Date of Issuance / Updated: Dec 2018 / Apr 2024

This Document is to be read together with the TERMS AND CONDITIONS FOR BONDS INVESTMENT SERVICES.

This Key Features Sheet only highlights the salient features and risks of Bond Investment. Investors are advised to request, read and understand the disclosure documents issued by Bond Issuer before deciding to invest.

BONDS KEY FEATURES SHEET

Important Notes:

► This is an investment product and the investment decision is yours. Please consider your financial situation, investment experience, investment objectives and concentration risk prior to investing and when in doubt, please consult the Bank's licensed sales staff.

► Bond Investment is offered to Sophisticated Investors only. You must comply with Foreign Exchange Policy when investing in Foreign Currency denominated bonds at all times.

► Bonds are NOT equivalent to a bank deposit.

► Issuer's Risk –The return on bonds is linked to the credit of the Issuer and Guarantor, as applicable. The credit ratings assigned by credit rating agencies do not guarantee the creditworthiness of the Issuer and Guarantor, as applicable. In the event that the Issuer defaults, it is possible that you may lose all your investment, including the principal.

► Additional risks are disclosed in the 'Key Risk' section below and in the relevant fact sheet. Please refer to them for details.

This Key Features Sheet ("KFS") is designed to highlight what Bank of China (Malaysia) Berhad ("the Bank") considers to be the key points that you should know before you decide to invest in bonds. It is not exhaustive and must be read in conjunction with the 'Terms and Conditions for Bonds Investment Services' and the relevant product offering documents.

BRIEF INFORMATION ON BONDS

What are Bonds?

A Bond is a Debt Security, it is like a Memorandum of Understanding (M.O.U) between the Investor and the Bond Issuer. It is a credit note issued by governments, corporations or other issuers to Investors. Investors buying bonds are similar to lending money to the Bond Issuer. In return, the Issuer will pay the Bond Coupon (for Bonds with coupon feature) as an interest within the Bond tenor and will pay back the Face Value/Nominal Value upon the Bond's maturity. Bond Investments are offered to Sophisticated Investors according to Securities Commission Malaysia's ("SC") GUIDELINES ON CATEGORIES OF SOPHISTICATED INVESTORS only.

Types of Bonds

Bonds can be classified as plain vanilla bonds, fixed rate bonds, convertible, callable/extendable bonds, floating rate bonds, zero coupon bonds, bonds with warrants, mortgage bonds, Islamic bonds, secured and unsecured bonds, and guaranteed bonds.

Why Invest in Bonds?

Bonds are an important element in an Investment Portfolio to lower the portfolio's risk exposure while allowing the portfolio to enjoy steady regular coupon pay-outs. In general, bonds offer comparatively safe returns. The Bank may from time to time offer bonds issued by governments, quasi-government bodies and well-known corporations around the world denominated in MYR and other major foreign currencies, including but not limited to USD, RMB, SGD and AUD. There is also a wide selection of tenors or terms from which to choose from, with various benchmark yields.

WARNING FOR BOND INVESTMENT:

BONDS ARE SUBJECT TO THE ACTUAL PERCEIVED MEASURES OF CREDIT WORTHINESS OF THE ISSUER AND THE GUARANTOR (IF APPLICABLE). THERE IS NO ASSURANCE OF PROTECTION AGAINST A DEFAULT BY THE ISSUER/GUARANTOR (IF APPLICABLE) IN RESPECT OF REPAYMENT OBLIGATIONS. IN THE WORST CASE SCENARIO, YOU MIGHT NOT BE ABLE TO RECOVER THE PRINCIPAL AND ANY COUPON IF THE ISSUER AND THE GUARANTOR (IF APPLICABLE) DEFAULT ON THE BOND. CUSTOMERS ARE REMINDED THAT BONDS ARE NOT PROTECTED BY PERBADANAN INSURANS DEPOSIT MALAYSIA (PIDM).

Investing with Bank of China (Malaysia) Berhad

At Bank of China (Malaysia) Berhad, you can diversify your wealth into our specially selected investment grade or equivalent bonds to enjoy steady regular income in local or foreign currency of your choice with an affordable investment amount starting from MYR1,000.

All bonds invested through the Bank are under our appointed custody and our nominee service to ensure that all coupons earned are credited to your designated account with us.

PRODUCT SUITABILITY

Bonds are suitable for investors who are looking for stable consistent income, capital preservation and lower risk. Bonds offer flexibility, small minimum denomination, foreign currencies exposure and convenient subscription. Investor will get back his/her capital if the Bond is held until maturity. However, it is subjected to Issuer's Credit / Default Risk. Foreign currency bond investments are exposed to Currency risk. Exchange rate fluctuations may have an adverse impact on the investment return. To better manage the concentration risk exposure, it is advisable to invest not more than 20% of your total asset into a single bond investment.

KEY PRODUCT FEATURES

How to calculate the return of a bond?

In general, bond prices tend to fall when interest rates rise, and vice versa. You should therefore be aware that the value of a bond could be higher or lower than the original face value when selling the bond before maturity. The total return on bonds is measured by the yield to maturity (YTM), which is calculated with reference to the sum of interest payments, principal amount receivable upon maturity, with respect to the purchase price and minus any charges, such as Processing Fee and Custodian Fee. In addition to interest rate movements, other factors affecting the return on bonds include the credit quality of issuer, term to maturity, liquidity of the market, and overall market conditions.

Do I need to hold the bonds until Maturity?

You may not need to hold the bonds until maturity and may trade the bonds in the secondary market. However, bond trading in secondary market is expose to Liquidity risk. There may be no active buyer or lower Bond price and you may suffer a loss.

How to calculate the return of a bond if I sell before maturity?

In the event you sell the bond before Maturity/Call Date, the calculation of the bond's total return will depends on the Bond Bid Price traded in the secondary market and total coupon received. You may suffer a loss if the Bond Price is lower. You shall also need to minus any charges, such as Processing Fee, Custodian Fee and Telegraph Transfer Charges for bonds in foreign currency.

Example for Calculation of Profit / Loss for Selling Bonds based on Day Count Convention (Actual/Actual) before Maturity/Call Date:

Scenario 1:

Customer bought a Bond with 4.935% Coupon rate, RM1,000,000 Nominal Value at Bond Offer Price of 100.50 on 27/11/2017; and sold at Bond Bid Price of 101.70 on 27/11/2020.

<u>(Step 1) Buy Transaction:</u> Complete settlement for the bond at price of 100.50% and nominal value of RM1,000,000 at 27/11/2017

<u>Principal:</u> Nominal Value x Buying Price = RM1,000,000 x 100.50% = <u>RM1,005,000</u>

Last Coupon Date: 30/9/2017

Settlement Date (Buy): 27/11/2017

Next Coupon Date: 31/3/2018

Days Accrued: 58

Days Count Between Last Coupon Date and Next Coupon Date: 182

<u>Accrued Interest (Buy):</u>

Days Accrued / Days Count Between Last Coupon Date and Next Coupon Date x Coupon Rate / Coupon Periodicity x Nominal Value

(58 / 182) x (4.935% / 2) x RM1,000,000 = <u>RM7,863.46</u>

Total Amount Payable:

Principal + Accrued Interest (Buy)

RM1,005,000 + RM7,863.46 = RM1,012,863.46

<u>(Step 2) Total Coupon Payments until Maturity / Call Date</u>

Nominal Value x Coupon Rate / Coupon Periodicity = RM1,000,000 x 4.935% / 2 = RM24,675

RM24,675 x 6 (Number of Coupon receive until Maturity or Call Date)

Total Cash Flows Received from Coupon Payments: **RM148,050**

** RM148,050 is gross cumulative coupon amount which yet to deduct Custodian Fee charging p.a. and TT charges for FCY Bonds.*

<u>(Step 3) Sell Transaction:</u> Complete settlement for the bond at price of 101.70% and nominal value of RM1,000,000 at 27/11/2020

<u>Principal:</u> Nominal Value x Selling Price RM1,000,000 x 101.70% = <u>RM1,017,000</u>

Last Coupon Date: 30/9/2020

Settlement Date (Sell): 27/11/2020

Next Coupon Date: 31/3/2021

Days Accrued: 58

Days Count Between Last Coupon Date and Next Coupon Date: 182

<u>Accrued Interest (Sell):</u>

Days Accrued / Days Count Between Last Coupon Date and Next Coupon Date x Coupon Rate / Coupon Periodicity x Nominal Value

58 / 182 x 4.935% / 2 x RM1,000,000 = <u>RM7,863.46</u>

Total Amount Receivable:

Principal + Accrued Interest (Sell)

RM1,017,000 + RM7,863.46 = RM1,024,863.46

<u>(Step 4) Profit / Loss:</u>

Total Positive Cash Flows (in RM terms):

Total Coupon Payments Received + Total Amount Receivable

RM148,050 + RM1,024,863.46 = RM1,172,913.46

Holding Period Return (in % terms):

Total Positive Cash Flows / Total Amount Payable - 1

(RM1,172,913.46 / RM1,012,863.46) -1 = 15.80%

Holdings Period in Days:

Days between Settlement Date (Sell) and Settlement Date (Buy) = 1,096

Annualized Holding Period Return (in % terms):

[1 + Holding Period Return (in % terms)] ^ (365 / Holdings Period in Days) – 1

(1+ 15.80%) ^ (365/1,096) -1 = **5.01%**

Note: This illustration haven't factored in Custodian Fee charging p.a. and TT charges for FCY Bonds.

Scenario 2:

Customer bought a Bond with 4.935% Coupon rate, RM1,000,000 Nominal Value at Bond Offer Price 100.50 on 27/11/2017; and sold at Bond Bid Price 80.70 on 27/11/2020.

<u>(Step 1) Buy Transaction:</u> Complete settlement for the bond at price of 100.50% and nominal value of RM1,000,000 at 27/11/2017

<u>Principal:</u> Nominal Value x Buying Price = RM1,000,000 x 100.50% = <u>RM1,005,000</u>

Last Coupon Date: 30/9/2017

Settlement Date (Buy): 27/11/2017

Next Coupon Date: 31/3/2018

Days Accrued: 58

Days Count Between Last Coupon Date and Next Coupon Date: 182

<u>Accrued Interest (Buy):</u>

Days Accrued / Days Count Between Last Coupon Date and Next Coupon Date x Coupon Rate / Coupon Periodicity x Nominal Value

(58 / 182) x (4.935% / 2) x RM1,000,000 = <u>RM7,863.46</u>

Total Amount Payable:

Principal + Accrued Interest (Buy)

RM1,005,000 + RM7,863.46 = RM1,012,863.46

(Step 2) Total Coupon Payments until Maturity / Call Date

Nominal Value x Coupon Rate / Coupon Periodicity = RM1,000,000 x 4.935% / 2 = RM24,675

RM24,675 x 6 (Number of Coupon receive until Maturity or Call Date)

Total Cash Flows Received from Coupon Payments: **RM148,050**

** RM148,500 is gross cumulative coupon amount which yet to deduct Custodian Fee charging p.a. and TT charges for FCY Bonds.*

(Step 3) Sell Transaction: Complete settlement for the bond at price of 80.70% and nominal value of RM1,000,000 at 27/11/2020

Principal: Nominal Value x Selling Price RM1,000,000 x 80.70% = RM807,000

Last Coupon Date: 30/9/2020

Settlement Date (Sell): 27/11/2020

Next Coupon Date: 31/3/2021

Days Accrued: 58

Days Count Between Last Coupon Date and Next Coupon Date: 182

Accrued Interest (Sell):

Days Accrued / Days Count Between Last Coupon Date and Next Coupon Date x Coupon Rate / Coupon Periodicity x Nominal Value

58 / 182 x 4.935% / 2 x RM1,000,000 = RM7,863.46

Total Amount Receivable:

Principal + Accrued Interest (Sell)

RM807,000 + RM7,863.46 = RM814,863.46

(Step 4) Profit and Loss:

Total Positive Cash Flows (in RM terms):

Total Coupon Payments Received + Total Amount Receivable

RM148,050 + RM864,863.46 = RM962,913.46

Holding Period Return (in % terms):

Total Positive Cash Flows / Total Amount Payable - 1

(RM962,913.46 / RM1,012,863.46) -1 = -4.93%

Holdings Period in Days:

Days between Settlement Date (Sell) and Settlement Date (Buy) = 1,096

Annualized Holding Period Return (in % terms):

[1 + Holding Period Return (in % terms)] ^ (365 / Holdings Period in Days) – 1

(1+ -4.93%) ^ (365/1,096) -1 = **-1.67%**

Note: This illustration haven't factored in Custodian Fee charging p.a. and TT charges for FCY Bonds.

How can I collect my coupon payments?

Once the payment is received from the relevant custodian on or after the coupon payment date, the Bank will ensure all coupon earned are credited to the settlement account pre-set in your Investment Portfolio Account (IPA). Coupon will be payable in the Net Amount after deduction of the Custodian Fee capped at 0.1% p.a. which accrued as at last quarter of the coupon date. Coupon from Foreign Currency Bond will be payable in the Net Amount after deduction of the Telegraphic Transfer (TT) charges and Custodian Fee capped at 0.1% p.a.

What is Accrued Interest?

Accrued Interest is the portion of the interest accumulated and earned from the last coupon payment to the Settlement Date you buy/sell the bond. This amount of interest must be paid by you to the sellers of the bonds when you buy the bond; and you will receive this amount of interest from the next coupon payment. On the other hand, this amount of interest will be received by you from the buyers of the bonds when you sell the bond calculated from the last coupon payment to the Settlement Date you sell the bonds.

KEY RISKS

1. General Securities Risk: Any trading in securities carries investment risks. Past performance of any investment is not necessarily indicative of future performance.
2. Credit Risk: The return on bonds is linked to the credit risk of the Issuer and Guarantor, as applicable. The credit ratings assigned by credit rating agencies do not guarantee the creditworthiness of the Issuer and Guarantor, as applicable. In the event that the Issuer defaults, it is possible that you may lose all your investment, including the principal.
3. Interest Rate Risk: Changes in interest rates may have a significant impact on the market price of the bonds. For example, bond prices generally fall when interest rates rise. In this situation, you may incur a loss from the decrease in market price of the bonds if you sell the bonds before the maturity date.
4. Liquidity Risk: Bonds are designed to be held to maturity and there may be no active secondary market quotations for the bonds. If you try to sell your bonds before maturity, it may be difficult or impossible to find a buyer, or the sale price may be much lower than the amount you had invested.
5. Currency Risk: For bonds not denominated in your home currency, if the currency in which the bonds are denominated depreciates against your home currency during your holding period, and if calculated and settled in your home currency, exchange rate fluctuations may have an adverse impact on, and the potential loss may offset (or even exceed), the investment return.
6. Tenor Risk: Bonds have a specified investment period. The longer the investment period of the bonds, the more likely changes in interest rates, exchange rates, market environments and the Issuer's financial and operating conditions may affect the bond value during the investment period.

FEES AND CHARGES

The Bank's authorised Bond Dealer charges a Processing Fee that has been included in the Bond Price. The Custodian Fee of 0.1% p.a., which will be deducted from the Coupon/Maturity Payment or Sales Proceeds, if any. The Bank is earns a commission from the Processing Fee charged. You should factor in all the fees and charges when calculating your investment return. If you decided to sell the bonds before maturity, you may suffer a loss. Please also take note on the Telegraphic Transfer (TT) Service Charges deducted from the Coupon, Maturity and Sales Proceeds for Foreign Currency denominated bonds.

How do I calculate the estimated payable amount for a bond purchase?

The formula is: [(Nominal Value x Bond Price) / 100] + Indicative Accrued Interest

The Bank recommend you to check the Bond Price and indicate the price buffer with our licensed bank staff before place your order. This buffer is to cater for changes in market prices to secure the trade. Once the order has been successfully executed by our Bond Dealer, the Bank will release the estimated earmarked amount and proceed to debit the final payment amount from your designated settlement account on the following day. Please take note that the earmarked amount and the final settlement amount to be deducted may be vary.

Note: Accrued interest is an amount paid to the seller of the bond to compensate for his / her loss of the expected coupon to be received, in which the buyer will receive from the next Coupon Payment.

<u>What is Custodian Fee?</u>

The custodian fee is imposed by the Bond Dealer as charges payable to the Custodian Bank for performing custody services, including but not limited to safekeeping or holding the bonds on behalf of the client. The Bank's authorized Bond Dealer (CMSL holder), namely iFAST Capital Sdn Bhd (Co. no. 782978-H) imposes the Bond Custodian Fee on all bond custody involving Malaysia Government Securities, foreign government bonds and local/foreign corporate bonds (collectively, the "Bond Transaction").

The Custodian Fee will be imposed in accordance with the terms below:

1. The formula of the custodian fee is as follows:

   Total nominal value x (0.10/100 /12 / Number of days in the month) x Number of days the Bond is held in the month

2. Custodian fee will be accrued daily and due on a quarterly basis. The deduction (Custodian Fee accrued as at last quarter) will be made from the upcoming coupon payment, and/or partial redemption amount. In the event of maturity payout and/or full redemption, custodian fee accrued as at Settlement Date of the Sell order/Maturity Date will be deducted.