

Important Facts Statement

Bank of China (Hong Kong) Limited

Currency Linked Investments - Option Linked Investment

Currency linked investments

28 May 2017

This is a structured investment product which is NOT protected by the Deposit Protection Scheme in Hong Kong.

This product is only principal protected if you hold it till maturity.

The contents of this statement have not been reviewed by any regulatory authority in Hong Kong. You are reminded to exercise caution before investing in this product. **This statement is a part of the offering documents for this product. You should not invest in this product based on this statement alone.** If you are in any doubt, you should obtain independent professional advice.

If English is not your preferred language, you may request for the Chinese version of this statement from our sales staff. 倘若英文並非閣下屬意的語言，閣下可向本行的銷售人員索取本說明的中文版本。

This is a structured investment product involving derivatives. Do not invest in it unless you fully understand and are willing to assume the risks associated with it. If you are in any doubt about the risks involved in the product, you may clarify with the intermediary or seek independent professional advice. The investment decision is yours but you should not invest in this product unless the intermediary who sells it to you has explained to you that the product is suitable for you having regard to your financial situation, investment experience and investment objectives.

Quick facts

(The following terms are for reference only, the actual transaction terms will be set out in the confirmation of such relevant transaction.)

Bank:	Bank of China (Hong Kong) Limited
Product type:	Currency linked investments
Minimum Principal Amount:	HKD 50,000 (or its equivalent in other currencies)
Investment Period:	1 week, 2 weeks, 1 month, 3 months or 6 months
Investment Currency:	HKD, USD, AUD, NZD, GBP, CAD, EUR or JPY
Linked Currency:	HKD, USD, AUD, NZD, GBP, CAD, EUR or JPY
Counter Currency:	HKD, USD, AUD, NZD, GBP, CAD, EUR or JPY
Percentage of interest amount invested in buying the option:	50% or 100%
The Contract Amount of Option:	Such amount will be subject to market conditions and will be fixed when you enter into the transaction with the Bank
Investment return payment date:	Maturity date
Principal protection at maturity:	Yes
Callable by the Bank:	No
Early termination right of the customer:	No
Option squaring:	You can choose to square your contract prior to the maturity date. You will receive a squaring premium, after deducting any loss or costs suffered by the Bank as a result of the termination, hedging and funding caused by such squaring ("Squaring Premium"). The Bank will provide an indicative Squaring Premium

for your reference. When the squaring is completed, the Squaring Premium will be confirmed. The Bank will credit an amount equal to the Principal Amount plus the Net Interest Amount (as defined below) (if any) and the Squaring Premium (if any) in the Investment Currency on the maturity date of the original contract, into the relevant settlement account

Embedded derivatives: Yes, you are buying a call or put option over the Linked Currency (“Option”) from the Bank

Maximum potential gain: The difference (in absolute value) between (i) the Contract Amount of Option being converted into the Counter Currency based on the Spot Price (as defined below); and (ii) the Contract Amount of Option being converted into the Counter Currency based on the Strike Price (as defined below)

Maximum potential loss: All of the Interest Amount (as defined below) invested in buying the Option

What is this product and how does it work?

This is a structured investment product involving derivatives. When you enter into an Option Linked Investment transaction with the Bank, you need to select:

- 1) the Investment Currency, the Principal Amount and the Currency Pair (the Linked Currency and the Counter Currency);
- 2) the Option type:
 - i) a call option on the Linked Currency (if you expect that the Linked Currency appreciates against the Counter Currency), or
 - ii) a put option on the Linked Currency (if you expect that the Linked Currency depreciates against the Counter Currency);
- 3) the Investment Period; and
- 4) the premium for buying the Option: all or half of the potential Interest Amount*

* The Interest Amount means the interest amount accrued by the Principal Amount in the Investment Period based on the fixed deposit rate.

The Bank will agree on a Strike Price** with you and calculate the Contract Amount of Option (expressed in the Linked Currency). On the maturity date, you will receive the settlement amount calculated as follows:

- i.) Settlement amount at maturity = Principal Amount + Net Interest Amount + Investment Return
- ii.) Net Interest Amount = zero (if you have chosen to invest all the potential Interest Amount in the Option); or = half of the Interest Amount (if you have chosen to invest half of the potential Interest Amount in the Option)
- iii.) Investment Return:

On the maturity date, the Spot Price*** will be compared with the Strike Price:

1) Call option on the Linked Currency

- i) If the Linked Currency appreciates against the Counter Currency:

Investment Return = Contract Amount of Option being converted into the Counter Currency at the Spot Price – Contract Amount of Option being converted into the Counter Currency at the Strike Price

- ii) If the Linked Currency remains unchanged or depreciates against the Counter Currency:

Investment Return = 0

2) Put option on the Linked Currency

- i) If the Linked Currency depreciates against the Counter Currency:

Investment Return = Contract Amount of Option being converted into the Counter Currency at the Strike Price – Contract Amount of Option being converted into the Counter Currency at the Spot Price

- ii) If the Linked Currency remains unchanged or appreciates against the Counter Currency:

Investment Return = 0

** The Strike Price refers to the exchange rate of the chosen Currency Pair agreed between you and the Bank when you enter into the

transaction with the Bank.

*** The Spot Price refers to the spot exchange rate quoted by the Bank at 2:00 p.m. on the relevant maturity date.

The Principal Amount and the Net Interest Amount will be paid in the Investment Currency while the Investment Return will be paid in the Counter Currency.

Please refer to the section headed “Scenario Analysis” for more detailed illustrative examples of how this product works.

What are the key risks?

- **Not a time deposit** - An Option Linked Investment is NOT equivalent to, nor should it be treated as a substitute for, time deposit. It is NOT a protected deposit and is NOT protected by the Deposit Protection Scheme in Hong Kong.
- **Derivatives risk** - An Option Linked Investment is embedded with a FX Option. Option transactions involve a high degree of risk. By investing in this product, you agree to use all or half of the potential Interest Amount of the Principal Amount to buy the FX Option which may expire without value on the maturity date.
- **Maximum potential loss** - An Option Linked Investment is principal protected (if held till maturity). In the worst case scenario, you may lose all of your Interest Amount. The Principal Amount, the Net Interest Amount (if any) and the Investment Return (if any) are also subject to the credit risk of the Bank.
- **Not the same as buying the Linked Currency** - Investing in an Option Linked Investment is not the same as buying the Linked Currency directly. During the Investment Period, you have no rights in the Linked Currency, and movements in the market price of the Linked Currency may not lead to any corresponding change in the performance of an Option Linked Investment.
- **Market risk** - The return of an Option Linked Investment is linked to the exchange rates of the Linked Currency. Movements in exchange rates can be unpredictable, sudden and drastic, and affected by complex political and economic factors. You will be taking the risk of suffering loss due to the fluctuations of the exchange rates.
- **Liquidity risk** - An Option Linked Investment is designed to be held till maturity. Once the transaction for this product is confirmed, no partial or full withdrawal will be allowed before maturity except with our consent.
- **Credit risk of the Bank** - An Option Linked Investment is not secured by any collateral. If you invest in this product, you will be taking the credit risk of the Bank. If the Bank becomes insolvent or defaults on its obligations under this product, you can only claim as an unsecured creditor of the Bank. In the worst case, you could suffer a total loss of your Principal Amount, the Net Interest Amount (if any) and the Investment Return (if any).
- **Currency risk** – If the Investment Currency and/or the Counter Currency of the Investment Return is/are not your home currency, and you choose to convert it back to your home currency upon maturity, you should note that exchange rate fluctuations may have an adverse impact on, and the potential loss may offset (or even exceed), the potential return of the product.

What are the key features?

Currency Linked Investments - Option Linked Investment is a currency-linked investment product. According to your personal investment preference and outlook on the relevant currency exchange rate, and depending on the performance of the currencies, you have the opportunity to earn a higher potential return. You could also receive the principal amount in full at maturity even if the market trend is not the same as expected.

You can choose any 1 currency from HKD, USD, AUD, NZD, GBP, CAD, EUR and JPY as the Investment Currency, and choose any 2 currencies to form a Currency Pair*. The Investment Period varies from 1 week, 2 weeks, 1 month, 3 months to 6 months, with the Principal Amount as low as HKD50,000 or its equivalent in another currency.

**Excluding the currency pair of USD/HKD*

You can set the Strike Price according to your needs. The Strike Price, fixed deposit interest rate and the Contract Amount of Option of Option Linked Investment will be fixed at the time you enter into the transaction with the Bank.

Scenario analysis

The scenario analysis below is prepared with hypothetical data, and is not based on the past performance of the currencies as stated herein. It is for reference only and does not guarantee or represent the final returns of Option Linked Investment. No representation or warranty is made by the Bank that any illustration or scenario described below can be duplicated under real investment conditions. Actual results may vary from the results shown below and such variations may be material. The below hypothetical examples should not be relied on as an indication of the actual performance of the Linked Currency or this product. You should not rely on these hypothetical examples when making investment decision.

Example 1:

This scenario analysis for Option Linked Investment is based on the following terms:

Investment Currency:	AUD
Linked Currency:	NZD
Counter Currency:	HKD
Principal Amount:	AUD 100,000.00
AUD Fixed Deposit Interest Rate:	2.50% p.a.
Interest Amount:	AUD 215.28
Percentage of interest invested in buying the call option:	100%
Strike Price:	5.3605 (NZD/HKD)
Type of Option:	Call Option
Contract Amount of Option:	NZD 32,342.00
Investment Period:	1 month (for the purpose of calculation, 31 days)

Scenario 1 (Best Case Scenario) – The Linked Currency APPRECIATES against the Counter Currency

Assuming the Spot Price of the Linked Currency against the Counter Currency is 5.5605 at 2:00 p.m. on the maturity date, which means, the Linked Currency **APPRECIATES** against the Counter Currency when the Spot Price is compared with the Strike Price, you will receive the Principal Amount, the Net Interest Amount in the Investment Currency and the Investment Return in the Counter Currency calculated as follows:

$$\begin{aligned} &= \text{Principal Amount} + \text{Net Interest Amount} + \text{Investment Return} \\ &= \text{AUD } 100,000.00 + \text{AUD } 0.00 + \text{HKD } 6,468.40 \\ &= \text{AUD } 100,000.00 + \text{HKD } 6,468.40 \end{aligned}$$

$$\begin{aligned} \text{Investment Return} &= \text{HKD } (5.5605 \times 32,342.00 - 5.3605 \times 32,342.00) \\ &= \text{HKD } 6,468.40 \end{aligned}$$

In this scenario, you have an actual gain of the Investment Return of HKD 6,468.40, representing an actual rate of return of 1.0781% (i.e. Investment Return (HKD 6,468.40 ÷ 6.0000) ÷ Principal Amount (AUD 100,000.00) x 100%) (rounded to the nearest 4 decimal places) as the exchange rate of AUD/HKD is 6.0000.

Scenario 2 (Worst Case Scenario) - The Linked Currency DEPRECIATES against the Counter Currency

Assuming the Spot Price of the Linked Currency against the Counter Currency is 5.1605 at 2:00 p.m. on the maturity date, which means, the Linked Currency **DEPRECIATES** against the Counter Currency when the Spot Price is compared with the Strike Price, you will receive the Principal Amount plus the Net Interest Amount in the Investment Currency, but no Investment Return, calculated as follows:

$$\begin{aligned} &= \text{Principal Amount} + \text{Net Interest Amount} \\ &= \text{AUD } 100,000.00 + \text{AUD } 0.00 \end{aligned}$$

= AUD 100,000.00

Scenario 3 (Worst Case Scenario) - The exchange rate of the Linked Currency against the Counter Currency drops to zero

Assuming the exchange rate of the Linked Currency against the Counter Currency is 0 at 2:00 p.m. on the maturity date, which means the Linked Currency **DEPRECIATES** against the Counter Currency when the Spot Price is compared with the Strike Price, you will receive the Principal Amount plus Net Interest Amount in the Investment Currency, but no Investment Return, calculated as follows.

= Principal Amount + Net Interest Amount

= AUD 100,000.00 + AUD 0.00

= AUD 100,000.00

Scenario 4: (Default Scenario) – The Bank defaults in payment or becomes insolvent

Assuming that the Bank becomes insolvent or defaults on its obligations under this product, you can only claim as an unsecured creditor of Bank of China (Hong Kong) Limited regardless of the terms of this product. You may get nothing back and may lose all of your Principal Amount of AUD 100,000.00, the Net Interest Amount (if any) and the Investment Return (if any).

Scenario Summary and Potential Return Analysis

Scenario	Spot price of NZD/HKD	Total payout on the maturity date	Investment Return at maturity (HKD)	Gain or loss against the Principal Amount (Actual %)
1	5.5605	AUD 100,000.00 + HKD 6,468.40	HKD 6,468.40	1.0781%
2	5.1605	AUD 100,000.00 + HKD 0.00	HKD 0.00	0%
3	0.0000	AUD 100,000.00 + HKD 0.00	HKD 0.00	0%
4	You will be ranked as unsecured creditor against the Bank if the Bank becomes insolvent or defaults on its obligations under this product and may lose the entire Principal Amount of AUD 100,000.00, the Net Interest Amount (if any) and the Investment Return (if any).			

Example 2:

Return Analysis in home currency

Case A - Total payout at maturity converted into home currency under Best Case Scenarios

Taking the Best Case Scenarios in Example 1 above where the total payout you receive at maturity is AUD 100,000.00 + HKD 6,468.40, assuming that HKD is your home currency and you choose to convert the total payout back to your home currency at maturity, the following table shows your rate of gain/ loss against the Principal Amount in HKD, taking into account the fluctuation in the exchange rate of AUD (being the Investment Currency) against HKD (being your home currency):

Scenario	Exchange rate of AUD against HKD on the application date (expressed as the amount of HKD per one AUD)	Exchange rate of AUD against HKD on the maturity date (expressed as the amount of HKD per one AUD)	Total payout on the maturity date	Total payout on the maturity date (HKD equivalent)	Gain or loss against the Principal Amount calculated in HKD (Actual %)
1	6.0000	6.5000	AUD 100,000.00 + HKD 6,468.40	HKD656,468.40	9.4114%

2	6.0000	5.5000	AUD 100,000.00 + HKD 6,468.40	HKD556,468.40	- 7.2553%
3	6.0000	0.0000	AUD 100,000.00 + HKD 6,468.40	HKD6,468.40	-98.9219%

Remarks

Scenario 1:

Assuming that AUD appreciates against HKD and the exchange rate of AUD against HKD as of the maturity date is 6.5000, you will make an actual gain of HKD56,468.40 in HKD terms, calculated as follows:

$$\begin{aligned}
 &= \text{Total payout in HKD equivalent (i.e. AUD100,000.00} \times 6.5000 + \text{HKD 6,468.40)} - \text{Principal amount in HKD equivalent (i.e. AUD100,000.00} \times 6.0000) \\
 &= \text{HKD656,468.40} - \text{HKD600,000.00} \\
 &= \text{HKD56,468.40}
 \end{aligned}$$

In this scenario, you have an actual rate of return of 9.4114% (i.e. gain in HKD terms (HKD56,468.40) ÷ Principal Amount in HKD equivalent (HKD600,000.00) x100%) (rounded to the nearest 4 decimal places)

Scenario 2:

Assuming that AUD depreciates against HKD and the exchange rate of AUD against HKD as of the maturity date is 5.5000, you will suffer an actual loss of HKD 43,531.60 in HKD terms, calculated as follows:

$$\begin{aligned}
 &= \text{Total payout in HKD equivalent (i.e. AUD100,000.00} \times 5.5000 + \text{HKD 6,468.40)} - \text{Principal amount in HKD equivalent (i.e. AUD100,000.00} \times 6.0000) \\
 &= \text{HKD556,468.40} - \text{HKD600,000.00} \\
 &= - \text{HKD43,531.60}
 \end{aligned}$$

In this scenario, you have an actual rate of loss of 7.2553% (i.e. loss in HKD terms (HKD43,531.60) ÷ Principal Amount in HKD equivalent (HKD600,000.00) x100%) (rounded to the nearest 4 decimal places)

Scenario 3:

Assuming that AUD depreciates significantly against HKD and the exchange rate of AUD against HKD as of the maturity date is 0.0000, you will suffer an actual loss of HKD593,531.60 in HKD terms, calculated as follows:

$$\begin{aligned}
 &= \text{Total payout in HKD equivalent (i.e. AUD100,000.00} \times 0.0000 + \text{HKD 6,468.40)} - \text{Principal amount in HKD equivalent (i.e. HKD100,000.00} \times 6.0000) \\
 &= \text{HKD6,468.40} - \text{HKD600,000.00} \\
 &= - \text{HKD593,531.60}
 \end{aligned}$$

In this scenario, you have an actual rate of loss of 98.9219% (i.e. loss in HKD terms (HKD593,531.60) ÷ Principal Amount in HKD equivalent (HKD600,000.00) x100%) (rounded to the nearest 4 decimal places)

Case B - Total payout at maturity converted into home currency under Worst Case Scenario

Taking the Worst Case Scenario in Example 1 above where the total payout you receive at maturity is AUD 100,000.00, assuming that HKD is your home currency and you choose to convert the total payout back to your home currency at maturity, the following table shows your rate of gain/ loss against the Principal Amount in HKD, taking into account the fluctuation in the exchange rate of AUD (being the Investment Currency) against HKD (being your home currency):

Scenario	Exchange rate of AUD against HKD on the application date (expressed as the amount of HKD per one AUD)	Exchange rate of AUD against HKD on the maturity date (expressed as the amount of HKD per one AUD)	Total payout on the maturity date	Total payout on the maturity date (HKD equivalent)	Gain or loss against the Principal Amount calculated in HKD (Actual %)
1	6.0000	6.5000	AUD 100,000.00	HKD650,000.00	8.3333%
2	6.0000	5.5000	AUD 100,000.00	HKD550,000.00	- 8.3333%
3	6.0000	0.0000	AUD 100,000.00	HKD0.00	-100.00%

Remarks

Scenario 1:

Assuming that AUD appreciates against HKD and the exchange rate of AUD against HKD as of the maturity date is 6.5000, you will make an actual gain of HKD50,000.00 in HKD terms, calculated as follows:

$$\begin{aligned}
 &= \text{Total payout in HKD equivalent (i.e. AUD100,000.00 x 6.5000)} - \text{Principal amount in HKD equivalent (i.e. AUD100,000.00 x 6.0000)} \\
 &= \text{HKD650,000.00} - \text{HKD600,000.00} \\
 &= \text{HKD50,000.00}
 \end{aligned}$$

In this scenario, you have an actual rate of return of 8.3333% (i.e. gain in HKD terms (HKD50,000.00) ÷ Principal Amount in HKD equivalent (HKD600,000.00) x100%) (rounded to the nearest 4 decimal places)

Scenario 2:

Assuming that AUD depreciates against HKD and the exchange rate of AUD against HKD as of the maturity date is 5.5000, you will suffer an actual loss of HKD 50,000.00 in HKD terms, calculated as follows:

$$\begin{aligned}
 &= \text{Total payout in HKD equivalent (i.e. AUD100,000.00 x 5.5000)} - \text{Principal amount in HKD equivalent (i.e. AUD100,000.00 x 6.0000)} \\
 &= \text{HKD550,000.00} - \text{HKD600,000.00} \\
 &= - \text{HKD50,000.00}
 \end{aligned}$$

In this scenario, you have an actual rate of loss of 8.3333% (i.e. loss in HKD terms (HKD50,000.00) ÷ Principal Amount in HKD equivalent (HKD600,000.00) x100%) (rounded to the nearest 4 decimal places)

Scenario 3:

Assuming that AUD depreciates significantly against HKD and the exchange rate of AUD against HKD as of the maturity date is 0.0000, you will suffer an actual loss of HKD600,000.00 in HKD terms, calculated as follows:

$$\begin{aligned}
 &= \text{Total payout in HKD equivalent (i.e. AUD100,000.00 x 0.0000)} - \text{Principal amount in HKD equivalent (i.e. HKD100,000.00 x 6.0000)} \\
 &= \text{HKD0.00} - \text{HKD600,000.00} \\
 &= - \text{HKD600,000.00}
 \end{aligned}$$

In this scenario, you have an actual rate of loss of 100.00% (i.e. loss in HKD terms (HKD600,000.00) ÷ Principal Amount in HKD equivalent (HKD600,000.00) x100%)

How can you buy this product?

- Transactions can be conducted through our manned trading hotline, Internet Banking and designated branches. Trading hours are from 9:00am to 5:00pm (Mondays to Fridays, excluding public holidays) for branches and from 9:00am to 7:00pm (Mondays to Fridays, excluding public holidays) for manned trading hotlines and Internet Banking.

Can you request for early termination before maturity?

You will not be allowed to early withdraw or terminate or transfer any or all of your Option Linked Investment before maturity.

Option squaring

You can choose to square your Option prior to the maturity date via our manned trading hotlines, Internet Banking and designated branches. You will receive the Squaring Premium which is the amount of premium after deducting any loss or costs as a result of the termination, hedging and funding caused by such squaring. The Bank will provide an indicative Squaring Premium for your reference. When the squaring is completed, the Squaring Premium will be confirmed. The Bank will credit an amount equal to the Principal Amount plus the Net Interest Amount (if any) and the Squaring Premium (if any) in the Investment Currency on the maturity date of the original contract, into the relevant settlement account.

Pre-Investment Cooling-off Period for retail customers

Pre-Investment Cooling-off Period (“**PICOP**”) is applicable to each particular dealing of this product if you are one of the following retail customer types:

- (1) an elderly customer aged 65 or above, unless you are not a first-time buyer of this product AND your asset concentration is below 20% AND you opt out from the PICOP arrangement; or
- (2) a non-elderly customer who is a first time buyer of this product AND your asset concentration is 20% or above.

Offering documents for this product

The following documents (“**Offering Documents**”) contain detailed information about the terms of this product. You should read and understand all of the Offering Documents before deciding whether to invest in this product:

- the Option Linked Investment Application Form, and
- this Important Facts Statement

Before investing in this product, you should read and understand these Offering Documents and the terms and conditions governing this product as set out in the Rules: Currency Linked Investments. If you are in doubt in respect of any contents of these documents, you should obtain independent professional advice.