

Chong Hing Paper Gold Scheme



Chong Hing Bank Limited (創興銀行有限公司) (“Bank”)

(a licensed bank incorporated in Hong Kong with limited liability and regulated by the Hong Kong Monetary Authority and registered with the Securities and Futures Commission as a registered institution for carrying on Types 1, 4 and 9 regulated activities under the Securities and Futures Ordinance)

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

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

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

The SFC’s authorisation is not an endorsement or recommendation of the Scheme nor does it guarantee the commercial merits of the Scheme or its performance. It does not mean the Scheme 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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PART 1

THE KEY FEATURES OF THE SCHEME

You should read and understand all the key features of the Scheme prior to deciding whether or not to invest in the Scheme.

What is “Paper Gold Scheme”?

Under the Securities and Futures (Collective Investment Schemes) Notice (Cap. 571 sub. Leg. M of the 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 of the Laws of Hong Kong) (“SFO”).

What is the Chong Hing Paper Gold Scheme about?

The Scheme is an investment instrument offered by the Bank (as principal) for investors who seek to buy and sell paper gold pursuant to a contractual term without requiring any physical delivery of gold. The Scheme is a paper gold scheme and is regarded as a collective investment scheme for the purposes of the SFO.

What is the Reference Asset of the Scheme?

The reference asset of the Scheme (“**Reference Asset**”) is Loco London Gold with fineness of not less than 99.5% as specified by the London Bullion Market Association (“**Loco London Gold**”). Its prevailing market price is quoted by market dealers based on United States Dollar (“**USD**”) per ounce.

What is the denomination currency of the Scheme?

The denomination currency of the Scheme is Hong Kong Dollar (“**HKD**”).

What is the quotation unit mechanism of the Scheme?

The quotation unit of the Scheme is one unit. One unit of the Scheme represents a notional quantity of one ounce of the Reference Asset.

How is each Unit of the Scheme priced?

The price per unit of the Scheme is quoted by the Bank as the “**Bank’s Selling Price**” if you wish to buy one unit of the Scheme from the Bank. Conversely, the price per unit of the Scheme is quoted by the Bank as the “**Bank’s Purchase Price**” if you wish to sell one unit of the Scheme to the Bank.

The Bank will quote the Bank’s Selling Price and the Bank’s Purchase Price in HKD, USD or Renminbi (“**RMB**”). For each transaction under the Scheme, you may choose to purchase or sell units of the Scheme in any of these currencies. You may choose to purchase any unit of the Scheme in the Bank’s Selling Price in one currency in a transaction and may subsequently sell such unit in the Bank’s Purchase Price in such currency or in a different currency in another transaction.

Bank’s Selling Price

In determining the Bank’s Selling Price, the Bank will take into account (i) the prevailing purchase price of one unit of the Reference Asset in USD as quoted by market dealers to the Bank (“**Prevailing Purchase Price Quote**”); (ii) for the Bank’s Selling Price provided in HKD or RMB, the prevailing spot exchange rate between USD and HKD or offshore RMB (as the case may be); and (iii) the Bank’s profit margins. The prevailing spot exchange rate will be determined by the

Bank in good faith and commercially reasonable manner with reference to the quotes provided by the interbank foreign exchange market participants at the time such price is determined.

The Bank's Selling Price is calculated as follows:

Bank's Selling Price in USD =	Prevailing Purchase Price Quote + Bank's profit margin
Bank's Selling Price in HKD =	Prevailing Purchase Price Quote x Prevailing spot exchange rate between USD and HKD + Bank's profit margin
Bank's Selling Price in RMB =	Prevailing Purchase Price Quote x Prevailing spot exchange rate between USD and offshore RMB + Bank's profit margin

The Bank's profit margin would not exceed 2% of the Bank's Selling Price from time to time. The Bank reserves the right to change the Bank's maximum profit margin by giving at least one month's prior written notice to you.

The Bank's Selling Price is rounded to 2 decimal places with 0.005 or above being rounded upwards and 0.005 below being rounded downwards.

Bank's Purchase Price

In determining the Bank's Purchase Price, the Bank will take into account (i) the prevailing selling price of one unit of the Reference Asset in USD as quoted by market dealers to the Bank ("**Prevailing Selling Price Quote**"); (ii) for the Bank's Purchase Price provided in HKD or RMB, the prevailing spot exchange rate between USD and HKD or offshore RMB (as the case may be); and (iii) the Bank's profit margins. The prevailing spot exchange rate will be determined by the Bank in good faith and commercially reasonable manner with reference to the quotes provided by the interbank foreign exchange market participants at the time such price is determined.

The Bank's Purchase Price is calculated as follows:

Bank's Purchase Price in USD =	Prevailing Selling Price Quote - Bank's profit margin
Bank's Purchase Price in HKD =	Prevailing Selling Price Quote x Prevailing spot exchange rate between USD and HKD - Bank's profit margin
Bank's Purchase Price in RMB =	Prevailing Selling Price Quote x Prevailing spot exchange rate between USD and offshore RMB - Bank's profit margin

The Bank's profit margin would not exceed 2% of the Bank's Purchase Price from time to time. The Bank reserves the right to change the Bank's maximum profit margin by giving at least one month's prior written notice to you.

The Bank's Purchase Price is rounded to 2 decimal places with 0.005 or above being rounded upwards and 0.005 below being rounded downwards.

Do you need to open any account for investment in the Scheme?

To conduct a transaction under the Scheme, you will be required to open a non-interest bearing single-currency (being HKD) account ("**PGS Account**") with the Bank through which your investments in the Scheme will be accredited.

In addition, you also need to open a savings account, multi-currency savings account or current account in the relevant settlement currency, being HKD, USD or RMB ("**Settlement Account**") for

settling the relevant amount receivable or payable by you for each transaction under the Scheme. You can select different settlement currency for each transaction under the Scheme.

How do you conduct a transaction under the Scheme?

The purchase of units of the Scheme will be credited to, and the sale of units of the Scheme will be debited from, the PGS Account.

Any cash amount payable or receivable by you (as the case may be) will be debited from, or credited to, your Settlement Account on the day the purchase order or the sale order (as the case may be) is executed. The amount payable by you to the Bank, or the amount receivable by you from the Bank, is based on the number of units you bought or sold under the Scheme multiplied by the corresponding Bank's Selling Price or the Bank's Purchase Price (as the case may be).

There will be NO physical delivery of gold for each transaction under the Scheme. The Bank will not hold any physical gold under the Scheme. Realisation of your investment under the Scheme is effected through the sale of units of the Scheme and the sales proceeds will be credited to your Settlement Account with the Bank.

What is the valuation mechanism of the Scheme?

The value of one unit of the Scheme is equal to the Bank's Purchase Price per unit. Therefore, the value of all units in a PGS Account is equal to the total number of units in the PGS Account multiplied by the Bank's Purchase Price per unit.

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

All buy and sell transactions under the Scheme must be effected in 0.1 unit per transaction, as the minimum transaction amount (or its integral multiples), and subject to the maximum transaction amount of HKD6 million (or its equivalent in USD or RMB as converted by the Bank) per transaction.

The Bank may vary the minimum transaction amount and the maximum transaction amount for each transaction under the Scheme by giving at least one month's prior written notice to you.

Is there any fee or charge for conducting a transaction under the Scheme?

There are no handling fees or charges imposed by the Bank for any transaction placed under the Scheme. The Bank's profit margins are embedded in the Bank's Selling Price and the Bank's Purchase Price per unit. The Bank may vary or impose further fees and charges by giving at least one month's prior written notice to you.

What are the trading channels and scheduled trading times?

You can place your buy and sell orders, and obtain information on the prevailing Bank's Purchase Price and the Bank's Selling Price through the following manned channels during the following scheduled trading times:

- Bank's branches & Phone Banking: 9:00 am to 5:00 pm on Mondays to Fridays (except Hong Kong public holidays and days on which a tropical cyclone warning no. 8 or above or a "black" rainstorm warning signal is issued or an "extreme condition" announcement is made by the Hong Kong Government)

All transactions with instructions received within the trading hours will be executed on the same business day. The Bank does not accept any instructions outside the trading hours. The scheduled trading hours above are 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.

The Bank may vary the trading channels and/or scheduled trading hours by giving at least one month's prior written notice to you (or such other period of notice in compliance with applicable laws and regulations).

Is there any physical delivery of gold?

The Scheme does not involve any physical delivery of gold. Under the Scheme, no physical delivery of gold is required from you, and you cannot demand physical delivery of gold from the Bank. You have no right, ownership and possession of any physical gold. The balance of units in your PGS Account under the Scheme is notional and for the sole purpose of determining the value of your investment in the PGS Account.

What are your contractual rights under the Scheme?

The units credited to the PGS Account constitute the Bank's general unsecured and unsubordinated contractual obligations under the Scheme. That means if the Bank becomes insolvent or defaults on its obligations under the Scheme, 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 Scheme. The Scheme is NOT secured on any assets or any collateral of the Bank. By investing in the Scheme, you take full credit risks on the Bank but no other person. Your investment under the Scheme is not principal protected. In the worst case scenario, you could lose your entire investment.

What are the terms and conditions of the Scheme?

The Scheme is governed by the Terms and Conditions for Chong Hing Paper Gold Scheme (as amended from time to time) ("**PGS Terms**").

The Bank reserves the right to amend the PGS Terms. Any amendment will be made by the Bank in its absolute discretion (acting fairly, in good faith and in a commercially reasonable manner) with at least one month's prior written notice to you.

Copies of the PGS Terms are available free of charge at the Bank's branches.

Does the Bank have any right to suspend dealing of units of the Scheme?

The Bank reserves its right to suspend dealing of units of the Scheme if:

- (i) any suspension of or limitation on trading of Loco London Gold, whether in the event of any technical failure of trading channel, unavailability of price quote or a Force Majeure Event, occurs;
- (ii) any event occurs that disrupts or impairs the ability of market participants in general to effect transactions in, or obtain market values for Loco London Gold; or
- (iii) any event occurs that disrupts or impairs the Bank in general to effect transactions under the Scheme,

in each case is material in the determination of the Bank acting in good faith and in a commercially reasonable manner.

The Bank shall inform the investors via the usual communication means (such as by email or SMS) as soon as reasonably practicable if the Bank decides to suspend dealing of units of the Scheme and immediately upon suspension uplift /dealing resumption. The Bank will also post the relevant notice on the Bank's website (<https://www.chbank.com/en/homepage.shtml>). The SFC has not reviewed or authorised the contents of the website and accepts no responsibility for its accuracy or completeness. These disruption events are unpredictable and might occur when there is a drastic fluctuation in the price of Loco London Gold. When trading resumes, it

is possible that the price of the units of the Scheme may deviate significantly from the price published prior to the suspension of dealing.

Does the Bank have the right to terminate the Scheme and the PGS Account?

The Bank has the right to terminate the Scheme with at least one month's prior written notice to you. If the Scheme is to be terminated, all the PGS 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.

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

- (a) with at least one month prior written notice to you, including but not limited to for situations where the balance in your PGS Account is zero for the period of 36 consecutive months;
- (b) with not less than seven calendar days' prior written notice to you upon the occurrence of any of the following event (each an **"Event of Default"**):
 - (i) you fail to comply with any other material obligation under the Scheme;
 - (ii) you become insolvent or fail or admit in writing your inability to pay your debts as they become due;
 - (iii) any representation made by you under the Scheme proves to be incorrect or misleading in any material respect (including if you become a U.S. Person after opening your PGS Account);
 - (iv) if you are an individual, you die or become mentally incapacitated; and
 - (v) it is or would be unlawful under any applicable law for you to comply with any material provision of the Scheme or any transaction entered into under the Scheme.

U.S. Person(s) are those within the meaning under the Securities Act of the United States.

In these scenarios as stated above for termination of PGS Account and/or Scheme, if you could not sell your units in the Scheme back to the Bank before the termination date, the amount payable by the Bank back 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 unit(s) remaining in your PGS Account valued at the prevailing Bank's Purchase Price for a unit as of the termination date, which may be substantially less than your capital invested in the Scheme.

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

The Bank has the right, at any time without notice to you, to combine all or any of your accounts with the Bank to set off against any liabilities owed by you (whether alone or jointly with others) to the Bank. Under the PGS Terms, in addition to any lien that the Bank may be entitled, the Bank may sell the units of the Scheme in your PGS 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 liabilities owed to the Bank.

What is the governing law of the Scheme?

The Scheme is governed by the laws of Hong Kong Special Administrative Region of the People's Republic of China ("**Hong Kong**").

PART 2

RISK FACTORS

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

Understanding Suitability Before Making Investment

This is an investment product. The investment in the Scheme is your own decision but you should not invest in it unless the Bank has explained to you that the Scheme is suitable to you having regard to your financial situation, investment experience and investment objectives.

Risks Relating to the Scheme

- **NOT Principal Protected**

Your investments in the Scheme are NOT principal protected. In the worst case scenario, you may lose your entire investment.

- **NOT a Time Deposit**

Your investments in the Scheme are NOT equivalent to, nor should they be treated as, a time deposit.

- **NOT Protected Deposit**

Your investments in the Scheme are NOT protected deposits and are NOT protected by the Deposit Protection Scheme in Hong Kong.

- **NOT an Interest-Bearing Account**

The PGS Account is not an interest-bearing account and provides no yield nor interest.

- **NO collateral**

The Scheme is NOT secured on any assets or any collateral of the Bank.

- **NO guarantee on capital or investment return**

There is NO guarantee on the capital invested by you under the Scheme. There is also NO guaranteed return on your investment under the Scheme.

- **NO Physical Delivery of Gold**

The Scheme does NOT involve any physical delivery of gold. You do not have any right, ownership and possession of any physical gold. The balance of units in your PGS Account is notional and for the sole purpose of determining the value of your investment in the PGS Account.

- **NOT the Same as Investment in the Reference Asset**

Investing in the Scheme is NOT the same as investing directly in the Reference Asset. Changes in the market price of the Reference Asset might not lead to exact corresponding changes in the unit price of the Scheme.

- **Investment Risk**

Investments in the Scheme involve risks and the prices of the Reference Asset may fluctuate. The value of your investments in the Scheme may go up or down, sometimes

dramatically. In the worst case scenario, your investments in the Scheme may even become valueless, and you may lose your entire investment.

- **Volatility of Price**

The Bank's Selling Price and the Bank's Purchase Price of the Scheme are calculated with reference to, amongst others, the prevailing market price of the Reference Asset and incorporate the Bank's profit margins. You should note that the unit prices of the Scheme are volatile due to price changes in the Reference Asset which may depend on the demand and supply of the Reference Asset and may go up and down. You will bear potential losses due to fluctuations in the unit prices of the Scheme. Such price fluctuations may exceed your expectation and the losses may substantially reduce your capital invested and earnings (if any).

- **Market Risk**

Gold is a physical commodity and its supply is limited. The demand and supply of gold will thus have an impact on the prices of the units of the Scheme. The prevailing market price of the Reference Asset may go up and down due to movements in macroeconomic factors which include but are not limited to interest rates, inflation, economic growth and geopolitical tension, and thus, your investments in the Scheme are subject to market risk.

- **Exchange Rate Risk**

The prevailing market prices of the Reference Asset are quoted by market dealers based on USD per ounce. In addition to USD, the Bank also provides the Bank's Selling Price and the Bank's Purchase Price in HKD or RMB by converting the USD price of the Reference Asset at the prevailing spot exchange rate determined by the Bank in good faith and commercially reasonable manner with reference to the quotes on the interbank foreign exchange market at the time a unit price is determined. Accordingly, if you trade your investment in the Scheme in a currency other than USD, you will be subject to the risk of the fluctuation of the exchange rate of the relevant currency pair. Where you have converted amounts from another currency into the investment currency in order to make the investment in the Scheme, you should bear in mind the risk of exchange rate fluctuations that may cause a loss on conversion of the investment back into such other currency. You should note that such potential loss could offset (or even exceed) the potential gain if the investment currency depreciates against the currency you converted from (including but not limited to your home currency).

- **RMB Currency Risk**

RMB is not freely convertible at present. Due to the exchange control and/or restrictions which may be imposed by the People's Republic of China government on the convertibility or utilisation of RMB from time to time, there is no guarantee that disruption in the transferability, convertibility or liquidity of RMB will not occur. If you choose to sell your units of the Scheme in the Bank's Purchase Price in RMB, there is a likelihood that you may not be able to convert the RMB received into other freely convertible currencies.

Besides, the Bank will provide the Bank's Selling Price and the Bank's Purchase Price in RMB. While both onshore RMB (i.e. Renminbi traded in the Chinese Mainland) ("onshore RMB") and offshore RMB (i.e. Renminbi traded outside the Chinese Mainland) ("offshore RMB") are the same currency, they are traded in different and separate markets operating under different regulations and independent liquidity pool. The Bank will adopt the offshore RMB exchange rate in its calculation of the Bank's Selling Price and the Bank's Purchase Price. Onshore RMB and offshore RMB are currently quoted in different markets with different exchange rates, whereby their exchange rate movements may not be in the same direction or magnitude.

- **Concentration Risk**

You should be aware of concentration risk in investing in the Scheme and are reminded to avoid over-concentration of investment in the Scheme.

- **NOT Listed on any Stock Exchange**

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

- **Suspension of Dealing**

The Bank may suspend dealing of units of the Scheme upon the occurrence for the disruption events under the paragraph headed “Does the Bank have any right to suspend dealing of units of the Scheme?” in this Principal Brochure. These disruption events are unpredictable and might occur when there is a drastic fluctuation in the price of gold. If dealing of units of the Scheme is suspended, you will not be able to buy or sell your units of the Scheme nor to liquidate or offset your position. You may suffer a loss as a result.

- **Early Termination Risk**

The Bank has the right to terminate the Scheme with at least one month’s prior written notice to you.

In addition, the Bank also reserves the right to terminate your PGS Account (acting fairly, in good faith and in a commercially reasonable manner) in the following circumstances: (i) with at least one month’s prior written notice to you, and (ii) with not less than seven calendar days’ prior written notice to you upon the occurrence of any Events of Default in respect of you. Please refer to the paragraph headed “Does the Bank have the right to terminate the Scheme and the PGS Account?” in this Principal Brochure for details.

In these scenarios, if you could not sell your units in the Scheme back to the Bank before the termination date, the amount payable by the Bank back 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 unit(s) remaining in your PGS Account valued at the prevailing Bank’s Purchase Price for a unit as of the termination date, which may be substantially less than your capital invested in the Scheme.

Risks relating to the Bank

- **Credit Risk of the Bank**

Your investments in the Scheme are subject to the credit risk of the Bank. Material adverse changes in the financial position of the Bank may impair or affect its ability to meet its obligations under the Scheme.

- **Insolvency Risk of Bank**

There is no assurance of protection against a default by the Bank in respect of its payment obligations. If you invest in the Scheme, you are relying upon the creditworthiness of the Bank and of no other person. If the Bank becomes insolvent or defaults in its obligations under the Scheme, 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**

The Financial Institutions (Resolution) Ordinance (Cap. 628, the Laws of Hong Kong) (“**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 Scheme or the ability of the Bank to meet the payment obligations under the Scheme, and as a result, you may not be able to recover all or any amount due under the Scheme. **In the worst case scenario, you could lose all of your investment regardless of the performance of the Scheme.**

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

- **Hedging Activities 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 Reference Asset, with its respective hedging counterparties in the market. It is likely that these hedging transactions could adversely affect the price of the Reference Asset if the size of hedging transactions is substantial. In the circumstances, the unit prices of the Scheme, which are calculated with reference to the price of the Reference Asset, will be affected as well. The value of your investments in the Scheme may be adversely affected.

- **Conflicts of Interest**

Potential and actual conflicts of interest may arise from the different roles played by the Bank and the Bank's subsidiaries, affiliates and associates in connection with the Scheme. Although the Bank's economic interests in each role may be adverse to your interests in the Scheme, 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.

- **Set-off and Lien**

The Bank has the right, at any time without notice to you to combine all or any of your accounts with the Bank and set-off against any liabilities owed by you (whether alone or jointly with others) to the Bank. Under the PGS Terms, in addition to any lien that the Bank may be entitled, the Bank may sell any units of the Scheme in your PGS 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 liabilities owed to the Bank.

- **Force Majeure**

The Bank is not liable for any failure or delay to meet its obligations under the Scheme due to any one or more of the following causes beyond the reasonable control of the Bank (each, a **"Force Majeure Event"**):

- (a) any act of God or sovereign;
- (b) acts, restrictions, regulations, edicts, mandates, refusals to grant any licenses or permissions, changes in policy or prohibitions or measures of any kind on the part of any government or regulatory authority or the exercise of military or usurped powers;

- (c) interruptions, calamity, war, invasion, riots, hostilities, terrorism, sabotage or other blockade or embargo, insurrection, natural disasters, adverse weather conditions, strikes, industrial actions;
- (d) breakdown, malfunction or failure of transmission or power, communication or computer facilities or systems;
- (e) infection or disease epidemic(s) or contamination; and
- (f) a material change in the monetary, political, financial or economic conditions or exchange or capital controls or other moratorium or restrictions on currency exchange or remittance, whether in Hong Kong or elsewhere.

The Bank will use reasonable endeavours to meet its obligations under the Scheme as soon as reasonably practicable upon cessation of such event(s).

- **System Unavailability Risk**

The Bank takes all reasonable measures to monitor and oversee the availability of the systems and has contingency plans in place to mitigate the risks of system unavailability. However, there remains a risk that pricing and trading may be delayed or interrupted due to unforeseen issues in the systems.

PART 3

OTHER INFORMATION IN RELATION TO THE SCHEME

The Documentation of the Scheme

The offering documents of the Scheme (“**Offering Documents**”) comprise:

- (a) this Principal Brochure for the Scheme dated 28 November 2025; and
- (b) the Product Key Facts Statement dated 28 November 2025.

This Principal Brochure is issued and should be read in conjunction with the Product Key Facts Statement as part of the Offering Documents. The Offering Documents contain detailed information in respect of the Bank and the Scheme. You should read all such documents before deciding whether or not to invest in the Scheme.

The Bank has the obligation 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 free of charge, or on the Bank’s website (<https://www.chbank.com/en/homepage.shtml>). Please note that the Bank’s website has not been reviewed or authorised by the SFC.

If you are in any doubt about any of the contents of the Offering Documents, you should obtain independent professional advice.

Persons Responsible for the Offering Documents

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

Record of Transactions under the Scheme

A confirmation confirming the commercial terms of a transaction will be delivered to you upon execution of the transaction. All transactions under the Scheme will be recorded and presented in HKD in the monthly consolidated accounts statement.

Not Available to U.S. Persons

The Scheme is not available to U.S. Persons within the meaning under the Securities Act of the United States. If you become a U.S. Person after opening your PGS Account, the Bank may exercise its right to terminate your PGS Account.

Please refer to the paragraph headed “Does the Bank have the right to terminate the Scheme and the PGS Account?” in this Principal Brochure for further details (including the definition of “U.S. Persons”).

U.S. Foreign Account Tax Compliance Act

Under the U.S. Foreign Account Tax Compliance Act (“**FATCA**”), a foreign financial institution (“**FFI**”) is required to report to the U.S. Internal Revenue Service (“**IRS**”) certain information on “U.S. Persons” (as such term is defined by the IRS) that directly or indirectly hold accounts with that FFI outside the U.S. and to obtain their consent to the FFI passing that information to the IRS.

The U.S. and Hong Kong entered into a Model 2 inter-governmental agreement (“**IGA**”) on 13 November 2014 and the IGA officially came into force on 6 July 2016 to facilitate FATCA compliance. This IGA establishes a framework of enabling relevant FFIs in Hong Kong to seek consent for disclosure from clients that are beneficially owned by the U.S. Persons and to report relevant tax information of such clients to the IRS directly.

The Bank is compliant with all applicable FATCA requirements. To comply with FATCA, the Bank requires you to:

- (a) provide to the Bank certain information including, as applicable, your and your beneficial owners' U.S. identification details (e.g. name, address, the U.S. federal taxpayer identifying numbers, etc.); and
- (b) consent to the Bank reporting this information and your account information (such as account balance or value, and payments made with respect to the account) to the IRS.

If you fail to comply with these obligations, the Bank is required to report aggregate account balances, aggregate payment amounts and number of non-consenting U.S. accounts to the IRS.

You should seek independent professional tax advice on the impact FATCA may have on you or your investment in the Scheme.

Ongoing Obligations

The Bank will notify the SFC and all investors in the Scheme 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; or (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 fulfil its commitment in connection with the Scheme.

The Bank will seek the SFC's prior approval if there are any proposed changes to the Scheme in respect of (a) changes to the constitutive documents of the Scheme (including without limitation, terms and conditions of the Scheme); (b) changes of key operators and their regulatory status and controlling shareholder; (c) changes in investment objectives, policies and restrictions, fee structure and dealing and pricing arrangements; and (d) any other changes that may materially prejudice the rights or interests of investors in the Scheme. The Bank will inform investors in the Scheme of the above changes by giving you at least one month's prior written notice (or such other period of notice in compliance with applicable laws and regulations).

The Bank will inform all investors in the Scheme as soon as reasonably practicable of any information concerning the Scheme which is necessary to enable investors to appraise the position of the Scheme, including without limitation:

- (a) any changes to the Scheme that do not require the SFC's prior approval pursuant to the above; and
- (b) any material adverse change in the financial conditions or business of the Bank, or any other key counterparty to the Scheme, that it is aware of.

If the Scheme is to be terminated or withdrawn from the SFC's authorisation, in addition to following any procedures set out in the terms and conditions or governing law of the Scheme, written notice must be given to investors. Such written notice (with at least one month's prior written notice) should be submitted to the SFC for prior approval and contain the reasons for the termination or withdrawal from the SFC's authorization, the relevant provisions under the terms and conditions of the Scheme that enable such termination or withdrawal, the consequences of the termination or withdrawal from the SFC's authorization and its effects on existing investors, the alternatives (if any) available to the investors, the estimated costs of the termination or withdrawal from the SFC's authorization and who is expected to bear them.

For enquiries, please contact any branches of the Bank.

Further Information about the Bank

You can access information of the Bank which includes the latest financial statements of the Bank from its website at <https://www.chbank.com/en/homepage.shtml> or at its branches. The SFC

has not reviewed or authorised the content of the Bank's website and accepts no responsibility for its accuracy or completeness.

Contact Details for Enquiries / Complaints

If you have any enquiries or complaints regarding the Scheme, you can visit any of our branches, call our Customer Services Hotline at (+852) 3768 6888 or send email to customerservice@chbank.com.

PART 4

SCENARIO ANALYSIS

A. Hypothetical Examples of Investment in the Scheme in USD

The following hypothetical examples are based on the following assumptions, are for illustrative purposes only and apply to the scenario where an investor invests in the Scheme in USD. 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 performance of the unit price of the Scheme. You should not rely solely on these analyses when making an investment decision.

Assumptions

In this Part A, assuming the investor bought 10 units of the Scheme on Day 1 in USD at the following price:

- (a) the Bank's Selling Price for 1 unit of the Scheme is USD2,500;
- (b) the total Bank's Selling Price paid by the investor is USD25,000.

Scenario 1 – Unit price of the Scheme rises due to the rise of Loco London Gold price (Gain scenario)

Assuming on Day 10, due to the rise of Loco London Gold price, the Bank's Purchase Price for 1 unit of the Scheme rose to USD2,750.

If the investor sold all the units on Day 10:

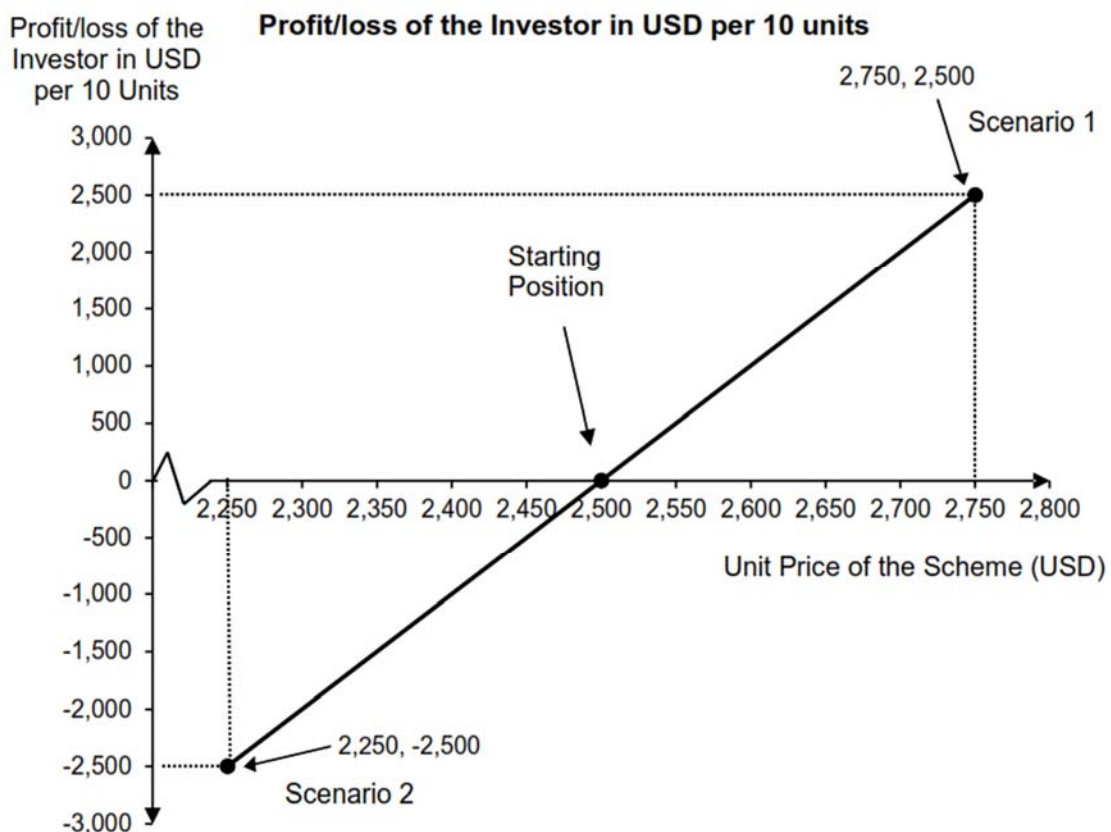
Realised profit
= (USD2,750 – USD2,500) per unit x 10 units
= USD2,500

Scenario 2 – Unit price of the Scheme falls due to the fall of Loco London Gold price (Loss scenario)

Assuming on Day 10, due to the fall of Loco London Gold price, the Bank's Purchase Price for 1 unit of the Scheme fell to USD2,250.

If the investor sold all the units on Day 10:

Realised loss
= (USD2,250 – USD2,500) per unit x 10 units
= - USD2,500



Scenario 3 – Unit price of the Scheme is zero due to Loco London Gold price falls to zero (Worst case scenario)

Assuming on Day 10, Loco London Gold price fell and became zero. Therefore, the Bank's Purchase Price for 1 unit of the Scheme dropped to zero and the value for 10 units of the Scheme became worthless. In this scenario, investor suffers a total loss of their investment amount (ie USD25,000).

Scenario 4 – The Bank becomes insolvent or defaults on its obligation

Assuming that the Bank becomes insolvent or defaults on its obligations under the Scheme, investors can only claim as its unsecured creditors. Investors may get nothing back and suffer a total loss of their investment amount (ie USD25,000).

B. Hypothetical Examples of Investment in the Scheme in RMB

The following hypothetical examples are based on the following assumptions and are for illustrative purposes only and apply to the scenario where an investor invests in the Scheme in RMB. 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 performance of the unit price of the Scheme. 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. You should not rely solely on these analyses when making an investment decision.

Assumptions

In this Part B, assuming the investor bought 10 units of the Scheme on Day 1 in RMB at the following price:

- (a) the Bank's Selling Price for 1 unit of the Scheme is RMB18,000, which is calculated as follows:

- Prevailing market price of Loco London Gold in USD (as quoted by market dealers to the Bank) is USD2,500
- Prevailing spot exchange rate between USD and offshore RMB is 7.2000
- Bank's Selling Price per unit in RMB: $\text{USD2,500} \times 7.2000 = \text{RMB18,000}$

(b) the total Bank's Selling Price for 10 units of the Scheme paid by the investor is RMB180,000 (ie $\text{RMB18,000} \times 10$ units).

Scenario 1 – Unit price of the Scheme rises due to the rise of Loco London Gold price (Gain scenario)

Assuming on Day 10, due to the rise of Loco London Gold price from USD2,500 on Day 1 to USD2,660 on Day 10 while the USD/RMB exchange rate remains unchanged, the Bank's Purchase Price for 1 unit of the Scheme in RMB rose to RMB19,152 which is calculated as follows:

- Prevailing market price of Loco London Gold in USD (as quoted by market dealers to the Bank) is USD2,660
- Prevailing spot exchange rate between USD and offshore RMB is 7.2000
- Bank's Purchase Price per unit in RMB: $\text{USD2,660} \times 7.2000 = \text{RMB19,152}$

If the investor sold all the units in RMB on Day 10:

Realised profit
 $= (\text{RMB19,152} - \text{RMB18,000}) \text{ per unit} \times 10 \text{ units}$
 $= \text{RMB11,520}$

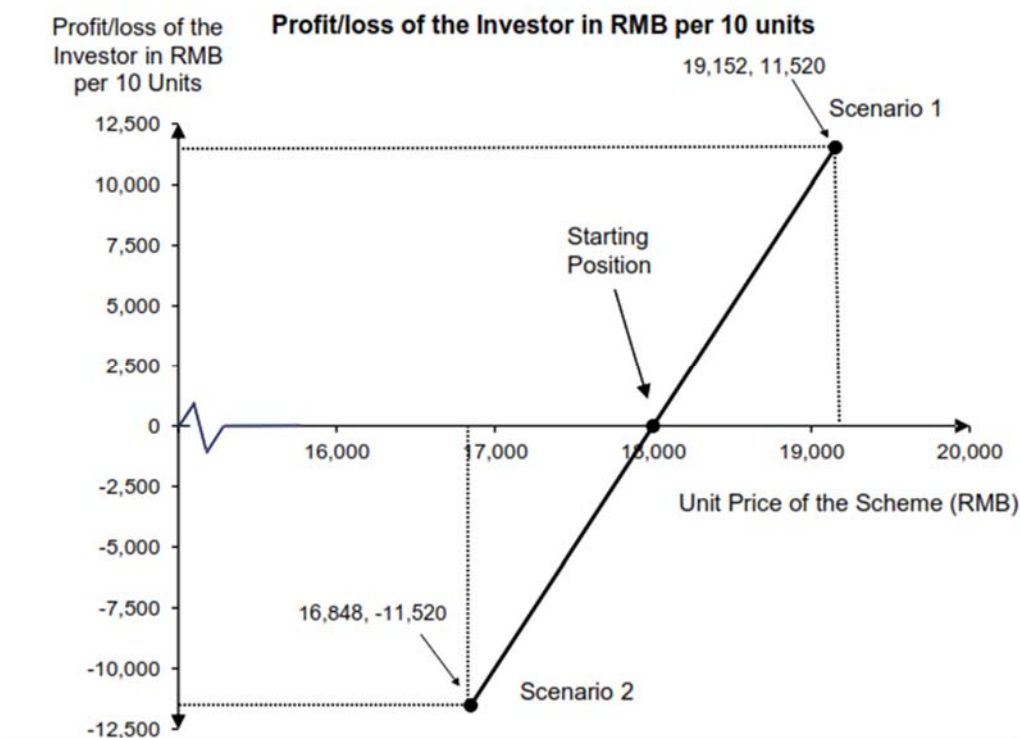
Scenario 2 – Unit price of the Scheme falls due to the fall of Loco London Gold price (Loss scenario)

Assuming on Day 10, due to the fall of Loco London Gold price from USD2,500 on Day 1 to USD2,340 on Day 10 while the USD/RMB exchange rate remains unchanged, the Bank's Purchase Price for 1 unit of the Scheme in RMB fell to RMB16,848 which is calculated as follows:

- Prevailing market price of Loco London Gold in USD (as quoted by market dealers to the Bank) is USD2,340
- Prevailing spot exchange rate between USD and offshore RMB is 7.2000
- Bank's Purchase Price per unit in RMB: $\text{USD2,340} \times 7.2000 = \text{RMB16,848}$

If the investor sold all the units in RMB on Day 10:

Realised loss
 $= (\text{RMB16,848} - \text{RMB18,000}) \text{ per unit} \times 10 \text{ units}$
 $= - \text{RMB11,520}$



Scenario 3 – Unit price of the Scheme in RMB rises due to the rise of USD/RMB exchange rate (Gain scenario)

Assuming on Day 10, due to the rise of the USD/RMB exchange rate (RMB depreciates against USD) from 7.2000 on Day 1 to 7.2560 on Day 10 while the Loco London Gold price remains unchanged, the Bank's Purchase Price for 1 unit of the Scheme in RMB on Day 10 rose to RMB 18,140 which is calculated as follows:

- Prevailing market price of Loco London Gold in USD (as quoted by market dealers to the Bank) is USD2,500
- Prevailing spot exchange rate between USD and offshore RMB is 7.2560
- Bank's Purchase Price per unit in RMB: $\text{USD}2,500 \times 7.2560 = \text{RMB}18,140$

If the investor sold all the units in RMB on Day 10:

Realised profit
 $= (\text{RMB}18,140 - \text{RMB}18,000) \text{ per unit} \times 10 \text{ units}$
 $= \text{RMB}1,400$

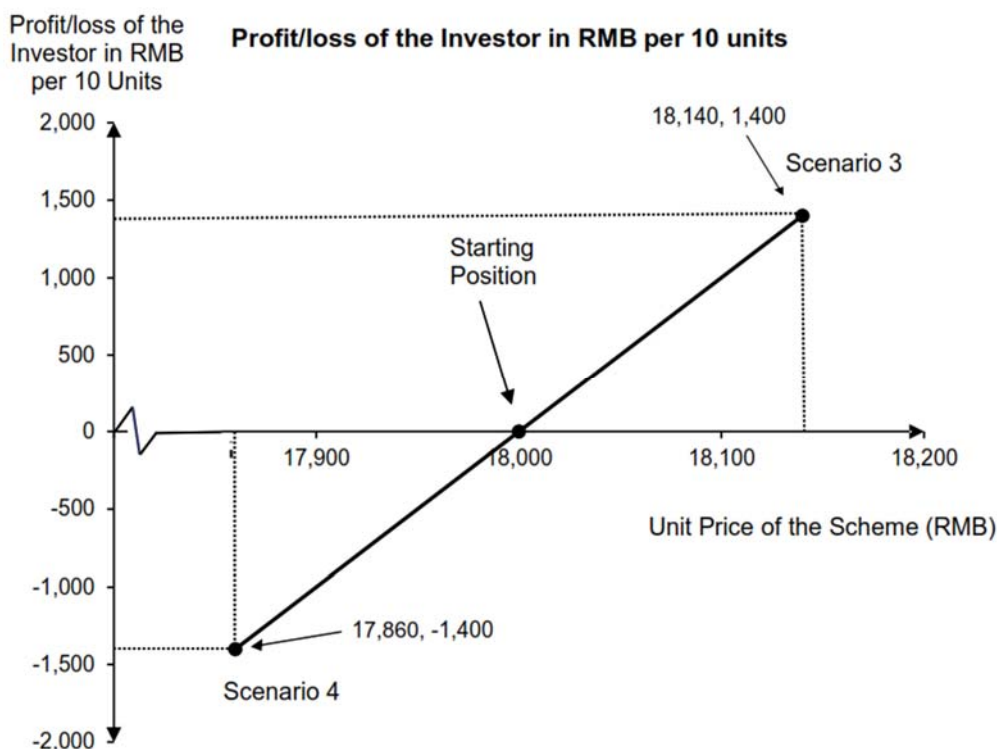
Scenario 4 – Unit price of the Scheme in RMB falls due to the fall of USD/RMB exchange rate (Loss scenario)

Assuming on Day 10, due to the fall of the USD/RMB exchange rate from 7.2000 on Day 1 to 7.1440 on Day 10 (RMB appreciates against USD) while the Loco London Gold price remains unchanged, the Bank's Purchase Price for 1 unit of the Scheme in RMB on Day 10 fell to RMB 17,860 which is calculated as follows:

- Prevailing market price of Loco London Gold in USD (as quoted by market dealers to the Bank) is USD2,500
- Prevailing spot exchange rate between USD and offshore RMB is 7.1440
- Bank's Purchase Price per unit in RMB: $\text{USD}2,500 \times 7.1440 = \text{RMB}17,860$

If the investor sold all the units in RMB on Day 10:

Realised loss
 $= (\text{RMB}17,860 - \text{RMB}18,000) \text{ per unit} \times 10 \text{ units}$
 $= - \text{RMB}1,400$



Scenario 5 – Loco London Gold price falls but USD/RMB exchange rate rises (offsetting scenario)

Assuming on Day 10, the market price of Loco London Gold price drops from USD2,500 on Day 1 to USD2,400 on Day 10 but offset by the rise of the USD/RMB exchange rate from 7.2000 on Day 1 to 7.5000 on Day 10 (RMB depreciates against USD), the Bank's Purchase Price per unit of the Scheme in RMB on Day 10 remained unchanged (i.e. RMB18,000), which is calculated as follows:

- Prevailing market price of Loco London Gold in USD (as quoted by market dealers to the Bank) is USD2,400
- Prevailing spot exchange rate between USD and offshore RMB is 7.5000
- Bank's Purchase Price per unit in RMB: $\text{USD}2,400 \times 7.5000 = \text{RMB}18,000$

If the investor sold all the units on Day 10:

Realised profit / loss
 $= (\text{RMB}18,000 - \text{RMB}18,000) \text{ per unit} \times 10 \text{ units}$
 $= \text{RMB } 0$

The investor does not suffer any realised loss or gain any realised profit.

Scenario 6 – Unit price of the Scheme is zero due to Loco London Gold price falls to zero (Worst case scenario)

Assuming on Day 10, Loco London Gold price fell and became zero. The Bank's Purchase Price per unit of the Scheme in RMB on Day 10 will fall to RMB0.

In this scenario, investor suffers a total loss of their investment amount (ie RMB180,000).

Scenario 7 – The Bank becomes insolvent or defaults on its obligation

Assuming that the Bank becomes insolvent or defaults on its obligations under the Scheme, investors can only claim as its unsecured creditors. Investors may get nothing back and suffer a total loss of their investment amount (ie RMB180,000).

ISSUER

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Chong Hing Bank Centre

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