

Important Facts



Fixed Rate CNY (Offshore)-Linked
Structured Investment Product (the "SIP")

DBS Bank (Hong Kong) Limited
(星展銀行(香港)有限公司)

Sep 2015

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

The contents of this Important Facts Statement have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution before investing in this product. **This Important Facts Statement is a part of the offering documents for this product. You should not invest in this product based on this Important Facts 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 Important Facts Statement from us. 倘若英文並非閣下屬意的語言，閣下可向本行索取本重要資料的中文版本。

This is a structured product involving derivatives. The investment decision is yours but you should not invest in the product unless DBS Bank (Hong Kong) Limited (星展銀行(香港)有限公司, the "Bank") has explained to you that the product is suitable for you having regard to your financial situation, investment experience and investment objectives.

Product Risk Rating

The SIP is risk rated with Product Risk Level at **P1** and is suitable for investors whose risk profile is **C1 or above**. Please refer to the Financial Needs Analysis for description of your risk profile.

Quick facts

Bank: DBS Bank (Hong Kong) Limited (星展銀行(香港)有限公司), including its successors and assigns.

Product type: Interest rate and currency linked structured investment product

Minimum principal amount Please refer to the table below:

/ Settlement currency:

Settlement Currency	Linked Currency	Minimum Principal Amount	Investment Multiples	Minimum Offer Size
HKD	CNY(offshore)	HKD 100,000	HKD 10,000	HKD 1,500,000
USD	CNY(offshore)	USD 10,000	USD 1,000	USD 150,000
AUD	CNY(offshore)	AUD 10,000	AUD 1,000	AUD 150,000
SGD	CNY(offshore)	SGD 10,000	SGD 5,000	SGD 150,000
EUR	CNY(offshore)	EUR 10,000	EUR 1,000	EUR 150,000
JPY	CNY(offshore)	JPY 1,000,000	JPY 500,000	JPY 15,000,000
CNY(offshore)	HKD	CNY(offshore) 100,000	CNY(offshore) 10,000	CNY(offshore) 1,000,000
CNY(offshore)	USD	CNY(offshore) 100,000	CNY(offshore) 10,000	CNY(offshore) 1,000,000
GBP	CNY(offshore)	GBP 6,000	GBP 1,000	GBP 150,000
CAD	CNY(offshore)	CAD 10,000	CAD 1,000	CAD 150,000
NZD	CNY(offshore)	NZD 10,000	NZD 1,000	NZD 150,000
CHF	CNY(offshore)	CHF 10,000	CHF 1,000	CHF 150,000

Tenor: In each case, the tenor as stated in the SIP Order Form.

Interest amount: The sum of the Return Amount and the FX Differential Amount.

Return amount: Principal Amount x Spot Rate x Linked Rate / Forward Rate x Day Count Fraction

FX differential amount:	$\text{Principal Amount} \times (\text{Spot Rate} - \text{Forward Rate}) / \text{Forward Rate}$
Spot rate and Forward rate:	In each case, a rate, expressed as the amount of Linked Currency per one unit of the Settlement Currency, as stated in the SIP Order Form and the SIP Confirmation.
Linked rate:	A per annum percentage rate as stated in the SIP Order Form and the SIP Confirmation
Interest payment date:	Maturity Date
100% Principal received at maturity:	Yes, except upon the occurrence of a Alternate Currency Event before the Maturity Date.
Callable by the Bank:	Yes, upon the occurrence of a Alternate Currency Event, the Bank may (but is not obliged to) designate the occurrence of such Alternate Currency Event and the SIP may terminate on the Mandatory Redemption Date at the Mandatory Redemption Amount. The Mandatory Redemption Amount is likely to be substantially less than the Principal Amount and may be zero in the worst case scenario.
Early termination right by the customer:	No
Embedded derivatives:	Customer enters a currency swap
Maximum potential gain:	The per annum percentage rate calculated by reference to the relevant Spot Rate and Forward Rate and is fixed upfront.
Maximum potential loss:	0% of investment amount, except upon the occurrence of a Alternate Currency Event before the Maturity Date.

What is the product and how does it work?

This is a structured investment product involving a currency swap. By entering into a currency swap, Customer can enjoy an Interest Amount which is calculated by reference to the relevant Spot Rate and Forward Rate and is fixed upfront.

If there is no Alternate Currency Event Designation by the Bank, the Bank will pay 100% of the Principal Amount and a fixed Interest Amount (calculated by reference to the Spot Rate and Forward Rate in respect of Linked Currency and the Settlement Currency which are fixed upfront) in the Settlement Currency to the Customer on the Maturity Date (see Scenario 1), provided that the SIP is maintained by the Customer with the Bank up to the Maturity Date.

If there is a Alternate Currency Event Designation, for example, if it is illegal to convert Linked Currency into the Settlement Currency, then the Bank will pay the Mandatory Redemption Amount, which is an amount determined by the Bank adjusted downward to account fully for all Hedging Costs, on the Mandatory Redemption Date (see Scenario 2).

What are the key risks?

- **Not a traditional deposit** –The SIP is a form of structured product that carries risks not normally associated with ordinary bank deposits. The SIP is NOT equivalent to a time deposit. The Customer should therefore not treat the SIP as a substitute for ordinary savings or time deposits. The SIP is NOT a protected deposit and is NOT protected by the Deposit Protection Scheme in Hong Kong
- **Derivatives risk** – The SIP is embedded with a currency swap. Generally, any swap transaction is subject to market risk, credit risk, liquidity risk, legal risk and settlement risk.
- **Return on the SIP / Limited Potential Gain** – The maximum potential gain is limited to the Interest Amount which is calculated by reference to the relevant Spot Rate and Forward Rate and is fixed upfront.
- **Principal amount received upon redemption** – If there is no Alternate Currency Event Designation by the Bank, the Customer will receive 100% of the Principal Amount on the Maturity Date only if the Customer holds the SIP up to the Maturity Date.
- **Not the same as buying the Linked Currency** – Investing in the SIP is not the same as buying the Linked Currency directly. In particular, the return on the SIP is dependent on the Spot Rate and the Forward Rate which are fixed upfront. Any appreciation or depreciation of the Linked Currency on or before the Maturity Date will not increase or decrease the return of the SIP.
- **CNY currency risk** – CNY may not be freely convertible through banks in Hong Kong. Due to exchange controls and/or restrictions imposed on the convertibility or utilization of CNY (if any) which in turn is affected by, amongst other things, the PRC government's control, there is no guarantee that disruption in the transferability,

convertibility or liquidity of CNY will not occur. There is thus a likelihood that you may not be able to convert the CNY (offshore) received into other freely convertible currencies.

While this product may offer higher potential return to Customer compared with time deposits, Customer should note that he/she may be exposed to the risk of exchange rate fluctuation such that the potential loss from the product could offset (or even exceed) the potential gain if CNY(offshore) depreciates against the investor's home currency if the SIP will be settled in CNY(offshore). Customer should bear in mind the risk of exchange rate fluctuations that may cause a loss on conversion of CNY(offshore) back into investor's home currency.

You should understand the SIP will be settled in CNY(offshore) deliverable in Hong Kong, which is different from that of CNY deliverable in the People's Republic of China (excluding the Hong Kong and Macao Special Administrative Regions and Taiwan).

If the Customer does not have a CNY (offshore) deposit account outside the People's Republic of China (which shall exclude the Hong Kong and Macao Special Administrative Regions and Taiwan), he will be required to open such account with the Bank, in order to receive payment in CNY (offshore).

- **Currency risk** – Where the customer has converted amounts from another currency into the Settlement Currency in order to make the investment in the SIP, the Customer should bear in mind the risk of exchange rate fluctuations that may cause a loss on conversion of the Settlement Currency back into such other currency.
- **Liquidity risk** – The SIP is a commitment by the Customer for the tenor as stated under the caption “Tenor” in the SIP Order Form. No early uplift, early withdrawal or early termination by the Customer is permitted. The Customer has to maintain the SIP with the Bank up to the Maturity Date.
- **Credit risk** – The Customer is taking on the credit risk of the Bank. The SIP is not secured by any collateral. In the worst case scenario, where DBS Bank (Hong Kong) Limited (星展銀行 (香港) 有限公司) defaults on its payment obligations under the SIP, the Customer will receive no interest payment and lose his original investment amount.
- **Alternate Currency Event Designation by the Bank / Maximum Potential Loss** Upon Alternate Currency Event Designation by the Bank, the Bank will pay the Mandatory Redemption Amount in an alternate currency selected by the Bank in its sole discretion to the Customer on the Mandatory Redemption Date. The Mandatory Redemption Amount is likely to be substantially less than the Principal Amount and in the worst case scenario, the Mandatory Redemption Amount is zero. Upon Alternate Currency Event Designation by the Bank on or prior to the- Maturity Date, the Customer will not receive any Interest Amount.

The above are the key risk factors associated with the SIP but are not, and are not intended to be, a complete list of all risks and considerations relevant to the SIP or your decision to invest in the SIP. Prospective investors should also see the section headed “Risk Associated with the SIP” in the Term Sheet, together with all other information in the Offering Documents before making any investment decision.

What are the key features?

1. Fixed Rate CNY (offshore)-Linked SIP denominated in Settlement Currency

- The SIP is a fixed rate structured product denominated in Settlement Currency involving CNY (offshore) denominated investment.

2. Tenor

- If there is no Alternate Currency Event Designation by the Bank, the tenor of the SIP is stated in the SIP Order Form.

3. Redemption

- If there is no Alternate Currency Event Designation by the Bank, the Bank will pay 100% of the Principal Amount to the Customer on the Maturity Date in the Settlement Currency, provided that the SIP is maintained by the Customer with the Bank up to the Maturity Date.
- Upon Alternate Currency Event Designation by the Bank, the Bank will pay the Mandatory Redemption Amount to the Customer on the Mandatory Redemption Date. The Mandatory Redemption Amount is likely to be substantially less than the Principal Amount and in the worst case scenario, the Mandatory Redemption

Amount is zero.

4. Interest

- If there is no Alternate Currency Event Designation by the Bank, interest on the SIP is paid on the Maturity Date.
- If there is no Alternate Currency Event Designation by the Bank, the Customer will receive a fixed per annum interest rate of the Principal Amount for the entire tenor of the SIP (as stated under the caption "Interest Rate (p.a.)" in the SIP Order Form) and such interest amount is calculated by reference to the relevant Spot Rate and Forward Rate and is fixed upfront.
- Upon Alternate Currency Event Designation by the Bank on or prior to the Maturity Date, no interest amount shall be payable to the Customer.

Scenario analysis

(Note: All figures below are hypothetical and merely serve as illustrations for reference only. They are not indicative of the future or likely performance of the SIP)

Assumptions:

Investment Value Date: 6 May 2011

Maturity Date: 7 May 2012

Linked Currency: CNY (offshore)

Principal Amount (USD)	Spot Rate	Forward Rate	Linked Rate (p.a.)	Actual number of days in the Interest Period
100,000	6.4755	6.4104801	0.50%	367

Return Amount = Principal Amount x Spot Rate x Linked Rate / Forward Rate x Day Count Fraction
= USD100,000 x 6.4755 x 0.50% / 6.4104801 x (367/360)
= USD514.892

FX Differential Amount = Principal Amount x (Spot Rate – Forward Rate) / Forward Rate
= USD100,000 x (6.4755 – 6.4104801) / 6.4104801
= USD1,014.275

Scenario 1: Best Case Scenario

If there is no Alternate Currency Event Designation by the Bank, on the Maturity Date, Customer will receive:

- a) USD100,000, which is 100% of the Principal Amount; and
- b) USD1,529.17, which is equivalent to the sum of the Return Amount and the FX Differential Amount

Thus, Customer will receive a total payout of USD101,529.17, which is equivalent to a return of 1.53% of the Principal Amount, i.e. Interest Rate at 1.50% (1.53% / 367 x 360).

Scenario 2: Worst Case Scenario

Upon Alternate Currency Event Designation by the Bank, the Bank will pay the Mandatory Redemption Amount in an alternate currency selected by the Bank in its sole discretion to the Customer on the Mandatory Redemption Date. The Mandatory Redemption Amount is likely to be substantially less than the Principal Amount and in the worst case scenario, the Mandatory Redemption Amount is zero.

Scenario 3: The Bank becomes insolvent or defaults on its obligations

Assuming that the Bank becomes insolvent during the tenor of this product or defaults on its obligations under this product, you can only claim as its unsecured creditor. You may get nothing back and suffer a total loss of your investment amount.

How can you buy this product?

- Please contact the Bank (as the intermediary) to enquire about the SIPs. You can visit any of our branches or call our Customer Service Hotline on 2290 8888 (press 3 after language selection) to inquire about the SIPs.
- To place an order for the SIP, you must complete the SIP Order Form for the Bank (by submitting a completed SIP Order Form to the Bank or completing the SIP Order Form over the phone with the Bank). The amount you wish to place in the SIP must be deposited with the Bank on or before the submission of the SIP Order Form.

Fees and charges

- **No subscription fees or other upfront charges** - The Bank's fees are shown on the Bank Charges Schedule available at branches of the Bank. Although there are no explicit charges, any fees and charges incurred by the Bank, whether to enter into underlying investments or hedging arrangements or for operational or administrative purposes and profit margins, if any, are already inherently contained in and subsumed into the calculation of the interest rate and other variables under the SIP.

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 hybrid (currency linked and interest rate-linked) structured investment products 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 hybrid (currency linked and interest rate-linked) structured investment products AND your asset concentration is 20% or above.

Can the Bank adjust the terms or early terminate this product?

- Yes, upon the occurrence of a Alternate Currency Event, the Bank may (but is not obliged to) designate the occurrence of such Alternate Currency Event and the SIP may terminate on the Mandatory Redemption Date at the Mandatory Redemption Amount. The Mandatory Redemption Amount is likely to be substantially less than the Principal Amount and may be zero in the worst case scenario. Upon Alternate Currency Event Designation by the Bank on or prior to the Maturity Date, no interest amount shall be payable to the Customer.
- Under the Applicable Account Terms and Conditions (as defined below), the Bank may, in certain circumstances, amend, suspend or terminate the SIP. Such circumstances include, without limitation, the occurrence of force majeure events, illegality, the occurrence of an event of default committed by the Customer, or upon any insolvency or bankruptcy proceedings being commenced against the Customer. For details, please refer to the Applicable Account Terms and Conditions.

Offering documents for this product

The following documents for the SIP ("**Offering Documents**") contain detailed information about the terms of the SIP. You should read and understand all of the Offering Documents before deciding whether to invest in the SIP.

This **Important Facts Statement** which highlights the key features and key risks of the SIP.

The "**Term Sheet**" means the term sheet of the SIP setting out the principal terms and conditions of the SIP.

The "**Applicable Account Terms and Conditions**" means the Investment Products Consolidated Terms and Conditions or Terms and Conditions for Accounts under Wealth Management Investment Portfolio (Wealth Management Accounts) (as appropriate, depending on through which account the Customer trades the SIP), a copy of which has been provided to the Customer before or when the Customer opened the SIP account with the Bank.

You should note that the SIP will be governed by the **SIP Documents**. In the event of any inconsistency, the inconsistency will be resolved in favour of the document ranking higher in the following order of priority: (a) the SIP Confirmation, (b) the SIP Order Form, (c) the Term Sheet, (d) the Applicable Account Terms and Conditions and (e) this Important Facts Statement.

Terms used in this Important Facts Statement but not otherwise defined herein shall have the meaning provided to it in the other Offering Documents.

IMPORTANT LEGAL INFORMATION:

The information provided in this Important Facts Statement does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person. The Bank is acting on a principal-to-principal basis and not acting as your advisor or agent or in any fiduciary capacity to you. This Important Facts Statement does not purport to identify all the risks (direct or indirect) or other material considerations which may be associated with entering into the transaction by a specific person. Prior to entering into the transaction, you should have determined (after consultation with your own advisors if you deem fit), without reliance upon the Bank or its affiliates, the economic risks and merits, as well as the legal, tax, accounting or other material characterisations and consequences of the transaction and that you are able to assume these risks.