

Principal Brochure 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”)

*(incorporated in Hong Kong with limited liability, a licensed bank regulated by the Hong Kong Monetary Authority and registered with the Securities and Futures Commission to carry out Types 1 and 4 regulated activities in Hong Kong)*

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The Securities and Futures Commission (the “SFC”) has authorised the issue of this Principal Brochure as part of the offering documents for Paper Gold Scheme (the “Product”).

The Bank accepts full responsibility for the accuracy of the information contained in the offering documents for the Product and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement therein misleading.

The SFC does not take any responsibility for the contents of the offering documents for the Product, makes no representation as to their accuracy or completeness, expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of the offering documents for the Product.

The SFC authorisation is not a recommendation or endorsement of the Product nor does it guarantee the commercial merits of the Product or its performance. It does not mean the Product is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

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## SECTION 1: THE KEY FEATURES OF THE PRODUCT

You should read and understand all the key features before deciding whether or not to invest in the Product.

### What is a “paper gold scheme”?

Under the Securities and Futures (Collective Investment Schemes) Notice (Cap. 571M, Laws of Hong Kong), any arrangements for the purchase of gold with certain specified characteristics as “paper gold schemes” are to be regarded as collective investment schemes for the purposes of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (“SFO”).

### What is the Product?

The Product is an investment instrument made available by the Bank for investors who are interested in buying and/or selling paper gold without involving in any physical delivery of the relevant gold.

The Product is a paper gold scheme and is to be regarded as a collective investment scheme for the purposes of the SFO.

### What is the denomination currency of the Product?

The denomination currency of the Product is Hong Kong dollar (“HKD”).

### Do you need to open any account under the Product?

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.

### What are the reference assets of the Product?

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 United States dollars (“ <b>USD</b> ”) per ounce*.

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

### What is the quotation mechanism of the Product?

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

## How is each Trading Unit in respect of a Paper Gold priced?

The price per Trading Unit in respect of a Paper Gold is quoted by the Bank as the “**Bank’s Selling Price**” and the “**Bank’s Purchase Price**” respectively. The price per Trading Unit 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 for each Trading Unit in respect of a Paper Gold are quoted in HKD only. 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):

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

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

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

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):

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

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

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

**For example:**

(i) assuming that the Bank's prevailing purchase price of one ounce of the Loco London Gold in USD (as quoted by market dealers to the Bank) is USD1,296 and 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 is 7.7540, the Bank's Selling Price per Trading Unit in respect of Paper Gold Type A will be determined by the Bank as follows (rounded to the nearest dollar, with 0.5 or greater being rounded upwards and less than 0.5 being rounded downwards):

$$(\text{USD1,296} \times 7.7540 \times 0.99 \times 1/0.8310) + \text{the Bank's profit margins}$$

- (ii) assuming that the Bank's prevailing selling price of one ounce of the Loco London Gold in USD (as quoted by market dealers to the Bank) is USD1,295 and 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 is 7.7540, the Bank's Purchase Price per Trading Unit in respect of Paper Gold Type B will be determined by the Bank as follows (rounded to the nearest dollar, with 0.5 or greater being rounded upwards and less than 0.5 being rounded downwards):

(USD1,295 x 7.7540 x 0.3215) - the Bank's profit 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. For example, if the Bank's Selling Price per Trading Unit is HKD10,000, the Bank's profit margins included in the Bank's Selling Price would not exceed HKD200 (being 2% of the Bank's Selling Price).

## How do you conduct a transaction under the Product?

The purchase of a Trading Unit by you will be credited to, while the sale of a Trading Unit by you will be debited from, the Product Account.

The Bank's Selling Price and the Bank's Purchase Price per Trading Unit of a Paper Gold will be quoted in HKD as the denomination currency. Sale and purchase of a Trading Unit under the Product will be settled in cash in HKD. Any cash amount receivable or payable by the Bank (as the case may be) will be debited from, or credited to, your designated settlement account on the day the purchase order or the sale order (as the case may be) is executed. The amount receivable by the Bank from you, or the amount payable by the Bank to you, is based on the number of Trading Units you bought or sold under the Product multiplied by the corresponding Bank's Selling Price or the Bank's Purchase Price (as the case may be).

## What is the valuation mechanism of the Product?

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.

For example, if you hold (i) 2 Trading Units in respect of Paper Gold Type A and (ii) 1 Trading Unit in respect of Paper Gold Type B in your Product Account, the total value of all the Trading Units in your Product Account is the sum of (i) 2 x the Bank's Purchase Price for a Trading Unit in respect of Paper Gold Type A and (ii) 1 x the Bank's Purchase Price for a Trading Unit in respect of Paper Gold Type B.

## What are the minimum transaction amount and the maximum transaction amount for each transaction under the Product?

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.

## **Is there any fee or charge for conducting a transaction under the Product?**

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.

## **What are the scheduled trading means and the scheduled trading time?**

You can place your buy and sell orders of the Product, and obtain information on the prevailing Bank's Purchase Price and the Bank's Selling Price per Trading Unit through Internet Banking and Mobile Banking. Our scheduled trading hours for each scheduled trading means are as follows (subject to the occurrence of any event beyond the control of the Bank as a result of which the Bank is unable to quote the Bank's Selling Price or the Bank's Purchase Price):

### **Internet Banking and Mobile Banking:**

Gold bullion of 0.99 fineness and Gold bullion of 0.9999 fineness: Hong Kong time Monday to Friday, 9:00am to 5:00pm (no service on weekends and Hong Kong public holidays)

London gold bullion: Hong Kong time Monday to Friday, 8:00am to 3:30am of the following day (no service on Hong Kong public holidays)

The Bank may change the scheduled trading means and scheduled trading hours from time to time with at least one month prior written notice to you.

## **Is there any physical delivery of gold?**

The Product does not involve any physical delivery of gold. You do not have any rights or ownership in, or possession of, any physical gold.

The Bank will not hold any physical gold under the Product. The Trading Unit allocated in the Product Account is notional and is solely for the purposes of determining the value of your investment in the Product.

## **What are your contractual rights under the Product Account?**

The Trading Units credited to the Product Account constitute the Bank's general unsecured and unsubordinated contractual obligations under the Product Account. That means if the Bank becomes insolvent or default on its obligations under the Product Account, you can only claim as an unsecured creditor of the Bank.

## **Is there any guarantee or collateral?**

There is NO guarantee on your investment under the Product. The Product is NOT secured on any assets or any collateral of the Bank. By investing in the Product, you take full credit risks on the Bank but no other person. Your investment under the Product is not principal protected. In the worst case scenario, you could lose your entire investment.

## **What are the terms and conditions of the Product?**

You will be subject to the terms and conditions governing the Product as set out in the "Rules: Paper Gold Scheme" (the "**Terms and Conditions**").

The Bank reserves the right to amend 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.

## **Does the Bank have any right to suspend dealing of Trading Units of the Product?**

The Bank reserves the right to suspend dealing of Trading Units of the Product at its sole and absolute discretion if any of the following events occurs:

- any suspension of or limitation on trading of Loco London Gold, which is material in the determination of the Bank acting in good faith and in a commercially reasonable manner;
- any event that disrupts or impairs the ability of market participants 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
- any event 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.

If the Bank decides to suspend dealing of Trading Units of the Product, the Bank will notify you via the usual communication means as soon as practicable, and the Bank will also post the relevant notice on the Bank's website (<http://www.ncb.com.hk>).

## **Does the Bank have the right to terminate the Product or your Product Account unilaterally?**

### **■ 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. Such notice should be submitted to the SFC for prior approval and contain the reasons for the termination, the relevant provisions under the constitutive documents that enable such termination, the consequences of the termination and its effects on the existing investors, the alternatives (if any) available to the investors, and the estimated costs of the termination (if any) and its bearer.

### **■ 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 of the following events in respect of you which constitutes an event of default:
  - (a) you fail to comply with any other material obligation under the Product;
  - (b) any representation made by you under the Product proves to be incorrect or misleading in any material respect;
  - (c) you become insolvent or fail or admit in writing your inability to pay your debts as they become due;
  - (d) if you are an individual, you die or become mentally incapacitated; and
  - (e) it is or would be unlawful under any applicable law for you to comply with any material provision of the Product.

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 for a Trading Unit in respect of the relevant Paper Gold at the termination date, which may be substantially less than your investments in the Product. Please refer to section 8.4 of the Terms and Conditions for further details.



**Does the Bank have the right to set-off the balance under your Product Account against other accounts you held with the Bank?**

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, 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.

**What is the governing law of the Product?**

The Terms and Conditions are governed by the laws of the Hong Kong Special Administrative Region of the People's Republic of China.

## **SECTION 2: THE RISK FACTORS OF THE PRODUCT**

*You should read and understand the nature of all the risks before deciding whether to invest in the Product.*

### **Understand the suitability before making investment**

The investment decision is yours but you should not invest in the Product unless the Bank (as an intermediary) has explained to you that such investment is suitable to you having regard to your financial situation, investment experience and investment objectives.

### **Risks relating to the Product**

- **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 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.**

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 Bank is not obliged to fully hedge or back up your position in the Product Account with the relevant Reference Asset in physical form. The Trading Unit allocated in the Product Account is notional and is solely for the purposes of determining the value of your investment in the Product.

The Trading Units credited to the Product Account constitute the Bank's general unsecured and unsubordinated contractual obligations under the Product Account. That means if the Bank becomes insolvent or default on its obligations under the Product Account, you can only claim as an unsecured creditor of the Bank.

- **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, due to the pricing mechanism as set out under the paragraph headed "How is each Trading Unit in respect of a Paper Gold priced?" on page 4 in this Principal Brochure.

- **Volatility of price.**

In respect of Paper Gold Type C (i.e. London gold bullion as the Reference Asset), 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, amongst others, the prevailing market prices 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 and the Bank's Purchase Price are determined. 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 Purchase Price and the Bank's Selling Price 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 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 and the Bank's Selling Price are determined, adjusted for the relevant factors as stated in the paragraph headed "How is each Trading Unit in respect of a Paper Gold priced?" on page 4 in this Principal Brochure to reflect the differences in product specification (being the fineness (if applicable) and the unit size) between one Trading Unit in respect of the Paper Gold and one ounce of the Loco London Gold. 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.

- **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.

- **Investment risk.**

Investment involves risks. The prevailing market prices in respect of the Reference Asset and the value of your investments in the Product may move up or down, sometimes dramatically, and may even become valueless. In the worst case, you may lose your entire investment.

- **The Product is NOT listed on any stock exchange.**

The Product is not listed on any stock exchange and is not covered by the Investor Compensation Fund in Hong Kong.

- **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 this 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. Such notice should be submitted to the SFC for prior approval and contain the reasons for the termination, the relevant provisions under the constitutive documents that enable such termination, the consequences of the termination and its effects on the existing investors, the alternatives (if any) available to the investors, and the estimated costs of the termination (if any) and its bearer.

- **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 of the following events in respect of you which constitutes an event of default:
  - (a) you fail to comply with any other material obligation under the Product;
  - (b) any representation made by you under the Product proves to be incorrect or misleading in any material respect;
  - (c) you become insolvent or fail or admit in writing your inability to pay your debts as they become due;
  - (d) if you are an individual, you die or become mentally incapacitated; and
  - (e) it is or would be unlawful under any applicable law for you to comply with any material provision of the Product.

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 for a Trading Unit in respect of the relevant Paper Gold at the termination date, which may be substantially less than your investments in the Product.

Please refer to the paragraph headed "Does the Bank have the right to terminate the Product or your Product Account unilaterally?" on page 8 in this Principal Brochure.

## **Risks relating to the Reference Asset**

- **Risks relating to gold.**

Gold is a physical commodity and is limited in supply. Commodity markets are generally subject to greater risks than other markets. The price of gold may be highly volatile. Price movements of gold are influenced by, amongst others, interest rates, exchange rates, inflation, changing market supply and demand relationships, fiscal, monetary and exchange control programmes and policies of governments, as well as international political, military and economic events and policies.

In addition, the official sector (e.g. central banks, governmental agencies and multi-lateral institutions) holds a significant amount of gold that is not mobilised in the open market. If the official sector sells their gold all at once or in an uncoordinated manner, the sudden increase in supply of gold to the market might outweigh demand and adversely affect the price of gold.

## Risks relating to the Bank

- **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.

- **Regulatory action(s) by resolution authorities under the Financial Institutions (Resolution) Ordinance in the event that the Bank is failing could adversely affect the market value of the Product or the ability of the Bank to meet the payment obligations under the Product.**

The Financial Institutions (Resolution) Ordinance (Cap. 628, the Laws of Hong Kong) (the "**FIRO**") was enacted by the Legislative Council of Hong Kong in June 2016. The FIRO (except Part 8, section 192 and Division 10 of Part 15 thereof) came into operation in July 2017.

The FIRO provides a regime for the orderly resolution of financial institutions with a view to avoiding or mitigating the risks otherwise posed by their non-viability to the stability and effective working of the financial system of Hong Kong, including the continued performance of critical financial functions. The FIRO seeks to provide the relevant resolution authorities with a range of powers to bring about timely and orderly resolution in order to stabilise and secure continuity for a failing authorised institution in Hong Kong. In particular, it is envisaged that subject to certain safeguards, the relevant resolution authority would be provided with powers to affect contractual and property rights as well as payments (including in respect of any priority of payment) that creditors would receive in resolution, including but not limited to powers to write off, or convert into equity, all or a part of the liabilities of the failing financial institution.

As an authorised institution regulated by the Hong Kong Monetary Authority, the Bank is subject to and bound by the FIRO. The exercise of any resolution power by the relevant resolution authority under the FIRO in respect of the Bank may have a material adverse effect on the market value of the Product or the ability of the Bank to meet the payment obligations under the Product, and as a result, you may not be able to recover all or any amount due under the Product. **In the worst case scenario, you could lose all of your investment regardless of the performance of the Product.**

This is a complicated area of law and if you have any doubt or wish to understand more, you should obtain independent legal advice.

- **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.

- **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, 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.

- **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).

## **SECTION 3: GENERAL INFORMATION IN RELATION TO THE PRODUCT**

### **What documents comprise the Product's documentation?**

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

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.

Before opening a Product Account, you should read and understand these offering documents and the Terms and Conditions. Please also be aware of the risk factors set out in the offering documents. If you are in doubt in respect of any contents of these documents, you should seek independent professional advice.

### **What is the mode of record for transactions of the Product?**

All buy and sell transactions under the Product will be recorded and shown in the Product Account and the Product Account's monthly account statements which record details of the transactions including the transaction date, quantity and price. Further, the Bank will issue a confirmation letter to you following each paper gold transaction.

### **Where can you find more information about 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>.

### **What are the Bank's 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; and (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.

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.

The Bank will also notify the SFC and all investors in the Product as soon as reasonably practicable of any information concerning the Product which is necessary to enable investors to appraise the position of the Product, including without limitation, (i) any changes to the Product that do not require the SFC's prior approval as set out above, and (ii) any material adverse change in the financial conditions or business of the Bank that it is aware of.

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 and contain the reasons for the termination or withdrawal from authorisation, the relevant provisions under the constitutive documents that enable such termination or withdrawal from authorisation, the consequences of the termination or withdrawal from authorisation and its effects on the existing investors, the alternatives (if any) available to the investors, and the estimated costs of the termination or withdrawal from

authorisation (if any) and who is expected to bear them.

For enquiries, please contact any branches of the Bank.

### **Who is responsible for the offering documents of the Product?**

The Bank accepts full responsibility for the accuracy of the information contained in the offering documents for the Product and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement therein misleading.

### **What are the contact details for 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 below:

Nanyang Commercial Bank, Limited

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

**Telephone:** (852) 2616 6628

**Email:** [nanyang@ncb.com.hk](mailto:nanyang@ncb.com.hk)



## SECTION 4: SCENARIO ANALYSIS

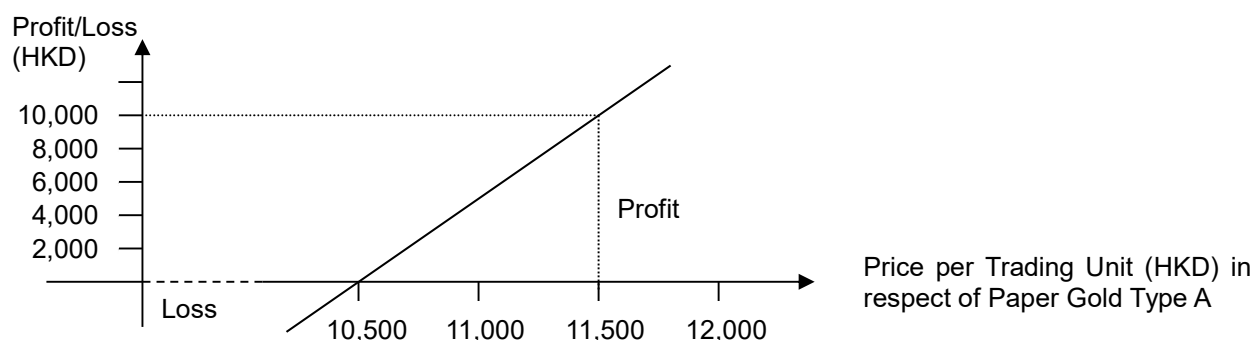
The following hypothetical examples are for illustrative purposes only. They do not reflect a complete analysis of all possible potential gain or loss scenarios and must not be relied on as an indication of the actual or future performance of the Product or the possible gain or loss of your investment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

### Scenario 1 – Prices per Trading Unit rise (Gain scenario)

Assuming that you bought 10 Trading Units in respect of Paper Gold Type A (i.e. gold bullion of 0.99 fineness as the Reference Asset) at HKD 10,500 per Trading Unit (the Bank's Selling Price). Later, the prices per Trading Unit rose. You sold all the Trading Units at HKD 11,500 per Trading Unit (the Bank's Purchase Price). The purchase of Trading Units was reflected as a credit while the sale of Trading Units was reflected as a debit respectively in your Product Account and the Product Account's monthly account statements.

You received a realised profit calculated as follows:

$$\begin{aligned} &= (\text{HKD } 11,500 - \text{HKD } 10,500) \text{ per Trading Unit} \times 10 \text{ Trading Units} \\ &= \text{HKD } 10,000 \end{aligned}$$

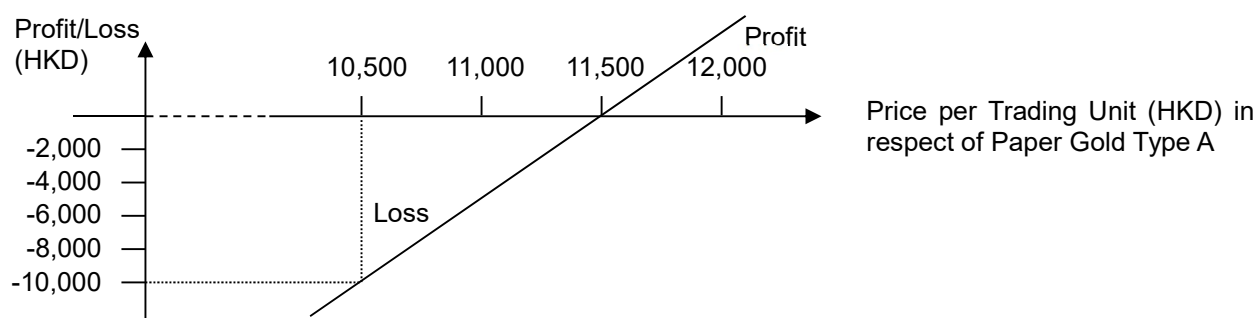


### Scenario 2 – Prices per Trading Unit fall (Loss scenario)

Assuming that you bought 10 Trading Units in respect of Paper Gold Type A (i.e. gold bullion of 0.99 fineness as the Reference Asset) at HKD 11,500 per Trading Unit (the Bank's Selling Price). Later, the prices per Trading Unit fell. You sold all the Trading Units at HKD 10,500 per Trading Unit (the Bank's Purchase Price). The purchase of Trading Units was reflected as a credit while the sale of Trading Units was reflected as a debit respectively in your Product Account and the Product Account's monthly account statements.

You suffered a realised loss calculated as follows:

$$\begin{aligned} &= (\text{HKD } 10,500 - \text{HKD } 11,500) \text{ per Trading Unit} \times 10 \text{ Trading Units} \\ &= -\text{HKD } 10,000 \end{aligned}$$



### **Scenario 3 – The Bank’s Purchase Price per Trading Unit is zero (Worst case scenario)**

Assuming that you bought 10 Trading Units in respect of Paper Gold Type A (i.e. gold bullion of 0.99 fineness as the Reference Asset) at HKD 10,500 per Trading Unit (the Bank’s Selling Price). Later, the Bank’s Purchase Price per Trading Unit dropped to zero per Trading Unit. In this scenario, you suffer a total loss of your entire investment amount of HKD 105,000.

### **Scenario 4 – The Bank becomes insolvent or defaults on its obligations (Insolvent or default scenario)**

Assuming 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.

### **Scenario 5 – Illustration of how the price per Trading Unit is affected by the prevailing spot exchange rate and the prevailing market prices of the relevant Reference Asset**

Assuming that the relevant Paper Gold is Paper Gold Type C (i.e. London gold bullion as the Reference Asset).

You should note that the prevailing market price of Loco London Gold is quoted in USD per ounce in the international gold market, while the price per Trading Unit is quoted in HKD. Accordingly, the price per Trading Unit will be affected by (i) the prevailing market prices of Loco London Gold, (ii) 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 and (iii) the Bank’s profit margins.

*The following examples illustrate how the price per Trading Unit will be affected by the market price of Loco London Gold and the prevailing spot exchange rate from USD to HKD quoted by foreign exchange market participants to the Bank. **Please note that the following examples assume that the Bank’s profit margins do not apply and there is no bid offer spread in the market price of Loco London Gold.***

Assuming that on Day 1, you bought 10 Trading Units at HKD 8,680 per Trading Unit (the Bank’s Selling Price) which is calculated as follows:

- Market price of Loco London Gold in USD (as quoted by market dealers to the Bank): USD 1,120 per ounce
- Day 1 USD/HKD exchange rate: 7.7500
- Price per Trading Unit:  $\text{USD } 1,120 \times 7.7500 = \text{HKD } 8,680$  (rounded to the nearest dollar, with 0.5 or greater being rounded upwards and less than 0.5 being rounded downwards)

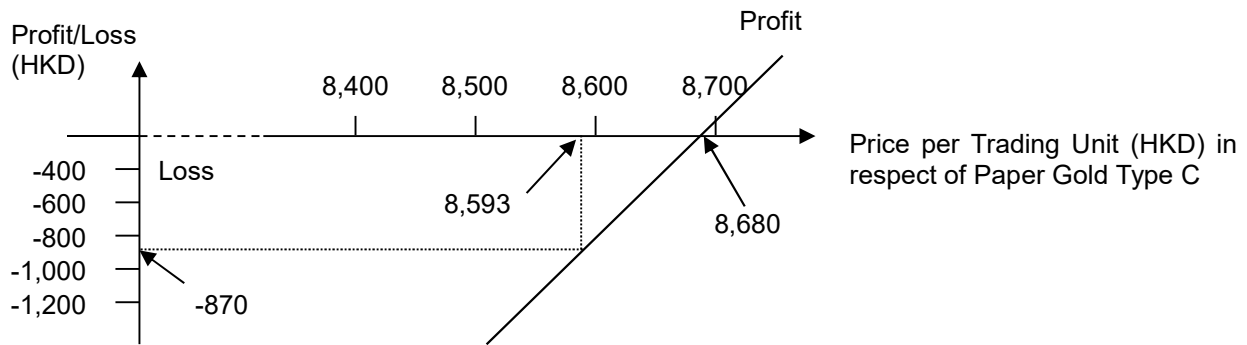
#### **Case A – HKD appreciates against USD by 1% while the market price of Loco London Gold remains unchanged**

Assuming that on Day 2, you sold all the Trading Units at HKD 8,593 per Trading Unit (the Bank’s Purchase Price), which is calculated as follows:

- Market price of Loco London Gold in USD (as quoted by market dealers to the Bank): USD 1,120 per ounce
- Day 2 USD/HKD exchange rate: 7.6725
- Price per Trading Unit:  $\text{USD } 1,120 \times 7.6725 = \text{HKD } 8,593$  (rounded to the nearest dollar, with 0.5 or greater being rounded upwards and less than 0.5 being rounded downwards)

You suffered a realised loss calculated as follows:

= (HKD 8,593 – HKD 8,680) per Trading Unit x 10 Trading Units  
= - HKD 870



**Case B – HKD appreciates against USD by 1% while the market price of Loco London Gold rises by 0.5%**

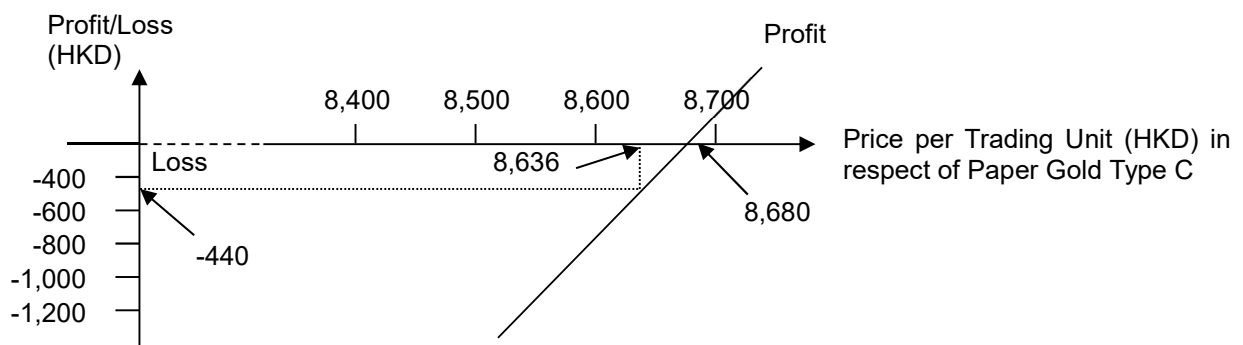
Assuming that on Day 2, you sold all the Trading Units at HKD 8,636 per Trading Unit (the Bank’s Purchase Price), which is calculated as follows:

- Market price of Loco London Gold in USD (as quoted by market dealers to the Bank): USD 1,125.60 per ounce
- Day 2 USD/HKD exchange rate: 7.6725
- Price per Trading Unit:  $USD\ 1,125.60 \times 7.6725 = HKD\ 8,636$  (rounded to the nearest dollar, with 0.5 or greater being rounded upwards and less than 0.5 being rounded downwards)

You suffered a realised loss calculated as follows:

$$= (HKD\ 8,636 - HKD\ 8,680) \text{ per Trading Unit} \times 10 \text{ Trading Units}$$

$$= -HKD\ 440$$



**Case C – HKD appreciates against USD by 1% while the market price of Loco London Gold rises by 2%**

Assuming that on Day 2, you sold all the Trading Units at HKD 8,765 per Trading Unit (the Bank’s Purchase Price), which is calculated as follows:

- Market price of Loco London Gold in USD (as quoted by market dealers to the Bank): USD 1,142.40 per ounce
- Day 2 USD/HKD exchange rate: 7.6725
- Price per Trading Unit:  $USD\ 1,142.40 \times 7.6725 = HKD\ 8,765$  (rounded to the nearest dollar, with 0.5 or greater being rounded upwards and less than 0.5 being rounded downwards)

You received a realised profit calculated as follows:

$$= (HKD\ 8,765 - HKD\ 8,680) \text{ per Trading Unit} \times 10 \text{ Trading Units}$$

$$= HKD\ 850$$

