中國銀行(香港)有限公司
BANK OF CHINA (HONG KONG) LIMITED

Important Facts Statement

Bank of China (Hong Kong) Limited | **Non-Principal Protected**

Target Rate Investment

Currency linked investment

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 100% principal protected. You could lose part of your principal amount.

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 investment
Minimum principal amount:	The minimum principal amount will be prescribed in the term sheet of this product
Investment period:	1 month, 3 months, 6 months or such other period as designated by the Bank
Investment currency:	HKD, USD, CNY or other currency as designated by the Bank
Currency pair:	Any 2 currencies from HKD, USD, CNY* and other currencies as designated by the Bank
Interest rate:	The annual interest rate will be determined in accordance with the conditions as prescribed in the term sheet of this product
Interest period:	The period commencing from the value date (inclusive) to the maturity date (exclusive)
Principal protection at maturity:	No
Callable by the Bank:	No
Early termination right of the customer:	No
Embedded derivatives:	Yes, you are buying a European digital currency option over the exchange rate of the currency pair as prescribed in the term sheet of this product
Maximum potential gain:	The interest amount calculated at the higher interest rate as prescribed in the term sheet of

	this product
Maximum potential loss:	100% of the Principal Amount minus the Repayment Amount (as defined below) received (if the Repayment Amount received is less than 100% of the Principal Amount).

*If the Currency Pair involves 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. You are buying a European digital currency option over the exchange rate of the currency pair as prescribed in the term sheet when you enter into this product transaction with the Bank. The investment currency can either be HKD, USD, CNY or other designated currencies, and the currency pair can be formed by any 2 currencies from HKD, USD, CNY and other currencies designated by the Bank.

If we agree to enter into this product transaction with you, you will receive at maturity the Repayment Amount, being an amount equal to either (i) receive 100% of the Principal Amount and the interest amount calculated at a higher interest rate, or (ii) part of the Principal Amount (as prescribed in the term sheet of this product) and the interest amount calculated at a lower interest rate, depending on the final fixing rate on the final fixing date in comparison with the target rate. In the latter case, you will sustain a loss on your principal amount.

The interest rate used to calculate the interest amount will be determined in accordance with the conditions set out in the term sheet, depending on the final fixing rate on the final fixing date in comparison with the target rate. The target rate will be fixed on the initial fixing date or as prescribed in the term sheet of this product, and in general the final fixing date will be two business days (or subject to market conditions it will be less than or more than two business days) before the maturity date.

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** – Non-Principal Protected Target Rate 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** – Non-Principal Protected Target Rate Investment is embedded with a European digital currency option which can only be exercised on the Final Fixing Date if the specified condition for exercise is satisfied, in which case you may either receive the Interest Amount calculated at a higher Interest Rate, or otherwise, you will receive the Interest Amount calculated at a lower Interest Rate and sustain a loss on your Principal Amount which could be substantial. The Repayment Amount is therefore unknown in advance.
- **Limited potential gain** – The maximum potential gain is limited to the Interest Amount calculated at the higher Interest Rate as prescribed in the term sheet of this product.
- **Not necessarily principal protection.** Subject to the movements in the exchange rate of the currency pair, you may have only limited principal protection even if this product is held to maturity.
- **Not the same as buying any currency of the currency pair** – Investing in Non-Principal Protected Target Rate Investment is not the same as buying any currency of the Currency Pair directly.
- **Market risk –** The return on Non-Principal Protected Target Rate Investment is dependent on movements in the exchange rate of the Currency Pair. Currency exchange rates may move rapidly and are affected by a number of factors including, national and international financial, economic, political and other conditions and events and may also be subject to intervention by central banks and other bodies.
- **Liquidity risk** – Non-Principal Protected Target Rate Investment is designed to be held till maturity. Once the transaction for this product is confirmed, you will not be allowed to early withdraw or terminate or transfer any or all of your investment before maturity.
- **Credit risk of the Bank** – Non-Principal Protected Target Rate 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 is 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.

- **RMB Conversion Limitation risk.** 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.

- **Emerging markets.** Investments in emerging markets are more sensitive to social, political or economic development in the region. than those in developed markets, and subject to risk such as market suspension, restrictions on foreign investment and control or repatriation of capital. There are also possibilities of nationalisation, expropriation or confiscatory taxation, foreign exchange control, political changes, government regulation, social instability or diplomatic developments which could adversely affect the economics of the emerging markets or the value of your investment.

- **No secondary market.** Non-Principal Protected Target Rate Investment is not a listed security. There is no secondary market for you to sell the product prior to its maturity.

- **Potential conflict of interest.** Although the Bank will act in good faith and in a commercially reasonable manner in making determinations and calculations with respect to Non-Principal Protected Target Rate Investment, the Bank may encounter conflict of interest arising out of the activities of the Bank and/or any of its affiliates (collectively, the "**BOC Group Entities**"). The BOC Group Entities may engage in transactions involving or affecting the underlying exchange rate for its proprietary accounts and/or for the accounts of others and/or to hedge against the market risk associated with the product. These transactions may positively or adversely affect the movements in the underlying exchange rate and thus the return of the product. None of the BOC Group Entities is under any obligation to avoid or disclose any of the above conflicts.

- **Non-public information.** The BOC Group Entities may acquire information regarding the underlying exchange rate, before and during the term of Non-Principal Protected Target Rate Investment, that is or may be construed to be not publicly available. None of the BOC Group Entitles is under any obligation to make such information (whether confidential or not) available to you.

What are the key features?

This product is not 100% principal protected. You could lose part of your principal amount.

Non-Principal Protected Target Rate Investment provides you with an opportunity to use currency option to earn a higher potential return according to personal investment preference and outlook on the relevant currency exchange rate.

The investment period can vary from 1 month, 3 months, 6 months or other period as designated by the Bank, but normally will not be longer than 12 months.

The target rate will be fixed on the initial fixing date or as prescribed in the term sheet of this product.

Scenario analysis

The following hypothetical examples are for illustrative purposes only. They do not reflect a complete analysis of all possible potential gain or loss scenarios and must not be relied on as an indication of the actual performance of the exchange rate of the currency pair or this product. 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. You should not rely on these hypothetical examples when making an investment decision.

Example 1:

This scenario analysis for Non-Principal Protected Target Rate Investment is based on the following terms:

Principal Protection Level:	95% of the Principal Amount at maturity
Investment Currency:	CNY
Principal Amount:	CNY 100,000.00
Investment Period:	3 Months (90 days)
Currency Pair:	USD/CNY
Initial Fixing Rate:	6.5000 (USD/CNY)
Target Rate:	Initial Fixing Rate – 0.3000（i.e. 6.5000 - 0.3000 = 6.2000 (USD/CNY)）
Final Fixing Rate:	The exchange rate of the Currency Pair on the final fixing date
Interest Rate:	39.00% p.a. if the Final Fixing Rate is at or below the Target Rate on the final fixing date, OR otherwise 1.90 % p.a.
Repayment Amount:	100% of the Principal Amount and the Interest Amount if the Final Fixing Rate is at or below the Target Rate on the final fixing date, OR otherwise 95% of the Principal Amount and the Interest Amount.

Scenario 1 (Best Case Scenario) – the Final Fixing Rate is AT or BELOW the Target Rate

Assuming the Final Fixing Rate is **at** or **below** the Target Rate on the final fixing date, you will receive 100% of the Principal Amount and an interest amount in the Investment Currency calculated at the higher Interest Rate as follows:

= 100% of the Principal Amount + interest amount calculated at the higher Interest Rate

= CNY 100,000.00 + CNY 9,750.00

= CNY 109,750.00

Interest amount = CNY100,000.00 × 39.00% ÷ 360 × 90

= CNY9,750.00

In this scenario, you have an actual gain of an interest amount of CNY9,750.00, representing an actual rate of return of 9.7500% (i.e. interest amount (CNY9,750.00) ÷ Principal Amount (CNY 100,000.00) x 100%) (rounded to the nearest 4 decimal places). This is the maximum potential gain under Non-Principal Protected Target Rate Investment even if your view on the Final Fixing Rate is correct.

Scenario 2 (Loss Scenario) – the Final Fixing Rate is ABOVE the Target Rate

Assuming the Final Fixing Rate is **ABOVE** the Target Rate on the final fixing date, you will receive the 95% of the Principal Amount and an interest amount in the Investment Currency calculated at the lower Interest Rate as follows:

= 95% of the Principal Amount + interest amount calculated at the lower Interest Rate

= CNY 95,000.00 + CNY 475.00

= CNY 95,475.00

Interest amount = CNY100,000.00 × 1.90% ÷ 360 × 90

= CNY475.00

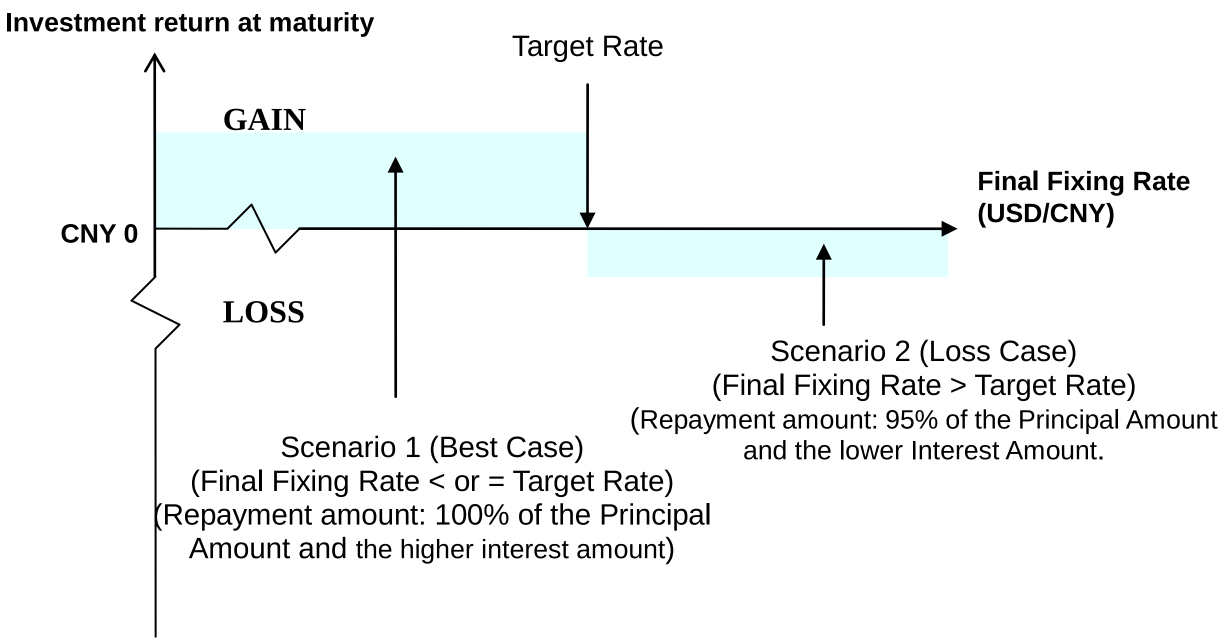
In this scenario, you have an actual loss of CNY4,525.00 (CNY100,000-CNY95,475), representing an actual rate of loss of 4.5250% (i.e. actual loss amount (CNY4,525.00) ÷ Principal Amount (CNY 100,000.00) x 100%) (rounded to the nearest 4 decimal places).

Scenario 3 (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 CNY 100,000.00 and the potential interest amount.

Scenario Summary and Potential Return Analysis

Scenario	Final Fixing Rate (USD/CNY)	Total payout on the settlement date	Investment return at maturity (CNY)	Gain or loss against the Principal Amount (Actual %)
1	6.1000	CNY 109,750.00	CNY 9,750.00	9.7500%
2	6.3000	CNY 95,475.00	- CNY4,525.00	-4.5250%
3	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 CNY 100,000.00 and the potential interest amount.			



Example 2:

This scenario analysis for Non-Principal Protected Target Rate Investment is based on the following terms:

Principal Protection Level:	95% of the Principal Amount at maturity
Investment Currency:	CNY
Principal Amount:	CNY 100,000.00
Investment Period:	3 Months (90 days)
Currency Pair:	USD/CNY

Initial Fixing Rate:	6.2000 (USD/CNY)
Target Rate:	Initial Fixing Rate + 0.2000（i.e. 6.2000 + 0.2000 = 6.4000 (USD/CNY)）
Final Fixing Rate:	The exchange rate of the Currency Pair on the final fixing date
Interest Rate:	39.00% p.a. if the Final Fixing Rate is at or above the Target Rate on the final fixing date, OR otherwise 1.90 % p.a.
Repayment Amount:	100% of the Principal Amount and the Interest Amount if the Final Fixing Rate is at or above the Target Rate on the final fixing date, OR otherwise 95% of the Principal Amount and the Interest Amount.

Scenario 1 (Best Case Scenario) – the Final Fixing Rate is AT or ABOVE the Target Rate

Assuming the Final Fixing Rate is **at** or **above** the Target Rate on the final fixing date, you will receive 100% of the Principal Amount and an interest amount in the Investment Currency calculated at the higher Interest Rate as follows:

= 100% of the Principal Amount + interest amount calculated at the higher Interest Rate

= CNY 100,000.00 + CNY 9,750.00

= CNY 109,750.00

Interest amount = CNY100,000.00 × 39.00% ÷ 360 × 90

= CNY9,750.00

In this scenario, you have an actual gain of an interest amount of CNY 9,750.00, representing an actual rate of return of 9.7500% (i.e. interest amount (CNY 9,750.00) ÷ Principal Amount (CNY 100,000.00) x 100%) (rounded to the nearest 4 decimal places). This is the maximum potential gain under Non-Principal Protected Target Rate Investment even if your view on the Final Fixing Rate is correct.

Scenario 2 (Loss Scenario) – the Final Fixing Rate is BELOW the Target Rate

Assuming the Final Fixing Rate is **below** the Target Rate on the final fixing date, you will receive 95% of the Principal Amount and an interest amount in the Investment Currency calculated at the lower Interest Rate as follows:

= 95% of the Principal Amount + interest amount calculated at the lower Interest Rate

= CNY 95,000.00 + CNY 475.00

= CNY 95,475.00

Interest amount = CNY100,000.00 × 1.90% ÷ 360 × 90

= CNY475.00

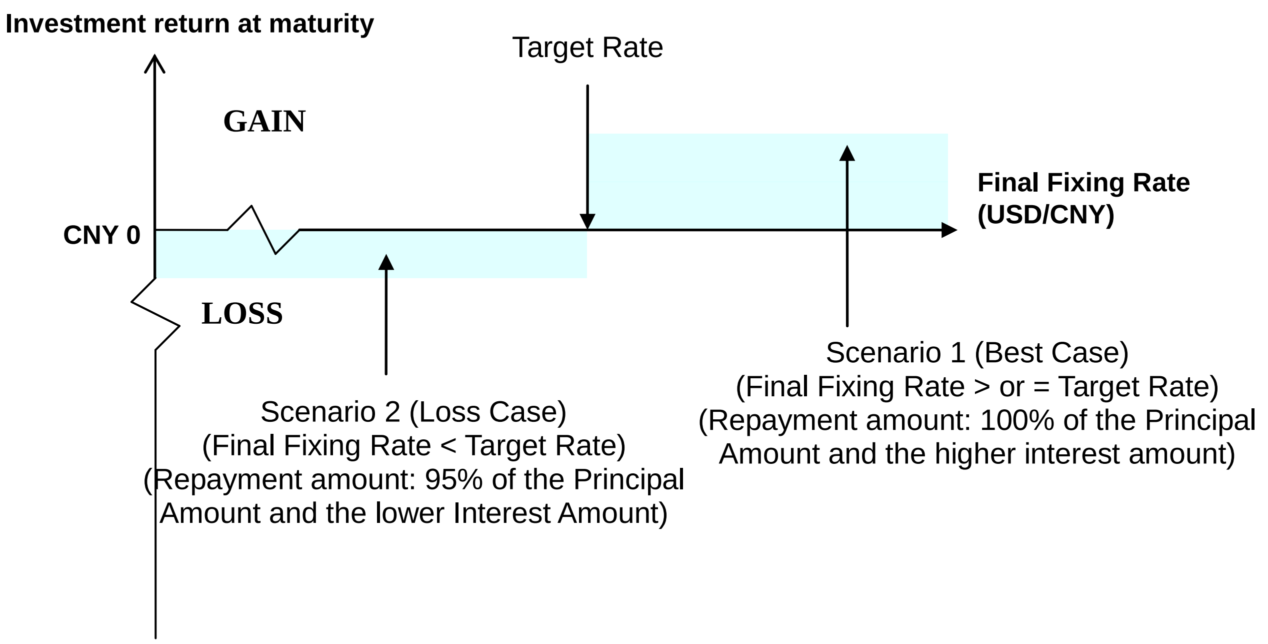
In this scenario, you have an actual loss of an interest amount of CNY 4,525.00 (CNY100,000-CNY95,475), representing an actual loss of return of 4.5250% (i.e. actual loss amount (CNY 4,525.00) ÷ Principal Amount (CNY 100,000.00) x 100%) (rounded to the nearest 4 decimal places).

Scenario 3 (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 CNY 100,000.00 and the potential interest amount.

Scenario Summary and Potential Return Analysis

Scenario	Final Fixing Rate (USD/CNY)	Total payout on the settlement date	Investment return at maturity (CNY)	Gain or loss against the Principal Amount (Actual %)
1	6.6000	CNY 109,750.00	CNY 9,750.00	9.7500%
2	6.2000	CNY 95,475.00	CNY 4,525.00	-4.5250%
3	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 CNY 100,000.00 and the potential interest amount.			



Example 3:

Return Analysis in home currency

Case A – Repayment Amount converted into home currency under Best Case Scenarios

Taking the Best Case Scenarios in Example 1 and Example 2 above where the Repayment Amount you receive at maturity is CNY109,750.00, assuming that HKD is your home currency and you choose to convert the Repayment Amount 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 CNY (being the Investment Currency) against HKD (being your home currency):

Scenario	Exchange rate of CNY against HKD on the application date (expressed as the amount of HKD per one CNY)	Exchange rate of CNY against HKD on the maturity date (expressed as the amount of HKD per one CNY)	Repayment Amount at maturity (CNY)	Repayment Amount at maturity (HKD equivalent)	Gain or loss against the Principal Amount calculated in HKD (Actual %)

1	1.0000	1.1000	CNY 109,750.00	HKD120,725.00	20.7250%
2	1.0000	0.9000	CNY 109,750.00	HKD98,775.00	-1.2250%
3	1.0000	0.0000	CNY 109,750.00	HKD0.00	-100.00%

Remarks

Scenario 1:

Assuming that CNY appreciates against HKD and the exchange rate of CNY against HKD as of the maturity date is 1.1000, you will make an actual gain of HKD20,725.00 in HKD terms, calculated as follows:

= Repayment Amount in HKD equivalent (i.e. CNY109,750.00 x 1.1000) - Principal amount in HKD equivalent (i.e. CNY100,000.00 x1.0000)
= HKD120,725.00 - HKD100,000.00
= HKD20,725.00

In this scenario, you have an actual rate of return of 20.7250% (i.e. gain in HKD terms (HKD20,725.00) ÷ Principal Amount in HKD equivalent (HKD100,000.00) x100%) (rounded to the nearest 4 decimal places)

Scenario 2:

Assuming that CNY depreciates against HKD and the exchange rate of CNY against HKD as of the maturity date is 0.9000, you will suffer an actual loss of HKD1,225.00 in HKD terms, calculated as follows:

= Repayment Amount in HKD equivalent (i.e. CNY109,750.00 x 0.9000) - Principal amount in HKD equivalent (i.e. CNY100,000.00 x1.0000)
= HKD98,775.00 - HKD100,000.00
= - HKD1,225.00

In this scenario, you have an actual rate of loss of 1.2250% (i.e. loss in HKD terms (HKD1,225.00) ÷ Principal Amount in HKD equivalent (HKD100,000.00) x100%) (rounded to the nearest 4 decimal places)

Scenario 3:

Assuming that CNY depreciates significantly against HKD and the exchange rate of CNY against HKD as of the maturity date is 0.0000, you will suffer an actual loss of HKD100,000.00 in HKD terms, calculated as follows:

= Repayment Amount in HKD equivalent (i.e. CNY109,750.00 x 0.0000) - Principal amount in HKD equivalent (i.e. CNY100,000.00 x1.0000)
= HKD0.00 - HKD100,000.00
= - HKD100,000.00

In this scenario, you have an actual rate of loss of 100.00% (i.e loss in HKD terms (HKD100,000.00) ÷ Principal Amount in HKD equivalent (HKD100,000.00) x100%)

Case B –Repayment Amount converted into home currency under Loss Scenarios

Taking the Loss Scenarios in Example 1 and Example 2 above where the Repayment Amount you receive at maturity is CNY95,475.00, assuming that HKD is your home currency and you choose to convert the Repayment Amount 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 CNY (being the Investment Currency) against HKD (being your home currency):

Scenario	Exchange rate of CNY	Exchange rate of CNY	Repayment Amount at maturity	Repayment Amount at	Gain or loss against the

	against HKD on the application date (expressed as the amount of HKD per one CNY)	against HKD on the maturity date (expressed as the amount of HKD per one CNY)	(CNY)	maturity (HKD equivalent)	Principal Amount calculated in HKD (Actual %)
1	1.0000	1.1000	CNY 95,475.00	HKD105,022.50	5.0225%
2	1.0000	0.9000	CNY 95,475.00	HKD85,927.50	- 14.0725%
3	1.0000	0.0000	CNY 95,475.00	HKD0.00	-100.00%

Remarks

Scenario 1:

Assuming that CNY appreciates against HKD and the exchange rate of CNY against HKD as of the maturity date is 1.1000, you will make an actual gain of HKD5,022.50 in HKD terms, calculated as follows:

= Repayment Amount in HKD equivalent (i.e. CNY95,475.00 x 1.1000) - Principal amount in HKD equivalent (i.e. CNY100,000.00 x1.0000)
= HKD105,022.50 - HKD100,000.00
= HKD5,022.50

In this scenario, you have an actual rate of return of 5.0225% (i.e. gain in HKD terms (HKD5,022.50) ÷ Principal Amount in HKD equivalent (HKD100,000.00) x100%) (rounded to the nearest 4 decimal places)

Scenario 2:

Assuming that CNY depreciates against HKD and the exchange rate of CNY against HKD as of the maturity date is 0.9000, you will suffer an actual loss of HKD14,072.50 in HKD terms, calculated as follows:

= Repayment Amount in HKD equivalent (i.e. CNY95,475.00 x 0.9000) - Principal amount in HKD equivalent (i.e. CNY100,000.00 x1.0000)
= HKD85,927.50 - HKD100,000.00
= - HKD14,072.50
In this scenario, you have an actual rate of loss of 14.0725% (i.e. loss in HKD terms (HKD14,072.50) ÷ Principal Amount in HKD equivalent (HKD100,000.00) x100%) (rounded to the nearest 4 decimal places)

Scenario 3:

Assuming that CNY depreciates significantly against HKD and the exchange rate of CNY against HKD as of the maturity date is 0.0000, you will suffer an actual loss of HKD100,000.00 in HKD terms, calculated as follows:

= Repayment Amount in HKD equivalent (i.e. CNY95,475.00 x 0.0000) - Principal amount in HKD equivalent (i.e. CNY100,000.00 x1.0000)
= HKD0.00 - HKD100,000.00
= - HKD100,000.00

In this scenario, you have an actual rate of loss of 100.00% (i.e. loss in HKD terms (HKD100,000.00) ÷ Principal Amount in HKD equivalent (HKD100,000.00) x100%)

How can you buy this product?

Transactions can be conducted through our Internet Banking and designated branches. Trading hours are from 9:00am to 5:00pm (Mondays to Fridays, excluding public holidays) for branches and Internet Banking. The closing date and time for application of Non-Principal Protected Target Rate Investment will be prescribed in the term sheet of this product.

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 investment before maturity.

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 for this product ("**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 relevant Term Sheet,
- the Structured Investments Application Form, and
- this Important Facts Statement

Additional information

Your application will be subject to acceptance or rejection by the Bank before the value date in its sole and absolute discretion.