BOCHK Investment Funds



Explanatory Memorandum and Term Sheet(s)

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BOCHK INVESTMENT FUNDS
中銀香港投資基金

Second Addendum to the Explanatory Memorandum

IMPORTANT: This Addendum is supplemental to and forms part of the Explanatory Memorandum for the BOCHK Investment Funds dated 31 December 2019, the First Term Sheet dated 31 December 2019 and the Addendum dated 27 March 2020 (collectively, the "Explanatory Memorandum"). Unless otherwise defined herein, words and expressions defined in the Explanatory Memorandum shall have the same meaning when used in this Addendum.

If you are in doubt about the contents of the Explanatory Memorandum and this Addendum, you should seek your independent professional financial advice.

The Securities and Futures Commission of Hong Kong takes no responsibility for the accuracy of any of the statements made or opinions expressed in this Addendum.

I. The Explanatory Memorandum is hereby supplemented, with immediate effect, as follows:

1. Under the sub-section headed "Investment Restrictions" under the section "INVESTMENT AND BORROWING RESTRICTIONS" of the Explanatory Memorandum,

   (i) the sentence under "General Investment Restrictions" and paragraphs (i) to (iii) thereafter on pages 34-35 shall be deleted in their entirety and replaced with the following:

   "No holding of any security may be acquired for or added to a Sub-Fund which would be inconsistent with achieving the investment objective of the Sub-Fund.

   Further, the following restrictions and prohibitions will apply to all the Sub-Funds except for Money Market Sub-Funds under the Fund or as otherwise stated:

   (i) No holding of any security may be acquired for or added to a Sub-Fund which would result in:

   (A) the aggregate value of a Sub-Fund's investments in, or exposure to, any single entity through the following exceeding 10% of its latest available Net Asset Value unless otherwise approved by the SFC:

   (a) investments in securities issued by that entity;

   (b) exposure to that entity through underlying assets of financial derivative instruments (see restriction in (xi) below); and

   (c) net counterparty exposure to that entity arising from transactions of over-the-counter financial derivative instruments (see restriction in (xii)(c) below);

   (B) a Sub-Fund holding more than 10% of any ordinary shares issued by any single entity, or when aggregated with the holdings of such ordinary shares held by all other Sub-Funds, collectively holding more than 10% of any ordinary shares issued by any single entity;

   (C) the aggregate value of a Sub-Fund's investments in, or exposure to, entities within the same group through the following exceeding 20% of the latest available Net Asset Value of the Sub-Fund:

   (a) investments in securities issued by those entities;

   (b) exposure to those entities through underlying assets of financial derivative instruments (see restriction in (xi) below); and

   (c) net counterparty exposure to those entities arising from transactions of over-the-counter financial derivative instruments (see restriction in (xii)(c) below),

   subject to restrictions in (i)(A) above and (xii)(c) below."

   (ii) paragraph (iv) under "General Investment Restrictions" on page 35 shall be renumbered as "(ii)" and amended and restated as follows:

"(ii) No cash deposits shall be made in respect of a Sub-Fund which would result in the value of the Sub-Fund's cash deposits (as defined under Note (1) to Chapter 7.1B of the UTMF Code) made with the same entity or entities within the same group (as defined under Note (1) to Chapter 7.1A of the UTMF Code) exceeding 20% of the latest available Net Asset Value of the Sub-Fund, provided that such 20% may be exceeded in the following circumstances:

(a) cash held before the launch of the Sub-Fund and for a reasonable period thereafter prior to the initial subscription proceeds being fully invested; or

(b) cash proceeds from liquidation of investments prior to the merger or termination of the Sub-Fund, whereby the placing of cash deposits with various financial institutions would not be in the best interests of Unitholders; or

(c) cash proceeds received from subscriptions pending investments and cash held for the settlement of redemption and other payment obligations, whereby the placing of cash deposits with various financial institutions be unduly burdensome and the cash deposits arrangements would not compromise the Unitholders' interests."

(iii) paragraph (v) under "General Investment Restrictions" on page 35 shall be renumbered as "(iii)" and amended and restated as follows:

"(iii) Where a Sub-Fund invests in other Collective Investment Schemes, the restrictions in (i) above and (vi) below shall not be applicable to such investments, and

(a) unless otherwise stated, no holding of such other Collective Investment Schemes may be acquired for or added to a Sub-Fund which would result in the value of a Sub-Fund's investment in units or shares in other Collective Investment Schemes (namely "underlying schemes") which are non-eligible schemes (i.e. schemes which are not set out in the list of recognized jurisdictions issue by the SFC) and not authorised by the SFC in aggregate exceeding 10% of the latest available Net Asset Value of the Sub-Fund. However, the Sub-Fund may invest in one or more underlying schemes which are either authorized by the SFC or eligible schemes (i.e. schemes which are set out in the list of recognised jurisdictions issued by the SFC), in which case, no holding of any such schemes may be acquired for or added to the Sub-Fund which would result in the value of the Sub-Fund's investment in units or shares in each such underlying scheme exceeding 30% of its latest available Net Asset Value, unless the underlying scheme is authorized by the SFC, and the name and key investment information of the underlying scheme are disclosed in the Explanatory Memorandum. In addition, the objective of each underlying scheme may not be to invest primarily in any investment prohibited by Chapter 7 of the UTMF Code or in other collective investment scheme(s), and where that underlying scheme's objective is to invest primarily in investments restricted by the Chapter 7 of the UTMF Code, such investments may not be in contravention of the relevant limitation.

(b) where the underlying schemes are managed by the Manager, or by other companies within the same group that the Manager belongs to, then restriction (i) above and restriction (vi) below are also applicable to investments of the underlying schemes.

(c) for the avoidance of doubt, a Sub-Fund may invest in scheme(s) authorized by the SFC under Chapter 8 (except for hedge funds under Chapter 8.7 of the UTMF Code), eligible scheme(s) (i.e. schemes which are set out in the list of recognised jurisdictions issued by the SFC) of which the net derivative exposure does not exceed 100% of its total Net Asset Value, and exchange traded funds ("ETFs") satisfying the requirements in the Note under "Investment in other schemes" of Chapter 7 of the UTMF Code in compliance with Chapter 7.11 and 7.11A of the UTMF Code.

(d) unless otherwise stated, ETFs satisfying the requirements in the Note under "Investment in other schemes" of Chapter 7 of the UTMF Code shall be considered and treated by the Manager as listed securities for the purposes of and subject to restrictions in (i) above and (vi) below. As such, no holding of any ETF may be acquired or added to a Sub-Fund which would result in the Sub-Fund's investment in each ETF exceeding 10% of its Net Asset Value, unless otherwise stated."

(iv) paragraphs (vi) and (vii) under "General Investment Restrictions" on page 35 shall be renumbered as "(iv)" and "(v)";

(v) paragraph (viii) under "General Investment Restrictions" on page 36 shall be renumbered as "(vi)" and amended and restated as follows:

"No holding of any security may be acquired for or added to a Sub-Fund which would result in the value of a Sub-Fund's investment in securities and other financial products or instruments that are neither listed, quoted nor dealt in on a market (as defined under Chapter 7.3 of the UTMF Code) exceeding 15% of its latest available Net Asset Value."

(vi) paragraph (ix) under "General Investment Restrictions" on page 36 shall be renumbered as "(vii)" and amended and restated as follows:

"(vii) (a) Notwithstanding restriction (i) above, the Manager may invest the assets of any Sub-Fund in Government and other public securities (as specified in Notes (1) and (2) to Chapter 7.5 of the UTMF Code) PROVIDED THAT no such securities shall be acquired or added to a Sub-Fund if as a result thereof the value of the Sub-Fund's investment in such securities of the same issue would exceed 30% of a Sub-Fund's latest available Net Asset Value.

(b) All of the assets of the Sub-Fund may be invested in Government and other public securities PROVIDED THAT in addition to complying with the limit in restriction (vii)(a), not less than six different issues of such securities would then be held by the Sub-Fund."

(vii) paragraphs (x), (xi) and (xii) under "General Investment Restrictions" on page 36 shall be renumbered as "(viii)", "(ix)" and "(x)";

(viii) paragraph (xiii) under "General Investment Restrictions" on page 36 shall be renumbered as "(xi)" and amended and restated as follows:

"Subject to restrictions (x) above and (xii) below, a Sub-Fund may invest in financial derivative instruments provided that no holding of any such financial derivative instruments may be acquired or added to the Sub-Fund which would result in the exposure to the underlying assets of the financial derivative instruments, together with the other investments of the Sub-Fund, in aggregate exceeding the corresponding investment restrictions or limitations applicable to such underlying assets and investments as set out in restrictions (i)(A), (i)(C), (ii), (iii) and (vi) above and restriction (xxi) below."

(ix) paragraph (xiv) under "General Investment Restrictions" on pages 36-37 shall be renumbered as "(xii)", and the wording "restrictions (i) and (iii)" in paragraph (c) thereunder shall be amended and restated as "restrictions (i)(A) and (i)(C)";

(x) paragraph (xv) under "General Investment Restrictions" on page 37 shall be renumbered as "(xiii)", and the wording "restrictions (i), (iii) and (xiv)(c)" therein shall be amended and restated as "restrictions (i)(A), (i)(C) and (xii)(c)";

(xi) paragraph (xvi) under "General Investment Restrictions" on page 37 shall be renumbered as "(xiv)";

(xii) paragraph (xvii) under "General Investment Restrictions" on page 37 shall be renumbered as "(xv)", and the wording "restriction (xvi)" therein shall be amended and restated as "restriction (xiv)";

(xiii) paragraph (xviii) under "General Investment Restrictions" on page 37 shall be renumbered as "(xvi)", and the wording "restrictions (xi) to (xvii)" therein shall be amended and restated as "restrictions (ix) to (xv)";

(xiv) paragraphs (xix), (xx), (xxi) and (xxii) under "General Investment Restrictions" on page 37 shall be renumbered as "(xvii)", "(xviii)", "(xix)" and "(xx)";

(xv) paragraph (xxiii) under "General Investment Restrictions" on page 37 shall be renumbered as "(xxi)" and amended and restated as follows:

"Unless otherwise permitted by the SFC or under the UTMF Code, a Sub-Fund may not invest in any type of real estate (including buildings) or interests in real estate (including options or rights but excluding shares in real estate companies and interests in real estate investment trusts (REITs)). In the case of investments in such shares and REITs, they shall comply with the investment limits as set out in restrictions (i), (iii)(a) and (vi) above, where applicable. For the avoidance of doubt, where investments are made in listed REITs, the investment limits as set out in restriction (i) above apply, and where investments are made in unlisted REITs, which are either companies or Collective Investment Schemes, restrictions (iii)(a) and (vi) above apply respectively."

(xvi) paragraph (xxiv) under "General Investment Restrictions" on page 37 shall be renumbered as "(xxii)";

(xvii) paragraph (xxv) under "General Investment Restrictions" on page 38 shall be renumbered as "(xxiii)", and the wording "restriction (viii)" therein shall be amended and restated as "restriction (vi)";

(xviii) paragraphs (xxvi), (xxvii) and (xxviii) under "General Investment Restrictions" on page 38 shall be renumbered as "(xxiv)", "(xxv)" and "(xxvi)";

(xix) paragraph (xxix) under "General Investment Restrictions" on page 38 shall be renumbered as "(xxvii)", and the wording "restrictions (xvi) and (xvii)" therein shall be amended and restated as "restrictions (xiv) and (xv)";

(xx) the wording "In relation to BOCHK HK Dollar Money Market Fund and BOCHK US Dollar Money Market Fund" in the first sentence under "Investment Restrictions Applicable to Money Market Sub-Funds" on page 38 shall be amended and restated as "In relation to Money Market Sub-Funds under the Fund";

(xxi) the wording "restrictions (i) and (iv)" in paragraph (iii) under "Investment Restrictions Applicable to Money Market Sub-Funds" on page 38 shall be amended and restated as "restrictions (i)(A) and (ii)";

(xxii) the wording "restrictions (iii) and (iv)" in paragraph (iv) under "Investment Restrictions Applicable to Money Market Sub-Funds" on page 38 shall be amended and restated as "restrictions (i)(C) and (ii)"; and

(xxiii) the wording "restrictions (xix) to (xxii)" in paragraph (vii) under "Investment Restrictions Applicable to Money Market Sub-Funds" on page 39 shall be amended and restated as "restrictions (xvii) to (xx)".

2. Under the sub-section headed "Borrowing Restrictions" under the section "INVESTMENT AND BORROWING RESTRICTIONS" of the Explanatory Memorandum, the first paragraph on page 39 shall be amended and restated as follows:

"No new borrowing shall be made which would result in the aggregate borrowing exceeding 10% of the latest available Net Asset Value of each Sub-Fund. For the Money Market Sub-Funds, no new borrowing shall be made which would result in the aggregate borrowing exceeding 10% of the Sub-Fund's latest available Net Asset Value and such borrowing must be on a temporary basis for the purpose of meeting redemption requests or defraying operating expenses."

3. Under the sub-section headed "General" under the section "INVESTMENT AND BORROWING RESTRICTIONS" of the Explanatory Memorandum, the paragraphs on page 39 shall be amended and restated as follows:

"If any of the investment and borrowing restrictions applicable to a Sub-Fund are breached, the Manager shall as a priority objective take all steps necessary within a reasonable period of time to remedy the situation, having due regard to the interests of Unitholders.

The Manager is not immediately required to sell applicable investments or repay any borrowings if any of the investment or borrowing restrictions are exceeded as a result of changes in the value of a Sub-Fund's investments, reconstructions or amalgamations, payments out of the assets of the Sub-Fund or redemptions of Units, but for so long as such limits are exceeded, the Manager shall not acquire any further investments or effect further borrowings (as the case may be) which would result in such limit being further exceeded."

II. The Explanatory Memorandum is hereby supplemented, with effect from 21 September 2020, as follows:

1. Under the sub-section headed "Risk Factors" under the section headed "RISK FACTORS AND RISK MANAGEMENT POLICIES" of the Explanatory Memorandum,

(i) the risk factor "(i) Foreign exchange risk" on page 15 shall be amended and restated as follows:

"(i) Foreign exchange risk

The Sub Funds may invest in currencies other than Hong Kong dollars which may be subject to exchange rate fluctuations with a consequential reduction in the Hong Kong dollar value of investments. The markets in which foreign exchange transactions are effected may be highly volatile, highly specialised and highly technical. Significant changes, including changes in liquidity and prices, can occur in such markets within very short periods of time, often within minutes. Foreign

exchange trading risks include, but are not limited to, exchange rate risk, interest rate risk and potential interference by foreign governments through regulation of local exchange markets, foreign investment, or particular transactions in foreign currency. These risks may have adverse impact on the relevant Sub-Fund and its investors. Any changes in exchange control regulations may cause difficulties in the repatriation of funds. Dealings in a Sub-Fund may be suspended if the relevant Sub-Fund is unable to repatriate funds for the purpose of making payments on the redemption of Units."

(ii) the following paragraph shall be added immediately after the first paragraph under the risk factor "(a) Risk relating to those class(es) of Units denominated in a currency other than the base currency" on page 19:

"The performance of a Sub-Fund may be affected by movements in the exchange rate between the currencies in which the assets are held and the base currency of such Sub-Fund or the relevant class currency. The Net Asset Value of such Sub-Fund may also be affected unfavourably by changes in exchange rate controls. Since the Manager aims to maximise returns for such Sub-Fund in terms of its base currency, investors in such Sub-Fund may be exposed to additional currency risk. These risks may have adverse impact on the relevant Sub-Fund and its investors."

(iii) the following paragraph shall be added as the last paragraph under the risk factor "(a) Risk relating to those class(es) of Units denominated in a currency other than the base currency" on page 19:

"If a Sub-Fund receives a subscription or redemption request for Units of a currency class which is different from the base currency of the Sub-Fund, the amount of subscription monies required to be paid by the investor, or the amount of redemption proceeds to be payable by the Sub-Fund, will be calculated based on the exchange rate between such non-base currency and base currency as of such time on the relevant dealing day as designated by the Manager. However, in the case of subscription, such subscription monies in the non-base currency may not be immediately converted into the base currency of the Sub-Fund for investment purposes at such exchange rate; and in the case of redemption, such redemption proceeds in the non-base currency may not be immediately available from the Sub-Fund at such exchange rate. Such subscription monies may only be converted into the base currency of the Sub-Fund, and such redemption proceeds may only be obtained from converting the base currency assets of the Sub-Fund, at a later time at an exchange rate between the non-base currency and base currency which is different from the previous exchange rate used for the purpose of calculating the amount of subscription monies required to be paid by the investor or redemption proceeds to be payable by the Sub-Fund. Such difference in exchange rates used may become large where there is a huge fluctuation in the exchange rates during the relevant times. As a result, the Sub-Fund may ultimately be disadvantaged or advantaged, depending on whether the non-base currency may hugely appreciate or depreciate. In addition, where there is a huge fluctuation in the exchange rate, conversion of currency may be made by the Manager at a premium or discount in exceptional circumstances, and the relevant investors will be exposed to such exchange rate risk."

(iv) the fourth paragraph under the risk factor "(a) Foreign exchange and RMB currency and conversion risks" on page 20 shall be amended and restated as follows:

"Non-RMB based investors are exposed to foreign exchange risk and there is no guarantee that the value of RMB against the investors' base currencies (for example HKD) will not depreciate. Such investor will incur currency conversion costs. Also, depending on the exchange rate movements of RMB relative to the base currency of a Sub-Fund and/or other currency(ies) of the non-RMB denominated underlying investments of the Sub-Fund, (i) an investor may still suffer losses even if there are gains or no losses in the value of the non-RMB denominated underlying investments; or (ii) an investor may suffer additional losses if the non-RMB denominated underlying investments of the Sub-Fund fall in value."

(v) the seventh paragraph under the risk factor "(a) Foreign exchange and RMB currency and conversion risks" on page 20 shall be deleted in its entirety;

(vi) the following paragraphs shall be added immediately after the last paragraph under the risk factor "(a) Foreign exchange and RMB currency and conversion risks" on page 20:

"For RMB denominated class(es), since the Unit prices are denominated in RMB but the relevant Sub-Fund may not be fully invested in RMB-denominated underlying investments and its base currency may not be RMB, so even if the prices of the non-RMB denominated underlying investments and/or value of the base currency rise or remain stable, investors may still incur losses if RMB appreciates against the currencies of the non-RMB denominated underlying investments and/or the base currency more than the increase in the value of the non-RMB denominated underlying investments and/or the base currency.

Furthermore, under the scenario where RMB appreciates against the currencies of the non-RMB denominated underlying investments and/or the base currency, and the value of the non-RMB denominated underlying investments decreased, the value of investors' investments in RMB denominated class(es) may suffer additional losses."

(vii) the risk factor "(a) Risk in relation to distribution" on page 34 shall be amended and restated as follows:

"(a) Risk in relation to distribution - Investors should be aware that in circumstances where distributions are paid out of capital or effectively out of capital, this amounts to a return or withdrawal of part of the amount investors originally invested or from any capital gains attributable to that original investment. Any distributions involving payment of distributions out of capital or payment of distributions effectively out of capital (as the case may be) may result in an immediate decrease in the Net Asset Value per Unit. For those Sub-Funds that do not intend to make distributions and the Accumulation Classes of Units, the Manager does not intend to pay distributions. Accordingly, an investment in such Sub-Funds and such Accumulation Classes of Units may not be suitable for investors seeking income returns for financial or tax planning purposes."

2. Under the section headed "ISSUE OF UNITS" of the Explanatory Memorandum,

(i) all paragraphs and footnote * under the heading "ISSUE OF UNITS" and before the sub-section "Initial Issue of Units" on pages 41-42 shall be deleted in their entirety and replaced with the following:

"Different classes of Units may be offered for a Sub-Fund. A Sub-Fund may offer classes of Units denominated in different currencies. A Sub-Fund may also offer classes of Units that accumulate income ("Accumulation Classes") or classes of Units that may pay distributions out of such Sub-Fund ("Distribution Classes"). For details relating to Accumulation Classes and Distribution Classes, please refer to the section "Distribution Policy" below. Although the assets attributable to each class of Units of the Sub-Fund will form one single pool, each class of Units may be denominated in a currency different from the base currency of the Sub-fund or may have a different charging structure with the result that the Net Asset Value attributable to each class of Units of the Sub-Fund may differ. In addition, each class of Units may be subject to different minimum subscription or holding requirements. Investors should refer to the section "Minimum subscription and subsequent holding" for the applicable minimum requirements.

Currently, only Class A Units of the Sub-Funds with different fee levels are available for subscription by investors during an initial prescribed period (the "**Initial Period**") and on each Dealing Day thereafter. Subject to any applicable regulatory requirements and approvals (where applicable), the Manager may in its sole discretion create further Sub-Funds or determine to issue additional classes or multiple classes in relation to each Sub-Fund in the future.

Units of the following Sub-Funds are currently denominated in HK dollars only:
1. BOCHK China Income Fund;
2. BOCHK Hong Kong Income Fund;
3. BOCHK China Golden Dragon Fund; and
4. BOCHK HK Dollar Money Market Fund.

Units of the following Sub-Funds are currently denominated in US dollars only:
1. BOCHK Aggressive Growth Fund;
2. BOCHK Balanced Growth Fund;
3. BOCHK Conservative Growth Fund;
4. BOCHK Asia Pacific Equity Income Fund;
5. BOCHK Japan Equity Fund;
6. BOCHK Asia Pacific Equity Fund;
7. BOCHK Asia Pacific Property Fund;
8. BOCHK Global Bond Fund; and
9. BOCHK US Dollar Money Market Fund.

Units of the BOCHK Australia Income Fund are currently denominated in Australian dollars only.

Units of the BOCHK Sterling Income Fund are currently denominated in pound sterling (GBP) only.

Units of the following Sub-Funds are denominated in the class currency of the class of Units. The relevant details are as follows:

Classes of Units	Currency denomination
BOCHK Hong Kong Dollar Income Fund (Class A – HKD Units)	HKD
BOCHK Hong Kong Dollar Income Fund (Class A – USD Units)	USD
BOCHK China Equity Fund (Class A – HKD Units)	HKD
BOCHK China Equity Fund (Class A – USD Units)	USD
BOCHK Hong Kong Equity Fund (Class A – HKD Units)	HKD
BOCHK Hong Kong Equity Fund (Class A - RMB Units) [1]	RMB
BOCHK Global Equity Fund (Class A – USD Units)	USD
BOCHK Global Equity Fund (Class A - RMB Units) [1]	RMB
BOCHK China Consumption Growth Fund (Class A – HKD Acc Units)	HKD
BOCHK China Consumption Growth Fund (Class A – USD Acc Units)	USD
BOCHK China Consumption Growth Fund (Class A – RMB Acc Units)	RMB
BOCHK China Consumption Growth Fund (Class A – HKD Dis Units) [2]	HKD
BOCHK China Consumption Growth Fund (Class A – USD Dis Units)	USD
BOCHK China Consumption Growth Fund (Class A – RMB Dis Units)	RMB

[1] BOCHK Hong Kong Equity Fund and BOCHK Global Equity Fund have been approved by the China Securities Regulatory Commission (CSRC) for distribution to investors of Mainland China under the Mainland-Hong Kong Mutual Recognition of Funds scheme (distribution date will be specified in relevant Mainland China announcement). BOCHK Hong Kong Equity Fund (Class A - RMB Units) and BOCHK Global Equity Fund (Class A - RMB Units) are only available to investors of Mainland China and are not offered in Hong Kong.

[2] BOCHK China Consumption Growth Fund (Class A – HKD Dis Units) was previously referred to as BOCHK China Consumption Growth Fund (Class A – HKD Units).

For the avoidance of doubt, where a Sub-Fund has "Class A - USD Units", "Class A - HKD Units", "Class A – RMB Units", "Class A - USD Acc Units", "Class A - HKD Acc Units", "Class A – RMB Acc Units", "Class A - USD Dis Units", "Class A - HKD Dis Units", "Class A – RMB Dis Units", or such other class(es) which name commences with "Class A", each class of such Units shall be considered a separate class."

(ii) the first paragraph under the sub-section "Initial Issue of Units" on page 42 shall be deleted in its entirety and replaced with the following:

"Other than Class A – HKD Acc Units, Class A – USD Acc Units, Class A – RMB Acc Units, Class A – USD Dis Units and Class A – RMB Dis Units for BOCHK China Consumption Growth Fund, Units of each of the Sub-Funds were initially offered to investors during their respective Initial Period at their respective issue price and the relevant Initial Periods have been closed.

Class A – HKD Acc Units, Class A – USD Acc Units, Class A – RMB Acc Units, Class A – USD Dis Units and Class A – RMB Dis Units for BOCHK China Consumption Growth Fund will be launched and initially offered for subscription by investors during the period from 9:00 a.m. (Hong Kong time) on 21 September 2020 to 5:00 p.m. (Hong Kong time) on 25 September 2020 unless extended or shortened by the Manager.

The new classes of Units of BOCHK China Consumption Growth Fund during the above initial period are offered at their issue prices (exclusive of any applicable initial charges) as determined below:

(i) for Class A – HKD Acc Units, the issue price shall be HK$10.00 per Unit (exclusive of any initial charges);

(ii) for Class A – USD Acc Units, and Class A – USD Dis Units, the issue price (exclusive of any initial charges) shall respectively be the issue price of Class A – HKD Acc Units and the issue price of Class A - HKD Dis Units as at the end of the initial period, multiplied by the foreign exchange rate quoted by WM/Reuters as at 4:00 pm (London time) on the date on which the said initial period ends, provided that the Manager may at its discretion determine applying such other foreign exchange rate published by other agency and/or using such other cut-off time for determining the foreign exchange rate;

(iii) for Class A – RMB Acc Units and Class A – RMB Dis Units, the issue price (exclusive of any initial charges) shall respectively be the issue price of Class A – HKD Acc Units and the issue price of Class A - HKD Dis Units as at the end of the initial period, multiplied by the foreign exchange rate

for quoted by WM/Reuters as at 4:00 pm (London time) on the date on which the said initial period ends, provided that the Manager may at its discretion determine applying such other foreign exchange rate published by other agency and/or using such other cut-off time for determining the foreign exchange rate."

(iii) the second paragraph ((including the sub-paragraphs (a) to (d) and the contents following such sub-paragraphs) under the sub-section "Subsequent Issue of Units" pages 42-43 shall be deleted in its entirety and replaced with the following:

"The issue price (exclusive of any initial charges) of Units of the relevant class of a Sub-Fund on a Dealing Day will be calculated by reference to the Net Asset Value per Unit of such class of that Sub-Fund as at close of business in the last relevant market to close on that Dealing Day."

(iv) the "A/C Numbers" details under the sub-section headed "Payment procedure" on page 44 shall be amended and restated as follows:

"**A/C Numbers:** For Sub-Funds denominated in **HKD** or classes of Units denominated in **HKD**:
012-875-0-044596-0

For Sub-Funds denominated in currency **other than HKD** or classes of Units denominated in currency **other than HKD**:
012-875-9-251458-0"

(v) the tenth last paragraph under the sub-heading "Payment procedure" on page 45 shall be amended and restated as follows:

"Subscription monies must be made in the base currency of the relevant Sub-Fund or where one or more classes are issued in respect of a Sub-Fund, payment for subscription of Units of a class should be made in the class currency of such class of Units (except that under the Regular Savings Plan). Under the Regular Savings Plan, only HKD will be accepted regardless of the currency of the class of Units to be subscribed for."

(vi) the ninth last paragraph to the fifth last paragraph under the sub-heading "Payment procedure" on page 45 shall be deleted in their entirety;

(vii) the fourth last paragraph under the sub-heading "Payment procedure" on page 45 shall be amended and restated as follows:

"However, the Manager reserves the right to accept payment in other currencies from any Unitholder. Where amounts are received in a currency other than the relevant base currency or class currency (as the case may be), they will be converted into the relevant base currency or class currency (as the case may be) at the cost of the relevant applicant and the proceeds of conversion (after deducting the costs of such conversion) will be applied in the subscription of Units in the relevant Sub-Fund or class of Units. Any conversion to the relevant base currency or class currency of a particular class of Units (as the case may be) and the number of Units to be issued will be based on an exchange rate reasonably determined by the Manager and the Trustee having regard to any premium or discount which may be relevant and to costs of exchange. Conversion of currency may be made at a premium or discount in exceptional circumstances such as where there is a huge fluctuation in the exchange rate. Currency conversion will be subject to availability of the currency concerned. Any exchange rate risk and costs of conversion will be borne by the Unitholder concerned and the Unitholder may be required to pay a handling fee."

(viii) the last paragraph under the sub-heading "General" on pages 45-46 shall be amended and restated as follows:

"The Manager has an absolute discretion to accept or reject in whole or in part any application for Units. In the event that an application is rejected (either in whole or in part) or the Manager determines that the relevant Sub-Fund or the class or classes of Units related to it will not be launched, application moneys (or the balance thereof) will be returned without interest by cheque through the post or by telegraphic transfer to the bank account from which the moneys originated at the risk and expense of the applicant or in such other manner as the Manager and the Trustee may from time to time determine at the risk of the person(s) entitled thereto or through bank transfer. Without limiting the generality of the foregoing, the Manager may reject any application for subscription, redemption or switching where insufficient information is being provided or in case there is any error or omission in the information provided. No Units of a Sub-Fund will be issued where the determination of the Net Asset Value of that Sub-Fund is suspended (for further details see "Suspension of Dealings and Determination of Net Asset Value" on pages 52 to 53 below)."

3. Under the section headed "REDEMPTION OF UNITS" of the Explanatory Memorandum,

(i) the ninth paragraph ((including the sub-paragraphs (a) to (d) and the contents following such sub-paragraphs)) on pages 46-47 shall be deleted in its entirety and replaced with the following:

"Units of the relevant class realised on a Dealing Day will be redeemed at a price calculated by reference to the Net Asset Value per Unit of that class of the relevant Sub-Fund as at close of business in the last relevant market to close on that Dealing Day."

(ii) the third paragraph under the sub-section headed "Payment of Redemption Proceeds" on page 47 shall be amended and restated as follows:

"Redemption proceeds will normally be paid in the base currency of the relevant Sub-Fund or the class currency of the relevant class of Units of the relevant Sub-Fund being redeemed."

(iii) the eighth paragraph under the sub-section headed "Payment of Redemption Proceeds" on page 47 shall be amended and restated as follows:

"Please note that for Sub-Funds with base currency in RMB and class of Units which are denominated in RMB redemption proceeds will normally be paid in RMB. However, due to the exchange controls and restrictions applicable to RMB, the Manager may not be able to get sufficient amounts of RMB in a timely manner to meet redemption requests if all or a substantial portion of its underlying investments are non-RMB denominated. Therefore, even if the Manager aims to pay redemption proceeds to investors of such Sub-Fund or such classes of Units in RMB, investors may not receive RMB upon redemption of their investments in RMB. There is also a risk that payment of redemption proceeds in RMB may be delayed when there is not sufficient RMB for currency conversion for settlement of the redemption proceeds."

(iv) the tenth paragraph under the sub-section headed "Payment of Redemption Proceeds" on page 48 shall be amended and restated as follows:

"Unitholders may, however, request the proceeds to be paid in other currencies, in which case, the proceeds will be converted to the requested currency at the prevailing exchange rate (whether official or otherwise) which the Manager deems appropriate in the circumstances having regard to (and applying) any premium or discount which may be relevant and to costs of exchange. Any exchange rate risk will be borne by the Unitholder concerned and the Unitholder may be required to pay a handling fee."

(v) the following paragraph shall be added immediately after the tenth paragraph under the sub-section headed "Payment of Redemption Proceeds" on page 48:

"**If at any time during the period from the time as at which the redemption price is calculated and the time at which redemption proceeds are converted out of any other currency into the base currency of the relevant Sub-Fund or the class currency of the relevant class, there is an officially announced devaluation or depreciation of that currency, the amount payable to any relevant redeeming Unitholder may be reduced as the Manager considers appropriate to take account of the effect of that devaluation or depreciation."**

(vi) the second last paragraph ((including the sub-paragraphs (a) to (e) and the contents following such sub-paragraphs)) under the sub-section headed "Payment of Redemption Proceeds" on page 48 shall be deleted in its entirety and replaced with the following:

"Subject as mentioned above and so long as relevant account details have been provided, redemption proceeds will be paid by telegraphic or bank transfer (less the cost of effecting such telegraphic or bank transfer), normally within 5 Business Days after the relevant Dealing Day and in any event within one month of the relevant Dealing Day (unless payment of redemption proceeds has been suspended – see "Restrictions on Redemption" on pages 48 to 49 below) or, if later, after duly completed redemption documentation has been submitted to the Manager in person, sent by post or by facsimile or other means from time to time determined by the Manager (unless the original is required by the Manager) and received by the Manager. Request by the redeeming Unitholder to make the payment to a third party will not be accepted unless approval is obtained from the Manager or additional supporting documents as may be required by the Manager or the Trustee are provided or the relevant requirement is waived by the Manager. Where a redemption request provides for the redemption proceeds to be paid to any person other than the registered Unitholder(s) or to be paid by telegraphic or bank transfer to a bank account in Hong Kong, New York, London, Sydney or Mainland China, the signature of the Unitholder or (in the case of joint Unitholders) each Unitholder on that redemption request must be verified to the satisfaction of the Trustee. If relevant account details are not provided, redemption proceeds will be paid to the redeeming Unitholder (or to all Unitholders in case of joint Unitholders) at

the Unitholder's risk by cheque in the base currency of the relevant Sub-Fund or the class currency of the relevant class of Units.

Payment of redemption proceeds may be deferred if the market(s) in which a substantial portion of investments is made is subject to legal or regulatory requirements (such as foreign currency controls) thus rendering the payment of the redemption money within the aforesaid time period not practicable. In such case, the extended time frame for payment should reflect the additional time needed in light of the specific circumstances in the relevant market(s)."

(vii) the third paragraph under the sub-section headed "Restrictions on Redemption" on page 49 shall be amended and restated as follows:

"No Unitholder shall be entitled to realise only part of his holding of Units of any class of a Sub-Fund if

(i) such redemption would result in his holding in that class of Sub-Fund after such redemption being less than HK$10,000; or

(ii) the amount of proceeds realised from that class of Sub-Fund is less than HK$10,000,

and in respect of Sub-Funds with base currency or the class currency of the relevant class of Units denominated in a currency other than HKD, the equivalent amount in the relevant Sub-Fund or the class currency of the particular class of Units will be applied."

4. Under the section headed "SWITCHING BETWEEN SUB-FUNDS" of the Explanatory Memorandum,

(i) the first paragraph on page 50 shall be amended and restated as follows:

"Subject to the consent of the Manager and any requirements or restrictions (whether operational, legal, regulatory or otherwise) applicable to any specified class of Units or any Sub-Fund, Unitholders will have the right (subject to any suspension in the determination of the Net Asset Value of any relevant Sub-Fund) to switch all or part of their Units of any class relating to a Sub-Fund (the "Current Class of Units") into (i) Units of a different class (which may be denominated in a different currency) of the same Sub-Fund or (ii) a class of Units relating to another Sub-Fund (the "New Class of Units") by giving notice in writing or by facsimile to the Manager."

(ii) the following paragraph shall be added immediately after the seventh paragraph on page 51:

"In switching between different currency classes of Units of a Sub-Fund, the Manager will use such exchange rate (whether official or otherwise) which the Manager shall deem appropriate in the circumstances having regard to (and applying) any premium or discount which may be relevant and to costs of exchange."

5. Under the section headed "CALCULATION OF NET ASSET VALUE AND ISSUE AND REDEMPTION PRICES" of the Explanatory Memorandum,

(i) sub-paragraph (vii) in the first paragraph on page 52 shall be amended and restated as follows:

"the value of any investment (whether of a security or cash) otherwise than in the currency of the relevant Sub-Fund shall be converted into the currency of such Sub-Fund at the rate (whether official or otherwise) which the Manager shall deem appropriate in the circumstances having regard to (and applying) any premium or discount which may be relevant and to costs of exchange."

(ii) the first and second paragraph under the sub-section headed "Calculation of Issue and Redemption Prices" on page 52 shall be amended and restated as follows:

"The number of undivided shares in a Sub-Fund represented by a Unit of a class relating to such Sub-Fund is adjusted on each Dealing Day in order to take account of the different nature of the classes (accumulation or distribution) and different levels of fees borne by the different classes of Unit in the relevant Sub-Fund.

In respect of a Sub-Fund, the issue and redemption prices of Units of a class (whether they are denominated in base currency or non-base currency, and whether they are of an accumulation class or distribution class) of the Sub-Fund on a Dealing Day shall be determined by (i) calculating the Net Asset Value of the relevant Sub-Fund in its base currency as at such Dealing Day before the deduction of any liabilities or the addition of any assets attributable specifically to the class of Units in question; (ii) apportioning such Net Asset Value amount between each class of Units relating to such Sub-Fund by reference to the numbers of undivided shares in the relevant Sub-Fund represented by all Units of each class of Units relating to such Sub-Fund in issue; (iii) deducting or adding the liabilities and assets

specifically attributable to the class of Units in question from or to such apportioned amount; (iv) for each class of Units, dividing the resulting sum in the base currency of the Sub-Fund by the number of Units of the relevant class in issue immediately prior to the relevant Dealing Day for such class of Units to obtain the price in the base currency of the Sub-Fund; and (v) for the non-base currency class of Units only, converting such price to the non-base currency of such class based on an exchange rate which the Manager shall deem appropriate in the circumstances having regard to (and applying) any premium or discount which may be relevant and to costs of exchange; and (vi) rounding the resulting price of the base currency Units and non-base currency Units to the 4th decimal place of the base currency or non-base currency (as the case may be) of the relevant Sub-Fund (and in the case of 0.00005 of such minimum unit or above, rounded up)."

6. Under the section headed "DISTRIBUTION POLICY" of the Explanatory Memorandum,

(i) the first paragraph on page 53 shall be deleted in its entirety and replaced with the following:

"A. BOCHK Aggressive Growth Fund, BOCHK Balanced Growth Fund, BOCHK Conservative Growth Fund, BOCHK Asia Pacific Equity Fund, BOCHK Asia Pacific Property Fund, BOCHK China Equity Fund, BOCHK China Golden Dragon Fund, BOCHK Hong Kong Equity Fund, BOCHK Japan Equity Fund, BOCHK Global Equity Fund, BOCHK Global Bond Fund, BOCHK HK Dollar Money Market Fund and BOCHK US Dollar Money Market Fund

In respect of the above Sub-Funds, the Manager does not intend to make distributions in respect of any other Sub-Fund and any income earned by a Sub-Fund will be reinvested in that Sub-Fund and reflected in the value of Units of the relevant class of that Sub-Fund."

(ii) the second paragraph on page 53 shall be deleted in its entirety and replaced with the following:

"B. BOCHK China Income Fund, BOCHK Hong Kong Income Fund, BOCHK Hong Kong Dollar Income Fund, BOCHK Australia Income Fund, BOCHK Sterling Income Fund, BOCHK Asia Pacific Equity Income Fund and BOCHK China Consumption Growth Fund

(i) In respect of BOCHK China Income Fund, BOCHK Hong Kong Income Fund, BOCHK Hong Kong Dollar Income Fund, BOCHK Australia Income Fund, BOCHK Sterling Income Fund and BOCHK Asia Pacific Equity Income Fund, the Manager intends to declare distributions to Unitholders on a quarterly basis, by the end of March, June, September and December respectively. The distributions may not be made equally in each quarter.

(ii) In respect of BOCHK China Consumption Growth Fund, both Accumulation Classes and Distribution Classes (as elaborated below) are currently available.

Accumulation Classes

No distribution is intended to be made in respect of Accumulation Classes. Therefore, any net income and net realised capital gains attributable to Units of the Accumulation Classes will be accumulated and reflected in their respective Net Asset Value. "Acc" is used to denote these classes within a Sub-Fund if such Sub-Fund offers Accumulation Classes, for example (Class A – HKD Acc Units). Currently, there are Class A – HKD Acc Units, Class A – USD Acc Units and Class A – RMB Acc Units offered for BOCHK China Consumption Growth Fund.

Distribution Classes

For Distribution Classes, the Manager will declare and pay distributions in such amount, on such date and at such frequency as the Manager may determine. "Dis" is used to denote these classes within a Sub-Fund if such Sub-Fund offers Distribution Classes, for example (Class A – HKD Dis Units). For BOCHK China Consumption Growth Fund (Class A – HKD Dis Units), BOCHK China Consumption Growth Fund (Class A – USD Dis Units) and BOCHK China Consumption Growth Fund (Class A – RMB Dis Units), the Manager intends to declare distributions to Unitholders on a quarterly basis, by the end of March, June, September and December respectively. The distributions may not be made equally in each quarter."

(iii) the third paragraph on page 53 shall be deleted in its entirety;

(iv) the fourth paragraph on page 53 shall be amended and restated as follows:

"In respect of BOCHK China Income Fund, BOCHK Hong Kong Income Fund, BOCHK Hong Kong Dollar Income Fund, BOCHK Australia Income Fund, BOCHK Sterling Income Fund and BOCHK Asia Pacific Equity Income Fund, BOCHK China Consumption Growth Fund (Class A – HKD Dis Units), BOCHK China Consumption Growth Fund (Class A – USD Dis Units) and BOCHK China Consumption

Growth Fund (Class A – RMB Dis Units), the Manager will normally make distributions out of net income received or receivable by the Sub-Fund or the relevant class of Units of the Sub-Fund. However, in the event that the net income is insufficient to pay the distributions that it declares, the Manager may also, in its absolute discretion, determine that in relation to the Sub-Fund or a particular class of Units of the Sub-Fund, distributions be paid out of its capital, or the Manager may, in its discretion, pay distributions out of its gross income while charging / paying all or part of its fees and expenses to / out of its capital, resulting in an increase in distributable income for the payment of distributions by the Sub-Fund or the relevant class of Units of the Sub-Fund and therefore, the Sub-Fund or the relevant class of Units of the Sub-Fund may effectively pay distributions out of capital. This may reduce the capital that the Sub-Fund or the relevant class of Units of the Sub-Fund has available for investment in future and may constrain capital growth."

(v) the following paragraph shall be added before the last paragraph on page 54:

"At least one (1) month's prior notice will be given to Unitholders if there is any change in the frequency for distributions."

7. Under the section headed "REGULAR SAVINGS PLAN" of the Explanatory Memorandum, the following sentence shall be added at the end of the third paragraph on page 54:

"Please also refer to "Payment procedure" section on pages 43 to 45 for details of currency conversion."

8. Under the section headed "CHARGES AND EXPENSES" of the Explanatory Memorandum,

(i) the switching fee table on page 56 shall be amended and restated as follows:

"

	Switching fee *(expressed as a percentage of the issue price of the new class of Units to be issued)*	
	Class A	Class B
Switching of the same class of Units	1% (For switching into a different class of Class A Units relating to the same Sub-Fund (such as switching between different currency classes of Units or from Accumulation Classes to Distribution Classes or vice versa) or switching into class A Units of another Sub-Fund which is not a Money Market Sub-Fund*) Nil (For switching into Units of a Money Market Sub-Fund)	Nil

"

(ii) the first sentence under the sub-section headed "Trustee Fee" on page 58 shall be amended and restated as follows:

"In respect of trust administrative and fiduciary services provided by the Trustee for the Sub-Funds, the Trustee is entitled to receive a Trustee Fee of up to 1% per annum of its Net Asset Value in respect of the relevant class of Units of each Sub-Fund."

(iii) the wording "the Net Asset Value of each Sub-Fund" , "the Net Asset Value of the Sub-Fund" and "the Net Asset Value of each of these three Sub-Funds" appearing in the fee table under the sub-section headed "Trustee Fee" on pages 58-59 shall be amended and restated as "the Net Asset Value".

BOCI-Prudential Asset Management Limited accepts responsibility for the information contained in this Addendum as being accurate as at the date of publication.

The Explanatory Memorandum may only be distributed if accompanied by this Addendum.

21 August 2020

BOCHK INVESTMENT FUNDS
中銀香港投資基金

Addendum to the Explanatory Memorandum

IMPORTANT: This Addendum is supplemental to and forms part of the Explanatory Memorandum for the BOCHK Investment Funds dated 31 December 2019 and the First Term Sheet dated 31 December 2019 (collectively, the "Explanatory Memorandum"). Unless otherwise defined herein, words and expressions defined in the Explanatory Memorandum shall have the same meaning when used in this Addendum.

If you are in doubt about the contents of the Explanatory Memorandum and this Addendum, you should seek your independent professional financial advice.

The Securities and Futures Commission of Hong Kong takes no responsibility for the accuracy of any of the statements made or opinions expressed in this Addendum.

The Explanatory Memorandum is hereby supplemented as follows:

Under the section headed "PARTIES" on page 1 of the Explanatory Memorandum, the list of directors of the Manager is amended and restated as follows:

"**Directors of the Manager**
Wang Zhongze
Tse Yung Hoi
Lee Yui Leung
Teo Thye Peng Bernard
Woo Tsung Yuan, Francis James"

BOCI-Prudential Asset Management Limited accepts responsibility for the information contained in this Addendum as being accurate as at the date of publication.

The Explanatory Memorandum may only be distributed if accompanied by this Addendum.

27 March 2020

FIRST TERM SHEET TO
BOCHK INVESTMENT FUNDS

31 December 2019

BOCHK RMB Fixed Income Fund (the "**Sub-Fund**")

This First Term Sheet forms part of and should be read in conjunction with the Explanatory Memorandum for the BOCHK Investment Funds issued on 31 December 2019 as amended or supplemented from time to time ("**EM**") and the latest available Product Key Facts Statement of the Sub-Fund.

The Sub-Fund is an additional sub-fund established in Hong Kong on 1 March 2012 under the BOCHK Investment Funds.

Unless otherwise stated in this First Term Sheet, all other provisions in the EM will be applicable to the Sub-Fund. In case of any conflict or inconsistency between this First Term Sheet and the provisions set out in the EM, the provisions of this First Term Sheet shall prevail. Terms used in this First Term Sheet shall have the meaning ascribed to them in the EM, unless the context otherwise requires.

The Sub-Fund has been authorised by the SFC under section 104 of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and the Code on Unit Trusts and Mutual Funds (the "UTMF Code") as a fixed income fund falling under Chapter 7 of the UTMF Code. Please note that SFC authorisation is not a recommendation or endorsement of the Sub-Fund nor does it guarantee the commercial merits of the Sub-Fund or its performance. It does not mean the Sub-Fund is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

Investment Objectives and Policies

The Sub-Fund seeks to provide investors with long-term capital appreciation through investing in a portfolio primarily (not less than 70% of its Net Asset Value) consisting of onshore and offshore Renminbi ("RMB") denominated and settled fixed rate or floating rate debt instruments. Such debt instruments may be issued or distributed within or outside Mainland China and may be listed or unlisted. The issuers of the debt instruments include government, quasi-governmental bodies, banks, financial institutions or other corporate entities which may or may not be established or incorporated in Mainland China. The Sub-Fund's debt investment may include RMB denominated and settled government bonds, commercial papers, convertible bonds, bank certificates of deposit, negotiated term deposits with banks, short-term bills and notes.

The Sub-Fund will invest no less than 30% of its Net Asset Value in onshore RMB denominated and settled debt instruments issued or distributed within Mainland China through the Bond Connect. The Bond Connect is an initiative launched in July 2017 for mutual bond market access between Hong Kong and Mainland China. Under the Northbound Trading of the Bond Connect, eligible foreign investors can invest in the China interbank bond market. For details of the Bond Connect, please refer to the Appendix.

The Sub-Fund may invest up to 30% of its Net Asset Value in bonds that are below investment grade (as defined below) and/or unrated (as defined below).

For the purpose of the Sub-Fund,

(i) "investment grade" means, a minimum credit rating of Baa3 by Moody's Investor Services, Inc., or BBB− by Standard & Poor's Corporation or Fitch Ratings or an equivalent rating by other internationally recognised rating agencies or if the credit rating is only designated by a People's Republic of China (the "PRC") credit rating agency, a minimum credit rating of BBB−;

(ii) if a bond itself does not have a credit rating, the Manager will consider the credit rating of the issuer /guarantor of the bond, which will be deemed as the implied rating of the bond; and

(iii) "unrated bond" is defined as a bond which neither the bond itself nor its issuer has a credit rating.

The Sub-Fund may invest not more than 30% of its Net Asset Value in debt instruments with loss-absorption features (LAP) including (i) non-preferred senior debt instruments or external LAC debt instruments or total loss-absorbing capacity debt instruments (TLAC) or Tier 3 debt instruments; and (ii) Tier 2 and additional Tier 1 debt securities which include contingent convertible debt securities. These instruments may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger event(s).

The Sub-Fund will not invest through any Qualified Foreign Institutional Investors (QFII) or RMB Qualified Foreign Institutional Investors (RQFII).

The Sub-Fund will not invest:

(i) more than 10% of its Net Asset Value in Urban Investment Bonds, which are debt instruments issued by local government financing vehicles ("LGFVs") and traded in the PRC exchange-traded bond markets and China interbank bond market. These LGFVs are separate legal entities established by local governments and/or their affiliates to raise financing for local development, public welfare investment and infrastructure projects;

(ii) more than 20% of its Net Asset Value in collateralised and/or securitised products (such as asset backed securities, mortgage backed securities and asset backed commercial papers); and

(iii) more than 10% of its Net Asset Value in debt securities issued and/or guaranteed by a single sovereign issuer (including its government, public or local authority) which is below investment grade.

Convertible bonds can be converted into shares of the issuer(s), subject to the terms of the issue. Where convertible bonds held by the Sub-Fund (if any) are converted into shares of the issuer(s), the Sub-Fund may hold such shares up to one month.

At the date of this First Term Sheet, the Manager has no intention to invest in any derivatives for non-hedging purposes or enter into securities lending transactions, share repurchase agreements or other similar over-the-counter ("OTC") transactions on behalf of the Sub-Fund. With the prior approval of the SFC, the Sub-Fund may by giving to the Unitholders no less than one (1) month's prior written notice (or such shorter period of notice as the SFC may approve) invest in any derivatives or engage in securities lending transactions, share repurchase agreements or other OTC transactions on behalf of the Sub-Fund.

Investors should note that if the Manager considers there are insufficient debt instruments in the market, a significant portion of the Sub-Fund's assets may be invested in RMB denominated deposits and/or certificates of deposits issued by substantial financial institutions (as defined in the UTMF Code), subject to the Sub-Fund's diversification policy as mentioned under the section "Additional Investment Restrictions" as stated in page 8 below.

The Sub-Fund is denominated in RMB. All investments are purchased and redeemed in RMB.

Risk Factors

The risk factors set out under the section headed "Risk Factors and Risk Management Policies" on pages 14 to 34 of the EM generally apply to the Sub-Fund, including general investment risk, political, economic and social risks, interest rate risk, market risk, emerging market risk, risk relating to accounting standards and disclosure, valuation risk, currency risk, foreign exchange risk, securities risk, credit risk, counterparty risk, credit rating risk, downgrading risk, risk associated with debt securities rated below investment grade or unrated debt securities, sovereign debt risk, derivative instruments risk, concentration or single country/region risk, political or sovereign risk, liquidity risk, early termination risk, tax risk, risks relating to obligations to comply with AEOI, risks relating to obligations under FATCA regulations and withholding tax risk under FATCA regime. Since the Sub-Fund involves investments in Mainland China, investors should also note credit rating agency risk associated with investments in Mainland China onshore debt securities/ fixed income instruments and Liquidity and volatility risks associated with investments in debt securities/ fixed income instruments in Mainland market. Since the Sub-Fund has Units denominated in RMB, investments denominated in RMB or exposure to RMB currency, investors should also note (i) Foreign Exchange and RMB Currency and Conversion Risks; and (ii) Risk relating to redemption and/or distribution payments (if any). Since the Sub-Fund has classes of Units denominated in a currency other than the base currency of the Sub-Fund, investors should also note (i) risk relating to those class(es) of Units denominated in a currency other than the base currency; and (ii) Cross-class liability risk.

In addition to the general risk factors set out in the EM, investors should also note the following risks:

(a) Investment Risk

The Sub-Fund is not principal guaranteed. The purchase of the Units is not the same as investing in RMB debt instruments or placing deposit with banks, and there is no guarantee of repayment of principal or payment of dividend or distribution. The instruments invested by the Sub-Fund may fall in value and therefore investor's investment in the Sub-Fund may suffer losses.

(b) Liquidity Risk

There may not be liquid or active markets (including both onshore and offshore markets) for the trading of RMB-denominated debt instruments or deposits. Therefore, there is a risk that the Sub-Fund may not be able to dispose of its holdings of such assets on a timely basis, or if it does sell, it may be required to do so at a significant discount to market value. The bid and offer spread of the price of RMB debt securities may be large. Therefore, the Sub-Fund may incur significant trading and realisation costs, and may suffer significant losses when selling such investments. The Manager will seek to control the liquidity risk of the

investment portfolio by a series of internal management measures in order to meet Unitholders' redemption requests.

(c) Risks associated with Bond Connect

The Sub-Fund may invest in debt securities through Bond Connect and may be exposed to liquidity and volatility risks, as low trading volume of certain debt securities in the China interbank bond market may cause market volatility and potential lack of liquidity. These may result in prices of certain debt securities traded on such market fluctuating significantly. The bid and offer spread of the prices of such securities may be large, and the Sub-Fund may incur significant trading and realisation costs and may potentially suffer losses when disposing of such investments.

Where the Sub-Fund enters into transactions through Bond Connect, the Sub-Fund may also be subject to risks associated with settlement procedures and counterparties and generally to default risks. The counterparty which has entered into a transaction with the Sub-Fund may default in its obligation to settle the transaction by delivery of relevant security or payment for value.

The Sub-Fund may also be subject to the risks of default or errors on the part of third parties, including without limitation, the offshore custody agent, registration agents, or other third parties (as the case may be), given that the relevant filings or registration with the People's Bank of China ("PBOC") and the account opening and operations in relation to investments through Bond Connect shall be carried out via such third parties.

The Sub-Fund may also be exposed to regulatory risks relating to Bond Connect. The relevant rules and regulations on Bond Connect are subject to change which may have potential retrospective effect. In the event that the relevant Mainland Chinese authorities suspend account opening of Bond Connect or trading through Bond Connect, the Sub-Fund's ability to invest in the China interbank bond market and hence to achieve its investment objective may be adversely affected.

Trading through Bond Connect is performed through newly developed trading platforms and operational systems. There is no assurance that such platforms and systems will function properly or will continue to be adapted to changes and developments in the market. In the event that the relevant platforms and systems fails to function properly, trading through Bond Connect may be disrupted and the Sub-Fund's ability to trade through Bond Connect and hence to pursue its investment strategy may be negatively affected. Besides, the Sub-Fund may be subject to risks of delays inherent in the order placing and/or settlement systems for its investment through Bond Connect.

Currently, the bonds acquired by the Sub-Fund through Bond Connect are registered in the name of the Central Moneymarkets Units (the "CMU") as nominee and held in its account with the onshore custody agents. The CMU will in turn provide bond registration and depository service for overseas investors trading under Bond Connect. The Sub-Fund is exposed to potential risk where the precise nature and rights of the Sub-Fund in the bonds through CMU as nominee holder is not well defined under PRC law, due to a lack of clear definition of, and distinction between, "legal ownership" and "beneficial ownership" under PRC law and there are limited cases involving nominee account structure in the PRC courts. The Sub-Fund may be exposed to uncertainty in the exact nature and methods of enforcement of the rights and interests of the Sub-Fund under PRC law through CMU or directly. Accordingly, the Sub-Fund's ability to enforce its rights and interests in the bonds acquired through Bond Connect may be affected or may suffer delay.

In the absence of specific taxation rules on Northbound Trading of the Bond Connect, the Sub-Fund may also be subject to uncertainty in relation to the tax arrangement for investment via the Bond Connect. Investors should refer to further details below under "PRC Tax Risks".

(d) The "Dim Sum" bond (i.e. bonds issued outside Mainland China but denominated in RMB) Market Risks

The "Dim Sum" bond market is still a relatively small market which is more susceptible to volatility and illiquidity. The quantity of RMB debt securities issued or distributed outside Mainland China is currently limited. The credit quality of offshore RMB debt securities may be affected by such limited supply of debt securities and the excess demand of such debt securities in the market. This may have an adverse impact on the quality and pricing of such debt securities which in turn may have an adverse effect on the Sub-Fund's Net Asset Value.

Further, the Sub-Fund may not be able to find suitable debt instruments to invest in and hold a significant portion of assets in RMB bank deposits or term deposits with substantial financial institutions if there are not sufficient RMB debt securities for the Sub-Fund to invest in or when such instruments held are of short duration and are at maturity, until suitable RMB debt instruments are available in the market. This may adversely affect the Sub-Fund's return and performance.

The operation of the "Dim Sum" bond market as well as new issuances could be disrupted causing a fall in the Net Asset Value of the fund should there be any promulgation of new rules which limit or restrict the ability of issuers to raise RMB by way of bond issuances and/or reversal or suspension of the liberalisation of the offshore RMB (CNH) market by the relevant regulator(s).

(e) Risk associated with Urban Investment Bonds (城投債)

The Sub-Fund may invest in urban investment bonds issued by local government financing vehicles ("LGFVs") that are established by local governments in the PRC for raise financing for local development, public welfare investment and infrastructure projects in the PRC. Although local governments may be seen to be closely connected to urban investment bonds, such bonds are typically not guaranteed by local governments or the central government of the PRC. As such, local governments or the central government of the PRC are not obliged to support any LGFVs in default. In the event that the Sub-Fund invests in any LGFV and the LGFV defaults on payment of principal or interest of the urban investment bonds, the Sub-Fund could suffer substantial loss and the Sub-Fund's Net Asset Value could be adversely affected.

(f) Risks associated with collateralised and/or securitised products (such as asset backed securities, mortgage backed securities and asset backed commercial papers)

The Sub-Fund may invest in asset backed securities (including asset backed commercial papers) or mortgage backed securities which may be highly illiquid and prone to substantial price volatility. These instruments may be subject to greater credit, liquidity and interest rate risk compared to other debt securities. They are often exposed to extension and prepayment risks and risks that the payment obligations relating to the underlying assets are not met, which may adversely impact the returns of the securities.

(g) Municipal Bond Risk

The State Council has approved municipal debt issuance on a pilot basis covering a number of local governments. However, local governments have also taken on debt in other forms, including through the urban development investment vehicles (e.g. urban investment bonds). Recent events have highlighted the risk of possible defaults by such urban development investment vehicles. Investors should note that RMB debt instruments may not be guaranteed by the Chinese government. If there is a default by the issuers of such RMB debt instruments, the Sub-Fund may suffer losses.

(h) Credit/Insolvency Risk of Counterparties

The Sub-Fund is exposed to the credit/insolvency risk of issuers of debt instruments and deposits that the Sub-Fund may invest in. The debt instruments and deposits that the Sub-Fund invests in are typically unsecured debt obligations and are not supported by any collateral. The Sub-Fund will be fully exposed to the credit/insolvency risk of its counterparties as an unsecured creditor. The relevant debt instruments will likely be ranked equally with other unsecured debts of the relevant issuer. As a result, if the issuer becomes bankrupt, proceeds from the liquidation of the issuer's assets will be paid to holders of RMB debt instruments only after all secured claims have been satisfied in full. The Sub-Fund is therefore exposed to the credit/insolvency risk of its counterparties as an unsecured creditor. All these will affect the Net Asset Value of the Sub-Fund that has invested in such debt instruments. In the worst case scenario, the value of such debt instruments may become worthless.

The credit quality and value of the debt instruments may be adversely affected if the issuer of debt instruments runs into financial difficulties. This may lead to greater price volatility of the instruments. It could also affect the liquidity of the instruments, making it more difficult to sell as a result of the less active market.

In the event of the insolvency of the issuer, the Sub-Fund may experience delays in liquidating its positions and may, as a result, incur significant losses (including a fall in the value of its investments) or the inability to redeem any gains on investment during the period in which the Sub-Fund is attempting to enforce its rights. The fees and expenses associated with seeking legal redress may also affect the Sub-Fund's performance and profitability adversely.

The Sub-Fund may also encounter difficulties or delays in enforcing its rights against the issuers of RMB debt instruments as such issuers may be incorporated outside Hong Kong and subject to foreign laws.

(i) Credit Rating Risk

Currently, most of the RMB debt instruments that the Sub-Fund invests in are unrated. Valuation of these debt instruments may be more difficult and the prices of the Sub-Fund may be more volatile. Debt instruments that have a lower credit rating or that are unrated are generally more susceptible to the credit risk of the issuers. As lower-rated or unrated corporate bonds are more affected by investors' perceptions,

when economic conditions appear to be deteriorating, lower rated or unrated debt instruments may decline in market value due to investors' heightened concerns regarding the credit quality of such debt instruments.

In the event of a default or credit rating downgrading of the issuers of the RMB debt instruments, the Sub-Fund's value will be adversely affected and investors may suffer a substantial loss as a result.

(j) Risks associated with instruments with loss-absorption features

(i) Debt instruments with loss-absorption features are subject to greater risks when compared to traditional debt instruments as such instruments are typically subject to the risk of being written down or converted to ordinary shares upon the occurrence of a pre-defined trigger event (e.g. when the issuer is near or at the point of non-viability or when the issuer's capital ratio falls to a specified level), which are likely to be outside of the issuer's control. Such trigger events are complex and difficult to predict and may result in a significant or total reduction in the value of such instruments.

(ii) In the event of the activation of a trigger event, there may be potential price contagion and volatility to the entire asset class. Debt instruments with loss-absorption features may also be exposed to liquidity, valuation and sector concentration risk.

(iii) The Sub-Fund may invest in contingent convertible debt securities, commonly known as CoCos, which are highly complex and are of high risk. Upon the occurrence of the trigger event, CoCos may be converted into shares of the issuer (potentially at a discounted price), or may be subject to the permanent write-down to zero. Coupon payments on CoCos are discretionary and may be cancelled by the issuer at any point, for any reason, and for any length of time.

(iv) The Sub-Fund may invest in non-preferred senior debts. While these instruments are generally senior to subordinated debts, they may be subject to write-down upon the occurrence of a trigger event and will no longer fall under the creditor ranking hierarchy of the issuer. This may result in total loss of principal invested.

(k) Emerging Market Risk

Investment in an emerging market, such as the PRC involves special risks and considerations. These risks include the possibility of nationalisation, expropriation, government control and intervention, smaller capital market and price volatility. All these may have an adverse impact on the performance of the Sub-Fund.

The markets in respect of RMB denominated debt instruments both in and outside of the PRC are still at a developing stage and market capitalisation and trading volumes may be lower than in more mature financial markets. Market volatility and the potential for a lack of liquidity may result in security prices fluctuating significantly, which in turn may adversely affect the volatility of the Sub-Fund's price.

(l) Economic, Political and Social Risks

The Sub-Fund may be subject to the economic, political and social development and risks in the PRC. The value of the Sub-Fund's assets may be affected by uncertainties or changes in government policies, promulgation of foreign currency and monetary policies and tax regulations. Such measures may have associated impact on the economy of the PRC. Furthermore, the PRC government may from time to time adopt corrective measures to control the growth of the PRC economy which may have an adverse impact on the performance of the Sub-Fund.

The PRC government's regulatory and legal framework for capital markets and debt instruments is still developing as compared to the systems in place in more mature markets. Currently, the PRC's financial markets, and individual financial institution participants, are undergoing a process of reform with the intention of increasing the liquidity of debt instruments, but this is expected to take some time and the effects of such reforms on the debt market as a whole remain to be seen.

(m) Restricted Markets Risk

The Sub-Fund may invest in securities in jurisdictions which impose limitations or restrictions on foreign ownership or holdings. The legal and regulatory restrictions or limitations may have adverse effect on the liquidity and performance of such investments due to factors such as limitations on fund repatriation, dealing restrictions, adverse tax treatments, higher commission costs, regulatory reporting requirements and reliance on services of local custodians and service providers.

(n) PRC Tax Risk

Corporate Income Tax ("CIT")

Interests

Under the PRC CIT Law and its related implementation rules, interests derived from Mainland China by entities that are treated as non-residents in the PRC which have no establishment or place in Mainland China are subject to withholding income tax ("WHT") at the rate of 10%.

As such, in respect of the Sub-Fund's investments in PRC debt securities of which interests are derived from issuers in Mainland China, the Sub-Fund will be subject to WHT unless a specific exemption is applicable. Such WHT will reduce the income from the Sub-Fund and adversely affect the performance of the Sub-Fund. Interest income earned on PRC government bonds issued by the Ministry of Finance of the PRC ("MOF"), or bonds issued by local government of a province, autonomous regions, and municipalities directly under the Central Government or municipalities separately listed on the state plan, as approved by the State Council is exempt from WHT.

On 22 November 2018, the MOF and the SAT released Caishui [2018] No. 108 on tax treatment for Overseas Institutional Investors ("OIIs") investing in China bond market dated 7 November 2018 ("Caishui [2018] No. 108").

Caishui [2018] No. 108 mentioned that the interest income of the bonds derived by OIIs in the China bond market is exempted from WHT for three years effective from 7 November 2018 to 6 November 2021.

Capital gains

Under the prevailing CIT Law, there is no specific provision on whether capital gains derived by a non-resident enterprise from disposal of PRC debt instruments (e.g. bonds issued by PRC companies) would be considered as PRC sourced income and subject to PRC WHT at 10%.

Based on the current interpretation of the SAT and the local tax authorities, gains derived by foreign investors (including the Sub-Fund) from investment in PRC debt securities should not be treated as PRC sourced income thus should not be subject to PRC WHT. Under the current practice, no WHT is imposed on capital gains derived by non-residents from disposal of PRC debt instruments. If the relevant interpretation/practice changes in the future, the Sub-Fund may still turn to certain treaty relief applicable to Hong Kong tax residents.

Under the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, for tax residents in Hong Kong that have no PE in the PRC, capital gains derived from the disposal of PRC debt instruments would not be taxed in the PRC, subject to the assessment by the PRC tax authorities.

Value-added Tax ("VAT") and surtax

According to Caishui [2016] No. 36 ("Caishui [2016] No. 36"), with the final stage of VAT reform which came into effect on 1 May 2016, income derived from the investment in PRC debt securities is subject to VAT instead of Business Tax since 1 May 2016.

Interest income received by foreign institutional investors from investments in PRC debt securities via Bond Connect shall be subject to 6% VAT unless special exemption applies. According to Caishui [2016] No. 36, deposit interest income is not subject to VAT and interest income earned on government bonds is exempted from VAT.

Furthermore, the PRC MOF and the SAT jointly issued Caishui [2016] No. 70 ("Caishui [2016] No. 70"), which is a supplementary notice to Caishui [2016] No. 36 concerning the financial industry. In the absence of specific VAT rules on Bond Connect, it may make reference to Caishui [2016] No. 70.

Pursuant to Caishui [2016] No. 70, gains derived from investment in China interbank local currency markets (including money market, bond market and derivatives market) by foreign investors, which are qualified by People's Bank of China ("PBOC"), are exempt from VAT since 1 May 2016.

Caishui [2018] No. 108 mentioned that the interest income of the bonds derived by OIIs in the China bond market is exempted from VAT for three years effective from 7 November 2018 to 6 November 2021.

Where capital gains are derived by a non-resident from transfer of offshore PRC investment (e.g. offshore China debt securities), VAT in general is not imposed as the purchase and disposal are concluded and

completed outside China.

If VAT is applicable, there are also other surtaxes (which include Urban Construction and Maintenance Tax, Education Surcharge and Local Education Surcharge) that would amount to as high as 12% of VAT payable.

Stamp Duty

Stamp duty under the PRC laws generally applies to the execution and receipt of all taxable documents listed in the PRC's Provisional Rules on Stamp Duty. Stamp duty is levied on the execution or receipt in China of certain documents. Currently, stamp duty is not imposed on the contracts for the sale of PRC bonds.

Tax Provision

The taxation laws and other regulations of the PRC are constantly changing, and may be changed with retrospective effect to the advantage or disadvantage of investors in the Sub-Fund. The interpretation and application of tax laws and other applicable regulations by the relevant authorities may not be as transparent or predictable as compared to the authorities administering similar regimes in other developed jurisdictions.

Since the Sub-Fund is the ultimate party which will bear the risks relating to PRC tax liabilities, any changes to legislation, the interpretation or application of legislation, or the granting of foreign investors the benefit of tax exemptions or international tax treaties (which may be on a retrospective basis) will impact on the Sub-Fund's returns. In case there is any uncertainty, the Manager reserves the right to provide for WHT and VAT (plus surtax) on the relevant gains or income and withhold the tax for the account of the Sub-Fund. The Manager will decide whether tax provisions will be made in respect of the Sub-Fund for the tax obligations based on independent tax advice obtained. Even if provisions for taxation are made by the Manager, the amount of such provisions may not be sufficient, or may be excessive, in relation to PRC tax liabilities. As a result, investors may be disadvantaged, depending on the final outcome of any tax liability, the level of provision and when they subscribed and/or redeemed their Units. If the actual applicable tax rate levied by the PRC tax authorities is more than the provision made, investors should note that the Net Asset Value of the Sub-Fund may suffer more than the anticipated percentage of the provision as the Sub-Fund will have to bear the additional tax liabilities. There can be no guarantee that regulatory changes that have a detrimental impact on the investments of the Sub-Fund will not occur.

Trading in China interbank bond market via Bond Connect

There is no specific written guidance by the PRC tax authorities on the treatment of VAT in respect of gains derived by foreign institutional investors from trading in China interbank bond market via Bond Connect.

In light of the uncertainty, it may make reference to Caishui [2016] No. 70. The Manager also reserves the right to vary the amount of tax provision (if any) as it considers necessary in order to meet the potential tax liability for gains on disposal of debt securities via Bond Connect.

The Manager, having taken and considered the independent professional tax advice and in accordance with such advice, has determined that :

(1) no PRC WHT provision will be made on the gross realized and unrealized capital gains from the disposal of PRC debt securities; and

(2) in view of Caishui [2018] No. 108, the Manager will not make WHT provision and VAT provision on the Sub-Fund's interest income derived from onshore PRC debt instruments from 7 November 2018 onwards until 6 November 2021.

Investors should seek their own tax advice on their Mainland China tax position with regard to their investment in the Sub-Fund.

(o) Currency and Exchange Rate Risk

The Sub-Fund may be exposed to the currency and exchange rate risk and fluctuation.

The Sub-Fund will be exposed to foreign exchange risk because Units can be subscribed and redeemed in a currency (i.e. HK$ or US$) other than in RMB which is the base currency of the Sub-Fund and in which the majority of the assets of the Sub-Fund are denominated. It is the Manager's intention to maintain a substantial portion of investments of the Sub-Fund in RMB denominated and settled instruments and deposits. Where an investor subscribes for Units denominated in a non-RMB currency, the Manager may

convert part or all of such subscriptions into RMB prior to investment at the applicable exchange rate and subject to the applicable spread. As RMB is not freely convertible, the applicable rate of exchange and the ability of the Sub-Fund to undertake currency conversion may also be subject to the availability of and market supply and demand for RMB or other relevant currency. The Sub-Fund may take some time to convert its funds into RMB. The Manager reserves the right to reject any subscription made in non-RMB currency for non-RMB denominated classes of Units where it determines that there is insufficient RMB for currency conversion. This is without prejudice to the Manager's absolute discretion to reject in whole or in part any subscription for any Units of any currency class. The cost of investments of the Sub-Fund in debt instruments or other securities denominated in RMB and the performance of such investment will be affected by the exchange rate movements between RMB and other non-RMB currency in which the Units are denominated (i.e. HK$ or US$). The Sub-Fund may therefore enjoy gain or suffer loss related to such exchange rate fluctuations.

The Sub-Fund will also be subject to bid/offer spread on currency conversion and transaction costs. Such foreign exchange risk and costs of conversion may result in capital loss to the Sub-Fund and its investors, including the RMB class investors.

The exchange rates between RMB and HKD/ USD are susceptible to controls or movements based on external factors (for example, market or regulatory conditions) and this may affect the overall performance of the Sub-Fund.

Investors who invest in non-RMB denominated classes of Units may suffer a loss in their investments if RMB depreciates against the relevant class currency, as the majority of the Sub-Fund's investments will be held in RMB denominated instruments and deposits.

(p) Risk in relation to Distribution

Investors should be aware that in circumstances where distributions are paid out of capital or effectively out of capital, this amounts to a return or withdrawal of part of the amount investors originally invested or from any capital gains attributable to that original investment. Any distributions involving payment of distributions out of capital or payment of distributions effectively out of capital (as the case may be) may result in an immediate decrease in the Net Asset Value per Unit.

In view of the risk factors as mentioned above, the Sub-Fund is, therefore, only suitable for investors who can afford the risks involved.

Investment and Borrowing Restrictions

The investment and borrowing restrictions as set out under the sub-section headed "General Investment Restrictions" on pages 34 to 39 of the Explanatory Memorandum shall be applicable to the Sub-Fund.

Additional Investment Restrictions

As stated in the section headed "Investment Objectives and Policies" above, in the absence of available debt instruments in the market, the Sub-Fund may invest a significant portion of its portfolio in RMB denominated deposits and/or certificates of deposits issued by substantial financial institutions (as defined in the UTMF Code).

The Sub-Fund will also comply with the following restrictions:

The aggregate value of the Sub-Fund's holding of instruments and deposits issued by a single entity may not exceed 10% of the latest available Net Asset Value of the Sub-Fund except:

(i) where the entity is a substantial financial institution and the total amount does not exceed 10% of the entity's share capital and non-distributable capital reserves, the limit may be increased to 25%; or

(ii) in the case of government and other public securities, up to 30% may be invested in the same issue; or

(iii) in respect of any deposit of less than US$ 1,000,000 or its equivalent in the base currency of the Sub-Fund, where the Sub-Fund cannot otherwise diversify as a result of its size.

Initial Issue of Units

Different classes of Units may be offered for a Sub-Fund. Although the assets attributable to each class of Units of the Sub-Fund will form one single pool, each class of Units may have a different charging structure with the result that the Net Asset Value attributable to each class of Units of the Sub-Fund may differ. The Manager may

levy an initial charge on the issue of Class A Units of the Sub-Fund. The maximum amount of such initial charge is set out in the section headed "Fees and Expenses" on page 13 below.
Class A – RMB Units have already been launched and its initial offer period has been closed. Class A – HKD (HK Dollar) Units and Class A – USD Units of the Sub-Fund were initially offered for subscription by investors during the period from 9:00 a.m. (Hong Kong time) on 14 December 2012 to 5:00 p.m. (Hong Kong time) on 14 December 2012(the "**Initial Period**").

Class A Units of the Sub-Fund are offered at an issue price of:

(i) RMB10.00 per Class A – RMB Units;

(ii) "HKD issue price" per Class A – HKD Unit; and

(iii) "USD issue price" per Class A – USD Unit,

(in each case, exclusive of any applicable initial charge). "HKD issue price" and "USD issue price" in (ii) and (iii) above means the Net Asset Value per Class A - RMB Unit as at the end of the Initial Period multiplied by the foreign exchange rates for RMB/HKD and RMB/USD (as the case may be) quoted by Bloomberg – Bloomberg CNH rate (Tokyo Composite) at 6 p.m. (Hong Kong time) on the date on which the Initial Period ends, provided that the Manager may at its discretion determine applying such other foreign exchange rate published by other agency and/or using such other cut-off time for determining the foreign exchange rate.

The Manager may levy an initial charge on the issue of the Class A Units. The maximum amount of such initial charge is set out in the "Fees and Expenses" section on page 13 below.

Applications for subscription of Units may be given to the Manager in writing or by facsimile or through other authorized means as may from time to time specified by the Manager in the Manager's webpage (www.boci-pru.com.hk). Applicants should note that applications made through such means may involve different dealing procedures, such as earlier application or payment cut-off time. As such, applicants who intend to subscribe Units through fund distributors other than the Manager or place subscription orders through other authorized means should consult the relevant fund distributor or the Manager to find out the dealing procedures that are applicable to them.

In respect of applications for Class A – HKD Units or Class A – USD Units in writing or by facsimile received by the Manager prior to 5:00 p.m. (Hong Kong time) on the last day of the Initial Period, the applicable Class A – HKD Units or Class A – USD Units (as the case may be) will be issued on the close of the Initial Period.

For subscription in non-RMB denominated classes of Units, i.e. Class A – HKD Units and Class A – USD Units, the Manager has the right to reject any application made in non-RMB currency for such non-RMB denominated classes of Units where it determines that there is insufficient RMB for currency conversion. This is without prejudice to the Manager's absolute discretion to reject in whole or in part any application for any Units of any currency class.

Subsequent Issue of Units

After the Initial Period, applications in writing or by facsimile for Class A – RMB Units, Class A – HKD Units or Class A – USD Units, received by the Manager prior to 5:00 p.m. (Hong Kong time) on a Dealing Day will be dealt with, and Units will be issued, on that Dealing Day. Where applications in writing or by facsimile are received after such time or on such day which is not a Dealing Day, they will be carried forward and dealt with on the next Dealing Day.

The issue price (exclusive of any initial charges) of Units of the relevant class of the Sub-Fund on a Dealing Day will be calculated by reference to the Sub-Fund's Net Asset Value per Unit as at close of business in the last relevant market to close on that Dealing Day save that for Class A – HKD Units and Class A – USD Units, the issue price (exclusive of any initial charges) of such Units on a Dealing Day will be the Net Asset Value per Class A - RMB Unit as at that Dealing Day multiplied by the foreign exchange rate(s) quoted by WM/Reuters as at 4:00 p.m. (London time) on that Dealing Day, provided that the Manager may at its discretion determine applying such other foreign exchange rate published by other agency and/or using such other cut-off time for determining the foreign exchange rate. The Manager may also levy an initial charge on the issue of the Class A Units. The maximum amount of such initial charge is set out in the "Fees and Expenses" section on page 13 below.

Applications for subscription of Units may also be placed through other authorized fund distributors or through other authorized means as may from time to time specified by the Manager in the Manager's webpage (www.boci-pru.com.hk). Applicants should note that applications made through such means may involve different dealing procedures, such as earlier application or payment cut-off time. As such, applicants who intend to subscribe Units through fund distributors other than the Manager or place subscription orders through other authorized means should consult the relevant fund distributor or the Manager to find out the dealing procedures that are applicable to them.

Units will not be issued during the period of any suspension of the determination of the Net Asset Value of the Sub-Fund (for details, please see the section headed "Suspension of Dealings and Determination of Net Asset Value" on pages 52 to 53 of the EM).

Minimum Subscription and Subsequent Holding

Only Class A Units are currently available for subscriptions.

Unless otherwise allowed under the "Regular Savings Plan", the minimum amount of each subscription in Class A Units of the Sub-Fund shall be:

(i) RMB 10,000 for Class A – RMB Units;

(ii) HK$10,000 for Class A – HKD Units during and after the Initial Period; and

(iii) the US dollar equivalent amount of HK$10,000 for Class A – USD Units during and after the Initial Period,

in each case, inclusive of any initial charge.
Furthermore, the Manager may require a Unitholder to redeem his entire holding (instead of partial holding) of his Units of a particular class if, after redemption, the Unitholder's holding of Units in that class falls below:

(i) RMB 10,000 for Class A – RMB Units;

(ii) HK$10,000 for Class A – HKD Units; or

(iii) the US dollar equivalent amount of HK$10,000 for Class A – USD Units.

However, the Manager reserves the right to waive the minimum subscription or minimum holding requirements for any Unitholder.

Payment Procedure

Unless otherwise accepted by the Manager, payment for Units and any applicable initial charge may be made by cheque, payable to "BOCI-Prudential Asset Management Ltd – Client A/C-UTD", and crossed "A/C Payee Only, Not Negotiable" or by telegraphic transfer or bank transfer net of all bank charges (i.e. at the expense of the applicant). The account details are as follows:

(i) the account details for Class A – RMB Units:

Name: Bank of China (Hong Kong) Limited
Address: Bank of China Tower, 1 Garden Road, Hong Kong
Account: BOCI-Prudential Asset Management Ltd – Client A/C-UTD
A/C No: 012-875-9-251458-0

(ii) the account details for Class A – HKD Units:

Name: Bank of China (Hong Kong) Limited
Address: Bank of China Tower, 1 Garden Road, Hong Kong
Account: BOCI-Prudential Asset Management Ltd – Client A/C-UTD
A/C No: 012-875-0-044596-0

(iii) the account details for Class A – USD Units:

Name: Bank of China (Hong Kong) Limited
Address: Bank of China Tower, 1 Garden Road, Hong Kong
Account: BOCI-Prudential Asset Management Ltd – Client A/C-UTD
A/C No: 012-875-9-251458-0

Subscription monies must be paid in the currency of the particular class of Units being subscribed for.

Details of payments are set out in the relevant application forms.

Third party cheques and cash are not accepted. Payment for Units of the Sub-Fund shall be due (i) prior to the close of the Initial Period (for subscriptions during the Initial Period); or (ii) upon issue of the Units (for subsequent

issue). If cleared fund is not received on the relevant due date, the Manager may, without prejudice to any claim against the applicant in respect of the failure to make payment when due, determine in its discretion that the application be cancelled. In such circumstances, the relevant Units shall be deemed never to be issued. In addition to other restrictions set out in the EM, no redemption may be effected until the initial subscription has been completed.

Redemption of Units

No Unitholder shall be entitled to realise part only of his holding of Units of a particular class if:

(i) such redemption would result in his holding of Units of that class after redemption being less than:

(A) RMB 10,000 for Class A – RMB Units;
(B) HK$10,000 for Class A – HKD Units;
(C) the US dollar equivalent amount of HK$10,000 for Class A – USD Units; or

(ii) the amount of proceeds realised from that class of Units is less than:

(A) RMB 10,000 for Class A – RMB Units;
(B) HK$10,000 for Class A – HKD Units;
(C) the US dollar equivalent amount of HK$10,000 for Class A – USD Units.

However, the Manager reserves the right to waive such minimum holding and redemption requirements for any Unitholder.

A redemption request may be given to the Manager in writing by facsimile or through other authorized means as may from time to time specified by the Manager in the Manager's webpage (www.boci-pru.com.hk). Unitholders should note that applications made through such means may involve different dealing procedures, such as earlier cut-off time. As such, Unitholders who intend to redeem Units through fund distributors other than the Manager or place redemption orders through other authorized means should consult the relevant fund distributor or the Manager to find out the dealing procedures that are applicable to them.

Redemption requests in writing or by facsimile received by the Manager prior to 5:00 p.m. (Hong Kong time) on a Dealing Day will be dealt with on that Dealing Day. Redemption requests in writing or by facsimile received by the Manager after such time or on a day which is not a Dealing Day will be carried forward and dealt with on the next Dealing Day.

Redemption proceeds will be paid in the relevant currency of the particular class of Units being redeemed. However, where the Manager is unable to convert any RMB proceeds derived from realisation of RMB denominated investments to HK$ or US$ (as the case may be) as a result of the existence of any circumstance that is beyond the reasonable control of the Manager such as foreign exchange restrictions or other legal or regulatory requirements, the Manager reserves the right to pay redemption proceeds for non-RMB denominated Units in RMB.

A request for redemption once given cannot be revoked without the consent of the Manager.

The Manager may suspend the right of the Unitholders to request for the redemption of Units of any class and/or may delay the payment of any moneys in respect of any such redemption during any periods in which the determination of the Net Asset Value of the Sub-Fund relating to such class of Units is suspended. Where the market(s) in which a substantial portion of the investments of the Sub-Fund is made is subject to legal or regulatory restrictions (such as exchange control regulations which may be in force at the time) rendering the payment of redemption proceeds not practicable, payment of redemption proceeds may be delayed accordingly.

Calculation of Issue and Redemption Price

The issue and redemption prices of Class A Units of the Sub-Fund will be rounded to the 4th decimal place of the relevant currency of the relevant class Units (and in the case of 0.00005 or above of the relevant currency of that class of Units, rounded up). Any rounding as a result of determining the issue price or redemption prices shall be retained for or borne by the Sub-Fund.

Switching involving the Sub-Fund

Unitholders may (subject to any suspension in the determination of the Net Asset Value of the Sub-Fund) switch all or part of their Units of Class A – RMB Units, Class A – HKD Units or Class A - USD Units relating to the Sub-Fund into Units of any other class Units (whether in the same Sub-Fund or another Sub-Fund by giving notice in writing or by facsimile to the Manager, provided that such class of the Sub-Fund or other Sub-Fund is open for new

subscription and available for switching). Switching is subject to limitations as the Manager may from time to time impose. Where switching is between classes of Units with different currency denomination, the Manager may use the prevailing exchange rate as the Manager sees fit.

Switching requests in writing or by facsimile involving the Sub-Fund received by the Manager prior to 5:00 p.m. (Hong Kong time) on a Dealing Day will be dealt with on that Dealing Day. Switching requests in writing or by facsimile received after such time or on a day which is not a Dealing Day will be carried forward and dealt with on the next Dealing Day.

Switching requests may also be placed through other authorized fund distributors or made through other authorized means as may from time to time specified by the Manager in the Manager's webpage (www.boci-pru.com.hk). Applicants should note that applications made through such means may involve different dealing procedures, such as earlier application cut-off time. As such, applicants who intend to place switching requests through fund distributors other than the Manager or place switching orders through other authorized means should consult the relevant fund distributor or the Manager to find out the dealing procedures that are applicable to them.

Where a switching request is made by facsimile, neither the Manager nor the Trustee shall be responsible to any Unitholder for any loss resulting from the non-receipt of such switching request or illegibility of a request for switching or any amendment to a request for switching sent by facsimile.

Switching requests duly made cannot be withdrawn without the consent of the Manager.

Units shall not be converted during any period when the determination of the Net Asset Value of the Sub-Fund or the issue of Units is suspended.

Unitholders should note that unless the Manager agrees otherwise, the requirements on minimum subscription and subsequent holding and the restrictions on redemption as set out above shall be applicable in the case of switching. No switching will be made if as a result thereof a Unitholder would hold less than the minimum value of Units of any relevant class.

Regular Savings Plan

The Sub-Fund does not currently allow for participation by investors under Regular Savings Plan. The Manager will serve at least one (1) month's prior written notice to Unitholders in case there is any change to this arrangement.

Distribution Policy

In respect of the Sub-Fund, the Manager intends to declare distributions to Unitholders on a quarterly basis, by the end of March, June, September and December respectively. The quarterly distributions may not be made equally.

At least one (1) month's prior notice will be given to Unitholders if there is any change in the frequency for distributions.

The Manager will normally make distributions out of net income received or receivable by the relevant class of Units. However, in the event that the net income is insufficient to pay the distributions that it declares, the Manager may also, in its absolute discretion, determine that in relation to a particular class of Units, distributions be paid out of its capital, or the Manager may, in its discretion, pay distributions out of its gross income while charging / paying all or part of its fees and expenses to / out of its capital, resulting in an increase in distributable income for the payment of distributions by the relevant class of Units and therefore, the relevant class of Units may effectively pay distributions out of capital. This may reduce the capital that the relevant class of Units has available for investment in future and may constrain capital growth.

Investors should be aware that in circumstances where distributions are paid out of capital or effectively out of capital, this amounts to a return or withdrawal of part of the amount investors originally invested or from any capital gains attributable to that original investment. Any distributions involving payment of distributions out of capital or payment of distributions effectively out of capital (as the case may be) may result in an immediate decrease in the Net Asset Value per Unit.

The Manager has the discretion to determine if and to what extent distributions will be paid out of capital. No distributions will be paid by the relevant class of Units if the capital of such relevant class of Units is insufficient to pay the distributions.

The amount of distributions (if any) may go up or go down. The Manager has discretion as to whether or not to make any distributions for the relevant class of Units. The Manager also has the sole and absolute discretion to determine or vary the frequency, the dates and amount for distribution. However, there is no guarantee as to whether or not distributions will be made and the amount of distributions to be paid.

Investors should also note that there is no guarantee of regular distribution payments during the period investors hold the relevant class of Units.

Investors should note that the distribution amount and/or rate of a particular class of Units may be more than or less than such amount and/or rate of the other class(es) of Units due to various factors, including but not limited to short-term interest rate differentials. Furthermore, the compositions of the distributions of a particular class of Units (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital) may not be the same as that of the other class(es) of Units.

The compositions of the distributions (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital) for the last 12 months are available by the Manager on request and can be found at the Manager's website (www.boci-pru.com.hk). Information contained in the website of the Manager has not been reviewed by the SFC.

The Manager may amend the distribution policy subject to SFC's prior approval (where applicable) and normally by giving not less than one (1) month's prior notice to Unitholders.

Fees and Expenses

(i) Management Fee and Servicing Fee

The current management fee for Class A Units of the Sub-Fund is 0.75% of its Net Asset Value per annum (in which the portion of management fee for investments in cash and deposits (excluding investments in certificates of deposit and commercial papers) has been waived). The maximum management fee for Class A Units of the Sub-Fund is 2% of its Net Asset Value per annum. Both the management fee and servicing fee are calculated and accrued on each Dealing Day and are paid monthly in arrears.

No servicing fee will be levied for Class A Units.

(ii) Initial Charge, Redemption Charge and Switching Fee

A maximum initial charge of 3% of the issue price may be levied by the Manager for the issue of Class A Units of the Sub-Fund during and after the Initial Period.

No redemption charge will be levied for the redemption of Class A Units of the Sub-Fund.

The switching fee applicable to switching of Class A – RMB Units, Class A – HKD Units and Class A - USD Units of the Sub-Fund is as follows:

Applicable to Class A – RMB Units, Class A – HKD Units and Class A - USD Units	Switching Fee (express as a percentage of the issue price of the new class of Units to be issued)
Switching into Units of a sub-fund which is not a Money Market Sub-Fund	1% * (For switching between Class A – RMB Units, Class A – HKD Units and Class A – USD Units relating to the Sub-Fund or switching into Units of another sub-fund which is not a Money Market Sub-Fund as defined in the EM) Nil (For switching into Units of a Money Market Sub-Fund)

*If Units are switched from a Money Market Sub-Fund, those Units of that Money Market Sub-Fund in relation to which no initial charge has ever been levied will be redeemed first and an initial charge (instead of the 1% switching fee) will be levied in respect of such Units as a result of the switching. The initial charge to be levied will be equal to that applicable to the new Class of Units to be issued. For this purpose, Units of a Money Market Fund in relation to which no initial charge has ever been levied means those Units of the Money Market Fund (i) which were issued to the Unitholder directly as a result of a subscription received by the Manager or the Trustee; or (ii) which have not been previously switched from Units of a sub-fund which is not a Money Market Sub-Fund. In making such a determination, the Manager may make such assumptions as it considers appropriate.

The switching fee shall be deducted from the amount reinvested into the Sub-Fund relating to Units of the new class and shall be retained by or paid to the Manager for its own absolute use and benefit.

(iii) Fees payable to the Trustee

The Trustee is entitled to receive a Trustee Fee of up to 1% per annum of the Net Asset Value of the Sub-Fund. The current level of Trustee Fee is as follows:

- 0.125% per annum on the first RMB 200 million of the Net Asset Value
- 0.10% per annum on the next RMB 200 million of the Net Asset Value
- 0.0875% per annum on the remaining balance of the Net Asset Value

subject to a minimum monthly fee of the RMB 20,000.

Inception Fee payable to Trustee: up to RMB 30,000.

In addition, the Trustee is entitled to (i) transaction and processing fees (including those sub-custody transaction and safekeeping fees and charges, out-of-pocket expenses incurred by the Trustee in the performance of its duties) in accordance with its normal scales as agreed with the Manager; (ii) a termination fee upon termination of the Sub-Fund at such rates as may be agreed between the Trustee and the Manager, failing which, in accordance with the normal commercial rates of the Trustee at the time of termination (in particular, the Trustee shall be entitled to retain out of any moneys in its hands as part of the Sub-Fund being terminated full provision for all costs, charges, expenses, claims and demands incurred or made by the Trustee in connection with or arising out of the termination of the Sub-Fund and out of the moneys so retained to be indemnified against any such costs, charges, expenses, claims and demands); and (iii) such other fees as may be permitted under the Trust Deed.

Please note that the above fees and charges may also be subject to change. For details, please refer to "Charges and Expenses" on pages 55 to 61 of the EM.

(iv) Other charges and expenses

The Sub-Fund will bear the costs and expenses incurred by the Manager and the Trustee in establishing it. These costs and expenses were estimated to be approximately RMB 100,000 and had been fully amortised over its first accounting period after consultation with the auditors. The first accounting period of the Sub-Fund was from 20 March 2012 to 31 March 2013.

In addition, other charges and expenses may also be deducted from the Sub-Fund, as set out in "Other Charges and Expenses" on page 59 of the EM.

Appendix

Bond Connect

Bond Connect is a mutual bond market access scheme between Mainland China and Hong Kong. Established by the PBOC and the Hong Kong Monetary Authority ("HKMA"), Bond Connect scheme enables investors from Mainland China and overseas to trade through the connection between the relevant Mainland and Hong Kong financial infrastructure institutions, including China Foreign Exchange Trade System & National Interbank Funding Centre ("CFETS"), China Central Depository & Clearing Co., Ltd ("CCDC"), Shanghai Clearing House ("Shanghai Clearing"), and Hong Kong Exchanges and Clearing Limited and CMU. Bond Connect includes northbound trading and southbound trading. Northbound trading of Bond Connect ("Northbound Trading") commenced on 3 July 2017 and allows eligible overseas investors from Hong Kong and other regions to invest in the China interbank bond market through the Hong Kong trading platforms. Southbound trading will be explored at a later stage.

Overseas investors that satisfy the prescribed requirements are allowed to invest in bonds in the China interbank bond market through Bond Connect. Such bonds include but are not limited to Chinese government bonds, local government bonds, policy bank bonds, financial institution bonds and corporate debt instruments. Eligible overseas investors may also participate in subscription for offerings in the China interbank bond market through the Northbound Trading. There will be no investment quota for Northbound Trading. Under the Northbound Trading, eligible overseas investors are required to appoint the CFETS, the Bond Connect Company Limited or other institutions recognised by the PBOC as registration agents to apply for registration with the PBOC.

Under the prevailing regulations in Mainland China, an offshore custody agent recognised by the HKMA (currently, the CMU) shall open nominee accounts with the onshore custody agent recognised by the PBOC. All bonds traded by eligible overseas investors will be registered in the name of CMU, which shall hold such bonds as a nominee holder. Eligible overseas investors shall enjoy the legitimate rights and interests of the bonds acquired through Bond Connect as beneficial owners thereof and shall exercise such rights against the bond issuers through CMU.

Further information about Bond Connect is available online at the website:
http://www.chinabondconnect.com/en/index.htm.

BOCHK INVESTMENT FUNDS

EXPLANATORY MEMORANDUM

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31 December 2019

IMPORTANT INFORMATION FOR INVESTORS

BOCI-Prudential Asset Management Limited (the "**Manager**") accepts full responsibility for the information contained in this Explanatory Memorandum as being accurate at the date of publication and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief, as at the date of publication of this Explanatory Memorandum, there are no other facts the omission of which would make any statement misleading. However, neither the delivery of this Explanatory Memorandum or the latest available Product Key Facts Statements of the sub-funds ("the **Sub-Funds**") under the **BOCHK Investment Funds** (the "**Fund**") nor the offer or issue of units in the Fund shall under any circumstances constitute a representation that the information contained in this Explanatory Memorandum is correct as of any time subsequent to such date. This Explanatory Memorandum and the Product Key Facts Statements of the Sub-Funds may from time to time be updated. Intending applicants for units should ask the Manager if any supplements to this Explanatory Memorandum or any later Explanatory Memorandum or later Product Key Facts Statements for the Sub-Funds have been issued.

Distribution of this Explanatory Memorandum must be accompanied by a copy of the latest available Product Key Facts Statements of the Sub-Funds, the latest available annual report and accounts of the Fund and any subsequent interim report. Units are offered on the basis only of the information contained in this Explanatory Memorandum, the latest available Product Key Facts Statements of the Sub-Funds, and (where applicable) the above mentioned annual reports and accounts and interim reports. Any information given or representations made by any dealer, salesman or other person and (in either case) not contained in this Explanatory Memorandum or the latest available Product Key Facts Statements of the Sub-Funds should be regarded as unauthorised and accordingly must not be relied upon.

The Fund and the Sub-Funds have been authorised by the Securities and Futures Commission ("**SFC**") in Hong Kong. SFC authorisation is not a recommendation or endorsement of the Fund or the Sub-Funds, nor does it guarantee the commercial merits of the Fund or the Sub-Funds or their performance. It does not mean the Fund or any of the Sub-Funds is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

No action has been taken to permit an offering of units or the distribution of this Explanatory Memorandum (or any Product Key Facts Statement of the Sub-Funds) in any jurisdiction other than Hong Kong where action would be required for such purposes. Accordingly, this Explanatory Memorandum and the Product Key Facts Statements of the Sub-Funds may not be used for the purpose of an offer or solicitation in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised.

In particular:

(a) Units in the Fund have not been registered under the United States Securities Act of 1933 (as amended) and, except in a transaction which does not violate such Act, may not be directly or indirectly offered or sold in the United States of America, or any of its territories or possessions or areas subject to its jurisdiction, or for the benefit of a US Person (as defined in Regulation S under such Act).

(b) The Fund has not been and will not be registered under the United States Investment Company Act of 1940 as amended.

(c) Units in the Fund may not, except pursuant to a relevant exemption, be acquired or owned by, or acquired with the assets of an ERISA Plan. An "ERISA Plan" is any retirement plan subject to Title 1 of the United States Employee Retirement Income Securities Act of 1974, as amended; or any individual retirement account plan subject to section 4975 of the United States Internal Revenue Code of 1986, as amended.

The Manager shall have the power to impose such restrictions as the Manager may think necessary for the purpose of ensuring that no Units are acquired or held by an Unqualified Person (as defined in the "Definitions" section on page 4).

US Person restrictions

The Manager has determined that a US Person for FATCA purpose (as defined below) is not permitted to own Units.

What is Foreign Account Tax Compliance Act (FATCA)?

FATCA was enacted by the US in March 2010 aiming to combat tax evasion by US taxpayers. The intention of FATCA is to require Foreign Financial Institutions to report details of US Unitholders holding assets to the US Internal Revenue Services (the "IRS"), as a safeguard against US tax evasion. The regulations will become effective in phases commencing 1 July 2014. To discourage "Foreign Financial Institutions" ("FFIs") from

choosing to remain outside of the regulations, on or after 1 July 2014, a FFI that does not enter the relevant agreement and comply with the FATCA regulations will be subject to a US tax withholding of 30% on their income from US investments and on their gross proceeds from US investments and also potentially revenues from other non-US investments ("**FATCA Withholding**"). Through Notice 2015-66, the Department of Treasury and the IRS announced their intention to amend the regulations under chapter 4 (section 1473) to extend the start date of withholding on gross proceeds from 1 January 2017 to 1 January 2019, and to amend the regulations under chapter 4 (section 1471) to extend the start date of withholding of foreign passthru payment to provide that a participating FFI will not be required to withhold on a foreign passthru payment before the later of 1 January 2019 or the date of publication in the Federal Register of final regulations defining the term "foreign passthru payment".

Each and every Sub-Fund is a Registered Deemed Compliant FFI and therefore falls within the scope of the FATCA regulations. In order to protect Unitholders from the effect of any penalty withholding, it is the intention of all the Sub-Funds to be compliant with the FATCA regulations.

Intergovernmental Agreement ("IGA")

On 13 November 2014, the Hong Kong Government and US signed a Model 2 Intergovernmental Agreement ("IGA") for implementation of the FATCA. The Sub-Funds intend to take any measures that may be required to ensure compliance under the terms of the IGA and local implementing regulations.

Under the terms of the IGA the Sub-Funds will be obliged to comply with the provisions of FATCA and abide by the requirements provided in the FFI agreement.

In order to comply with their FATCA obligations, the Sub-Funds will be required to obtain certain information from their Unitholders so as to ascertain the US tax status of the Unitholders. If the Unitholder is a specified US person, US owned non-US entity, non-participating FFI ("NPFFI") or does not provide the requisite documentation, the Sub-Funds may need to report information on these Unitholders to the appropriate tax authority, as far as legally permitted.

Other intergovernmental agreements similar to the IGA have been entered into or are under discussion by other jurisdictions with the United States. Unitholders holding investments via distributors or custodians that are not in Hong Kong or another IGA country/region should check with such distributor or custodian as to the distributor's or custodian's intention to comply with FATCA.

Additional information may be required by the Sub-Funds, the Custodian or any other service provider from certain Unitholders in order to comply with their necessary obligations under FATCA or under an applicable IGA. The scope and application of FATCA withholding and information reporting pursuant to the terms of FATCA and the IGAs is subject to review by the US, Hong Kong and other IGA governments, and the rules may change. Unitholders should contact their own tax advisers regarding the application of FATCA to their particular circumstances. For further information of FATCA you can visit the US IRS website at www.irs.gov/FATCA.

For this purpose, a "**US Person**" ("**US Person for FATCA purpose**") is defined as follows:

1. An individual who is a citizen of the US or a resident alien for US federal income tax purposes. In general, the term "resident alien" is defined for this purpose to include any individual who (i) holds an Alien Registration Card (a "green card") issued by the US Citizenship and Immigration Service or (ii) meets a "substantial presence" test. The "substantial presence" test is generally met with respect to any calendar year if (a) the individual was present in the US on at least 31 days during such year and (b) the sum of the number of days in which such individual was present in the US during such year, 1/3 of the number of such days during the first preceding year, and 1/6 of the number of such days during the second preceding year, equals or exceeds 183 days; or

2. A corporation, an entity taxable as a corporation or a partnership created or organized in or under the laws of the US or any state or political subdivision thereof or therein, including the District of Columbia (other than a partnership that is not treated as a US person under Treasury Regulations); or

3. An estate the income of which is subject to US federal income tax regardless of the source thereof; or

4. A trust with respect to which a court within the US is able to exercise primary supervision over its administration and one or more US persons have the authority to control all of its substantial decisions, or certain electing trusts that were in existence on 20 August 1996 and were treated as domestic trusts on 19 August 1996; or

5. A Passive Non-Financial Foreign Entity ("Passive NFFE") with "substantial US owner(s)" that are "Specified US Person(s)" (within the meaning of Treasury Regulations under the FATCA as set forth in Sections 1471 through 1474 of the US Internal Revenue Code ("IRC")), where the country/region in which the relevant entity is formed or resident has not signed an IGA. A Passive NFFE is generally a

non-US and non-financial institution entity that is neither a "publicly traded corporation" nor an "active NFFE" (within the meaning of Treasury Regulations under FATCA). A substantial US owner is generally a US Person (as described above under paragraphs 1 through 4) that owns, directly or indirectly, a more-than-10 percent interest in the Passive NFFE; however there are generally a number of exemptions with specified requirements including, but not limited to, the following types of entities: i) a regularly traded corporation on an established securities market or an affiliate; ii) an organization exempt from US tax under IRC Section 501(a); iii) an IRC Section 581 US bank; and iv) an IRC Section 851 regulated investment company; or

6. A "Non-U.S. Entity" with one or more "Controlling Persons" (within the meaning of an applicable IGA) that is a US Person (as described above under paragraph 1).

All parties meeting the above definition of US Person should note the requirements of FATCA. If Unitholders are in any doubt as to their status, they should consult their financial or other professional adviser.

If, subsequent to a Unitholder's investment, the Unitholder becomes the aforementioned US Person or Unqualified Person, such Unitholder (i) will be restricted from making any additional subscriptions and (ii) as soon as practicable have its Units compulsorily redeemed (subject to the requirements of applicable law).

It should be noted that the Sub-Funds may exercise their right to:

(a) completely redeem the holding of an affected Unitholder (at any time upon any or no notice) ; or

(b) reject the investors' application; or

(c) withhold on amounts otherwise distributable to the investor; or

(d) compel the Unitholders to sell their interest

if they fail to provide the Sub-Funds with the necessary information upon request to satisfy relevant requirements under any applicable local or foreign laws and regulations issued by regulatory or governmental authorities of relevant jurisdiction, including but not limited to FATCA obligations.

To comply with FATCA, the Sub-Funds may need to disclose the name, address, taxpayer identification number and investment information relating to certain US investors who are US Persons that own, directly or indirectly, an interest in certain entities, as well as certain other information relating to such interest, to the US Internal Revenue Service (IRS).

The extent to which the Sub-Funds are able to report to the US IRS will depend on each affected Unitholder in the Sub-Funds providing the Sub-Funds or their delegate with any information and consent that the Sub-Funds determine is necessary to satisfy such obligations.

Potential applicants for units in the Fund should inform themselves as to (a) the possible tax consequences, (b) the legal requirements and (c) any foreign exchange restrictions or exchange control requirements which they might encounter under the laws of the countries / regions of their incorporation, citizenship, residence or domicile and which might be relevant to the subscription, holding or disposal of units in the Fund.

Investors should not treat the contents of this Explanatory Memorandum as advice relating to legal, taxation, investment or any other matters and are recommended to consult their own professional advisers in advance of any acquisition, holding or disposal of Units.

Investors should note that although the product offered under this Explanatory Memorandum is named "BOCHK Investment Funds", such product is not managed or administered by Bank of China (Hong Kong) Limited.

Automatic Exchange of Financial Account Information

The Inland Revenue (Amendment) (No.3) Ordinance 2016 (the "Amendment Ordinance") came into force on 30 June 2016. This is the legislative framework for the implementation in Hong Kong of the Standard for Automatic Exchange of Financial Account Information ("AEOI"). The AEOI requires reporting financial institutions ("Reporting FIs") in Hong Kong (such as the Sub-Funds) to collect information relating to non-Hong Kong tax residents holding accounts with Hong Kong based financial institutions ("FIs"), and ultimately via the Hong Kong Inland Revenue Department ("IRD"), and exchange such information with the jurisdiction(s) in which that account holder is a resident for tax purpose. Further information regarding AEOI is available on the website of the IRD (http://www.ird.gov.hk/eng/tax/dta_aeoi.htm).

Generally, tax information will be exchanged only with jurisdictions with which Hong Kong has a Competent Authority Agreement ("CAA"); however, the Sub-Funds and/or the Manager, the Trustee and their associated or

affiliated companies, connected persons, delegates, contractors, authorised agents or service providers (collectively, the "Relevant Agents") may further collect information on the tax residence of account holders (irrespective of whether or not that account holder is a reportable person) of other jurisdictions (in which a person is tax resident irrespective of whether that territory is a reportable jurisdiction).

The Sub-Funds are required to comply with the requirements of AEOI as implemented by Hong Kong, which means that the Sub-Funds and/or the Relevant Agents shall collect and provide to the IRD tax information relating to the Unitholders and prospective investors.

The AEOI rules as implemented by Hong Kong require the Sub-Funds to, amongst other things: (i) register the Sub-Funds' status as a "Reporting Financial Institution" with the IRD; (ii) conduct due diligence on its accounts (i.e. the Unitholders) to identify whether any such accounts are considered "Reportable Accounts" for AEOI purposes; and (iii) report to the IRD information on such Reportable Accounts. The IRD is expected on an annual basis commencing from the year 2018 to transmit the information reported to it to the government authorities of the relevant jurisdictions with which Hong Kong has signed a CAA. Broadly, AEOI contemplates that Hong Kong Reporting FIs should report on: (i) individuals or entities that are tax resident in a jurisdiction with which Hong Kong has signed a CAA; and (ii) certain entities controlled by individuals who are tax resident in such other jurisdiction. Under the Amendment Ordinance, details of the Unitholders, including but not limited to their name, date of birth, place of birth, address, jurisdiction of residence, Taxpayers Identification Number ("TIN") account details, account balance/value, and income or sale or redemption proceeds, may be reported to the IRD and subsequently exchanged with government authorities in the relevant jurisdictions of tax residence.

By investing in the Sub-Funds and/or continuing to invest in the Sub-Funds, the Unitholders acknowledge that they may be required to provide additional information to the Sub-Funds and/or the Relevant Agents in order for the Sub-Funds to comply with AEOI. The Unitholder's information (and information pertaining to Controlling Persons of a unitholder, as defined in the Amendment Ordinance), may be communicated by the IRD to authorities in other jurisdictions.

The failure of a unitholder to provide any requested information may result in the Manager and/or the Relevant Agents of the Fund taking any action and/or pursue remedies at their disposal including, without limitation, reporting the relevant account information of the unitholder pursuant to the AEOI rules and/or not accepting the subscription from the prospective investor.

For the purposes herein, "AEOI" includes:

(a) the Organization for Economic Co-operation and Development ("OECD") Standard for Automatic Exchange of Financial Account Information in Tax Matters – the Common Reporting Standard (the "CRS") and any associated guidance;

(b) any intergovernmental agreement, treaty, regulation, guidance, standard or other agreement between the Hong Kong government (or any government body in Hong Kong) and any other jurisdiction (including any government bodies in such jurisdiction), entered into in order to comply with, facilitate, supplement or implement the legislation, regulations, guidance or standards described in (a) above; and

(c) any legislation, regulations or guidance in Hong Kong that give effect to the matters outlined in (a) to (b) above.

Each Unitholder and prospective investor should consult its own professional advisor(s) on the administrative and substantive implications of AEOI on its current or proposed investment in the Fund and the relevant classes.

IMPORTANT: If you are in any doubt about the contents of this Explanatory Memorandum, you should seek independent professional financial advice.

Personal Data or Confidential Information

(1) Personal Data or Confidential Information (including information necessary to ascertain tax status, information for reporting of tax withholding and details of transaction) provided by a Unitholder (in any form or certification or otherwise) will be used, shared, stored, processed, transferred and disclosed (within or outside Hong Kong) so that the Relevant Agents can carry out their obligations in respect of the Fund and/or the Sub-Funds or for other purposes including but not limited to (a) processing the subscription, redemption and switching of Units in the Sub-Funds, completing the information on the Register of Unitholders, carrying out instructions or responding to Unitholders' enquiries, verifying data and providing administrative or other relevant services to the Unitholders (including the mailing of reports, notices or newsletters); (b) in compliance with any applicable law, regulation, statute, ordinance, rule, judgment, decree, code, guidelines, directive, circulars, sanctions regime, court order issued by other regulatory authorities of relevant jurisdiction, exchange or market, whether legal, regulatory, governmental, tax, law enforcement, self-regulatory, industry or others which apply in respect of the Fund and/or the Sub-Funds or the Unitholders' investments and/or bind or apply to the Relevant Agents from time to time or any agreement with any tax or fiscal authority in any jurisdiction and meeting any demands, disclosure, notification or reporting requirements to which any recipient of the data is subject

under the applicable laws and regulations, including but not limited to compliance with obligations pursuant to the FATCA, verifying the identity of a Unitholder or establishing whether a Unitholder is a US Person for the purposes of FATCA and compliance with reporting or other obligations under the IRC and the United States Treasury Regulations promulgated under the IRC or any reporting obligations imposed by the United States, Hong Kong or any other jurisdiction (including under AEOI), including reporting obligations that may be imposed by future legislation (collectively, the "Regulatory Requirements"); (c) prevention, detection, sanction or investigation of crime, fraud, money laundering, corruption, tax evasion, terrorist financing and any other violation of laws or unlawful activities and fulfilling related Regulatory Requirements; (d) enforcing or defending the rights of the Fund and/or the Sub-Funds and/or the Relevant Agents; (e) fulfilling internal operational or compliance requirements of the Relevant Agents; and (f) maintenance or continuation of overall relationship with the Unitholder.

(2) Failure to provide information may result in the Manager or the Trustee being unable to open/ maintain an account or provide/ continue to provide services to the Unitholder or taking appropriate action or reporting to the relevant authorities.

(3) Unitholder has the right to request access to and correction of any personal data or to request the personal data not to be used for direct marketing purposes. Collection and use of personal data will be subject to the terms of the Personal Data (Privacy) Ordinance of Hong Kong.

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PARTIES

Sponsor
Bank of China (Hong Kong) Limited
14/F., Bank of China Tower
1 Garden Road
Central
Hong Kong

Manager
BOCI-Prudential Asset Management Limited
27/F., Bank of China Tower
1 Garden Road
Central
Hong Kong

Trustee and Registrar
BOCI-Prudential Trustee Limited
12/F & 25/F., Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

Auditor
Ernst & Young
22/F., CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

Directors of the Manager
Wang Zhongze
Tse Yung Hoi
Lee Yui Leung
Teo Thye Peng Bernard

DEFINITIONS

"associate"	in relation to a body corporate, means an associated company as defined in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (as amended)
"AUD" and " Australian dollars"	the lawful currency of Australia
"BOCIP Asset Management Investment Funds"	a unit trust established by a trust deed dated 31 March 2010, as may be amended, modified or supplemented from time to time with BOCI-Prudential Asset Management Limited as the manager and BOCI-Prudential Trustee Limited as the trustee
"Business Day"	a day on which banks in Hong Kong are open for normal banking business (excluding Saturdays) or such other day or days as the Manager and the Trustee may agree from time to time, either generally or in relation to a particular Sub-Fund provided that if on any such day, the period during which banks in Hong Kong are open is reduced as a result of a Typhoon Signal Number 8 or above, Black Rainstorm warning or other similar event, such day shall not be a Business Day unless the Manager and the Trustee otherwise agree
"connected person"	has the meaning given to it under the UTMF Code
"CSDCC"	China Securities Depository and Clearing Corporation
"Dealing Day"	each Business Day or such Business Day or Business Days as the Manager may from time to time, with the approval of the Trustee, determine either generally or for a particular class or classes of Units, provided that if any commodities and securities markets on which all or part of the investments of any Sub-Fund are quoted, listed or dealt in are on any day not open for trading, the Manager may determine that such day shall not be a Dealing Day in relation to such Sub-Fund, and provided always that the Trustee and the Manager may adopt such other definition of "Dealing Day" for a particular Sub-Fund under the relevant notice for establishment of such Sub-Fund
"Fund"	BOCHK Investment Funds
"GBP" and "pound sterling"	the lawful currency of the United Kingdom
"HK$" and **"HK dollars"**	the lawful currency of Hong Kong
"HKEx"	Hong Kong Exchanges and Clearing Limited
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Manager"	BOCI-Prudential Asset Management Limited
"Money Market Sub-Fund(s)"	BOCHK US Dollar Money Market Fund and BOCHK HK Dollar Money Market Fund and other money market funds that have been or to be launched by the Manager under Chapter 8.2 of the UTMF Code
"NCB Investment Funds"	a unit trust established by a trust deed dated 30 May 2007, as may be amended, modified or supplemented from time to time with Nanyang Commercial Bank, Limited as the sponsor, BOCI-Prudential Asset Management Limited as the manager and BOCI-Prudential Trustee Limited as the trustee
"**PRC**"	means the People's Republic of China
"**Renminbi**" or "**RMB**"	Offshore Renminbi ("CNH"), the lawful currency traded primarily in Hong Kong

"SEHK"	The Stock Exchange of Hong Kong Limited
"SFC"	the Securities and Futures Commission of Hong Kong
"Shanghai-Hong Kong Stock Connect"	means the securities trading and clearing linked program with an aim to achieve mutual stock market access between Mainland China and Hong Kong developed by SEHK, SSE, CSDCC and HKSCC, pursuant to the relevant PRC and Hong Kong regulations (as amended from time to time). Under the Northbound Trading Link of Shanghai-Hong Kong Stock Connect, investors, through their appointed Hong Kong brokers and a securities trading service company to be established by SEHK in Shanghai, may be able to trade SSE Securities by routing orders to SSE. Further information about Shanghai-Hong Kong Stock Connect is available online at the website: http://www.hkex.com.hk/eng/csm/chinaConnect.asp?LangCode=en
"Shenzhen-Hong Kong Stock Connect"	means the securities trading and clearing linked program with an aim to achieve mutual stock market access between Mainland China and Hong Kong established by SEHK, SZSE, CSDCC and HKSCC, pursuant to the relevant PRC and Hong Kong regulations (as amended from time to time). Under the Northbound Trading Link of Shenzhen-Hong Kong Stock Connect, investors, through their appointed Hong Kong brokers and a securities trading service company to be established by SEHK in Shenzhen, may be able to trade SZSE Securities by routing orders to SZSE. Further information about Shenzhen-Hong Kong Stock Connect is available online at the website: http://www.hkex.com.hk/eng/csm/chinaConnect.asp?LangCode=en
"SSE"	Shanghai Stock Exchange
"SSE Securities"	mean certain eligible shares listed on the SSE that are eligible for investment by Hong Kong and overseas investors via Shanghai-Hong Kong Stock Connect by routing orders to SSE. Currently, such eligible shares include all the constituent stocks from time to time of the SSE 180 Index and the SSE 380 Index, and all the SSE-listed A shares that are not included as constituent stocks of the relevant indices but which have corresponding H shares listed on SEHK, except the following: (a) SSE-listed shares which are not traded in RMB; and (b) SSE-listed shares which are under risk alert. Latest information about SSE Securities is available at the website: http://www.hkex.com.hk/eng/market/sec_tradinfra/chinaconnect/Eligiblestock.htm
"Sponsor"	Bank of China (Hong Kong) Limited
"Sub-Fund"	a separate pool of assets of the Fund, which is invested and administered separately from other assets of the Fund
"SZSE"	Shenzhen Stock Exchange
"SZSE Securities"	mean certain eligible shares listed on SZSE that are eligible for investment by Hong Kong and overseas investors via Shenzhen-Hong Kong Stock Connect by routing orders to SZSE. Currently, such eligible shares include all the constituent stocks from time to time of the SZSE Component Index and the SZSE Small/Mid Cap Innovation Index which have a market capitalization of not less than RMB 6 billion, and all the SZSE-listed A shares which have corresponding H shares listed on SEHK, except the following: (a) SZSE-listed shares which are not traded in RMB; and (b) SZSE-listed shares which are under risk alert or under delisting arrangement. Latest information about SZSE Securities is available at the website: http://www.hkex.com.hk/eng/market/sec_tradinfra/chinaconnect/Eligiblestock.htm

"Trust Deed"	the trust deed dated 28th June 2002 establishing the Fund as amended, modified or supplemented from time to time
"Trustee"	BOCI-Prudential Trustee Limited or such other person (or persons) who for the time being is duly appointed to be trustee (or trustees) of the Fund and the Sub-Funds thereunder
"Unit"	means such number of undivided shares or such fraction of an undivided share of the Sub-Fund to which a Unit relates as is represented by a Unit of the relevant class, and except where used in relation to a particular class of Unit, a reference to Units means and includes Units of all classes. The number of undivided shares represented by each class of Units in a Sub-Fund is adjusted to take account of the different levels of fees borne by each class
"Unitholder"	a registered holder of Units
"Unqualified Person"	means: (a) a person who by virtue of any law or requirement of any country/region or governmental authority is not qualified to hold a Unit or who would be in breach of any such law or regulation in acquiring or holding a Unit or if, in the opinion of the Manager, the holding of a Unit by such person might result in the Fund incurring any liability to taxation or suffering a pecuniary disadvantage which the Fund might not otherwise have incurred or suffered, or might result in the Fund, the Manager or the Trustee or any of their connected persons being exposed to any liability, penalty or regulatory action; or (b) any person if the holding of a Unit by such person might, due to any circumstances whether directly affecting such person and whether relating to such person alone or to any other person in conjunction therewith (whether such persons are connected or not), in the opinion of the Manager, result in the Fund incurring any liability to taxation or suffering a pecuniary disadvantage which the Fund might not otherwise have incurred or suffered, or in the Fund, the Manager or the Trustee or any of their connected persons being exposed to any liability, penalty or regulatory action.
"US$" , "USD" and **"US dollars"**	the lawful currency of the United States of America
"UTMF Code"	the SFC's Code on Unit Trusts and Mutual Funds, as amended from time to time

The BOCHK Investment Funds is a unit trust established by a trust deed dated 28th June 2002, as amended, modified or supplemented from time to time with Bank of China (Hong Kong) Limited as the sponsor, BOCI-Prudential Asset Management Limited as the manager and BOCI-Prudential Trustee Limited as the trustee of the Fund. It is established under and governed by the laws of Hong Kong.

The Fund is an umbrella fund under which the following Sub-Funds were initially launched:

(i) BOCHK Aggressive Growth Fund
(ii) BOCHK Balanced Growth Fund
(iii) BOCHK Conservative Growth Fund
(iv) BOCHK China Income Fund
(v) BOCHK Hong Kong Income Fund
(vi) BOCHK Hong Kong Dollar Income Fund
(vii) BOCHK Australia Income Fund
(viii) BOCHK Sterling Income Fund
(ix) BOCHK Asia Pacific Equity Income Fund
(x) BOCHK Asia Pacific Equity Fund
(xi) BOCHK Asia Pacific Property Fund
(xii) BOCHK China Equity Fund
(xiii) BOCHK China Golden Dragon Fund
(xiv) BOCHK China Consumption Growth Fund
(xv) BOCHK Hong Kong Equity Fund

(xvi) BOCHK Japan Equity Fund
(xvii) BOCHK Global Equity Fund
(xviii) BOCHK Global Bond Fund
(xix) BOCHK HK Dollar Money Market Fund
(xx) BOCHK US Dollar Money Market Fund

Only Class A Units are available currently in relation to each Sub-Fund. The Manager may in future launch other new Sub-Funds or determine to issue additional classes of Units in relation to each Sub-Fund.

INVESTMENT OBJECTIVES AND POLICIES

Each Sub-Fund has a separate and distinct investment objective and policy, as described below.

(i) *BOCHK Aggressive Growth Fund*

The BOCHK Aggressive Growth Fund seeks to maximize long-term capital appreciation. The Manager will implement the investment policy by investing at least 70% of its non-cash assets in a combination of sub-funds which may from time to time be made available for investment under the BOCHK Investment Funds, the BOCIP Asset Management Investment Funds, the NCB Investment Funds and/or sub-funds of other collective investment schemes managed by the Manager which are authorised by the SFC.

Under normal circumstances, the BOCHK Aggressive Growth Fund is expected to invest, through the relevant underlying funds, a substantial portion of assets in global equities, including but not limited to equities listed or quoted in the United States, Europe, Japan, Hong Kong and other major Asian markets; and the balance in global bonds with exposure to the currencies of the United States, Europe and other countries.

The BOCHK Aggressive Growth Fund may also invest, through the relevant underlying funds, in other types of investments, including, but not limited to money market instruments.

The Sub-Fund may use financial derivative instruments for the purpose of hedging.

(ii) *BOCHK Balanced Growth Fund*

The BOCHK Balanced Growth Fund seeks to achieve balanced long-term capital growth. The Manager will implement the investment policy by investing at least 70% of its non-cash assets in a combination of sub-funds which may from time to time be made available for investment under the BOCHK Investment Funds, the BOCIP Asset Management Investment Funds, the NCB Investment Funds and/or sub-funds of other collective investment schemes managed by the Manager which are authorised by the SFC.

Under normal circumstances, the BOCHK Balanced Growth Fund is expected to invest, through the relevant underlying funds, in a balanced mix of global equities, including but not limited to equities listed or quoted in the United States, Europe, Japan, Hong Kong and other major Asian markets and global bonds with exposure to the currencies of the United States, Europe and other countries.

The BOCHK Balanced Growth Fund may also invest, through the relevant underlying funds, in other types of investments, including, but not limited to money market instruments.

The Sub-Fund may use financial derivative instruments for the purpose of hedging.

(iii) *BOCHK Conservative Growth Fund*

The BOCHK Conservative Growth Fund seeks to provide the opportunity for conservative long-term capital growth. The Manager will implement the investment policy by investing at least 70% of its non-cash assets in a combination of sub-funds which may from time to time be made available for investment under the BOCHK Investment Funds, the BOCIP Asset Management Investment Funds, or the NCB Investment Funds and/or sub-funds of other collective investment schemes managed by the Manager which are authorized by the SFC. The Manager will make the investment in a conservative manner to reduce the risk of capital losses.

Under normal circumstances, the BOCHK Conservative Growth Fund is expected to invest, through the relevant underlying funds, a substantial portion of its assets in global bonds with exposure to the currencies of the United States, Europe and other countries; and the balance in global equities, including but not limited to equities listed or quoted in the United States, Europe, Japan, Hong Kong and other major Asian markets.

The BOCHK Conservative Growth Fund may also invest, through the relevant underlying funds, in other types of investments, including, but not limited to money market instruments.

The Sub-Fund may use financial derivative instruments for the purpose of hedging.

(iv) *BOCHK China Income Fund*

The BOCHK China Income Fund seeks to provide investors with stable income and medium-to-long term capital appreciation by investing primarily (at least 70% of its non-cash assets) in equities and equity related securities and investment grade bonds (rated Baa3 or better by Moody's or other credit rating agency of similar standing) that are listed or quoted in the PRC and Hong Kong.

The Sub-Fund may invest not more than 30% of its Net Asset Value in debt instruments with loss-absorption features ("LAP") including (i) non-preferred senior debt instruments or external LAC debt instruments or total loss-absorbing capacity debt instruments ("TLAC") or Tier 3 debt instruments; and (ii) Tier 2 and additional Tier 1 debt securities which include contingent convertible debt securities. These instruments may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger event(s).

Money market instruments will be used for temporary liquidity management purposes.

The Sub-Fund may invest (a) up to 20% of its Net Asset Value in A shares ((i) directly through Shanghai-Hong Kong Stock Connect and/or Shenzhen-Hong Kong Stock Connect; and/or (ii) indirectly through investment in exchange traded funds ("ETFs") listed on the Stock Exchange of Hong Kong Limited ("SEHK") (including ETFs managed by the Manager) and/or SFC authorised collective investment schemes ("CISs") (including CISs managed by the Manager)); and/or (b) up to 15% of its Net Asset Value in B shares listed on the stock exchanges in Mainland China.

The Sub-Fund's investment in each ETF will not exceed 10% of its Net Asset Value.

The Sub-Fund may also invest in other PRC-related securities listed or quoted outside Mainland China and Hong Kong. These securities may be listed on various stock exchanges including but not limited to stock exchanges in the United States, London or Singapore, such as ADRs (American depository receipts) and GDRs (global depository receipts).

The Manager will also apply active asset allocation strategy between equities and bonds in order to achieve medium-to-long term capital appreciation. Depending on the market conditions, the Manager may vary the asset allocation of the BOCHK China Income Fund.

Investors should note that the BOCHK China Income Fund will not invest in non-investment grade bonds.

(v) *BOCHK Hong Kong Income Fund*

The BOCHK Hong Kong Income Fund seeks to provide investors with stable income and medium-to-long term capital appreciation by investing primarily (at least 70% of its non-cash assets) in equities and equity related securities (including ETFs) and investment grade bonds (rated Baa3 or better by Moody's or other credit rating agency of similar standing) that are listed or quoted in Hong Kong.

The Sub-Fund may invest not more than 30% of its Net Asset Value in LAP including (i) non-preferred senior debt instruments or external LAC debt instruments or TLAC or Tier 3 debt instruments; and (ii) Tier 2 and additional Tier 1 debt securities which include contingent convertible debt securities. These instruments may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger event(s).

The Sub-Fund's investment in each ETF will not exceed 10% of its Net Asset Value.

The Sub-Fund may also invest in other equity related securities listed or quoted outside Hong Kong. These securities may be listed on various stock exchanges including but not limited to stock exchanges in the United States, London or Singapore, such as ADRs (American depository receipts) and GDRs (global depository receipts).

Money market instruments will be used for temporary liquidity management purposes.

The Manager will also apply active asset allocation strategy between equities and bonds in order to achieve medium-to-long term capital appreciation. Depending on the market conditions, the Manager may vary the asset allocation of the BOCHK Hong Kong Income Fund.

Investors should note that the BOCHK Hong Kong Income Fund will not invest in non-investment grade bonds.

(vi) *BOCHK Hong Kong Dollar Income Fund*

The BOCHK Hong Kong Dollar Income Fund is an income fund which seeks to provide a stable income stream and long-term capital appreciation through investing at least 70% of its non-cash assets in a portfolio which mainly consists of Hong Kong dollar denominated investment grade (rated Baa3 or better by Moody's or other credit rating agency of similar standing) bonds.

The Sub-Fund may invest not more than 30% of its Net Asset Value in LAP including (i) non-preferred senior debt instruments or external LAC debt instruments or TLAC or Tier 3 debt instruments; and (ii) Tier 2 and additional Tier 1 debt securities which include contingent convertible debt securities. These instruments may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger event(s).

This Sub-Fund may employ a portion of its assets in futures contracts, options or forward currency transactions for the purposes of efficient portfolio management and hedging against exchange rate risk. The Sub-Fund will not be engaged in any securities lending activities.

(vii) *BOCHK Australia Income Fund*

The BOCHK Australia Income Fund seeks to provide investors with stable income and medium-to-long term capital appreciation through investing primarily (at least 70% of its non-cash assets) in equities listed and quoted in Australia, interests in real estate investment trusts listed in Australia and interest rate products (primarily in bonds) denominated in Australian dollars.

The Sub-Fund may invest not more than 30% of its NAV in LAP including (i) non-preferred senior debt instruments or external LAC debt instruments or TLAC or Tier 3 debt instruments; and (ii) Tier 2 and additional Tier 1 debt securities which include contingent convertible debt securities. These instruments may be subject to contingent write down or contingent conversion to ordinary shares on the occurrence of trigger event(s).

Money market instruments will be used for temporary liquidity management purposes. The Manager will also apply active asset allocation strategy between equities, listed real estate investment trusts and interest rate products in order to achieve medium-to-long term capital appreciation. Depending on market conditions, the Manager may at its sole discretion vary the asset allocation of the BOCHK Australia Income Fund. The BOCHK Australia Income Fund may employ a minor portion of its assets in futures contracts, options, forward currency transactions or interest rate swaps for hedging purposes.

(viii) *BOCHK Sterling Income Fund*

The BOCHK Sterling Income Fund seeks to generate stable income and capture medium to long-term capital appreciation opportunities through investing primarily (at least 70% of its non-cash assets) in equities listed and quoted in the United Kingdom and fixed income securities which are mainly denominated in sterling. Fixed income securities purchased will predominantly be bond investments. Investment may include floating rate notes, callable bonds, convertible bonds, gilt-edged securities (i.e. British and Irish government securities) and other debt or fixed income instruments.

The Sub-Fund may invest not more than 30% of its Net Asset Value in LAP including (i) non-preferred senior debt instruments or external LAC debt instruments or TLAC or Tier 3 debt instruments; and (ii) Tier 2 and additional Tier 1 debt securities which include contingent convertible debt securities. These instruments may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger event(s).

Money market instruments may be used for temporary liquidity management purposes. The Manager may also invest in interests in real estate investment trusts listed in the United Kingdom. The Manager will apply active asset allocation strategy between equities, interest rate products and other investments. Depending on market conditions, the Manager may at its sole discretion vary the asset allocation of this Sub-Fund. This Sub-Fund may employ a minor portion of its assets in futures contracts, options, forward currency transactions or interest rate swaps for the purposes of efficient portfolio management and hedging purposes.

(ix) *BOCHK Asia Pacific Equity Income Fund*

The BOCHK Asia Pacific Equity Income Fund is an equity fund which seeks to generate stable income and capture medium-to-long term capital appreciation opportunities through active asset allocation strategies. This Sub-Fund will invest at least 70% of its non-cash assets in a diversified portfolio of securities (including warrants and convertible securities) traded on the various stock markets in Asia Pacific including, but not limited to, those stock markets in countries or regions such as Australia and New Zealand, Mainland China, Hong Kong, South Korea, Singapore, Malaysia and Taiwan etc.. The Manager has no current intention to invest in Japan but may do so in the future if suitable investment opportunities arise. Access to individual markets may be made by investing in companies based in non-Asian Pacific jurisdictions but which invest or operate in Asia Pacific.

The Sub-Fund may invest (a) up to 10% of its Net Asset Value in A shares ((i) directly through the Shanghai-Hong Kong Stock Connect and/or Shenzhen-Hong Kong Stock Connect; and/or (ii) indirectly through investment in ETFs listed on the Stock Exchange of Hong Kong Limited (including ETFs managed by the Manager) and/or SFC authorised CISs (including CISs managed by the Manager)); and/or (b) up to 5% of its Net Asset Value in B shares listed on the stock exchanges in Mainland China.

The Sub-Fund's aggregate exposure to A shares and B shares will not exceed 10% of its Net Asset Value.

The Sub-Fund may also invest in other equity related securities such as ADRs (American depository receipts) and GDRs (global depository receipts) which may be listed on various stock exchanges.

Cash or debt securities may be considered when appropriate.

This Sub-Fund may employ a portion of its assets in future contracts, options or forward currency transactions for the purposes of efficient portfolio management and hedging against exchange rate risk.

(x) *BOCHK Asia Pacific Equity Fund*

The BOCHK Asia Pacific Equity Fund is an equity fund that seeks to provide long- term capital growth by investing at least 70% of its non-cash assets in equities (including warrants and convertible securities) on the various stock markets in Asia Pacific including, but not limited to, those stock markets in countries or regions such as Australia and New Zealand, Mainland China, Hong Kong, South Korea, Singapore, Malaysia and Taiwan etc.. Access to individual markets may be made by investing in companies based in non-Asian Pacific jurisdictions but which invest or operate in Asia Pacific. It is intended that this Sub-Fund will not invest in equities in Japan.

The Sub-Fund may invest (a) up to 10% of its Net Asset Value in A shares ((i) directly through the Shanghai-Hong Kong Stock Connect and/or Shenzhen-Hong Kong Stock Connect; and/or (ii) indirectly through investment in ETFs listed on the Stock Exchange of Hong Kong Limited (including ETFs managed by the Manager) and/or SFC authorised CISs (including CISs managed by the Manager)); and/or (b) up to 5% of its Net Asset Value in B shares listed on the stock exchanges in Mainland China.

The Sub-Fund's aggregate exposure to A shares and B shares will not exceed 10% of its Net Asset Value.

The Sub-Fund may also invest in other equity related securities such as ADRs (American depository receipts) and GDRs (global depository receipts) which may be listed on various stock exchanges.

Cash and debt securities may be considered when appropriate.

This Sub-Fund may employ a portion of its assets in futures contracts, options or forward currency transactions for the purposes of efficient portfolio management and hedging against exchange rate risk.

(xi) *BOCHK Asia Pacific Property Fund*

The BOCHK Asia Pacific Property Fund seeks to capture medium to long-term capital appreciation opportunities through active management. This Sub-Fund will primarily (at least 70% of its non-cash assets) invest in a diversified portfolio of property-related investment instruments in the Asia Pacific region, including but not limited to countries or regions such as Australia and New Zealand, Mainland China, Hong Kong, India, Japan, South Korea, Singapore, Malaysia, Taiwan, Thailand, Philippines and Indonesia etc.. The property-related investment instruments include but not limited to equity securities of companies listed on stock exchanges that are primarily engaged in or related to the ownership, management, development, construction and/or engineering of real estate situated in the Asia Pacific region, real estate investment trusts ("REITs") listed in the Asia Pacific region, debt papers, property

funds or pre-IPO property stocks. Access to individual markets may be made by investing in companies based in non-Asian Pacific jurisdictions but which invest or operate in Asia Pacific. The Sub-Fund will not invest in real estate property directly.

The Sub-Fund may invest (a) up to 10% of its Net Asset Value in A shares ((i) directly through Shanghai-Hong Kong Stock Connect and/or Shenzhen-Hong Kong Stock Connect; and/or (ii) indirectly through investment in ETFs listed on the SEHK (including ETFs managed by the Manager) and/or SFC authorised CISs (including CISs managed by the Manager)); and/or (b) up to 5% of its Net Asset Value in B shares listed on the stock exchanges in Mainland China.

The Sub-Fund's aggregate exposure to A shares and B shares will not exceed 10% of its Net Asset Value.

The Sub-Fund may also invest in other equity related securities such as ADRs (American depository receipts) and GDRs (global depository receipts) which may be listed on various stock exchanges.

Money market assets, cash or debt securities may be considered when appropriate.

This Sub-Fund may employ a portion of its assets in futures contracts, options or forward currency transactions for the purposes of efficient portfolio management and hedging against exchange rate risk.

The Sub-Fund is not authorized by the SFC under the Code on Real Estate Investment Trusts.

(xii) *BOCHK China Equity Fund*

The BOCHK China Equity Fund is an equity fund which aims to provide investors with long-term capital growth through investment mainly (at least 70% of its non-cash assets) in the listed equities and equity related securities (including warrants and convertible securities) of companies whose activities are closely related to the economic development and growth of the economy of the PRC.

Cash and debt securities may be considered when appropriate.

The Sub-Fund will mainly invest in Hong Kong-listed stocks, H shares, shares of red-chip companies (directly and/or indirectly through investments in SFC authorised collective investment schemes ("CISs") (including CISs managed by the Manager)) and/or exchange traded funds ("ETFs") listed on the Stock Exchange of Hong Kong Limited ("SEHK") (including ETFs managed by the Manager).

The Sub-Fund may also invest (a) up to 20% of its Net Asset Value in A shares ((i) directly through the Shanghai-Hong Kong Stock Connect and/or Shenzhen-Hong Kong Stock Connect; and/or (ii) indirectly through investment in equity linked instruments ("ELIs") (which may take the form of notes, contracts or other structures) issued by institutions or their affiliates with qualified foreign institutional investors ("QFII") status in the PRC, ETFs listed on the SEHK (including ETFs managed by the Manager) and/or SFC authorised CISs (including CISs managed by the Manager)); and/or (b) up to 15% of its Net Asset Value in B shares listed on the stock exchanges in Mainland China.

Under the prevailing investment regulations of the PRC, foreign institutional investors (such as the Manager) who wish to invest directly in the A shares market must obtain the QFII or RMB qualified foreign institutional investors ("RQFII") status in the PRC. A shares are also available for investment by Hong Kong and overseas investors via Shanghai-Hong Kong Stock Connect and/or Shenzhen-Hong Kong Stock Connect. It is expected that investment of the Sub-Fund in A shares will be made directly through the Shanghai-Hong Kong Stock Connect and/or Shenzhen-Hong Kong Stock Connect and/or indirectly through ELIs, ETFs or SFC authorised CISs. For investment in ELIs, such ELIs will be held by the Trustee of the Sub-Fund and will be linked to one or a basket of A shares. The ELIs are expected to be quoted on Bloomberg or Reuters and will be issued by institutions or their affiliates with QFII status. If the Sub-Fund invests in ELIs which are not listed or quoted or dealt in on a market (market means any stock exchange, over-the-counter ("OTC") market or other organized securities market that is open to the international public and on which such securities are regularly traded), the Sub-Fund's investment therein will not exceed 15% of its latest available Net Asset Value.

Investment in A shares may also be made indirectly through ETFs listed on SEHK. The Sub-Fund's investment in each ETF will not exceed 10% of its Net Asset Value.

The aggregate exposure to the A shares and B shares market will not exceed 20% of the Sub-Fund's Net Asset Value.

Investors should take note that the Manager may change the above investment limit if it considers appropriate after taking into account the prevailing market conditions.

The Sub-Fund may also invest in other PRC-related securities listed or quoted outside Mainland China and Hong Kong if such securities are issued by companies which are related to the economic growth or development of the PRC. These securities may be listed on various stock exchanges including but not limited to stock exchanges in the United States, London or Singapore, such as ADRs (American depository receipts) and GDRs (global depository receipts).

This Sub-Fund may employ a portion of its assets in futures contracts, options or forward currency transactions for the purposes of efficient portfolio management and hedging against exchange rate risk.

(xiii) *BOCHK China Golden Dragon Fund*

The BOCHK China Golden Dragon Fund seeks to provide investors with capital growth by investing in securities issued by or linked to companies which are related to the economy of the PRC.

The Sub-Fund may invest in A shares ((i) directly through the Shanghai-Hong Kong Stock Connect and/or Shenzhen-Hong Kong Stock Connect; and/or (ii) indirectly through investment in ELIs (which may take the form of notes, contracts or other structures) issued by institutions or their affiliates with QFII status in the PRC, ETFs listed on the SEHK (including ETFs managed by the Manager) and/or SFC authorised CISs (including CISs managed by the Manager)), Hong Kong-listed stock, H shares and/or shares of red-chip companies (directly and/or indirectly through investments in SFC authorised CISs (including CISs managed by the Manager)) and/or ETFs (including ETFs managed by the Manager) listed on the SEHK. The Sub-Fund may also invest in B shares listed on the stock exchanges in Mainland China.

The Sub-Fund may also invest in other PRC-related securities listed or quoted outside Mainland China and Hong Kong if such securities are issued by companies which are related to the economy of the PRC. These securities may be listed on the stock exchanges in New York, London or Singapore, such as ADRs (American depository receipts) and GDRs (global depository receipts).

The Manager may also hold cash, deposits, certificates of deposit, treasury bills, or other instruments for the account of the Sub-Fund. The Manager expects that at least 70% of the non-cash assets of the Sub-Fund will be invested in the PRC-related securities.

Under the prevailing investment regulations of the PRC, foreign institutional investors (such as the Manager) who wish to invest directly in the A share market must obtain the QFII or RMB qualified foreign institutional investors (RQFII) status in the PRC. A shares are also available for investment by Hong Kong and overseas investors via Shanghai-Hong Kong Stock Connect and/or Shenzhen-Hong Kong Stock Connect. It is expected that investment of the Sub-Fund in A shares will be made directly through the Shanghai-Hong Kong Stock Connect and/or Shenzhen-Hong Kong Stock Connect and/or indirectly through ELIs, ETFs or SFC authorised CISs. For investment in ELIs, such ELIs will be held by the Trustee of the Sub-Fund and will be linked to one or a basket of A shares. The ELIs are expected to be quoted on Bloomberg or Reuters or other similar quotation systems and will be issued by institutions or their affiliates with QFII status. If the Sub-Fund invests in ELIs which are not listed or quoted or dealt in on a market (market means any stock exchange, over-the-counter ("OTC") market or other organized securities market that is open to the international public and on which such securities are regularly traded), the Sub-Fund's investment therein will not exceed 15% of its latest available Net Asset Value.

Investment in A shares may also be made indirectly through ETFs listed on SEHK. The Sub-Fund's investment in each ETF will not exceed 10% of its Net Asset Value.

The Manager intends that the aggregate investment made by BOCHK China Golden Dragon Fund in the A share market through the Shanghai-Hong Kong Stock Connect and/or Shenzhen-Hong Kong Stock Connect, ELIs, ETFs and/or SFC authorised CISs will not exceed 60% of the Sub-Fund's Net Asset Value. The Sub-Fund's exposure to B shares market will not exceed 15% of its Net Asset Value.

Investors should note that the Manager may change the above investment limit if it considers appropriate after taking into account the prevailing market conditions.

(xiv) *BOCHK China Consumption Growth Fund*

The BOCHK China Consumption Growth Fund seeks to provide investors with long-term capital growth by investing primarily (at least 70% of its non-cash assets) in listed equities or equity-related securities (including warrants and convertible securities) issued by or linked to companies which activities relate to or benefit from growth in domestic consumption in Hong Kong and/or Mainland China. Such companies are principally engaged in the manufacture, sale, provision or distribution of goods and/or services to consumers.

The Sub-Fund may generally invest in all consumer staples, consumer discretionary sectors and consumer-oriented industries, which may include information technology, industrials, insurance, financials, food, beverages, personal products, materials, energy, utilities, travel, hotels, resorts, media, telecommunications and health care sectors etc..

The Sub-Fund will mainly invest in Hong Kong-listed stocks, H shares, shares of red-chip companies (directly and/or indirectly through investments in SFC authorised CISs (including CISs managed by the Manager)) and/or ETFs listed on the SEHK (including ETFs managed by the Manager).

The Sub-Fund may also invest (a) up to 20% of its Net Asset Value in A shares ((i) directly through the Shanghai-Hong Kong Stock Connect and/or Shenzhen-Hong Kong Stock Connect; and/or (ii) indirectly through investments in ELIs (which may take the form of notes, contracts or other structures) issued by institutions or their affiliates with the QFII status in the PRC, ETFs listed on the SEHK (including ETFs managed by the Manager) and/or SFC authorised CISs (including CISs managed by the Manager)); and/or (b) up to 15% of its Net Asset Value in B shares listed on the stock exchanges in Mainland China.

The Sub-Fund may also invest in other PRC related securities listed or quoted outside Mainland China and Hong Kong if such securities are issued by companies which are related to the PRC's consumption sector. These securities may be listed on the stock exchanges in New York, London or Singapore, such as ADRs (American depository receipts) and GDRs (global depository receipts) and may be invested by the Sub-Fund directly and/or indirectly through investments in SFC authorised CISs (including CISs managed by the Manager).

Under the prevailing investment regulations of the PRC, foreign institutional investors (such as the Manager) who wish to invest directly in the A share market must obtain the QFII or RQFII status in the PRC. A shares are also available for investment by Hong Kong and overseas investors via Shanghai-Hong Kong Stock Connect and/or Shenzhen-Hong Kong Stock Connect. It is expected that investment of the Sub-Fund in A shares will be made directly through the Shanghai-Hong Kong Stock Connect and/or Shenzhen-Hong Kong Stock Connect and/or indirectly through ELIs, ETFs or SFC authorized CISs. For investment in ELIs, such ELIs will be held by the Trustee of the Sub-Fund and will be linked to one or a basket of A shares. The ELIs are expected to be quoted on Bloomberg or Reuters or other similar quotation systems and will be issued by institutions or their affiliates with QFII status. If the Sub-Fund invests in ELIs which are not listed or quoted or dealt in on a market (market means any stock exchange, OTC market or other organized securities market that is open to the international public and on which such securities are regularly traded), the Sub-Fund's investment therein will not exceed 15% of its latest available Net Asset Value.

Investment in A shares may also be made indirectly through ETFs listed on SEHK. The Sub-Fund's investment in each ETF will not exceed 10% of its Net Asset Value.

The aggregate exposure to the A shares and B shares market will not exceed 20% of the Sub-Fund's Net Asset Value.

Investors should take note that the Manager may change the above investment limit if it considers appropriate after taking into account the prevailing market conditions.

The Manager may also invest in convertible bonds, pre-IPO stocks of companies which are related to the consumer sector industry of the PRC and may hold cash, deposits, certificates of deposit, treasury bills, debt securities or other instruments for the account of the Sub-Fund. This Sub-Fund may employ a portion of its assets in futures contracts, options or forward currency transactions for the purposes of efficient portfolio management and hedging against exchange rate risk.

(xv) *BOCHK Hong Kong Equity Fund*

The BOCHK Hong Kong Equity Fund is an equity fund which aims to provide investors with long-term capital growth through investing mainly (at least 70% of its non-cash assets) in the listed equities and equity related securities (including warrants and convertible securities) of companies operating principally in Hong Kong, or linked either directly or indirectly to the Hong Kong economy.

Cash and debt securities may be considered when appropriate.

This Sub-Fund may employ a portion of its assets in futures contracts, options or forward currency transactions for the purposes of efficient portfolio management and hedging against exchange rate risk. The Sub-Fund will not be engaged in any securities lending activities.

(xvi) *BOCHK Japan Equity Fund*

The BOCHK Japan Equity Fund seeks to provide investors with long-term capital growth through investing primarily (at least 70% of its non-cash assets) in listed equities and equity related securities (including warrants, convertible securities, ADRs (American depository receipts) and GDRs (global depository receipts)) of companies whose activities are closely related to the economic development and growth of the Japan economy. Such equities and equity related securities may be listed on various stock exchanges in Japan, the United States, London or Singapore. Cash and debt securities may be considered when appropriate. The BOCHK Japan Equity Fund may employ a minor portion of its assets in future contracts, options or forward currency transactions for hedging against exchange rate risks.

(xvii) *BOCHK Global Equity Fund*

The BOCHK Global Equity Fund is an equity fund which aims to achieve long-term capital growth by investing mainly (at least 70% of its non-cash assets) in major global stock markets, including but not limited to the United States, the United Kingdom, Germany, France and Japan. This Sub-Fund invests in equities and equity related securities, including warrants and convertible securities.

The Sub-Fund may invest (a) up to 10% of its Net Asset Value in A shares ((i) directly through the Shanghai-Hong Kong Stock Connect and/or Shenzhen-Hong Kong Stock Connect; and/or (ii) indirectly through investment in ETFs listed on the Stock Exchange of Hong Kong Limited (including ETFs managed by the Manager) and/or SFC authorised CISs (including CISs managed by the Manager)); and/or (b) up to 5% of its Net Asset Value in B shares listed on the stock exchanges in Mainland China.

The Sub-Fund's aggregate exposure to A shares and B shares will not exceed 10% of its Net Asset Value.

The Sub-Fund may also invest in other equity related securities such as ADRs (American depository receipts) and GDRs (global depository receipts) which may be listed on various stock exchanges.

Cash and fixed interest securities may be considered when appropriate.

This Sub-Fund may employ a portion of its assets in futures contracts, options or forward currency transactions for the purposes of efficient portfolio management and hedging against exchange rate risk. The Sub-Fund will not be engaged in any securities lending activities.

(xviii) *BOCHK Global Bond Fund*

The BOCHK Global Bond Fund is a bond fund that seeks to provide a stable income stream and long-term capital appreciation through investing at least 70% of its non-cash assets in a portfolio in bonds denominated in various major world currencies. Major world currencies include but are not limited to US Dollar, British Sterling, Euro and Japanese Yen.

The Sub-Fund may invest not more than 30% of its Net Asset Value in LAP including (i) non-preferred senior debt instruments or external LAC debt instruments or TLAC or Tier 3 debt instruments; and (ii) Tier 2 and additional Tier 1 debt securities which include contingent convertible debt securities. These instruments may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger event(s).

This Sub-Fund may employ a portion of its assets in futures contracts, options or forward currency transactions for the purposes of efficient portfolio management and hedging against exchange rate risk.

(xix) *BOCHK HK Dollar Money Market Fund*

The BOCHK HK Dollar Money Market Fund is a money market fund which seeks to provide an investment vehicle to enjoy the higher rates available from a managed portfolio of short-term and high quality money market investments combined with a high degree of security and ready availability of monies and to seek to offer returns in line with money market rates.

At least 70% of the Sub-Fund's Net Asset Value will be invested in a range of short-term deposits, and high quality money market instruments issued locally or overseas by governments, quasi-governments, international organisations, financial institutions or other corporations and money market funds that are authorized by the SFC under 8.2 of the UTMF Code or regulated in other jurisdiction(s) in a manner generally comparable with the requirements of the SFC and acceptable to the SFC.

Investments will be limited to Hong Kong dollar denominated securities. The Sub-Fund will maintain a portfolio with weighted average maturity not exceeding 60 days and a weighted average life not

exceeding 120 days and will not purchase an instrument with a remaining maturity of more than 397 days, or two years in the case of Government and other public securities.

The short-term deposits and high quality money market instruments that the Sub-Fund invests in may include but are not limited to government bills, certificates of deposit, commercial papers, fixed and floating rate short-term notes and bankers' acceptances. In assessing whether a money market instrument is of high quality, at a minimum, the credit quality and the liquidity profile of the money market instruments will be taken into account.
The Sub-Fund may invest not more than 30% of its Net Asset Value in LAP including (i) non-preferred senior debt instruments or external LAC debt instruments or TLAC or Tier 3 debt instruments; and (ii) Tier 2 and additional Tier 1 debt securities which include contingent convertible debt securities. These instruments may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger event(s).

The Sub-Fund's maximum investment in money market funds that are authorized by the SFC under 8.2 of the UTMF Code or regulated in other jurisdiction(s) in a manner generally comparable with the requirements of the SFC and acceptable to the SFC will be no more than 10% of the Sub-Fund's Net Asset Value.

Currently, the Manager has no intention to enter into securities lending transactions, repurchase agreements, reverse repurchase agreements or similar over-the-counter ("OTC") transactions on behalf of the Sub-Fund. The Sub-Fund may by giving to the Unitholders no less than one (1) month's prior written notice (or such shorter period of notice as the SFC may approve or allow) engage in securities lending transactions, repurchase agreements, reverse repurchase agreements or similar OTC transactions on behalf of the Sub-Fund.

Investors should note that the purchase of a Unit in the BOCHK HK Dollar Money Market Fund is not the same as placing funds on deposit with a bank or deposit-taking company, that the Manager has no obligation to redeem Units at its issue price and the Sub-Fund is not subject to the supervision of the Hong Kong Monetary Authority.

(xx) *BOCHK US Dollar Money Market Fund*

The BOCHK US Dollar Money Market Fund is a money market fund which seeks to provide an investment vehicle to enjoy the higher rates available from a managed portfolio of short-term and high quality money market investments combined with a high degree of security and ready availability of monies and to seek to offer returns in line with money market rates.

At least 70% of the Sub-Fund's Net Asset Value will be invested in a range of short-term deposits and high quality money market instruments issued locally or overseas by governments, quasi-governments, international organisations, financial institutions or other corporations and money market funds that are authorized by the SFC under 8.2 of the UTMF Code or regulated in other jurisdiction(s) in a manner generally comparable with the requirements of the SFC and acceptable to the SFC.

Investments will be limited to US dollar deposits and US dollar denominated securities. The Sub-Fund will maintain a portfolio with weighted average maturity not exceeding 60 days and a weighted average life not exceeding 120 days and will not purchase an instrument with a remaining maturity of more than 397 days, or two years in the case of Government and other public securities.

The short-term deposits and high quality money market instruments that the Sub-Fund invests in may include but are not limited to government bills, certificates of deposit, commercial papers, fixed and floating rate short-term notes and bankers' acceptances. In assessing whether a money market instrument is of high quality, at a minimum, the credit quality and the liquidity profile of the money market instruments will be taken into account.

The Sub-Fund may invest not more than 30% of its Net Asset Value in LAP including (i) non-preferred senior debt instruments or external LAC debt instruments or TLAC or Tier 3 debt instruments; and (ii) Tier 2 and additional Tier 1 debt securities which include contingent convertible debt securities. These instruments may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger event(s).

The Sub-Fund's maximum investment in money market funds that are authorized by the SFC under 8.2 of the UTMF Code or regulated in other jurisdiction(s) in a manner generally comparable with the requirements of the SFC and acceptable to the SFC will be no more than 10% of the Sub-Fund's Net Asset Value.

Currently, the Manager has no intention to enter into securities lending transactions, repurchase agreements, reverse repurchase agreements or similar over-the-counter ("OTC") transactions on behalf of the Sub-Fund. The Sub-Fund may by giving to the Unitholders no less than one (1) month's prior written notice (or such shorter period of notice as the SFC may approve or allow) engage in securities lending transactions, repurchase agreements, reverse repurchase agreements or similar OTC transactions on behalf of the Sub-Fund.

Investors should note that the purchase of a Unit in the BOCHK US Dollar Money Market Fund is not the same as placing funds on deposit with a bank or deposit-taking company, that the Manager has no obligation to redeem Units at its issue price and the Sub-Fund is not subject to the supervision of the Hong Kong Monetary Authority.

Subject to the approval of the SFC (where necessary), the Manager may change the investment policy of any Sub-Fund by giving one month's prior written notice (or such shorter period of notice as the SFC may approve or allow) to the Unitholders of the Sub-Fund.

RISK FACTORS AND RISK MANAGEMENT POLICIES

Risk Factors

Each Sub-Fund is subject to market fluctuations and to the risks inherent in all investments. The price of Units of any Sub-Fund and the income from them may go down as well as up. The performance of the Sub-Funds may be affected by a number of risk factors, including the following:

(a) General investment risk

The Sub-Funds' investment portfolio may fall in value due to any of the key risk factors below and therefore your investment in the Sub-Funds may suffer losses. There is no guarantee in respect of repayment of principal.

(b) Political, economic and social risks

Changes in political, economic and social conditions in any country/region in which the Sub-Funds may invest could adversely affect the value of investments.

(c) Interest rate risk

As the Sub-Funds may invest in securities whose value is driven significantly by changes in interest rates, the Sub-Funds are subject to interest rate risk. When interest rates rise, the value of previously issued debt securities will normally fall because new debt securities issued will pay a higher rate of interest. In contrast, if interest rates fall, then the value of the previously issued debt securities will normally rise.

(d) Market risk

Market risk includes such factors as changes in economic environment, consumption pattern and investors' expectation etc. which may have significant impact on the value of the investments. Usually, emerging markets tend to be more volatile than developed markets and may experience substantial price volatility. Options, warrants and derivatives in the Sub-Funds may also expose the Sub-Funds significantly to the fluctuations in the market. Market movement may therefore result in substantial fluctuation in the Net Asset Value per Unit of the Sub-Funds.

(e) Emerging market risk

The Sub-Funds may invest in emerging markets. Investing in emerging markets may involve increased risks and special considerations not typically associated with investment in more developed markets, such as liquidity risks, currency risks/control, political and economic uncertainties, legal and taxation risks, settlement risks, custody risk and the likelihood of a high degree of volatility. Factors to be considered include the possibility of nationalization, expropriation, government control and intervention, smaller capital market and price volatility. All these may have an adverse impact on the performance of the Sub-Funds.

(f) Risk relating to accounting standards and disclosure

The Sub-Funds may invest in emerging markets. The accounting, auditing and financial reporting standards in some of these markets are normally less stringent than international requirements.

Investment decisions may be required to be made on less complete information than is customarily available.

(g) Valuation risk

Valuation of the Sub-Funds' investments may involve uncertainties and judgmental determinations, and independent pricing information may not at all times be available. If such valuation turns out to be incorrect, this may affect the Net Asset Value calculation of the Sub-Funds. The value of debt securities/fixed income instruments may be affected by changing market conditions or other significant market events affecting valuation. For example, in the event of downgrading of an issuer, the value of the relevant debt instruments/fixed income instruments may decline rapidly.

(h) Currency risk

Underlying investments of the Sub-Funds may be denominated in currencies other than the base currency of the Sub-Funds. Also, a class of Units may be designated in a currency other than the base currency of the Sub-Funds. The Net Asset Value of Sub-Funds may be affected unfavorably by fluctuations in the exchange rates between these currencies and the base currency and by changes in exchange rate controls.

Also, investors who wish to receive redemption proceeds in a currency other than Hong Kong dollars will have to convert (whether through Manager or otherwise) the proceeds to such other currency. In so doing, the investors will again be subject to the exchange rate risk and the costs of the currency conversion.

(i) Foreign exchange risk

The Sub-Funds may invest in currencies other than Hong Kong dollars which may be subject to exchange rate fluctuations with a consequential reduction in the Hong Kong dollar value of investments. Repatriation of capital invested may be hampered by changes in regulations applicable to foreign investors which may have an adverse impact on a Sub-Fund's performance.

(j) Securities risk

Each company has its unique factors affecting the value of its securities. These factors include the company's management capability, capital structure, liquidity position, product composition and others.

(k) Equity market risk

A Sub-Fund's investment in equity securities is subject to general market risks, whose value may fluctuate due to various factors, such as changes in investment sentiment, political and economic conditions and issuer-specific factors.

Investing in equity securities may be associated with higher risks because the investment performance of equity securities depends upon factors which are difficult to predict. Such factors include the possibility of sudden or prolonged market declines and risks associated with individual companies.

(l) Credit risk

A Sub-Fund is subject to the credit risk of debt securities or financial instruments that it may invest in. If the issuer of any of the debt securities or financial instruments in which a Sub-Fund's assets are invested defaults, the performance of the Sub-Fund will be adversely affected.

(m) Counterparty risk

A Sub-Fund is subject to the counterparty risk of debt securities or financial instruments that it may invest in. An issuer or guarantor of a security or a counterparty to a debt security or financial instrument may default on its payment obligations or otherwise be unwilling or unable to honor its contractual obligations which may affect the value of the investments or the amount that the Sub-Fund may receive from the debt securities or financial instruments. Changes in a debt issuer's credit rating may affect a debt security or financial instrument's value and may have an impact on the Sub-Fund's performance. If a counterparty becomes bankrupt, the value of investment in the Sub-Fund may decline and the Sub-Fund may experience significant delays in obtaining any recovery in a bankruptcy or other proceedings or may obtain only limited recovery or may obtain no recovery in some circumstances.

(n) Credit rating risk

Credit ratings assigned by rating agencies are subject to limitations and do not guarantee the creditworthiness of the security and/or issuer at all times. The credit ratings assigned by credit rating agencies are a generally accepted barometer of credit risk of a fixed income security. They are, however, subject to certain limitations. For example, the rating of an issuer is heavily weighted by past developments and does not necessarily reflect probable future conditions. There is often a time lag in updating the credit ratings in response to recent credit events.

(o) Downgrading risk

The credit rating of a debt instrument or its issuer may subsequently be downgraded. In the event of such downgrading, the value of a Sub-Fund may be adversely affected. The manager may or may not be able to dispose of the debt instruments that are being downgraded. The Sub-Fund may continue to hold such investment, and higher risks may result as the investment may be subject to higher volatility, liquidity and credit risk.

(p) Risk associated with debt securities rated below investment grade or unrated debt securities

A Sub-Fund may invest in debt securities rated below investment grade (in the case where the credit rating is designated/assigned by an internationally recognised credit agency) or rated BB+ or below by a Mainland credit rating agency (in the case the credit rating is designated/assigned by a PRC credit rating agency) or unrated. Such securities are generally subject to lower liquidity, higher volatility and greater risk of loss of principal and interest than high-rated debt securities. For the purpose of the Sub-Fund, "unrated bond" is defined as a bond which neither the bond itself nor its issuer has a credit rating.

(q) Sovereign debt risk

A Sub-Fund's investment in securities issued or guaranteed by governments may be exposed to political, social and economic risks. In adverse situations, the sovereign issuers may not be able or willing to repay the principal and/or interest when due or may request the Sub-Fund to participate in restructuring such debts. The Sub-Fund may suffer significant losses when there is a default of sovereign debt issuers.

(r) Derivative instruments risk

The Sub-Funds may use derivatives for hedging purposes. Derivatives may be more sensitive to changes in economic or market conditions and could increase the Sub-Funds' volatility.

The use of derivatives may expose the Sub-Funds to various types of risk, including but not limited to, counterparty, liquidity, correlation, credit, volatility, valuation, settlement and over-the-counter transaction risks which can have an adverse effect on the Net Asset Value of the Sub-Funds.

Derivative instruments may involve an embedded leverage. This is because such instruments provide extensively greater market exposure than the money paid or deposited when the transaction is entered into, so a relatively small adverse market change could expose the Sub-Funds to the possibility of a loss exceeding the capital originally invested. The Sub-Funds may suffer losses if the issuers or counterparties of the derivative instruments default in their obligations.

Derivatives are also subject to the risk that changes in the value of a derivative may not correlate perfectly with the underlying asset, rate or index.

In adverse situation, the Sub-Funds' use of derivatives may become ineffective in hedging and the Sub-Funds may suffer significant losses. If derivatives used for hedging purposes are not successful, losses may be incurred to the Sub-Funds and the Sub-Funds' returns may be reduced due to the hedging costs incurred.

The Sub-Funds may use derivatives as one of their investment strategies. Derivatives for non-hedging purposes may increase the potential losses of the Sub-Funds and can result in a loss significantly greater than the amount invested in the derivatives by the Sub-Funds. Exposure to derivatives may lead to a high risk of significant loss by the Sub-Funds.

(s) Concentration or single country/region risk

A Sub-Fund may focus its investments on one single country/region or on investment instruments that are related to the economic growth or development of a country/region. The value of such Sub-Fund may be more volatile than that of a fund having a more diverse portfolio of investments. The value of the Sub-Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the market in that country or region.

Where a Sub-Fund has investments that are concentrated in specific industry sector(s) or instrument(s), the value of the Sub-Fund may be more volatile than that of a fund having a more diverse portfolio of investments.

(t) Political or sovereign risk

Investors should note that investment closely related to a particular country/region may be subject to political or sovereign risks. This may include any act of war, terrorism, riot, insurrection in the country/region, the imposition of any investment, repatriation or exchange control restrictions by the government authority, the confiscation, expropriation or nationalization of any property by the government authority. Any economic downturn may adversely affect the investment sentiment and domestic economy of the country/region and affect the value of related investments. Devaluation or revaluation of the local currency, sovereign government's own capacity to repay external debt or any other political or economic risks incurred or experienced by a country/region may adversely affect the value of related investments.

(u) Liquidity risk

Liquidity risk exists when particular investments are difficult to purchase or sell. Investments made by the Sub-Funds may become illiquid or less liquid in response to market developments or adverse investor perceptions. Investments in foreign securities, derivatives or securities with substantial market and/or credit risk tend to have the greatest exposure to liquidity risk. Illiquid securities may be highly volatile and more difficult to value and be disposed at their face values. Some of the markets in which a Sub-Fund invests may be less liquid and more volatile than the world's leading stock markets and this may result in the fluctuation in the price of securities traded on such markets. Certain securities may also be illiquid due to limited trading markets or contractual restrictions on their resale. The Sub-Funds are exposed to the risk that a particular investment or position cannot be unwound or offset easily.

If sizeable redemption requests are received, the relevant Sub-Fund may need to liquidate its investments at a substantial discount in order to satisfy such requests and the relevant Sub-Fund may suffer losses in trading such investments. As a result, this may have adverse impact on the relevant Sub-Fund and its investors.

(v) Potential conflicts of interest

The Sub-Funds may invest in exchange traded funds ("ETFs") and/or SFC authorised collective investment schemes ("CISs") managed by the Manager and this may give rise to potential conflicts of interests. All initial charges (if any) on the underlying ETFs and/or CISs must be waived. The Manager may not obtain a rebate on any fees or charges levied by such underlying ETFs and/or CISs.

Also, the Manager may promote, manage, advise or otherwise be involved in any other funds or investment companies while they act as the Manager of the Sub-Funds. Furthermore, the Manager and the Trustee are affiliated. Situation may arise where there are conflicts of interest between such entities. If such conflict arises, each of the Manager and the Trustee will have regard in such event to its obligations to the Sub-Funds and will endeavour to ensure that such conflicts are resolved fairly.

For information relating to conflicts of interest, please refer to the sub-heading "Potential Conflict of Interest, Transactions with Connected Persons and Soft Commissions" under the section headed "Charges and Expenses" on pages 59 to 61 of the Explanatory Memorandum.

(w) Early termination risk

The Sub-Funds may be terminated for a number of reasons. These may include (i) the SFC withdrawing its authorisation of the Sub-Funds; (ii) if any law is passed which renders it illegal or in the opinion of the Manager impracticable or inadvisable to continue the Sub-Funds; (iii) the retirement or removal of the Manager where no replacement manager can be found which is acceptable; (iv) the retirement or removal of the Trustee where no replacement trustee can be found which is acceptable; (v) at any time one (1) year after the establishment of a Sub-Fund the Net Asset Value of that Sub-Fund falls below HK$40,000,000; or (vi) in other circumstances described in this Explanatory Memorandum. If a Sub-

Fund is terminated for whatever reason, it may suffer declines in its Net Asset Value. Accordingly, investors may not receive an amount upon termination equal to their capital originally invested in the Units.

(x) Tax risk

Dividends and certain interests or other income paid to the Sub-Funds may be subject to tax on trading profits or on certain securities transaction, transfer or stamp duty or withholding tax which may negatively impact on the Sub-Funds' performance and distributions (if applicable) that the Unitholders may receive from the Sub-Funds.

(y) Risks relating to obligations to comply with AEOI

The Unitholders shall be required to, (i) upon demand by the Trustee or the Manager, provide any form, certification or other information reasonably requested by and acceptable to the Trustee or the Manager that is necessary for the Sub-Funds to satisfy reporting or other obligations under AEOI, or to satisfy any obligations relating to any applicable laws and regulations or any agreements with any tax or fiscal authority in any jurisdictions, (ii) update or replace such form, certification or other information in accordance with its terms or subsequent amendments or when such form, certificate or other information is no longer accurate, and (iii) otherwise comply with any reporting obligations imposed under AEOI, including reporting obligations that may be imposed by future legislation. The information provided by the Unitholders may be transmitted by the IRD to authorities in other jurisdictions.

Each Unitholder and prospective investor should consult its own professional advisor(s) on the administrative and substantive implications of AEOI on its current or proposed investment in the Sub-Funds.

(z) Risks relating to obligations under FATCA Regulations

The Unitholders shall be required to, (i) upon demand by the Trustee or the Manager provide any form, certification or other information reasonably requested by and acceptable to the Trustee or the Manager that is necessary for the Sub-Funds (A) to prevent withholding (including, without limitation, any withholding taxes required under FATCA regime as more particularly described in paragraph (aa) below) or qualify for a reduced rate of withholding or backup withholding in any jurisdiction from or through which Sub-Funds receive payments, and/or (B) to satisfy reporting or other obligations under the IRC and the United States Treasury Regulations promulgated under the IRC, or to satisfy any obligations relating to any applicable laws and regulations or any agreements with any tax or fiscal authority in any jurisdictions, (ii) update or replace such form, certification or other information in accordance with its terms or subsequent amendments or when such form, certificate or other information is no longer accurate, and (iii) otherwise comply with any reporting obligations imposed under the FATCA regulations.

The Sub-Funds will endeavour to satisfy any obligations imposed under the FATCA regulations so as to avoid the imposition of FATCA withholding, however, no assurances can be given that the Sub-Funds will be able to satisfy those obligations. If any Sub-Funds becomes subject to FATCA withholding, the value of the Units held by the Unitholders may suffer material losses.

If the Unitholder or an intermediary through which it holds interest in the Sub-Funds fails to provide the Sub-Funds, its agents or authorised representatives with complete and accurate information that may be required by the Sub-Funds to comply with FATCA, the Unitholder may be subject to withholding on amounts otherwise distributable to the Unitholder, may be compelled to sell his interest in the Sub-Funds, or in certain situations, the Unitholders' interest in the Sub-Funds may be sold involuntarily (provided that the Sub-Funds observe applicable laws and regulations, act in good faith and on reasonable grounds).

In cases where Unitholders invest in the Sub-Funds through an intermediary, Unitholders are reminded to check whether such intermediary is FATCA compliant. If Unitholders are in any doubt, they should consult their tax advisor, stockbroker, bank manager, solicitor, accountant and other financial adviser regarding the possible implications of FATCA on the Unitholders and the Sub-Funds.

Unitholders, and intermediaries acting for Unitholders, should therefore take note that if they meet the definition of US Person then they will need to declare this to any Sub-Funds and submit any mandatory documentation.

(aa) Withholding tax risk under FATCA regime

Investors should note that (i) the proceeds from the sale of securities in some markets or the receipt of any dividends or other income may be or may become subject to tax, levies, duties or other fees or

charges imposed by the authorities in that market including taxation levied by withholding at source and/or (ii) the Sub-Funds' investments may be subject to specific taxes or charges imposed by authorities in some markets. The FATCA rules generally impose a 30% withholding tax on (a) certain US source payments (including interest and dividends) and gross proceeds from the sale or other disposition of property that can produce US source interest or dividends (such as bonds or shares issued by a US issuer) ("withholdable payments"), and (b) "foreign passthru payments" (generally, payments that are attributable to withholdable payments) made by certain non-US entities (collectively referred to as "passthru payments"). Under the FATCA rules, if the Sub-Funds do not or cannot report to the IRS information regarding US Person that indirectly hold interests in the Sub-Funds, and to comply with certain other reporting, verification, due diligence and other requirements, the Sub-Funds generally would be subject to 30% withholding tax on passthru payments received by the Sub-Funds, which would reduce the Sub-Funds' value. Although the Sub-Funds will attempt to satisfy any obligations imposed on it to avoid the imposition of the FATCA withholding tax, no assurance can be given that the Sub-Funds will be able to satisfy these obligations. If the Sub-Funds become subject to a withholding tax as a result of the FATCA regime, the value of the Units held by Unitholders may suffer material losses.

Even if the Sub-Funds are able to comply with the requirements under the FATCA rules, Unitholders that fail to comply with information requests (including information requests from certain non-US entities through which payments from the Sub-Funds may be made) or otherwise comply with the requirements of the FATCA rules may be subject to a 30% withholding tax on passthru payments made by the Sub-Funds. Additionally, the Sub-Funds may be required to withhold tax on passthru payments made by the Sub-Funds to certain non-US entities (for example, a Unitholder's Hong Kong investment dealer) that are not in compliance with the FATCA rules, including certain non-US financial institutions through which distributions on the Units may be made.

The imposition of the 30% withholding tax under the FATCA rules could result in materially reduced investment returns for the Unitholders, including in circumstances where the withholding tax is imposed on passthru payments received by the Sub-Funds from the portfolio. The administrative costs arising from compliance with the FATCA rules may also cause an increase in the operating expenses of the Sub-Funds, thereby further reducing returns to Unitholders.

Unitholders should consult their independent tax advisor regarding the potential effect of the FATCA rules to an investment in the Sub-Funds.

(bb) Custody risk

Custodians or sub-custodians may be appointed in local markets for purpose of safekeeping assets in those markets. Where a Sub-Fund invests in markets where custodial and/or settlement systems are not fully developed, the assets of the Sub-Fund may be exposed to custodial risk. In case of liquidation, bankruptcy or insolvency of a custodian or sub-custodian, the Sub-Fund may take a longer time to recover its assets. In extreme circumstances such as the retroactive application of legislation and fraud or improper registration of title, the Sub-Fund may even be unable to recover all of its assets. The costs borne by a Sub-Fund in investing and holding investments in such markets will be generally higher than in organised securities markets.

Investors should also note the following risk factors with respect to Sub-Funds which have class(es) of Units denominated in a currency other than the base currency of the Sub-Funds:

(a) Risk relating to those class(es) of Units denominated in a currency other than the base currency

The Sub-Funds will be exposed to foreign exchange risk because (i) those class(es) of Units can be subscribed and redeemed in a currency other than the base currency of the Sub-Funds; or (ii) the class currency of the Units may be different from the Sub-Funds' base currency, the currencies of which the Sub-Funds' assets are invested and/or investors' base currencies of investment.

The returns to investors for those class(es) of Units denominated in a currency other than the base currency of the Sub-Funds may be different from the return calculated by reference to the base currency when converted back into the currency in which the investors subscribe and redeem due to fluctuations in the currency markets. The returns may go down and the investor may suffer a loss due to the depreciation of the class currency against the original currency. In addition, if an investor whose base currency of investment is HK dollars (not RMB) and chooses to invest in a class of Units denominated in RMB, the investor may be exposed to a higher currency risk. The investor may suffer a higher loss as a result of exchange rate fluctuations between HKD and RMB upon the reconversion of its RMB investment back to HKD as compared to an investor whose base currency of investment is originally in RMB.

(b) Cross-class liability risk

Although for the purposes of fund accounting, different fees and charges will be allocated to each class, there is no actual segregation of liabilities between difference classes of Units. As such, in the event of insolvency or termination of the Sub-Funds, i.e. where the assets of the Sub-Funds are insufficient to meet its liabilities, all assets will be used to meet the Sub-Funds' liabilities, not just the amount standing to the credit of any individual class of Units.

Investors should also note the following risk factors with respect to Sub-Funds which have Units denominated in RMB or have investments denominated in RMB or exposure to RMB currency:

(a) Foreign exchange and RMB currency and conversion risks

Underlying investments of the Sub-Funds may be denominated in currencies (i.e. RMB (specifically offshore RMB ("CNH") or onshore RMB ("CNY"))) other than the base currency of the Sub-Fund (e.g. HKD). The Net Asset Value of the Sub-Funds may be affected unfavorably by fluctuations in the exchange rates between these currencies and the base currency and by changes in exchange rate controls.

RMB is currently not freely convertible and is subject to exchange controls policies and repatriation restrictions imposed by the Chinese government. Conversion between RMB and other currencies is also subject to policy restrictions relating to RMB and the relevant regulatory requirements in Hong Kong.

Unit classes denominated in RMB participate in the CNH market, which allows investors to freely transact CNH outside of Mainland China subject to the availability and clearing liquidity of CNH. Unit classes denominated in RMB will have no requirement to convert CNH to CNY. If an investor is a non RMB-based (e.g. Hong Kong) investor, he may have to convert HK dollar or other currency(ies) into RMB when investing in RMB unit classes and subsequently convert the RMB redemption proceeds and/or distribution payment (if any) back to HK dollar or such other currency(ies).

Non-RMB based investors are exposed to foreign exchange risk and there is no guarantee that the value of RMB against the investors' base currencies (for example HKD) will not depreciate. Such investor will incur currency conversion costs and may suffer losses depending on the exchange rate movements of RMB relative to HK dollar or such other currency(ies).

RMB unit classes will generally be valued with reference to CNH rather than CNY. Although CNH and CNY are the same currency, they trade at different rates and separate markets which operate independently. As such, CNH does not necessarily have the same exchange rate and may not move in the same direction as CNY. Any divergence between CNH and CNY may adversely impact investors.

The Sub-Funds may also be subject to bid/ offer spread and currency conversion costs when converting to and from Hong Kong dollars and RMB.

Depending on the exchange rate movements of RMB relative to the base currency of a Sub-Fund and/or other currency(ies) of the non-RMB denominated underlying investments of the Sub-Fund, (i) an investor may still suffer losses even if there are gains or no losses in the value of the non-RMB denominated underlying investments; or (ii) an investor may suffer additional losses if the non-RMB denominated underlying investments of the Sub-Fund fall in value.

There is no guarantee that RMB will not depreciate or RMB will not be subject to devaluation. Any depreciation or devaluation of RMB could adversely affect the value of the investors' investments in the Sub-Funds.

(b) Risk relating to redemption and/or distribution payments (if any)

Redemption proceeds will normally be paid in the currency in which the particular class of Units of the Sub-Funds being redeemed are denominated. However, due to the exchange controls and restrictions applicable to RMB, a Sub-Fund may not be able to get sufficient amounts of RMB in a timely manner to meet redemption requests of Units denominated in RMB and/or distribution payments (if any) if all or a substantial portion of its underlying investments are non-RMB denominated. Therefore, even if a Sub-Fund aims to pay redemption proceeds and/or distribution (if any) in RMB to investors of units denominated in RMB, the investor may not receive RMB upon redemption of his investments or receive distribution payments (if any) in RMB. Under exceptional circumstances, payment of redemption proceeds and/or distribution payment in RMB may be delayed due to the exchange controls and restrictions applicable to RMB when there is not sufficient RMB for currency conversion for settlement of the redemption proceeds.

Investors should also note the following risk factors with respect to Sub-Funds with investments relating to Mainland market:

(a) Emerging market/ PRC market risk

Investing in emerging markets (including the PRC market) involves special risks and consideration which are different from other markets. Investors investing in the securities relating to emerging markets must be familiar with and understand the risks of investing in emerging markets generally and the risks specific to the relevant market in particular which are different from other markets.

Factors such as economic, political, social, regulatory development etc. in emerging markets may differ from other markets to varying extents. Investors should note that, different aspects such as the level of financial markets volatility or price volatility, the size of capital markets, the development of economic, political and social conditions and policies, the development of clearance and settlement systems and procedures, risks in relation to foreign exchange and liquidity etc. in relation to an emerging market may differ from other countries / regions. All of the various factors above may have a different impact on performance of the Sub-Funds.

The value of the Sub-Funds' assets may be subject to varying degrees of impact due to different government policies, foreign exchange and monetary policies and tax regulations. Such measures may have associated impact on the economy or financial market of an emerging market.

In recent years the PRC is experiencing an economic reform with Chinese characteristics and the PRC government is developing and improving the regulatory and legal framework for securities markets.

Companies in Mainland China are required to follow the Chinese accounting standards and practice which, to a certain extent, follow international accounting standards. However, there may be varying degrees of differences between financial statements prepared by accountants following the Chinese accounting standards and practice and those prepared in accordance with international accounting standards.

The PRC government may from time to time adopt corrective measures to control the pace of the PRC economic growth. The PRC government's regulation on currency conversion and future movements in exchange rates may have corresponding effect on the operations and financial results of the companies invested in by the Sub-Funds. Furthermore, the PRC is developing and improving its clearance and settlement systems and procedures.

(b) Risk associated with high volatility of the equity market in Mainland China

High market volatility and potential settlement difficulties in the Mainland China equity market may result in significant fluctuations in the prices of the securities traded on such market and thereby may have an adverse impact on the prices of PRC securities in which the Sub-Funds invest or the price of the equity linked instruments ("ELIs") held by the Sub-Funds (where applicable) and thereby may adversely affect the value of the Sub-Funds.

(c) Risk associated with regulatory/ exchanges requirements/ policies of the equity market in Mainland China

The stock exchanges in the PRC on which A shares and B shares are traded are relatively at a developing stage and the choice of investments in the A share and B share markets is limited as compared with other developed securities markets. Their trading volumes may be much lower than those in developed markets. Potential volatility and illiquidity of the A share and B share markets may have an adverse impact on the prices of PRC securities in which the Sub-Funds invest or the price of the ELIs held by the Sub-Funds (where applicable).

Securities exchanges in the PRC typically have the right to suspend or limit trading in any security traded on the relevant exchange. The government or the regulators may also implement policies that may affect the financial markets. All these may have a negative impact on the Sub-Funds.

(d) Credit rating agency risk associated with investments in Mainland China onshore debt securities/ fixed income instruments

Onshore debt securities/fixed income instruments that the Sub-Funds invest in may be unrated or rated by Chinese local credit rating agencies/appraisal system. The credit rating agencies/appraisal system in the Mainland and the rating criteria and/or methodologies employed in the Mainland may be different from those employed in other markets or adopted by most of the established international credit rating agencies. Credit ratings given by Mainland rating agencies may therefore not be directly comparable

with those given by other international rating agencies. Valuation of these debt and fixed income instruments may be more difficult and the prices of the Sub-Funds may be more volatile.

(e) Liquidity and volatility risks associated with investments in debt securities/ fixed income instruments in Mainland market

The debt securities/ fixed income instruments in Mainland market may be subject to higher volatility and lower liquidity compared to more developed markets. The prices of securities traded in such market may be subject to fluctuations. The bid and offer spreads of the price of such securities may be large and the Sub-Funds may incur significant trading costs. Certain securities may be difficult or impossible to sell, and this would affect the Sub-Funds' ability to acquire or dispose of such securities at their intrinsic value.

Investors should also note the following risk factors with respect to Sub-Funds which have direct access to certain eligible A shares via Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect (collectively, "**Shanghai and Shenzhen Connect**"):

Risks associated with Shanghai and Shenzhen Connect

(a) Quota limitations:

Each of the Shanghai and Shenzhen Connect is subject to a set of Daily Quota, which does not belong to the Sub-Funds and can only be utilized on a first come, first served basis. The Daily Quota is respectively monitored by SEHK and SSE or SZSE (as the case may be). The Daily Quota limits the maximum net buy value of cross-boundary trades under each of the Shanghai and Shenzhen Connect each day. The Daily Quota will be reset every day. Unused Daily Quota will not be carried over to next day's Daily Quota.

The Northbound Daily Quota balance is disseminated on the HKEx website.

If the Northbound Daily Quota Balance drops to zero or Daily Quota is exceeded during the opening call auction session, new buy orders will be rejected.

Once the Northbound Daily Quota Balance drops to zero or the Daily Quota is exceeded during a continuous auction session, no further buy orders will be accepted for the remainder of the day.

It should be noted that quota limitations may restrict the Sub-Funds' ability to invest in SSE Securities and/or SZSE Securities through Shanghai-Hong Kong Stock Connect and/or Shenzhen-Hong Kong Stock Connect on a timely basis, and the Sub-Funds may not be able to effectively pursue its investment strategies.

(b) Suspension risk:

The SEHK, SSE and SZSE would reserve the right to suspend Northbound and/or Southbound trading if necessary for ensuring an orderly and fair market and that risks are managed prudently. Consent from the relevant regulator would be sought before a suspension is triggered. Where a suspension in the Northbound trading through Shanghai-Hong Kong Stock Connect and/or Shenzhen-Hong Kong Stock Connect is effected, the Sub-Funds' ability to access the PRC market will be adversely affected.

(c) Differences in trading day:

Shanghai and Shenzhen Connect will only operate on days when both the PRC and Hong Kong markets are open for trading and when banks in both markets are open on the corresponding settlement days. So it is possible that there are occasions when it is a normal trading day for the PRC market but Hong Kong investors (such as the Sub-Funds) cannot carry out any trading of A shares. The Sub-Funds may be subject to a risk of price fluctuations in A shares during the time when Shanghai-Hong Kong Stock Connect and/or Shenzhen-Hong Kong Stock Connect is not trading as a result.

(d) Operation risk:

- Shanghai and Shenzhen Connect provide new channels for investors from Hong Kong and overseas to access the China stock market directly.

- Shanghai and Shenzhen Connect are premised on the functioning of the operational systems of the relevant market participants. Market participants are able to participate in Shanghai and Shenzhen Connect subject to meeting certain information technology capability, risk management and other requirements as may be specified by the relevant exchange and/or

clearing house. Besides, securities regimes and legal systems of the two markets differ significantly and in order for the program to operate smoothly, market participants may need to address issues arising from the differences on an on-going basis.

- The "connectivity" in each of Shanghai and Shenzhen Connect requires routing of orders across the border. This requires the development of new information technology systems on the part of the SEHK and exchange participants (i.e. a new order routing system) to be set up by SEHK to which exchange participants need to connect. There is no assurance that the systems of the SEHK and market participants will function properly or will continue to be adapted to changes and developments in both markets. In the event that the relevant systems failed to function properly, trading in both markets through Shanghai and Shenzhen Connect could be disrupted. The Sub-Funds' ability to access the A share market (and hence to pursue its investment strategy) will be adversely affected. The Sub-Funds may also incur trading or other unforeseeable losses in that event.

(e) Restrictions on selling imposed by front-end monitoring:

- PRC regulations require that before an investor sells any share, there should be sufficient shares in the account; otherwise the SSE and/or SZSE will reject the sell order concerned. SEHK will carry out pre-trade checking on A shares sell orders of its participants (i.e. the stock brokers) to ensure there is no over-selling.

- If the Sub-Funds desire to sell certain SSE Securities and/or SZSE Securities it holds, to the extent those SSE Securities and/or SZSE Securities are not kept in the Special Segregated Account (SPSA) maintained with CCASS, it must transfer them to the respective accounts of its brokers before the market opens on the day of selling. If it fails to meet this deadline, it will not be able to sell those shares on such day.

(f) Recalling of eligible stocks:

If a stock is recalled from the scope of eligible stocks for trading via Shanghai-Hong Kong Stock Connect and/or Shenzhen-Hong Kong Stock Connect (as the case may be), the stock can only be sold and cannot be bought. This may affect the investment portfolio of the Sub-Funds. Investors should therefore pay close attention to the list of eligible stocks as provided and renewed from time to time by SEHK, SSE and/or SZSE.

(g) Clearing and settlement risk:

- HKSCC and CSDCC will establish the clearing links and each will become a participant of each other to facilitate clearing and settlement of cross-boundary trades. For cross-boundary trades initiated in a market, the clearing house of that market will on one hand clear and settle with its own clearing participants, and on the other hand undertake to fulfil the clearing and settlement obligations of its clearing participants with the counterparty clearing house.

- Should the remote event of CSDCC default occur and CSDCC be declared as a defaulter, HKSCC's liabilities in Northbound trades under its market contracts with clearing participants will be limited to assisting clearing participants in pursuing their claims against CSDCC. HKSCC will in good faith, seek recovery of the outstanding stocks and monies from CSDCC through available legal channels or through CSDCC's liquidation. In that event, the Sub-Funds may suffer delay in the recovery process or may not be able to fully recover its losses from CSDCC.

(h) Counterparty risk relating to brokers:

Investment through each of Shanghai and Shenzhen Connect is conducted through broker(s), and is subject to the risks of default by such brokers' in their obligations. Each of Shanghai and Shenzhen Connect follows the A share settlement cycle where the A shares are settled on the same trade day and cash on a T+1 basis. Although the Sub-Funds may have settlement arrangements in place with brokers different from the A share settlement cycle, the deliveries of SSE Securities and/or SZSE Securities and payments therefor may not be simultaneous.

(i) Participation in corporate actions and shareholders' meetings:

- HKSCC will keep CCASS participants informed of corporate actions of SSE Securities and/or SZSE Securities. Hong Kong and overseas investors (including the Sub-Funds) will need to comply with the arrangement and deadline specified by their respective brokers or custodians (i.e. CCASS participants). The time for them to take actions for some types of corporate actions of SSE Securities or SZSE Securities (as the case may be) may be as short as one Business Day

only. Therefore, the Sub-Funds may not be able to participate in some corporate actions in a timely manner.

- Hong Kong and overseas investors (including the Sub-Funds) are holding SSE Securities and/or SZSE Securities traded via Shanghai-Hong Kong Stock Connect and/or Shenzhen-Hong Kong Stock Connect (as the case may be) through their brokers or custodians. According to existing Mainland practice, multiple proxies are not available. Therefore, the Sub-Funds may not be able to appoint proxies to attend or participate in shareholders' meetings in respect of the SSE Securities and/or SZSE Securities (as the case may be).

(j) No Protection by Investor Compensation Fund:

The Sub-Funds' investment through Northbound trading under each of Shanghai and Shenzhen Connect is currently not covered by the Hong Kong's Investor Compensation Fund. Therefore the Sub-Funds are exposed to the risks of default of the broker(s) it engages in its trading in SSE Securities and/or SZSE Securities through Shanghai-Hong Kong Stock Connect and/or Shenzhen-Hong Kong Stock Connect.

(k) Regulatory risk:

- Each of Shanghai and Shenzhen Connect is novel in nature, and will be subject to regulations promulgated by regulatory authorities and implementation rules made by the stock exchanges in the PRC and Hong Kong. Further, new regulations may be promulgated from time to time by the regulators in connection with operations and cross-border legal enforcement in connection with cross-border trades under Shanghai and Shenzhen Connect.

- It should be noted that the regulations are untested and there is no certainty as to how they will be applied. Moreover, the current regulations are subject to change. There can be no assurance that Shanghai and Shenzhen Connect will not be abolished. The Sub-Funds, which may invest in the PRC market through Shanghai and Shenzhen Connect, may be adversely affected as a result of such changes.

(l) Foreign exchange/ currency conversion risk:

The Sub-Funds may be subject to exchange rate fluctuations between Hong Kong dollars and RMB (specifically CNH or CNY) given that the Sub-Funds are denominated in Hong Kong dollars, but the SSE Securities and/or SZSE Securities acquired via Shanghai-Hong Kong Stock Connect and/or Shenzhen-Hong Kong Stock Connect are denominated in CNH. Share securities acquired through QFII are denominated in CNY, while the cash holding of the Sub-Funds could be in either RMB or Hong Kong dollars. The Sub-Funds may also be subject to bid/offer spread and currency conversion costs when converting to and from Hong Kong dollars and RMB.

Investors should also note the following risk factors with respect to Sub-Funds with investments in debt instruments with loss-absorption features:

Risks associated with instruments with loss-absorption features

(a) Debt instruments with loss-absorption features are subject to greater risks when compared to traditional debt instruments as such instruments are typically subject to the risk of being written down or converted to ordinary shares upon the occurrence of a pre-defined trigger event (e.g. when the issuer is near or at the point of non-viability or when the issuer's capital ratio falls to a specified level), which are likely to be outside of the issuer's control. Such trigger events are complex and difficult to predict and may result in a significant or total reduction in the value of such instruments.

(b) In the event of the activation of a trigger event, there may be potential price contagion and volatility to the entire asset class. Debt instruments with loss-absorption features may also be exposed to liquidity, valuation and sector concentration risk.

(c) The Sub-Fund may invest in contingent convertible debt securities, commonly known as CoCos, which are highly complex and are of high risk. Upon the occurrence of the trigger event, CoCos may be converted into shares of the issuer (potentially at a discounted price), or may be subject to the permanent write-down to zero. Coupon payments on CoCos are discretionary and may be cancelled by the issuer at any point, for any reason, and for any length of time.

(d) The Sub-Fund may invest in non-preferred senior debts. While these instruments are generally senior to subordinated debts, they may be subject to write-down upon the occurrence of a trigger event and will no longer fall under the creditor ranking hierarchy of the issuer. This may result in total loss of principal

invested.

Investors should also note the following risk factors with respect to Sub-Funds with investments in ETFs:

Risks relating to investment in ETFs

Investors should note that the market price of the units of an ETF traded on the SEHK is determined not only by the Net Asset Value of an ETF but also by other factors such as the supply of and demand for the units of the ETF in the SEHK. Therefore, there is a risk that the market price of the units of the ETF traded on the SEHK may diverge significantly from the Net Asset Value of the ETF.

An ETF's returns may deviate from the index to which it is tracking due to a number of factors. For example, the fees and expenses of an ETF, the need for the manager of an ETF to adopt a representative sampling strategy, rounding of share prices, changes to the tracking index and regulatory policies may affect the ability of the manager of an ETF to achieve close correlation with the tracking index. Further, an ETF may receive income (such as interests and dividends) from its assets while the tracking index does not have such sources of income.

An ETF is not actively managed. The manager of an ETF may not take an active role in defending the position of the ETF in declining markets. Hence, any fall in the relevant index will result in a corresponding fall in the value of the ETF.

There can be no assurance that an active trading market in respect of the units of an ETF will be developed or maintained.

Investors should also note the following risk factors with respect to Sub-Funds applying active asset allocation strategy:

(a) Risk of specific investment strategy

The active asset allocation strategy may not achieve the desired results under all circumstances and market conditions.

(b) Risk relating to active asset allocation strategy

The investments of the Sub-Funds may be subject to re-balancing and therefore the Sub-Funds may incur greater transaction costs than a fund with static allocation strategy.

Investors should also note the following risk factors with respect to *the BOCHK Aggressive Growth Fund, BOCHK Balanced Growth Fund and BOCHK Conservative Growth Fund:*

(a) Risk relating to underlying funds

The Sub-Funds are funds of funds and will be subject to the risks associated with the underlying funds. The Sub-Funds will be subject to the same type of risks in proportion to their holdings of those specific underlying funds. Different underlying funds invested by the Sub-Funds have different underlying investments. The risks relating to such underlying investments may include any of the general risk factors mentioned above.

(b) Specific nature of fund of funds

Investors should be aware of the specific features of a fund of funds and the consequences of investing in other collective investment schemes. Investment decisions of the underlying funds are made at the level of such underlying funds. There can be no assurance that the selection of the manager of the underlying funds will result in an effective diversification of investment styles and that positions taken by the underlying funds will always be consistent. Consequently there is a possibility that one underlying fund may purchase an asset at about the same time as another underlying fund may sell it. Further, there is no assurance that the investment objective and strategy of the underlying funds will be successfully achieved which may have a negative impact to the Net Asset Value of the Sub-Funds. There is also no guarantee that the underlying funds will always have sufficient liquidity to meet the Sub-Funds' redemption requests as and when made.

(c) Fee structure of fund of funds

Each Sub-Fund will bear the fees paid to the Manager and its other service providers as well as, indirectly, a pro rata portion of the fees paid by the underlying funds to the service providers of the underlying funds. Since the Sub-Funds invest in underlying funds managed by the Manager, all initial charges on such underlying funds will be waived.

In addition to the general risk factors set out above, investors should also note the following risk factors with respect to the *BOCHK Australia Income Fund*:

(a) Market risk

Market risk includes the economic and investment environment in Australia which may have a significant impact on the value of the investments. Although the economy of Australia has been growing steadily, there is no assurance of a continuous economic growth.

(b) Exchange rate risk

The underlying investments of the Sub-Fund are denominated in Australian dollars and distributions from the Sub-Fund are payable to investors in Australian dollars. Investors who invest with a currency other than Australian dollars may be subject to the exchange rate risk of Australian dollars.

(c) Real estate risk

As part of the Sub-Fund's assets may be invested in real estate investment trusts listed in Australia, fluctuation in the prices of real estates in Australia or other jurisdictions in which such real estate investment trusts invest may affect the performance of the Sub-Fund.

In addition to the general risk factors set out above, investors should also note the following risk factors with respect to the *BOCHK Sterling Income Fund*:

(a) Market risk

Market risk includes the economic and investment environment in the United Kingdom which may have a significant impact on the value of the investments.

(b) Exchange rate risk

The underlying investments of the Sub-Fund are mainly denominated in pound sterling and distributions from the Sub-Fund are payable to investors in pound sterling. Investors who invest with a currency other than pound sterling may be subject to the exchange rate risk of pound sterling.

(c) Real estate risk

As part of the Sub-Fund's assets may be invested in real estate investment trusts listed in the United Kingdom, fluctuation in the prices of real estates in the United Kingdom or other jurisdictions in which such real estate investment trusts invest may affect the performance of the Sub-Fund.

In addition to the general risk factors set out above, investors should also note the following risk factors with respect to the *BOCHK China Equity Fund, BOCHK China Golden Dragon Fund* and *BOCHK China Consumption Growth Fund*:

(a) Risk relating to investment in ELIs

Illiquidity risk: ELIs linked to one or a basket of A shares are usually subject to the terms and conditions imposed by the ELI issuer. If the Sub-Fund invests in ELIs which are not listed or quoted on a market, such investment can be highly illiquid as there may not be an active market for the ELIs. Even if the ELIs are quoted, there is no assurance that there will be an active market for them and therefore investment in these ELIs can also be highly illiquid. In order to meet realization requests, the issuer will have to act as a market maker and re-purchase the ELIs. In unwinding the ELIs, the ELI issuer will quote a price that will reflect the market liquidity conditions and the prices of the underlying securities, and the Sub-Funds may only rely upon such price in the unwinding transactions.

Potential lack of economic benefits of underlying A shares: Depending on the terms of the ELIs, investment in an ELI may not entitle the Sub-Funds to capture all the economic benefits (such as dividend or other rights) associated with the underlying A shares.

Repatriation risk: ELIs issued by institutions with the QFII status will be subject to the restrictions imposed in respect of repatriation of funds. ELIs may be restricted from withdrawing funds from its account with the QFII holder until and unless the QFII holder as a whole is permitted to repatriate its funds under the QFII rules and regulations. It may, therefore, not be possible for ELIs to repatriate funds from the PRC, or it may require government consent to do so, hence may adversely affect the Sub-Funds' liquidity and performance. Furthermore, investments in the A share market through the ELIs may be subject to other limitations, such as the control of currency conversion which may also result in

difficulties in the repatriation of funds. These may restrict the Sub-Funds' performance and their ability to meet realization requests. In order to meet a substantial redemption request, the Sub-Funds may need to sell investments other than the ELIs or even suspend the determination of the Net Asset Value and dealings of the Sub-Funds.

Valuation risk: Valuation of the ELIs may be performed by the issuer or independent third parties, in accordance with the terms of the ELIs. Investors should note that different ELI issuers may have different terms for the ELI and may have varying valuation principles. Generally, valuation will be based on, among other factors, the closing price of the relevant A shares underlying the ELI. If the ELI is not denominated in RMB, the value of the ELI may also be subject to the foreign exchange conversion between RMB and the currency in which the ELI is denominated. Valuation of the ELIs may also involve the imposition of any bid and offer spread or any other charges by the issuer. Valuation uncertainties such as foreign exchange conversion risk, bid and offer spread and other charges could have an adverse effect on the Net Asset Value of the Sub-Funds.

Credit risk: As the Sub-Funds will invest in ELIs, performance of the Sub-Funds may be adversely affected if the issuer of the ELIs defaults due to a credit or liquidity problem. If any one of the ELIs issuers fails to perform its obligations under the ELIs, the Sub-Funds may suffer losses which may be equal to the full value of investment in such ELIs.

An ELI issuer must meet the following criteria: (i) it or the guarantor of the relevant ELI (as the case may be) must have a credit rating acceptable to the Manager (taking into account factors such as the prevailing market conditions, the credit ratings of other entities with comparable financial standing and the credit rating of the holding company of the relevant counterparty); and (ii) it or the guarantor of the relevant ELI (as the case may be) must be an authorized institution as defined in section 2(1) of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) or a financial institution which is on an ongoing basis subject to prudential regulation and supervision, with a minimum Net Asset Value of HK$2 billion or its equivalent in foreign currency. A member company of a group including a commercial bank supervised by a regulator in a jurisdiction acceptable to the Manager.

QFII risk: Given that the issuance of the ELIs depends on the ability of the QFII to buy and sell A shares, any restrictions or any changes in laws and regulations imposed by the PRC government on QFII's operations may adversely affect the issuance of ELIs. Further, under the QFII system, a QFII must obtain approval from the State Administration of Foreign Exchange ("SAFE") for an investment quota which is the limit within which the QFII may acquire A shares. In the event that the QFII wishes to increase its investment quota in the future, it may take time to obtain approval from SAFE and such approval is not guaranteed. Therefore, if the QFII status of the relevant QFII is revoked or if the relevant QFII does not have sufficient investment quota, the relevant ELI issuer may cease to be under an obligation to extend the duration of the ELIs or to issue further ELIs. This may have impact on the Sub-Funds' ability to achieve their investment objective.

Investors should also note that the above risks relating to ELIs will increase as the Sub-Funds' investment through ELIs in the A share market increases.

(b) PRC tax risk

Various tax reforms have been implemented by the PRC government in recent years. There can be no assurance that these existing tax laws will not be revised or abolished. The Sub-Fund may be subject to withholding and various other taxes imposed in Mainland China. Any changes in tax policies may affect adversely the performance of companies in the PRC or companies with activities closely related to the economic development and growth of the PRC.

1 Corporate Income Tax ("CIT")

1.1 Investing in A shares

a) Capital gains

Under the prevailing PRC CIT Law, gains derived by a non-resident from the trading of A shares would be subject to PRC withholding income tax ("WHT") unless exempted under tax law and/or an applicable tax treaty.

Under the terms of the ELIs, the QFII being the issuer of the ELIs held by the Sub-Fund will pass on this potential tax liability to the Sub-Fund in the form of a WHT. The Sub-Fund is the ultimate party which will bear the potential WHT liability in respect of ELIs held by the Sub-Fund. If WHT is levied, it shall be deducted from the value of the ELIs and this will have an impact on the Net Asset Value of the Sub-Fund.

Pursuant to Caishui [2014] No. 79 – The Circular Concerning the issue of temporary exemption from the imposition of capital gain tax arising from gains from the transfer of equity investment assets such as PRC domestic shares by QFII and RQFII ("Circular 79") issued by the Ministry of Finance of the PRC ("MOF"), the State Administration of Taxation of the PRC ("SAT") and the China Securities Regulatory Commission (CSRC) on 14 November 2014, effective from 17 November 2014, capital gains derived by a QFII or RQFII from trading of A shares are temporarily exempted from WHT, provided the capital gains are not effectively connected with any permanent establishment ("PE") (if any) that the QFII or RQFII has in China; such exemption, however, will not apply to capital gains derived by a QFII or RQFII from transactions prior to 17 November 2014.

Pursuant to "Caishui [2014] No. 81 – The Circular on Issues Relating to the Tax Policy of the Pilot Inter-connected Mechanism for Trading on the Shanghai and Hong Kong Stock Markets" ("Circular 81") and "Caishui [2016] No. 127 – The Circular on Issues Relating to the Tax Policy of the Pilot Inter-connected Mechanism for Trading on the Shenzhen and Hong Kong Stock Markets" ("Circular 127"), effective from 17 November 2014 and 5 December 2016 respectively, Hong Kong market investors, both enterprises and individuals, investing in A shares via Shanghai and Shenzhen Connect are temporarily exempted from income tax on capital gains derived from the sales of A shares traded in the SSE and SZSE.

According to Circular 81 and Circular 127, the latest capital gain tax provisioning approach is as follows:

Based on professional and independent tax advice, the Sub-Fund currently will not set aside any capital gain tax provision derived from the gains from trading of A shares by a QFII in relation to which the underlying A shares to which the relevant ELIs are linked or by the Sub-Fund in investing in A shares via Shanghai-Hong Kong Stock Connect and/or Shenzhen-Hong Kong Stock Connect.

The Manager will assess the capital gain tax provisioning approach on an on-going basis. Should the PRC tax policies in respect of the capital gain tax change, the Manager may decide to set aside a provision to meet any potential capital gain tax liability in the future. Prospective investors should consult their independent tax advisors regarding the possible implications of capital gain tax on an investment in the Sub-Fund.

b) Dividend income

To date, a 10% PRC withholding tax has been levied on dividends, distributions and interest payments from PRC listed companies to foreign investors. The PRC resident enterprises making the dividend distribution should be the withholding agent on the tax, but the QFII is the taxpayer of such tax. If the distributing company fails to withhold, then the QFII will need to pay the tax on its own.

As such, the QFII (in relation to the underlying A shares to which the relevant ELIs are linked) being the issuer of the ELIs held by the Sub-Fund will also pass on this distribution tax liability to the Sub-Fund in the form of a WHT. Therefore, the QFII and the Sub-Fund in investing A shares directly via Shanghai-Hong Kong Stock Connect and/or Shenzhen-Hong Kong Stock Connect, would be subject to a WHT of 10% on all cash dividends payment or cash proceeds which were referable to dividends or distributions arising from A shares. There is no assurance that the rate of the WHT will not be changed by the relevant PRC tax authority in the future.

1.2 Investing in B shares, H shares, red-chip companies and shares of companies listed on SEHK

a) Capital gains

Under the prevailing PRC CIT Law and regulations, capital gains derived by a non-resident from disposal of B shares and H shares could be subject to WHT at 10%, but under current practice no WHT is imposed on non-residents where both the purchase and sales of the B shares and H shares are via the stock exchange market. Capital gains derived by a non-resident from disposal of red-chip companies and shares of companies listed on SEHK would not be subject to WHT unless the listed company is classified by the PRC tax authority as a PRC resident enterprise.

b) Dividend income

Similar to A shares, dividend and interest income derived from investment in B shares, H shares or certain shares of companies listed on SEHK (that have been classified by the PRC tax authorities as a PRC resident enterprise) by the Sub-Fund would be subject to the WHT at 10% imposed by the PRC tax authorities which may reduce the income from the Sub-Fund and will have an impact on the performance of the Sub-Fund.

2 Value-added tax ("VAT") and surtaxes

In China, business tax was completely replaced by VAT starting from May 1, 2016. QFIIs and RQFIIs are exempted from VAT on securities (including debt and fixed income instruments) trading activities in China according to Caishui [2016] No. 36 and Caishui [2016] No. 70. According to Circular 81 and Circular 127, the Sub-Fund is exempted from VAT on A share trading activities through Shanghai-Hong Kong Stock Connect and/or Shenzhen-Hong Kong Stock Connect. However, there is no clear rule on whether there is VAT exemption if the Sub-Fund invests in B shares. Thus, there may be VAT imposed on the Sub-Fund for trading of B shares. The H share transaction, red-chip companies transaction and other kinds of offshore shares transaction should not be subject to VAT.

If VAT is applicable, there are also other surtaxes (which include Urban Construction and Maintenance Tax, Education Surcharge and Local Education Surcharge) that would amount to as high as 12% of VAT payable.

3 Stamp Duty

Stamp duty under the PRC laws generally applies to the execution and receipt of all taxable documents listed in the PRC's Provisional Rules on Stamp Duty. Stamp duty is levied on the execution or receipt in China of certain documents, including contracts for the sale of A shares and B shares traded on the PRC stock exchanges. In the case of contracts for sale of A shares and B shares, such stamp duty is currently imposed on the seller but not on the purchaser, at the rate of 0.1%.

According to Circular 127, Hong Kong and overseas investors borrow and return listed shares in relation to shares guarantee and short-selling through Shanghai and Shenzhen Connect, will be exempted from stamp duty from 5 December 2016.

4 Tax Provision

The taxation laws and other regulations of the PRC are constantly changing, and may be changed with retrospective effect to the advantage or disadvantage of investors in the Sub-Fund. The interpretation and application of tax laws and other applicable regulations by the relevant authorities may not be as transparent or predictable as compared to the authorities administering similar regimes in other developed jurisdictions.

Since the Sub-Fund is the ultimate parties which will bear the risks relating to PRC tax liabilities, any changes to legislation, the interpretation or application of legislation, or the granting of foreign investors the benefit of tax exemptions or international tax treaties (which may be on a retrospective basis) will impact on the Sub-Fund's returns. In case there is any uncertainty, the Manager will decide whether tax provisions will be made in respect of the Sub-Fund for the tax obligations based on independent tax advice obtained. Even if provisions for taxation are made by the Manager, the amount of such provisions may not reflect the exact extent of PRC tax liabilities. As a result, investors may be disadvantaged or advantaged, depending on the final outcome of any tax liability. If the actual applicable tax rate levied by the PRC tax authorities is more than the provision made, investors should note that the Net Asset Value of the Sub-Fund may suffer more than the anticipated percentage of the provision as the Sub-Fund will have to bear the additional tax liabilities. There can be no guarantee that regulatory changes that have a detrimental impact on the investments of the Sub-Fund will not occur.

Although the relevant authorities have announced that CIT, VAT and individual income tax will be temporarily exempted on gains derived by Hong Kong and overseas investors (including the Sub-Fund) on the trading of A shares through Shanghai and Shenzhen Connect, dividends from A shares paid to Hong Kong and overseas investors will continue to be subject to 10% PRC WHT and the company distributing the dividend has the withholding obligation. Further, investors should note that the tax exemption on gains derived from trading of A shares via Shanghai and Shenzhen Connect under Circular 81 and Circular 127 was granted on a temporary basis and there is no assurance that the Sub-Fund will continue to enjoy the tax

exemption over a long period of time. It is possible that any future announcement by the PRC tax authority may subject the Sub-Fund to unforeseen tax obligations, which may have retrospective effect.

Investors should seek their own tax advice on their Mainland China tax position with regard to their investment in the Sub-Fund.

In addition to the general risk factors set out above, investors should also note the following risk factor with respect to the *BOCHK China Income Fund:*

(a) PRC tax risk

Various tax reforms have been implemented by the PRC government in recent years. There can be no assurance that these existing tax laws will not be revised or abolished. The Sub-Fund may be subject to withholding and various other taxes imposed in Mainland China. Any changes in tax policies may affect adversely the performance of companies in the PRC or companies with activities closely related to the economic development and growth of the PRC.

1 Corporate Income Tax ("CIT")

1.1 Investing in A shares

a) Capital gains

Under the prevailing PRC CIT Law, gains derived by a non-resident from the trading of A shares would be subject to PRC withholding income tax ("WHT") unless exempted under tax law and/or an applicable tax treaty.

Pursuant to "Caishui [2014] No. 81 –The Circular on Issues Relating to the Tax Policy of the Pilot Inter-connected Mechanism for Trading on the Shanghai and Hong Kong Stock Markets" ("Circular 81") and "Caishui [2016] No. 127 –The Circular on Issues Relating to the Tax Policy of the Pilot Inter-connected Mechanism for Trading on the Shenzhen and Hong Kong Stock Markets" ("Circular 127"), effective from 17 November 2014 and 5 December 2016 respectively Hong Kong market investors, both enterprises and individuals, investing in A shares via Shanghai and Shenzhen Connect are temporarily exempted from income tax on capital gains derived from the sales of A shares traded in the SSE and SZSE.

According to Circular 81 and Circular 127, the latest capital gain tax provisioning approach is as follows:

Based on professional and independent tax advice, the Sub-Fund currently will not set aside any capital gain tax provision derived from the gains from trading of A shares via Shanghai-Hong Kong Stock Connect and/or Shenzhen-Hong Kong Stock Connect.

The Manager will assess the capital gain tax provisioning approach on an on-going basis. Should the PRC tax policies in respect of the capital gain tax change, the Manager may decide to set aside a provision to meet any potential capital gain tax liability in the future. Prospective investors should consult their independent tax advisors regarding the possible implications of capital gain tax on an investment in the Sub-Fund.

b) Dividend income

To date, a 10% PRC withholding tax has been levied on dividends, distributions and interest payments from PRC listed companies to foreign investors. The PRC resident enterprises making the dividend distribution should be the withholding agent on the tax.

Pursuant to Circular 81 and Circular 127, dividends from A shares, paid to Hong Kong market investors who invested in A shares via Shanghai and Shenzhen Connect, both enterprises and individuals, will continue to be subject to 10% WHT and which is to be withheld at source. The Sub-Fund in investing A shares directly via Shanghai-Hong Kong Stock Connect and/or Shenzhen-Hong Kong Stock Connect, would be subject to a WHT of 10% on all cash dividends payment or cash proceeds which were referable to dividends or distributions arising from A shares. There is no assurance that the rate of the WHT will not be changed by the relevant PRC tax authority in the future.

1.2 Investing in B shares, H shares, red-chip companies and shares of companies listed on SEHK

a) Capital gains

Under the prevailing PRC CIT Law and regulations, capital gains derived by a non-resident from disposal of B shares and H shares could be subject to WHT at 10%, but under current practice no WHT is imposed on non-residents where both the purchase and sales of the B shares and H shares are via the stock exchange market. Capital gains derived by a non-resident from disposal of red-chip companies and shares of companies listed on SEHK would not be subject to WHT unless the listed company is classified by the PRC tax authority as a PRC resident enterprise.

b) Dividend income

Similar to A shares, dividend and interest income derived from investment in B shares, H shares or certain shares of companies listed on SEHK (that have been classified by the PRC tax authorities as a PRC resident enterprise) by the Sub-Fund would be subject to the WHT at 10% imposed by the PRC tax authorities which may reduce the income from the Sub-Fund and will have an impact on the performance of the Sub-Fund.

1.3 Investing in debt and fixed income instruments

a) Capital gains

The PRC CGT Circular does not cover gains derived from transfers of onshore PRC debt securities. Based on the current interpretation of the SAT and the local tax authorities, debt securities can be regarded as movable property, and thus capital gains derived by QFIIs from the investment in onshore PRC debt securities should not be regarded as PRC sourced income for WHT purpose (i.e. QFIIs should not be subject to WHT with respect to gains derived from the disposal of onshore debt securities), unless the SAT and/or the MOF would issue further guidance stating otherwise. Capital gains derived from transfer of offshore PRC debt securities would also be considered as non PRC sourced and would not be subject to PRC WHT.

If there is any change in the above interpretation and the PRC tax authorities seek to impose WHT on capital gains on bonds, the Manager of the Sub-Fund could seek to apply the treaty relief in relation to the Sub-Fund under the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion ("China-HK DTA"). As onshore PRC debt securities are outside the scope of properties referred to in Articles 13 (1) –13 (5) of the China-HK DTA, capital gains derived by a Hong Kong tax resident from the trading of onshore PRC debt securities should fall within the scope of "other property" in Article 13 (6) of the China/HK DTA and thus should not be subject to PRC WHT pursuant to Article 13 (6) of the China-HK DTA. In order to qualify for this preferential treatment, the Manager will further assess and seek agreement from the PRC tax authorities in relation to the Sub-Fund, although this cannot be guaranteed.

b) Interest income

Under the PRC CIT Law and its detailed implementation rules, interest income derived from Mainland China by entities that are treated as non-residents in the PRC which have no PE in the Mainland China are subject to WHT at the rate of 10%. The WHT rate may be reduced under an applicable tax treaty (subject to the fulfillment of certain conditions). The distributing company is the withholding agent but the Sub-Fund is the taxpayer. If the distributing company failed to withhold the WHT, then the Sub-Fund needs to pay the tax on its own.

Under the PRC CIT Law, interest derived from government bonds issued by the Ministry of Finance, or bonds issued by local government of a province, autonomous regions, municipalities directly under the Central Government or municipalities separately listed on the state plan, as approved by the State Council, shall be exempt from PRC CIT.

2 Value-added tax ("VAT") and surtaxes

In China, business tax was completely replaced by VAT starting from May 1, 2016. QFIIs and RQFIIs are exempted from VAT on securities (including debt and fixed income instruments) trading activities in China according to Caishui [2016] No. 36 and Caishui [2016] No. 70. According to Circular 81 and Circular 127, the Sub-Fund is exempted from VAT on A share trading activities through Shanghai-Hong Kong Stock Connect and/or Shenzhen-Hong Kong

Stock Connect. However, there is no clear rule on whether there is VAT exemption if the Sub-Fund invests in B shares. Thus, there may be VAT imposed on the Sub-Fund for trading of B shares. The H share transaction, red-chip companies transaction and other kinds of offshore shares transaction should not be subject to VAT.

If VAT is applicable, there are also other surtaxes (which include Urban Construction and Maintenance Tax, Education Surcharge and Local Education Surcharge) that would amount to as high as 12% of VAT payable.

3 Stamp Duty

Stamp duty under the PRC laws generally applies to the execution and receipt of all taxable documents listed in the PRC's Provisional Rules on Stamp Duty. Stamp duty is levied on the execution or receipt in China of certain documents, including contracts for the sale of A shares and B shares traded on the PRC stock exchanges. In the case of contracts for sale of A shares and B shares, such stamp duty is currently imposed on the seller but not on the purchaser, at the rate of 0.1%.

According to Circular 127, Hong Kong and overseas investors borrow and return listed shares in relation to shares guarantee and short-selling through Shanghai and Shenzhen Connect, will be exempted from stamp duty from 5 December 2016.

4 Tax Provision

The taxation laws and other regulations of the PRC are constantly changing, and may be changed with retrospective effect to the advantage or disadvantage of investors in the Sub-Fund. The interpretation and application of tax laws and other applicable regulations by the relevant authorities may not be as transparent or predictable as compared to the authorities administering similar regimes in other developed jurisdictions.

Since the Sub-Fund is the ultimate parties which will bear the risks relating to PRC tax liabilities, any changes to legislation, the interpretation or application of legislation, or the granting of foreign investors the benefit of tax exemptions or international tax treaties (which may be on a retrospective basis) will impact on the Sub-Fund's returns. In case there is any uncertainty, the Manager will decide whether tax provisions will be made in respect of the Sub-Fund for the tax obligations based on independent tax advice obtained. Even if provisions for taxation are made by the Manager, the amount of such provisions may not reflect the exact extent of PRC tax liabilities. As a result, investors may be disadvantaged or advantaged, depending on the final outcome of any tax liability. If the actual applicable tax rate levied by the PRC tax authorities is more than the provision made, investors should note that the Net Asset Value of the Sub-Fund may suffer more than the anticipated percentage of the provision as the Sub-Fund will have to bear the additional tax liabilities. There can be no guarantee that regulatory changes that have a detrimental impact on the investments of the Sub-Fund will not occur.

Although the relevant authorities have announced that CIT, VAT and individual income tax will be temporarily exempted on gains derived by Hong Kong and overseas investors (including the Sub-Fund) on the trading of A shares through Shanghai and Shenzhen Connect, dividends from A shares paid to Hong Kong and overseas investors will continue to be subject to 10% PRC WHT and the company distributing the dividend has the withholding obligation. Further, investors should note that the tax exemption on gains derived from trading of A shares via Shanghai and Shenzhen Connect under Circular 81 and Circular 127 was granted on a temporary basis and there is no assurance that the Sub-Fund will continue to enjoy the tax exemption over a long period of time. It is possible that any future announcement by the PRC tax authority may subject the Sub-Fund to unforeseen tax obligations, which may have retrospective effect.

Investors should seek their own tax advice on their Mainland China tax position with regard to their investment in the Sub-Fund.

In addition to the general risk factors set out above, investors should also note the following risk factors with respect to the *BOCHK Asia Pacific Property Fund*:

(a) Real estate securities risks

Although the Sub-Fund does not invest directly in real estate, it is subject to the general risks relating to investment in real estate. Such risks include possible decline in property prices, interest rate changes

where a higher interest rate will increase the funding costs, reduced demand for properties and property vacancies, changes in market rental rates, overbuilding, increasing competition, changes in government policies, changes in zoning and environmental laws and regulations, possible increase in operating, maintenance or insurance expenses or property taxes, etc., changes in neighborhood property use and value, changes in market or regulatory limits on rental rates, inability of the lessor to recover unpaid rent, uninsured and underinsured loss, depreciation of building value, shortage of mortgage funds, changes in general and local economic conditions, environmental hazards, casualty, liability to third parties and reliance on prudent management. Companies with major focus in real estate, property development and construction business may have limitation in their ability to react promptly to changes in market conditions. Any decline in the value of real estate security investment or income will adversely affect the value and distribution of the Sub-Fund.

(b) Real estate investment trusts "REITs" risks

The Sub-Fund is also subject to risks inherent in REITs which invest primarily in real estate. This may involve different and possible higher level of risk as compared with a diversified fund. REITs may be more volatile than other securities as they may trade less frequently and in smaller volume and they may have limited financial resources.

The performance of REITs will depend on various factors, such as management skills, for example, whether the manager is able to implement its strategy and whether the manager will change its strategy, change in value of the underlying properties, illiquidity of the investments which may affect the ability of REITs to change the investment or to liquidate part of the assets in response to changes in economic, market or other conditions, interest rate risks, changes in general and local economic conditions, taxation policies, non-renewal of expiring leases, unexpected expenditure or failure of lessees to meet their obligations. Further, REITs are subject to heavy cash flow dependency.

Investors should note that an investment in the Sub-Fund is not equivalent to an investment in a REIT and that the distribution of the Sub-Fund (if any) will not be the same as the distribution of the underlying REITs.

Investors should also note that the Sub-Fund may also invest in REITs that are not authorized by the SFC.

In addition to the general risk factors and any specific risk factors set out above, investors should also note the following risk factors with respect to *BOCHK HK Dollar Money Market Fund* and *BOCHK US Dollar Money Market Fund*:

(a) Volatility and liquidity risk

The Sub-Fund may invest in money market instruments which are not listed or actively traded, and as a consequence tend to be less liquid and more volatile. The prices of money market instruments traded in such markets may be subject to fluctuations. The bid and offer spreads of the price of such money market instruments may be large and the Sub-Fund may incur significant trading costs.

(b) Interest rate risk

Investment in the Sub-Funds are subject to interest rate risk. Interest rates in the short-term money market may vary from day to day reflecting changes in the level of money available in the economy and expectations of interest rate trends. The rate of return to investors will therefore fluctuate with these changes. In general, the prices of money market instruments rise when interest rates fall, whilst their prices fall when interest rates rise.

(c) Credit/ counterparty risk

The Sub-Funds are exposed to the credit/default risk of issuers of the money market instruments that the Sub-Funds may invest in. The issuer, guarantor or counterparty to a financial instrument in which the underlying fund invests may default on its payment obligations or otherwise be unwilling or unable to honor its contractual obligations. This may affect the value of the investments or the amount that the underlying fund may receive from the financial instruments. The performance of the Sub-Funds may therefore be adversely affected.

In addition to the general risk factors and any specific risk factors set out above, investors should also note the following risk factors with respect to the *BOCHK China Income Fund, BOCHK Hong Kong Income Fund, BOCHK Hong Kong Dollar Income Fund, BOCHK Australia Income Fund, BOCHK Sterling Income Fund, BOCHK Asia Pacific Equity Income Fund and BOCHK China Consumption Growth Fund:*

(a) Risk in relation to distribution - Investors should be aware that in circumstances where distributions are paid out of capital or effectively out of capital, this amounts to a return or withdrawal of part of the amount investors originally invested or from any capital gains attributable to that original investment. Any distributions involving payment of distributions out of capital or payment of distributions effectively out of capital (as the case may be) may result in an immediate decrease in the Net Asset Value per Unit.

In view of the risk factors as mentioned above, the Sub-Funds are, therefore, only suitable for investors who can afford the risks involved.

Risk Management Policies with respect to BOCHK China Equity Fund, BOCHK China Golden Dragon Fund and BOCHK China Consumption Growth Fund

In accordance with the investment objectives and policies of BOCHK China Equity Fund, BOCHK China Golden Dragon Fund and BOCHK China Consumption Growth Fund, the Manager may invest in ELIs. The Manager will seek to:

(a) acquire ELIs from reputable market counterparty with investment grade credit ratings to minimize the default and credit risks;
(b) gather confirmed market news to assess the financial soundness of the issuers of the ELIs;
(c) conduct review on the economic developments, investment policy for foreign investors and regulatory measures of the PRC, the market of the underlying equities of ELIs, in order to monitor relevant risks to investment in ELIs;
(d) make tax provisions on investment in ELIs, if applicable, in order to mitigate relevant risk to the potential liability of the capital gain tax which may be levied by the PRC tax authority.

INVESTMENT AND BORROWING RESTRICTIONS

Investment Restrictions

The Trust Deed imposes a number of restrictions and prohibitions on investment of the Sub-Funds.

General Investment Restrictions

The following restrictions and prohibitions will apply to all the Sub-Funds except for BOCHK HK Dollar Money Market Fund and BOCHK US Dollar Money Market Fund or as otherwise stated:

(i) Unless otherwise approved by the SFC, the aggregate value of a Sub-Fund's investments in, or exposure to, any single entity through the following shall not exceed 10% of its latest available Net Asset Value as at the time the investment is made:

  (a) investments in securities issued by that entity;

  (b) exposure to that entity through underlying assets of financial derivative instruments (see restriction in (xiii) below); and

  (c) net counterparty exposure to that entity arising from transactions of over-the-counter financial derivative instruments (see restriction in (xiv)(c) below).

(ii) A Sub-Fund shall not hold more than 10% of any ordinary shares issued by any single entity, or when aggregated with the holdings of such ordinary shares held by all other Sub-Funds, shall not collectively hold more than 10% of any ordinary shares issued by any single entity.

(iii) Subject to restrictions in (i) above and (xiv)(c) below, the aggregate value of a Sub-Fund's investments in, or exposure to, entities within the same group through the following shall not exceed 20% of the latest available Net Asset Value of the Sub-Fund:

  (a) investments in securities issued by those entities;

  (b) exposure to those entities through underlying assets of financial derivative instruments (see restriction in (xiii) below); and

(c) net counterparty exposure to those entities arising from transactions of over-the-counter financial derivative instruments (see restriction in (xiv)(c) below).

(iv) The value of a Sub-Fund's cash deposits (as defined under Note (1) to Chapter 7.1B of the UTMF Code) made with the same entity or entities within the same group (as defined under Note (1) to Chapter 7.1A of the UTMF Code) shall not exceed 20% of the latest available Net Asset Value of the Sub-Fund, unless:

(a) cash held before the launch of the Sub-Fund and for a reasonable period thereafter prior to the initial subscription proceeds being fully invested; or

(b) cash proceeds from liquidation of investments prior to the merger or termination of the Sub-Fund, whereby the placing of cash deposits with various financial institutions would not be in the best interests of Unitholders; or

(c) cash proceeds received from subscriptions pending investments and cash held for the settlement of redemption and other payment obligations, whereby the placing of cash deposits with various financial institutions be unduly burdensome and the cash deposits arrangements would not compromise the Unitholders' interests.

(v) The following restrictions shall be applicable to a Sub-Fund's investment in other Collective Investment Schemes and the restrictions in (i), (ii), (iii) above and (viii) below shall not be applicable to such investments, unless otherwise stated:

(a) The value of a Sub-Fund's investment in units or shares in other Collective Investment Schemes (namely "underlying schemes") which are non-eligible schemes (i.e. schemes which are not set out in the list of recognized jurisdictions issue by the SFC) and not authorised by the SFC shall not in aggregate exceed 10% of the latest available Net Asset Value of the Sub-Fund as at the time the investment is made PROVIDED THAT the Sub-Fund may invest in one or more underlying schemes which are either authorized by the SFC or eligible schemes (i.e. schemes which are set out in the list of recognised jurisdictions issued by the SFC), in which case, the value of the Sub-Fund's investment in units or shares in each such underlying scheme may not exceed 30% of its latest available Net Asset Value, unless the underlying scheme is authorized by the SFC, and the name and key investment information of the underlying scheme are disclosed in the Explanatory Memorandum AND PROVIDED FURTHER THAT the objective of each underlying scheme may not be to invest primarily in any investment prohibited by Chapter 7 of the UTMF Code or in other collective investment scheme(s), and where that underlying scheme's objective is to invest primarily in investments restricted by the Chapter 7 of the UTMF Code, such investments may not be in contravention of the relevant limitation.

(b) Where the underlying schemes are managed by the Manager, or by other companies within the same group that the Manager belongs to, then restrictions (i), (ii), (iii) above and restriction (viii) below are also applicable to investments of the underlying schemes.

(c) For the avoidance of doubt, a Sub-Fund may invest in scheme(s) authorized by the SFC under Chapter 8 (except for hedge funds under Chapter 8.7 of the UTMF Code), eligible scheme(s) (i.e. schemes which are set out in the list of recognised jurisdictions issued by the SFC) of which the net derivative exposure does not exceed 100% of its total Net Asset Value, and exchange traded funds ("ETFs") satisfying the requirements in the Note under "Investment in other schemes" of Chapter 7 of the UTMF Code in compliance with Chapter 7.11 and 7.11A of the UTMF Code.

(d) Unless otherwise stated, ETFs satisfying the requirements in the Note under "Investment in other schemes" of Chapter 7 of the UTMF Code shall be considered and treated by the Manager as listed securities for the purposes of and subject to restrictions in (i), (ii), (iii) above and (viii) below. As such, a Sub-Fund's investment in each ETF shall not exceed 10% of its Net Asset Value, unless otherwise stated.

(vi) Where a Sub-Fund invests in any underlying scheme(s) managed by the Manager or by a Connected Person of the Manager, all initial charges and redemption charges on the underlying scheme(s) shall be waived.

(vii) The Manager of a Sub-Fund or any person acting on behalf of a Sub-Fund or the Manager shall not obtain a rebate on any fees or charges levied by an underlying scheme or its management company, or any quantifiable monetary benefits in connection with investments in any underlying scheme.

(viii) The value of a Sub-Fund's investment in securities and other financial products or instruments that are neither listed, quoted nor dealt in on a market (as defined under Chapter 7.3 of the UTMF Code) shall not exceed 15% of its latest available Net Asset Value as at the time the investment is made.

(ix) (a) Notwithstanding restrictions (i), (ii) and (iii) above, the Manager may invest the assets of any Sub-Fund in Government and other public securities (as specified in Note (1) and (2) to Chapter 7.5 of the UTMF Code) PROVIDED THAT no such securities shall be acquired or the value of investment in such securities increased if as a result thereof the value of the Sub-Fund's investment in such securities of the same issue would exceed 30% of a Sub-Fund's latest available Net Asset Value.

(b) All of the assets of the Sub-Fund may be invested in Government and other public securities PROVIDED THAT in addition to complying with the limit in restriction (ix)(a), not less than six different issues of such securities would then be held by the Sub-Fund.

(x) A Sub-Fund shall not invest in physical commodities unless otherwise approved by the SFC on a case-by-case basis, taking into account the liquidity of the physical commodities concerned and availability of sufficient and appropriate additional safeguards where necessary.

(xi) A Sub-Fund may acquire financial derivative instruments for hedging purposes. For the purpose of this restriction, financial derivative instruments are generally considered as being acquired for hedging purposes if they meet all the following criteria:

(a) they are not aimed at generating any investment return;

(b) they are solely intended for the purpose of limiting, offsetting or eliminating the probability of loss or risks arising from the Investments being hedged;

(c) although they may not necessarily reference to the same underlying assets, they should relate to the same asset class with high correlation in terms of risks and return, and involve taking opposite positions, in respect of the Investments being hedged; and

(d) they exhibit price movements with high negative correlation with the investments being hedged under normal market conditions.

(xii) A Sub-Fund may acquire financial derivative instruments for non-hedging purposes ("investment purposes") provided that the limit that the Sub-Fund's net exposure relating to these financial derivative instruments ("net derivative exposure") does not exceed 50% of the latest available Net Asset Value of the Sub-Fund.

(xiii) Subject to restrictions (xii) above and (xiv) below, a Sub-Fund may invest in financial derivative instruments provided that the exposure to the underlying assets of the financial derivative instruments, together with the other investments of the Sub-Fund, may not in aggregate exceed the corresponding investment restrictions or limitations applicable to such underlying assets and investments as set out in restrictions (i), (iii), (iv), (v) and (viii) above and restriction (xxiii) below.

(xiv) The financial derivative instruments invested by a Sub-Fund shall be either listed/quoted on a stock exchange or dealt in over-the-counter market and shall comply with the following provisions:

(a) the underlying assets consist solely of shares in companies, debt securities, money market instruments, units/shares of Collective Investment Schemes, deposits with substantial financial institutions, Government and other public securities, highly-liquid physical commodities, financial indices, interest rates, foreign exchange rates, currencies, or other asset classes acceptable to the SFC, in which a Sub-Fund may invest according to its investment objectives and policies;

(b) the counterparties to transactions of over-the-counter financial derivative instruments or their guarantors are substantial financial institutions;

(c) subject to restrictions (i) and (iii) above, a Sub-Fund's net counterparty exposure to a single entity arising from transactions of over-the-counter financial derivative instruments may not exceed 10% of the latest available Net Asset Value of the Sub-Fund; and

(d) the valuation of the financial derivative instruments is marked-to-market daily, subject to regular, reliable and verifiable valuation conducted by the Manager or the Trustee, or their nominee(s), agent(s) or delegate(s) independent of the issuer of the financial derivative instruments through measures such as the establishment of a valuation committee or engagement of third party

services. The financial derivative instruments can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the Sub-Fund's initiative. Further, calculation agent/fund administrator should be adequately equipped with the necessary resources to conduct independent marked-to-market valuation and to verify the valuation of the financial derivative instruments on a regular basis.

(xv) For the avoidance of doubt, restrictions and limitations on counterparty as set out in restrictions (i), (iii) and (xiv)(c) above will not apply to financial derivative instruments that are:

(a) transacted on an exchange where the clearing house performs a central counterparty role; and

(b) marked-to-market daily in the valuation of their financial derivative instrument positions and subject to margining requirements at least on a daily basis.

(xvi) A Sub-Fund shall at all times be capable of meeting all its payment and delivery obligations incurred under transactions in financial derivative instruments (whether for hedging or for investment purposes).

(xvii) Subject to restriction (xvi) above, a transaction in financial derivative instruments which gives rise to a future commitment or contingent commitment of a Sub-Fund shall be covered as follows:

(a) in the case of financial derivative instruments transactions which will, or may at the Sub-Fund's discretion, be cash settled, the Sub-Fund shall at all times hold sufficient assets that can be liquidated within a short timeframe to meet the payment obligation; and

(b) in the case of financial derivative instruments transactions which will, or may at the counterparty's discretion, require physical delivery of the underlying assets, the Sub-Fund should hold the underlying assets in sufficient quantity at all times to meet the delivery obligation. If the Manager considers the underlying assets to be liquid and tradable, the Sub-Fund may hold other alternative assets in sufficient quantity as cover, provided that such assets may be readily converted into the underlying assets at any time to meet the delivery obligation.

(xviii) Where a financial instrument embeds a financial derivative, restrictions (xi) to (xvii) above will also apply to the embedded financial derivative.

(xix) A Sub-Fund may engage in securities lending, sale and repurchase and reverse repurchase transactions (collectively, "securities financing transactions"), provided that they are in the best interests of Unitholders and the associated risks have been properly mitigated and addressed. The counterparties to securities financing transactions should be financial institutions which are subject to ongoing prudential regulation and supervision.

(xx) A Sub-Fund should have at least 100% collateralization in respect of the securities financing transaction(s) into which it enters to ensure there is no uncollateralized counterparty risk exposure arising from these transactions.

(xxi) All the revenues arising from securities financing transactions, net of direct and indirect expenses as reasonable and normal compensation for the services rendered in the context of the securities financing transactions, should be returned to the Sub-Fund.

(xxii) A Sub-Fund should ensure that it is able at any time to recall the securities or the full amount of cash (as the case may be) subject to the securities financing transaction(s) or terminate the securities financing transaction(s) into which it has entered.

(xxiii) Unless otherwise permitted by the SFC or under the UTMF Code, a Sub-Fund may not invest in any type of real estate (including buildings) or interests in real estate (including options or rights but excluding shares in real estate companies and interests in real estate investment trusts (REITs)). In the case of investments in such shares and REITs, they shall comply with the investment limits as set out in restrictions (i), (ii), (iii), (v) and (viii) above, where applicable. For the avoidance of doubt, where investments are made in listed REITs, the investment limits as set out in restrictions (i), (ii) and (iii) above apply, and where investments are made in unlisted REITs, which are either companies or Collective Investment Schemes, restrictions (v)(a) and (viii) above apply respectively.

(xxiv) No short sale may be made which results in the Sub-Fund's liability to deliver securities exceeding 10% of its latest available Net Asset Value and where a short sale is made, the security which is sold short must be actively traded on a market where short selling activities are permitted. For the avoidance of doubt, the Sub-Fund is prohibited to carry out any naked or uncovered short sale of securities and short selling should be carried out in accordance with all applicable laws and regulations.

(xxv) subject to restriction (viii) above, a Sub-Fund may not lend, assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person.

(xxvi) A Sub-Fund may not acquire any asset or engage in any transaction which involves the assumption of any liability which is unlimited.

(xxvii) The liability of Unitholders shall be limited to their investments in a Sub-Fund.

(xxviii) A Sub-Fund may not invest in any security of any class in any company or body if any director or officer of the Manager individually owns more than 0.5% of the total nominal amount of all the issued securities of that class or collectively the directors and officers of the Manager own more than 5% of those securities.

(xxix) No part of any Sub-Fund shall be applied in the acquisition of any security which are for the time being nil paid or partly paid in respect of which a call is to be made for any sum unpaid on that security unless that call could be met in full out of cash or near cash by such Sub-Fund's portfolio whereby such amount of cash or near cash has not been segregated to cover a future or contingent commitment arising from transaction in financial derivative instruments for the purposes of restrictions (xvi) and (xvii) above.

Investment Restrictions Applicable to Money Market Sub-Funds

In relation to the *BOCHK HK Dollar Money Market Fund* and *BOCHK US Dollar Money Market Fund*, the following investment restrictions will apply instead of the General Investment Restrictions set out above:

(i) Subject to other restrictions below, the Sub-Fund may only invest in short-term deposits and high quality money market instruments and money market funds that are authorized by the SFC under Chapter 8.2 of the UTMF Code or regulated in a manner generally comparable with the requirements of the SFC and acceptable to the SFC.

(ii) The Sub-Fund must maintain a portfolio with weighted average maturity not exceeding 60 days and a weighted average life not exceeding 120 days and must not purchase an instrument with a remaining maturity of more than 397 days, or two years in the case of government and other public securities.

(iii) Notwithstanding restrictions (i) and (iv) under the General Investment Restrictions above, the aggregate value of the Sub-Fund's holding of instruments and deposits issued by a single entity may not exceed 10% of the latest available Net Asset Value of the Sub-Fund except:

(a) where the entity is a substantial financial institution and the total amount does not exceed 10% of the entity's share capital and non-distributable capital reserves, the limit may be increased to 25%; or

(b) in the case of government and other public securities, up to 30% may be invested in same issue; or

(c) in respect of any deposit of less than US$1,000,000 or its equivalent in the base currency of the Sub-Fund, where the Sub-Fund cannot otherwise diversify as a result of its size.

(iv) Notwithstanding restrictions (iii) and (iv) under the General Investment Restrictions above, the aggregate value of the Sub-Fund's investments in entities within the same group through instruments and deposits may not exceed 20% of its latest available Net Asset Value. This restriction will not apply in respect of cash deposit of less than US$1,000,000 or its equivalent in the base currency of the Sub-Fund, where the Sub-Fund cannot otherwise diversify as a result of its size. Where the entity is a substantial financial institution and the total amount does not exceed 10% of the entity's share capital and non-distributable capital reserves, the limit may be increased to 25%.

(v) The value of the Sub-Fund's holding of money market funds that are authorized by the SFC under Chapter 8.2 of the UTMF Code or regulated in a manner generally comparable with the requirements of the SFC and acceptable to the SFC may not in aggregate exceed 10% of its latest available Net Asset Value.

(vi) The value of the Sub-Fund's holding of investments in the form of asset-backed securities may not exceed 15% of its latest available Net Asset Value.

(vii) Subject to restrictions (xix) to (xxii) under the General Investment Restrictions above and Chapter 7.36 to 7.38 of the UTMF Code, the Sub-Fund may engage in sale and repurchase, and reverse repurchase transactions in compliance with the following additional requirements:

(a) the amount of cash received by the Sub-Fund under sale and repurchase transactions may not in aggregate exceed 10% of its total Net Asset Value;

(b) the aggregate amount of cash provided to the same counterparty in reverse repurchase agreements may not exceed 15% of the Net Asset Value of the Sub-Fund;

(c) collateral received may only be cash, high quality money market instruments and may also include, in the case of reverse repurchase transactions, government securities receiving a favourable assessment on credit quality; and

(d) the holding of collateral, together with other investments of the Sub-Fund, must not contravene the investment limitations and requirements set out in Chapter 8.2 of the UTMF Code.

(viii) The Sub-Fund may use financial derivative instruments for hedging purposes only.

(ix) The currency risk of the Sub-Fund shall be appropriately managed. In particular, any material currency risk should be appropriately hedged where the Sub-Fund invests in assets that are not denominated in the base currency of the Sub-Fund.

(x) The Sub-Fund must hold at least 7.5% of its latest available Net Asset Value in daily liquid assets and at least 15% of its latest available Net Asset Value in weekly liquid assets.

(xi) The Sub-Fund that offers a stable or constant Net Asset Value or which adopts an amortized cost accounting for valuation of its assets may only be considered by the SFC on a case-by-case basis.

Borrowing Restrictions

The Manager may borrow up to 10% of the latest available Net Asset Value of each Sub-Fund as at the time the borrowing is made. For the Money Market Sub-Funds, the Manager may only borrow up to 10% of the Sub-Fund's latest available Net Asset Value as at the time the borrowing is made and such borrowing must be on a temporary basis for the purpose of meeting redemption requests or defraying operating expenses.

The assets of the relevant Sub-Fund may be charged or pledged as security for any such borrowings.

Level of Leverage

The expected maximum level of leverage of each Sub-Fund is as follows:

The Manager is subject to the borrowing restrictions in respect of each Sub-Fund under the sub-section headed "Borrowing Restrictions" above.

No Sub-Fund is expected to incur any leverage from the use of financial derivative instruments.

General

If any of the investment and borrowing restrictions applicable to a Sub-Fund are breached, the Manager shall as a priority objective take all steps necessary within a reasonable period of time to remedy the situation, having due account to the interests of Unitholders.

The Manager is not immediately required to sell applicable investments if any of the investment restrictions are exceeded as a result of changes in the value of a Sub-Fund's investments, reconstructions or amalgamations, payments out of the assets of the Sub-Fund or redemptions of Units, but for so long as such limits are exceeded, the Manager shall not acquire any further investments which would result in such limit being further breached.

MANAGEMENT AND ADMINISTRATION

Manager

BOCI-Prudential Asset Management Limited is the Manager of the Fund. The Manager is a joint venture between BOCI Asset Management Limited and Prudential Corporation Holdings Limited. BOCI Asset Management Limited is a wholly owned subsidiary of BOC International Holdings Limited which in turn is a wholly owned subsidiary of Bank of China Limited. The Manager is specialized in security-based portfolio management

business. Teaming up with elite investment professionals, the Manager is devoted to providing advanced and quality services to its clients and is committed to be a professional, prudent and reliable fund management house.

The Manager is licensed with the SFC to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under section 116(1) of the Securities and Futures Ordinance of Hong Kong. For Type 1 regulated activity, the Manager shall only engage in marketing and distribution activities and only provide services to the accounts and collective investment schemes under the Manager's management. For Type 6 regulated activity, the Manager shall only act as an agent for the listing of index tracking exchange traded funds under its management. In acting as such agent, the Manager shall not advise on any listing that involves initial public offering contemplated under the Corporate Finance Advisor Code of Conduct. Further for Type 6 regulated activity, the Manager shall not act as sponsor in respect of an application for the listing on a recognized stock market of any securities.

Trustee and Registrar

The Trustee and Registrar of the Fund is BOCI-Prudential Trustee Limited, which is a registered trust company in Hong Kong.

The Trustee is a joint venture founded by BOC Group Trustee Company Limited and Prudential Corporation Holdings Limited ("PCHL"). BOC Group Trustee Company Limited is owned by BOC International Holdings Limited ("BOCI") and Bank of China (Hong Kong) Limited ("BOC(HK)"), which are subsidiaries of Bank of China Limited. The business activities of Bank of China Limited are principally corporate banking, retail banking, investment banking, insurance and other financial services. PCHL is wholly owned by Prudential plc which provides a broad range of financial and insurance services as well as engages in fund management business. The net assets of the Trustee were approximately HK$476.68 million as at 31 December 2018.

Custody Arrangement

The Trustee is responsible for the safe-keeping of the investments forming part of the Sub-Funds in accordance with the provisions of the Trust Deed and such investments will be dealt with as the Trustee may think proper for the purpose of providing for the safe keeping thereof.

The Trustee may from time to time appoint such person or persons as it thinks fit (including, without limitation, itself or any connected person) as custodians or co-custodians of the whole or any part of the investments comprised in any sub-fund and may empower any such custodians or co-custodians to appoint sub-custodians.

The Trustee is required to (a) exercise reasonable care, skill and diligence in the selection, appointment and on-going monitoring of any of its custodians, co-custodians, sub-custodians, nominees, agents and delegates in relation to the assets forming part of the property of the Fund and its sub-funds (collectively, "Correspondents") appointed by it for the custody and/or safekeeping of the Fund and the Sub-Funds; and (b) be satisfied that each of the Correspondents retained remains suitably qualified and competent on an ongoing basis to provide the relevant custodial services to the Fund and the Sub-Funds. The Trustee shall be responsible and liable for the acts and omissions of any Correspondent which is a connected person of the Trustee as if the same were the acts and omissions of the Trustee but provided that the Trustee has discharged its obligations set out in (a) and (b) as set out in this paragraph, the Trustee shall not be liable for the insolvency, liquidation or bankruptcy of any Correspondent which is not a connected person of the Trustee.

Any custodian, co-custodian or sub-custodian may further appoint its sub-custodians, nominees, agents and/or delegates provided that such appointment is made with prior consent or no objection in writing by the Trustee and the Trustee has satisfied itself that (i) the custodian, co-custodian or sub-custodian has exercised reasonable care and diligence in the selection, appointment and ongoing monitoring of its sub-custodians, nominees, agents and/or delegates and (ii) has appropriate and adequate processes and procedures in place for doing so. The Trustee shall also exercise reasonable care and diligence: (i) to ensure that the processes and procedures mentioned in this paragraph have been properly implemented by the custodian, co-custodian and/or sub-custodian (as the case may be) and (ii) to conduct regular reviews of such custodian's, co-custodian's and/or sub-custodian's processes and procedures to ensure that the Trustee remains satisfied that such processes and procedures remain appropriate and adequate for the selection, appointment and ongoing monitoring of such sub-custodians, nominees, agents and/or delegates.

Sponsor

Bank of China (Hong Kong) Limited is the Sponsor of the Fund.

Bank of China (Hong Kong) Limited was officially established on 1st October 2001. It combines the business of ten of the twelve banks in Hong Kong originally under the Bank of China (BOC) Group, including Bank of China Hong Kong Branch, the Hong Kong branches of the seven other banks incorporated in the Mainland China (The

Kwangtung Provincial Bank, Sin Hua Bank Limited, The China & South Sea Bank Limited, Kincheng Banking Corporation, The China State Bank Limited, The National Commercial Bank Limited and The Yien Yieh Commercial Bank Limited), as well as two locally-incorporated banks, Hua Chiao Commercial Bank Limited and Po Sang Bank Limited. Bank of China (Hong Kong) Limited is also the majority shareholder of BOC Credit Card (International) Limited.

The ultimate controlling shareholder of Bank of China (Hong Kong) Limited is CentralHuijin Investment Ltd. ("Central Huijin") which is a wholly state-owned investment institution. Central Huijin is a substantial shareholder of Bank of China Limited. As a licensed bank in Hong Kong, Bank of China (Hong Kong) Limited operates in accordance with local and international banking regulatory standards, requirements of corporate governance, prudent accounting principles and financial information disclosure requirements. This adherence to international best practice enables Bank of China (Hong Kong) Limited to serve Hong Kong and international customers better and establish a foundation for better utilizing local and international capital markets in the future. It also enables Bank of China (Hong Kong) Limited to enjoy an advantageous position in both the Mainland China and Hong Kong markets.

As one of the pillars of the Hong Kong banking system, Bank of China (Hong Kong) Limited has a strong asset position among other local banks in Hong Kong. As of 31 December 2018, the total assets of Bank of China (Hong Kong) Limited were HK$2,820,684 million. With such a solid foundation, Bank of China (Hong Kong) Limited assumes a leading position among local banks in various areas of retail and corporate banking, including mortgage loans, syndicate loans, credit cards, SME loans, foreign exchange and precious metals retail business. Bank of China (Hong Kong) Limited is also one of the three note-issuing banks in Hong Kong.

Subject to SFC approval, the Sponsor will have the power to remove the Manager or the Trustee by giving not less than 90 days written notice to the Manager or the Trustee (as the case may be) and appoint a replacement. The Sponsor may also terminate the Fund or Sub-Fund under certain specified situations (For details, please see "General Information" - "Termination of the Fund" and "Termination of a Sub-Fund").

ISSUE OF UNITS

Different classes of Units may be offered for a Sub-Fund. Although the assets attributable to each class of Units of the Sub-Fund will form one single pool, each class of Units may have a different charging structure with the result that the Net Asset Value attributable to each class of Units of the Sub-Fund may differ.

Currently, only Class A Units of the Sub-Funds with different fee levels are available for subscription by investors during an initial prescribed period (the "**Initial Period**") and on each Dealing Day thereafter.

Units of the following Sub-Funds are denominated in HK dollars:
1. BOCHK China Income Fund;
2. BOCHK Hong Kong Income Fund;
3. BOCHK Hong Kong Dollar Income Fund (Class A – HKD Units);
4. BOCHK China Equity Fund (Class A – HKD Units);
5. BOCHK China Golden Dragon Fund;
6. BOCHK China Consumption Growth Fund;
7. BOCHK Hong Kong Equity Fund (Class A – HKD Units); and
8. BOCHK HK Dollar Money Market Fund.

Units of the following Sub-Funds are denominated in US dollars:
1. BOCHK Aggressive Growth Fund;
2. BOCHK Balanced Growth Fund;
3. BOCHK Conservative Growth Fund;
4. BOCHK Asia Pacific Equity Income Fund;
5. BOCHK Japan Equity Fund;
6. BOCHK Asia Pacific Equity Fund;
7. BOCHK Asia Pacific Property Fund;
8. BOCHK China Equity Fund (Class A – USD Units);
9. BOCHK Global Equity Fund (Class A – USD Units);
10. BOCHK Global Bond Fund;
11. BOCHK US Dollar Money Market Fund; and
12. BOCHK Hong Kong Dollar Income Fund (Class A – USD Units).

Units of the following Sub-Funds are denominated in RMB:
1. BOCHK Hong Kong Equity Fund (Class A - RMB Units*); and
2. BOCHK Global Equity Fund (Class A - RMB Units*).

Units of the BOCHK Australia Income Fund are denominated in Australian dollars. Units of the BOCHK Sterling

Income Fund are denominated in pound sterling (GBP).

* BOCHK Hong Kong Equity Fund and BOCHK Global Equity Fund have been approved by the China Securities Regulatory Commission (CSRC) for distribution to investors of Mainland China under the Mainland-Hong Kong Mutual Recognition of Funds scheme (distribution date will be specified in relevant Mainland China announcement). Such Class A – RMB Units is only available to investors of Mainland China and is not offered in Hong Kong.

For the avoidance of doubt, where a Sub-Fund has "Class A - USD Units", "Class A - HKD Units", "Class A – RMB Units", or such other class which name commences with "Class A", each class of such Units shall be considered a separate class.

Initial issue of Units

Units of each of the Sub-Funds were initially offered to investors during their respective Initial Period at their respective issue price and the relevant Initial Periods have been closed.

In respect of applications in writing or by facsimile received by the Manager prior to 5:00 p.m. (Hong Kong time) on the last day of the Initial Period, Units will be issued on the close of the Initial Period.

The Manager may levy an initial charge on the issue of Class A Units of each Sub-Fund. The maximum amount of such initial charge is set out in the "Charges and Expenses" section on pages 56 to 57 below.

No initial charge will be levied in respect of the issue of the Class B Units of the Sub-Funds.

The Manager may exercise its discretion not to issue any Units of a Sub-Fund during the Initial Period if the size of that Sub-Fund is less than the prescribed minimum amount fixed by the Manager as at the closing date of the Initial Period.

If the Manager exercises such discretion, it will notify applicants in writing within three Business Days of such closing date and the subscription monies paid by the applicants will be returned at their risk in Hong Kong dollars (or, at the sole discretion of the Manager, in the currency in which the subscription monies were received) within seven Business Days after the expiry of the Initial Period. No interest will be paid on such subscription monies and any benefit will be retained by the Manager.

Subsequent issues of Units

After the relevant Initial Period, applications in writing or by facsimile received by the Manager prior to 5:00 p.m. (Hong Kong time) on a Dealing Day will be dealt with, and Units will be issued, on that Dealing Day. Where applications in writing or by facsimile are received after such time or on a day which is not a Dealing Day, they will be carried forward and dealt with on the next Dealing Day.

The issue price (exclusive of any initial charges) of Units of the relevant class of a Sub-Fund on a Dealing Day will be calculated by reference to the Net Asset Value per Unit of such class of that Sub-Fund as at close of business in the last relevant market to close on that Dealing Day, save that:

(a) for BOCHK China Equity Fund (Class A – USD Units), the issue price (exclusive of any initial charges) of such Units on a Dealing Day (as calculated in accordance with the sub-section headed "Calculation of Issue and Redemption Prices" on page 52 below) will be the Net Asset Value per Unit of BOCHK China Equity Fund (Class A – HKD Units) as at the Dealing Day multiplied by the foreign exchange rate(s) quoted by WM/Reuters as at 4:00 p.m. (London time) on that Dealing Day;

(b) for BOCHK Hong Kong Equity Fund (Class A - RMB Units), the issue price (exclusive of any initial charges) of such Units on a Dealing Day (as calculated in accordance with the sub-section headed "Calculation of Issue and Redemption Prices" on page 52 below) will be the Net Asset Value per Unit of BOCHK Hong Kong Equity Fund (Class A – HKD Units) as at the Dealing Day multiplied by the foreign exchange rate(s) quoted by WM/Reuters as at 4:00 p.m. (London time) on that Dealing Day;

(c) for BOCHK Global Equity Fund (Class A – RMB Units), the issue price (exclusive of any initial charges) of such Units on a Dealing Day (as calculated in accordance with the sub-section headed "Calculation of Issue and Redemption Prices" on page 52) below) will be the Net Asset Value per Unit of BOCHK Global Equity Fund (Class A – USD Units) as at the Dealing Day multiplied by the foreign exchange rate(s) quoted by WM/Reuters as at 4:00 p.m. (London time) on that Dealing Day; and

(d) for BOCHK Hong Kong Dollar Income Fund (Class A – USD Units), the issue price (exclusive of any initial charges) of such Units on a Dealing Day (as calculated in accordance with the sub-section headed "Calculation of Issue and Redemption Prices" on page 52 below) will be the Net Asset Value per Unit of

BOCHK Hong Kong Dollar Income Fund (Class A – HKD Units) as at the Dealing Day multiplied by the foreign exchange rate(s) quoted by WM/Reuters as at 4:00 p.m. (London time) on that Dealing Day,

provided that the Manager may at its discretion determine applying such other foreign exchange rate published by other agency and/or using such other cut-off time for determining the foreign exchange rate. Please refer to the section headed "CALCULATION OF NET ASSET VALUE AND ISSUE AND REDEMPTION PRICES" on pages 51 to 53 below for further details.

The Manager may levy an initial charge on the issue of each Class A Unit. The maximum amount of such initial charge is set out in the "Charges and Expenses" section on pages 56 to 57 below. No initial charge will be levied on the issue of Class B Units.

Applications for subscription of Units may also be placed through other authorized fund distributors or through other authorized means as may from time to time specified by the Manager in the Manager's webpage (www.boci-pru.com.hk). Applicants should note that applications made through such means may involve different dealing procedures, such as earlier application or payment cut-off time. As such, applicants who intend to subscribe Units through fund distributors other than the Manager or place subscription orders through other authorized means should consult the relevant fund distributor or the Manager to find out the dealing procedures that are applicable to them.

Minimum subscription and subsequent holding

Unless otherwise allowed under the "Regular Savings Plan" section on pages 54 to 55 below, the minimum amount of each subscription in each class of Units of a Sub-Fund during and after the relevant Initial Period shall be HK$10,000 inclusive of any initial charge (or its equivalent amount in US dollars, Australian dollars, GBP or RMB, depending on the denomination of the Sub-Fund or the relevant class of the Units of the Sub-Fund). Furthermore, the Manager may require a Unitholder to redeem his entire holding (instead of partial holding) of Units in any class of Sub-Fund, if after redemption, the Unitholder's holding in such class of Sub-Fund falls below HK$10,000 (or its equivalent amount in US dollars, Australian dollars, GBP or RMB, depending on the denomination of the Sub-Fund or the relevant class of the Sub-Fund).

However, the Manager reserves the right to waive the minimum subscription or minimum holding requirements of any Sub-Funds for any Unitholder.

Application procedure

Except otherwise specified by the Manager in its website (www.boci-pru.com.hk), applications for Units must be made by completing the enclosed Master Account Opening Form, Subscription Form and any other relevant application documents and submitting the same to the Manager in person, sending them by post or by facsimile or other means from time to time determined by the Manager (unless the original of any relevant application document is required by the Manager).

Investors/ Unitholders should be reminded that if they choose to send the Master Account Opening Form and Subscription Form or other relevant application document(s) by facsimile or any other means without submitting the original, they bear their own risk of the requests not being received or repeatedly received or being illegible. None of the Manager, the Trustee and/or their respective agents shall be responsible to an investor/ Unitholder for any loss resulting from non-receipt or duplicate receipt or illegibility of any relevant application documents sent by facsimile or any other means without submitting the original.

Payment procedure

Unless otherwise accepted by the Manager, payment for Units and any applicable initial charge may be made by cheque, payable to "BOCI-Prudential Asset Management Ltd– Client A/C-UTD" and crossed "A/C Payee Only, Not Negotiable" or by telegraphic transfer or bank transfer net of all bank charges (i.e. at the expense of the applicant). Payment by cheque is likely to cause delay in receipt of cleared funds and an application will not be accepted and Units will not be issued until the cheque is cleared. Any costs of transfer of application monies to the Sub-Funds will be payable by the applicant. The account details are as follows:

Name: Bank of China (Hong Kong) Limited
Address: Bank of China Tower, 1 Garden Road, Hong Kong
Account: BOCI-Prudential Asset Management Ltd– Client A/C-UTD

A/C Numbers: For BOCHK Hong Kong Equity Fund (Class A – HKD Units)
BOCHK Hong Kong Dollar Income Fund (Class A – HKD Units)
BOCHK HK Dollar Money Market Fund
BOCHK China Income Fund
BOCHK Hong Kong Income Fund
BOCHK China Golden Dragon Fund
BOCHK China Consumption Growth Fund
BOCHK China Equity Fund (Class A – HKD Units):
012-875-0-044596-0

For BOCHK Global Equity Fund (Class A – USD Units)
BOCHK Global Equity Fund (Class A – RMB Units)
BOCHK US Dollar Money Market Fund
BOCHK Asia Pacific Equity Fund
BOCHK Global Bond Fund
BOCHK Aggressive Growth Fund
BOCHK Balanced Growth Fund
BOCHK Conservative Growth Fund
BOCHK Japan Equity Fund
BOCHK Australia Income Fund
BOCHK Asia Pacific Equity Income Fund
BOCHK Sterling Income Fund
BOCHK Asia Pacific Property Fund
BOCHK China Equity Fund (Class A – USD Units)
BOCHK Hong Kong Equity Fund (Class A – RMB Units)
BOCHK Hong Kong Dollar Income Fund (Class A – USD Units):
012-875-9-251458-0

Investors should note the payment procedures of BOCHK Investment Funds as described below :

(A) In respect of the following Sub-Funds:

(i) BOCHK US Dollar Money Market Fund,
(ii) BOCHK HK Dollar Money Market Fund, and
(iii) any other Money Market Sub-Funds from time to time established under the BOCHK Investment Funds,

applications (for subscription of the Money Market Sub-Fund(s) or switching into the Money Market Sub-Fund(s)) will not be processed unless the subscription proceeds (payment or in the case of fund switching, the redemption proceeds of the Sub-Fund(s) switched out by the Unitholders that are used to subscribe to the Money Market Sub-Fund(s)) in cleared funds are received.

(B) In respect of the following Sub-Funds:

(i) BOCHK Hong Kong Equity Fund,
(ii) BOCHK Global Equity Fund,
(iii) BOCHK Hong Kong Dollar Income Fund,
(iv) BOCHK Asia Pacific Equity Fund,
(v) BOCHK China Equity Fund,
(vi) BOCHK Global Bond Fund,
(vii) BOCHK China Income Fund,
(viii) BOCHK Hong Kong Income Fund,
(ix) BOCHK China Golden Dragon Fund,
(x) BOCHK Japan Equity Fund,
(xi) BOCHK Australia Income Fund,
(xii) BOCHK Sterling Income Fund,
(xiii) BOCHK Asia Pacific Equity Income Fund,
(xiv) BOCHK Asia Pacific Property Fund,
(xv) BOCHK China Consumption Growth Fund,
(xvi) BOCHK Aggressive Growth Fund,
(xvii) BOCHK Balanced Growth Fund, and
(xviii) BOCHK Conservative Growth Fund,

payment for Units shall be due (i) prior to the close of the relevant Initial Period (for subscriptions during the Initial Period); or (ii) upon issue of the Units (for subsequent issue). If cleared fund is not received on the relevant due date, the Manager may, without prejudice to any claim against the applicant in

respect of the failure to make payment when due, determine in its discretion that the application be cancelled. In such circumstances, the relevant Units shall be deemed never to be issued.

In addition to other restrictions set out in the Explanatory Memorandum, no redemption or switching transactions may be effected until the initial subscription has been completed.

Subscription monies must be paid in the currency in which the particular class of Units of the relevant Sub-Fund being subscribed for are denominated.

Subscription monies for BOCHK Hong Kong Equity Fund (Class A – HKD Units), BOCHK Hong Kong Dollar Income Fund (Class A – HKD Units), BOCHK HK Dollar Money Market Fund, BOCHK China Equity Fund (Class A – HKD Units), BOCHK China Income Fund, BOCHK Hong Kong Income Fund, BOCHK China Golden Dragon Fund and BOCHK China Consumption Growth Fund must be paid in Hong Kong dollars.

For BOCHK Global Equity Fund (Class A – USD Units), BOCHK US Dollar Money Market Fund, BOCHK Asia Pacific Equity Fund, BOCHK Global Bond Fund, BOCHK Aggressive Growth Fund, BOCHK Balanced Growth Fund, BOCHK Conservative Growth Fund, BOCHK Japan Equity Fund, BOCHK Asia Pacific Equity Income Fund, BOCHK Asia Pacific Property Fund, BOCHK China Equity Fund (Class A – USD Units) and BOCHK Hong Kong Dollar Income Fund (Class A – USD Units), subscription monies must be paid in US dollars except that under the Regular Savings Plan, they must be paid in Hong Kong dollars.

For BOCHK Hong Kong Equity Fund (Class A – RMB Units) and BOCHK Global Equity Fund (Class A – RMB Units), subscription monies must be paid in RMB.

For BOCHK Australia Income Fund, subscription monies must be paid in Australian dollars (except that under the Regular Savings Plan).

For BOCHK Sterling Income Fund, subscription monies must be paid in GBP (except that under the Regular Savings Plan).

However, the Manager reserves the right to accept payment in other currencies from any Unitholder, in which case, the number of Units to be issued shall be calculated based on an exchange rate reasonably determined by the Manager and the Trustee. Any exchange rate risk and costs of conversion will be borne by the Unitholder concerned and the Unitholder may be required to pay a handling fee.

Third party cheques and cash are not accepted. US dollar cheques given must be drawn in Hong Kong and US dollar cheques drawn outside Hong Kong will not be accepted. Australian dollar cheques given must be drawn in Hong Kong and Australian dollar cheques drawn outside Hong Kong will not be accepted. GBP cheques given must be drawn in Hong Kong and GBP cheques drawn outside Hong Kong will not be accepted.

Investors should note that for payment by telegraphic or bank transfer in US dollars to be received for value on a particular day, payment must be made for value in New York at least one New York business day preceding such day; for payment by telegraphic or bank transfer in Hong Kong dollars to be received for value on a particular day, payment must be made for value in Hong Kong at least one Hong Kong business day preceding such day; for payment by telegraphic or bank transfer in Australian dollars to be received for value on a particular day, payment must be made for value in Sydney at least one Sydney business day preceding such day; and for payment by telegraphic or bank transfer in GBP to be received for value on a particular day, payment must be made for value in London at least one London business day preceding such day.

No money should be paid to any intermediary in Hong Kong who is not licensed or registered to carry on Type 1 regulated activity under Part V of the Securities and Futures Ordinance of Hong Kong.

General

Units issued by the Fund will be held for investors in registered form. Certificates will not be issued. A contract note will be issued upon acceptance of an investor's application and will be forwarded by ordinary post (at the risk of the person entitled thereto). A contract note may also be provided by other electronic medium (e.g. through the website of the Manager) provided that the relevant Unitholder has consented to the use of such means and operational safeguards that ensure adequate notice and access being given to the Unitholders in the provision of the contract note have been put in place.

Fractions of not less than ten-thousandth of a Unit may be issued. Smaller fractions will be retained for the benefit of the relevant Sub-Fund.

The Manager has an absolute discretion to accept or reject in whole or in part any application for Units. In the event that an application is rejected, application moneys will be returned without interest by cheque through the

post at the risk of the person(s) entitled thereto or through bank transfer. Without limiting the generality of the foregoing, the Manager may reject any application for subscription, redemption or switching where insufficient information is being provided or in case there is any error or omission in the information provided. No Units of a Sub-Fund will be issued where the determination of the Net Asset Value of that Sub-Fund is suspended (for further details see "Suspension of Dealings and Determination of Net Asset Value" on pages 52 to 53 below).

REDEMPTION OF UNITS

Subject as mentioned below, any Unitholder may realise his Units on any Dealing Day in whole or in part.

For redemption of Class B Units, the Manager is entitled to levy a redemption charge if the Units are redeemed within 4 years of their issue and redemption will be effected on a "First In First Out" basis, i.e. the first Unit to be redeemed will be the Unit which was first issued. For this purpose, a redeeming Unit is considered to be issued at the time when the relevant subscription monies were used to acquire that redeeming Unit (or if such redeeming Unit was issued to the Unitholder as a result of one or more switching from another Unit, the redeeming Unit will be considered to be issued at the time the original Unit was issued to the Unitholder after the relevant subscription monies were received by the Trustee) and in making such a consideration, the Manager may make such assumptions as it considers appropriate. No redemption charge will be levied for the redemption of Class B Units after 4 years of their issue.

No redemption charge will be levied for the redemption of Class A Units.

The details of the redemption charges are set out in the "Charges and Expenses" section on pages 56 to 57 below.

A redemption request must be submitted to the Manager in person, sending it by post or by facsimile or through other authorized means as may from time to time specified by the Manager (unless the original is required by the Manager) and must specify:

(a) the name of the relevant Sub-Fund;
(b) the class and number of Units or the amount of monies to be redeemed;
(c) the name(s) of the registered holder(s); and
(d) payment instructions for the redemption proceeds.

Investors/ Unitholders should be reminded that if they choose to send redemption requests by facsimile or any other means without submitting the original, they bear their own risk of the requests not being received or repeatedly received or being illegible. None of the Manager, the Trustee and/or their respective agents shall be responsible to an investor/ Unitholder for any loss resulting from non-receipt or duplicate receipt or illegibility of any redemption request sent by facsimile or any other means without submitting the original.

Redemption requests in writing or by facsimile received by the Manager prior to 5:00 p.m. (Hong Kong time) on a Dealing Day will be dealt with on that Dealing Day. Redemption requests in writing or by facsimile received by the Manager after such time or on a day which is not a Dealing Day will be carried forward and dealt with on the next Dealing Day.

Application for redemption of Units may also be placed through other authorized fund distributors or made through other authorized means as may from time to time specified by the Manager in the Manager's webpage (www.boci-pru.com.hk). Unitholders should note that applications made through such means may involve different dealing procedures, such as earlier cut-off time. As such, Unitholders who intend to redeem Units through fund distributors other than the Manager or place redemption orders through other authorized means should consult the relevant fund distributor or the Manager to find out the dealing procedures that are applicable to them.

Units of the relevant class realised on a Dealing Day will be redeemed at a price calculated by reference to the Net Asset Value per Unit of that class of the relevant Sub-Fund as at close of business in the last relevant market to close on that Dealing Day, save that:

(a) for BOCHK China Equity Fund (Class A – USD Units), the redemption price of such Units on a Dealing Day (as calculated in accordance with the sub-section headed "Calculation of Issue and Redemption Prices" on page 52 below) will be the Net Asset Value per Unit of BOCHK China Equity Fund (Class A – HKD Units) as at the Dealing Day multiplied by the foreign exchange rate(s) quoted by WM/Reuters as at 4:00 p.m. (London time) on that Dealing Day;

(b) for BOCHK Hong Kong Equity Fund (Class A - RMB Units), the redemption price of such Units on a Dealing Day (as calculated in accordance with the sub-section headed "Calculation of Issue and Redemption Prices" on page 52 below) will be the Net Asset Value per Unit of BOCHK Hong Kong

Equity Fund (Class A – HKD Units) as at the Dealing Day multiplied by the foreign exchange rate(s) quoted by WM/Reuters as at 4:00 p.m. (London time) on that Dealing Day;

(c) for BOCHK Global Equity Fund (Class A - RMB Units), the redemption price of such Units on a Dealing Day (as calculated in accordance with the sub-section headed "Calculation of Issue and Redemption Prices" on page 52 below) will be the Net Asset Value per Unit of BOCHK Global Equity Fund (Class A – USD Units) as at the Dealing Day multiplied by the foreign exchange rate(s) quoted by WM/Reuters as at 4:00 p.m. (London time) on that Dealing Day; and

(d) for BOCHK Hong Kong Dollar Income Fund (Class A – USD Units), the redemption price of such Units on a Dealing Day (as calculated in accordance with the sub-section headed "Calculation of Issue and Redemption Prices" on page 52 below) will be the Net Asset Value per Unit of BOCHK Hong Kong Dollar Income Fund (Class A – HKD Units) as at the Dealing Day multiplied by the foreign exchange rate(s) quoted by WM/Reuters as at 4:00 p.m. (London time) on that Dealing Day,

provided that the Manager may at its discretion determine applying such other foreign exchange rate published by other agency and/or using such other cut-off time for determining the foreign exchange rate. Please also refer to the section headed "CALCULATION OF NET ASSET VALUE AND ISSUE AND REDEMPTION PRICES" on pages 51 to 53 for further details.

Payment of Redemption Proceeds

Except otherwise waived by the Manager, redemption proceeds will not be paid to any redeeming Unitholder until (a) the written request of the redemption duly signed by the Unitholder has been submitted to the Manager in person, sent by post or by facsimile or other means from time to time determined by the Manager (unless the original is required by the Manager) and received by or on behalf of the Manager and (b) where the Trustee so requires, the signature of the Unitholder (or each joint Unitholder) has been verified to the satisfaction of the Trustee.

Investors/ Unitholders should be reminded that if they choose to send redemption requests by facsimile or any other means without submitting the original, they bear their own risk of the requests not being received or repeatedly received or being illegible. None of the Manager, the Trustee and/or their respective agents shall be responsible to an investor/ Unitholder for any loss resulting from non-receipt or duplicate receipt or illegibility of any redemption request sent by facsimile or any other means without submitting the original.

Redemption proceeds will be paid in the currency in which the particular class of Units of the relevant Sub-Fund being redeemed are denominated.

Redemption proceeds from the BOCHK Hong Kong Equity Fund (Class A – HKD Units), BOCHK Hong Kong Dollar Income Fund (Class A – HKD Units), BOCHK HK Dollar Money Market Fund, BOCHK China Equity Fund (Class A – HKD Units), BOCHK China Income Fund, BOCHK Hong Kong Income Fund, BOCHK China Golden Dragon Fund and BOCHK China Consumption Growth Fund will normally be paid in Hong Kong dollars.

Redemption proceeds from the BOCHK US Dollar Money Market Fund, BOCHK Global Equity Fund (Class A – USD Units), BOCHK Asia Pacific Equity Fund, BOCHK Global Bond Fund, BOCHK Aggressive Growth Fund, BOCHK Balanced Growth Fund, BOCHK Conservative Growth Fund, BOCHK Japan Equity Fund, BOCHK Asia Pacific Equity Income Fund, BOCHK Asia Pacific Property Fund, BOCHK China Equity Fund (Class A – USD Units) and BOCHK Hong Kong Dollar Income Fund (Class A – USD Units) will normally be paid in US dollars.

Redemption proceeds from the BOCHK Australia Income Fund will normally be paid in Australian dollars.

Redemption proceeds from the BOCHK Sterling Income Fund will normally be paid in GBP.

Redemption proceeds from the BOCHK Hong Kong Equity Fund (Class A - RMB Units) and BOCHK Global Equity Fund (Class A - RMB Units) will normally be paid in RMB. However, due to the exchange controls and restrictions applicable to RMB, the Manager may not be able to get sufficient amounts of RMB in a timely manner to meet redemption requests of BOCHK Hong Kong Equity Fund (Class A - RMB Units) and BOCHK Global Equity Fund (Class A - RMB Units) if all or a substantial portion of its underlying investments are non-RMB denominated. Therefore, even if the Manager aims to pay redemption proceeds to investors of such classes of Units in RMB, investors may not receive RMB upon redemption of their investments in RMB. There is also a risk that payment of redemption proceeds in RMB may be delayed when there is not sufficient RMB for currency conversion for settlement of the redemption proceeds.

A request for redemption once given cannot be revoked without the consent of the Manager.

Unitholders may, however, request the proceeds to be paid in other currencies, in which case, the proceeds will be converted to the requested currency at the prevailing exchange rate. Any exchange rate risk will be borne by the Unitholder concerned and the Unitholder may be required to pay a handling fee.

Subject as mentioned above and so long as relevant account details have been provided, redemption proceeds will be paid by telegraphic or bank transfer (less the cost of effecting such telegraphic or bank transfer), normally within 5 Business Days after the relevant Dealing Day and in any event within one month of the relevant Dealing Day (unless payment of redemption proceeds has been suspended – see "Restrictions on Redemption" on pages 48 to 49 below) or, if later, after duly completed redemption documentation has been submitted to the Manager in person, sent by post or by facsimile or other means from time to time determined by the Manager (unless the original is required by the Manager) and received by the Manager. Request by the redeeming Unitholder to make the payment to a third party will not be accepted unless approval is obtained from the Manager or additional supporting documents as may be required by the Manager or the Trustee are provided or the relevant requirement is waived by the Manager. Where a redemption request provides for the redemption proceeds to be paid to any person other than the registered Unitholder(s) or to be paid by telegraphic or bank transfer to a bank account in Hong Kong, New York, London, Sydney or Mainland China, the signature of the Unitholder or (in the case of joint Unitholders) each Unitholder on that redemption request must be verified to the satisfaction of the Trustee. If relevant account details are not provided, redemption proceeds will be paid to the redeeming Unitholder (or to all Unitholders in case of joint Unitholders) at the Unitholder's risk by cheque:

(a) *in Hong Kong dollars* for the BOCHK Hong Kong Equity Fund (Class A – HKD Units), BOCHK Hong Kong Dollar Income Fund (Class A – HKD Units), BOCHK HK Dollar Money Market Fund, BOCHK China Equity Fund (Class A – HKD Units), BOCHK China Income Fund, BOCHK Hong Kong Income Fund, BOCHK China Golden Dragon Fund and BOCHK China Consumption Growth Fund;

(b) *in US dollars* for the BOCHK US Dollar Money Market Fund, BOCHK Global Equity Fund (Class A – USD Units), BOCHK Asia Pacific Equity Fund, BOCHK Global Bond Fund, BOCHK Aggressive Growth Fund, BOCHK Balanced Growth Fund, BOCHK Conservative Growth Fund, BOCHK Japan Equity Fund, BOCHK Asia Pacific Equity Income Fund, BOCHK Asia Pacific Property Fund, BOCHK China Equity Fund (Class A – USD Units) and BOCHK Hong Kong Dollar Income Fund (Class A – USD Units);

(c) *in Australian dollars* for the BOCHK Australia Income Fund;

(d) *in GBP* for the BOCHK Sterling Income Fund; and

(e) *in RMB* for the BOCHK Hong Kong Equity Fund (Class A – RMB Units) and BOCHK Global Equity Fund (Class A – RMB Units).

In the case of joint Unitholders, the cheque will be drawn in the names of all Unitholders. Bank charges (if any) incurred in making payment will be borne by the redeeming Unitholder and accordingly will be deducted from the redemption proceeds.

Payment of Redemption Proceeds by Distribution in Specie

Notwithstanding the above, the Manager has an absolute discretion to effect a redemption payment to any or all redeeming Unitholders in specie or in kind rather than in cash. The circumstances in which the Manager envisages exercising this discretion include, without prejudice to the generality of the foregoing, a situation where substantial redemption requests are received by the relevant Sub-Fund which will make it impracticable to realise the underlying securities in order to fund the redemption payments. In making redemption payments in specie or in kind, the Manager will use the same valuation procedures used in determining the Net Asset Value of the Sub-Fund (for further details, see "Calculation of Net Asset Value and Issue and Redemption Prices" on pages 51 to 53 below) when determining the value to be attributed to the relevant securities to be transferred or assigned or otherwise made available to the redeeming Unitholders. Redeeming Unitholders will receive securities of a value equal to the redemption payment to which they would otherwise be entitled. Redeeming Unitholders receiving the redemption payment in specie or in kind will be responsible for all custody and other costs involved in changing the ownership of the relevant securities from the Sub-Fund to the redeeming Unitholder and for all ongoing custody costs in respect of such securities.

Restrictions on Redemption

The Manager shall suspend the redemption of Units and/or may delay the payment of redemption proceeds during any periods in which the determination of the Net Asset Value of the relevant Sub-Fund is suspended (for further details see "Suspension of Dealings and Determination of Net Asset Value" on pages 52 to 53 below).

With a view to protecting the interests of Unitholders, the Manager is entitled, with the approval of the Trustee, to limit the number of Units of any Sub-Fund redeemed on any Dealing Day (whether by sale to the Manager or by cancellation by the Trustee) to 10% of the latest available Net Asset Value of such Sub-Fund. In this event, the

limitation will apply pro rata so that all Unitholders wishing to redeem Units in that Sub-Fund on that Dealing Day will redeem the same proportion by value of such Units, and Units not redeemed (but which would otherwise have been redeemed) will be carried forward for redemption, subject to the same limitation, on the next Dealing Day and the redemption price will then be determined by reference to the Net Asset Value per Unit on such next Dealing Day. If requests for redemption are so carried forward, the Manager will inform the Unitholders concerned.

No Unitholder shall be entitled to realise only part of his holding of Units of any class of a Sub-Fund if

(i) such redemption would result in his holding in that class of Sub-Fund after such redemption being less than HK$10,000; or

(ii) the amount of proceeds realised from that class of Sub-Fund is less than HK$10,000,

and in respect of the BOCHK US Dollar Money Market Fund, BOCHK Global Equity Fund (Class A – USD Units), BOCHK Asia Pacific Equity Fund, BOCHK Asia Pacific Property Fund, BOCHK Global Bond Fund, BOCHK Aggressive Growth Fund, BOCHK Balanced Growth Fund, BOCHK Conservative Growth Fund, BOCHK Japan Equity Fund, BOCHK Asia Pacific Equity Income Fund, BOCHK China Equity Fund (Class A – USD Units) and BOCHK Hong Kong Dollar Income Fund (Class A – USD Units), the equivalent amount in *US dollars* will be applied; in respect of the BOCHK Australia Income Fund, the equivalent amount in *Australian dollars* will be applied; in respect of the BOCHK Sterling Income Fund, the equivalent amount in *GBP* will be applied; and in respect of the BOCHK Hong Kong Equity Fund (Class A – RMB Units) and BOCHK Global Equity Fund (Class A – RMB Units), the equivalent amount in *RMB* will be applied.

However, the Manager reserves the right to waive such minimum holding and redemption requirements of the Sub-Funds for any Unitholder.

Furthermore, Unitholders are not allowed to realise any Units prior to the date falling seven days after the Dealing Day on which such Unit was acquired by such Unitholders or if earlier, the date of receipt of payment in cleared funds for such Unit.

Compulsory Redemptions under Certain Circumstances

The Fund and/or the Sub-Funds may compulsorily redeem a Unitholder's units in any Sub-Fund (or any part thereof) upon reasonable notice as if the Unitholder had requested the redemption of such units and close any accounts held by a Unitholder for the Unitholder's investments in the Sub-Fund(s) if:

(a) the Unitholder is or becomes or is holding the Units for the account of or benefit of (i) a US Person (as defined in Regulation S under the United States Securities Act of 1933 (as amended)); or (ii) a US Person for FATCA purpose; or (iii) any other Unqualified Person (as defined in the "Definitions" section on page 4);

(b) the Unitholder refuses or fails to provide in a timely manner any information or documents or other assistance as reasonably requested by the Manager and/or the Trustee for the purpose of meeting any demands, disclosure or reporting requirements as may be required under any applicable local or foreign laws and regulations issued by regulatory or governmental authorities of relevant jurisdiction, including but not limited to FATCA or any IGA entered into between the US and Hong Kong in connection with FATCA (including any Hong Kong laws and regulations implemented as part of such IGA);

(c) the Unitholder withdraws consent to the reporting or disclosure of any information or documents relating to the Unitholder or the Unitholder's investments as may be required under any applicable local or foreign laws and regulations issued by regulatory or governmental authorities of relevant jurisdiction, including but not limited to FATCA or any IGA entered into between the US and Hong Kong in connection with FATCA (including any Hong Kong laws and regulations implemented as part of such IGA);

(d) the continued holding of units by the Unitholder will subject the Manager, the Trustee, the Fund, the Sub-Funds and/or service providers of the Fund or Sub-Funds to any reporting or withholding requirements under any applicable local or foreign laws and regulations issued by regulatory or governmental authorities of relevant jurisdiction, including but not limited to FATCA or any IGA entered into between the US and Hong Kong in connection with FATCA (including any Hong Kong laws and regulations implemented as part of such IGA); or

(e) it is, in the opinion of the Manager, required for the purpose of complying with any applicable local or foreign laws and regulations issued by regulatory or governmental authorities of relevant jurisdiction, including but not limited to FATCA or any IGA entered into between the US and Hong Kong in connection with FATCA (including any Hong Kong laws and regulations implemented as part of such

IGA).

The Manager has a right to withhold, set-off or deduct reasonable amounts from the redemption proceeds, provided that: (i) such withholding, set-off or deduction is permitted by applicable laws and regulations; and (ii) the Manager is acting in good faith and on reasonable grounds.

The Manager will notify the Trustee and/or the other relevant service providers before any such redemption is made or any closing of account is done.

LIQUIDITY RISK MANAGEMENT

Unitholders should be aware of the potential impact of the liquidity risk on the Sub-Funds. For details, please refer to risk factor headed "(u) Liquidity Risk" under the sub-section headed "Risk Factors" above.

The Manager has established a liquidity risk management policy which enables it to identify, monitor and manage the liquidity risks of each Sub-Fund and to ensure that the liquidity profile of the investments of each Sub-Fund will facilitate compliance with its obligation to meeting redemption requests. Such policy, combined with the liquidity risk management tools employed by the Fund, also seeks to achieve fair treatment of Unitholders and safeguard the interests of remaining Unitholders in case of sizeable redemptions.

The Manager's liquidity management policy takes into account the investment strategy, liquidity profile, and redemption policy for each Sub-Fund. These measures seek to ensure fair treatment and transparency for all investors.

The liquidity management policy involves monitoring the profile of investments held by each Sub-Fund on an on-going basis to ensure that such investments are appropriate to the redemption policy as stated under the section headed "REDEMPTION OF UNITS" on pages 46 to 50, and will facilitate compliance with each Sub-Fund's obligation to meet redemption requests. Further, the liquidity management policy includes details on periodic stress testing carried out by the Manager to manage the liquidity risk of each Sub-Fund under normal and exceptional market conditions.

The liquidity risk management tools include implementation and maintaining of appropriate liquidity limits for each Sub-Fund and performing periodic stress testing of the liquidity risk of each Sub-Fund under both normal and exceptional liquidity conditions to check whether anticipated redemption requests can be met. In exceptional circumstances, suspension of dealings and procedures such as deferring payment of redemption proceeds (as set out in sub-section headed "Payment of Redemption Proceeds" on pages 47 to 48 above), limiting the number of Units to be redeemed and deferring the redemption (as set out in sub-section headed "Restrictions on Redemption" on pages 48 to 49 above), or applying in-specie or in-kind redemptions (as set out in sub-section headed "Payment of Redemption Proceeds by Distribution in Specie" on page 48 above) may be used. Investors should refer to the relevant sections mentioned above for further details as to when the tools may be used and their potential impacts.

SWITCHING BETWEEN SUB-FUNDS

Subject to the consent of the Manager and any requirements or restrictions (whether operational, legal, regulatory or otherwise) applicable to any specified class of Units or any Sub-Fund, Unitholders will have the right (subject to any suspension in the determination of the Net Asset Value of any relevant Sub-Fund) to switch all or part of their Units of any class relating to a Sub-Fund (the "Current Class of Units") into (i) Units of a different class (denominated in a different currency) of the same class relating to the same Sub-Fund or (ii) Units of the same class relating to another Sub-Fund (the "New Class of Units") by giving notice in writing or by facsimile to the Manager.

Switching requests in writing or by facsimile received by the Manager prior to 5:00 p.m. (Hong Kong time) on a Dealing Day will be dealt with on that Dealing Day. Switching requests received in writing or by facsimile after such time or on a day which is not a Dealing Day will be carried forward and dealt with on the next Dealing Day.

A switching request may be submitted in person, sent by post or by facsimile or other means from time to time determined by the Manager (unless the original is required by the Manager).

Investors/ Unitholders should be reminded that if they choose to send switching requests by facsimile or any other means without submitting the original, they bear their own risk of the requests not being received or repeatedly received or being illegible. None of the Manager, the Trustee and/or their respective agents are responsible to an investor/ Unitholder for any loss resulting from non-receipt or duplicate receipt or illegibility of any request sent by facsimile or any other means without submitting the original.

Switching requests may also be placed through other authorized fund distributors or made through other authorized means as may from time to time specified by the Manager in the Manager's webpage (www.boci-pru.com.hk). Applicants should note that applications made through such means may involve different dealing procedures, such as earlier application cut-off time. As such, applicants who intend to place switching requests through fund distributors other than the Manager or place switching orders through other authorized means should consult the relevant fund distributor or the Manager to find out the dealing procedures that are applicable to them.

Unitholders should note that in respect of applications to switch into Money Market Sub-Fund(s) from time to time established under the BOCHK Investment Funds, currently including BOCHK US Dollar Money Market Fund and BOCHK HK Dollar Money Market Fund, the relevant applications will not be processed unless the redemption proceeds of the Sub-Fund(s) switched out by the Unitholders that are used to subscribe to the Money Market Sub-Fund(s) in cleared funds are received.

The price at which the whole or any part of a holding of Current Class of Units being switched on any Dealing Day into New Class of Units will be determined by reference to the redemption price of the Current Class and issue price of the New Class on the relevant Dealing Day. Unless otherwise specified in the "Charges and Expenses - Initial Charge, Redemption Charge and Switching Fee" on pages 56 to 57, no initial charge or redemption charge will be levied.

In respect of switching of Class B Units, redemption of the Current Class will be effected on a "First In First Out" basis, i.e. the first Unit to be redeemed will be the Unit which was first subscribed.

The Manager is entitled to levy a switching fee which is expressed as a percentage of the issue price per Unit of the New Class to be issued. The switching fee will be deducted from the amount re-invested into the New Class of Units. The amount of switching fee is set out in "Charges and Expenses - Initial Charge, Redemption Charge and Switching Fee" on pages 56 to 57.

No switching will be allowed during any period when the determination of the Net Asset Value of any relevant Sub-Fund is suspended (for further details, see "Suspension of Dealings and Determination of Net Asset Value" on pages 52 to 53). Unitholders should also note that, unless the Manager agrees otherwise, the requirements on minimum subscription and subsequent holding as set out in the section "Minimum subscription and subsequent holding" on page 43 and the restrictions on redemption (including the minimum holding requirement after redemption and the minimum redemption amount) as set out in the section "Restrictions on Redemption" on pages 48 to 49 shall also be applicable in the case of switching.

CALCULATION OF NET ASSET VALUE AND ISSUE AND REDEMPTION PRICES

Valuation of each Sub-Fund shall be ascertained and the issue and redemption prices per Unit of each class shall be calculated in accordance with a policy established by the Manager in consultation with the Trustee and the Trust Deed as at close of business in the last relevant market to close on each Dealing Day. In general, the value of the investments in the Sub-Funds shall be determined as follows:

(i) except in the case of any interest in a collective investment scheme to which paragraph (ii) applies and subject as provided in paragraph (vi) below, the value of any investments quoted, listed, or normally dealt in on any market shall be calculated by reference to the last traded price on the relevant Dealing Day or (if no last traded price is available) midway between the latest available market dealing offered price and the latest available market dealing bid price on the principal market on which such investments is quoted, listed or ordinarily dealt in and in determining such prices the Manager in consultation with the Trustee shall be entitled to use and rely on electronic price feeds from such source or sources as the Manager may from time to time determine notwithstanding that the prices so used are not the last traded prices;

(ii) subject as provided in paragraphs (iii) and (vi) below, the value of each unit, share or other interest in any collective investment scheme which is valued as at the same day as the relevant Sub-Fund shall be the Net Asset Value per unit or share in such collective investment scheme as at that day or, if the Manager so determines, or if such collective investment scheme is not valued as at the same day as the Sub-Fund, the value of such interest shall be the last available Net Asset Value per unit, share or other interest in such collective investment scheme;

(iii) if no Net Asset Value, bid and offer prices or price quotations are available as provided in paragraph (ii) above, the value of the relevant investment shall be determined from time to time in such manner as the Manager shall determine;

(iv) the value of any investment which is not quoted, listed or ordinarily dealt in on a market shall be the initial value thereof equal to the amount expended out of the relevant Sub-Fund in the acquisition of

such investment (including in each case the amount of stamp duties, commissions and other acquisition expenses) provided that the Manager may at any time in consultation with the Trustee and shall at such times or at such intervals as the Manager and the Trustee may agree, cause a revaluation to be made by a professional person agreed with the Trustee as qualified to value such investments;

(v) cash, deposits and similar investments shall be valued at their face value (together with accrued interest) unless, in the opinion of the Manager, any adjustment should be made to reflect the fair market value thereof;

(vi) notwithstanding the foregoing, the Manager may in consultation with the Trustee adjust the value of any investment or permit some other method of valuation to be used if, having regard to relevant circumstances, the Manager considers that such adjustment or use of such other method is required to reflect the fair value of the investment; and

(vii) the value of any investment (whether of a security or cash) otherwise than in the currency of the relevant Sub-Fund shall be converted into the currency of such Sub-Fund at the rate (whether official or otherwise) which the Manager shall deem appropriate in the circumstances having regard to any premium or discount which may be relevant and to costs of exchange.

With regard to the BOCHK China Golden Dragon Fund and BOCHK China Consumption Growth Fund, should the Manager be in any doubt as to the valuation of the ELIs provided by the issuer, the Manager may at its sole discretion appoint an independent third party to review the fairness of the valuation.

Calculation of Issue and Redemption Prices

The number of undivided shares in a Sub-Fund represented by a Unit of a class relating to such Sub-Fund is adjusted on each Dealing Day in order to take account of the different levels of fees borne by the different classes of Unit in the relevant Sub-Fund.

In respect of a Sub-Fund, the issue and redemption prices of Units of a class denominated in a currency which is the same as the base currency of the Sub-Fund on a Dealing Day shall be determined by (i) calculating the Net Asset Value of the relevant Sub-Fund as at such Dealing Day before the deduction of any liabilities or the addition of any assets attributable specifically to the class in question; (ii) apportioning such amount between each class of Units relating to such Sub-Fund by reference to the numbers of undivided shares in the relevant Sub-Fund represented by all Units of each class relating to such Sub-Fund in issue; (iii) deducting or adding the liabilities and assets specifically attributable to the class of Units in question from or to such apportioned amount; (iv) dividing the resulting sum by the number of Units of the relevant class in issue immediately prior to the relevant Dealing Day for such class of Units; and (v) rounding the resulting sum to the 4th decimal place of the base currency of the relevant Sub-Fund (and in the case of 0.00005 of such minimum unit or above, rounded up).

For information relating to the issue prices and redemption prices of Units of a class denominated in a currency other than the base currency of a Sub-Fund, please refer to the sections headed “ISSUE OF UNITS” and “REDEMPTION OF UNITS” on pages 41 to 46 and 46 to 50 respectively.

Any rounding as a result of determining the issue price or redemption price shall be retained for or borne by the relevant Sub-Fund.

The Manager is entitled to an initial charge on the issue of Class A Units which will be retained by the Manager for its own use and benefit. The maximum initial charges that can be levied for the issue of Class A Units of each Sub-Fund are set out in the “Charges and Expenses” section on pages 56 to 57 below. The Manager may waive or reduce the initial charge for any Unitholder as the Manager may consider appropriate.

No initial charge will be levied for the issue of Class B Units for any Sub-Funds.

The Manager is entitled to a redemption charge on the redemption of Class B Units which shall be retained by the Manager for its own use and benefit. The maximum redemption charges that can be levied for Class B Units of each Sub-Fund are set out in the “Charges and Expenses” section on pages 56 to 57 below. The Manager may waive or reduce the redemption charge for any Unitholder as the Manager may consider appropriate.

Suspension of Dealings and Determination of Net Asset Value

The Manager may in consultation with the Trustee and having regard to the best interests of the Unitholders, declare a suspension of the dealings of the Units and the determination of the Net Asset Value of any Sub-Fund for the whole or any part of any period during which:

(a) there is a closure or restriction or suspension of trading on any securities market on which a substantial part of the investments of that Sub-Fund is normally traded or a breakdown in any of the means

normally employed in determining the Net Asset Value of a Sub-Fund or ascertaining the prices of investments or the issue and redemption prices of Units. Sub-Funds that are affected by any market suspension will generally not accept subscription, redemption or switching orders received after the occurrence of market suspension and not to process such orders on the same day; or

(b) for any other reason the prices of investments of that Sub-Fund cannot, in the opinion of the Manager, reasonably, promptly and fairly be ascertained; or

(c) circumstances exist as a result of which, in the opinion of the Manager, it is not reasonably practicable to realise any investments of that Sub-Fund or it is not reasonably practicable to do so without seriously prejudicing the interests of Unitholders in such Sub-Fund; or

(d) the remittance or repatriation of funds which will or may be involved in the redemption of, or in the payment for, the investments of that Sub-Fund or the subscription or redemption of Units is delayed or cannot, in the opinion of the Manager, be carried out promptly at normal rates of exchange.

The Manager shall notify the SFC immediately upon any suspension of dealings of Units and the determination of the Net Asset Value of any Sub-Fund, and shall publish a notice of suspension immediately following such suspension and at least once a month during the suspension on the website maintained by the Manager for the Sub-Fund and/or in one leading Hong Kong English language and one Chinese language daily newspaper or through such other means as the Manager considers appropriate and/or cause a notice to be given to Unitholders and to all those (whether Unitholders or not) whose applications to subscribe for or redeem Units shall have been affected by such suspension stating that such declaration has been made.

No Units in a Sub-Fund may be issued, redeemed, or switched during suspension of dealings of Units. The application for subscription, redemption (but only if the redemption of Units has not been effected on a Dealing Day prior to that suspension) or switching before the declaration of suspension may be withdrawn during the suspension. If the Manager does not receive the withdrawal written request from the applicant during the suspension period, the subscription, redemption or switching will be processed on the first Dealing Day immediately after the termination of the suspension.

As soon as practicable after resumption of dealings and/or the determination of the Net Asset Value of the Sub-Fund, the Manager shall, having regard to the interests of Unitholders, publish a notice of such resumption on the website maintained by the Manager for the Sub-Fund and/or in one leading Hong Kong English language and one Chinese language daily newspaper or through such other means as the Manager considers appropriate. The Manager shall notify the SFC immediately upon such resumption.

DISTRIBUTION POLICY

Except for BOCHK China Income Fund, BOCHK Hong Kong Income Fund, BOCHK Hong Kong Dollar Income Fund, BOCHK Australia Income Fund, BOCHK Sterling Income Fund, BOCHK Asia Pacific Equity Income Fund and BOCHK China Consumption Growth Fund, the Manager does not intend to make distributions in respect of any other Sub-Fund and any income earned by a Sub-Fund will be reinvested in that Sub-Fund and reflected in the value of Units of the relevant class of that Sub-Fund.

In respect of the BOCHK China Income Fund, BOCHK Hong Kong Income Fund, BOCHK Hong Kong Dollar Income Fund, BOCHK Australia Income Fund, BOCHK Sterling Income Fund, BOCHK Asia Pacific Equity Income Fund and BOCHK China Consumption Growth Fund, the Manager intends to declare distributions to Unitholders on a quarterly basis, by the end of March, June, September and December respectively. The distributions may not be made equally in each quarter.

At least one (1) month's prior notice will be given to Unitholders if there is any change in the frequency for distributions.

The Manager will normally make distributions out of net income received or receivable by the Sub-Fund or the relevant class of Units of the Sub-Fund. However, in the event that the net income is insufficient to pay the distributions that it declares, the Manager may also, in its absolute discretion, determine that in relation to the Sub-Fund or a particular class of Units of the Sub-Fund, distributions be paid out of its capital, or the Manager may, in its discretion, pay distributions out of its gross income while charging / paying all or part of its fees and expenses to / out of its capital, resulting in an increase in distributable income for the payment of distributions by the Sub-Fund or the relevant class of Units of the Sub-Fund and therefore, the Sub-Fund or the relevant class of Units of the Sub-Fund may effectively pay distributions out of capital. This may reduce the capital that the Sub-Fund or the relevant class of Units of the Sub-Fund has available for investment in future and may constrain capital growth.

Investors should be aware that in circumstances where distributions are paid out of capital or effectively out of capital, this amounts to a return or withdrawal of part of the amount investors originally invested or from any capital gains attributable to that original investment. Any distributions involving payment of distributions out of capital or payment of distributions effectively out of capital (as the case may be) may result in an immediate decrease in the Net Asset Value per Unit.

The Manager has the discretion to determine if and to what extent distributions will be paid out of capital. No distributions will be paid by the Sub-Fund or the relevant class of Units of the Sub-Fund if the capital of the Sub-Fund or such relevant class of Units of the Sub-Fund is insufficient to pay the distributions.

The amount of distributions (if any) may go up or go down. The Manager has discretion as to whether or not to make any distributions for the Sub-Fund or the relevant class of Units of the Sub-Fund. The Manager also has the sole and absolute discretion to determine or vary the frequency, the dates and amount for distribution. However, there is no guarantee as to whether or not distributions will be made and the amount of distributions to be paid. Investors should also note that there is no guarantee of regular distribution payments during the period investors hold the Units of the Sub-Fund or the relevant class of Units of the Sub-Fund.

Investors should note that the distribution amount and/or rate of a particular class of Units may be more than or less than such amount and/or rate of the other class(es) of Units due to various factors, including but not limited to short-term interest rate differentials. Furthermore, the compositions of the distributions of a particular class of Units (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital) may not be the same as that of the other class(es) of Units.

The compositions of the distributions (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital) for the last 12 months are available by the Manager on request and can be found at the Manager's website (www.boci-pru.com.hk).

The Manager may amend the distribution policy subject to SFC's prior approval (where applicable) and normally by giving not less than one (1) month's prior notice to Unitholders.

REGULAR SAVINGS PLAN

Investors who invest in Class A Units, other than the BOCHK Hong Kong Equity Fund (Class A – RMB Units) and BOCHK Global Equity Fund (Class A – RMB Units), may elect to participate in the Regular Savings Plan offered by the Manager. Under the Regular Savings Plan, investors should make monthly contributions to his account on the 5th and/or 20th of each month and the amount of each such contribution shall not be less than HK$1,000 (inclusive of any initial charge). No other currency will be accepted. Investors may also decide the period during which they want to participate in the plan in accordance with their own need and financial planning and there is no minimum participating period prescribed for the plan. No fees will be levied on the opening and closure of the Regular Savings Plan account.

An investor does not need to be an existing Unitholder in order to participate in the Regular Savings Plan.

Contributions to the Regular Savings Plan must be made through direct debit from such Hong Kong dollar account as may be designated by the Unitholder. If an investor decides to participate in the Regular Savings Plan, he must submit an application to the Manager at least 21 days before the day on which the first contribution is proposed to be made and successfully arrange for the direct debit authorisation before the first contribution. Any application must be made in the format prescribed by the Manager. If the 5th or 20th of the month is not a Business Day, the direct debit will be effected on the Business Day which immediately follows. If, as a result of the default of the investor, the direct debit cannot be effected successfully on the 5th and/or 20th (as the case may be) of a month or the Business Day which immediately follows (in the event that the 5th or 20th of the month is not a Business Day), no subscription will be accepted for that month under the Regular Savings Plan. Furthermore, if as a result of the default of the investor, the direct debit cannot be effected successfully for 2 consecutive months, the Regular Savings Plan will be suspended and no further contributions will be accepted under the plan until the investor submits a request to the Manager to re-activate the plan and such request has been accepted by the Manager.

Contributions made under the Regular Savings Plan will be invested in Class A Units of such Sub-Fund or Sub-Funds which the investors may from time to time decide provided that the investment in a Sub-Fund each time must not be less than HK$1,000 (inclusive of any applicable initial charge). Units will be issued to the Unitholders as at the fifth Business Day after the day on which the direct debit is made.

Investors may switch their Class A Units of any Sub-Fund under the Regular Savings Plan to the same class of Units in another Sub-Fund in accordance with the provisions set out in the "Switching Between Sub-Funds" section on pages 50 to 51 and there is no limit in the number of switching allowed in a year. The Manager may

also levy a switching fee upon switching of the Units. The amount of switching fee is set out in "Charges and Expenses – Initial Charge, Redemption Charge and Switching Fee" on pages 56 to 57.

Investors should note that unless the Manager agrees otherwise, a 14 days prior notice must be given to the Manager for cessation of contributions in the Regular Savings Plan and a 21 days prior notice must be given to the Manager for any amendment made to the Regular Savings Plan.

The Regular Savings Plan is not available to investors who invest in Class B Units of the Sub-Funds. Currently, no Class B Units will be available for subscription by investors.

CHARGES AND EXPENSES

Management Fee and Servicing Fee

The Manager is entitled to receive a management fee for each Sub-Fund calculated as a percentage of the Net Asset Value of the relevant class of Units of Sub-Fund. The management fee will be deducted from the assets of the relevant Sub-Funds. The current and the maximum management fee the Manager may levy shall be as follows:

		Rate of Management Fee (p.a.)	
		Class A Units	Class B Units
(i)	BOCHK Hong Kong Equity Fund	1%	1%
(ii)	BOCHK Global Equity Fund	1.5%	1.5%
(iii)	BOCHK Hong Kong Dollar Income Fund	0.5%	0.5%
(iv)	BOCHK US Dollar Money Market Fund	0.25%	0.25%
(v)	BOCHK HK Dollar Money Market Fund	0.25%	0.25%
(vi)	BOCHK Asia Pacific Equity Fund	1.5%	N/A
(vii)	BOCHK China Equity Fund	1.5%	N/A
(viii)	BOCHK Global Bond Fund	0.75%	N/A
(ix)	BOCHK Aggressive Growth Fund	1%	N/A
(x)	BOCHK Balanced Growth Fund	1%	N/A
(xi)	BOCHK Conservative Growth Fund	1%	N/A
(xii)	BOCHK China Income Fund	1%	N/A
(xiii)	BOCHK Hong Kong Income Fund	1%	N/A
(xiv)	BOCHK China Golden Dragon Fund	1.5%	N/A
(xv)	BOCHK Japan Equity Fund	1.5%	N/A
(xvi)	BOCHK Australia Income Fund	1%	N/A
(xvii)	BOCHK Asia Pacific Equity Income Fund	1.2%	N/A
(xviii)	BOCHK Asia Pacific Property Fund	1.5%	N/A
(xix)	BOCHK China Consumption Growth Fund	1.8%	N/A
(xx)	BOCHK Sterling Income Fund	1%	N/A

In addition, the Manager is entitled to receive a servicing fee for the Class B Units of each Sub-Fund (if applicable) calculated as a percentage of the Net Asset Value of such Class B Units. The servicing fee will be deducted from the assets of the Class B Units. The current and the maximum servicing fee the Manager may levy is 1% per annum of the Net Asset Value of the relevant Class B Units. No servicing fee will be levied for the Class A Units.

Both the management fee and servicing fee are calculated and accrues on each Dealing Day and are paid monthly in arrears.

The Manager may decrease the rate of management fee or servicing fee in respect of any class of Units of Sub-Fund by giving a notice to the Trustee. The Manager may also increase the rate of management fee or servicing fee payable in respect of any class of Units of Sub-Fund (up to the maximum rate as set out above) on giving not less than 3 months notice of such increase to affected Unitholders and the Trustee.

In respect of the BOCHK Aggressive Growth Fund, BOCHK Balanced Growth Fund and BOCHK Conservative Growth Fund, where the assets of a Sub-Fund include interests in another underlying fund(s) which is/are managed by the Manager, the management fees payable at the underlying fund(s)' level (which are directly attributable to the amount invested by the relevant Sub-Fund(s) shall accordingly, be fully rebated in cash to the relevant Sub-Fund of these three Sub-Funds.

Initial Charge, Redemption Charge and Switching Fee

The Manager is also entitled to receive an initial charge and redemption charge on the issue and redemption of Units in each Sub-Fund and a switching fee in the switching of Units. The amount of such fees and charges are set out below:

Applicable to Class A Units of each Sub-Fund		Initial Charge For Initial Period and subsequent issue *(expressed as a percentage of the issue price)*
(i)	BOCHK Hong Kong Equity Fund	5%
(ii)	BOCHK Global Equity Fund	5%
(iii)	BOCHK Hong Kong Dollar Income Fund	3%
(iv)	BOCHK US Dollar Money Market Fund	0%
(v)	BOCHK HK Dollar Money Market Fund	0%
(vi)	BOCHK Asia Pacific Equity Fund	5%
(vii)	BOCHK China Equity Fund	5%
(viii)	BOCHK Global Bond Fund	3%
(ix)	BOCHK Aggressive Growth Fund	5%
(x)	BOCHK Balanced Growth Fund	5%
(xi)	BOCHK Conservative Growth Fund	5%
(xii)	BOCHK China Income Fund	5%
(xiii)	BOCHK Hong Kong Income Fund	5%
(xiv)	BOCHK China Golden Dragon Fund	5%
(xv)	BOCHK Japan Equity Fund	5%
(xvi)	BOCHK Australia Income Fund	5%
(xvii)	BOCHK Asia Pacific Equity Income Fund	5%
(xviii)	BOCHK Asia Pacific Property Fund	5%
(xix)	BOCHK China Consumption Growth Fund	5%
(xx)	BOCHK Sterling Income Fund	5%

No redemption charge will be levied for the redemption of the Class A Units of each Sub-Fund.

Applicable to Class B Units of each Sub-Fund (if applicable)	Redemption Charge *(expressed as a percentage of the redemption price of the Class B Units as at the Dealing Day on which they are redeemed)*
Redemption within the first year of issue	4%
Redemption within the second year of issue	3%
Redemption within the third year of issue	2%
Redemption within the fourth year of issue	1%
Redemption after the fourth year of issue	0%

	Switching fee *(expressed as a percentage of the issue price of the new class of Units to be issued)*	
	Class A	Class B
Switching of the same class of Units	1% (For switching into a different class (denominated in a different currency) of Class A Units relating to the same Sub-Fund or switching into class A Units of another Sub-Fund which is not a Money Market Sub-Fund*) Nil (For switching into Units of a Money Market Sub-Fund)	Nil

* If Units are switched from a Money Market Sub-Fund, those Units of that Money Market Sub-Fund in relation to which no initial charge has ever been levied will be redeemed first and an initial charge (instead of the 1% switching fee) will be levied in respect of such Units as a result of the switching. The initial charge to be levied will be equal to that applicable to the new Class of Units to be issued. For this purpose, Units of a Money Market Fund in relation to which no initial charge has ever been levied means those Units of the Money Market Fund (i) which were issued to the Unitholder directly as a result of a subscription received by the Manager or the Trustee; or (ii) which have not been previously switched from Units of a Sub-Fund which is not a Money Market Sub-Fund. In making such a determination, the Manager may make such assumptions as it considers appropriate.

The switching fee shall be deducted from the amount reinvested into the Sub-Fund relating to Units of the new class and shall be retained by or paid to the Manager for its own absolute use and benefit.

In respect of the BOCHK Aggressive Growth Fund, BOCHK Balanced Growth Fund and BOCHK Conservative Growth Fund, since each of these three Sub-Funds will invest its assets in the other Sub-Funds within the BOCHK Investment Funds or sub-funds which may from time to time be made available for investment under the BOCIP Asset Management Investment Funds, the NCB Investment Funds and/or sub-funds of other collective investment schemes managed by the Manager which are authorised by the SFC, only initial charges at these three Sub-Funds' level will be levied and all initial charges payable at the underlying funds' level will be waived. Further, the management fees payable at the underlying funds' level (which are directly attributable to the amount invested by these three Sub-Funds) shall accordingly, be fully rebated in cash to the relevant Sub-Fund of these three Sub-Funds.

The Manager may share any fees it receives with distributors or agents procuring subscriptions to the Fund. The Manager and its associates may with the consent of the Trustee deal with any Sub-Fund, both as principal and agent, and, subject as provided below, may retain any benefit which they receive as a result.

Restrictions on Certain Fees and Charges to be Imposed on BOCHK Aggressive Growth Fund, BOCHK Balanced Growth Fund and BOCHK Conservative Growth Fund

In respect of the BOCHK Aggressive Growth Fund, BOCHK Balanced Growth Fund and BOCHK Conservative Growth Fund where the assets of a Sub-Fund include interests in another underlying fund(s) which is/are managed by the Manager, the following limitation on charges shall apply to ensure that there will be no double charging of fees and expenses by the Manager or its connected persons:

(i) the Sub-Fund may not invest in any other collective investment scheme managed by the Manager or its connected person (including, for the avoidance of doubt, any other Sub-Funds of the BOCHK Investment Funds or any sub-funds which may from time to time be made available for investment under the BOCIP Asset Management Investment Funds or the NCB Investment Funds) unless all initial charges on the Sub-Fund's investment in such collective investment scheme are waived.

(ii) the Sub-Fund may not invest in any other collective investment scheme managed by the Manager or its connected person (including, for the avoidance of doubt, any other Sub-Funds of the BOCHK Investment Funds or any sub-funds which may from time to time be made available for investment under the BOCIP Asset Management Investment Funds or the NCB Investment Funds) unless the management fees paid by such collective investment scheme which are directly attributable to the amount invested by the Sub-Fund in such collective investment scheme shall be fully rebated in cash to the Sub-Fund; and

(iii) the Manager may not obtain any rebate on (a) any fees or charges levied by any of the collective investment schemes in which the Sub-Fund is invested, or (b) any fees or charges levied by the management company of such collective investment schemes.

The Trustee is entitled to receive the following fees in respect of the Fund. The current levels of the fees are set out below:

Inception Fee

The inception fee that may be paid to the Trustee for BOCHK Hong Kong Equity Fund, BOCHK Global Equity Fund, BOCHK Hong Kong Dollar Income Fund, BOCHK US Dollar Money Market Fund and BOCHK HK Dollar Money Market Fund is US$10,000, the inception fee of the BOCHK China Consumption Growth Fund that may be paid to the Trustee is HK$20,000 and the inception fee that may be paid for each of the other Sub-Funds that has been launched is US$2,500 (save and except BOCHK Sterling Income Fund, which is GBP1,500). The Trustee may, at its sole discretion, waive part or all of the inception fee as it considers appropriate.

Trustee Fee

In respect of trust administrative and fiduciary services provided by the Trustee for the Sub-Funds, the Trustee is entitled to receive a Trustee Fee of up to 1% per annum of its Net Asset Value in respect of each Sub-Fund. The current level of Trustee Fees for different Sub-Funds are as follows:

Sub-Funds applicable		Rate of Trustee Fee (p.a.)
(i)	BOCHK Hong Kong Equity Fund BOCHK Hong Kong Dollar Income Fund BOCHK HK Dollar Money Market Fund BOCHK China Equity Fund BOCHK China Income Fund BOCHK Hong Kong Income Fund BOCHK China Golden Dragon Fund BOCHK China Consumption Growth Fund	0.125% on the first HK$200 million of the Net Asset Value of each Sub-Fund; 0.10% on the next HK$200 million of the Net Asset Value of each Sub-Fund; 0.0875% on the remaining balance of the Net Asset Value of each Sub-Fund; Subject to a minimum monthly fee of HK$20,000 per Sub-Fund.
(ii)	BOCHK US Dollar Money Market Fund BOCHK Global Equity Fund BOCHK Asia Pacific Equity Fund BOCHK Global Bond Fund BOCHK Japan Equity Fund BOCHK Asia Pacific Equity Income Fund BOCHK Asia Pacific Property Fund	0.125% on the first US$25 million of the Net Asset Value of each Sub-Fund; 0.10% on the next US$25 million of the Net Asset Value of each Sub-Fund; 0.0875% on the remaining balance of the Net Asset Value of each Sub-Fund; Subject to a minimum monthly fee of US$2,500 per Sub-Fund.
(iii)	BOCHK Aggressive Growth Fund BOCHK Balanced Growth Fund BOCHK Conservative Growth Fund	0.05% of the Net Asset Value of each of these three Sub-Funds, subject to a minimum monthly fee of US$1,250 per month per Sub-Fund starting from the 7th month from the commencement date of the Sub-Funds. **Investors should therefore note that in investing in these three Sub-Funds where the assets of a Sub-Fund include interests in another underlying fund(s) managed by the Manager, Trustee Fee will be payable for the Trustee's services at both these three Sub-Funds' level and the underlying funds' level.**
(iv)	BOCHK Australia Income Fund	0.125% on the first AUD35 million of the Net Asset Value of the Sub-Fund; 0.10% on the next AUD35 million of the Net Asset Value of the Sub-Fund; 0.0875% on the remaining balance of the Net Asset Value of the Sub-Fund; subject to a minimum monthly fee of the AUD15,000.

(v) BOCHK Sterling Income Fund	0.125% on the first GBP14 million of the Net Asset Value of the Sub-Fund 0.10% per annum on the next GBP14 million of the Net Asset Value of the Sub-Fund 0.0875% per annum on the remaining balance of the Net Asset Value of the Sub-Fund subject to a minimum monthly fee of GBP1,500.

The trustee fee will be deducted from the assets of the relevant Sub-Funds. In respect of each Sub-Fund, the Trustee may increase the rate of the trustee fee up to 1% per annum on giving not less than 3 months notice of such increase to the affected Unitholders and the Manager. The trustee fee is accrued daily, calculated on each Dealing Day and is paid monthly in arrears.

In addition, the Trustee is entitled to (i) transaction and processing fees in accordance with its normal scales as agreed with the Manager; (ii) a termination fee upon termination of the Fund or Sub-Fund at such rates as may be agreed between the Trustee and the Manager, failing which, in accordance with the normal commercial rates of the Trustee at the time of termination; and (iii) such other fees as may be permitted under the Trust Deed.

Other Charges and Expenses

Each Sub-Fund will bear the costs and expenses set out in the Trust Deed which are directly attributable to it. Where such costs are not directly attributable to a Sub-Fund, each Sub-Fund will bear such costs in proportion to its respective Net Asset Value or in such other manner as the Manager shall consider appropriate. Such costs include but are not limited to the costs incurred in the establishment, structuring, management and administration of the Fund and its Sub-Funds, the costs of investing and realising the investments of the Sub-Funds, the fees and expenses of custodians and sub-custodians of the assets of the Fund, the fees and expenses of the auditors, valuation costs, legal fees, the costs incurred in connection with any listing or regulatory approval, the costs of holding meetings of Unitholders and the costs incurred in the preparation and printing of any explanatory memorandum, any audited accounts or interim reports which are sent to the Unitholders.

In addition, each Sub-Fund will bear a due proportion of the costs and expenses incurred by the Manager and the Trustee in establishing the Fund. The costs and expenses incurred in respect of the establishment of the Sub-Funds currently established under the Fund have been fully amortised over the first accounting period of the Sub-Funds after consultation with the auditors.

In respect of Sub-Fund(s) that may invest in REITs, the REITs may incur fees payable such as property management and lease management fees, acquisition fees, divestment fees and commission.

In the event that any Sub-Fund is terminated prior to the expiry of the amortisation period, the balance of unamortised expenses will be apportioned amongst the other remaining Sub-Funds on equal basis unless the Trustee and the Manager agree otherwise after consultation with the auditors of the Fund.

Subsequent accounting periods of the Sub-Funds are from 1 April of each year to 31 March of the next following year.

In addition to the above, Unitholders may be required to pay any requisite governmental tax, stamp duty, registration fee, custody and nominee charges as may be required in the purchase or sale of the Units under the Fund.

Potential Conflict of Interest, Transactions with Connected Persons and Soft Commissions

The Manager and the Trustee or their connected persons may, from time to time, act as manager, investment adviser, trustee or as custodian or in such other capacity in connection with or be otherwise involved in or with any collective investment scheme separate and distinct from the Fund and any Sub-Fund, including those that have similar investment objectives to those of the Sub-Funds, or contract with or enter into financial, banking or other transaction with one another or with any investor of a Sub-Fund, or any company or any body of whose shares or securities form part of a Sub-Fund or may be interested in any such contract or transaction and shall not be liable to account to the Fund or any Sub-Fund or any investor of the Fund or any Sub-Fund for any profit or benefit made or derived thereby or in connection therewith. It is, therefore, possible that any of the Manager, the Trustee or their connected persons may, in the course of business, have potential conflicts of interest with any Sub-Fund.

Each of the Manager, the Trustee or their connected persons will, at all times, have regard in such event to its obligations to the Sub-Funds and the investors and will endeavour to ensure that such conflicts are resolved fairly.

The Manager has an established policy in relation to the identification and monitoring of potential conflicts of interest scenarios. There are functional separation of different areas of operations to control the flow of information that may be confidential and/or price sensitive. Computer and information system with appropriate access controls have been put in place by the Manager. Key duties and functions are segregated among different departments. The Manager has adopted trading policies which are designed to ensure the fair allocation of investment opportunities among funds, investment vehicles or accounts that the Manager manages or advises. A designated risk management and portfolio control team and compliance team of the Manager will monitor the implementation of such trading policies and dealing procedures with overall monitoring by the senior management of the Manager.

The Trustee will keep and maintain proper books of accounts, records and documents for each fund or scheme under their trusteeship and segregate the assets of different funds or schemes. The Trustee will keep data and information in relation to the portfolio of each fund/scheme confidential.

The Manager and the Trustee shall act in a reasonable and prudent manner when handling any potential conflict of interest situation and take into account the interest of Unitholders and clients.

No person may be allowed to enter on behalf of the Sub-Fund into underwriting or sub-underwriting contracts without the prior consent of the Trustee and unless the Sub-Fund or the Manager provides in writing that all commissions and fees payable to the Manager under such contracts, and all investments acquired pursuant to such contracts, will form part of the Sub-Fund's assets.

If cash forming part of the Sub-Fund's assets is deposited with the Trustee, the Manager, investment delegate or any of their connected persons (being an institution licensed to accept deposits), such cash deposit shall be maintained in a manner that is in the best interests of the unitholders, having regard to the prevailing commercial rate for a deposit of similar type, size and term negotiated at arm's length in accordance with ordinary and normal course of business.

All transactions carried out by or on behalf of each Sub-Fund will be at arm's length in the best interests of the Unitholders. Any transactions between any Sub-Fund and the Manager or any of its connected persons as principal may only be made with the prior written consent of the Trustee. All such transactions shall be disclosed in the Fund's annual report.

Neither the Manager, investment delegate nor any of their connected persons may retain cash or other rebates from a broker or dealer in consideration of directing transactions in the sub-fund's property to the broker or dealer save that goods and services (soft dollars) may be retained if:

(a) the goods or services are of demonstrable benefit to the Unitholders;

(b) transaction execution is consistent with best execution standards and brokerage rates are not in excess of customary institutional full-service brokerage rates;

(c) adequate prior disclosure has been made in the Sub-Fund's offering document the terms of which the unithholder has consented to;

(d) periodic disclosure is made in the Sub-Fund's annual report in the form of a statement describing the soft dollar policies and practices of the Manager or investment delegate, including a description of the goods and services received by them; and

(e) the availability of soft dollar arrangements is not the sole or primary purpose to perform or arrange transaction with such broker or dealer.

Goods and services falling within paragraph (a) above may include: research and advisory services, economic and political analysis, portfolio analysis, (including valuation and performance measurement), market analysis, data and quotation services, computer hardware and software incidental to the above goods and services, clearing and custodian services and investment-related publication. Such goods and services may not include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employee salaries, or direct money payments.

In transacting with brokers or dealers connected to the Manager, investment delegate, the Trustee or any of their connected persons, the Manager, shall, save to the extent permitted under the UTMF Code or any waiver obtained from the SFC ensure that it complies with the following obligations:

(a) such transactions shall be on arm's length terms;
(b) it shall use due care in the selection of brokers or dealers and ensure that they are suitably qualified in the circumstances;
(c) transaction execution shall be consistent with applicable best execution standards;
(d) the fee or commission paid to any such broker or dealer in respect of a transaction shall not be greater than that which is payable at the prevailing market rate for a transaction of that size and nature;
(e) the Manager shall monitor such transactions to ensure compliance with its obligations; and
(f) the nature of such transactions and the total commissions and other quantifiable benefits received by such broker or dealer shall be disclosed in the relevant Sub-Fund's annual report.

TAXATION

The following statements regarding taxation are based on advice received by the Fund regarding the law and practice in force in Hong Kong at the date of this document.

Hong Kong

The Fund is not expected to be subject to Hong Kong tax in respect of any of its authorised activities.

No tax will be payable by Unitholders in Hong Kong in respect of income distributions of the Fund or in respect of any capital gains arising on a sale, redemption or other disposal of Units, except that Hong Kong profits tax may arise where such transactions form part of a trade, profession or business carried on in Hong Kong.

General

Investors should consult their professional financial advisers on the consequences to them of acquiring, holding, realising, transferring or selling Units under the relevant laws of the jurisdictions to which they are subject, including the tax consequences and any exchange control requirements. These consequences, including the availability of, and the value of, tax relief to investors will vary with the law and practice of the investors' country/region of citizenship, residence, domicile or incorporation and their personal circumstances.

GENERAL INFORMATION

Notices to Unitholders

Any notices or documents required to be sent to, served upon, lodged with or given to a Unitholder may be delivered by hand or sent by post to the address of the Unitholder. Such notices or documents may also be sent to the most recently available facsimile number of the Unitholder or by electronic mail or by other means of communication provided that the relevant Unitholder has consented to the use of such means.

Accounts and Reports

The Fund's year end is 31 March in each year. Audited accounts will be available within four months of the end of each financial year. Half-yearly unaudited interim reports up to the last Dealing Day in September in each year will be available within two months of the end of the period which they cover. Such reports will contain a statement of the value of the net assets of each Sub-Fund and the investments comprising its portfolio and will be published in both English and Chinese.

Once annual and interim reports are issued, Unitholders will be notified of where such reports, in printed and electronic forms, can be obtained. Notice will be given to the Unitholders as and when the reports are available. Once issued, the annual and interim reports will be available on the Manager's website (www.boci-pru.com.hk). A printed copy of the reports is also available for inspection at the Manager's office free of charge during normal working hours.

Publication of Net Asset Value per Unit

The Net Asset Value per Unit for each class of the Sub-Funds shall be calculated on each Dealing Day and will be available on the Manager's website (www.boci-pru.com.hk) and/or published in South China Morning Post, Hong Kong Economic Journal, Hong Kong Economic Times or any other newspapers which the Manager may from time to time determine and notify the Unitholders. The Net Asset Value per Unit may also be made public free of charge by other means of dissemination as the Manager may from time to time determine and notify the

Unitholders. The prices will be expressed exclusive of any initial charge or redemption charge which may be payable on subscription or redemption.

Unclaimed Proceeds

Upon termination of the Fund, any unclaimed proceeds or other cash held by the Trustee under the provisions of the Trust Deed may at the expiration of twelve months from the date upon which the same were payable be paid into court subject to the right of the Trustee to deduct therefrom any expenses it may incur in making such payment.

Removal and Retirement of the Trustee, the Manager and the Sponsor

(a) The Trustee

Subject to the prior approval of the SFC,

(i) the Trustee may retire voluntarily if a new trustee has been appointed by the Manager with the prior approval of the Sponsor (which approval shall not be unreasonably withheld) and adequate arrangements have been made for the new trustee to assume the responsibility for administration of the Fund and for the Trustee's interest in the Fund to be transferred to the new trustee;

(ii) the Manager may with the prior approval of the Sponsor remove the Trustee by giving not less than 90 days prior notice in writing to the Trustee and appoint any other qualified company to act as the trustee of the Fund; and

(iii) the Sponsor may remove the Trustee by giving at least 90 days prior written notice to the Trustee that it wishes the Trustee to retire in favour of a new trustee.

(b) The Manager

Subject to the prior approval of the SFC, the Sponsor may remove the Manager by giving at least 90 days prior written notice to the Manager that it wishes the Manager to retire in favour of a new manager. Furthermore, the Manager may be subject to removal by the Trustee if:

(i) the Manager commences liquidation or has gone into receivership or has entered into any scheme of arrangement or compromise with its creditors; or

(ii) for good and sufficient reason, the Trustee states in writing that a change of the Manager is desirable in the interest of the Unitholders; or

(iii) the Unitholders representing at least 50% in value of the Units outstanding (excluding those held or deemed to be held by the Manager) delivered to the Trustee a written request to dismiss the Manager.

If the authorisation of the Manager to act as investment manager of the Fund is withdrawn by the SFC, the Manager's appointment under the Fund shall be terminated as at the date on which the SFC's withdrawal becomes effective.

Apart from the above, the Manager may also retire voluntarily in favour of some other qualified companies approved by the Trustee and the Sponsor.

(c) The Sponsor

The Sponsor shall also have the power to retire voluntarily in favour of some other companies approved by the Trustee and the Manager.

Termination of the Fund

The Fund shall continue for a period of 80 years from the date of the Trust Deed or until it is terminated in one of the ways set out below:

1. The Sponsor may terminate the Fund if:

(a) the Manager goes into liquidation or if a receiver is appointed over any of the Manager's assets and not discharged with 60 days; or

(b) the Fund ceases to be authorised or otherwise officially approved pursuant to the Securities and Futures Ordinance of Hong Kong; or

(c) any law is passed which renders it illegal or in the opinion of the Trustee or the Sponsor impracticable or inadvisable to continue the Fund; or

(d) the Manager ceases to manage the Fund and the Trustee fails to appoint a successor manager; or

(e) the Trustee has notified the Manager of its desire to retire as trustee of the Fund and the Manager fails to appoint a successor trustee.

2. Subject to the prior approval of the SFC, the Manager or the Sponsor may terminate the Fund if:

(a) at any time one year after the establishment of the Fund the Net Asset Value of the Fund falls below an amount which is equivalent to HK$200,000,000; or

(b) the Fund ceases to be authorised or otherwise officially approved pursuant to the Securities and Futures Ordinance of Hong Kong or if any law is passed which renders it illegal or in the opinion of the Manager or the Sponsor (as the case may be) impracticable or inadvisable to continue the Fund.

Notice will be given to Unitholders if the Fund is terminated under the above circumstances. Such notice will be submitted to the SFC for prior approval and will contain the reasons for the termination, alternatives available to Unitholders and the expected costs involved.

Termination of a Sub-Fund

Subject to the prior approval of the SFC,

1. the Manager or the Sponsor may terminate any Sub-Fund if:

(a) at any time one year after the establishment of the Sub-Fund the Net Asset Value of that Sub-Fund falls below HK$40,000,000 or its equivalent in US dollars for the BOCHK US Dollar Money Market Fund and BOCHK Global Equity Fund, BOCHK Asia Pacific Equity Fund, BOCHK Global Bond Fund, BOCHK Aggressive Growth Fund, BOCHK Balanced Growth Fund, BOCHK Conservative Growth Fund, BOCHK Japan Equity Fund BOCHK Asia Pacific Equity Income Fund and BOCHK Asia Pacific Property Fund; or its equivalent in Australian dollars for the BOCHK Australia Income Fund; or its equivalent in GBP for the BOCHK Sterling Income Fund;

(b) the Sub-Fund ceases to be authorised or otherwise officially approved pursuant to the Securities and Futures Ordinance of Hong Kong or if any law is passed which renders it illegal or in the opinion of the Manager or the Sponsor (as the case may be) impracticable or inadvisable to continue the Sub-Fund; and

2. Unitholders of the relevant class or classes may at any time terminate a Sub-Fund by extraordinary resolution.

Trust Deed

The Fund was established under Hong Kong law by a trust deed dated 28th June 2002, as amended, modified or supplemented from time to time. All holders of Units are entitled to the benefit of, are bound by and are deemed to have notice of the provisions of the Trust Deed.

The Trust Deed contains provisions for the indemnification of the Sponsor, the Trustee and the Manager and their relief from liability in certain circumstances. Unitholders and intending applicants are advised to consult the terms of the Trust Deed. In the event of any conflict between any of the provisions of this Explanatory Memorandum and the Trust Deed, the provisions of the Trust Deed prevail.

Modification of Trust Deed

Subject to the prior approval of the SFC, where applicable, and the Sponsor, the Trustee and the Manager may agree to modify the Trust Deed by supplemental deed provided that in the opinion of the Trustee each of such modifications (i) is necessary to make possible compliance with fiscal or other statutory, regulatory or official requirements; and/or (ii) does not materially prejudice the interests of the Unitholders, does not to any material extent

release the Trustee, the Manager or any other person from any liability to Unitholders; and does not increase the costs and charges payable from the assets of the Fund; and/or (iii) is necessary to correct a manifest error.

In all other cases modifications involving any material changes require the sanction of an extraordinary resolution of the Unitholders affected or the approval of the SFC.

Meetings of Unitholders

The Trust Deed provides for meetings of Unitholders to be convened by the Trustee or the Manager upon at least 21 days' notice. Notices of meetings of Unitholders will be posted to Unitholders.

Proxies may be appointed. The quorum at Unitholders' meetings is Unitholders present in person or by proxy holding not less than 10% (or, in relation to a resolution proposed as an extraordinary resolution, 25%) of the Units in issue. If a quorum is not present, the meeting will be adjourned for not less than 15 days. Separate notice of any adjourned meeting will be given, and at an adjourned meeting Unitholders whatever their number or the number of Units held by them will form a quorum.

An extraordinary resolution is required under the Trust Deed for certain purposes and is a resolution proposed as such and passed by a majority of 75% of the total number of votes cast.

The Trust Deed contains provisions for the holding of separate meetings of Unitholders holding different classes of Units where only the interests of Unitholders of a particular class are affected.

The Trust Deed provides that at any meeting of Unitholders, on a show of hands, every Unitholder who (being an individual) is present in person or (being a partnership or corporation) is present by an authorised representative shall have one vote and, on a poll, every Unitholder who is present as aforesaid or by proxy shall have one vote for every Unit of which he is the holder.

Transfer of Units

Subject as provided below, Units may be transferred by an instrument in writing in a form approved by the Trustee, signed by (or, in the case of a body corporate, signed on behalf of or sealed by) the transferor and the transferee. The transferor will be deemed to remain the holder of the Units transferred until the name of the transferee is entered in the Register of Unitholders in respect of such Units.

Each instrument of transfer must relate to a single class of Units only. No Units may be transferred if, as a result, either the transferor or the transferee would hold Units having a value less than the minimum holding of the relevant class.

Documents Available for Inspection

Copies of the Trust Deed and the latest annual and semi-annual reports (if any) are available for inspection free of charge at any time during normal business hours on any day (excluding Saturdays, Sundays and public holidays) at the office of the Manager, 27/F., Bank of China Tower, 1 Garden Road, Central, Hong Kong. Copies of the Trust Deed can be purchased from the Manager on payment of a reasonable fee.

(i) This Explanatory Memorandum and any subsequent supplements to this Explanatory Memorandum, (ii) the latest annual and semi-annual reports of the Fund and (iii) other fund information are also available on the Manager's website (www.boci-pru.com.hk).

Enquiries and Complaints

Unitholders wishing to make an enquiry or a complaint about any Sub-Fund(s) should contact the Manager, BOCI-Prudential Asset Management Limited, at 27th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong or call the Manager's Investment Fund Services Hotline at (852) 2280 8615. Customer services officers of the Manager shall address any enquiry or complaint by verbal or written form depending on the nature of enquiry or complaint about the relevant Sub-Fund received as soon as reasonably practicable.

Anti-Money Laundering Regulations

As part of the Trustee's and the Manager's responsibility for the prevention of money laundering, they may require a detailed verification of an investor's identity and the source of the payment of application moneys. Depending on the circumstances of each application, a detailed verification might not be required where:

(i) the applicant makes the payment from an account held in the applicant's name at a recognised financial institution; or

(ii) the application is made through a recognised intermediary.

These exceptions will only apply if the financial institution or intermediary referred to above is within a country/region recognised as having sufficient anti-money laundering regulations.

The Trustee and the Manager reserve the right to request such information as is necessary to verify the identity of an applicant and the source of the payment. In the event of delay or failure by the applicant to produce any information required for verification purposes, the Trustee and/or the Manager may refuse to accept the application and the application moneys relating thereto.

Information contained in the website of the Manager has not been reviewed by the SFC.