

Hong Kong Government Legal Au Sales/Purchase Procedures.

Hong Kong is a free port, so Au in transit (entering or exiting) Hong Kong is exempt from customs duty. This makes Hong Kong an attractive location to conduct Au sales/purchase transactions. The Hong Kong Government values having this business and enforces regulations that ensure a high level of integrity. Although the Au sales industry is fraught with unscrupulous individuals, if the Buyer and Seller conform to the procedures established by the Hong Kong Government, then risk is removed.

The Thailand Government has established the following procedures for Au Sales / Purchases in Hong Kong, SAR China. These procedures are based upon Hong Kong law with respect to the Seller's and Buyer's bank officers legal fiduciary responsibility to their respective clients and are enforced by Hong Kong law enforcement and judiciary process. Please Note that MT799 just confirms that Buyer has the Funds and an MT103/23 just blocks the Funds (Funds still completely under control of Buyer). Funds are not released to Seller until after all transaction steps completed to transfer of title to the Au from Seller to Buyer and then Buyer instructs their banker to release Funds to Seller. Failure of either: (i) Seller/Seller's Representative to deliver verifiable, legal Au for delivery to Buyer; or Buyer/Buyer's representative to deliver verifiable, legal Funds to the Seller will result in immediate arrest and prosecution of the offending party.

- 1) Buyer and Seller must complete all pertinent information, including bank coordinates, in a Sales Purchase Agreement (SPA) and sign document. Buyer and Seller must complete the Non-Circumvention Non-Disclosure Agreement and Irrevocable Master Fee Protection Agreement (NCND/IMFPA) and sign document.
- 2) Buyer and Seller lodge executed SPA and NCND/IMFPA with their respective banks.
- 3) Seller provides certified copy of SKR certificate for the tranche of Au to be sold (minimum in Hong Kong is 200MT first tranche).
- 4) Seller's Banker must verify SKR and authenticate Au (Gold verification is complete at this point, without disclosure of proprietary information to Buyer). A representative of Hong Kong Monetary Authority will meet at bank and provide oversight in verification of Au represented by SKR and to review IMFPA distributions that are to be made.
- 5) Seller's bank officer contacts the Buyer's bank officer to initiate POF/POP process.
- 6) Buyer's Banker must provide Proof of Funds (POF) to Seller's Banker for verification.
- 7) Upon acceptance of POF, Seller's Banker provides certified copy of SKR to Buyer's Banker for verification.
- 8) Upon verification of SKR, Buyer's bank issues an MT103/23 to block funds for purchase (Funds still totally under control of Buyer).
- 9) Seller provides complete set of documents for Au to Buyer's Banker for review and verification. Seller invites Buyer/Buyer's Representative (with SGS or other Assayer if required) to security warehouse to perform physical inspection of Au.

10) Upon completion of physical inspection of Au and acceptance of associated Au documents, parties reconvene at bank. A representative of Hong Kong Government will meet at bank and provide oversight in transfer of title from Seller to Buyer and release of funds from Buyer to Seller as well as payment of commissions as per the IMFPA.

11) Steps 3-11 repeated for each tranche until contract fulfilled.

Seller schedules TTM at HSBC Hong Kong for XXX quantity; any large quantity with rolls and extensions. Minimum in Hong Kong is 200MT first tranche

2) Seller brings SKRs to TTM; SKR has to be a "Full Banking Responsibility SKR"

3) Buyer brings Cash Accounts to TTM;

4) Bankers verify SKR and Cash POF;

5) Contract signed and cash exchanged for SKR;

Discount: at least 9/6.

Buyer/Gov doesn't pay commissions - so Seller needs to set aside 2% of received cash - 1% to Humanitarian Trust and 1% to Intermediaries.

