

# PRODUCT KEY FACTS STATEMENT

dated 21 September 2024



Paper Gold Scheme  
紙黃金計劃

Nanyang Commercial Bank, Limited 南洋商業銀行有限公司  
(the “Bank”)

*This statement provides you with key information about the Bank’s Paper Gold Scheme (the “Product”).*

*This statement is part of the offering document and must be read in conjunction with the Principal Brochure of the Product (in particular, the section headed “THE RISK FACTORS OF THE PRODUCT”).*

*You should not invest in the Product based on this statement alone.*

## What are the key risks?

- **NOT principal protected.** Your investments in the Product are not principal protected. In the worst case scenario, you could lose your entire investment.
- **NOT a bank deposit.** Your investments in the Product are not equivalent to nor should it be treated as bank deposits.
- **NOT an interest-bearing account.** The Product Account (as defined under the section headed “What are the key features?” on page 4 in this statement) through which the investment in the Product is conducted is not an interest-bearing account with neither yield nor interest.
- **NOT protected deposit.** Your investments in the Product are not protected deposits and are not protected by the Deposit Protection Scheme in Hong Kong.
- **NO physical delivery of Reference Assets** (as defined under the section headed “What are the key features?” on page 4 in this statement). The Product does not involve physical delivery of any Reference Asset. You do not have any rights, ownership or possession of any physical gold. The Trading Unit (as defined under the section headed “What are the key features?” on page 4 in this statement) allocated in the Product Account is notional and is solely for the purposes of determining the value of your investment in the Product.
- **There is NO collateral.** The Product is not secured on any assets or any collateral of the Bank.
- **NO guaranteed return.** There is no guaranteed return on your investment under the Product.
- **NOT the same as investment in the Reference Assets.** Investing in the Product is not the same as investing in the Reference Assets directly. Changes in the market price of the relevant Reference Asset might not lead to exact corresponding change in the value of your investments under the Product.

- **Volatility of price.** The Bank's Selling Price and the Bank's Purchase Price (each defined under the section headed "What are the key features?" on page 4 in this statement) per Trading Unit which have already incorporated the Bank's profit margins are determined by the Bank with reference to, amongst others, the prevailing market prices of Loco London Gold in United States dollars ("USD") as converted into Hong Kong dollar ("HKD") at the prevailing spot exchange rate from USD to HKD. You should fully understand that the Bank's Selling Price and the Bank's Purchase Price per Trading Unit are volatile due to the price changes in Loco London Gold which are resultant from demand and supply of Loco London Gold and may go up and down. You will bear the potential losses due to the fluctuation of the Bank's Selling Price and the Bank's Purchase Price per Trading Unit. The price fluctuation may go beyond your expectation and the losses may reduce your capital invested and earnings (if any) substantially.
- **Market risk.** The prevailing market prices of Loco London Gold can be very volatile due to a variety of factors that are unpredictable, including but not limited to changes in the supply and demand relationship, interest rate movement, inflation, economic growth and geopolitical tension. The Bank's Selling Price and the Bank's Purchase Price per Trading Unit which have already incorporated the Bank's profit margins are determined by the Bank with reference to the prevailing market prices of Loco London Gold. Therefore, your investments in the Product are subject to market risk.
- **Credit risk of the Bank.** Your investments in the Product are subject to credit risk of the Bank. Material adverse changes in the financial condition of the Bank may impair or affect the ability of the Bank to meet its obligations under the Product.
- **Insolvency risk of the Bank.** There is no assurance of protection against a default by the Bank in respect of its payment obligations. If you invest in the Product, you are relying upon the creditworthiness of the Bank and of no other person. If the Bank becomes insolvent or defaults on its obligations under the Product, you can only claim as the Bank's unsecured creditor. In the worst case scenario, you may lose your entire investment.
- **Suspension risk.** The Bank may suspend dealing of Trading Units of the Product if (i) a suspension of or limitation on trading of Loco London Gold occurs, which is material in the determination of the Bank acting in good faith and in a commercially reasonable manner; (ii) an event occurs that disrupts or impairs the ability of the Bank in general to effect transactions in, or obtain market values for Loco London Gold, which is material in the determination of the Bank acting in good faith and in a commercially reasonable manner; or (iii) an event occurs that disrupts or impairs the Bank in general to effect transactions under the Product (such as system failure), which is material in the determination of the Bank acting in good faith and in a commercially reasonable manner. Please see page 8 of the Principal Brochure for further details. These disruption events are unpredictable and might occur when there is a drastic fluctuation in the price of gold. If dealing of Trading Units of the Product is suspended, you will not be able to buy or sell your Trading Units of the Product nor to liquidate or offset your position. You may suffer a loss as a result.

- **Early termination risk.**

- **Termination of the Product**

The Bank reserves the right to terminate the Product with at least three months' prior written notice to you. If the Product is to be terminated, all the Product Accounts will also be terminated and notice must be given to the investors.

- **Termination of the Product Account**

In addition, the Bank also reserves the right to terminate your Product Account (acting fairly, in good faith and in a commercially reasonable manner) in the following circumstances:

- (i) with at least one month prior written notice to you, including but not limited to for situations where the balance in your Product Account is zero for the period of 36 months; or
- (ii) with not less than 7 calendar days' prior written notice to you upon the occurrence of any event of default as set out on page 8 in the Principal Brochure.

In these scenarios, if you could not sell your Trading Units in the Product Account back to the Bank before the termination date, the amount payable by the Bank to you on such termination will be determined by the Bank (acting fairly, in good faith and in a commercially reasonable manner) based on the total number of all the Trading Unit(s) in the Product Account valued at the corresponding prevailing Bank's Purchase Price in respect of the relevant Paper Gold at the termination date, which may be substantially less than your investments in the Product.

- **Set-off and lien.** The Bank has the right to combine all or any of your accounts with the Bank to set-off against any indebtedness owed by you (whether alone or jointly with others) to the Bank without prior notice. Under the Terms and Conditions (as defined under the section headed "Amendments to the terms and conditions of this Paper Gold Scheme" on page 7 in this statement), in addition to any lien that the Bank may be entitled, the Bank may sell the Trading Units in your Product Account at such time on such terms as the Bank may determine at its sole and absolute discretion (acting fairly, in good faith and in a commercially reasonable manner), and apply the net proceeds of sale to discharge your liability owed to the Bank.
- **Conflicts of interest.** Potential and actual conflicts of interest may arise from the different roles played by the Bank and the Bank's subsidiaries and affiliates in connection with the Product. Although the Bank's economic interests in each role may be adverse to your interests in the Product, the Bank sets the necessary regulatory information barriers among its different business areas as well as formulates policies and procedures for minimising and managing such conflicts of interest, so as to comply with applicable laws and regulations, and to ensure the Bank's transactions or dealings will be transacted at arm's length.
- **Exchange rate risk.** The Bank's Selling Price and the Bank's Purchase Price per Trading Unit are determined by the Bank with reference to, amongst others, the prevailing spot exchange rate from USD to HKD quoted by foreign exchange market participants to the Bank at the time the price per Trading Unit is determined as the prevailing market prices of Loco London Gold are not quoted in HKD. Accordingly, your investment in the Product will be subject to the prevailing spot exchange rate risk from USD to HKD quoted by foreign exchange market participants to the Bank.
- **Concentration risk.** You should be aware of the concentration risk of investment in the Product and are reminded to avoid over concentration of investment in the Product.
- **Risk relating to the Bank's hedging activities.** The Bank may enter into hedging transactions, which typically involve the establishment of long and/or short positions in Loco London Gold, with its respective hedging counterparties in the market. It is possible that these activities could adversely affect the prevailing market prices of Loco London Gold if the size of hedging transaction is substantial. As such the Bank's Selling Price and the Bank's Purchase Price per Trading Unit which are determined by the Bank with reference to such prevailing market price will be affected as well. The value of your investments in the Product may move up and down.
- **Force majeure events.** The Bank is not liable for any failure or delay to meet its obligations due to any causes beyond its control which shall include local or international happenings such as Acts of God, government act, flood, fire, civil commotion, strike, war or any other causes beyond the reasonable control of the Bank, mechanical failure, power failure, malfunction, breakdown, interruption or inadequacy of equipment or installation or other cause which results or is likely to result in the erratic behavior of the prices of gold, the closure of the markets or exchanges of gold or any other cause affecting the operation of the Product. The Bank will use reasonable endeavours to meet its obligations under the Product as soon as reasonably practicable upon cessation of such event(s).

## What are the key features?

**Product Name:** Paper Gold Scheme

**Product Type:** Paper gold scheme

**Account Type:** A non-interest bearing account

**Account Mechanism:** To conduct any transaction under the Product, you need to open a non-interest bearing account (the “**Product Account**”) through which your investment in the Product will be accredited.

In addition, you also need to open a savings account, multi-currency savings account or current account for settling the relevant amount receivable or payable in HKD by you for each transaction under the Product.

**Reference Asset:** The Bank offers 3 types of paper gold (each a “**Paper Gold**” and, collectively, the “**Paper Golds**”) under the Product. Each Paper Gold represents a type of reference asset (each a “**Reference Asset**” and, collectively, the “**Reference Assets**”). You can invest in one or more types of Paper Gold through a single Product Account. Each Paper Gold and the corresponding Reference Asset to which such Paper Gold relates are set out below:

Type of Paper Gold	Reference Asset	Description of Reference Asset
Paper Gold Type A	Gold bullion of 0.99 fineness	It is 1-tael gold bars with fineness of 99%.
Paper Gold Type B	Gold bullion of 0.9999 fineness	It is 1-kilogram gold bars with fineness of 99.99%.
Paper Gold Type C	London gold bullion	It is Loco London Gold (“ <b>Loco London Gold</b> ”) with fineness of not less than 99.5% as specified by the London Bullion Market Association. Its prevailing market price is quoted in USD per ounce*.

\* Please note that in the gold market, all references to ounces mean troy ounces.

**Quotation Mechanism:** The quotation unit of the Product is one unit in respect of a Paper Gold (each a “**Trading Unit**” and the multiple of it, the “**Trading Units**”).

A Trading Unit in respect of a Paper Gold represents a notional quantity of the corresponding Reference Asset as set out below:

Type of Paper Gold	Reference Asset	Notional quantity of the Reference Asset per Trading Unit
Paper Gold Type A	Gold bullion of 0.99 fineness	1 tael
Paper Gold Type B	Gold bullion of 0.9999 fineness	10 grams
Paper Gold Type C	London gold bullion	1 ounce

**Pricing Mechanism:** The price per Trading Unit in respect of a Paper Gold is referred to as a “**Bank’s Selling Price**” if you would like to purchase one Trading Unit of such Paper Gold from the Bank. Conversely, the price per Trading Unit of a Paper Gold is referred to as a “**Bank’s Purchase Price**” if you would like to sell one Trading Unit of such Paper Gold to the Bank. The Bank’s Selling Price and the Bank’s Purchase Price are determined by the Bank rounded to the nearest dollar, with 0.5 or greater being rounded upwards and less than 0.5 being rounded downwards.

**In respect of Paper Gold Type C (i.e. London gold bullion as the Reference Asset):**

The Bank's Selling Price per Trading Unit is determined by the Bank with reference to the Bank's prevailing purchase price of a quantity of Loco London Gold equal to one Trading Unit in USD (as quoted by market dealers to the Bank) converted into HKD at the prevailing spot exchange rate from USD to HKD quoted by foreign exchange market participants to the Bank at the time the Bank's Selling Price is determined, plus the Bank's profit margins.

The Bank's Purchase Price per Trading Unit is determined by the Bank with reference to the Bank's prevailing selling price of a quantity of Loco London Gold equal to one Trading Unit in USD (as quoted by market dealers to the Bank) converted into HKD at the prevailing spot exchange rate from USD to HKD quoted by foreign exchange market participants to the Bank at the time the Bank's Purchase Price is determined, less the Bank's profit margins.

**In respect of (i) Paper Gold Type A (i.e. gold bullion of 0.99 fineness as the Reference Asset) or (ii) Paper Gold Type B (i.e. gold bullion of 0.9999 fineness as the Reference Asset):**

The Bank's Selling Price per Trading Unit is determined by the Bank with reference to the Bank's prevailing purchase price of one ounce of the Loco London Gold in USD (as quoted by market dealers to the Bank) converted into HKD at the prevailing spot exchange rate from USD to HKD quoted by foreign exchange market participants to the Bank at the time the Bank's Selling Price is determined, adjusted for the relevant Fineness Adjustment Factor (if applicable) and Unit Size Adjustment Factor (as defined below) to reflect the differences in product specification (being the fineness (if applicable) and the unit size) between one Trading Unit in respect of such Paper Gold and one ounce of the Loco London Gold, plus the Bank's profit margins.

The relevant Fineness Adjustment Factor and Unit Size Adjustment Factor are as follows:

Type of Paper Gold	Reference Asset	Fineness Adjustment Factor	Unit Size Adjustment Factor (Note 1)
(i) Paper Gold Type A	Gold bullion of 0.99 fineness	0.99 (being adjustment for fineness from 0.9999 to 0.99)	1/0.8310
(ii) Paper Gold Type B	Gold bullion of 0.9999 fineness	Not applicable (no adjustment is required)	0.3215

*Note 1: The conversion of different measurement units is set out below for your reference:*

1 ounce = 0.8310 tael; 1 tael = 1/0.8310 ounce  
 1 gram = 0.03215 ounce; 10 grams = 0.3215 ounce

Accordingly, the Bank's Selling Price per Trading Unit is determined by the Bank in accordance with the following formulae:

(i) In respect of Paper Gold Type A (i.e. gold bullion of 0.99 fineness as the Reference Asset):

$$\left( \begin{array}{l} \text{Bank's} \\ \text{prevailing} \\ \text{purchase} \\ \text{price of one} \\ \text{ounce of the} \\ \text{Loco London} \\ \text{Gold in USD} \end{array} \right) \times \left( \begin{array}{l} \text{Prevailing spot} \\ \text{exchange rate} \\ \text{from USD to HKD} \\ \text{quoted by foreign} \\ \text{exchange market} \\ \text{participants to the} \\ \text{Bank} \end{array} \right) \times \left( \begin{array}{l} \text{Fineness} \\ \text{Adjustment} \\ \text{Factor} \\ \text{(i.e. 0.99)} \end{array} \right) \times \left( \begin{array}{l} \text{Unit Size} \\ \text{Adjustment} \\ \text{Factor} \\ \text{(i.e.} \\ \text{1/0.8310)} \end{array} \right) + \text{Bank's profit margins}$$

(ii) In respect of Paper Gold Type B (i.e. gold bullion of 0.9999 fineness as the Reference Asset):

$$\left( \begin{array}{l} \text{Bank's} \\ \text{prevailing} \\ \text{purchase} \\ \text{price of one} \\ \text{ounce of the} \\ \text{Loco London} \\ \text{Gold in USD} \end{array} \right) \times \left( \begin{array}{l} \text{Prevailing spot} \\ \text{exchange rate} \\ \text{from USD to HKD} \\ \text{quoted by foreign} \\ \text{exchange market} \\ \text{participants to the} \\ \text{Bank} \end{array} \right) \times \left( \begin{array}{l} \text{Unit Size} \\ \text{Adjustment} \\ \text{Factor} \\ \text{(i.e.} \\ \text{0.3215)} \end{array} \right) + \text{Bank's} \\ \text{profit} \\ \text{margins}$$

The Bank's Purchase Price per Trading Unit is determined by the Bank with reference to the Bank's prevailing selling price of one ounce of the Loco London Gold in USD (as quoted by market dealers to the Bank) converted into HKD at the prevailing spot exchange rate from USD to HKD quoted by foreign exchange market participants to the Bank at the time the Bank's Purchase Price is determined, adjusted for the relevant Fineness Adjustment Factor (if applicable) and Unit Size Adjustment Factor (as defined above) to reflect the differences in product specification (being the fineness (if applicable) and the unit size) between one Trading Unit in respect of such Paper Gold and one ounce of the Loco London Gold, less the Bank's profit margins.

Accordingly, the Bank's Purchase Price per Trading Unit is determined by the Bank in accordance with the following formulae:

(i) In respect of Paper Gold Type A (i.e. gold bullion of 0.99 fineness as the Reference Asset):

$$\left( \begin{array}{l} \text{Bank's} \\ \text{prevailing} \\ \text{selling price} \\ \text{of one ounce} \\ \text{of the Loco} \\ \text{London Gold} \\ \text{in USD} \end{array} \right) \times \left( \begin{array}{l} \text{Prevailing spot} \\ \text{exchange rate} \\ \text{from USD to HKD} \\ \text{quoted by foreign} \\ \text{exchange market} \\ \text{participants to the} \\ \text{Bank} \end{array} \right) \times \left( \begin{array}{l} \text{Fineness} \\ \text{Adjustment} \\ \text{Factor} \\ \text{(i.e. 0.99)} \end{array} \right) \times \left( \begin{array}{l} \text{Unit Size} \\ \text{Adjustment} \\ \text{Factor} \\ \text{(i.e.} \\ \text{1/0.8310)} \end{array} \right) - \text{Bank's} \\ \text{profit} \\ \text{margins}$$

(ii) In respect of Paper Gold Type B (i.e. gold bullion of 0.9999 fineness as the Reference Asset):

$$\left( \begin{array}{l} \text{Bank's} \\ \text{prevailing} \\ \text{selling price} \\ \text{of one ounce} \\ \text{of the Loco} \\ \text{London Gold} \\ \text{in USD} \end{array} \right) \times \left( \begin{array}{l} \text{Prevailing spot} \\ \text{exchange rate} \\ \text{from USD to HKD} \\ \text{quoted by foreign} \\ \text{exchange market} \\ \text{participants to the} \\ \text{Bank} \end{array} \right) \times \left( \begin{array}{l} \text{Unit Size} \\ \text{Adjustment} \\ \text{Factor} \\ \text{(i.e. 0.3215)} \end{array} \right) - \text{Bank's} \\ \text{profit} \\ \text{margins}$$

The Bank's profit margins vary from time to time based on the prevailing market conditions and are determined by the Bank at its sole and absolute discretion. In any event, the Bank's profit margins included in the Bank's Selling Price and the Bank's Purchase Price per Trading Unit would not exceed 2% of the respective Bank's Selling Price and the Bank's Purchase Price per Trading Unit from time to time.

**Valuation mechanism:** The value of a Trading Unit in respect of a Paper Gold in a Product Account is equal to the Bank's Purchase Price for a Trading Unit in respect of such Paper Gold. Therefore, the total value of all the Trading Unit(s) in a Product Account is equal to the sum of the value of all the Trading Unit(s) in respect of all Paper Gold(s) in the Product Account. The value of all the Trading Unit(s) in respect of each Paper Gold in a Product Account is equal to the total number of the Trading Unit(s) in respect of such Paper Gold in the Product Account multiplied by the Bank's Purchase Price for a Trading Unit in respect of such Paper Gold.

**Currency denomination:** The Bank's Selling Price and the Bank's Purchase Price for each Trading Unit in respect of a Paper Gold are quoted in HKD as the denomination currency.

**Minimum Transaction Amount:** All buy and sell transactions in respect of a Paper Gold in the Product Account must be effected in 1 Trading Unit as the minimum transaction amount (or its integral multiples), and subject to the maximum transaction amount as specified below:

Type of Paper Gold	Reference Asset	Maximum transaction amount per transaction
Paper Gold Type A	Gold bullion of 0.99 fineness	HKD6,000,000
Paper Gold Type B	Gold bullion of 0.9999 fineness	HKD6,000,000
Paper Gold Type C	London gold bullion	HKD6,000,000

There is no limit on the number of transactions per day.

## **Fees and charges**

There are no handling fees or charges of the Bank for any transaction placed under the Product. The Bank's profit margins are embedded in the Bank's Selling Price and the Bank's Purchase Price per Trading Unit under the Product Account. The Bank may vary or impose further fees and charges by giving at least 90 calendar days' prior written notice.

## **Amendments to the terms and conditions of this Paper Gold Scheme**

The Bank reserves the right to amend the terms and conditions governing the Product as set out in the "Rules: Paper Gold Scheme" (the "**Terms and Conditions**"). Any amendment will be made by the Bank at the Bank's sole and absolute discretion (acting fairly, in good faith and in a commercially reasonable manner) with at least one month prior written notice to you (except for changes affecting fees or charges or your rights or obligations, with at least 90 calendar days' prior written notice to you). Copies of the Terms and Conditions are available free of charge at the branches of the Bank.

## **Continuing obligations**

The Bank will notify the SFC and all investors in the Product as soon as reasonably practicable if (i) the Bank ceases to meet any requirements of the Overarching Principles Section of the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products; (ii) to the extent permitted by any applicable laws, there are any changes in the Bank's financial condition or other circumstances which could reasonably be expected to have a material adverse effect on the Bank's ability to fulfill its commitment under the Product; and (iii) there is any information concerning the Product which is necessary to enable investors to appraise the position of the Product.

The Bank will give you at least one month prior written notice (or such other period of notice in compliance with the applicable regulatory requirement) and seek the SFC's prior approval if there are any proposed changes to the Product in respect of (i) changes to constitutive documents of the Product (including, without limitation, the Terms and Conditions); (ii) changes of key operators and their regulatory status and controlling shareholders; (iii) changes in investment objectives, policies and restrictions, fee structure and dealing and pricing arrangements; and (iv) any other changes that may materially prejudice the rights or interests of the investors in the Product.

If the Product is to be terminated or withdrawn from authorisation by the SFC, in addition to following any procedures set out in the constitutive documents or governing law of the Product, written notice must be given to the investors. Such notice (which should be at least three months) should be submitted to the SFC for prior approval. Please refer to the paragraph headed "What are the Bank's continuing obligations?" on page 15 in the Principal Brochure for details.

For enquiries, please contact any branches of the Bank.

### **Offering documents**

The following offering documents contain detailed information about the Bank and the Product. You should read all of these documents before deciding whether to invest in the Product:

- i. The Principal Brochure of the Product dated 21 September 2024; and
- ii. This Product Key Facts Statement.

The Bank is obliged to distribute to you ALL of the above documents in English or Chinese as you may prefer. Copies of the offering documents are available free of charge at the branches of the Bank and can be downloaded from the internet banking of the Bank.

### **Contact details of the Bank**

Nanyang Commercial Bank, Limited

**Address:** 151 Des Voeux Road, Central, Hong Kong

**Telephone:** (852) 2616 6628

**Email:** nanyang@ncb.com.hk

### **Enquiries or complaints**

If you have any enquiries or complaints regarding the Product, you can visit any of the Bank's branches or contact the Bank via the means as set out above.

### **Further information of the Bank**

You can access information of the Bank which includes the Bank's most recently published audited financial statements and any interim financial statements from the Bank's website at <http://www.ncb.com.hk>.

### **Important**

If you are in doubt, you should seek independent professional advice. The SFC takes no responsibility for the contents of this statement and makes no representation as to its accuracy or completeness.