economic equivalence of the Basket Equity Linked Deposit. In such case, we will determine the aforesaid adjustment(s) in our sole and absolute discretion acting in good faith and in a commercially reasonable manner so as to preserve the economic equivalence of the Basket Equity Linked Deposit; or
  - (b) if there are no options contracts or futures contracts of the affected Linked Stock traded on the Exchange or any other exchange, we will take into account and (where, and to the extent, applicable) follow the relevant rules as set out in the Operational Trading Procedures for Options Trading Exchange Participants of the Stock Exchange so as to preserve the economic equivalence of the Basket Equity Linked Deposit.

#### *Substitution*

- If (i) a Merger Event or a Tender Offer has occurred in respect of any Linked Stock on or after the Trade Date but on or prior to the Determination Date and we determine (acting in good faith and in a commercially reasonable manner) that none of the foregoing adjustments is able to preserve the economic equivalence of the Basket Equity Linked Deposits or (ii) an Additional Disruption Event (such as Delisting, Nationalisation or Insolvency) has occurred in respect of any Linked Stock on or after the Trade Date but on or prior to the Determination Date, we may substitute the affected Linked Stock with the shares or units of another entity (which is not already comprised in the Stock Basket) in the same business sector of the issuer of the affected Linked Stock trading on the Exchange with comparable market capitalisation as that of the issuer of the affected Linked Stock as of the Trade Date and make any further adjustment to the terms and conditions of the Basket Equity Linked Deposits to account for that event as we determine appropriate (acting in good faith and in a commercially reasonable manner).
- We will notify you and the SFC as soon as practicable upon the occurrence of such event, any substitution or adjustment made and the effective date of such substitution or adjustment. You should refer to Conditions 8, 9 and 10 of the Product Terms and Conditions as set out in Appendix 1 to this Principal Brochure for more details.

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

- If we (as the Offeror) in our sole and absolute discretion (acting in good faith and in a commercially reasonable manner) determine that a Merger Event, a Tender Offer or Additional Disruption Event occurs on or after the Trade Date but on or prior to the Determination Date and (i) in the case of a Merger Event or a Tender Offer, none of the foregoing adjustments is able to preserve the economic equivalence of the Basket Equity Linked Deposits and we are unable to substitute the affected Linked Stock to account for that event as stated above or (ii) in the case of an Additional Disruption Event, we are unable to substitute the affected Linked Stock to account for that event as stated above, we will terminate such Basket Equity Linked Deposit as soon as practicable after the occurrence of such event as determined by us in our sole and absolute discretion (acting in good faith and in a commercially reasonable manner), and arrange for payment of the Early Termination Amount (if any) within 2 Business Days after the effective date of such termination.
- The Early Termination Amount will be determined by us (as the Offeror), in our sole and absolute discretion (acting in good faith and in a commercially reasonable manner), representing the fair market value of such Basket Equity Linked Deposit at the time of the occurrence of such event (by reference to, without limitation, the market interest rate movements, the current and expected market price and price volatility of each of the Linked Stocks in the Stock Basket, the remaining Investment Period, any accrued Potential Coupon Amount, the market value of the embedded put option, our creditworthiness and our unwind cost of hedging) and any operational or administrative costs. Such amount may be substantially less than your Deposit Amount. You may suffer a substantial loss if the Basket Equity Linked Deposit is terminated early under these circumstances.
- We will notify you and the SFC as soon as practicable upon the occurrence of any such event, any termination made, the effective date of such termination and the Early Termination Amount. You should refer to Conditions 9 and 10 of the Product Terms and Conditions as set out in Appendix 1 to this Principal Brochure for more details.

## What if odd lots or a fraction of the Worst Performing Stock is deliverable?

- The number of the Worst Performing Stock deliverable will be calculated by dividing the Deposit Amount (converted into HKD at the Exchange Rate if the Deposit Currency is not HKD) by the Reference Price of the Worst Performing Stock for a Basket Equity Linked Deposit (calculated to 2 decimal places, 0.005 being rounded upwards), which may not be in multiples of the Worst Performing Stock's trading board lot.
- If the number of the Worst Performing Stock deliverable on the Maturity Date comprises any odd lots, you will receive such odd lots of the Worst Performing Stock. You may not be able to sell odd lots of the Worst Performing Stock, and even if you manage to sell such odd lots of the Worst Performing Stock, they may be sold at a lower price per Worst Performing Stock than the Worst Performing Stock in board lot or multiple of board lots.
- If the number of the Worst Performing Stock deliverable on the Maturity Date comprises any fractional shares or units ("**Fractional Stock**"), we will pay you that Fractional Stock in cash in HKD (whether the Deposit Currency is HKD or otherwise) which is calculated as follows (calculated to 2 decimal places, 0.005 being rounded upwards):

Fractional Stock x Fixing Price of the Worst Performing Stock on the Determination Date

**Do you have any rights in any of the Linked Stocks in the Stock Basket during the Investment Period of the Basket Equity Linked Deposit?**

- You have no rights in any Linked Stock in the Stock Basket (except where the number of Worst Performing Stock is determined on the Determination Date to be deliverable to you on the Maturity Date).
- In case where the Worst Performing Stock is determined on the Determination Date to be deliverable to you on the Maturity Date, you are entitled to all those rights attaching to the Worst Performing Stock as if you had been registered as the holder of such Worst Performing Stock as from and including the Determination Date.
- During the Intervening Period, we are not under any obligation (i) to deliver to you any letter, certificate, notice, circular, dividend, distribution or any other document or payment whatsoever received by a registered holder of such Worst Performing Stock; or (ii) to exercise any or all rights (including voting rights) attaching to such Worst Performing Stock. We are not liable to you in respect of any loss or damage which you may suffer as a result, whether directly or indirectly, of you not being registered as the legal owner of such Worst Performing Stock during the Intervening Period. However, we will notify you of the receipt of any dividend, distribution, bonus issue, shares or units issued pursuant to a share split or consolidation, by us during the Intervening Period, in respect of the Worst Performing Stock beneficially owned by you, and make available such dividend or distribution payment of the Worst Performing Stock to you in a commercially reasonable manner upon production of such evidence of entitlement and identification as we may reasonably require.
- Please refer to Condition 5 of the Product Terms and Conditions as set out in Appendix 1 to this Principal Brochure for further details.

**What is the governing law of our Basket Equity Linked Deposits?**

- Our Basket Equity Linked Deposits are governed by the laws of Hong Kong.

## MORE INFORMATION ABOUT OUR BASKET EQUITY LINKED DEPOSITS

### What is included in the documentation for our Basket Equity Linked Deposits?

#### *Offering documents*

The following documents constitute the offering documents of our Basket Equity Linked Deposits (“**Offering Documents**”). You should read all of these documents before deciding whether to invest in our Basket Equity Linked Deposits:

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

The offer of our Basket Equity Linked Deposits is made only on the basis of the Offering Documents. We (as the intermediary) have the obligation to distribute to you all of the Offering Documents in English or Chinese as you may prefer.

The Offering Documents may be obtained free of charge through the following methods of distribution as specified in the relevant Term Sheet:

Offering Documents	Method of distribution
<ul style="list-style-type: none"><li>• This Principal Brochure and the addendum thereto (if any) as specified in the relevant Term Sheet</li></ul>	<ol style="list-style-type: none"><li>(i) Printed copies from any of our branches in Hong Kong;</li><li>(ii) CD-Rom copies from any of our branches in Hong Kong (whether or not CD-Rom copies are being available for Basket Equity Linked Deposits will be specified in the relevant Term Sheet); and</li><li>(iii) Electronic copies at our website <a href="http://www.hkbea.com">www.hkbea.com</a> (whether or not electronic copies are being available for Basket Equity Linked Deposits will be specified in the relevant Term Sheet).</li></ol>

Offering Documents	Method of distribution
<ul style="list-style-type: none"> <li>• The Financial Disclosure Document and the addendum thereto (if any) as specified in the relevant Term Sheet</li> <li>• The relevant Term Sheet</li> </ul>	<ul style="list-style-type: none"> <li>(i) Printed copies from any of our branches in Hong Kong; and</li> <li>(ii) Electronic copies at our website <i>www.hkbea.com</i> (whether or not electronic copies are being available for Basket Equity Linked Deposits will be specified in the relevant Term Sheet).</li> </ul>

### ***Legal documents***

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

- (i) Appendix 1 to this Principal Brochure — Product Terms and Conditions of Basket Equity Linked Deposits: The product terms and conditions that are applicable to all our Basket Equity Linked Deposits are set out in Appendix 1.
- (ii) Confirmation: The Product Terms and Conditions as set out in Appendix 1 may be applied, disappplied, amended, varied and/or supplemented by the specific terms and conditions that are applicable to a Basket Equity Linked Deposit. These specific terms and conditions will be set out in the relevant Confirmation which reflects the specific terms as summarised in the relevant Term Sheet. We have set out in Appendix 3 to this Principal Brochure a standard format of the Confirmation for our Basket Equity Linked Deposits. The Confirmation applicable to your Basket Equity Linked Deposit will be sent to you within 2 Business Days after the Trade Date.

### **To whom are our Basket Equity Linked Deposits designed for?**

Our Basket Equity Linked Deposits are designed for investors who:

- have a neutral to mildly positive outlook on the price of each of the Linked Stocks in the Stock Basket;
- have experience in investing in unlisted structured investment products in particular equity linked deposits and are looking for more tailored ways of investing in accordance with their market views;
- are willing to risk their entire capital invested;
- would like to earn Potential Coupon Amount payable during the scheduled Deposit Tenor;
- understand that the potential payout of our Basket Equity Linked Deposits depends on the performance of each of the Linked Stocks in the Stock Basket during the Investment Period;
- accept that our Basket Equity Linked Deposits are non-capital protected unlisted structured investment products embedded with derivatives which are not equivalent to time deposits or a direct investment in the Linked Stocks;
- understand that there will only be limited market making arrangements for our Basket Equity Linked Deposits with an Investment Period of more than 6 months; and
- understand that they may receive the Worst Performing Stock at its Reference Price on the Maturity Date (the market value of which may be substantially less than the Deposit Amount).

Our Basket Equity Linked Deposits are not designed for investors who:

- have a negative outlook on the market or any of the Linked Stocks;
- may need to terminate their Basket Equity Linked Deposits before the Maturity Date for liquidity needs;
- are not familiar with or do not have knowledge or experience investing in unlisted structured investment products embedded with derivatives;
- do not want to take our credit risk; or
- do not want to risk any part of their capital.

### **Comparison with conventional time deposit**

Our Basket Equity Linked Deposits are not deposits protected by the Deposit Protection Scheme in Hong Kong. Although the interest rate payable under a conventional time deposit may be lower, or substantially lower than the potential return under our Basket Equity Linked Deposits, an investment in a conventional time deposit is protected by the Deposit Protection Scheme. Accordingly, to the extent that the deposit amount is fully protected by the Deposit Protection Scheme, an investor in a conventional time deposit will not be exposed to the risk of investment loss arising from our default or the negative performance of the Linked Stocks in the Stock Basket.

### **How can you apply for a Basket Equity Linked Deposit?**

- Our Basket Equity Linked Deposits are only available from the Bank (as the intermediary). To invest in a Basket Equity Linked Deposit, you must already have, or you must open, (1) a cash account in the Deposit Currency; (2) a cash account in HKD (in the case where the Deposit Currency is not HKD); and (3) a securities account to which settlement under the Basket Equity Linked Deposit can be credited by us (as the intermediary). You must maintain an amount at least equals to the Deposit Amount in your designated cash account on the Order Date. If you wish to apply for a Basket Equity Linked Deposit, you can contact our marketing officers at any of our branches in Hong Kong to enquire about our Basket Equity Linked Deposits.
- You may apply for a Basket Equity Linked Deposit by placing an order with us on the Order Date that is (i) if an application period is not specified in the Term Sheet, any Business Day which will become the Trade Date or (ii) if an application period is specified in the Term Sheet, any Business Day during the application period. Once you place a Basket Equity Linked Deposit order with us, you will be committed to invest in the Basket Equity Linked Deposit (unless there is a post-sale cooling-off period applicable to the Basket Equity Linked Deposit and you exercise such right) and a cash amount equal to the Deposit Amount will be frozen in your designated cash account from the Order Date.
- You should note that we may accept or reject a Basket Equity Linked Deposit order at our sole and absolute discretion. If (i) an application period is not specified in the Term Sheet and we accept and execute the order on the Order Date, such Order Date will become the Trade Date; or (ii) an application period is specified in the Term Sheet and we accept and execute the order on the last day of such application period, such day will become the Trade Date. The Deposit Amount will be deducted from your designated cash account on the Start Date. A Confirmation setting out the specific terms of your Basket Equity Linked Deposit will be sent to you within 2 Business Days after the Trade Date. If your Basket Equity Linked Deposit order is rejected by us, we will notify you by phone as soon as practicable and the frozen cash amount will be subsequently released.

## **Do you have to pay any fees and charges?**

- No subscription fees — There are no subscription fees, charges or commissions for placing an order for a Basket Equity Linked Deposit with us. All related charges incurred by us (including our hedging cost) will be factored into the determination of the Annualised Coupon Rate.
- Cash Settlement Expenses — If a cash amount is payable to you, you will have to pay for any Cash Settlement Expenses (except for any Residual Cash). Currently, no Cash Settlement Expenses are payable.
- Physical Settlement Expenses — If the Worst Performing Stock is deliverable on Maturity Date, you will have to pay for all out-of-pocket expenses relating to the transfer and receipt of the Worst Performing Stock (which include the buyer's stamp duty).

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

## **Is post-sale cooling-off period available?**

### ***Basket Equity Linked Deposit with an Investment Period of one year or less***

No. In respect of a Basket Equity Linked Deposit with an Investment Period of one year or less, there is no post-sale cooling-off period and you cannot cancel or unwind your Basket Equity Linked Deposit after you place your purchase order with us on the Order Date.

### ***Basket Equity Linked Deposit with an Investment Period of more than one year***

Yes. In respect of a Basket Equity Linked Deposit with an Investment Period of more than one year, there is post-sale cooling-off period and you can cancel or unwind your Basket Equity Linked Deposit (in whole but not in part) within 5 Business Days after you place your purchase order with us on the Order Date (“**Post-sale Cooling-off Period**”). If you choose to do so, you must submit an irrevocable written notice to us between 9:00a.m. and 3:00p.m. on any Business Day during the Post-sale Cooling-off Period.

If you submit a written notice to us to cancel your purchase order before the Trade Date, the Deposit Amount will not be deducted from the Designated Cash Account on the Start Date and we will release to you the Deposit Amount (which has been frozen in your Designated Cash Account from the Order Date) on the day we receive your written notice. No market value adjustment will be deducted from the Designated Cash Account.

If you submit an written notice to us to unwind your purchase order on or after the Trade Date, the Deposit Amount will be deducted from the Designated Cash Account on the Start Date and we will then refund to you a cash amount equal to the Deposit Amount less any market value adjustment by crediting to your Designated Cash Account on the later of: (i) the second Business Day after the day you submitted the written notice or (ii) the third Business Day after the Start Date. The market value adjustment to the Deposit Amount will be calculated by us based on various factors including but not limited to, the market interest rate movements, the market price and price volatility of each of the Linked Stocks in the Stock Basket, the remaining Investment Period, the market value of the embedded put option, our creditworthiness and our unwind cost of hedging. **You should note that if you submit the written notice to us on or after the Trade Date, the cash amount you receive will be capped at, and may be substantially less than the Deposit Amount.** You should note that

where an application period is not specified in the Term Sheet, since the Order Date is the same as the Trade Date (i.e. you place your purchase order on the Trade Date), you can only submit a written notice to us to unwind but not cancel your purchase order during the Post-sale Cooling-off Period.

No handling fees will be charged for processing your written notice during the Post-sale Cooling-off Period. No subscription fees or commissions will be deducted from any cash amount refunded to you. The Term Sheet for a Basket Equity Linked Deposit will specify if the post-sale cooling-off period is applicable for that Basket Equity Linked Deposit.

**Is there any market making arrangement for my Basket Equity Linked Deposits before expiry?**

***Basket Equity Linked Deposit with an Investment Period of 6 months or less***

No. In respect of a Basket Equity Linked Deposit with an Investment Period of 6 months or less, we will not provide any market making arrangements and you cannot early terminate the Basket Equity Linked Deposit after your purchase order is executed by us on the Trade Date.

***Basket Equity Linked Deposit with an Investment Period of more than 6 months***

Yes. In respect of a Basket Equity Linked Deposit with an Investment Period of more than 6 months, we (as the market agent) will provide limited market making arrangement starting from the week after the Start Date up to the third Exchange Business Day before the Determination Date on a bi-weekly basis, or if any such day is not an Exchange Business Day or is a Disrupted Day, the following Exchange Business Day which is not a Disrupted Day (each a “**Dealing Day**”). We will make available an indicative bid price of your Basket Equity Linked Deposit on each Dealing Day during normal business hours upon request. You can contact our marketing officer at any of our branches for an indicative bid price.

The indicative bid price of your Basket Equity Linked Deposit will be determined by us in our sole and absolute discretion (acting in good faith and in a commercially reasonable manner) and taking into account of the factors including but not limited to, the market interest rate movements, the market price and price volatility of each of the Linked Stocks in the Stock Basket, the remaining Investment Period, any outstanding Potential Coupon Amount accrued up to the relevant Dealing Day, the market value of the embedded put option, our creditworthiness and our unwind cost of hedging. The indicative bid price is subject to intra-day market changes and is provided for your reference only as it may not equal to the actual bid price at which we are willing to early terminate your Basket Equity Linked Deposit.

If you wish to early terminate your Basket Equity Linked Deposit under our market making arrangements, you can apply to us at any of our branches between **9:30a.m. and 3:30p.m.** (Hong Kong time) on any Dealing Day and request for an actual bid price. We will provide the actual bid price at which we are willing to early terminate your Basket Equity Linked Deposit on the Dealing Day to you. The minimum market making size at which you may request an early termination of your Basket Equity Linked Deposit under our market making arrangement is the Deposit Amount of your Basket Equity Linked Deposit. Accordingly, you can only early terminate your Basket Equity Linked Deposit in whole (but not in part) under our market making arrangements. You cannot withdraw the application to early terminate your Basket Equity Linked Deposit once you submitted the application to us.

The actual bid price at which we are willing to early terminate your Basket Equity Linked Deposit under our market making arrangements on the Dealing Day will be determined by us in our sole and absolute discretion (acting in good faith and in a commercially reasonable manner) based on the indicative bid price and subject to adjustment for any intra-day market changes. You should note that the actual bid price will only be valid for a limited period of time as notified to you. Upon

acceptance of the actual bid price by you within that specified period of time, your Basket Equity Linked Deposit will be terminated with immediate effect and the cash amount received from such termination will be credited to your designated cash account on the second Business Day after such Dealing Day.

**You should note that if you early terminate your Basket Equity Linked Deposit before maturity, the amount you receive may be substantially less than your Deposit Amount.**

The Term Sheet for a Basket Equity Linked Deposit will specify if the market making arrangement is applicable for that Basket Equity Linked Deposit.

**How will you know what the settlement at maturity will be?**

A maturity advice setting out the settlement on the Maturity Date will be sent to you within 2 Business Days after the Determination Date.

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

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

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

You can find out more information on the Bank from our website *www.hkbea.com*. Information contained in the websites referred to in this Principal Brochure or a Term Sheet (other than the electronic versions of the Offering Documents appearing on our website) does not form part of the Offering Documents. If you have any queries or complaints about our Basket Equity Linked Deposits or you would like to know how your queries or complaints will be handled, you can contact our marketing officer at any of our branches in Hong Kong or call our enquiry hotline 2211 1311.

**What are our on-going disclosure obligations?**

We (as the Offeror and the Product Arranger) will keep the SFC and you, as an investor in our Basket Equity Linked Deposits, informed as soon as reasonably practicable if (a) we (as the Offeror) cease to meet any core requirements in Appendix A to the Code, (b) we (as the Product Arranger) cease to meet any eligibility requirements under 4.2 of the Code and, (c) to the extent permitted by any applicable law, there are any changes in our financial condition or other circumstances which could reasonably be expected to have a material adverse effect on our ability (as the Offeror) to fulfil our commitment in connection with our Basket Equity Linked Deposits. Please contact our marketing officers for further details.

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

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

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

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

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

### **Where can you read copies of the documentation for the Basket Equity Linked Deposits?**

While any of our Basket Equity Linked Deposits remains outstanding, you can read copies of the following documents free of charge:

- our articles of association (in English language version only);
- this Principal Brochure and the addendum thereto (if any) as specified in the relevant Term Sheet (in separate English and Chinese language versions);
- our Financial Disclosure Document and the addendum thereto (if any) as specified in the relevant Term Sheet (in combined English and Chinese language versions) which comprises our most recently published audited annual report and unaudited interim report (if any);
- (upon your request as an investor of our Basket Equity Linked Deposits), the relevant Term Sheet for that Basket Equity Linked Deposit (in separate English and Chinese language versions);
- a certified true copy of the consent letter of our auditors (in English language version only); and
- any notices given by us under the terms and conditions of our Basket Equity Linked Deposits (in English and Chinese language versions),

by visiting our Main Branch in Hong Kong at 10 Des Voeux Road Central during normal business hours (other than on Saturdays, Sundays or public holidays).

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

### **Does any of the Offering Document constitute a prospectus?**

None of the Offering Documents constitutes a prospectus under the Companies Ordinance (Cap. 32, Laws of Hong Kong).

### **Hong Kong Taxation**

The statements below regarding taxation are based on the laws and practice in Hong Kong on the date of this Principal Brochure. The statements below do not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to invest in our Basket Equity Linked Deposits and do not purport to deal with the tax consequences applicable to all categories of investors. If you are in doubt about your tax position, you should consult your own tax adviser about the tax consequences of investing in our Basket Equity Linked Deposits.

#### *Capital gain tax*

Under Hong Kong law, no capital gains tax is payable in Hong Kong on any capital gains arising from the termination of our Basket Equity Linked Deposits.

### *Profit tax*

No Hong Kong profits tax is payable in respect of dividends of any company or distributions of any fund or in respect of any gains arising from the sale of the Linked Stock or our Basket Equity Linked Deposits, except that Hong Kong profits tax may be chargeable on any such gains where the sale or disposal is or forms part of a trade, profession or business carried on in Hong Kong.

### *Stamp duty*

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

## SCENARIO ANALYSIS

*The following hypothetical examples are for illustration only and do not reflect a complete analysis of all possible potential gain or loss scenarios and must not be relied on as an indication of the actual performance of any of the Linked Stocks or our Basket Equity Linked Deposits. They do not take into account any Cash Settlement Expenses or Physical Settlement Expenses (including the buyer's stamp duty) payable by the investor upon cash settlement or delivery of the Worst Performing Stock.*

This scenario analysis is based on an investment with our Basket Equity Linked Deposits (with daily callable and daily kick-in features) with the following terms:

<b>Deposit Tenor:</b>	91 calendar days (commencing from and including the Start Date to but excluding the Maturity Date)
<b>Investment Period:</b>	92 calendar days (commencing from and including the Trade Date to and including the Determination Date)
<b>Trade Date:</b>	21 April 20XX
<b>Start Date:</b>	23 April 20XX
<b>Determination Date:</b>	21 July 20XX
<b>Maturity Date:</b>	23 July 20XX
<b>Deposit Amount:</b>	HKD100,000
<b>Annualised Coupon Rate:</b>	12% per annum, based on the hypothetical assumption that the Basket Equity Linked Deposit can be rolled over on the same terms for 1 year and it does not represent the actual return.
<b>Maximum Potential Gain:</b>	2.99% (as shown up to 2 decimal places) in respect of the Deposit Tenor, being the Annualised Coupon Rate x Deposit Tenor / Day Count Basis, based on the hypothetical assumption that there is no early termination of the Basket Equity Linked Deposit.
<b>Day Count Basis:</b>	365

<b>Coupon Period:</b>	<b>Coupon Period</b>	<b>Coupon Period Start Date (inclusive)</b>	<b>Coupon Period End Date (exclusive)</b>	<b>Scheduled number of calendar days in the Coupon Period</b>
	1st	23 April 20XX	25 May 20XX	32
	2nd	25 May 20XX	24 June 20XX	30
	3rd	24 June 20XX	23 July 20XX	29

**Potential Coupon Amount:** A Potential Coupon Amount for each Coupon Payment Date is calculated as follows:

$$\text{Deposit Amount} \times \frac{\text{Annualised Coupon Rate}}{\text{Day Count Basis}} \times \frac{\text{Number of calendar days in the relevant Coupon Period}}{\text{Day Count Basis}}$$

Provided that no Call Event has occurred during a Coupon Period, the Potential Coupon Amount payable on each Coupon Payment Date is calculated as follows:

**Coupon Period    Potential Coupon Amount**

1st	HKD100,000 x 12% x 32/365 = HKD1,052.05
2nd	HKD100,000 x 12% x 30/365 = HKD986.30
3rd	HKD100,000 x 12% x 29/365 = HKD953.42

**Coupon Payment Dates:** Each Coupon Period End Date, if any such day is not a Business Day, the immediately following Business Day, provided that if the Call Event has occurred during a Coupon Period, the Coupon Payment Date for such Coupon Period will be the Call Event Settlement Date.

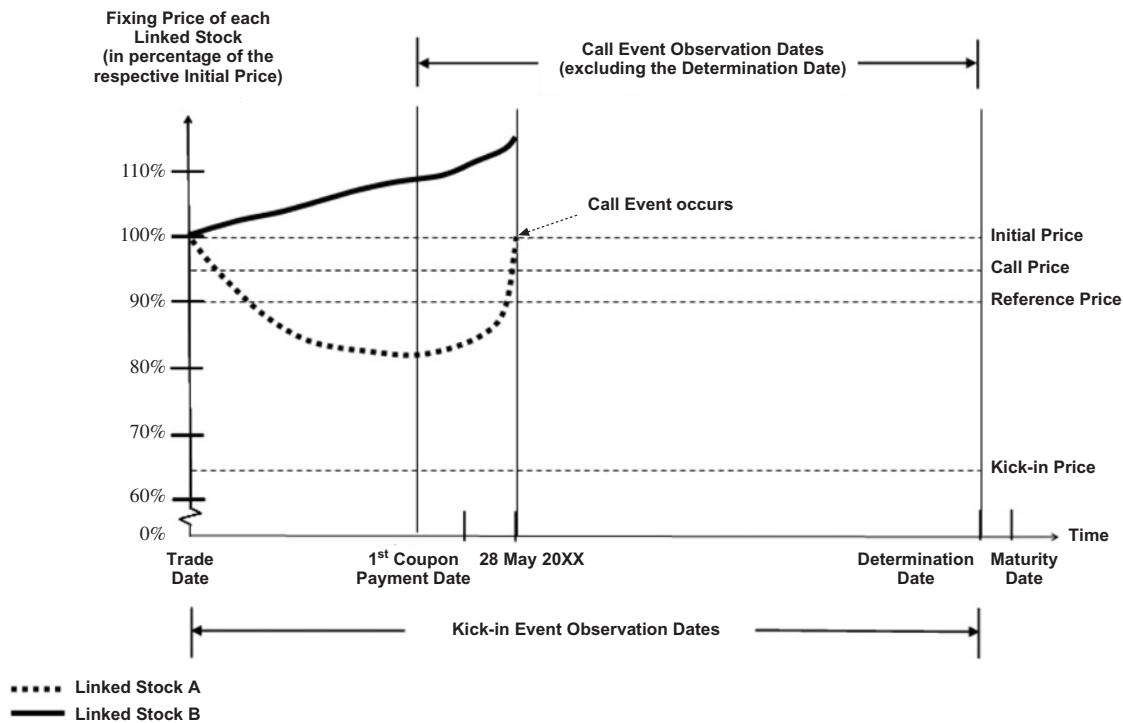
**Call Event Observation Dates:** Each Exchange Business Day during the period from and including 21 May 20XX to and including 20 July 20XX.

**Kick-in Event Observation Dates:** Each Exchange Business Day during the period from and including 21 April 20XX to and including 21 July 20XX.

**Stock Basket:**

Linked Stock	Initial Price	Call Price (95% of the Initial Price)	Reference Price (90% of the Initial Price)	Kick-in Price (65% of the Initial Price)
Linked Stock A	HKD11.00	HKD10.45	HKD9.90	HKD7.15
Linked Stock B	HKD30.00	HKD28.50	HKD27.00	HKD19.50

**Scenario 1 (Call Scenario) : The Call Event occurs on a Call Event Observation Date.**



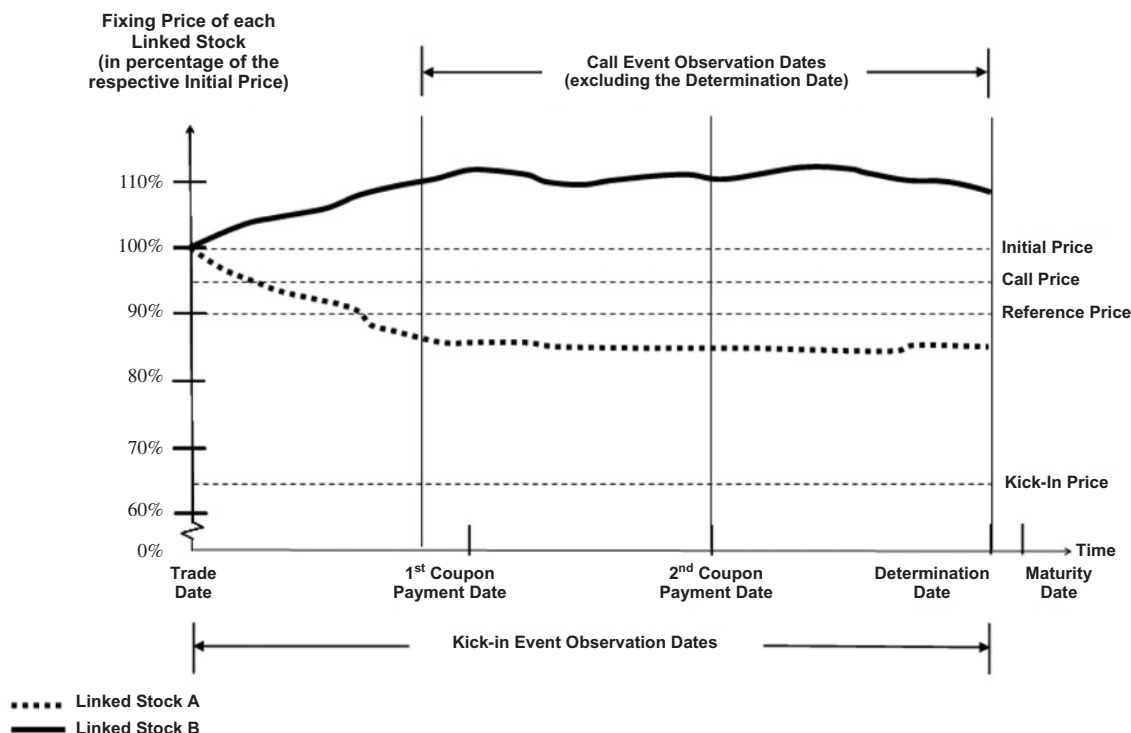
Assuming that on 28 May 20XX the Fixing Price of the Linked Stock A is HKD11.00 and the Fixing Price of the Linked Stock B is HKD35.00, both of which are higher than their respective Call Prices, the Call Event occurs and the Basket Equity Linked Deposit will be early terminated on the Call Event Settlement Date (being 30 May 20XX, the second Business Day after the Call Event Observation Date on which the Call Event has occurred).

You will receive **in cash** the following:

- (i) the Potential Coupon Amount for the 1st Coupon Period (i.e. HKD1,052.05) on the 1st Coupon Payment Date;
- (ii) the Potential Coupon Amount for the 2nd Coupon Period accrued up to but excluding the Call Event Settlement Date (i.e. HKD164.38, being  $\text{HKD}100,000 \times 12\% \times 5/365$ ) on the Call Event Settlement Date; and
- (iii) the Deposit Amount (i.e. HKD100,000) on the Call Event Settlement Date.

In this scenario, you have an actual gain of HKD1,216.43 (being the aggregate Potential Coupon Amount: HKD1,052.05 + HKD164.38) for the Deposit Amount.

**Scenario 2 (Best Case Scenario without Kick-in Event) : No Call Event has occurred on any Call Event Observation Dates and no Kick-in Event has occurred on any Kick-in Event Observation Dates.**



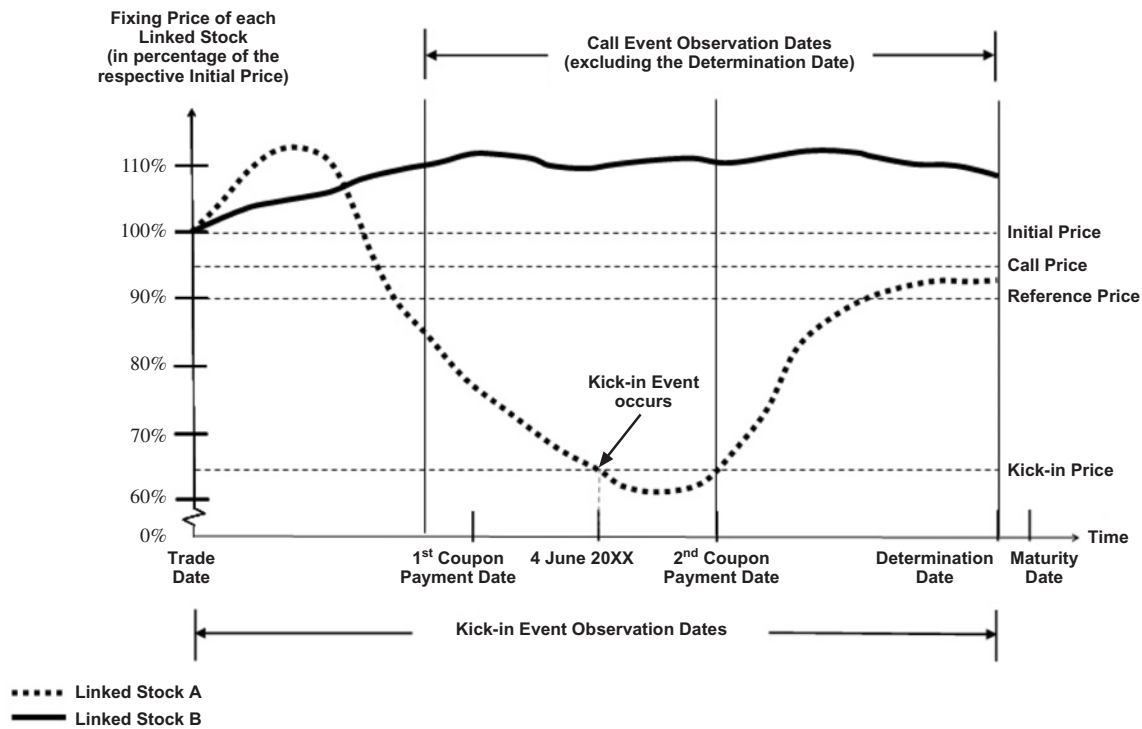
Assuming that no Call Event and no Kick-in Event have occurred on or before the Determination Date.

You will receive **in cash** the following:

- (i) the Potential Coupon Amount for the 1st Coupon Period and 2nd Coupon Period (i.e. HKD1,052.05 and HKD986.30) on the 1st Coupon Payment Date and the 2nd Coupon Payment Date respectively; and
- (ii) the Deposit Amount together with the Potential Coupon Amount for the 3rd Coupon Period (i.e. HKD100,000 + HKD953.42 = HKD100,953.42) on the Maturity Date.

In this scenario, you have an actual gain of HKD2,991.77 (being the aggregate Potential Coupon Amount: HKD1,052.05 + HKD986.30 + HKD953.42) representing the maximum gain for the Deposit Amount.

**Scenario 3 (Best Case Scenario with Kick-in Event): No Call Event has occurred before the Determination Date. The Kick-in Event has occurred at least once on a Kick-in Event Observation Date. The Fixing Price of the Worst Performing Stock on the Determination Date is AT or ABOVE its Reference Price.**



Assuming that no Call Event has occurred before the Determination Date.

The above diagram illustrates that a Kick-in Event has occurred on 4 June 20XX because the Fixing Price of Linked Stock A falls at or below its Kick-in Price (being HKD7.15) on 4 June 20XX.

Assuming that the Fixing Prices of Linked Stock A and Linked Stock B on the Determination Date are HKD10.12 and HKD32.10 respectively, the Stock Performance of Linked Stock A and Linked Stock B is calculated as follows:

$$\text{Stock Performance of Linked Stock A} = \left( \frac{\text{HKD}10.12}{\text{HKD}11.00} - 1 \right) \times 100\% = -8\%$$

$$\text{Stock Performance of Linked Stock B} = \left( \frac{\text{HKD}32.10}{\text{HKD}30.00} - 1 \right) \times 100\% = 7\%$$

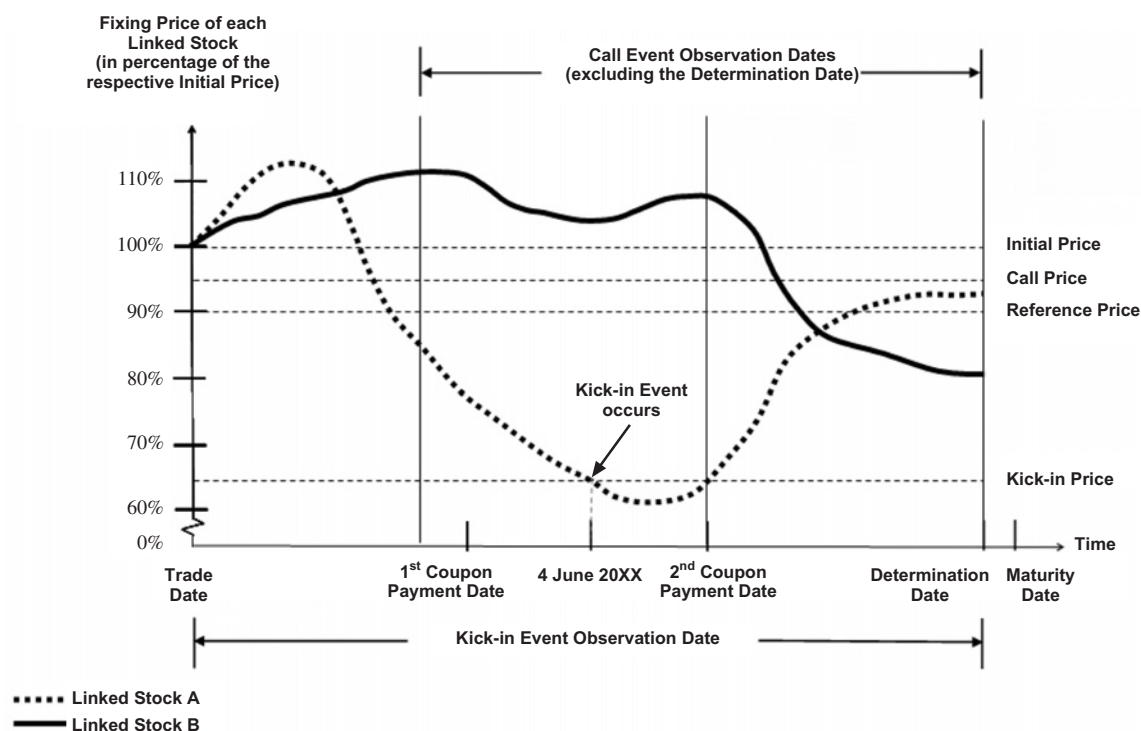
As Linked Stock A has the lowest Stock Performance on the Determination Date, it will be the Worst Performing Stock. The Fixing Price of the Worst Performing Stock on the Determination Date is above its Reference Price.

You will receive **in cash** the following:

- (i) the Potential Coupon Amount for the 1st Coupon Period and 2nd Coupon Period (i.e. HKD1,052.05 and HKD986.30) on the 1st Coupon Payment Date and the 2nd Coupon Payment Date respectively; and
- (ii) the Deposit Amount together with the Potential Coupon Amount for the 3rd Coupon Period (i.e. HKD100,000 + HKD953.42 = HKD100,953.42) on the Maturity Date.

In this scenario, you have an actual gain of HKD2,991.77 (being the aggregate Potential Coupon Amount: HKD1,052.05 + HKD986.30+ HKD953.42) representing the maximum gain for the Deposit Amount.

**Scenario 4 (Losing Scenario) : No Call Event has occurred before the Determination Date. The Kick-in Event has occurred at least once on a Kick-in Event Observation Date. The Fixing Price of the Worst Performing Stock on the Determination Date is BELOW its Reference Price.**



Assuming that no Call Event has occurred before the Determination Date.

The above diagram illustrates that a Kick-in Event has occurred on 4 June 20XX because the Fixing Price of Linked Stock A falls at or below its Kick-in Price (being HKD7.15) on 4 June 20XX.

Assuming that the Fixing Prices of Linked Stock A and Linked Stock B on the Determination Date are HKD10.12 and HKD24.00 respectively, the Stock Performance of Linked Stock A and Linked Stock B is calculated as follows:

$$\text{Stock Performance of Linked Stock A} = \left( \frac{\text{HKD}10.12}{\text{HKD}11.00} - 1 \right) \times 100\% = - 8\%$$

$$\text{Stock Performance of Linked Stock B} = \left( \frac{\text{HKD}24.00}{\text{HKD}30.00} - 1 \right) \times 100\% = - 20\%$$

As Linked Stock B has the lowest Stock Performance on the Determination Date, it will be the Worst Performing Stock. The Fixing Price of the Worst Performing Stock on the Determination Date is below its Reference Price.

You will receive the following:

- (i) the Potential Coupon Amount **in cash** for the 1st Coupon Period and 2nd Coupon Period (i.e. HKD1,052.05 and HKD986.30) on the 1st Coupon Payment Date and the 2nd Coupon Payment Date respectively;
- (ii) the Potential Coupon Amount **in cash** for the 3rd Coupon Period (i.e. HKD953.42) on the Maturity Date; and
- (iii) a number of the Worst Performing Stock on the Maturity Date (being Linked Stock B) calculated as follows (rounded up to 2 decimal places):

(Deposit Amount / Reference Price of the Worst Performing Stock)

= HKD100,000 / HKD27.00

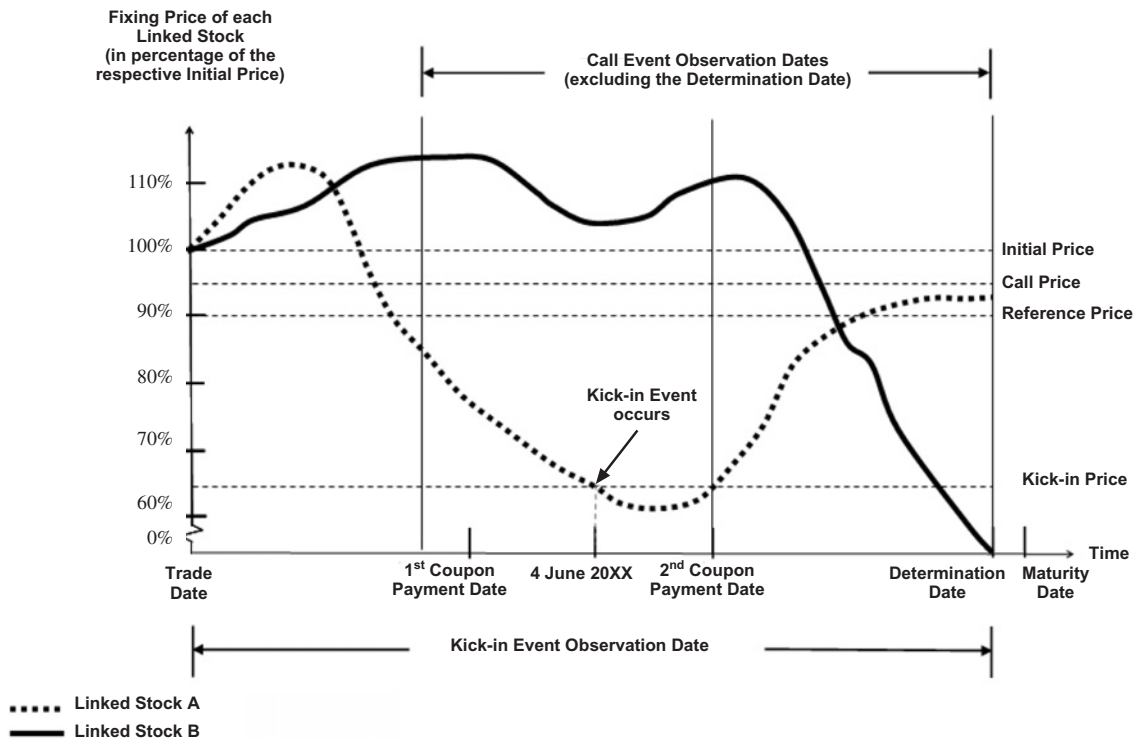
= 3,703.70 shares

Accordingly, you will receive 3,703 shares of the Worst Performing Stock and a Residual Cash of HKD16.80 (being 0.70 shares x HKD24.00, rounded up to 2 decimal places) for the Fractional Stock on the Maturity Date.

In this scenario, you suffer an unrealised loss of HKD8,119.43 [i.e. HKD100,000 (Deposit Amount) - HKD2,991.77 (the aggregate Potential Coupon Amount) - (3,703 shares x HKD24.00) (market value of the number of Worst Performing Stock deliverable calculated at its Fixing Price on the Determination Date) - HKD16.80 (Residual Cash)] by reference to the Fixing Price of the Worst Performing Stock on the Determination Date.

In addition, any further downside movements in the market price of the Worst Performing Stock after the Determination Date up to the Maturity Date could adversely affect your investment. If you decide to hold the number of the Worst Performing Stock delivered to you on the Maturity Date, you will be further exposed to the market risk of holding the Worst Performing Stock from the Maturity Date until you sell the Worst Performing Stock.

**Scenario 5 (Worst Case Scenario) : No Call Event has occurred before the Determination Date. The Kick-in Event has occurred at least once on a Kick-in Event Observation Date. The Fixing Price of the Worst Performing Stock on the Determination Date drops to zero.**



Assuming that no Call Event has occurred before the Determination Date.

The above diagram illustrates that a Kick-in Event has occurred on 4 June 20XX because the Fixing Price of Linked Stock A falls at or below its Kick-in Price (being HKD7.15) on 4 June 20XX.

Assuming that the Fixing Prices of Linked Stock A and Linked Stock B on the Determination Date are HKD10.12 and HKD0 respectively, the Stock Performance of Linked Stock A and Linked Stock B is calculated as follows:

$$\text{Stock Performance of Linked Stock A} = \left( \frac{\text{HKD}10.12}{\text{HKD}11.00} - 1 \right) \times 100\% = - 8\%$$

$$\text{Stock Performance of Linked Stock B} = \left( \frac{\text{HKD}0}{\text{HKD}30.00} - 1 \right) \times 100\% = - 100\%$$

As Linked Stock B has the lowest Stock Performance on the Determination Date, it will be the Worst Performing Stock. The Fixing Price of the Worst Performing Stock on the Determination Date is below its Reference Price.

You will receive the following:

- (i) the Potential Coupon Amount **in cash** for the 1st Coupon Period and 2nd Coupon Period (i.e. HKD1,052.05 and HKD986.30) on the 1st Coupon Payment Date and the 2nd Coupon Payment Date respectively;
- (ii) the Potential Coupon Amount **in cash** for the 3rd Coupon Period (i.e. HKD953.42) on the Maturity Date; and

(iii) a number of the Worst Performing Stock on the Maturity Date (being Linked Stock B) calculated as follows (rounded up to 2 decimal places):

(Deposit Amount / Reference Price of the Worst Performing Stock)

= HKD100,000 / HKD27.00

= 3,703.70 shares

Accordingly, you will receive 3,703 shares of the Worst Performing Stock and a Residual Cash of HKD0 (being 0.70 shares x HKD0, rounded up to 2 decimal places) for the Fractional Stock on the Maturity Date.

In this scenario, you suffer an unrealised loss of HKD97,008.23 [i.e. HKD100,000 (Deposit Amount) - HKD2,991.77 (the aggregate Potential Coupon Amount) - (3,703 shares x HKD0) (market value of the number of Worst Performing Stock deliverable calculated at its Fixing Price on the Determination Date) - HKD0 (Residual Cash)] if the Fixing Price of the Worst Performing Stock remains at zero.

***Scenario 6 (Default Scenario) : If the Bank as the Offeror becomes insolvent or defaults on its obligations.***

Assuming that the Bank becomes insolvent or defaults on its obligations under the Basket Equity Linked Deposit, you can only claim as an unsecured creditor of the Bank regardless of the performance of the Linked Stocks in the Stock Basket and the terms of the Basket Equity Linked Deposit. **In the worst case scenario, you could lose all of your Deposit Amount.**

## INFORMATION ABOUT US

The Bank of East Asia, Limited (“**BEA**”) is the largest independent local bank in Hong Kong which was established in 14 November 1918.

BEA offers a comprehensive range of retail and commercial banking services to customers in Hong Kong and other major markets around the world. These include account & deposit services; Cyberbanking; consumer and mortgage loans; credit cards; trade finance; syndicated loans; Mandatory Provident Fund services; treasury, stock, and futures broking services; and a wide array of wealth management products and services such as asset management, private banking, and structured investment products. The BEA Group also provides insurance solutions through its subsidiaries, BEA Life Limited and Blue Cross (Asia-Pacific) Insurance Limited, and business, corporate, and investor services through Tricor Group.

BEA serves customers through one of Hong Kong’s largest banking networks, with 88 branches, 62 SupremeGold Centres and 6 i-Financial Centres throughout the city. In addition, the BEA Group operates nearly 100 outlets in Mainland China and maintains a strong presence in North America, the United Kingdom, and Southeast Asia.

BEA’s presence continues to expand in strategic locations as BEA focuses on delivering quality and highly personalised services to its growing customer base around the world.

## APPENDIX 1 – PRODUCT TERMS AND CONDITIONS OF BASKET EQUITY LINKED DEPOSITS

*The following is the text of the product terms and conditions (the “**Product Terms and Conditions**”) applicable to our Basket Equity Linked Deposits. The relevant Confirmation in relation to each Basket Equity Linked Deposit may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Product Terms and Conditions, apply, disapply, amend, vary and/or supplement these Product Terms and Conditions for the purpose of such Basket Equity Linked Deposit. Capitalised terms used in these Product Terms and Conditions and not otherwise defined herein shall have the meaning given to them in the relevant Confirmation.*

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

### 1 ACCEPTANCE AND CONFIRMATION

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

### 2 DEPOSIT AMOUNT

- 2.1 For each Basket Equity Linked Deposit entered into between the Bank and the Customer, the Customer must maintain an amount at least equal to the Deposit Amount in the Designated Cash Account with the Bank from the day the customer places the Basket Equity Linked Deposit order to the Start Date.
- 2.2 On the Start Date in respect of an Basket Equity Linked Deposit, the Customer shall pay to the Bank the Deposit Amount relating to that Basket Equity Linked Deposit. The Customer authorises the Bank to debit the Deposit Amount from the Designated Cash Account, and such payment shall be effected automatically by the Bank by debiting from the Designated Cash Account.

### 3 SETTLEMENT AT MATURITY

3.1 Subject to early termination under these Product Terms and Conditions, in respect of a Basket Equity Linked Deposit:

(a) if:

- (i) where the Kick-in feature is specified to be not applicable in the Confirmation, the Fixing Price of the Worst Performing Stock on the Determination Date is at or above its Reference Price;
- (ii) where the Kick-in feature is specified to be applicable in the Confirmation and the Kick-in Event Observation Date is specified to be each Exchange Business Day during the period as specified in the Confirmation, (aa) no Kick-in Event has occurred or (bb) if a Kick-in Event has occurred but the Fixing Price of the Worst Performing Stock on the Determination Date is at or above its Reference Price; or
- (iii) where the Kick-in feature is specified to be applicable in the Confirmation and the Kick-in Event Observation Date is specified to be the Determination Date in the Confirmation, no Kick-in Event has occurred,

the Bank will pay the Customer on the Maturity Date a cash amount in the Deposit Currency equal to the Deposit Amount and the Potential Coupon Amount for the final Coupon Period less the Cash Settlement Expenses (if any) to the Designated Cash Account; or

(b) if:

- (i) where the Kick-in feature is specified to be not applicable in the Confirmation, the Fixing Price of the Worst Performing Stock on the Determination Date is below its Reference Price;
- (ii) where the Kick-in feature is specified to be applicable in the Confirmation and the Kick-in Event Observation Date is specified to be each Exchange Business Day during the period as specified in the Confirmation, a Kick-in Event has occurred and the Fixing Price of the Worst Performing Stock on the Determination Date is below its Reference Price; or
- (iii) where the Kick-in feature is specified to be applicable in the Confirmation and the Kick-in Event Observation Date is specified to be the Determination Date in the Confirmation, a Kick-in Event has occurred,

the Bank will deliver to the Customer on the Maturity Date (i) a cash amount in the Deposit Currency equal to the Potential Coupon Amount for the final Coupon Period less the Cash Settlement Expenses (if any) to the Designated Cash Account and (ii) (subject to the payment of the Physical Settlement Expenses) a number of the Worst Performing Stock calculated as follows (calculated to 2 decimal places, 0.005 being rounded upwards):

$$\text{Such number of the Worst Performing Stock} = \frac{\text{Deposit Amount (converted into HKD at the Exchange Rate if applicable)}}{\text{Reference Price of the Worst Performing Stock}}$$

The Bank will deliver an integral number of the Worst Performing Stock to the Customer to the Designated Securities Account. If the number of the Worst Performing Stock calculated in accordance with the formula stated above consists of any Fractional Stock,

then in respect of that Fractional Stock, the Bank shall on the Maturity Date pay to the Customer a cash amount in HKD (calculated to 2 decimal places, 0.005 being rounded upwards) equal to the Fixing Price of the Worst Performing Stock on the Determination Date multiplied by that Fractional Stock (“**Residual Cash**”) to the Residual Cash Account.

#### **4 SETTLEMENT DISRUPTION**

- 4.1 In the case where the Bank is required to deliver the Worst Performing Stock to the Customer on the Maturity Date pursuant to Condition 3.1(b) and the Bank determines that, in its sole and absolute discretion (acting in good faith and in a commercially reasonable manner), such delivery of the Worst Performing Stock on the Maturity Date is not possible by reason of a Settlement Disruption Event having occurred and continuing on such date, then the Maturity Date shall be postponed to the first following Clearing System Business Day on which delivery of the Worst Performing Stock to the Designated Securities Account can take place. The Bank will notify the Customer as soon as practicable of the postponement on the second Business Day after the original Maturity Date. If there is a Settlement Disruption Event on each of the 8 Clearing System Business Days immediately following such original date that, but for the Settlement Disruption Event, would have been the Maturity Date, then the Bank will pay a cash amount (if any) equal to the fair market value of the Worst Performing Stock deliverable as of that eighth Clearing System Business Day as determined by the Bank in its sole and absolute discretion (acting in good faith and in a commercially reasonable manner) by reference to the prevailing market conditions, including without limitation, the last reported price of the Worst Performing Stock, the market interest rate movements and the price volatility of the Worst Performing Stock, and such cash amount will be credited to the Designated Cash Account on the second Business Day after that eighth Clearing System Business Day. The Bank will notify the Customer on the second Business Day after that eighth Clearing System Business Day of the relevant settlement arrangement (including the determination of such cash amount).
- 4.2 The Bank will not be liable for any interest in respect of the amount due or any loss or damage that you may suffer as a result of any delay in settlement due to the existence of a Settlement Disruption Event.

#### **5 INTERVENING PERIOD**

- 5.1 In the case where the Bank is required to deliver the Worst Performing Stock to the Customer on the Maturity Date pursuant to Condition 3.1(b), the Customer shall be entitled to all those rights attaching to the Worst Performing Stock to be delivered to him as from and including the Determination Date. Such rights shall include the rights that the Customer would be entitled to as if the Customer had been registered as the holder of such Worst Performing Stock as from and including the Determination Date.
- 5.2 Notwithstanding Condition 5.1 above, as from and including the Determination Date and until such time that the Worst Performing Stock is delivered to the Customer (the “**Intervening Period**”), the Bank shall not:
- (a) be obliged to deliver to the Customer any letter, certificate, notice, circular, dividend, distribution or any other document or payment whatsoever received by the Bank in its capacity as the registered holder of such Worst Performing Stock;
  - (b) be obliged to exercise any or all rights (including voting rights) attaching to the Worst Performing Stock during the Intervening Period; or

- (c) be liable to such Customer in respect of any loss or damage which such Customer may sustain or suffer as a result, whether directly or indirectly, of the Bank (or its nominee) being registered during such Intervening Period as legal owner of such Worst Performing Stock.

5.3 Notwithstanding Condition 5.2 above, the Bank shall:

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

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

## **6 POTENTIAL COUPON AMOUNT**

6.1 In respect of each Coupon Period, the Bank will pay the Customer a cash amount in the Deposit Currency equal to the Potential Coupon Amount for that Coupon Period less any Cash Settlement Expenses to the Designated Cash Account on the relevant Coupon Payment Date. For avoidance of doubt, if the Call Event occurs on a Call Event Observation Date, the relevant Potential Coupon Amount (accrued up to but excluding the Call Event Settlement Date) will be paid on the Call Event Settlement Date. No Potential Coupon Amount will be accrued after the Call Event Settlement Date.

## **7 CALLABLE FEATURE**

7.1 If the Call Event occurs on a Call Event Observation Date:

- (a) the Basket Equity Linked Deposit will be early terminated on and with effect from the Call Event Settlement Date;
- (b) the Bank will pay the Customer a cash amount in the Deposit Currency equal to the Deposit Amount together with any accrued Potential Coupon Amount (less any Cash Settlement Expenses) to the Designated Cash Account on the Call Event Settlement Date, and following the payment of such cash amount(s), the Bank will have no further obligations in respect of the Basket Equity Linked Deposit; and
- (c) the Bank will notify the Customer as soon as practicable of the occurrence of such termination.

## **8 POTENTIAL ADJUSTMENT EVENT**

8.1 If the Bank determines in its sole and absolute discretion (acting in good faith and in a commercially reasonable manner) that a Potential Adjustment Event has occurred on or after the Trade Date but on or prior to the Determination Date, the Bank will in its sole and absolute discretion (acting in good faith and in a commercially reasonable manner) determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the affected Linked Stock, and if so, the Bank will (i) make the corresponding adjustments,

relevant to the settlement, payment or other terms of the Basket Equity Linked Deposit and (ii) determine the effective date(s) of such adjustment(s) as the Bank determines appropriate to account for the diluting or concentrative effect of such event on the affected Linked Stock, so as to maintain the economic equivalence of the Basket Equity Linked Deposits.

In determining the aforesaid adjustment(s):

- (a) if options contracts or futures contracts of the affected Linked Stock are traded on the Exchange or any other exchange, the Bank will follow any adjustment to the terms of the relevant options contract or futures contract made and announced by the Exchange or such other exchange, unless following such adjustment is not able to preserve the economic equivalence of the Basket Equity Linked Deposit. In such case, the Bank will determine the aforesaid adjustment(s) in our sole and absolute discretion acting in good faith and in a commercially reasonable manner so as to preserve the economic equivalence of the Basket Equity Linked Deposit; or
- (b) if there are no options contracts or futures contracts of the affected Linked Stock traded on the Exchange or any other exchange, the Bank will take into account and (where, and to the extent, applicable) follow the relevant rules as set out in the Operational Trading Procedures for Options Trading Exchange Participants of the Stock Exchange so as to preserve the economic equivalence of the Basket Equity Linked Deposit.

8.2 If the Bank determines that a Potential Adjustment Event has occurred under this Condition 8, the Bank will notify the Customer as soon as practicable of the occurrence of such event, the corresponding adjustment made and the effective date of such adjustment. All determinations made by the Bank pursuant to the Product Terms and Conditions of the Basket Equity Linked Deposit shall be made by the Bank in its sole and absolute discretion (acting in good faith and in a commercially reasonable manner) and shall be conclusive and binding on the Customer except in the case of manifest error.

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

- (i) a subdivision, consolidation or reclassification of that Linked Stock (unless such event results in a Merger Event, in which case, the Bank will make a decision in accordance with Condition 9) or a free distribution or dividend of that Linked Stock to existing holders by way of bonus, capitalisation or similar issue;
- (ii) an extraordinary distribution or dividend;
- (iii) a call by the Equity Issuer in respect of that Linked Stock that are not fully paid;
- (iv) a repurchase by the Equity Issuer or any of its subsidiaries of that Linked Stock, whether out of profits or capital and whether the consideration for such repurchase is cash, new shares, securities or otherwise; or
- (v) any other event that may, in the opinion of the Bank, have a diluting or concentrative effect on the theoretical value of that Linked Stock.

## 9 MERGER EVENT OR TENDER OFFER

9.1 If the Bank determines in its sole and absolute discretion (acting in good faith and in a commercially reasonable manner) that a Merger Event or Tender Offer occurs on or after the Trade Date but on or prior to the Determination Date, the Bank may, in its sole and absolute discretion (acting in good faith and in a commercially reasonable manner), (i) make any corresponding adjustments to the terms of the Basket Equity Linked Deposit to treat the shares

or units of the surviving entity after the Merger Event or the Tender Offer as the affected Linked Stock and (ii) determine the effective date of such adjustment as the Bank determines appropriate (acting in good faith and in a commercially reasonable manner) to maintain the economic equivalence of the Basket Equity Linked Deposit.

In determining the aforesaid adjustment(s):

- (a) if options contracts or futures contracts of the affected Linked Stock are traded on the Exchange or any other exchange, the Bank will follow any adjustment to the terms of the relevant options contract or futures contract made and announced by the Exchange or such other exchange, unless following such adjustment is not able to preserve the economic equivalence of the Basket Equity Linked Deposit. In such case, the Bank will determine the aforesaid adjustment(s) in our sole and absolute discretion acting in good faith and in a commercially reasonable manner so as to preserve the economic equivalence of the Basket Equity Linked Deposit; or
- (b) if there are no options contracts or futures contracts of the affected Linked Stock traded on the Exchange or any other exchange, the Bank will take into account and (where, and to the extent, applicable) follow the relevant rules as set out in the Operational Trading Procedures for Options Trading Exchange Participants of the Stock Exchange so as to preserve the economic equivalence of the Basket Equity Linked Deposit.

9.2 If the Bank determines in its sole and absolute discretion (acting in good faith and in a commercially reasonable manner) that any of the foregoing adjustments contemplated in Condition 9.1 is unable to preserve the economic equivalence of the Basket Equity Linked Deposit, the Bank may, in its sole and absolute discretion (and acting in good faith and in a commercially reasonable manner), substitute the affected Linked Stock with the shares or units of another entity (which is not already comprised in the Stock Basket) in the same business sector of the affected Equity Issuer trading on the Exchange with comparable market capitalisation as that of the affected Equity Issuer as of the Trade Date and make any further adjustment to the terms of the Basket Equity Linked Deposit to account for such event as the Bank determines appropriate (acting in good faith and in a commercially reasonable manner).

9.3 If the Bank determines in its sole and absolute discretion (acting in good faith and in a commercially reasonable manner) that the Bank is unable to preserve the economic equivalence of the Basket Equity Linked Deposit through any of the foregoing adjustments contemplated in Condition 9.1 or the Bank is unable to substitute the affected Linked Stock to account for that event as contemplated in Condition 9.2, then:

- (a) the Basket Equity Linked Deposit shall be early terminated as soon as practicable after the occurrence of such event as determined by the Bank in its sole and absolute discretion (acting in good faith and in a commercially reasonable manner);
- (b) the Bank's obligation under the Basket Equity Linked Deposit is satisfied and discharged in full upon its payment of the Early Termination Amount; and
- (c) the Early Termination Amount shall be paid to the Customer within 2 Business Days after the effective date of such termination.

9.4 If the Bank determines that a Merger Event or Tender Offer (as the case may be) has occurred, the Bank will notify the Customer as soon as practicable of the occurrence of such event, the adjustment, substitution or termination (as the case may be) made by the Bank, the effective date of such adjustment, substitution or termination (as the case may be) and the Early Termination Amount (if applicable). All determinations made by the Bank pursuant to the

Product Terms and Conditions of the Basket Equity Linked Deposit shall be made by the Bank in its sole and absolute discretion (acting in good faith and in a commercially reasonable manner) and shall be conclusive and binding on the Customer and the Bank except in the case of manifest error.

## 10 ADDITIONAL DISRUPTION EVENT

10.1 If the Bank determines in its sole and absolute discretion (acting in good faith and in a commercially reasonable manner) that an Additional Disruption Event occurs on or after the Trade Date but on or prior to the Determination Date, the Bank may in its sole and absolute discretion (acting in good faith and in a commercially reasonable manner) substitute the affected Linked Stock with the shares or units of another entity (which is not already comprised in the Stock Basket) in the same business sector of the affected Equity Issuer trading on the Exchange with comparable market capitalisation as that of the affected Equity Issuer as of the Trade Date and make any further adjustment to the terms of the Basket Equity Linked Deposit to account for that event as the Bank determines appropriate (acting in good faith and in a commercially reasonable manner).

10.2 If the Bank determines in its sole and absolute discretion (acting in good faith and in a commercially reasonable manner) that the Bank is unable to substitute the affected Linked Stock to account for that event as contemplated in Condition 10.1, then:

- (a) the Basket Equity Linked Deposit shall be early terminated as soon as practicable after the occurrence of such event as determined by the Bank in its sole and absolute discretion (acting in good faith and in a commercially reasonable manner);
- (b) the Bank's obligation under the Basket Equity Linked Deposit is satisfied and discharged in full upon its payment of the Early Termination Amount; and
- (c) the Early Termination Amount shall be paid to the Customer within 2 Business Days after the effective date of such termination.

10.3 If the Bank determines an Additional Disruption Event has occurred, the Bank will notify the Customer as soon as practicable of the occurrence of such event, the adjustment, substitution or termination (as the case may be) made by the Bank, the effective date of such adjustment, substitution or termination (as the case may be) and the Early Termination Amount (if applicable). All determinations made by the Bank pursuant to the Product Terms and Conditions of the Basket Equity Linked Deposit shall be made by the Bank in its sole and absolute discretion (acting in good faith and in a commercially reasonable manner) and shall be conclusive and binding on the Customer except in the case of manifest error.

10.4 “**Additional Disruption Event**” means any Change in Law, Hedging Disruption, Increased Cost of Hedging, Nationalisation, Insolvency, Delisting or, if applicable, Fund Disruption Event.

## 11 MARKET DISRUPTION EVENT

11.1 If the Bank determines that any scheduled Call Event Observation Date, any scheduled Kick-in Event Observation Date or the scheduled Determination Date (as the case may be) is a Disrupted Day for any Linked Stock in the Stock Basket, that Call Event Observation Date, that Kick-in Event Observation Date or the Determination Date (as the case may be) for each Linked Stock in the Stock Basket whether or not affected by the occurrence of the Disrupted Day will be postponed to the first succeeding Exchange Business Day which it is not a

Disrupted Day for any Linked Stock in the Stock Basket, unless each of the eight Exchange Business Days immediately following the scheduled Call Event Observation Date, the scheduled Kick-in Event Observation Date or the scheduled Determination Date (as the case may be) is a Disrupted Day for any Linked Stock in the Stock Basket. In that case,

- (a) that eighth Exchange Business Day shall be deemed to be the relevant Call Event Observation Date, the relevant Kick-in Event Observation Date or the Determination Date (as the case may be) for each Linked Stock in the Stock Basket, notwithstanding the fact that such day is a Disrupted Day for any Linked Stock in the Stock Basket;
- (b) the Bank shall determine, acting in good faith and a commercially reasonable manner, the fair market price of the affected Linked Stock in the Stock Basket on that eighth Exchange Business Day by reference to the prevailing market conditions, including without limitation, the last reported price of the affected Linked Stock, such fair market price shall be deemed to be the Fixing Price of such Linked Stock on the relevant Call Event Observation Date, the relevant Kick-in Event Observation Date or the Determination Date (as the case may be); and
- (c) the official closing price of any unaffected Linked Stock(s) in the Stock Basket as published by the Exchange as of that eighth Exchange Business Day shall be deemed to be the Fixing Price of such Linked Stock(s) on the relevant Call Event Observation Date, the relevant Kick-in Event Observation Date or the Determination Date (as the case may be).

11.2 If the Bank determines that a Market Disruption Event has occurred, the Bank shall notify the Customer as soon as practicable after the occurrence of such event and where applicable, the Bank will notify the Customer of the Fixing Price of each Linked Stock in the Stock Basket as soon as it has been calculated or determined.

## 12 ASSIGNMENT, TRANSFER OR NOVATION

The Customer cannot assign, transfer or novate any of its rights or obligations in respect of a Basket Equity Linked Deposit without the prior written consent of the Bank.

## 13 GOVERNING LAW

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

## 14 DEFINITION

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

**"Annualised Coupon Rate"** means the annualised coupon rate per annum specified as such in the Confirmation, based on the hypothetical assumption that a Basket Equity Linked Deposit can be rolled over on the same terms for a year and it does not represent the actual return.

**"Bank"** means The Bank of East Asia, Limited, a company incorporated in Hong Kong and a licensed bank regulated by the Hong Kong Monetary Authority under the Hong Kong Banking Ordinance.

**"Basket Equity Linked Deposit"** means a Basket Equity Linked Deposit - with Callable and Optional Kick-in Features constituted by these Product Terms and Conditions and the relevant Confirmation.

“**Business Day**” means a day (excluding Saturdays and Sundays) on which commercial banks are generally open for business in the location of the Deposit Currency and in Hong Kong.

“**Call Event**” occurs if the Fixing Price of each of the Linked Stocks in the Stock Basket on a Call Event Observation Date is at or above its respective Call Price.

“**Call Event Observation Date**” means the date(s) specified as such in the Confirmation, provided that if any such date is a Disrupted Day for any Linked Stock in the Stock Basket, that Call Event Observation Date for each Linked Stock in the Stock Basket will be determined in accordance with Condition 11.

“**Call Event Settlement Date**” means the second Business Day after the Call Event Observation Date on which the Call Event has occurred.

“**Call Price**” means, in respect of a Linked Stock, the price specified as such for that Linked Stock in the Confirmation.

“**Cash Settlement Expenses**” means an amount equal to all charges and/or expenses including any taxes or duties which are incurred for payment of any cash amount under the Basket Equity Linked Deposit (except for any Residual Cash).

“**Change in Law**” means:

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

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

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

“**Clearing System**” means the Central Clearing and Settlement System or any successors thereto.

“**Clearing System Business Day**” means a day on which the Clearing System is scheduled to open for the acceptance and execution of settlement instructions.

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

“**Coupon Payment Date**” means the date(s) specified as such in the Confirmation, or if any such date is not a Business Day, the immediately following Business Day, provided that if the Call Event has occurred during the relevant Coupon Period, the Coupon Payment Date in respect of such Coupon Period will be the Call Event Settlement Date.

“**Coupon Period**” means each of the period from and including a Coupon Period Start Date to but excluding the corresponding Coupon Period End Date, provided that if the Call Event has occurred during a Coupon Period, the period from and including the relevant Coupon Period Start Date to but excluding the Call Event Settlement Date.

“**Coupon Period Start Date**” means, in respect of a Coupon Period, the date specified as such in the Confirmation.

“**Coupon Period End Date**” means, in respect of a Coupon Period, the date specified as such in the Confirmation.

“**Customer**” means the person or, if more than one, the persons jointly, party to the Agreement for a Basket Equity Linked Deposit other than the Bank.

“**Day Count Basis**” means the day count basis specified as such in the Confirmation, being 365 (in case where the Deposit Currency is HKD or GBP) or 360 (in case where the Deposit Currency is not HKD or GBP).

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

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

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

“**Deposit Tenor**” means the number of calendar days from and including the Start Date to but excluding the Maturity Date as specified in the Confirmation.

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

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

“**Determination Date**” means the date specified as such in the Confirmation, or if such date is not an Exchange Business Day, the following Exchange Business Day, provided that if such date is a Disrupted Day for any Linked Stock in the Stock Basket, the Determination Date for each Linked Stock in the Stock Basket will be determined in accordance with Condition 11.

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

“**Early Termination Amount**” means, in respect of a Basket Equity Linked Deposit, an amount determined by the Bank, in its sole and absolute discretion (acting in good faith and in a commercially reasonable manner) pursuant to Condition 9.3 or Condition 10.2 (as the case may be), as representing the fair market value of such Basket Equity Linked Deposit at the time of the occurrence of the Merger Event, the Tender Offer or the Additional Disruption Event (as the case may be), taking into account factors including but not limited to, the market interest rate movements, the current and expected market price and price volatility of each of the Linked Stocks in the Stock Basket, the remaining Investment Period, any accrued Potential Coupon Amount, the market value of the embedded put option, the creditworthiness of the Bank and the unwind cost of hedging less any operational or administrative costs of the Bank.

“**Equity Issuer**” means, in respect of a Linked Stock, the issuer(s) of that Linked Stock.

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

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

“**Exchange Rate**” means the rate specified as such in the Confirmation.

“**Fixing Price**” means, in respect of an Exchange Business Day and a Linked Stock, the official closing price of that Linked Stock as published by the Exchange as of that day, provided that if such day is a Disrupted Day, the Fixing Price in respect of such day shall be determined in accordance with Condition 11.

“**Fractional Stock**” means a fraction of the Worst Performing Stock.

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

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

“**GBP**” means pound sterling, the lawful currency of the United Kingdom.

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

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

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

“**HKD**” means Hong Kong dollar, the lawful currency of Hong Kong Special Administrative Region of the People’s Republic of China.

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

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

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

“**Initial Price**” means, in respect of a Linked Stock, the price specified as such for that Linked Stock in the Confirmation.

“**Investment Period**” means the number of calendar days from and including the Trade Date to and including the Determination Date as specified in the Confirmation.

“**Insolvency**” means, in respect of a Linked Stock, that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of, or any analogous proceeding affecting, the Equity Issuer of that Linked Stock:

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

“**Kick-in Event**” occurs if the Fixing Price of any one of the Linked Stocks in the Stock Basket on a Kick-in Event Observation Date is at or below its respective Kick-in Price.

“**Kick-in Event Observation Date**” means the date(s) specified as such in the Confirmation, provided that if any such date is a Disrupted Day for any Linked Stock in the Stock Basket, that Kick-in Event Observation Date for each Linked Stock in the Stock Basket will be determined in accordance with Condition 11.

“**Kick-in Price**” means, in respect of a Linked Stock, the price specified as such for that Linked Stock in the Confirmation.

“**Linked Stock**” means the share or the unit of an Equity Issuer specified as such in the Confirmation, subject to adjustment in accordance with Condition 8, 9 or 10.

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

**“Maturity Date”** means the second Business Day (in the case where the Bank is obliged to pay any amount in cash) or the second Clearing System Business Day (in the case where the Bank is obliged to deliver a number of the Worst Performing Stock) after the Determination Date, unless the Settlement Disruption Event occurs, the Maturity Date will be postponed in accordance with Condition 4.

**“Maximum Potential Gain”** means the maximum potential gain of a Basket Equity Linked Deposit in respect of the Deposit Tenor specified as such in the Confirmation, being the Annualised Coupon Rate x Deposit Tenor / Day Count Basis, which is based on the hypothetical assumption that there is no early termination of the Basket Equity Linked Deposit.

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

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

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

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

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

**“Physical Settlement Expenses”** means an amount determined by the Bank equal to all charges incurred in respect of the delivery and receipt of the Worst Performing Stock, including without limitation, any prevailing buyer’s stamp duty, agent’s expenses, levies, registration charges and other expenses payable on or in connection with the receipt of the Worst Performing Stock.

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

$$\text{Deposit Amount} \times \text{Annualised Coupon Rate} \times \frac{\text{Number of calendar days in the relevant Coupon Period}}{\text{Day Count Basis}}$$

“**Reference Price**” means, in respect of a Linked Stock, the price specified as such for that Linked Stock in the Confirmation.

“**Residual Cash Account**” means a cash account of the Customer in HKD for settlement of Residual Cash specified as such in the Confirmation.

“**Settlement Disruption Event**” means an event beyond the control of the Bank as a result of which it is not possible for the Bank to make delivery of the Worst Performing Stock to the Designated Securities Account as determined by the Bank in its sole and absolute discretion (acting in good faith and in a commercially reasonable manner).

“**Start Date**” means the date specified as such in the Confirmation.

“**Stock Basket**” means the basket comprising of the Linked Stocks specified as such in the Confirmation.

“**Stock Performance**” means, in respect of a Linked Stock, the percentage calculated in accordance with the following formula (calculated to 2 decimal places, 0.005 being rounded upwards):

$$\left( \frac{\text{Fixing Price of that Linked Stock on the Determination Date}}{\text{Initial Price of that Linked Stock}} - 1 \right) \times 100\%$$

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

“**Trade Date**” means the date specified as such in the Confirmation and on which all the terms of the Basket Equity Linked Deposit are finalised, or if such date is not an Exchange Business Day, the following Exchange Business Day, provided that if such date is a Disrupted Day for any Linked Stock in the Stock Basket, the Trade Date for each Linked Stock in the Stock Basket will be determined in accordance with Condition 11.

“**Worst Performing Stock**” means the Linked Stock in the Stock Basket with the lowest Stock Performance on the Determination Date as determined by the Bank in good faith and in a commercially reasonable manner. If more than one Linked Stock have the same lowest Stock Performance on the Determination Date, the Bank will in its sole and absolute discretion acting in good faith and in a commercially reasonable manner select any one of the Linked Stocks with the Lowest Stock Performance to be the Worst Performing Stock.

## APPENDIX 2 – FORM OF TERM SHEET FOR BASKET EQUITY LINKED DEPOSITS

*We set out below a form of the Term Sheet for our Basket Equity Linked Deposits. It is indicative only and must not be relied upon as being representative of the terms that will apply to any particular Basket Equity Linked Deposit. Each Term Sheet covers a Basket Equity Linked Deposit only. You must read the Term Sheet for the particular Basket Equity Linked Deposit you are interested in before applying for a Basket Equity Linked Deposit.*

**Term Sheet for Basket Equity Linked Deposit with [Daily][Periodic] Callable [and [Daily][Expiry] Kick-in] Feature[s] offered by The Bank of East Asia, Limited (the “Bank”)**

[insert date]

### IMPORTANT RISK WARNING

- **Not a time deposit.** Our Basket Equity Linked Deposits are unlisted structured investment products embedded with derivatives. They are NOT equivalent to and should not be treated as substitutes for conventional time deposits.
- **Not protected deposits.** Our Basket Equity Linked Deposits are NOT protected deposits under the Deposit Protection Scheme in Hong Kong.
- **Not capital protected.** Our Basket Equity Linked Deposits are NOT capital protected. You may receive the Worst Performing Stock instead of the Deposit Amount in cash at maturity depending on the performance of each of the Linked Stocks in the Stock Basket during the Investment Period. The market value of the Worst Performing Stock you receive may be substantially less than your Deposit Amount or **may even become worthless**.
- **Capped maximum potential gain.** The amount of maximum potential gain under our Basket Equity Linked Deposits is capped and limited to the aggregate Potential Coupon Amount payable during the scheduled Deposit Tenor.
- **Potential payout is determined by each of the Linked Stocks in the Stock Basket.** The potential payout of our Basket Equity Linked Deposits depends on the performance of each of the Linked Stocks in the Stock Basket during the Investment Period. If any one of the Linked Stocks in the Stock Basket performs poorly against your expectation, you will not benefit from the performance of any other Linked Stocks in the Stock Basket.
- **No collateral.** Our Basket Equity Linked Deposits are NOT secured on any of our assets or any collateral.
- **Liquidity risk.** Our Basket Equity Linked Deposits are not transferable without our prior written consent and are designed to be held to maturity. Under normal market conditions, we provide limited market making arrangements for our Basket Equity Linked Deposits with an Investment Period of more than 6 months. If you try to early terminate your Basket Equity Linked Deposit before maturity under our market making arrangement, you may receive an amount which is substantially less than your Deposit Amount.

- **Not covered by Investor Compensation Fund.** Our Basket Equity Linked Deposits are not listed on any stock exchange and are not covered by the Investor Compensation Fund in Hong Kong.
- **Not the same as investment in any of the Linked Stocks.** Investing in our Basket Equity Linked Deposits is not the same as investing in any of the Linked Stocks in the Stock Basket. You have no rights in any of the Linked Stocks in the Stock Basket (except where the Worst Performing Stock is determined on the Determination Date to be deliverable to you on the Maturity Date, in such case you will be entitled to the rights in such Worst Performing Stock as from the Determination Date). Movements in the market prices of any of the Linked Stocks may not lead to any corresponding change in the market value of and/or potential payout under our Basket Equity Linked Deposits.
- **Insolvency risk.** The settlement of our Basket Equity Linked Deposits is subject to the credit and insolvency risks of The Bank of East Asia, Limited. If the Bank becomes insolvent or defaults on its obligations under our Basket Equity Linked Deposits, you can only claim as an unsecured creditor of the Bank regardless of the performance of the Linked Stocks and the terms of our Basket Equity Linked Deposits. **In the worst case scenario, you could lose all of your Deposit Amount.**
- **Re-investment risk.** Our Basket Equity Linked Deposits will be early terminated if a Call Event has occurred on any Call Event Observation Date. No further Potential Coupon Amount will be accrued following such termination. You may not be able to enjoy the same rate of return if you re-invest in other investments with similar risk parameters.
- **Exposure to risks from the Trade Date.** Your Basket Equity Linked Deposit order is accepted and executed on Trade Date and all the terms of the Basket Equity Linked Deposit are finalised. You will be exposed to the risks associated with our Basket Equity Linked Deposits starting from the Trade Date.
- **Exposure to market price movement of the Worst Performing Stock after the Determination Date.** Your settlement at maturity will be determined on the Determination Date but settlement will only occur on the Maturity Date. If you are to receive the Worst Performing Stock, you will be exposed to any market price movement of such Worst Performing Stock between the Determination Date and the Maturity Date (being the second Clearing System Business Day after the Determination Date). If you decide to hold the number of the Worst Performing Stock delivered to you on the Maturity Date, you will be further exposed to the market risk of holding such Worst Performing Stock from the Maturity Date until you sell the Worst Performing Stock.
- **Conflicts of interest.** Potential and actual conflicts of interest may arise from the different roles played by us and our subsidiaries and affiliates in connection with our Basket Equity Linked Deposits. Our economic interests in each role may be adverse to your interests in our Basket Equity Linked Deposits.

This Term Sheet must be read in conjunction with:

- (i) our principal brochure for Basket Equity Linked Deposits dated 19 December 2011 (“**Principal Brochure**”) [and the addendum dated *[insert date of the addendum]*]; and
- (ii) our financial disclosure document dated *[insert date of the latest Financial Disclosure Document]* (“**Financial Disclosure Document**”) [and the addendum dated *[insert date of the addendum]*] (collectively “**Offering Documents**”).

You should read and understand each Offering Document before deciding whether to invest in a Basket Equity Linked Deposit. If you are in any doubt of the contents of any Offering Document, you should seek independent professional advice. Hard copies of the Offering Documents [and CD-Rom copies of the Principal Brochure] are available from our branches [and electronic copies of the Offering Documents are available for download from our website at [www.hkbea.com](http://www.hkbea.com)].

**If English is not your preferred language, you may request for copies of this Term Sheet written in Chinese from our marketing officer.** 倘若英文並非閣下屬意的語言，閣下可向本行的市場推廣人員索取本條款單張的中文語言版本。

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

## INDICATIVE TERMS AND CONDITIONS

<b>The Bank (as the Offeror)</b>	: The Bank of East Asia, Limited
<b>[Application period]</b>	: [ <i>insert date</i> ] to [ <i>insert trade date</i> ] (both days inclusive)]
<b>Deposit Currency</b>	: [ <i>insert deposit currency</i> ][( <i>insert abbreviation of the deposit currency</i> )]
<b>Deposit Tenor</b>	: [ <i>insert number of calendar days</i> ] calendar days, being the number of calendar days from and including the Start Date to but excluding the Maturity Date
<b>Investment Period</b>	: [ <i>insert number of calendar days</i> ] calendar days, being the number of calendar days from and including the Trade Date to and including the Determination Date
<b>Minimum Deposit Amount</b>	: [HKD100,000]/[ <i>insert the equivalent amount of HKD100,000 in deposit currency</i> ]
<b>Deposit Amount</b>	: [ <i>insert deposit currency and deposit amount</i> ]
<b>Trade Date</b>	: [ <i>insert trade date</i> ]
<b>Start Date</b>	: [ <i>insert start date</i> ]
<b>Determination Date</b>	: [ <i>insert date</i> ], if such day is not an Exchange Business Day, then the following Exchange Business Day, provided that if such day is a Disrupted Day for any Linked Stock in the Stock Basket, the Determination Date for each Linked Stock in the Stock Basket will be postponed as provided in Condition 11 of the Product Terms and Conditions
<b>Maturity Date</b>	: Scheduled to be [ <i>insert date</i> ], being the second Business Day (in the case where the Bank is obliged to pay any amount in cash) or the second Clearing System Business Day (in the case where the Bank is obliged to deliver the Worst Performing Stock) after the Determination Date, unless a Settlement Disruption Event occurs, the Maturity Date will be postponed as provided in Condition 4 of the Product Terms and Conditions

## Stock Basket

:

Linked Stock	Stock code	Initial Price	Call Price	Reference Price	[Kick-in Price]
[insert stock name]	[insert stock code]	[Fixing Price of such Linked Stock on the Trade Date] [The price of such Linked Stock as of the end of the morning trading session of the Exchange on the Trade Date] [insert specific price]	[[insert number]% of the Initial Price] [[insert price] (being [insert number]% of the Initial Price)]	[[insert number]% of the Initial Price] [[insert price] (being [insert number]% of the Initial Price)]	[[insert number]% of the Initial Price] [[insert price] (being [insert number]% of the Initial Price)]
[insert stock name]	[insert stock code]	[Fixing Price of such Linked Stock on the Trade Date] [The price of such Linked Stock as of the end of the morning trading session of the Exchange on the Trade Date] [insert specific price]	[[insert number]% of the Initial Price] [[insert price] (being [insert number]% of the Initial Price)]	[[insert number]% of the Initial Price] [[insert price] (being [insert number]% of the Initial Price)]	[[insert number]% of the Initial Price] [[insert price] (being [insert number]% of the Initial Price)]

## Potential Coupon Amount

: Subject to the occurrence of the Call Event or any early termination of the Basket Equity Linked Deposit otherwise, a Potential Coupon Amount will be payable on each Coupon Payment Date, which is calculated as follows (rounded to 2 decimal places, 0.005 being adjusted upwards):

$$\text{Deposit Amount} \times \text{Annualised Coupon Rate} \times \frac{\text{Number of calendar days in the relevant Coupon Period}}{\text{Day Count Basis}}$$

## Annualised Coupon Rate

: [insert annualised coupon rate] per annum, based on the hypothetical assumption that the Basket Equity Linked Deposit can be rolled over on the same terms for 1 year and it does not represent the actual return.

## Maximum Potential Gain

: [insert maximum potential gain rate] (as shown up to 2 decimal places) in respect of the Deposit Tenor, being the Annualised Coupon Rate x Deposit Tenor / Day Count Basis, based on the hypothetical assumption that there is no early termination of the Basket Equity Linked Deposit.

## Day Count Basis

: [360]<sup>1</sup>[365]<sup>2</sup>

## Coupon Period

: In respect of a Coupon Period, the period from and including the Coupon Period Start Date to but excluding the Coupon Period End Date, provided that if the Call Event has occurred during a Coupon Period, the period from and including the relevant Coupon Period Start Date to but excluding the Call Event Settlement Date.

<sup>1</sup> Applicable for Basket Equity Linked Deposits where the Deposit Currency is not HKD or GBP.

<sup>2</sup> Applicable for Basket Equity Linked Deposits where the Deposit Currency is HKD or GBP.

<b>Coupon Period</b>	<b>Coupon Period Start Date (inclusive)</b>	<b>Coupon Period End Date (exclusive)</b>	<b>Scheduled number of calendar days in the Coupon Period</b>
[1st]	[insert date]	[insert date]	[insert number of calendar days]
[2nd]	[insert date]	[insert date]	[insert number of calendar days]
[nth]	[insert date]	[insert date]	[insert number of calendar days]

**Coupon Payment Date** : Each Coupon Period End Date, if any such day is not a Business Day, the immediately following Business Day, provided that if the Call Event has occurred during a Coupon Period, the Coupon Payment Date in respect of such Coupon Period will be the Call Event Settlement Date.

**Exchange** : The Stock Exchange of Hong Kong Limited

**Fixing Price** : In respect of an Exchange Business Day and a Linked Stock, the official closing price of that Linked Stock as of that day (as published by the Exchange), provided that if such day is a Disrupted Day, the Fixing Price in respect of such day shall be determined in accordance with the Product Terms and Conditions.

**Call Event** : The Call Event occurs if the Fixing Price of each of the Linked Stocks in the Stock Basket is AT or ABOVE its respective Call Price on any Call Event Observation Date.

If the Call Event has occurred, the Basket Equity Linked Deposit will be early terminated on the Call Event Settlement Date. You will receive the Deposit Amount and the applicable Potential Coupon Amount in cash in the Deposit Currency, less any Cash Settlement Expenses, on the Call Event Settlement Date.

**Call Event Observation Date** : [Each of [insert dates], if any such day is not an Exchange Business Day, the immediately following Exchange Business Day.]<sup>3</sup>[Each Exchange Business Day during the period from and including [insert date] to and including [insert date].]<sup>4</sup>. Provided that if any such day is a Disrupted Day for any Linked Stock in the Stock Basket, such Call Event Observation Date for each Linked Stock in the Stock Basket will be postponed as provided in the Product Terms and Conditions.

**Call Event Settlement Date** : The second Business Day after the Call Event Observation Date on which the Call Event has occurred.

<sup>3</sup> Applicable for Basket Equity Linked Deposits with periodic callable feature.

<sup>4</sup> Applicable for Basket Equity Linked Deposits with daily callable feature.

- Kick-in feature** : [Applicable] [Not applicable]
- [Kick-in Event** : The Kick-in Event occurs if the Fixing Price of any of the Linked Stocks in the Stock Basket on a Kick-in Event Observation Date is AT or BELOW its respective Kick-in Price.]
- [Kick-in Event Observation Date** : [Determination Date]<sup>5</sup>[Each Exchange Business Day from and including *[insert date]* to and including *[insert date]*.]<sup>6</sup> Provided that if any such day is a Disrupted Day for any Linked Stock in the Stock Basket, such Kick-in Event Observation Date for each Linked Stock in the Stock Basket will be postponed as provided in the Product Terms and Conditions.]
- Settlement at maturity** : Provided that no Call Event has occurred and the Basket Equity Linked Deposit is not otherwise early terminated:
- [[For Basket Equity Linked Deposits (with no kick-in feature):]*
1. If the Fixing Price of the Worst Performing Stock on the Determination Date is AT or ABOVE its Reference Price,]
- [[For Basket Equity Linked Deposits (with daily kick-in feature):]*
1. If:
    - (i) no Kick-in Event has occurred; or
    - (ii) a Kick-in Event has occurred but the Fixing Price of the Worst Performing Stock on the Determination Date is AT or ABOVE its Reference Price,]
- [[For Basket Equity Linked Deposits (with expiry kick-in feature):]*
1. If no Kick-in Event has occurred,]
 

you will receive on the Maturity Date the Deposit Amount and the Potential Coupon Amount for the final Coupon Period in cash in the Deposit Currency (less any Cash Settlement Expenses).
- [[For Basket Equity Linked Deposits (with no kick-in feature):]*
2. If the Fixing Price of the Worst Performing Stock on the Determination Date is BELOW its Reference Price,]

<sup>5</sup> Applicable for Basket Equity Linked Deposits with expiry kick-in feature.

<sup>6</sup> Applicable for Basket Equity Linked Deposits with daily kick-in feature.

*[[For Basket Equity Linked Deposits (with daily kick-in feature):]*

2. If a Kick-in Event has occurred and the Fixing Price of the Worst Performing Stock on the Determination Date is BELOW its Reference Price,]

*[[For Basket Equity Linked Deposits (with expiry kick-in feature):]*

2. If a Kick-in Event has occurred,]

you will receive on the Maturity Date (i) the Potential Coupon Amount for the final Coupon Period in cash in the Deposit Currency (less any Cash Settlement Expenses), and (ii) (subject to the payment of any Physical Settlement Expenses) a number of the Worst Performing Stock calculated as follows (rounded up to 2 decimal places):

$$\frac{\text{Deposit Amount} \\ (\text{converted into HKD at the Exchange Rate} \\ \text{if the Deposit Currency is not HKD})}{\text{Reference Price of the Worst Performing Stock}}$$

We will deliver an integral number of the Worst Performing Stock to you on the Maturity Date (which may include odd lots). If the number of the Worst Performing Stock calculated in accordance with the above formula consists of any Fractional Stock, the Bank will settle such Fractional Stock on the Maturity Date in cash in HKD based on the Fixing Price of the Worst Performing Stock on the Determination Date (the “**Residual Cash**”).

**Worst Performing Stock**

- : The Worst Performing Stock is the Linked Stock in the Stock Basket with the lowest Stock Performance on the Determination Date. The Stock Performance of a Linked Stock on the Determination Date is calculated as follows (rounded up to 2 decimal places):

$$\left( \frac{\text{Fixing Price of the Linked Stock} \\ \text{on the Determination Date}}{\text{Initial Price of the Linked Stock}} - 1 \right) \times 100\%$$

If more than one Linked Stock have the same lowest Stock Performance on the Determination Date, the Bank will, in its sole and absolute discretion acting in good faith and in a commercially reasonable manner, select any one of the Linked Stocks with the lowest Stock Performance to be the Worst Performing Stock.

- Exchange Rate** : [The mid-market exchange rate for the number of units of Hong Kong dollar per 1 unit of the Deposit Currency, which appears on the [Bloomberg/Reuters page] *[insert screen page]* as of the closing time of the Exchange on the Determination Date (or such other page as may replace that page on that service for the purpose of displaying comparable rates), or if such rate is not available on such page as of the closing time of the Exchange on the Determination Date, the exchange rate as determined by the Bank in its sole and absolute discretion (acting in good faith and in a commercially reasonable manner).] [Not applicable]
- Cash Settlement Expenses** : Cash Settlement Expenses are charges or expenses including any taxes and duties that are incurred for payment of any cash amount under the Basket Equity Linked Deposit (except for any Residual Cash). [Currently there are no such charges or expenses.][Please ask us for details.]
- Physical Settlement Expenses** : Physical Settlement Expenses are out-of-pocket expenses relating to the transfer and receipt of the Worst Performing Stock which are deliverable to you on the Maturity Date. These expenses include the buyer’s stamp duty (being [0.1%] of the transaction amount of the Worst Performing Stock calculated at its Reference Price) and other charges notified by us from time to time.
- Product Terms and Conditions** : See the section headed “Product Terms and Conditions of Basket Equity Linked Deposits” in Appendix 1 to the Principal Brochure.
- Confirmation** : The Confirmation which reflects the terms summarised in this Term Sheet will be sent to you within 2 Business Days after the Trade Date. The Confirmation will apply, disapply, amend, vary, and/or supplement the Product Terms and Conditions. The Confirmation, when read in conjunction with the Product Terms and Conditions, constitutes the legal terms and conditions applicable to the Basket Equity Linked Deposit.
- Post-sale cooling off period** : [Not applicable] [Applicable. You have the right to cancel or unwind your purchase order (in whole but not in part) for our Basket Equity Linked Deposits by giving an irrevocable written notice to us within 5 Business Days after you place your purchase order. Please refer to pages 81 to 82 of the Principal Brochure for further details.]
- Market making arrangements** : [Not applicable][Applicable. We will provide limited market making arrangement on every other *[insert weekday]* from the week after the Start Date up to the third Exchange Business Day before the Determination Date. Please refer to pages 82 to 83 of the Principal Brochure for further details.]

### **[Updated information about the Bank**

*[insert details of the updated information]*

### **No material adverse change**

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

### **No material litigation**

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

### **Information relating to the Stock Basket**

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

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

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

Each Linked Stock in the Stock Basket is listed on The Stock Exchange of Hong Kong Limited and the entity issuing such Linked Stock (“**Equity Issuer**”) is required by the Exchange to continuously disclose information that has a material impact on market activity in and the price of their securities. You can find information about the Equity Issuer (including its published audited consolidated financial statements and interim financial statements) and obtain historic price information of the Equity Issuer on the Exchange’s website: <http://www.hkexnews.hk/index.htm>.

### **[Risk factor specific to fund (being an exchange traded fund or a real estate investment trust)**

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

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

[The Basket Equity Linked Deposit is linked to a fund which is an exchange traded fund (“ETF”). You should note that an ETF is exposed to the political, economic, currency and other risks related to the underlying asset pool or index that the ETF is designed to track. There may also be disparity between the performance of the ETF and the performance of the underlying asset pool or index that the ETF is designed to track as a result of, for example, failure of the tracking strategy, currency differences, fees and expenses. In addition, where the index or market that the ETF tracks is subject to restricted access, the efficiency in the unit creation or redemption to keep the price of the ETF in line with its net asset value may be disrupted, causing the ETF to trade at a premium or discount to its net asset value. Such risks may have a negative impact on the performance of the ETF and the Basket Equity Linked Deposit.]

The ETF adopts a synthetic replication investment strategy to achieve its investment objectives by investing in financial derivative instruments. You should note that (i) by investing in financial derivative instruments, the ETF is exposed to the credit, potential contagion and concentration risks of the counterparties who issued the financial derivative instruments, and the market value of any collateral held by the ETF may have fallen substantially when the ETF seeks to realise such collateral; and (ii) the ETF may be exposed to a higher liquidity risk if such financial derivative instruments do not have an active secondary market.]

[The Basket Equity Linked Deposit is linked to a fund which is a real estate investment trust (“REIT”). You should note that the investment objective of REITs is to invest in a real estate portfolio. Each REIT is exposed to risks relating to investments in real estate, including but not limited to (a) adverse changes in political or economic conditions; (b) changes in interest rates and the availability of debt or equity financing, which may result in an inability by the REIT to maintain or improve the real estate portfolio and finance future acquisitions; (c) changes in environmental, zoning and other governmental rules; (d) changes in market rents; (e) any required repair and maintenance of the portfolio properties; (f) breach of any property laws or regulations; (g) the relative illiquidity of real estate investment; (h) real estate taxes; (i) any hidden interests in the portfolio properties; (j) any increase in insurance premiums and (k) any uninsurable losses.]

There may also be disparity between the market price of the units of a REIT and the net asset value per unit. This is because the market price of the units of a REIT also depends on many factors, including but not limited to (a) the market value and perceived prospects of the real estate portfolio; (b) changes in economic or market conditions; (c) changes in market valuations of similar companies; (d) changes in interest rates; (e) the perceived attractiveness of the units of the REIT against those of other equity securities; (f) the future size and liquidity of the market for the units and the REIT market generally; (g) any future changes to the regulatory system, including the tax system and (h) the ability of the REIT to implement its investment and growth strategies and to retain its key personnel. Such risks may have a negative impact on the performance of the linked stock and therefore the potential gain of the Basket Equity Linked Deposit. In addition, increase in the market price of units of the REIT or its real estate portfolio may not lead to an increase in the market value of the Basket Equity Linked Deposit of the same magnitude or even any increase at all.]

You should read the offering document of the fund for further information about the risks applicable to such fund. See the “Risk Factors” section on pages 52 to 62 of the Principal Brochure for further information.])\*\*

\*\* *Insert if the Linked Stock is units of a fund listed on The Stock Exchange of Hong Kong Limited.*

## **Additional Information**

You can find out more information on the Bank from our website [www.hkbea.com](http://www.hkbea.com). Information contained in the websites referred to in this Term Sheet (other than the electronic versions of the Offering Documents appearing on our website) does not form part of the Offering Documents. We do not accept any responsibility for information contained in those websites.

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

As at the Trade Date, we (as the Offeror and Product Arranger) confirm that we meet the eligibility requirements applicable to issuers and product arrangers respectively under the Code on Unlisted Structured Investment Products (“**Code**”) issued by the Securities and Futures Commission (“**SFC**”) and the Basket Equity Linked Deposit comply with the Code.

The information contained in the Principal Brochure, the Financial Disclosure Document (taken together with, and as updated by, [the addendum to [the Principal Brochure and] [the Financial Disclosure Document and]] this Term Sheet) is accurate as at the date of this Term Sheet. The Offering Document includes particulars given in compliance with the Code for the purpose of giving information with regard to the Bank (as the Offeror and the Product Arranger) and the Basket Equity Linked Deposits. We (as the Offeror and the Product Arranger) accept full responsibility for the contents of, the completeness and accuracy of the information contained in the Principal Brochure [(together with the addendum thereto)], the Financial Disclosure Document [(together with the addendum thereto)] and this Term Sheet and confirm, having made all reasonable enquiries, that to the best of our knowledge and belief, there is no untrue or misleading statement, or other facts the omission of which would make any statement herein untrue or misleading.

The SFC has authorised our Basket Equity Linked Deposits under section 104A(1) of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (“**SFO**”) and the issue of this Term Sheet based on the standard format set out in Appendix 2 to the Principal Brochure as part of the Offering Documents for our Basket Equity Linked Deposits under section 105(1) of the SFO. The SFC takes no responsibility for our Basket Equity Linked Deposits or the contents of this Term Sheet, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Term Sheet. The SFC’s authorisation does not imply its endorsement or recommendation of the Basket Equity Linked Deposits referred to in this Term Sheet, nor does it imply that the SFC guarantees the commercial merits of our Basket Equity Linked Deposits or their performance. The SFC’s authorisation does not mean our Basket Equity Linked Deposits are suitable for all investors nor is it an endorsement of their suitability for any particular investor or class of investors. Interested persons should consider obtaining independent advice before investing in our Basket Equity Linked Deposits.

## APPENDIX 3 – FORM OF CONFIRMATION FOR BASKET EQUITY LINKED DEPOSITS

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

*The SFC takes no responsibility as to the contents of the terms of the Confirmation as set out in this Appendix 3. The SFC's authorisation of this Principal Brochure does not imply the SFC's endorsement of the terms and conditions (as amended and supplemented by the Confirmation).*

### Confirmation for Basket Equity Linked Deposit

This Confirmation constitutes the “Confirmation” relating to the Basket Equity Linked Deposit described below. This Confirmation applies, disapplies, amends, varies and/or supplements the Product Terms and Conditions which are set out in the Appendix 1 of the principal brochure for Basket Equity Linked Deposits dated 19 December 2011 (“**Principal Brochure**”).

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

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

- The Bank (as the Offeror)** : The Bank of East Asia, Limited
- Deposit Currency** : [*insert deposit currency*][(*insert abbreviation of the deposit currency*)]
- Deposit Tenor** : [*insert number of calendar days*] calendar days
- Investment Period** : [*insert number of calendar days*] calendar days
- Deposit Amount** : [*insert deposit currency and deposit amount*]
- Trade Date** : [*insert trade date*]
- Start Date** : [*insert start date*]
- Determination Date** : [*insert date*], if such day is not an Exchange Business Day, then the following Exchange Business Day, provided that if such day is a Disrupted Day for any Linked Stock in the Stock Basket, the Determination Date for each Linked Stock in the Stock Basket will be postponed as provided in Condition 11 of the Product Terms and Conditions
- Maturity Date** : Scheduled to be [*insert date*], being the second Business Day (in the case where the Bank is obliged to pay any amount in cash) or the second Clearing System Business Day (in the case where the Bank is obliged to deliver the Worst Performing Stock) after the Determination Date, unless a Settlement Disruption Event occurs, the Maturity Date will be postponed as provided in Condition 4 of the Product Terms and Conditions

**Stock Basket** :

Linked Stock	Stock code	Initial Price	Call Price ([insert number]% of the Initial Price)	Reference Price ([insert number]% of the Initial Price)	[Kick-in Price ([insert number]% of the Initial Price)]
[insert stock name]	[insert stock code]	[insert price]	[insert price]	[insert price]	[insert price]
[insert stock name]	[insert stock code]	[insert price]	[insert price]	[insert price]	[insert price]

**Potential Coupon Amount** : Subject to the occurrence of the Call Event or any early termination of the Basket Equity Linked Deposit otherwise, a Potential Coupon Amount will be payable on each Coupon Payment Date, which is calculated as follows (rounded to 2 decimal places, 0.005 being adjusted upwards):

$$\text{Deposit Amount} \times \text{Annualised Coupon Rate} \times \frac{\text{Number of calendar days in the relevant Coupon Period}}{\text{Day Count Basis}}$$

**Annualised Coupon Rate** : [insert annualised coupon rate] per annum, based on the hypothetical assumption that the Basket Equity Linked Deposit can be rolled over on the same terms for one year and it does not represent the actual return.

**Maximum Potential Gain** : [insert maximum potential gain rate] (as shown up to 2 decimal places) in respect of the Deposit Tenor, being the Annualised Coupon Rate x Deposit Tenor / Day Count Basis, based on the hypothetical assumption that there is no early termination of the Basket Equity Linked Deposit.

**Day Count Basis** : [360]<sup>1</sup> [365]<sup>2</sup>

**Coupon Period** : In respect of a Coupon Period, the period from and including the Coupon Period Start Date to but excluding the Coupon Period End Date, provided that if the Call Event has occurred during a Coupon Period, the period from and including the relevant Coupon Period Start Date to but excluding the Call Event Settlement Date.

Coupon Period	Coupon Period Start Date (inclusive)	Coupon Period End Date (exclusive)	Scheduled number of calendar days in the Coupon Period
[1st]	[insert date]	[insert date]	[insert number of calendar days]
[2nd]	[insert date]	[insert date]	[insert number of calendar days]
[nth]	[insert date]	[insert date]	[insert number of calendar days]

<sup>1</sup> Applicable for Basket Equity Linked Deposits where the Deposit Currency is not HKD or GBP.

<sup>2</sup> Applicable for Basket Equity Linked Deposits where the Deposit Currency is HKD or GBP.

- Coupon Payment Date** : Each Coupon Period End Date, if any such day is not a Business Day, the immediately following Business Day, provided that if the Call Event has occurred during a Coupon Period, the Coupon Payment Date in respect of such Coupon Period will be the Call Event Settlement Date.
- Exchange** : The Stock Exchange of Hong Kong Limited
- Fixing Price** : In respect of an Exchange Business Day and a Linked Stock, the official closing price of that Linked Stock as of that day (as published by the Exchange), provided that if such day is a Disrupted Day, the Fixing Price in respect of such day shall be determined in accordance with the Product Terms and Conditions.
- Call Event** : The Call Event occurs if the Fixing Price of each of the Linked Stocks in the Stock Basket is AT or ABOVE its respective Call Price on any Call Event Observation Date.
- If the Call Event has occurred, the Basket Equity Linked Deposit will be early terminated on the Call Event Settlement Date. The Customer will receive the Deposit Amount and the applicable Potential Coupon Amount in cash in the Deposit Currency, less any Cash Settlement Expenses, on the Call Event Settlement Date.
- Call Event Observation Date** : [Each of *[insert dates]*, if any such day is not an Exchange Business Day, the immediately following Exchange Business Day.]<sup>3</sup> [Each Exchange Business Day during the period from and including *[insert date]* to and including *[insert date]*.]<sup>4</sup>. Provided that if any such day is a Disrupted Day for any Linked Stock in the Stock Basket, such Call Event Observation Date for each Linked Stock in the Stock Basket will be postponed as provided in the Product Terms and Conditions
- Call Event Settlement Date** : The second Business Day after the Call Event Observation Date on which the Call Event has occurred.
- Kick-in feature** : [Applicable] [Not applicable]
- [Kick-in Event** : The Kick-in Event occurs if the Fixing Price of any of the Linked Stocks in the Stock Basket on a Kick-in Event Observation Date is AT or BELOW its respective Kick-in Price.]

<sup>3</sup> Applicable for Basket Equity Linked Deposits with periodic callable feature.

<sup>4</sup> Applicable for Basket Equity Linked Deposits with daily callable feature.

**[Kick-in Event Observation Date]** : [Determination Date]<sup>5</sup> [Each Exchange Business Day from and including [insert date] to and including [insert date].]<sup>6</sup> Provided that if any such day is a Disrupted Day for any Linked Stock in the Stock Basket, such Kick-in Event Observation Date for each Linked Stock in the Stock Basket will be postponed as provided in the Product Terms and Conditions]

**Settlement at maturity** : Provided that no Call Event has occurred and the Basket Equity Linked Deposit is not otherwise early terminated:

*[[For Basket Equity Linked Deposits (with no kick-in feature):]*

1. If the Fixing Price of the Worst Performing Stock on the Determination Date is AT or ABOVE its Reference Price,]

*[[For Basket Equity Linked Deposits (with daily kick-in feature):]*

1. If:
  - (i) no Kick-in Event has occurred; or
  - (ii) a Kick-in Event has occurred but the Fixing Price of the Worst Performing Stock on the Determination Date is AT or ABOVE its Reference Price,]

*[[For Basket Equity Linked Deposits (with expiry kick-in feature):]*

1. If no Kick-in Event has occurred,]  
  
the Customer will receive on the Maturity Date the Deposit Amount and the Potential Coupon Amount for the final Coupon Period in cash in the Deposit Currency (less any Cash Settlement Expenses).

*[[For Basket Equity Linked Deposits (with no kick-in feature):]*

2. If the Fixing Price of the Worst Performing Stock on the Determination Date is BELOW its Reference Price,]

*[[For Basket Equity Linked Deposits (with daily kick-in feature):]*

2. If a Kick-in Event has occurred and the Fixing Price of the Worst Performing Stock on the Determination Date is BELOW its Reference Price,]

<sup>5</sup> Applicable for Basket Equity Linked Deposits with expiry kick-in feature.

<sup>6</sup> Applicable for Basket Equity Linked Deposits with daily kick-in feature.

*[[For Basket Equity Linked Deposits (with expiry kick-in feature):]*

2. If a Kick-in Event has occurred,]

the Customer will receive on the Maturity Date (i) the Potential Coupon Amount for the final Coupon Period in cash in the Deposit Currency (less any Cash Settlement Expenses), and (ii) (subject to the payment of any Physical Settlement Expenses) a number of the Worst Performing Stock calculated as follows (rounded up to 2 decimal places):

$$\frac{\text{Deposit Amount} \\ (\text{converted into HKD at the Exchange Rate} \\ \text{if the Deposit Currency is not HKD})}{\text{Reference Price of the Worst Performing Stock}}$$

We will deliver an integral number of the Worst Performing Stock to the Customer on the Maturity Date (which may include odd lots). If the number of the Worst Performing Stock calculated in accordance with the above formula consists of any Fractional Stock, the Bank will settle such Fractional Stock on the Maturity Date in cash in HKD based on the Fixing Price of the Worst Performing Stock on the Determination Date (the “**Residual Cash**”).

**Worst Performing Stock**

: The Worst Performing Stock is the Linked Stock in the Stock Basket with the lowest Stock Performance on the Determination Date. The Stock Performance of a Linked Stock on the Determination Date is calculated as follows (rounded up to 2 decimal places):

$$\left( \frac{\text{Fixing Price of the Linked Stock} \\ \text{on the Determination Date}}{\text{Initial Price of the Linked Stock}} - 1 \right) \times 100\%$$

If more than one Linked Stock have the same lowest Stock Performance on the Determination Date, the Bank will, in its sole and absolute discretion acting in good faith and in a commercially reasonable manner, select any one of the Linked Stocks with the lowest Stock Performance to be the Worst Performing Stock.

**Exchange Rate**

: [The mid-market exchange rate for the number of units of Hong Kong dollar per 1 unit of the Deposit Currency, which appears on the [Bloomberg/Reuters page] *[insert screen page]* as of the closing time of the Exchange on the Determination Date (or such other page as may replace that page on that service for the purpose of displaying comparable rates), or if such rate is not available on such page as of the closing time of the Exchange on the Determination Date, the exchange rate as determined by the Bank in its sole and absolute discretion (acting in good faith and in a commercially reasonable manner).] [Not applicable]

- Cash Settlement Expenses** : Cash Settlement Expenses are charges or expenses including any taxes and duties that are incurred for payment of any cash amount under the Basket Equity Linked Deposit (except for any Residual Cash). [Currently there are no such charges or expenses.] [Please ask us for details.]
- Physical Settlement Expenses** : Physical Settlement Expenses are out-of-pocket expenses relating to the transfer and receipt of the Worst Performing Stock which are deliverable to the Customer on the Maturity Date. These expenses include the buyer’s stamp duty (being [0.1%] of the transaction amount of the Worst Performing Stock calculated at its Reference Price) and other charges notified by us from time to time.
- Product Terms and Conditions** : See the section headed “Product Terms and Conditions of Basket Equity Linked Deposits” in Appendix 1 to the Principal Brochure.
- Disposal Instruction**
- Designated Cash Account** : [*insert account number*]
- Designated Securities Account** : [*insert account number*]
- Residual Cash Account** : [*insert account number*]

**PARTIES**

**OFFEROR AND PRODUCT ARRANGER**

**REGISTERED OFFICE OF THE BANK**

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