

Principal Brochure dated 13 July 2020

## Notional Precious Metals Passbook Account



### Bank of China (Hong Kong) Limited

中國銀行(香港)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 Notional Precious Metals Passbook Account (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’s authorisation is not an endorsement or recommendation 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 it is an endorsement of the Product’s 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, paper gold schemes are regulated as collective investment schemes under Part IV of the Securities and Futures Ordinance (the “SFO”) (Cap. 571, Laws of Hong Kong).

### 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 or other paper precious metals without involving in any physical delivery of the relevant precious metal.

The Product is regulated as a collective investment scheme under the SFO.

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

The reference assets of the Product (each a “Reference Asset” and, collectively, the “Reference Assets”) are set out below:

Reference Asset	Description of Reference Asset
Gold bullion of 0.99 fineness	It is tael gold bars with fineness of 99%. Its prevailing market price is quoted in HKD per tael.
Gold bullion of 0.9999 fineness	It is 1-kilogram gold bars with fineness of 99.99%. Its prevailing market price is quoted in HKD per gram.
London gold bullion	It is Loco London Gold 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*.
Zurich platinum	It is Loco ZUR Platinum with fineness of not less than 99.95% as specified by the London Platinum & Palladium Market. Its prevailing market price is quoted in USD per ounce*.
London silver	It is Loco London Silver with fineness of not less than 99.9% as specified by the London Bullion Market Association. Its prevailing market price is quoted in USD per ounce*.

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

### 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 settlement account in HKD for settling the relevant amount receivable or payable by you for each transaction under the Product.

### What is the quotation mechanism?

The quotation unit under the Product Account is one unit (each a “Trading Unit” and the multiple of it, the “Trading Units”).

A Trading Unit under the Product Account represents a notional quantity of a Reference Asset as set out below:

Reference Asset	Trading Unit
Gold bullion of 0.99 fineness	1 tael
Gold bullion of 0.9999 fineness	10 grams
London gold bullion	1 ounce
Zurich platinum	1 ounce
London silver	10 ounce

## How is each Trading Unit of the Product priced?

The price per Trading Unit under the Product is quoted by the Bank as the “**Bank’s Selling Price**” and the “**Bank’s Purchase Price**” respectively. The price per Trading Unit is referred to as a Bank’s Selling Price if you would like to purchase one Trading Unit from the Bank. Conversely, the price per Trading Unit is referred to as a Bank’s Purchase Price if you would like to sell one Trading Unit to the Bank.

The Bank’s Selling Price and the Bank’s Purchase Price for each Trading Unit under the Product are quoted in Hong Kong dollars (“**HKD**”) only. The Bank’s Selling Price and the Bank’s Purchase Price are determined by the Bank by rounding up to the nearest dollar, with 0.5 being rounded upwards.

### In respect of (i) London gold bullion, (ii) Zurich platinum and (iii) London silver 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 the Reference Asset equal to one Trading Unit (as quoted by market dealers to the Bank, with the Bank taking into account such factors as the Bank deems appropriate including but not limited to the price of any futures contract for the Reference Asset trading on the related exchange market) converted into HKD at the prevailing exchange rate between USD and HKD determined by 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 the Reference Asset equal to one Trading Unit (as quoted by market dealers to the Bank, with the Bank taking into account such factors as the Bank deems appropriate including but not limited to the price of any futures contract for the Reference Asset trading on the related exchange market) converted into HKD at the prevailing exchange rate between USD and HKD determined by the Bank at the time the Bank’s Purchase Price is determined, less the Bank’s profit margins.

### In respect of (i) gold bullion of 0.99 fineness and (ii) 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 London gold bullion (as quoted by market dealers to the Bank, with the Bank taking into account such factors as the Bank deems appropriate including but not limited to the price of any futures contract for the Reference Asset trading on the related exchange market) converted into HKD at the prevailing exchange rate between USD and HKD determined by the Bank at the time the Bank’s Selling Price is determined, adjusted for the relevant Fineness Adjustment Factor and Unit Size Adjustment Factor (as defined below) to reflect the differences in product specification (being the fineness and the unit size) between one Trading Unit of the Reference Asset and one ounce of the London gold bullion, plus the Bank’s profit margins.

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

Reference Asset	Fineness Adjustment Factor	Unit Size Adjustment Factor
(i) Gold bullion of 0.99 fineness	0.99 (being adjustment for fineness from 0.9999 to 0.99)	0.831 (being adjustment from 1 ounce to 1 tael)
(ii) Gold bullion of 0.9999 fineness	Not applicable (no adjustment is required)	0.3215 (being adjustment from 1 ounce to 10 grams) (rounded to the nearest 4 decimal places)

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

(i) In respect of gold bullion of 0.99 fineness as the Reference Asset:

$$\left( \begin{array}{l} \text{Bank's prevailing} \\ \text{purchase price of} \\ \text{one ounce of the} \\ \text{London gold} \\ \text{bullion} \end{array} \times \begin{array}{l} \text{Prevailing exchange} \\ \text{rate between USD} \\ \text{and HKD determined} \\ \text{by the Bank} \end{array} \times \begin{array}{l} \text{Fineness} \\ \text{Adjustment} \\ \text{Factor} \\ \text{(i.e. 0.99)} \end{array} \div \begin{array}{l} \text{Unit Size} \\ \text{Adjustment} \\ \text{Factor} \\ \text{(i.e. 0.831)} \end{array} \right) + \text{Bank's} \\ \text{profit} \\ \text{margins}$$

(ii) In respect of gold bullion of 0.9999 fineness as the Reference Asset:

$$\left( \begin{array}{l} \text{Bank's prevailing} \\ \text{purchase price of} \\ \text{one ounce of the} \\ \text{London gold} \\ \text{bullion} \end{array} \times \begin{array}{l} \text{Prevailing exchange} \\ \text{rate between USD} \\ \text{and HKD determined} \\ \text{by the Bank} \end{array} \times \begin{array}{l} \text{Unit Size} \\ \text{Adjustment} \\ \text{Factor} \\ \text{(i.e. 0.3215)} \end{array} \right) + \text{Bank's} \\ \text{profit} \\ \text{margins}$$

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 London gold bullion (as quoted by market dealers to the Bank, with the Bank taking into account such factors as the Bank deems appropriate including but not limited to the price of any futures contract for the Reference Asset trading on the related exchange market) converted into HKD at the prevailing exchange rate between USD and HKD determined by the Bank at the time the Bank's Purchase Price is determined, adjusted for the relevant Fineness Adjustment Factor and Unit Size Adjustment Factor (as defined above) to reflect the differences in product specification (being the fineness and the unit size) between one Trading Unit of the Reference Asset and one ounce of the London gold bullion, 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 gold bullion of 0.99 fineness as the Reference Asset:

$$\left( \begin{array}{l} \text{Bank's prevailing} \\ \text{selling price of} \\ \text{one ounce of the} \\ \text{London gold} \\ \text{bullion} \end{array} \times \begin{array}{l} \text{Prevailing exchange} \\ \text{rate between USD} \\ \text{and HKD determined} \\ \text{by the Bank} \end{array} \times \begin{array}{l} \text{Fineness} \\ \text{Adjustment} \\ \text{Factor} \\ \text{(i.e. 0.99)} \end{array} \div \begin{array}{l} \text{Unit Size} \\ \text{Adjustment} \\ \text{Factor} \\ \text{(i.e. 0.831)} \end{array} \right) - \text{Bank's} \\ \text{profit} \\ \text{margins}$$

(ii) In respect of gold bullion of 0.9999 fineness as the Reference Asset:

$$\left( \begin{array}{l} \text{Bank's prevailing} \\ \text{selling price of one} \\ \text{ounce of the London} \\ \text{gold bullion} \end{array} \times \begin{array}{l} \text{Prevailing exchange} \\ \text{rate between USD} \\ \text{and HKD determined} \\ \text{by the Bank} \end{array} \times \begin{array}{l} \text{Unit Size} \\ \text{Adjustment} \\ \text{Factor} \\ \text{(i.e. 0.3215)} \end{array} \right) - \text{Bank's} \\ \text{profit} \\ \text{margins}$$

#### For example:

(i) assuming that the Bank's prevailing purchase price of one ounce of the London gold bullion (as quoted by market dealers to the Bank, with the Bank taking into account such factors as the Bank deems appropriate including but not limited to the price of any futures contract for the Reference Asset trading on the related exchange market) is USD1,296 and the prevailing exchange rate between USD and HKD determined by 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 gold bullion of 0.99 fineness will be determined by the Bank as follows (rounded to the nearest dollar, with 0.5 being rounded upwards):

(USD1,296 x 7.7540 x 0.99 ÷ 0.831) + the Bank's profit margins

(ii) assuming that the Bank's prevailing selling price of one ounce of the London gold bullion (as quoted by market dealers to the Bank, with the Bank taking into account such factors as the Bank deems appropriate including but not limited to the price of any futures contract for the Reference Asset trading on the related exchange market) is USD1,295 and the prevailing exchange rate between USD and HKD determined by 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 gold bullion of 0.9999 fineness will be determined by the Bank as follows (rounded to the nearest dollar, with 0.5 being rounded upwards):

(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.

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

The purchase of a Trading Unit will be credited to, while the sale of a Trading Unit will be debited from, the Product Account. The value of a Trading Unit in the Product Account is equal to the Bank's Purchase Price for that Trading Unit.

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 sale order or the purchase order (as the case may be) is executed.

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

All buy and sell transactions 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:

<b>Reference Asset</b>	<b>Maximum transaction amount per transaction</b>
Gold bullion of 0.99 fineness	499 Trading Units
Gold bullion of 0.9999 fineness	999 Trading Units
London gold bullion	499 Trading Units
Zurich platinum	499 Trading Units
London silver	999 Trading Units

### **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 days' prior written notice.

### **What are the trading means and the 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 our Internet Banking, Phone Banking, Mobile Banking and Manned Trading Hotline.

Our trading hours are Monday to Friday, 8:00am to 3:30am of next day (Hong Kong time) (subject to public holiday).

The Bank may change the trading means and trading hours from time to time.

### **Is there any physical delivery of precious metal?**

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

The Bank will not hold any physical precious metal under the Product. The Trading Unit allocated in the Product Account is notional.

## **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.

## **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: Notional Precious Metals Passbook Account" and the "Conditions for Services" (collectively, 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 in good faith and in a commercially reasonable manner) with at least 30 days' prior written notice to you (except for changes affecting fees or charges or your rights or obligations, with at least 90 days' prior written notice to you). Copies of the Terms and Conditions are available at the designated 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 in the Reference Asset by markets including but not limited to London Bullion Market Association or London Platinum & Palladium Market, 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 the Reference Asset trading on markets including but not limited to London Bullion Market Association or London Platinum & Palladium Market, 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 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;
- any event that disrupts or impairs the Bank in general to effect transactions in, or obtain market values for the Reference Asset, the prevailing exchange rate between USD and HKD and/or the price of any futures contract for the Reference Asset trading on the related exchange market, which is material in the determination of the Bank acting in good faith and in a commercially reasonable manner; or
- the Bank or any of its affiliates is unable, after using its commercially reasonable efforts, to acquire, establish, substitute, maintain, unwind or dispose of any transaction or asset it deems necessary to hedge the risk of performing its obligations under the Product.

If the Bank decides to suspend dealing of Trading Units of the Product, the Bank will notify you via the usual communication means (including but not limited to text message(s) and email(s)) as soon as practicable.

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

The Bank reserves the right to terminate the Product with at least 90 days' prior written notice to you. If the Product is to be terminated, in addition to following any procedures set out in the constitutive documents or governing law of the Product, notice must be given to the investors as determined by the SFC. 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, 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.

The Bank also reserves the right to terminate your Product Account with at least 30 days' prior written notice to you or upon the occurrence of certain events (such as the occurrence of an event of default in respect of you). In these scenarios, if you could not sell your Trading Units in the Product Account back to us before the termination date, the amount payable by the Bank to you on such termination will be determined by the Bank in good faith based on the prevailing circumstances, which may be substantially less than your investments in the Product. Please refer to 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 to the Bank without prior notice. Under the Terms and Conditions, if you default in your obligations, the Bank shall be entitled to sell the Trading Units in your Product Account at such time on such terms as the Bank may determine, and apply the net proceeds of sale to discharge your liability.

Please refer to the Terms and Conditions for further details.

**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 time deposit.**

Your investments in the Product are not equivalent to nor should it be treated as time 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 precious metal. 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 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 of the Product priced?" on page 4 in this Principal Brochure.

- **Market risk.**

In respect of (i) London gold bullion, (ii) Zurich platinum and (iii) London silver as the Reference Asset, 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 market prices of the relevant Reference Asset equal to one Trading Unit (as quoted by market dealers to the Bank, with the Bank taking into account such factors as the Bank deems appropriate including but not limited to the price of any futures contract for the Reference Asset trading on the related exchange market). In respect of (i) gold bullion of 0.99 fineness and (ii) gold bullion of 0.9999 fineness as the Reference Asset, the Bank's Purchase Price and the Bank's Selling Price per Trading Unit are determined by the Bank with reference to, amongst others, the prevailing market prices of one ounce of the London gold bullion (as quoted by market dealers to the Bank, with the Bank taking into account such factors as the Bank deems appropriate including but not limited to the price of any futures contract for the Reference Asset trading on the related exchange market), adjusted for the relevant factors as stated in the paragraph headed "How is each Trading Unit of the Product priced?" on page 4 in this Principal Brochure to reflect the differences in product specification (being the fineness and the unit size) between one Trading Unit of the Reference Asset and one ounce of the London gold bullion.

The prevailing market prices of the relevant Reference Asset or London gold bullion (if applicable) 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. Your investments in the Product are subject to market risk. The price fluctuation may go beyond your expectation and losses may reduce your capital invested and earnings (if any) substantially.

- **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 exchange rate between USD and HKD at the time the price per Trading Unit is determined as the prevailing market prices of the relevant Reference Asset or London gold bullion (if applicable) are not quoted in HKD. Accordingly, your investment in the Product will be subject to the prevailing exchange rate risk between USD and HKD.

- **Investment risk.**

Investment involves risks. 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) there is any suspension of or limitation on trading in the Reference Asset by markets including but not limited to London Bullion Market Association or London Platinum & Palladium Market, 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 market participants in general to effect transactions in, or obtain market values for the Reference Asset trading on markets including but not limited to London Bullion Market Association or London Platinum & Palladium Market, which is material in the determination of the Bank acting in good faith and in a commercially reasonable manner, (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; (iv) an event occurs that disrupts or impairs the Bank in general to effect transactions in, or obtain market values for the Reference Asset, the prevailing exchange rate between USD and HKD and/or the price of any futures contract for the Reference Asset trading on the related exchange market, which is material in the determination of the Bank acting in good faith and in a commercially reasonable manner; or (v) a hedging disruption event occurs (such as where the Bank is unable to hedge its risk of performing its obligations under the Product). Please see page 7 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 the Reference Asset. 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. The value of your investment in the Product may be adversely affected. You may suffer a loss as a result.

- **Early termination risk.**

The Bank reserves the right to terminate the Product with at least 90 days' prior written notice to you. If the Product is to be terminated, in addition to following any procedures set out in the constitutive documents or governing law of the Product, notice must be given to the investors as determined by the SFC. 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, 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.

The Bank also reserves the right to terminate your Product Account with at least 30 days' prior written notice to you or upon the occurrence of certain events (such as the occurrence of an event of default in respect of you). In these scenarios, if you could not sell your Trading Units in the Product Account back to us before the termination date, the amount payable by the Bank to you on such termination will be determined by the Bank in good faith based on the prevailing circumstances, 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 7 in this Principal Brochure.

## **Risks relating to a Reference Asset**

- **Concentration risk.**

Each Reference Asset is a physical commodity. You should be aware of the concentration risk of investment in one Reference Asset under the Product and are reminded to avoid over-concentration of investment in the Product.

- **Risks relating to the commodity market.**

Each Reference Asset is a physical commodity and is limited in supply. Commodity markets are generally subject to greater risks than other markets. The price of a Reference Asset may be highly volatile. Price movements of a Reference Asset 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.

- **Risks relating to Gold as a Reference Asset.**

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 Silver as a Reference Asset.**

Silver is exposed to movements in both the investment markets and industrial markets as it is used by investors to hedge against inflation or foreign exchange risks, and a relatively high proportion of overall demand of silver is for industrial usages. This may cause the price of silver to fluctuate differently to other precious metals, such as gold, for which a larger proportion of overall demand is for investment purposes.

- **Risks relating to Platinum as a Reference Asset.**

Platinum is produced by significantly fewer countries than silver and its main production countries are emerging markets and therefore are exposed to greater risk of a disruption to production than established markets. For example, global or regional political, economic or financial events and situations, particularly war, terrorism, expropriation and other activities which might lead to disruptions to supply from these emerging market countries that are major producer countries of platinum. If there is a shortage of physical platinum, this could cause a significant adverse impact on liquidity in the underlying platinum market and therefore on the price of platinum.

## 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.

- **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 the relevant Reference Asset, with its respective hedging counterparties in the market. It is possible that these activities could adversely affect the prevailing market prices of the relevant Reference Asset or London gold bullion (if applicable) 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 prices 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 anywhere with the Bank to set-off against any indebtedness owed by you to the Bank without prior notice. Under the Terms and Conditions, if you default in your obligations, the Bank shall be entitled to sell the Trading Units in your Product Account at such time on such terms as the Bank may determine, and apply the net proceeds of sale to discharge your liability.

- **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 minimizing 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 precious metals, the closure of the markets or exchanges of precious metals or any other cause affecting the operation of the Product.

## **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 13 July 2020.

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 at the Bank's branches in Hong Kong 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 passbook and/or consolidated accounts statement for you.

### **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 [www.bochk.com](http://www.bochk.com).

### **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 seek the SFC's prior approval and notify all investors in the Product (subject to the applicable notification period as set out in the constitutive documents of the Product and the applicable regulatory requirement) 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 (if any) 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, notice must be given to the investors as determined by the SFC. 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 authorization 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 its bearer.

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 and confirms, having made all reasonable enquiries, that to the best of their 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 call its Customer Services Hotline at (852) 3988 2388. The contact details of the Bank are set out below:

Bank of China (Hong Kong) Limited

**Address:** 1 Garden Road, Hong Kong

**Telephone:** (852) 3988 2388

**Website:** [www.bochk.com](http://www.bochk.com)

## SECTION 4: SCENARIO ANALYSIS

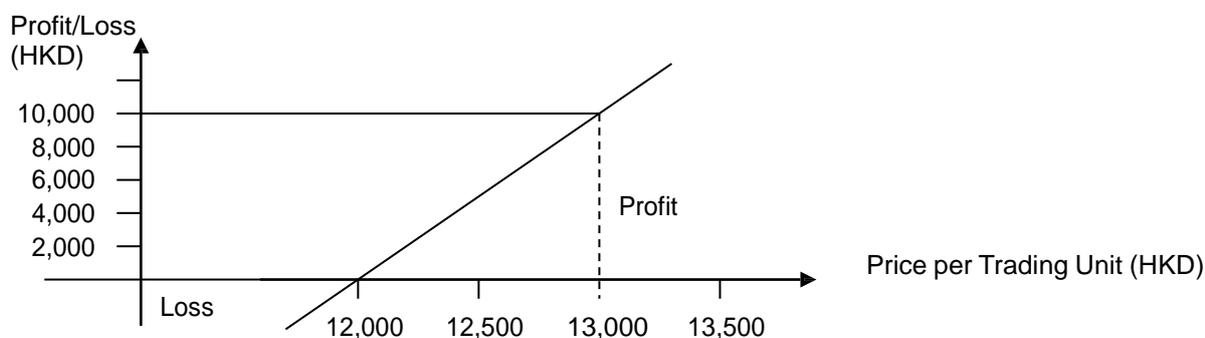
The following hypothetical examples are for illustrative purposes only. They do not reflect a complete analysis of all possible potential gain or loss scenarios and must not be relied on as an indication of the actual or future performance of the Product or the possible gain or loss of your investment 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 the relevant Reference Asset is gold bullion of 0.99 fineness and you bought 10 Trading Units at HKD 12,000 per Trading Unit (the Bank's Selling Price). Later, the prices per Trading Unit rose. You sold all the Trading Units at HKD 13,000 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 passbook and/or consolidated accounts statement.

You received a realised profit calculated as follows:

$$\begin{aligned} &= (\text{HKD } 13,000 - \text{HKD } 12,000) \text{ per Trading Unit} \times 10 \text{ Trading Units} \\ &= \text{HKD } 10,000 \end{aligned}$$

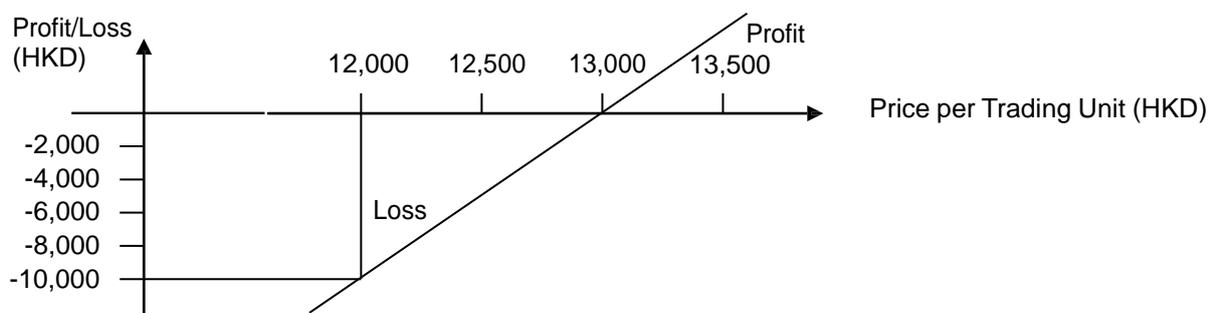


### Scenario 2 – Prices per Trading Unit fall (Loss scenario)

Assuming that the relevant Reference Asset is gold bullion of 0.99 fineness and you bought 10 Trading Units at HKD 13,000 per Trading Unit (the Bank's Selling Price). Later, the prices per Trading Unit fell. You sold all the Trading Units at HKD 12,000 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 passbook and/or consolidated accounts statement.

You suffered a realised loss calculated as follows:

$$\begin{aligned} &= (\text{HKD } 12,000 - \text{HKD } 13,000) \text{ per Trading Unit} \times 10 \text{ Trading Units} \\ &= -\text{HKD } 10,000 \end{aligned}$$



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

Assuming that the relevant Reference Asset is gold bullion of 0.99 fineness and you bought 10 Trading Units at HKD 13,000 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 130,000.

### 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 exchange rate and the prevailing market prices of the relevant Reference Asset

Assuming that the relevant Reference Asset is Zurich Platinum.

You should note that the prevailing market price of Zurich platinum is quoted in USD per ounce in the international platinum 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 Zurich platinum, (ii) the prevailing exchange rate between USD and HKD 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 Zurich platinum and the prevailing exchange rate between USD and HKD. Please note that the following examples assume that the Bank’s profit margins does not apply and there is no bid offer spread in the market price of Zurich platinum.*

Assuming that on Day 1, you bought 10 Trading Units at HKD 11,290 per Trading Unit (the Bank’s Selling Price) which is calculated as follows:

- Market price of Zurich platinum (as quoted by market dealers to the Bank, with the Bank taking into account such factors as the Bank deems appropriate including but not limited to the price of any futures contract for the Reference Asset trading on the related exchange market): USD 1,440 per ounce
- USD/HKD exchange rate on Day 1: 7.8400
- Price per Trading Unit: USD 1,440 x 7.8400 = HKD 11,290 (rounded up to the nearest dollar)

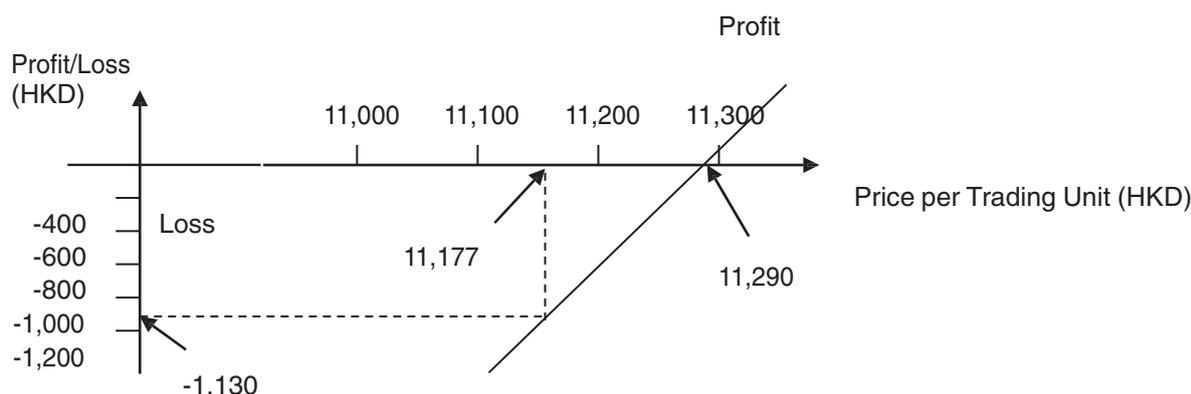
#### Case A – HKD appreciates against USD by 1% while the market price of Zurich platinum remains unchanged

Assuming that on Day 2, you sold all the Trading Units at HKD 11,177 per Trading Unit (the Bank’s Purchase Price), which is calculated as follows:

- Market price of Zurich platinum (as quoted by market dealers to the Bank, with the Bank taking into account such factors as the Bank deems appropriate including but not limited to the price of any futures contract for the Reference Asset trading on the related exchange market): USD 1,440 per ounce
- USD/HKD exchange rate on Day 2: 7.7616
- Price per Trading Unit: USD 1,440 x 7.7616 = HKD 11,177 (rounded up to the nearest dollar)

You suffered a realised loss calculated as follows:

$$\begin{aligned} &= (\text{HKD } 11,177 - \text{HKD } 11,290) \text{ per Trading Unit} \times 10 \text{ Trading Units} \\ &= -\text{HKD } 1,130 \end{aligned}$$



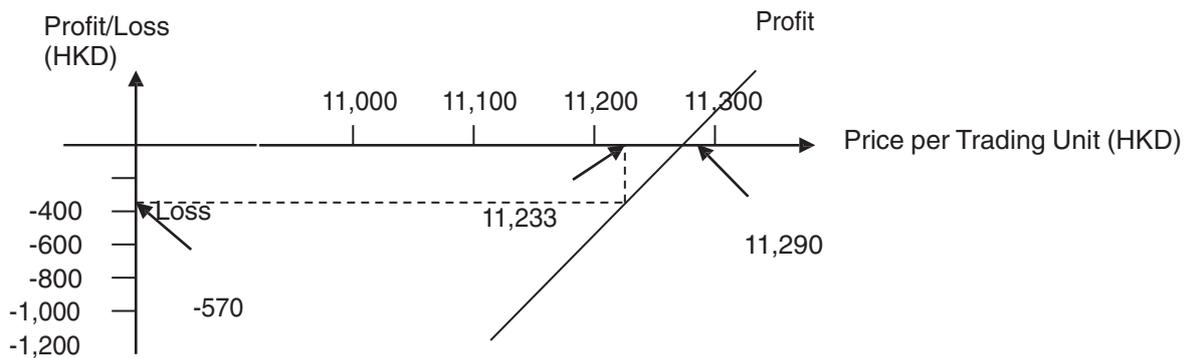
**Case B – HKD appreciates against USD by 1% while the market price of Zurich platinum rises by 0.5%**

Assuming that on Day 2, you sold all the Trading Units at HKD 11,233 per Trading Unit (the Bank’s Purchase Price), which is calculated as follows:

- Market price of Zurich platinum (as quoted by market dealers to the Bank, with the Bank taking into account such factors as the Bank deems appropriate including but not limited to the price of any futures contract for the Reference Asset trading on the related exchange market): USD 1,447.20 per ounce
- USD/HKD exchange rate on Day 2: 7.7616
- Price per Trading Unit: USD 1,447.20 x 7.7616 = HKD 11,233 (rounded up to the nearest dollar)

You suffered a realised loss calculated as follows:

= (HKD 11,233 – HKD 11,290) per Trading Unit x 10 Trading Units  
 = - HKD 570



**Case C – HKD appreciates against USD by 1% while the market price of Zurich platinum rises by 2%**

Assuming that on Day 2, you sold all the Trading Units at HKD 11,400 per Trading Unit (the Bank’s Purchase Price), which is calculated as follows:

- Market price of Zurich platinum (as quoted by market dealers to the Bank, with the Bank taking into account such factors as the Bank deems appropriate including but not limited to the price of any futures contract for the Reference Asset trading on the related exchange market): USD 1,468.80 per ounce
- USD/HKD exchange rate on Day 2: 7.7616
- Price per Trading Unit: USD 1,468.80 x 7.7616 = HKD 11,400 (rounded up to the nearest dollar)

You received a realised profit calculated as follows:

= (HKD 11,400 – HKD 11,290) per Trading Unit x 10 Trading Units  
 = HKD 1,100

