

Equity Linked Deposit

Nowadays, aggressive investors may not be satisfied with stable interest income derived from time deposits. Nanyang Commercial Bank can now provide you with a potential “high yield” investment product, namely the Equity Linked Deposit (ELD).

The ELD is derived from a combination of time deposits and the option of a linked stock, which is suitable for investors who expect the price of the linked stock to be stable without much downside risk. You will enjoy a higher premium interest (including time deposit interest plus stock option premiums derived by selling a put option) compared with that of an ordinary time deposit. If the price of the linked stock falls below the strike price, your principal amount will be converted into the linked stock. If the price of the linked stock falls slightly, the premium interest may be able to offset part of your loss if you sell the stock immediately, otherwise the amount received may be less than the principal amount.

Product Features

If you would like to enjoy premium interest and:

- ◆ are willing to bear the volatility of share prices
- ◆ already have knowledge of the stock market
- ◆ expect prices of linked stocks to remain stable without much downside risk during your deposit period
- ◆ are prepared to receive the linked stock on the maturity date and are willing to bear the related price risks

➤ **Then the Equity Linked Deposit is the ideal investment tool for you.**

A. Requirements

Deposit Currency	: HKD
Linked Stock	: Selected Hong Kong Listed Stocks # & Tracker Fund.
Minimum Principal Amount	: HKD 200,000 or 3,000,000 (depending on the linked stock selected; please refer to our list of linked stocks for details.)
Deposit Period	: 1 – 3 months.
Premium Interest Rate	: A time deposit interest rate plus stock option premium in terms of additional interest rates (Premium interest rates may differ for various stocks since they have different price volatility.)
Strike Price	: The strike price is generally lower than the market price at the time the ELD order is placed. The number of shares of the linked stock received on the maturity date will be determined by the strike price.
Return	: The aggregate of the principal amount and the premium interest will be received if the closing price of the linked stock on the determination date is higher than or equal to the strike price. If the closing price of the linked stock on the determination date is lower than the strike price, you will receive the premium interest but the principal amount will be converted into and returned to you in the form of the linked stock. The number of shares received is pre-determined by the principal amount and the strike price.
Fees	: No service charge for placing the ELD, as all fees and charges incurred by the bank are already inherently contained in and subsumed into the calculation of the interest rate and other variables. Meanwhile, the ad valorem stamp duty of the converted stocks at the value of the strike price and a handling charge of 0.2% of the Principal amount will be charged if you receive a linked stock on the maturity date.
Trading Hours	: Monday – Friday: 10:00a.m. to 12:30p.m. & 2:30p.m. to 3:30p.m.
Choice of Channels	: Counter trading or phone trading (after you have read and understood this brochure and the “Terms and Conditions For Equity Linked Deposit” and have opened an appropriate account with us.)

Will be selected by our bank everyday. The list of the linked stocks will be available upon request.

B. How to invest?

1. Value Date (Deposit placing date)

You may place an ELD order through our trading hotline after you have read and understood this brochure and the “Terms and Conditions For Equity Linked Deposit”. You will also have to open an appropriate account with us. You will be given a reference strike price and a premium interest rate. As the strike price may not be determined at the time you place an ELD, you may specify the principal amount, the deposit period, the linked stock and a spot price as the upper strike price limit. The order will only be executed if the strike price is equal to or lower than the spot price specified and the premium interest is higher than or equal to the reference rate. You will receive a written confirmation showing the details of your ELD after the order is executed.

2. Determination Date (Second trading day prior to the Maturity Date)

A Determination Advice will be mailed to inform you of the result:

- If the closing price of the linked stock on the Determination Date is higher than or equal to the strike price, you will receive the aggregate of the principal amount and the premium interest on the Maturity Date;
- If the closing price of the linked stock on the Determination Date is lower than the strike price on the Maturity Date, you will receive the linked stock. The number of shares received will be determined by the principal amount and the strike price. Related charges will be debited from your account and the premium interest will be credited to your settlement account on the Maturity Date.

3. Maturity Date

You will receive the aggregate of the principal amount and the premium interest or the linked stock as mentioned above.

C. Example

Principal Amount	:HK\$2,800,000	Premium Interest	:\$23,013.70
Linked Stock	:Hutchison (0013)	Value Date	:29 th Jan, 2002
Spot Price	:\$75	Determination Date	:26 th Feb, 2002
Strike Price	:\$70	Maturity Date	:28 th Feb, 2002
Premium Interest Rate	:10% p.a.	Deposit Period	:30 days

Return on the Maturity Date:

Aggregate Amount HK\$2,823,013.70 OR 40,000 shares Hutchison & \$23,013.70

➤ Scenario 1: If the closing price of Hutchison on the Determination Date is \$75 (higher than the strike price of \$70), you will receive the following aggregate of the principal amount and the interest:
 Principal Amount × [1 + Premium Interest Rate (Deposit Period / 365 days)]
 $2,800,000 \times [1 + 10\%(30/365)] = \mathbf{\$2,823,013.70}$

➤ Scenario 2: If the closing price of Hutchison on the Determination Date is \$65 (lower than the strike price of \$70),

① You will receive the following number of shares from the linked stock:

Principal Amount / Strike Price
 $2,800,000 / \$70 = \mathbf{40,000 \text{ shares Hutchison}}$

② You will also receive the premium interest as follows:

Principal Amount × [Premium Interest Rate (Deposit Period / 365 days)]
 $2,800,000 \times [10\% (30/365)] = \mathbf{\$23,013.70}$

*If you sell the stock immediately, you will suffer a loss of \$200,000 on the principal amount. Taking into account the premium interest earned, you will effectively suffer a loss of \$176,986.30.

➤ Scenario 3: If the closing price of Hutchison on the Determination Date is \$70 (equal to the strike price of \$70), Scenario 1 would also apply.

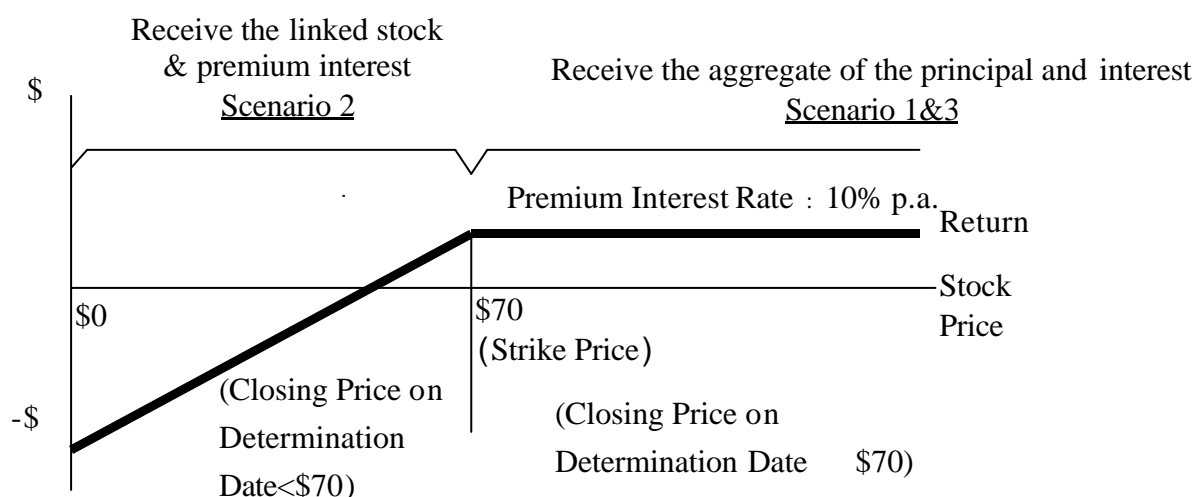
Principal Amount	\$2,800,000				
Deposit Period	30days				
Closing Price on Determination Date (the "Closing Price")	\$75	\$70	\$69.4247*	\$65	\$0
% price change of the linked stock between the strike price of (\$70) and the Closing Price	7.14%	0%	-0.82%	-7.14%	-100%
% price change of the linked stock between the spot price of (\$75) and the Closing Price	0%	-6.67%	-7.43%	-13.33%	-100%
Market Value of linked stock	\$3,000,000	\$2,800,000	\$2,776,986.30	\$2,600,000	\$0

Investing in Equity Linked Deposit:

Return on Maturity Date	Aggregate of the principal & interest \$2,823,013.70	Aggregate of the principal & interest \$2,823,013.70	40,000 shares of Hutchison & interest \$23,013.70	40,000 shares of Hutchison & interest \$23,013.70	40,000 shares of Hutchison & interest \$23,013.70
Profit / Loss	\$23,013.70	\$23,013.70	\$0.00	-\$176,986.30	-\$2,776,986.30
Rate of return (during deposit period)	(0.82%)	(0.82%)	(0.00%)	(-6.32%)	(-99.18%)
Rate of return (per annum)	(10%)	(10%)	(0.00%)	(-76.90%)	(-1,206.67%)

*Reference stock price at break-even point = (Principal – Premium Interest) / (Converted no. of shares)

Return



HKD Time Deposit (for comparison basis only):	
Deposit Interest Rate(p.a.)	1.5%
Return on Maturity Date	\$2,803,452.05
Profit / Loss	\$3452.05
Rate of return during deposit period	(0.12%)

*The above example is for illustrative purpose only and is not indicative of future performance. All related charges have not been included.

D. Remarks

- ◆ ELD cannot be withdrawn before the maturity date.
- ◆ No auto renewal is available for ELD.
- ◆ You cannot offset your position in ELD prior to the maturity date.

Customer Services Hotline : 2202 8500

Risk Disclosure :

The outcome of an investment in an Equity Linked Deposit, which may be in the form of a principal amount plus interest or in the form of a linked stock, will depend on the closing price. The linked stock received may be worth much less than the principal amount. Earning on ELD is limited to the pre-determined premium interest payable and investors will not share the upside potential even if the stock price rises further above the strike price. The risk of loss of ELD can be substantial. ELD is neither an ordinary time deposit nor should it be treated as a substitute for such. Investors are advised to consult professional advisers in case of any concerns about the nature of ELD.