

PRODUCT KEY FACTS STATEMENT

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”)

This statement provides you with key information about the Bank’s Notional Precious Metals Passbook Account (the “Product”).

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

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

What are the key risks?

- **NOT principal protected.** Your investments in the Product are not principal protected. In the worst case scenario, you could lose your entire investment.
- **NOT a 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 (as defined under the section headed “What are the key features?” on page 4 in this statement) through which the investment in the Product is conducted is not an interest-bearing account with neither yield nor interest.
- **NOT protected deposit.** Your investments in the Product are not protected deposits and are not protected by the Deposit Protection Scheme in Hong Kong.
- **NO physical delivery of Reference Assets** (as defined under the section headed “What are the key features?” on page 4 in this statement). The Product does not involve physical delivery of any Reference Asset. You do not have any rights, ownership or possession of any physical precious metal.
- **There is NO collateral.** The Product is NOT secured on any assets or any collateral of the Bank.
- **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.

- **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 (as defined under the section headed "What are the key features?" on page 4 in this statement) and the Bank's Purchase Price (as defined under the section headed "What are the key features?" on page 4 in this statement) per Trading Unit (as defined under the section headed "What are the key features?" on page 4 in this statement) 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 the Principal Brochure to reflect the differences in product specification (being the fineness and 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.
- **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.
- **Credit risk of the Bank.** Your investments in the Product are subject to credit risk of the Bank. Material adverse changes in the financial condition of the Bank may impair or affect the ability of the Bank to meet its obligations under the Product.
- **Insolvency risk of the Bank.** There is no assurance of protection against a default by the Bank in respect of its payment obligations. If you invest in the Product, you are relying upon the creditworthiness of the Bank and of no other person. If the Bank becomes insolvent or defaults on its obligations under the Product, you can only claim as the Bank's unsecured creditor. In the worst case scenario, you may lose your entire investment.
- **Suspension risk.** The Bank may suspend dealing of Trading Units of the Product if (i) 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 the 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 Terms and Conditions (as defined under the section headed "Amendments to the terms and conditions of this Paper Gold Scheme" on page 7 in this statement) for details.

- **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.
- **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 Hong Kong dollar ("**HKD**"). Accordingly, your investment in the Product will be subject to the prevailing exchange rate risk between USD and HKD.
- **NO guaranteed return.** There is NO guaranteed return on your investment under the Product.
- **Risk relating to the Bank's hedging activities.** The Bank may enter into hedging transactions, which typically involve the establishment of long and/or short positions in 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.
- **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.

What are the key features?

Product Name: Notional Precious Metals Passbook Account

Product Type: Paper gold scheme

Account Type: A non-interest bearing account

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

Reference Asset: 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.

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

Pricing Mechanism:

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 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:

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

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

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

The Bank's Purchase Price per Trading Unit is determined by the Bank with reference to the Bank's prevailing selling price of 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:

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

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

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

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.

Currency denomination: The Bank's Selling Price and the Bank's Purchase Price for each Trading Unit under the Product are quoted in HKD only.

Minimum Transaction Amount: All buy and sell transactions of the Trading Units 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:

Reference Asset	Maximum transaction amount per transaction
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

Fees and charges

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

Amendments to the terms and conditions of this Paper Gold Scheme

The Bank reserves the right to amend the terms and conditions governing the Product as set out in the "Rules: Notional Precious Metals Passbook Account" and the "Conditions for Services" (collectively, 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).

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.

Offering documents

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

- i. The Principal Brochure of the Product dated 13 July 2020; and
- ii. This Product Key Facts Statement.

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

Contact details of the Bank

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Website: www.bochk.com

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.

Further Information of the Bank

You can access information of the Bank which includes the Bank's most recently published audited financial statements and any interim financial statements from the Bank's website at www.bochk.com.

Important

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