

# Important Facts Statement

Bank of China (Hong Kong) Limited

Currency Linked Investments - Dual Currency 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 NOT principal protected**

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, CNY*, AUD, NZD, GBP, CAD, EUR or JPY
Linked Currency:	HKD, USD, CNY*, AUD, NZD, GBP, CAD, EUR or JPY
Premium Interest Rate:	This is an annual interest rate and will be fixed when you enter into the transaction with the Bank
Interest amount payment date:	Maturity date
Principal protection at maturity:	No
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 should pay a squaring premium, i.e. 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 net settlement amount for your reference. When the squaring is completed, the net settlement amount will be confirmed. The Bank will credit the net settlement amount in the Investment Currency on the maturity date of the original contract into the relevant settlement account, which may be less than the Principal Amount plus the interest amount. You may lose part or all of the Principal

Amount and the interest amount.

Embedded derivatives: Yes, you are selling a put option over the Linked Currency (“Option”) to the Bank

Maximum potential gain: Interest amount calculated based on the Premium Interest Rate

Maximum potential loss: 100% of the Principal Amount and the interest amount

\* Where the Investment Currency or Linked Currency is CNY, you should note that the Bank will use the relevant offshore CNH exchange rate.

### What is this product and how does it work?

This is a structured investment product involving derivatives. When you enter into a Currency Linked Investments - Dual Currency Investment contract with the Bank, you need to select the Investment Currency, the Principal Amount, the Linked Currency and the Investment Period. Based on your information provided, the strike price (“Strike Price”) and the Premium Interest Rate will be agreed between you and the Bank accordingly.

On the maturity date, the Spot Price<sup>^</sup> will be compared with the Strike Price:

1. if the exchange rate between the Linked Currency and the Investment Currency remains unchanged or the Linked Currency appreciates against the Investment Currency, the Option will not be exercised. The Principal Amount together with the interest amount in the Investment Currency will be credited into the relevant settlement account on the maturity date; or
2. if the Linked Currency depreciates against the Investment Currency, the Option will be exercised. The Principal Amount together with the interest amount will be converted into the Linked Currency at the Strike Price, and credited into the relevant settlement account on the maturity date.

<sup>^</sup> The Spot Price refers to the spot exchange rate quoted by the Bank at 2:00 p.m. on the relevant maturity date.

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

### What are the key risks?

- **Not a time deposit** - A Dual Currency 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** - A Dual Currency Investment is embedded with a FX Option. Transactions involving options involve a high degree of risk. Movements in exchange rates may in the worst case result in your losing the entire Principal Amount and interest amount. By investing in this product, you accept a legal obligation to settle the Option in the Linked Currency which will be a weaker currency then, if the Option is exercised against you on the maturity date, however far the exchange has moved away from the Strike Price.
- **Limited potential gain** - The maximum potential gain is limited to the interest amount calculated based on the Premium Interest Rate which is set out in the contract.
- **Maximum potential loss** - A Dual Currency Investment is not principal protected. In the worst case scenario, you could lose all of the Principal Amount and the interest amount.
  - **Not the same as buying the Linked Currency** - Investing in a Dual Currency 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 a Dual Currency Investment.
- **Market risk** - The return of a Dual Currency 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** - A Dual Currency 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** - A Dual Currency 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 and the

potential interest amount.

- **Currency risk** - If the Investment Currency and/or Linked Currency is/are not your home currency, and you choose to convert it back to your home currency, or if you receive the Linked Currency and choose to convert it back to the Investment 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.
- **RMB Conversion Limitation Risk (if applicable)** – RMB investments are subject to exchange rate fluctuations which may provide both opportunities and risks. The fluctuation in the exchange rate of RMB may result in losses in the event that the customer converts RMB into HKD or other foreign currencies.

(Only applicable to Individual Customers) RMB is currently not fully freely convertible. Individual customers can be offered CNH rate to conduct conversion of RMB through bank accounts and may occasionally not be able to do so fully or immediately, for which it is subject to the RMB position of the banks and their commercial decisions at that moment. Customers should consider and understand the possible impact on their liquidity of RMB funds in advance.

(Only applicable to Corporate Customers) RMB is currently not fully freely convertible. Corporate customers that intend to conduct conversion of RMB through banks may occasionally not be able to do so fully or immediately, for which it is subject to the RMB position of the banks and their commercial decisions at that moment. Customers should consider and understand the possible impact on their liquidity of RMB funds in advance.

### What are the key features?

Currency Linked Investments - Dual Currency Investment is a currency-linked investment product. According to your personal investment preference and outlook on currency exchange rate, and depending on the performance of the currencies, you have the opportunity to earn a higher potential return, or to buy the Linked Currency at a predetermined conversion rate.

You can choose any 2 currencies from HKD, USD, CNY, AUD, NZD, GBP, CAD, EUR, and JPY 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 and the Premium Interest Rate of the Dual Currency 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 Dual Currency Investment. No representation or warranty is made by the Bank that any illustration or scenario described above can be duplicated under real investment conditions. Actual results may vary from the results shown above 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 an investment decision.

Example 1:

This scenario analysis for Dual Currency Investment is based on the following terms:

Investment Currency:	HKD
Linked Currency:	AUD
Principal Amount:	HKD 200,000.00
Investment Period:	1 week (for the purpose of calculation, 7 days)
Strike Price:	6.0000 (AUD/HKD)
Premium Interest Rate:	14.6975% p.a. (actual rate = 0.2819%)
Interest Amount:	HKD 563.74

**Scenario 1 (Best Case Scenario) – The Linked Currency remains UNCHANGED or APPRECIATES against the**

## Investment Currency

Assuming the exchange rate between the Linked Currency and the Investment Currency remains unchanged or the Linked Currency **APPRECIATES** against the Investment Currency when the Spot Price is compared with the Strike Price at 2:00 p.m. on the maturity date, you will receive the Principal Amount and the Interest Amount in the Investment Currency calculated as follows:

$$= \text{Principal Amount} + \text{Interest Amount}$$

$$= \text{HKD } 200,000.00 + \text{HKD } 563.74$$

$$= \text{HKD } 200,563.74$$

In this scenario, you have an actual gain of an Interest Amount of HKD 563.74, representing an actual rate of return of 0.2819% (i.e. Interest Amount (HKD 563.74) ÷ Principal Amount (HKD 200,000.00) x 100%) (rounded to the nearest 4 decimal places). This is the maximum potential gain under the Dual Currency Investment even if your view on the Linked Currency is correct.

## Scenario 2 (Break-even Scenario) – The Linked Currency slightly **DEPRECIATES** against the Investment Currency but the Spot Price is at the break-even price

Assuming the Linked Currency slightly **DEPRECIATES** against the Investment Currency but the Spot Price is at the break-even price at 2:00 p.m. on the maturity date, you will receive the Principal Amount plus the Interest Amount which has been converted into the Linked Currency at the Strike Price calculated as follows:

$$= (\text{HKD } 200,000.00 + \text{HKD } 563.74) \div 6.0000$$

$$= \text{AUD } 33,427.29$$

In this scenario, the break-even price is 5.9831 (AUD/HKD), as calculated as follow:

$$= \frac{\text{HKD } 200,000.00}{\text{AUD } 33,427.29}$$

$$= 5.9831 \text{ (AUD/HKD) (rounded to the nearest 4 decimal places)}$$

Assuming you can sell the Linked Currency on the maturity date at the break-even price, you will obtain the total amount of HKD 199,998.82 (i.e. AUD 33,427.29 x 5.9831) which will approximately be equal to the Principal Amount, representing an actual rate of return of 0.00% (rounded to the nearest 2 decimal places).

## Scenario 3 (Loss Scenario) – The Linked Currency **DEPRECIATES** against the Investment Currency

Assuming the Linked Currency **DEPRECIATES** against the Investment Currency when the Spot Price is compared with the Strike Price at 2:00 p.m. on the maturity date (assuming the Spot Price of AUD/HKD is 5.9700), you will receive the Principal Amount plus the Interest Amount which has been converted into the Linked Currency at the Strike Price calculated as follows:

$$= (\text{HKD } 200,000.00 + \text{HKD } 563.74) \div 6.0000$$

$$= \text{AUD } 33,427.29$$

In this scenario, you suffer an unrealised loss of HKD 439.08 (i.e. HKD 200,000.00 – HKD 199,560.92 (AUD 33,427.29 converted at the Spot Price)), representing an actual rate of loss of 0.2195% (i.e. the unrealised loss (HKD 439.08) ÷ Principal Amount (HKD 200,000.00) x 100%) (rounded to the nearest 4 decimal places).

If you decide to hold the Linked Currency deliverable to you on the maturity date, you will be further exposed to the risk of exchange rate fluctuation of the Linked Currency from the maturity date until you sell the Linked Currency.

## Scenario 4 (Worst Case Scenario) – The exchange rate of the Linked Currency against the Investment Currency drops to zero

Assuming the exchange rate of the Linked Currency against the Investment Currency is 0 at 2:00 p.m. on the maturity date, you will receive the Principal Amount plus the Interest Amount which has been converted into the Linked Currency at the Strike Price (AUD 33,427.29). In this scenario, your investment would become worthless. You would lose all of your Principal Amount and Interest

Amount.

### Scenario 5 (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 HKD 200,000.00 and the Interest Amount.

### Scenario Summary and Potential Return Analysis

Scenario	Spot Price of AUD/HKD	Total payout on the maturity date	Investment Return at maturity (HKD)	Gain or loss (Actual %)
1	6.1000	HKD 200,563.74	HKD 563.74	0.2819%
2	5.9831	AUD 33,427.29	- HKD 1.18	Approximately 0%
3	5.9700	AUD 33,427.29	- HKD 439.08	-0.2195%
4	0.0000	AUD 33,427.29	- HKD 200,000.00	-100.00%
5	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 HKD 200,000.00 and the Interest Amount.			

### Example 2:

#### Return Analysis in home currency

#### Total payout at maturity converted into home currency under Best Case Scenario

Taking the Best Case Scenario in Example 1 above where the total payout you receive at maturity is HKD200,563.74, assuming that CNY 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 CNY, taking into account the fluctuation in the exchange rate of HKD (being the Investment Currency) against CNY (being your home currency):

Scenario	Exchange rate of HKD against CNY on the application date (expressed as the amount of CNY per one HKD)	Exchange rate of HKD against CNY on the maturity date (expressed as the amount of CNY per one HKD)	Total payout on the maturity date (HKD)	Total payout on the maturity date (CNY equivalent)	Gain or loss against the Principal Amount calculated in CNY (Actual %)
1	1.0000	1.1000	HKD200,563.74	CNY 220,620.11	10.3101%
2	1.0000	0.9000	HKD200,563.74	CNY 180,507.37	- 9.7463%
3	1.0000	0.0000	HKD200,563.74	CNY 0.00	-100.00%

### Remarks

#### Scenario 1:

Assuming that HKD appreciates against CNY and the exchange rate of HKD against CNY as of the maturity date is 1.1000, you will make an actual gain of CNY20,620.11 in CNY terms, calculated as follows:

= Total payout in CNY equivalent (i.e. HKD200,563.74 x 1.1000) - Principal amount in CNY equivalent (i.e. HKD200,000.00

x1.0000)  
= CNY 220,620.11 – CNY200,000.00  
= CNY20,620.11

In this scenario, you have an actual rate of return of 10.3101% (i.e. gain in CNY terms (CNY 20,620.11) ÷ Principal Amount in CNY equivalent (CNY200,000.00) x100%) (rounded to the nearest 4 decimal places)

#### Scenario 2:

Assuming that HKD depreciates against CNY and the exchange rate of HKD against CNY as of the maturity date is 0.9000, you will suffer an actual loss of CNY 19,492.63 in CNY terms, calculated as follows:

= Total payout in CNY equivalent (i.e. HKD200,563.74 x 0.9000) - Principal amount in CNY equivalent (i.e. HKD200,000.00 x1.0000)  
= CNY 180,507.37 –CNY200,000.00  
= - CNY 19,492.63

In this scenario, you have an actual rate of loss of 9.7463% (i.e. loss in CNY terms (CNY 19,492.63) ÷ Principal Amount in CNY equivalent (CNY200,000.00) x100%) (rounded to the nearest 4 decimal places)

#### Scenario 3:

Assuming that HKD depreciates significantly against CNY and the exchange rate of HKD against CNY as of the maturity date is 0.0000, you will suffer an actual loss of CNY 200,000.00 in CNY terms, calculated as follows:

= Total payout in CNY equivalent (i.e. HKD200,563.74 x 0.0000) - Principal amount in CNY equivalent (i.e. HKD200,000.00 x1.0000)  
= CNY 0.00 –CNY200,000.00  
= - CNY 200,000.00

In this scenario, you have an actual rate of loss of 100.00% (i.e. loss in CNY terms (CNY 200,000.00) ÷ Principal Amount in CNY equivalent (CNY200,000.00) x100%)

### **How can you buy this product?**

- Transactions can be conducted through our manned trading hotlines, 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 Dual Currency 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 should pay the Squaring Premium, i.e. any loss or costs suffered by the Bank as a result of the termination, hedging and funding caused by such squaring. The Bank will provide an indicative net settlement amount for your reference. When the squaring is completed, the net settlement amount will be confirmed. The Bank will credit the net settlement amount in the Investment Currency on the maturity date of the original contract into the relevant settlement account, which may be less than the Principal Amount plus the interest amount. You may lose part or all of the Principal Amount and the interest amount.

### **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 Dual Currency 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.