

**IMPORTANT:** This Addendum is supplemental to and forms part of the Prospectus of W.I.S.E. – CSI HK 100 Tracker™ (the “Sub-Fund”) dated 25 April 2023, the Addendum dated 23 May 2023 and the Second Addendum dated 13 September 2023 (collectively, the “Prospectus”). Unless otherwise defined herein, words and expressions defined in the Prospectus shall have the same meaning when used in this Addendum.

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

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

The Stock Exchange of Hong Kong Limited, Hong Kong Exchanges and Clearing Limited, the Securities and Futures Commission (“SFC”) and the Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Addendum, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Addendum.

*SFC authorization is not a recommendation or endorsement of the Fund (as defined below) and the Sub-Fund nor does it guarantee the commercial merits of the Fund and the Sub-Fund or their performance. It does not mean the Fund and the Sub-Fund are suitable for all investors nor is it an endorsement of their suitability for any particular investor or class of investors.*

## **W.I.S.E. – CSI HK 100 Tracker™**

標智中證香港100 指數基金™

### **a sub-fund of the World Index Shares ETFs (the “Fund”)**

(a Hong Kong unit trust authorized under  
section 104 of the Securities and Futures Ordinance  
(Cap. 571 of the laws of the Hong Kong SAR))

**(Stock Code: 02825)**

### **Third Addendum to the Prospectus**

The Prospectus is hereby supplemented as follows with immediate effect:

Under the section headed “TAXATION” of the Prospectus, the last sentence of the second paragraph under the heading “*The Sub-Fund*” under the sub-section headed “*Hong Kong*” on page 58 shall be amended and restated as follows:

“Apart from the above, the sale and purchase of Hong Kong stocks by the Sub-Fund will respectively be subject to stamp duty in Hong Kong at the current rate of 0.1 per cent (0.1%) of the amount of the consideration or of its value on every sold note and every bought note.”

The Prospectus may only be distributed if accompanied by this Addendum.

28 December 2023

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(Cap. 571 of the laws of the Hong Kong SAR))

**(Stock Code: 02825)**

**Second Addendum to the Prospectus**

The Prospectus is hereby supplemented as follows with immediate effect:

Under the section headed “PARTIES” of the Prospectus, the list of directors of the Manager on page 2 shall be amended and restated as follows:

**“Directors of the Manager**

Liu Min  
Tse Yung Hoi  
Qi Wenqing  
Wang Ying  
Lee Yui Leung  
Yeo Whay Nee”

The Prospectus may only be distributed if accompanied by this Addendum.

13 September 2023

**IMPORTANT:** This Addendum is supplemental to and forms part of the Prospectus of W.I.S.E. – CSI HK 100 Tracker™ (the “Sub-Fund”) dated 25 April 2023 (the “Prospectus”). Unless otherwise defined herein, words and expressions defined in the Prospectus shall have the same meaning when used in this Addendum.

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

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

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*SFC authorization is not a recommendation or endorsement of the Fund (as defined below) and the Sub-Fund nor does it guarantee the commercial merits of the Fund and the Sub-Fund or their performance. It does not mean the Fund and the Sub-Fund are suitable for all investors nor is it an endorsement of their suitability for any particular investor or class of investors.*

**W.I.S.E. – CSI HK 100 Tracker™**

標智中證香港100 指數基金™

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**(Stock Code: 02825)**

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Liu Min  
Tse Yung Hoi  
Qi Wenqing  
Wang Ying  
Lee Yui Leung  
Yeo Whay Nee  
Lim Wendy Hwee Ching”

The Prospectus may only be distributed if accompanied by this Addendum.

23 May 2023

**W.I.S.E. – CSI HK 100 Tracker™**  
**a sub-fund of the World Index Shares ETFs**  
**(stock code : 2825)**

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**PROSPECTUS**

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**25 April 2023**

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

Application has been made to The Stock Exchange of Hong Kong Limited (“**SEHK**”) for listing of and for permission to deal in the units of the W.I.S.E. – CSI HK 100 Tracker<sup>TM</sup>. Units are neither listed nor dealt on any other stock exchange and no application for such listing or permission to deal is being or will be sought as at the date of this Prospectus.

The SEHK, the Securities and Futures Commission (“**SFC**”) and the Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.

## IMPORTANT INFORMATION FOR INVESTORS

**Investors should note that an investment in the W.I.S.E. – CSI HK 100 Tracker™ (the “Sub-Fund”) is not the same as an investment in the constituent securities of the CSI Hong Kong 100 Index. The Sub-Fund’s returns may deviate from the CSI Hong Kong 100 Index due to factors such as the fees and expenses of the Sub-Fund, and the need for the Manager to adopt a representative sampling strategy. Investors’ attention is drawn to the “Investment Strategy of the Sub-Fund” section on pages 13 to 14. Investors should also read the “Risk Factors” sections on pages 14 to 22 carefully.**

**It is possible that the Units in the Sub-Fund may trade at a premium or at a discount to the Net Asset Value of the Units. Investors’ attention is drawn to paragraph (s) of the “Risk Factors” section on page 19.**

This Prospectus has been prepared in connection with the offer in Hong Kong of Units in the W.I.S.E. – CSI HK 100 Tracker™, a sub-fund under the umbrella fund, World Index Shares ETFs (the “Fund”), and managed by **BOCI-Prudential Asset Management Limited** (the “Manager”).

The directors of the Manager accept full responsibility for the accuracy of the information contained in this Prospectus as being accurate at the date of publication and for the accuracy and fairness of the opinions expressed, and confirm that this Prospectus includes particulars given in compliance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the Code on Unit Trusts and Mutual Funds for the purposes of giving information with regard to the Units of the Sub-Fund and that, having made all reasonable enquiries, the directors confirm that, to the best of their knowledge and belief, as at the date of publication, the information contained in this Prospectus is true, accurate and complete in all material aspects and not misleading; there are no other matters the omission of which would make any statement in this Prospectus misleading, whether of fact or opinion; any inferences that might reasonably be drawn from any statement in this Prospectus are true and are not misleading; and all opinions and intents expressed in this Prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions which are fair and reasonable.

Neither the delivery of this Prospectus or the latest available Product Key Facts Statement nor the offer or issue of Units in the Sub-Fund shall under any circumstances constitute a representation that the information contained in this Prospectus is correct as of any time subsequent to such date. This Prospectus and the Product Key Facts Statement may from time to time be updated. Intending applicants for Units should ask the Manager if any supplements to this Prospectus or any later Prospectus or later Product Key Facts Statement have been issued. Investors should note that any amendment or addendum to this Prospectus and/or the Product Key Facts Statement will only be posted on the Manager’s website ([www.boci-pru.com.hk/english/etf/intro.aspx](http://www.boci-pru.com.hk/english/etf/intro.aspx) (for English), or [www.boci-pru.com.hk/chinese/etf/intro.aspx](http://www.boci-pru.com.hk/chinese/etf/intro.aspx) (for Chinese)). The Manager’s website has not been reviewed by the SFC.

Distribution of this Prospectus must be accompanied by a copy of the latest available Product Key Facts Statement, 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 Prospectus, the latest available Product Key Facts Statement, 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 Prospectus or the latest available Product Key Facts Statement should be regarded as unauthorized and accordingly must not be relied upon.

The Fund and the Sub-Fund have been authorized by the SFC in Hong Kong. SFC authorization is not a recommendation or endorsement of the Fund or the Sub-Fund and nor does it guarantee the commercial merits of the Fund or the Sub-Fund or their performance. It does not mean the Fund or the Sub-Fund is suitable for all investors nor is it an endorsement of the Fund or the Sub-Fund's suitability for any particular investor or class of investors. The SFC takes no responsibility for the financial soundness of the Fund and the Sub-Fund or for the accuracy of any of the statements made or opinions expressed in this Prospectus.

No action has been taken to permit an offering of units or the distribution of this Prospectus (or any Product Key Facts Statement) in any jurisdiction other than Hong Kong where action would be required for such purposes. Accordingly, this Prospectus and the Product Key Facts Statement 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 authorized.

In particular:

- (a) Units in the Sub-Fund have not been registered under the US 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 US, 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) (“**US Person under Regulation S**”).
- (b) The Sub-Fund has not been and will not be registered under the US Investment Company Act of 1940 as amended.
- (c) Units in the Sub-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 US Employee Retirement Income Securities Act of 1974, as amended or any individual retirement account plan subject to section 4975 of the US Internal Revenue Code of 1986, as amended (“**IRC**”).

The Manager shall have the power to impose such restrictions and take such actions as the Manager may think appropriate for the purpose of ensuring that no Units are acquired or held by an Unqualified Person (as defined in the “Definitions” section on pages 10 to 11).

Such actions may include (but are not limited to) refusing new subscriptions from an Unqualified Person, compelling mandatory redemptions of Units held directly, beneficially, or indirectly by an Unqualified Person, and deducting or withholding such amounts from the redemption proceeds as may be required for compliance purposes, provided that (i) any action so taken is permitted by applicable laws and regulations; and (ii) the Manager is acting in good faith and on reasonable grounds.

The Manager has the power in its discretion to declare that a group or category of persons shall be considered as Unqualified Persons.

## US Person restrictions

The Manager has declared that Reportable Persons under FATCA (as defined in the “FATCA” sub-section) and US Persons under Regulation S are Unqualified Persons who are not permitted to own Units.

## Foreign Account Tax Compliance Act (“FATCA”)

The US enacted FATCA in 2010. FATCA requires Foreign Financial Institutions (“**FFIs**”) to report details of Specified US Persons (as defined below) holding or controlling offshore financial assets to the US Internal Revenue Services (the “**IRS**”). Since 1 July 2014, FFIs that do not comply with FATCA may be subject to US withholding tax of 30% on certain income from US investments and on their gross proceeds from US investments and also potentially revenues from other non-US investments (“**FATCA Withholding**”). In 2014, the government of Hong Kong and the US signed a Model 2 Intergovernmental Agreement (“**IGA**”) for implementation of the FATCA by FFIs in Hong Kong.

The Sub-Fund is an FFI in Hong Kong. It must comply with the provisions of FATCA under the IGA, including the requirements to conduct due diligence and obtain certain information from its Unitholders in order to ascertain their US tax status. The Sub-Fund is a Registered Deemed-Compliant FFI (within the meaning of the IGA), which means that a sponsoring entity performs all of the Sub-Fund’s FATCA obligations, including due diligence, withholding, reporting and other requirements. The sponsoring entity shall have all the powers and rights of the Sub-Fund in relation to carrying out the Sub-Fund’s obligations under FATCA. All references to the Sub-Fund in relation to FATCA in this Prospectus shall include the sponsoring entity.

If a Unitholder (or a controlling person of certain entity Unitholder) is a Specified US Person (as defined below in this section), the Sub-Fund will report information of this person to the IRS.

Additional information may be required by the Sub-Fund, the Manager, the Custodian, their agents or service providers from Unitholders and controlling persons of certain entity Unitholders in order to comply with the Sub-Fund’s obligations under FATCA. The applicable FATCA 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 IRS website at [www.irs.gov/businesses/corporations/foreign-account-tax-compliance-act-fatca](http://www.irs.gov/businesses/corporations/foreign-account-tax-compliance-act-fatca). This website has not been reviewed by the SFC.

A “**Reportable Person under FATCA**” is defined as follows:

1. A Specified US Person within the meaning of the IGA and the Treasury Regulations under the FATCA as set forth in Sections 1471 through 1474 of the IRC. Subject to some exceptions, this term generally includes any US Person as defined in Section 7701(a)(30) of the IRC and the regulations thereunder, including a US citizen or resident individual, a partnership or corporation organized in the United States or under the laws of the United States or any state thereof, and a US domestic trust.
2. A Passive Non-Financial Foreign Entity (“**Passive NFFE**”) with Controlling Persons (within the meaning of the IGA) who are “Specified US Person(s)”.

In addition, accounts held by non-participating financial institutions shall be treated as accounts for which aggregate payments are required to be reported under an FFI Agreement.

If Unitholders are in any doubt as to their status as Reportable Persons under FATCA, they should consult their legal or taxes adviser.

If, subsequent to a Unitholder's investment, the Unitholder becomes a Specified US Person or any other Unqualified Person holds Units, such Unitholder will (i) be restricted from making any additional subscriptions and (ii) as soon as practicable have its Units compulsorily redeemed (provided that (i) any action so taken is permitted by applicable laws and regulations; and (ii) the Manager is acting in good faith and on reasonable grounds). Please see the "Compulsory Redemptions under Certain Circumstances" sub-section below for more information.

The Sub-Fund may:

- (a) completely redeem the holding of a Unitholder (at any time upon any or no notice) ; or
- (b) reject an investor's application for subscription of Units; or
- (c) withhold on amounts otherwise distributable to a Unitholder; or
- (d) compel a Unitholder to sell his or her or its interest

if the Unitholder fails to provide the Sub-Fund 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 and AEOI (as defined in the AEOI sub-section) obligations.

To comply with FATCA, the Sub-Fund will disclose to the IRS the name, address, taxpayer identification number and financial account information, and other information as required under FATCA relating to any Specified US Persons who own or control, either directly or indirectly through a Passive NFFE, an interest in reportable financial accounts.

Potential applicants for Units in the Sub-Fund should consult with their own tax advisors regarding (a) the possible tax consequences including but not limited to the possible implications of FATCA on them and the Sub-Fund, (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 Sub-Fund. Investors should not treat the contents of this Prospectus 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.

### **Automatic Exchange of Financial Account Information ("AEOI")**

For the purposes herein, "AEOI" includes:

- (a) the Organisation 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.

Under the Inland Revenue Ordinance (Cap. 112) (“**IRO**”), reporting financial institutions (“**FIs**”) resident in Hong Kong including the Sub-Fund must collect information relating to residents of reportable jurisdiction holding financial accounts, report such information to the Hong Kong Inland Revenue Department (“**IRD**”), which will share such information with the jurisdiction(s) in which the relevant account holder are a resident for tax purpose. Further information about AEOI is available on the IRD website ([www.ird.gov.hk/eng/tax/dta\\_aeoi.htm](http://www.ird.gov.hk/eng/tax/dta_aeoi.htm)). This website has not been reviewed by the SFC.

The Sub-Fund must comply with the requirements of AEOI in Hong Kong, which means that Sub-Fund 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**”) shall conduct the required due diligence obligations and report to the IRD information of reportable account holder and controlling persons.

AEOI rules as implemented by Hong Kong require the Sub-Fund to, amongst other things: (i) register the Sub-Fund’s status as an FI with the IRD; (ii) conduct due diligence on its accounts (i.e. the Units) to identify whether any such accounts are considered Reportable Accounts (as defined in Section 50A of the IRO), which are held or controlled by Reportable Persons (as defined in Section 50A of the IRO) for AEOI purposes; and (iii) report to the IRD the information of such Reportable Persons and Reportable Accounts. The IRD will transmit information of Reportable Persons and Reportable Accounts to the government authorities of the relevant jurisdictions with which Hong Kong has entered into an AEOI exchange relationship. Information including (but not limited to) Reportable Persons’ name, date of birth, place of birth, address, jurisdiction of residence, taxpayers identification number, account details, account balance/value, and income or sale or redemption proceeds, will be reported to the IRD and subsequently exchanged with government authorities in the relevant jurisdictions of tax residence.

By investing in the Sub-Fund or continuing to invest in the Sub-Fund, the Unitholders acknowledge that they may be required to provide additional information to the Sub-Fund and/or the Relevant Agents. The failure of a Unitholder to provide any requested information may result in the Manager and/or the Relevant Agents 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, refusing new subscriptions from the Unitholder, compelling mandatory redemptions of Units held by the Unitholder, and deducting or withholding such amounts from the redemption proceeds as may be required for compliance purposes, provided that any action so taken shall not be prohibited by law.

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-Fund.

## 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-Fund or for other purposes including but not limited to (a) processing the subscription and redemption of Units, 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 Unitholder (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-Fund 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 and AEOI, verifying the identity of a Unitholder or establishing whether a Unitholder is a Reportable Person under FATCA or a Reportable Person for AEOI purposes, and compliance with reporting or other obligations imposed by the US, 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-Fund 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**

### **Manager and Listing Agent**

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

### **Trustee**

Cititrust Limited  
50/F., Champion Tower  
Three Garden Road  
Central, Hong Kong

### **Custodian and Administrator**

Citibank N.A., Hong Kong Branch  
50/F., Champion Tower  
Three Garden Road  
Central, Hong Kong

### **Registrar**

Computershare Hong Kong Investor Services Limited  
46/F, Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

### **Conversion Agent and Service Agent**

HK Conversion Agency Services Limited  
8th Floor, Two Exchange Square  
8 Connaught Place  
Central  
Hong Kong

### **Legal Advisers to the Manager**

Baker & MCKenzie  
14th Floor, One Taikoo Place  
979 King's Road  
Quarry Bay  
Hong Kong

### **Auditor**

Ernst & Young  
27/F., One Taikoo Place  
979 King's Road  
Quarry Bay  
Hong Kong



**Directors of the Manager**

Liu Min

Tse Yung Hoi

Qi Wenqing

Lee Yui Leung

Yeo Whay Nee

Lim Wendy Hwee Ching

## **DEFINITIONS**

<b>“Administrator”</b>	means Citibank, N.A., Hong Kong Branch or such other person or persons who may for the time being duly be appointed by the Trustee, in consultation with the Manager, as administrators of the Fund and the Sub-Fund, which may include a Connected Person of the Trustee, to carry out the day to day administration of the Fund and the Sub-Fund;
<b>“Application”</b>	means a Creation Application and a Redemption Application;
<b>“Application Cancellation Fee”</b>	means the fee payable by a Participating Dealer or an Eligible Investor (as the case may be) in respect of cancellation of an Application as set out in the Trust Deed;
<b>“Application Unit”</b>	means such number of Units of a class or whole multiples thereof as specified in the Prospectus or such other multiple of Units of a class from time to time determined by the Manager, the Trustee and the Participating Dealer(s), either generally or for a particular class or classes of Units;
<b>“Associate”</b>	in relation to a body corporate, means an associated company as defined in the Companies Ordinance;
<b>“Auditors”</b>	means the auditor or auditors of the Fund and the Sub-Fund from time to time appointed by the Manager in consultation with the Trustee pursuant to the provisions of the Trust Deed;
<b>“Base Currency”</b>	means the currency of account of the Sub-Fund as specified by the Manager;
<b>“Basket”</b>	means a portfolio of Index Securities, which seeks to benchmark the CSI HK 100 by representative sampling strategy or otherwise and/or such other Securities as designated by the Manager provided that such portfolio shall comprise only whole numbers of Index Securities and/or such other Securities and no fraction or, if the Manager determines, shall comprise only round lots and not any odd lots;
<b>“Business Day”</b>	means, unless the Manager, the Trustee and the Participating Dealer(s) otherwise agree, a day on

which (a) the SEHK is open for normal trading, and (b) the CSI HK 100 is compiled and published, or such other day or days as the Manager and the Trustee may agree from time to time provided that if on any such day, the period during which the SEHK is open for normal trading is reduced as a result of Typhoon Signal Number 8 or above, Black Rainstorm warning or other similar event, such day shall not be a Business Day unless the Manager, the Trustee and the Participating Dealer(s) otherwise agree;

**“Cancellation Compensation”**

means an amount payable by a Participating Dealer or an Eligible Investor (as the case may be) in respect of cancellation of an Application pursuant to the Trust Deed;

**“Cash Component”**

means the aggregate Net Asset Value of all the Units in connection with an Application less the value of the relevant Basket(s);

**“CCASS”**

means the Central Clearing and Settlement System established and operated by HKSCC or any successor system operated by HKSCC or its successors;

**“Collective Investment Schemes”**

means collective investment schemes commonly regarded as mutual funds (whether they appear in the legal forms of contractual model, companies with variable capital or otherwise) and unit trusts as are contemplated in the UTMF Code;

**“Companies Ordinance”**

means the Companies Ordinance (Chapter 622 of the Laws of Hong Kong);

**“Connected Person”**

has the meaning given to it under the UTMF Code;

**“Conversion Agent”**

means HK Conversion Agency Services Limited or such other person as may from time to time be appointed to act as conversion agent in relation to the Sub-Fund;

**“Creation Application”**

means (a) an application by a Participating Dealer for the creation of Units in accordance with the relevant procedures set out in the Trust Deed, the relevant Participation Agreement and/or the Operating Guidelines (where applicable); or (b) an application by an Eligible Investor for the creation of Units in accordance with the relevant

procedures determined by the Manager and set out in the Trust Deed, this Prospectus and/or the Operating Guidelines (where applicable);

**“Custodian”**

means Citibank, N.A., Hong Kong Branch or such other person or persons who may for the time being duly be appointed by the Trustee, in consultation with the Manager, as the custodian of the Fund and the Sub-Fund, which may include a Connected Person of the Trustee, to provide custodial services to the Fund and the Sub-Fund;

**“CSI HK 100”**

means the CSI Hong Kong 100 Index;

**“Dealing Day”**

means 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 in respect of a particular class or classes of Units, provided that if the SEHK is on any day not open for trading, the Manager may without notice to the Unitholders of the Sub-Fund determine that such day shall not be a Dealing Day in relation to the Sub-Fund;

**“Dealing Deadline”**

in relation to any Dealing Day, shall be such time as the Manager may from time to time with the approval of the Trustee determine generally or in relation to a particular class or classes of Units or any particular place for submission of Application(s) by the Participating Dealer(s) or Eligible Investor(s) or in relation to Special Application by a Feeder Fund (as the case may be);

**“Deposited Property”**

means all the assets (including cash) received or receivable by the Trustee, for the time being held or deemed to be held upon the trusts of the Trust Deed for the account of the Sub-Fund excluding (i) the Income Property and (ii) any amount for the time being standing to the credit of the Distribution Account or other relevant account for distribution, where applicable;

**“Distribution Account”**

means the notional account to which amount available for distribution to the Unitholders is credited;

**“Eligible Investor”**

means a person who has opened an account with the Manager, having satisfied the client intake

procedures of the Manager and provided such documents, undertakings and confirmations as the Manager may require;

**“Extraordinary Resolution”**

means a resolution proposed as such and passed by seventy five per cent (75%) or more of the votes of those present and entitled to vote in person or by proxy at a duly convened meeting of Unitholders of a relevant class or classes and held pursuant to the provisions of the Trust Deed;

**“Feeder Fund(s)”**

means any constituent fund(s) under the mandatory provident fund schemes approved by the Mandatory Provident Fund Schemes Authority and authorized by the SFC\* which invests substantially in the Sub-Fund, having satisfied the client intake procedures of the Manager and provided such documents, undertakings and confirmations as the Manager may require;

\*SFC authorisation is not a recommendation or endorsement of the relevant fund nor does it guarantee the commercial merits of the relevant fund or its performance. It does not mean the relevant fund is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors;

**“Fund”**

means the World Index Shares ETFs or such other name as the Trustee and the Manager may from time to time determine;

**“HK\$” or “Hong Kong dollars”  
or “HKD”**

means the lawful currency of Hong Kong;

**“HKSCC”**

means the Hong Kong Securities Clearing Company Limited or its successors;

**“Hong Kong”**

means the Hong Kong Special Administrative Region of the PRC;

**“Income Property”**

means (a) all interest, dividends and other sums deemed by the Manager (after consulting the Auditors) to be in the nature of income (including taxation repayments, if any) received or receivable by the Trustee in respect of the Deposited Property of the Sub-Fund (whether in cash or, without limitation, by cheque, money, credit or otherwise or the proceeds of sale of any

Income Property received in a form other than cash); (b) all Cash Component payments received or receivable by the Trustee for the account of the Sub-Fund; (c) all Cancellation Compensation received by the Trustee for the account of the Sub-Fund; and (d) all interest and other sums received or receivable by the Trustee in respect of (a), (b) or (c) of this definition, but excluding (i) the Deposited Property of the Sub-Fund; (ii) any amount for the time being standing to the credit of the Distribution Account or other relevant account for distribution (where applicable) for the account of the Sub-Fund or previously distributed to Unitholders; (iii) gains for the account of the Sub-Fund arising from the realization of Securities; and (iv) any sums applied towards the payment of the fees, costs and expenses payable by the Fund from the Income Property of the Sub-Fund;

**“Index Provider”**

in respect of the CSI HK 100, means the China Securities Index Co., Ltd. or any other person responsible for managing and compiling the CSI HK 100 and who has the right to grant the license to use the CSI HK 100;

**“Index Securities”**

means the constituent securities of the CSI HK 100;

**“Initial Offer Period”**

means in relation to a class of Units such period as may be agreed between the Trustee and the Manager for the purpose of making an initial offer of Units of such class;

**“Issue Price”**

means the issue price per Unit of a particular class during the Initial Offer Period as determined by the Manager in respect of such class of Units and thereafter the issue price per Unit calculated pursuant to the Trust Deed at which Units are from time to time issued or to be issued;

**“Manager”**

means BOCI-Prudential Asset Management Limited or any other person (or persons) who for the time being is duly appointed as manager (or managers) of the Fund and being approved by the SFC as qualified to act as such for the purposes of the UTMF Code;

**“month”**

means calendar month;

<b>“Net Asset Value”</b>	means the net asset value of the Sub-Fund or, as the context may require, of a Unit of any class relating to the Sub-Fund calculated pursuant to the provisions of the Trust Deed;
<b>“Operating Guidelines”</b>	means operating guidelines governing the Participating Dealer(s), including without limitation, the procedures for creation and redemption of Units;
<b>“Participation Agreement”</b>	means an agreement entered into between the Trustee, the Manager and a Participating Dealer setting out, amongst other things, the arrangements in respect of the Applications made by a Participating Dealer;
<b>“Participating Dealer”</b>	means a broker or dealer who has entered into a Participation Agreement in form and substance acceptable to the Manager and Trustee;
<b>“PRC”</b>	means the People’s Republic of China;
<b>“Redemption Application”</b>	means (a) an application by a Participating Dealer for the redemption of Units in accordance with the relevant procedures set out in the Trust Deed, the relevant Participation Agreement and/or the Operating Guidelines; or (b) an application by an Eligible Investor for the redemption of Units in accordance with the relevant procedures determined by the Manager and set out in the Trust Deed, this Prospectus and/or the Operating Guidelines (where applicable);
<b>“Redemption Price”</b>	means the redemption price per Unit of a particular class calculated in accordance with the Trust Deed at which Units are from time to time redeemed;
<b>“Register”</b>	means the register of Unitholders to be kept pursuant to the Trust Deed;
<b>“Registrar”</b>	means Computershare Hong Kong Investor Services Limited or such person as may from time to time be appointed by the Manager as registrar to keep the Register in respect of the Sub-Fund;
<b>“Securities”</b>	has the meaning given to such term in Section 1 of Part I of Schedule 1 of the Securities and Futures Ordinance;

<b>“Securities and Futures Ordinance”</b>	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
<b>“SEHK”</b>	means The Stock Exchange of Hong Kong Limited or its successors;
<b>“Service Agent”</b>	means HK Conversion Agency Services Limited or such other person as may from time to time be appointed to act as a service agent in relation to the Sub-Fund;
<b>“Settlement Day”</b>	means the Business Day which is two (2) Business Days after the relevant Dealing Day (or such later Business Day as is permitted in relation to such Dealing Day pursuant to the Operating Guidelines in respect of settlement with Participating Dealers) or such other number of Business Days after the relevant Dealing Day as the Manager and the Trustee may from time to time agree and notify to the relevant Participating Dealer(s), Eligible Investors or the Feeder Fund (as the case may be), either generally or for a particular class or classes of Units;
<b>“SFC”</b>	means the Hong Kong Securities and Futures Commission;
<b>“Special Application”</b>	means a Special Creation Application and/or a Special Redemption Application;
<b>“Special Creation Application”</b>	means an application for cash creation and issue of Units by a Feeder Fund in accordance with the relevant procedures set out in this Prospectus;
<b>“Special Redemption Application”</b>	means an application for cash redemption of Units by a Feeder Fund in accordance with the relevant procedures set out in this Prospectus;
<b>“Sub-Fund”</b>	means the W.I.S.E. – CSI HK 100 Tracker™ or such other name as the Trustee and the Manager may from time to time determine;
<b>“subsidiary” and “holding company”</b>	have the meaning given to them in section 2 of the Companies Ordinance;
<b>“Transaction Fee”</b>	means the fee which may at the discretion of the Manager be charged to each Participating Dealer or Eligible Investor (as the case may be) under the Trust Deed, the maximum level of which shall be



determined by the Manager from time to time and set out in this Prospectus;

**“Trust Deed”**

means the trust deed dated 11 July 2007 constituting the Fund, as amended from time to time in accordance with the terms thereof;

**“Trustee”**

means Cititrust 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-Fund pursuant to the Trust Deed;

**“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, determined in accordance with the Trust Deed and except where used in relation to a particular class of Unit a reference to Units means and includes Units of all classes;

**“Unitholder”**

means the person for the time being entered on the Register as the holder of a Unit including, where the context so admits, persons jointly so registered;

**“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 and/or the Sub-Fund incurring any liability to taxation or suffering a pecuniary disadvantage which the Fund and/or the Sub-Fund might not otherwise have incurred or suffered, or might result in the Fund, the Sub-Fund, the Manager or the Trustee or any of their Connected Persons being exposed to any liability, penalty or regulatory action;
- (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 and/or the Sub-Fund incurring any liability to taxation or suffering a pecuniary disadvantage which the Fund and/or the Sub-Fund might not otherwise have incurred or suffered, or in the Fund, the Sub-Fund, the Manager or the Trustee or any of their Connected Persons being exposed to any liability, penalty or regulatory action; or

- (c) any person who is a member of a group or category of persons the Manager declared as Unqualified Persons;

**“US\$” or “US dollars”**

means the lawful currency of the United States of America;

**“UTMF Code”**

means the SFC’s Code on Unit Trusts and Mutual Funds, as amended or supplemented from time to time; and

**“Valuation Point”**

means the official close of trading on the SEHK, or such other time or times as determined by the Manager in consultation with the Trustee from time to time provided that there shall always be a Valuation Point on each Dealing Day other than where there is a suspension of determination of the Net Asset Value of the Sub-Fund pursuant to provisions of the Trust Deed.

**THE FUND**

The Fund is a unit trust established by a trust deed dated 11 July 2007 (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 of the Fund. The Fund is established under and governed by the laws of Hong Kong. With effect from 3 December 2019, BOCI-Prudential Trustee Limited has retired from its role as the Trustee and has been replaced by Cititrust Limited as the new Trustee, and Citibank, N.A., Hong Kong Branch has been appointed by the Trustee as the custodian and administrator of the Fund and the Sub-Fund.

The Fund is an umbrella fund under which index-tracking sub-funds will be established. The Sub-Fund is the second sub-fund of the Fund. Only one (1) class of Units is currently available in relation to the Sub-Fund.

## **KEY INFORMATION OF THE SUB-FUND**

### **Summary**

The following table is only a summary of key information of the Sub-Fund, and should be read in conjunction with the full text of this Prospectus.

Product Type		Index-Tracking Exchange Traded Fund
Underlying Index		CSI Hong Kong 100 Index
Listing Date		15 May 2008
Exchange Listing		SEHK - Main Board
Stock Code		2825
Trading Board Lot Size		200 Units
Base Currency		Hong Kong dollars (HK\$)
Trading Currency		Hong Kong dollars (HK\$)
Distribution Policy		Annually (if any) at the discretion of the Manager
Parties	Manager	BOCI-Prudential Asset Management Limited
	Trustee	Cititrust Limited
	Custodian and Administrator	Citibank N.A., Hong Kong Branch
	Registrar	Computershare Hong Kong Investor Services Limited
	Conversion Agent and Service Agent	HK Conversion Agency Services Limited
Website		<a href="http://www.boci-pru.com.hk/english/etf/intro.aspx">www.boci-pru.com.hk/english/etf/intro.aspx</a> (for English), or <a href="http://www.boci-pru.com.hk/chinese/etf/intro.aspx">www.boci-pru.com.hk/chinese/etf/intro.aspx</a> (for Chinese) The Manager's website has not been reviewed by the SFC.
Application Unit size for Creation/Redemption by the Participating Dealer(s) or by the Eligible Investors through the Manager		Minimum 500,000 Units (or multiples thereof)
Application Unit size for Special Creation/ Special Redemption by a Feeder Fund		Minimum 1 Unit (or multiples thereof)

## **INVESTMENT OBJECTIVES AND POLICIES OF THE SUB-FUND**

The Sub-Fund is an index-tracking fund which seeks to track the performance of the CSI HK 100. In order to achieve the investment objective of the Sub-Fund, the Sub-Fund will invest in a representative sample of the Index Securities selected by the Manager. The Sub-Fund may also invest in securities which are not Index Securities as the Manager considers appropriate. The CSI HK 100 is a diversified index consisting of 100 constituent securities listed on the SEHK compiled and managed by the China Securities Index Co., Ltd. The China Securities Index Co., Ltd. has granted to the Manager, by way of license and subject to the terms of an index license agreement between them, the right to use the CSI HK 100 in connection with the operation, marketing and promotion of the Sub-Fund. Details in respect of the CSI HK 100 are set out in Appendix I.

The risk profile of the Sub-Fund is generally regarded as high.

## **INVESTMENT STRATEGY OF THE SUB-FUND**

Indexing investment strategies are used by an index-tracking fund to fulfil the index-tracking investment objective. Full replication strategy and representative sampling strategy are the two most common strategies.

### *Full Replication Strategy*

An index-tracking fund which uses a full replication strategy invests in substantially all the constituent securities of the underlying index in substantially the same weightings (i.e. proportions) as these stocks have in the underlying index. When a stock ceases to be a constituent security of the underlying index, rebalancing occurs which involves selling the outgoing stock and using the proceeds to acquire the incoming stock.

### *Representative Sampling Strategy*

An index-tracking fund which uses a representative sampling strategy invests in a representative sample of constituent securities of the underlying index selected by the Manager using quantitative analytical models in a technique known as “portfolio optimisation”, under which each stock is considered for inclusion in the index-tracking fund based on its capitalisation, industry and fundamental investment characteristics. The Manager seeks to construct the portfolio of the index-tracking fund so that, its overall capitalisation, industry and fundamental investment characteristics are like those of the underlying index.

### *Investment Strategy Used by the Sub-Fund*

The Manager intends to pursue a representative sampling strategy for the Sub-Fund. As a result, the Sub-Fund may not from time to time hold all constituent securities of the CSI HK 100 and the Manager may overweight certain constituent securities relative to their respective weightings in CSI HK 100 on the condition that the maximum extra weighting in any constituent securities of CSI HK 100 will not exceed four per cent (4%) under normal circumstances or such other percentage as determined by the Manager after consultation with the SFC. Any non-compliance with the said limits will be disclosed in the annual report and

interim report of the Fund. In addition, the Sub-Fund may have holding of Securities which are non-constituent stocks from time to time in circumstances which are independent of the Manager, including where trading in a constituent security has been suspended, such holding results from a corporate action of a constituent security, or the portfolio is being rebalanced in anticipation or response to a rebalance of the CSI HK 100. However, investors should note that the representative sampling strategy is associated with certain additional risks, in particular a possible increased tracking error at the time of the switch as well as a possible increased tracking error in general, and investors should read the “Risk Factors” section below carefully.

## **RISK FACTORS**

**Investments involve risks. The Sub-Fund is subject to market fluctuations and to the risks inherent in all investments. The price of Units of the Sub-Fund and the income from them may go down as well as up. Investment in the Sub-Fund is not the same as direct investment in the constituent securities of CSI HK 100.**

**The performance of the Sub-Fund will be affected by a number of risk factors, including those set out below. Some or all of the risk factors may adversely affect the Sub-Fund’s Net Asset Value, yield, total return and/or its ability to achieve its investment objective. There is no assurance that the Sub-Fund will achieve its investment objective. Investors should note that the following list does not purport to be an exhaustive list of the risk factors relating to an investment in the Sub-Fund. Investors should carefully consider the risks of investing in the Sub-Fund in light of their financial circumstances, knowledge, experience and other circumstances, and should seek independent professional advice as appropriate.**

- (a) General investment risk – The Sub-Fund's investment portfolio may fall in value due to any of the key risk factors below and therefore your investment in the Sub-Fund may suffer losses. There is no guarantee in respect of repayment of principal.
- (b) Market risk – Market risk includes such factors as changes in economic environment, consumption pattern and investors’ expectations etc. which may have significant impact on the value of the investments. Any options, warrants and derivatives in the Sub-Fund may also expose the Sub-Fund significantly to the fluctuations in the market. Market movements may therefore result in substantial fluctuations in the Net Asset Value per Unit of the Sub-Fund.
- (c) Emerging market risk – Investing in emerging markets, such as the PRC, 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. Usually, emerging markets tend to be more volatile than developed markets and may experience substantial price volatility.
- (d) Single country/region / concentration risk – In tracking the CSI HK 100, the Sub-Fund will invest in securities of companies listed on the SEHK. Such companies may have substantial exposure to the risks in Hong Kong and/or the PRC. As a result, the value of the 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 Hong Kong and/or PRC market.

- (e) Sector concentration risk – To the extent that the CSI HK 100 concentrates in securities which belong to a particular industry or group of industries, the Manager may similarly concentrate the Sub-Fund’s investments. The performance of the Sub-Fund could then depend heavily on the performance of that industry or group of industries. In addition, the Manager may invest a significant percentage or all of the assets of the Sub-Fund in a single issuer, and the performance of the Sub-Fund could be closely tied to that issuer and could be more volatile than the performance of other more diversified funds.
- (f) Equity market risk – The 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.
- (g) 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.
- (h) Passive investment risk - The Sub-Fund is passively managed. Due to the inherent nature of the Sub-Fund, the Manager will not have the discretion to adapt to market changes and may not take an active role in defending the position of the Sub-Fund in declining markets. Hence, any fall in the CSI HK 100 will result in a corresponding fall in the value of the Sub-Fund.
- (i) Tracking error risk – The Sub-Fund may be subject to tracking error risk, which is the risk that its performance may not track that of the CSI HK 100 exactly. The Sub-Fund’s returns may deviate from the CSI HK 100 due to a number of factors. For example, the fees and expenses of the Sub-Fund, the investment strategy used (the need for the Manager to adopt a representative sampling strategy), rounding of share prices, changes to the CSI HK 100 and regulatory policies may affect the Manager’s ability to achieve close correlation with the CSI HK 100. Further, the Sub-Fund may receive income (such as interests and dividends) from its assets while the CSI HK 100 does not have such sources of income.

The Manager will monitor and seek to manage such risk in minimising tracking error. There can be no assurance of exact or identical replication at any time of the performance of the CSI HK 100.

- (j) Portfolio management risk – Since the Sub-Fund will not fully replicate the CSI HK 100, there is a risk that as the implementation of the Manager’s investment strategy is subject to a number of constraints, the investment strategy may not produce the intended results.
- (k) Risks relating to the CSI HK 100 – The Sub-Fund may be subject to the following risks in relation to the CSI HK 100:
  - (i) The initial term of the license agreement between the Manager and the Index Provider is three (3) years, after which it will be automatically extended unless

otherwise terminated in accordance with the license agreement. If the CSI HK 100 is discontinued or the Manager's licence from the Index Provider under the relevant licence agreement is terminated, the Manager may, in consultation with the Trustee, seek the SFC's prior approval to replace the CSI HK 100 with an index that is tradable and has similar objectives to the CSI HK 100. For the avoidance of doubt, index-tracking will remain the Sub-Fund's investment objective. The Manager's licence from the Index Provider may be terminated if (1) the license agreement is not extended after the expiry of the initial term; or (2) the Index Provider ceases to calculate and publish the CSI HK 100 and the Index Provider should give written notice to the Manager (i) not less than ninety (90) days before such cessation or the notice period stipulated by the relevant regulatory authorities, whichever is longer, or (ii) such shorter notice period as agreed between the Manager and the Index Provider. Unless otherwise agreed between the Manager and the Index Provider, the Index Provider may terminate the Manager's licence by written notice under the following circumstances:

- if the Manager ceases to develop and manage investment products which track the CSI HK 100 and the Manager should give written notice to the Index Provider of not less than ninety (90) days before such cessation or such shorter notice period as agreed between the Manager and the Index Provider;
- if the Manager breaches the licence agreement for the CSI HK 100 and fails to rectify the breach within thirty (30) days after the Index Provider has notified the Manager in writing of the breach;
- if the size of the investment product which tracks the CSI HK 100 and is managed by the Manager is less than RMB100 million;
- if any of the SFC and SEHK requests the Manager to cease developing and managing the investment product which tracks the CSI HK 100 or requests the Index Provider to terminate the license;
- if the Manager commits a serious breach of the applicable laws or violates the rules of the stock exchanges; or
- other circumstances specified by laws or regulations.

Either the Manager or the Index Provider may terminate the licence agreement by written notice under the following circumstances:

- if the licence agreement cannot be performed due to force majeure events;
  - if the Index Provider loses the relevant rights in the CSI HK 100; or
  - if the Manager ceases business operations is revoked or liquidated, or declares bankruptcy.
- (ii) There may be changes in the constituent securities of the CSI HK 100 from time to time. For example, the shares of a constituent company may be delisted or a new eligible company may be added to the CSI HK 100. In such circumstances, in order to achieve the investment objective of the Sub-Fund, the Manager may change the weighting or composition of the Basket(s) held by the Sub-Fund. The price of the Units may rise or fall as a result of these changes.
- (iii) The process and the basis of computing and compiling the CSI HK 100 and any of its related formulae, constituent companies and factors may also be changed

or altered by the Index Provider at any time without notice. There is also no warranty, representation or guarantee given to the investors as to the accuracy or completeness of the CSI HK 100, its computation or any information related thereto.

- (l) Risk relating to listing – If the Units of the Sub-Fund are delisted from the SEHK, the Manager may, in consultation with the Trustee, seek the SFC’s prior approval to operate the Sub-Fund as an unlisted index fund (subject to any necessary amendments to the rules of the Sub-Fund) or terminate the Sub-Fund and will notify investors accordingly.
- (m) Trading in Units on the SEHK may be suspended – Investors will not be able to purchase or sell Units on the SEHK during any period that the SEHK suspends trading in the Units. The SEHK may suspend the trading of Units whenever the SEHK determines that it is appropriate in the interest of a fair and orderly market to protect investors. The creation and redemption of Units may also be suspended in the event that the trading of Units on the SEHK is suspended.
- (n) No assurance on continued listing status – There is no assurance that the Units of the Sub-Fund will continue to meet the listing requirements of the SEHK. If the Units of the Sub-Fund are delisted, the Manager may, in consultation with the Trustee, seek the SFC’s approval to operate the Sub-Fund as an unlisted index fund (subject to any necessary amendments to the rules of the Sub-Fund) or terminate the Sub-Fund and will notify investors accordingly.
- (o) Restrictions on creation and redemption of Units – Investors should note that the Sub-Fund is not like a typical retail investment fund offered to the public in Hong Kong (for which units can generally be purchased and redeemed in cash directly from the manager at a relatively smaller lot size). Units of the Sub-Fund may only be created and redeemed in Application Unit sizes (as referred to page 12) directly by a Participating Dealer or, subject to such terms and conditions as specified in the relevant application forms and other requirements set out in the section "Creation and Redemption of Units", via the Manager by an Eligible Investor or by a Feeder Fund through Special Creation Application or Special Redemption Application, and may not be created or redeemed directly by other investors through the Manager. Such other investors may only make a request (and if such investor is a retail investor), through a stockbroker which has opened an account with a Participating Dealer. A Participating Dealer reserves the absolute right to refuse to accept a request from an investor to create or (under exceptional and limited circumstances) redeem Units and can charge such fees as it may reasonably determine from time to time. Alternatively, investors may realize the value of their Units by selling their Units through an intermediary such as a stockbroker on the SEHK, and there is a risk that dealings on the SEHK may be suspended. Also, the Manager (in its capacity as dealer for the Eligible Investors) reserves the absolute discretion to accept or reject a Creation Application by an Eligible Investor or a Special Creation Application or Special Redemption Application by a Feeder Fund.

The Manager’s rejection of a Creation Application by an Eligible Investor shall not affect the Eligible Investor’s right to make an Application through a Participating Dealer.



The Manager (in its capacity as dealer for the Eligible Investors) reserves the right to accept or reject a Redemption Application by an Eligible Investor under exceptional circumstances having regard to the interest of Unitholders as a whole, provided that the Manager must act reasonably and in good faith.

The Eligible Investor will bear all transactional costs, duties and expenses, and the market risk in relation to or incidental to the Application and/or in constituting or liquidating the relevant Basket(s) or Unit(s). The Manager may also charge such fees as the Manager may in its absolute discretion determine. In case of a Special Creation Application or a Special Redemption Application by a Feeder Fund, the Manager reserves the right to request the Feeder Fund to reimburse the Manager and/or the Sub-Fund for all reasonable transaction costs incurred in relation to or incidental to the Special Application and/or the constitution or liquidation of the relevant Basket (or a part thereof), respectively. The Manager also reserves the rights to charge such fees as the Manager may in its absolute discretion determine.

Further, no Creation or Redemption Application (including any Special Creation Application or Special Redemption Application by a Feeder Fund) may be made during any period when, amongst other things, dealings on the SEHK are restricted or suspended, when clearing of securities through the CCASS is disrupted, or when the CSI HK 100 is not compiled or published, or when determination of the Net Asset Value of the Sub-Fund are suspended, or if the securities underlying the Sub-Fund cannot be disposed. There is a risk that the investors (including Eligible Investors and (in cases of Special Creation Applications or Special Redemption Applications) Feeder Fund(s)) may not always be able to create or redeem Units freely. Alternatively, investors may realize the value of their Units by selling their Units through an intermediary such as a stockbroker on the SEHK, and there is a risk that dealings on the SEHK may be suspended.

- (p) Termination risk – The Sub-Fund may be terminated under certain circumstances, for example, where the CSI HK 100 is no longer available for benchmarking or if at any time one year after the establishment of the Sub-Fund the size of the Sub-Fund falls below HK\$100,000,000. Investors may not be able to recover their investments and suffer a loss when the Sub-Fund is terminated.
- (q) Risk of withdrawal of authorization - The Sub-Fund has been authorized as a collective investment scheme under the UTMF Code by the SFC pursuant to section 104 of the Securities and Futures Ordinance. 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. The SFC reserves the right to withdraw the authorization of the Sub-Fund, for example, if the SFC considers the CSI HK 100 no longer acceptable.
- (r) Suspension of creation and redemption – Dealings of Units on the SEHK may not necessarily be suspended when there is a temporary suspension of the creation and redemption of Units under the terms of the Trust Deed. If the creation and redemption of Units is temporarily suspended, the trading price of the Units may be adversely affected and differ from the market value of the Sub-Fund’s underlying assets.

- (s) Trading risk / Risk related to divergence between the market price of the Units and the Net Asset Value of the Sub-Fund – Investors should note that unlike a typical retail investment fund offered to the public in Hong Kong (the market price of the units of which is determined by the net asset value of the investment fund), the trading price of the Units traded on the SEHK is determined not only by the Net Asset Value of the Sub-Fund but also by other market factors such as the supply of and demand for the Units in the SEHK. Therefore, there is a risk that the Units may trade at a substantial premium or discount to the Sub-Fund’s Net Asset Value and the market price of the Units traded on the SEHK may diverge significantly from the Net Asset Value of the Sub-Fund.

As investor will pay certain charges (e.g. trading fees and brokerage fees) to buy or sell Units on the SEHK, investors may pay more than the Net Asset Value per Unit when buying Units on the SEHK, and may receive less than the Net Asset Value per Unit when selling Units on the SEHK.

- (t) Risk of absence of active market – There can be no assurance that an active trading market in respect of the Units in the Sub-Fund will be developed or maintained. There is no certain basis for predicting the actual price levels at which, or the sizes in which, the Units in the Sub-Fund may trade. There can be no assurance that the Units in the Sub-Fund will experience trading or pricing patterns similar to those of other exchange traded funds which are issued by investment companies in other jurisdictions or are traded on the SEHK.
- (u) No assurance on performance – Past performance is not indicative of future returns of the Sub-Fund. There can be no assurance that the Sub-Fund’s investment objectives will be met. The level of fees and expenses payable by the Sub-Fund may fluctuate. Although the amounts of certain ordinary expenses of the Sub-Fund may be estimated, the returns of the Sub-Fund and its Net Asset Value cannot be estimated. Accordingly no assurance can be given as to the performance of the Sub-Fund or its level of expenses.
- (v) Liquidity risk

Liquidity risk exists when particular investments are difficult to purchase or sell. Investments made by the Sub-Fund 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 the 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-Fund is exposed to the risk that a particular investment or position cannot be unwound or offset easily.

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

- (w) Tax risk – Dividends and certain interests or other income paid to the Sub-Fund 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-Fund’s performance and distributions (if applicable) that the Unitholders may receive from the Sub-Fund.
- (x) 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-Fund 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 to which AEOI is applicable, (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 communicated 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-Fund.

- (y) 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-Fund (A) to prevent withholding (including, without limitation, any withholding taxes required under FATCA as more particularly described in paragraph (z) below) or qualify for a reduced rate of withholding or backup withholding in any jurisdiction from or through which Sub-Fund receives 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-Fund will endeavour to satisfy any obligations imposed under the FATCA regulations so as to avoid the imposition of FATCA withholding, however, no assurance can be given that the Sub-Fund will be able to satisfy those obligations. If the Sub-Fund 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-Fund fails to provide the Sub-Fund, its agents or authorised representatives with complete and accurate information that may be required by the Sub-Fund 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-Fund, or in certain situations, the Unitholders' interest in the Sub-Fund may be sold involuntarily, provided that (i) any action so taken is permitted by applicable laws and regulations; and (ii) the Manager is acting in good faith and on reasonable grounds.

In cases where Unitholders invest in the Sub-Fund 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 professional adviser(s) regarding the possible implications of FATCA on the Unitholders and the Sub-Fund.

Unitholders, and intermediaries acting for Unitholders, should therefore take note that if they meet the definition of Reportable Person under FATCA (as defined in the "FATCA" sub-section), then they will need to declare this to the Sub-Fund and submit any required documentation. If, subsequent to a Unitholder's investment, the Unitholder becomes a Specified US Person or any other Unqualified Person holds Units, such Unitholder will (i) be restricted from making any additional subscriptions and (ii) as soon as practicable have its Units compulsorily redeemed (provided that (i) any action so taken is permitted by applicable laws and regulations; and (ii) the Manager is acting in good faith and on reasonable grounds). Please see the "Compulsory Redemptions under Certain Circumstances" sub-section below for more information. The compulsory redemption of Units may cause a Unitholder to realize gain or loss on a redemption at a time or value that is not optimal under the Unitholder's specific circumstances and such redemption could therefore adversely affect the Unitholder's return from an investment in Units.

(z) FATCA withholding tax risk

An FFI that does not comply with the FATCA requirements may face a withholding tax of 30% on all "withholdable payments" (as defined under FATCA) derived from US sources (including interest and dividends) and gross proceeds from the sale or other disposition of property that can produce US source income. FATCA withholding tax may also apply to "foreign passthru payments". Although the Sub-Fund will attempt to satisfy any obligations imposed on it to avoid the imposition of FATCA withholding tax, no assurance can be given that the Sub-Fund will be able to satisfy those obligations. If the Sub-Fund becomes subject to a withholding tax under FATCA, the value of the Units held by Unitholders may suffer material losses. In addition, the Sub-Fund may be required under FATCA to impose FATCA withholding on certain payments it makes.

The imposition of the 30% withholding tax under the FATCA rules could result in materially reduced investment returns for the Unitholders. The administrative costs arising from compliance with the FATCA rules may also cause an increase in the operating expenses of the Sub-Fund, thereby further reducing returns to Unitholders.

Unitholders should consult their independent tax advisor regarding the potential implications of the FATCA rules on themselves and their investment in the Sub-Fund.

(aa) Reliance on market maker risks - Although the Manager will ensure that at least one market maker will maintain a market for the Units and that at least one market maker

gives not less than 3 months' notice prior to terminating market making arrangement under the relevant market maker agreement, liquidity in the market for the Units may be adversely affected if there is no or only one market maker for the Units. There is also no guarantee that any market making activity will be effective.

- (bb) Potential conflict of interest risk – The Manager and the Trustee and Custodian 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 other collective investment schemes separate and distinct from the Fund and the Sub-Fund. It is possible that any of the Manager and the Trustee and Custodian or their Connected Persons may, in the course of business, have potential conflicts of interest with the Sub-Fund. Each of the Manager and the Trustee and Custodian or their Connected Persons will, at all times, have regard in such event to its obligations to the Sub-Fund and the investors and will endeavour to ensure that such conflicts are resolved fairly. Please refer to the section on “Potential Conflict of Interest, Transactions with Connected Persons and Soft Commissions” on pages 56 to 58 for details.
- (cc) Risk in relation to distribution – Investors should be aware that in circumstances where distributions are paid out of capital and/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 and/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.
- (dd) Custody risk

Custodians or sub-custodians may be appointed in local markets for purpose of safekeeping assets in those markets. Where the 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 the Sub-Fund in investing and holding investments in such markets will be generally higher than in organised securities markets.

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

## **INVESTMENT AND BORROWING RESTRICTIONS**

### **Investment Restrictions**

The Trust Deed imposes a number of restrictions and prohibitions on investment of the Sub-Fund. So long as the Sub-Fund is authorized by the SFC pursuant to the UTMF Code, the assets of the Sub-Fund may be invested only in the investments permitted under and in accordance with Chapters 7 and 8.6 of the UTMF Code issued by the SFC (as applicable).

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

Further, the following investment restrictions will apply to the Sub-Fund unless otherwise stated:

- (1) (a) No holding of any Security may be acquired for or added to the Sub-Fund which would result in the aggregate value of the Sub-Fund's investments in, or exposure to, any single entity through the following exceeding ten per cent (10%) of its latest available Net Asset Value of the Sub-Fund unless otherwise approved by the SFC:
  - investments in securities issued by that entity;
  - exposure to that entity through underlying assets of financial derivative instruments (see restriction in (8) below); and
  - net counterparty exposure to that entity arising from transactions of over-the-counter financial derivative instruments (see restriction in (9)(c) below).
- (b) Notwithstanding (1)(a) above, more than ten percent (10%) of the Net Asset Value of the Sub-Fund may be invested in constituent securities issued by a single issuer provided that:
  - (i) it is limited to any constituent securities of the CSI HK 100 that accounts for more than ten per cent (10%) of the weighting of the CSI HK 100; and
  - (ii) unless otherwise approved by the SFC, the Sub-Fund's holding of any such constituent securities may not exceed their respective weightings in the CSI HK 100, except where the weightings are exceeded as a result of changes in the composition of the CSI HK 100 and the excess is only transitional and temporary in nature.
- (c) The restrictions in (1)(b) above shall not apply if:
  - the Sub-Fund adopts a representative sampling strategy which does not involve the full replication of the constituent securities of the CSI HK 100 in the exact weightings of the CSI HK 100;
  - the strategy is clearly disclosed in this Prospectus;
  - the excess of the weightings of the constituent securities held by the Sub-Fund over the weightings in the CSI HK 100 is caused by the implementation of the representative sampling strategy;
  - any excess weightings of the Sub-Fund's holdings over the weightings in the CSI HK 100 is subject to a maximum limit reasonably determined by the Sub-Fund after consultation with the SFC having regard to the characteristics of the underlying constituent securities, their weightings and the investment objectives of the CSI HK 100 and any other suitable factors and such limit is disclosed in this Prospectus. Currently, the maximum limit of the excess weightings of the Sub-Fund's holdings over the weightings in

the CSI HK 100 is four percent (4%) and such limit is disclosed in under sub-section headed “Investment Strategy Used by the Sub-Fund” above;

- disclosure shall be made in the Sub-Fund’s interim and annual reports as to whether the limit imposed by the CSI HK100 itself pursuant to the above paragraph have been complied with in full. If there is non-compliance with the said limit during the relevant reporting period, this shall be reported to the SFC on a timely basis and an account for such non-compliance shall be stated in the report relating to the period in which the non-compliance occurs or otherwise notified to Unitholders.
- (d) Subject to restrictions in (1)(a)above and (9)(c) below, no holding of any Security may be acquired for or added to the Sub-Fund which would result in the aggregate value of the Sub-Fund’s investments in, or exposure to, entities within the same group through the following exceeding twenty per cent (20%) of the latest available Net Asset Value of the Sub-Fund:
- investments in Securities issued by those entities;
  - exposure to those entities through underlying assets of financial derivative instruments (see restriction in (8) below); and
  - net counterparty exposure to those entities arising from transactions of over the counter financial derivative instruments (see restriction in (9)(c) below).
- (e) No cash deposits shall be made in respect of the 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 twenty per cent (20%) of the latest available Net Asset Value of the Sub-Fund, provided that such twenty per cent (20%) may be exceeded in the following circumstances:
- 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
  - 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
  - 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.
- (f) Due to the index tracking nature of the Sub-Fund, the SFC may, upon sufficient justification, consider not requiring the Sub-Fund to strictly comply with the investment restrictions in (1)(d) and (1)(e) above on a case-by-case basis.
- (g) No holding of any Security may be acquired for or added to the Sub-Fund which would result in the Sub-Fund holding more than ten per cent (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 of the Fund, collectively holding more than ten per cent (10%) of any ordinary shares issued by any single entity.

- (2) (a) Unless otherwise stated, the restrictions in (1)(a), (d) and (g) above and (3) below shall not apply, and the following paragraph under this (2)(a) and the restrictions in (2)(b) to (2)(e) below shall apply where the Sub-Fund invests in other Collective Investment Schemes.

No holding of Collective Investment 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 other Collective Investment Schemes which are non-eligible schemes (i.e. schemes which are not set out in the list of recognised jurisdictions issued by the SFC) and not authorised by the SFC in aggregate exceeding ten per cent (10%) of the latest available Net Asset Value of the Sub-Fund.

- (b) The Sub-Fund may invest in one or more Collective Investment 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). No holding of Collective Investment 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 Collective Investment Scheme exceeding thirty per cent (30%) of its latest available Net Asset Value, unless the Collective Investment Scheme is authorized by the SFC, and the name and key investment information of the Collective Investment Scheme are disclosed in this Prospectus.
- (c) In addition, the objective of each Collective Investment Scheme may not be to invest primarily in any investment prohibited by Chapter 7 of the UTMF Code, and where such Collective Investment Scheme's objective is to invest primarily in investments restricted by Chapter 7 of the UTMF Code, such investments may not be in contravention of the relevant limitation.
- (i) Where the Collective Investment Schemes are also managed by the Manager, or by other companies within the same group that the Manager belongs to, then restrictions in (1)(a), (d) and (g) above and (3) below are also applicable to investments of the Collective Investment Schemes.
- (ii) A Collective Investment Scheme's objective may not be to invest primarily in other Collective Investment Scheme(s).
- (iii) For the avoidance of doubt, the 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 one hundred per cent (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.



- (iv) 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 (1)(a), (d) and (g) above and (3) below. As such, no holding of any ETF may be acquired or added to the Sub-Fund which would result in the Sub-Fund’s investment in each ETF exceeding ten per cent (10%) of its Net Asset Value, unless otherwise stated.
- (d) Where the Sub-Fund invests in any Collective Investment Scheme(s) managed by the Manager or by a Connected Person of the Manager, all initial charges and redemption charges on the underlying Collective Investment Scheme(s) shall be waived. No investment may be made in any underlying Collective Investment Scheme(s) managed by the Manager or by a Connected Person of the Manager if such investment would result in an increase in the overall total of Manager’s fees and other costs and charges borne by the Unitholders or by the Sub-Fund.
- (e) The Manager or any person acting on behalf of the Sub-Fund or the Manager shall not obtain a rebate on any fees or charges levied by an underlying Collective Investment Scheme or its management company, or any quantifiable monetary benefits in connection with investments in any underlying Collective Investment Scheme.
- (3) No holding of any Security may be acquired for or added to the Sub-Fund which would result in the value of the Sub-Fund’s investments 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 fifteen per cent (15%) of the latest available Net Asset Value of the Sub-Fund.
- (4) Notwithstanding the restrictions in 1(a), (d) and (g) above, the Sub-Fund may invest 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 the Sub-Fund if as a result thereof the value of the Sub-Fund’s investment in such securities of the same issue would exceed thirty per cent (30%) of the Sub-Fund’s latest available Net Asset Value. Subject to the approval of the SFC, the said thirty per cent (30%) limit may be exceeded, and the Manager may invest all of its assets in Government and other public securities in any number of different issues despite the restriction set out in Chapter 7.5 of the UTMF Code.
- (5) The 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.
- (6) The 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:
- they are not aimed at generating any investment return;

- they are solely intended for the purpose of limiting, offsetting or eliminating the probability of loss or risks arising from the investments being hedged;
  - 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
  - they exhibit price movements with high negative correlation with the investments being hedged under normal market conditions.
- (7) The 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 fifty per cent (50%) of the latest available Net Asset Value of the Sub-Fund. If the Sub-Fund’s net derivative exposure exceeds fifty per cent (50%) of its latest available Net Asset Value, the Sub-Fund shall make available, through the Sub-Fund’s website or other acceptable channels, the information on financial derivative instruments acquired by the Sub-Fund (such as counterparty exposure and collateral information) to investors on an ongoing basis. This Prospectus shall direct investors to the website or other channels where this information shall be published.
- (8) Subject to the restriction in (7) above and the restriction in (9) below, the 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 the restrictions in (1)(a), (d) and (e), (2) and (4) above and (14)(b) below.
- (9) The financial derivative instruments invested by the Sub-Fund shall be either listed/quoted on a stock exchange or dealt in over-the-counter market and 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 the 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 the restrictions in (1)(a) and (1)(d) above, the Sub-Fund’s net counterparty exposure to a single entity arising from transactions of over-the-counter financial derivative instruments may not exceed ten per cent (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.

- (10) For the avoidance of doubt, restrictions and limitations on counterparty as set out in (1)(a), (1)(d) and (9)(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.
- (11) The 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).
- (12) Subject to the restriction in (11) above, a transaction in financial derivative instruments which gives rise to a future commitment or contingent commitment of the 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.
- (13) Where a financial instrument embeds a financial derivative (as defined in Chapter 7.31 of the UTMF Code), restrictions in (6) to (12) will also apply to the embedded financial derivative.
- (14) The Manager shall not on behalf of the Sub-Fund:
  - (a) 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 per cent (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 five per cent (5%) of those securities;
- (b) 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 the restrictions in (1)(a), (d) and (g), (2)(a) and (3) above, where applicable. For the avoidance of doubt, where investments are made in listed REITs, the investment limits as set out in the restrictions in (1)(a), (d) and (g) above apply, and where investments are made in unlisted REITs, which are either companies or Collective Investment Schemes, the restrictions in (2)(a) and (3) apply respectively;
  - (c) make short sales if it results in the Sub-Fund's liability to deliver Securities exceeding ten per cent (10%) of the latest available Net Asset Value of the Sub-Fund or if the Security which is to be sold short is not actively traded on a market where short selling activity is 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;
  - (d) subject to the restriction in (3) above, lend, assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person; or
  - (e) acquire any asset or engage in any transaction which involves the assumption of any liability which is unlimited.
- (15) The Manager shall not be entitled to apply any part of the Sub-Fund 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 such call could be met in full out of cash or near cash by the 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 in (11) and (12).
- (16) It shall not be necessary for the Manager to effect changes of investments if such action would, in the opinion of the Manager, cause a material disruption to the relevant securities market(s) or merely because, owing to appreciations or depreciations in the value of the investments held or made for the account of the Sub-Fund, any of the limits referred to in this section shall be exceeded, nor by reason of any of those limits being exceeded as a result of the Sub-Fund receiving, taking up or participating in any rights, bonuses or benefits in the nature of capital, or any scheme or arrangement for amalgamation, reconstruction, conversion or exchange, or as a result of any redemption caused by a redemption of Units or any payment out of the Sub-Fund but if and so long as any of such limits shall be exceeded the Manager shall not (otherwise than as aforesaid) acquire any further investments which would result in such limit being further exceeded.

- (17) The Sub-Fund may with the approval of the SFC beneficially own any entity, including all or part of the issued share capital of any company or companies, which for fiscal or other reasons the Manager considers it necessary or desirable for the Trustee to incorporate or acquire for the purpose of holding investments contained in the Sub-Fund, provided that all arrangements in connection with the formation and operation thereof shall have been agreed with the Trustee. None of the prohibitions, limitations or restrictions in this section shall apply to investments in, loans to or deposits with any such entity, and for the purposes of this section investments held by any such entity shall be deemed to be held or (as the case may be) made directly by the Sub-Fund.
- (18) For the purposes of this section:
- (a) Securities shall be deemed to be of the same class or issue if they confer identical rights and (if applicable) are subject to identical restrictions (but so that in the case of an issue of Securities which are in other respects identical with Securities already in issue, any temporary differences in rights as to the dividends or interest between such existing and new Securities shall be disregarded); and
  - (b) the value of any investment for the purpose of any limit contained in this section shall include any accrued interest in respect thereof, and such accrued interest shall also be included in the Net Asset Value of the Sub-Fund.
- (19) The liability of Unitholders shall be limited to their investments in the Sub-Fund.
- (20) Subject to other provisions of this section, the Trustee may at the request of the Manager arrange for any Securities for the time being comprised in the Sub-Fund to be loaned by, or Securities to be loaned to, the Fund through the agency of or directly with any person acceptable to the Trustee (including the Manager or the Trustee or any Connected Person of either of them).
- (21) The 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 to do so and the associated risks have been properly mitigated and addressed. The counterparties to securities financing transactions shall be financial institutions which are subject to ongoing prudential regulation and supervision.
- (22) The maximum level of Securities available for lending shall be limited to one hundred per cent (100%) of the latest available Net Asset Value of the Sub-Fund or such other percentage as may from time to time be determined by the Manager and specified in this Prospectus. Where securities financing transactions undertaken by the Sub-Fund exceeds fifty per cent (50%) of its latest available Net Asset Value, the Sub-Fund shall make available, through the Sub-Fund’s own website or other acceptable channels, the information on securities financing transactions undertaken by the Sub-Fund (such as counterparty exposure and collateral information) to investors on an ongoing basis. This Prospectus shall direct investors to the website or other channels where this information is published. If the lending counterparty is an affiliate of the Manager, the lending transactions shall be disclosed in the Sub-Fund’s annual reports.

- (23) The Sub-Fund shall have at least one hundred per cent (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.
- (24) 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, shall, on receipt by the Trustee, be returned to the Sub-Fund. Where any loan has been arranged through the Manager or the Trustee or a Connected Person of either of them, the relevant entity shall be entitled to retain for its own use and benefit any fee or benefit it receives on a commercial basis in connection with such arrangement.
- (25) The Sub-Fund shall 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.

### **Borrowing Restrictions**

Subject to the applicable laws and regulations and the UTMF Code and the terms and conditions hereinafter provided, the Trustee may at any time at the request of the Manager concur with the Manager in making and varying arrangements for the borrowing of cash for the following purposes by the Trustee for the account of the Sub-Fund of any currency provided that no such borrowing shall be made which would result in the aggregate borrowing exceeding ten per cent (10%) of the latest available Net Asset Value of the Sub-Fund:

- facilitating the creation or redemption of Units or defraying operating expenses;
- enabling the Manager to acquire investments for the account of the Sub-Fund; or
- any other purposes as may be agreed by the Manager and the Trustee from time to time.

The assets of the Sub-Fund may be charged or pledged as security for any such borrowings. For the avoidance of doubt, back-to-back loans will not be taken into account when determining whether or not the borrowing limit mentioned above has been breached by the Sub-Fund.

For the avoidance of doubt,

- (i) any settlement lines, intra-day facility limits, FX lines or similar financial accommodation provided by the brokers, banks, custodians, co-custodians or sub-custodians of the Fund and the Sub-Funds shall not be considered to constitute borrowings; and
- (ii) securities lending transactions and sale and repurchase transactions in compliance with the requirements as set out in restrictions in (21), (23) to (25) above are not subject to the limitations herein.

### **Level of Leverage**

The expected maximum level of leverage of the Sub-Fund is as follows:

The Manager is subject to the borrowing restrictions in respect of the Sub-Fund under the subsection headed “Borrowing Restrictions” above.

The Manager currently will not invest in financial derivative instruments for the Sub-Fund for non-hedging purposes. Accordingly, the Sub-Fund is not expected to incur any leverage from the use of financial derivative instruments.

### **General**

If any of the investment and borrowing restrictions applicable to the 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 or repay any borrowings if any of the investment or borrowing restrictions are exceeded as a result of changes in the value of the 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.

## **MANAGEMENT AND ADMINISTRATION**

### **Manager and Listing Agent**

BOCI-Prudential Asset Management Limited is the Manager and the listing agent of the Sub-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. Also, in performing any distribution functions for index tracking exchange traded funds under its management prior to the listing of such funds, the Manager shall closely follow the distribution process adopted for World Index Shares ETFs.

### **Trustee, Custodian and Administrator**

The Trustee of the Sub-Fund is Cititrust Limited, which is a registered trust company in Hong Kong. The Trustee has appointed Citibank, N.A., Hong Kong Branch as the Custodian and Administrator of the Sub-Fund.

Cititrust Limited is a wholly-owned subsidiary of Citigroup Inc. (“Citigroup”). As a global financial services group, Citigroup and its subsidiaries provide a broad range of financial products and services, including consumer banking, corporate and investment banking, securities brokerage and wealth management to consumers, corporations, governments and institutions.

Citibank, N.A, Hong Kong Branch (“Citibank”) has been a provider of custodial and settlement services to domestic and international clients since its establishment in the United States of America in 1814. Citibank began providing securities services in Hong Kong in the mid-1970's and launched a fully operational global custody product in Hong Kong in the mid-1980's. Today, Citibank's Custody and Funds Services business claims a global client base of premier banks, fund managers, broker dealers, insurance companies and government entities.

### ***Custody Arrangements***

Below is a summary of the custody arrangements in respect of the Sub-Fund’s assets and the material risks associated with such arrangements:

The Trustee has appointed Citibank to act as custodian of the assets of the Sub-Fund. Custodians or sub-custodians may be appointed in local markets for the purpose of safekeeping assets in those markets. Where the 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 the Sub-Fund in investing and holding investments in such markets will be generally higher than in organised securities markets.

Under the Trust Deed, the Trustee is responsible for the safekeeping of the assets of the Sub-Fund. The Trustee may, however, appoint any person or persons as it thinks fit (including, without limitation, itself or any Connected Person) as custodian(s) (who may, with consent or no objection in writing by the Trustee, appoint such person or persons as it thinks fit as sub-custodian(s)) or co-custodians of the assets of the Sub-Fund. Subject to the paragraphs below, the Trustee shall be responsible and liable for the acts and omissions of its any custodians, co-custodians, sub-custodians appointed by custodians, nominees and agents and delegates in relation to assets forming part of the property of the Sub-Fund.

The Trustee shall (a) exercise reasonable care, skill and diligence in the selection, appointment and ongoing monitoring of any custodians, co-custodians, sub-custodians, nominees and agents and delegates appointed by it for the Sub-Fund provided that the Trustee may pre-clear the appointment of sub-custodians by its custodian or provide consent/no objection in advance to an agreed-upon process and provided that the Trustee is satisfied that its custodian will exercise reasonable care and diligence in the selection, appointment and ongoing monitoring of such



sub-custodians and has appropriate and adequate process and procedures in place for doing so; (b) be satisfied that each of such custodians, co-custodians, sub-custodians, nominees and agents and delegates remains suitably qualified and competent on an ongoing basis to provide services to the Fund and the Sub-Fund; (c) be responsible and liable for the acts and omissions of any of its custodian, co-custodians, sub-custodians, nominees, agents and delegates which is a Connected Person of the Trustee as if the same were the acts or omissions of the Trustee. For the purpose of satisfying the aforesaid obligations in respect of a custodian, co-custodians, sub-custodians, nominee, agent and delegate that is not a Connected Person of the Trustee, the Trustee shall (i) exercise reasonable care and diligence in the selection, appointment and ongoing monitoring of its custodian, co-custodians, sub-custodians, nominees, agents and delegates; and (ii) be satisfied that the custodian, co-custodians, sub-custodians, nominees, agents and delegates retained remain suitably qualified and competent to provide the relevant service; (d) not be responsible for the insolvency, liquidation or bankruptcy of custodian or sub-custodian which is not a Connected Person of the Trustee if the Trustee has discharged its obligations set out in (a) and (b) above; and (e) not be liable for any act, omission, insolvency, liquidation or bankruptcy of Clearstream, Luxembourg or any other depository, institution or clearing system which may from time to time be approved by the SFC in relation to any investment deposited with such depository, institution or clearing system.

The Trustee shall ensure that the overall custodial/safekeeping arrangement are properly and adequately put in place to provide safeguards for the property of the Sub-Fund, having taken into account, among others, applicable local legal and regulatory requirements.

The Trustee and Custodian will (A) segregate the property of the Sub-Fund from the property of: (1) the Manager, investment delegates and their respective Connected Persons; (2) the Trustee/Custodian and any nominees, agents or delegates throughout the custody chain; and (3) other clients of the Trustee/Custodian and nominees, agents or delegates throughout the custody chain, unless held in an omnibus account with adequate safeguards in line with international standards and best practices to ensure that the property of the Sub-Fund is properly recorded with frequent and appropriate reconciliations being performed; and (B) put in place appropriate measures to verify ownership of the property of the Sub-Fund.

Any custodian or co-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. For the purposes of satisfying the above, the Trustee may pre-clear such appointment or provide consent/ no objection in advance to an agreed-upon process provided that the Trustee has satisfied itself that (i) the custodian or co-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 exercise reasonable care and diligence: (i) to ensure that the processes and procedures mentioned in this paragraph have been properly implemented by the custodian and/or co-custodian (as the case may be), and (ii) to conduct regular reviews of such custodian's and/or co-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.

## **Registrar**

Computershare Hong Kong Investor Services Limited is the registrar of the Sub-Fund. The registrar provides services in respect of the establishment and maintenance of the Register of the Unitholders of the Sub-Fund.

## **Conversion Agent and Service Agent**

HK Conversion Agency Services Limited is the conversion agent and service agent of the Sub-Fund. HK Conversion Agency Services Limited will perform certain services in connection with the creation and redemption of Units by the Participating Dealer(s) and/or by the Manager (in its capacity as dealer for the Eligible Investors) on behalf of the Eligible Investors and/or the Feeder Fund.

## **CREATION AND REDEMPTION OF UNITS**

### **Creation of Units - General**

Unless otherwise determined by the Manager, a Creation Application shall be made by a Participating Dealer in accordance with the terms of the Trust Deed and the relevant Participation Agreement on a Dealing Day in respect of Units constituting an Application Unit size or whole multiples thereof. Alternatively, Eligible Investors may make a Creation Application via the Manager (in its capacity as dealer for the Eligible Investors) to effect a creation of Units of the Sub-Fund constituting an Application Unit size or whole multiples thereof, in which case the Eligible Investor will bear all the transactional costs, duties and expenses, and the market risks in constituting the relevant Basket(s), as well as such servicing fee as the Manager may impose. The dealing period on each Dealing Day commences at 12:00 noon and ends at the Dealing Deadline at 3:00 p.m., as may be revised by the Manager from time to time. A Creation Application once given cannot be revoked or withdrawn without the consent of the Manager (which consent shall not be unreasonably withheld). For the avoidance of doubt, the Manager may process Creation Applications made by itself or its affiliates, whether such Creation Applications are made for its own account or on behalf of a third party investor. Investors should also note that different dealing deadlines may be imposed by the Participating Dealer or the Manager (with respect to Creation Applications made by an Eligible Investor) if the application is made through them.

### **Creation or Redemption of Units by a Participating Dealer**

A Participating Dealer may apply to directly create or redeem Units of the Sub-Fund, and the creation or redemption will be in kind whereby the relevant Basket(s) and the Cash Component will be delivered by the Participating Dealer to the Manager (in case of creation) or delivered by the Manager to the Participating Dealers (in case of redemption). Any investor, other than a Participating Dealer, may make a request to create or redeem Units through a Participating Dealer, and if the investor is a retail investor, such request must be made through a stockbroker which has opened an account with the Participating Dealer. However, investors should note that a Participating Dealer reserves the right to refuse to accept a request from an investor to create or to redeem Units under exceptional circumstances provided that the relevant Participating Dealer must act reasonably and in good faith. The Participating Dealer can charge such fees as it may reasonably determine from time to time. Details of the procedures

for creation and redemption of Units are set out on pages 35 to 43 and pages 43 to 50 of this Prospectus.

### **Creation or Redemption of Units by an Eligible Investor**

The Manager has the capacity to act as dealer for the Eligible Investors, an Eligible Investor may directly make a request to the Manager (in its capacity as dealer for the Eligible Investors) to create or redeem Units of the Sub-Fund. The creation or redemption request by an Eligible Investor must be in Application Unit size or whole multiples thereof and in cash. No in-kind creation or redemption may be made by an Eligible Investor. The Manager reserves the absolute discretion to accept or refuse Creation Applications that may be made by an Eligible Investor, though the Manager's rejection of a Creation Application by an Eligible Investor shall not affect the Eligible Investor's right to make an Application through a Participating Dealer. The Manager reserves the right to accept or reject a Redemption Application by an Eligible Investor under exceptional circumstances having regard to the interest of Unitholders as a whole, provided that the Manager must act reasonably and in good faith. If the Manager accepts a Creation Application from an Eligible Investor, the Manager will use the subscription monies received to create the relevant Basket(s) for the Sub-Fund (adjusted by the Cash Component) and the Eligible Investor will bear all transactional costs, duties and expenses in relation to or incidental to the Application and/or in constituting the Basket(s). The Basket(s) so created will be valued as of the relevant Dealing Day, and Units (in Application Unit sizes) of the Sub-Fund will be issued to the Eligible Investor based on the number of Basket(s) created, and a Cash Component may be payable to or by the Eligible Investor. The Eligible Investor therefore will be responsible for all transactional costs, duties and expenses, as well as subject to the market risk, in constituting the Basket(s). Similarly, if the Manager accepts a Redemption Application (in Application Unit sizes) from an Eligible Investor, the Manager will liquidate the relevant Basket(s) from the Sub-Fund and the Eligible Investor will bear all transactional costs, duties and expenses, and the market risk in liquidating the relevant Basket(s). A Cash Component may also be payable to or by the Eligible Investor.

In accepting the Creation or Redemption Application by an Eligible Investor, the Manager may also charge such servicing fee as the Manager may determine. Any fees charged by the Manager will be deducted from the subscription monies or redemption proceeds, as the case may be. Details of the procedures for creation and redemption of Units are set out on pages 35 to 43 and pages 43 to 50 of this Prospectus.

Investors should note that the Participating Dealer, the Manager and the stockbroker through whom an Application is made for creation or redemption of Units may impose an earlier dealing deadline, require other supporting documents for the Application and adopt other dealing procedures different from those set out for the Sub-Fund in this Prospectus. For example, the dealing deadline set by Participating Dealer, the Manager (with respect to an Application by an Eligible Investor) or the stockbroker may be earlier than that set out for the Sub-Fund in this Prospectus. Investors should therefore check the applicable dealing procedures with the Participating Dealer, the Manager or the stockbroker (as the case may be).

### **Special Creation and Redemption by a Feeder Fund**

For Feeder Fund(s), Special Creation and Special Redemption for the Units through the Manager may be available. Please refer to page 48 for further information on "Special Creation and Redemption by a Feeder Fund".

For the avoidance of doubt, the Manager may accept creation or redemption applications made by the Manager or its affiliates, whether or not on behalf of a third party investor. All such transactions carried out shall be on an arms' length basis.

The operation of the Sub-Fund is described in more details in Appendix II.

### **Trading of Units on the SEHK**

Investors may buy or sell the Units of the Sub-Fund through an intermediary such as a stockbroker on the SEHK. Dealings on the SEHK of Units in the Sub-Fund commenced on 15 May 2008. The Units of the Sub-Fund have been accepted as eligible securities by the HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealing in the Units on the SEHK. Units in the Sub-Fund shall trade on the SEHK in board lots of 200 Units each. Settlement of transactions between participants of the SEHK is required to take place in CCASS on the second settlement day (as defined in the General Rules of CCASS) after the trading day of the relevant transactions. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Units are neither listed nor dealt on any other stock exchange and no application for such listing or permission to deal is being sought as at the date of this Prospectus. Application may be made in the future for listing of Units on one or more other stock exchanges.

If trading of the Units of the Sub-Fund, or trading generally, on the SEHK is suspended, then there will be no secondary market dealing for those Units.

### **Procedures for Creation of Units**

#### *Creation by Participating Dealers*

A Creation Application must comply with the requirements in respect of creation of Units set out in the Trust Deed and/or this Prospectus (where applicable) and the relevant Participation Agreement and be accompanied by such certifications and legal opinions as the Trustee and the Manager may require in order to be effective. Pursuant to a valid Creation Application by a Participating Dealer accepted by the Manager, the Manager and/or any person appointed by the Manager for such purpose shall have the exclusive right to instruct the Trustee to create for the account of the Sub-Fund the Units in a class in Application Unit size in exchange for the transfer by the relevant Participating Dealer (or its agent), to or for the account of the Trustee, of:

- (a) in the Manager's absolute discretion,
  - (i) one or more Basket(s) for the relevant Units and a cash amount equivalent to any duties and charges payable; or
  - (ii) a cash payment equivalent to the value of the relevant Basket(s) (which shall be accounted for as Deposited Property), in which case, the Manager shall be entitled in its absolute discretion to charge (for the account of the Sub-Fund) to the relevant Participating Dealer of any Units for which cash is paid in lieu of delivering the Basket(s) an additional sum which represents the appropriate provision for duties and charges; or

- (iii) a combination of (i) and (ii) above;

plus,

- (b) if the Cash Component is a positive value, a cash payment equivalent to the amount of the Cash Component; if the Cash Component is a negative value, the Trustee shall be required to make a cash payment equivalent to the amount of the Cash Component (expressed as a positive figure) to the relevant Participating Dealer. If the Sub-Fund has insufficient cash required to pay any Cash Component payable by the Sub-Fund, the Manager may instruct the Trustee to sell the Deposited Property of the Sub-Fund, or to borrow moneys to provide the cash required.

Where the Manager exercises its absolute discretion under paragraph (a) above, it shall take into account of the investment objective of the Sub-Fund.

Units are denominated in the Base Currency (unless otherwise determined by the Manager) and no fractions of a Unit shall be created or issued by the Trustee. Once Units are created, the Manager shall instruct the Trustee to issue, for the account of the Sub-Fund, the Units to the relevant Participating Dealer (or its agent) in accordance with the Operating Guidelines. In respect of each Creation Application by a Participating Dealer, the Issue Price of a Unit of any class in the Sub-Fund shall be the Net Asset Value per Unit of the relevant class as at the relevant Dealing Day rounded to the nearest fourth (4<sup>th</sup>) decimal place of the Base Currency (and in the case of 0.00005 or above of such minimum unit, rounded up). Any commission, remuneration or other sum payable by the Manager to any agent or other person in respect of the issue or sale of any Unit shall not be added to the Issue Price of such Unit and shall not be paid by the Sub-Fund.

Where a Creation Application by a Participating Dealer is received or deemed to be received and accepted before the Dealing Deadline on a Dealing Day, creation and issue of Units pursuant to that Creation Application shall be effected on that Dealing Day, but :

- (a) for valuation purposes only, Units shall be deemed to be created and issued after the Valuation Point on that Dealing Day; and
- (b) the Register shall be updated on the Settlement Day or (if the settlement period is extended) the Dealing Day immediately following the Settlement Day provided that the Trustee shall be entitled to refuse to enter (or allow to be entered) Units in the Register if at any time the Trustee is of the opinion that the issue of Units does not comply with the provisions of the Trust Deed.

Where a Creation Application by a Participating Dealer is received on a day which is not a Dealing Day or is received after the Dealing Deadline on a Dealing Day, that Creation Application shall be carried forward and deemed to be received at the opening of business on the next following Dealing Day, which shall be the Dealing Day for the purposes of that Creation Application.

In respect of each Creation Application by a Participating Dealer, the Manager shall be entitled to, for the account and benefit of the Trustee, charge the Transaction Fee, which shall be paid by or on behalf of the relevant Participating Dealer and may be set off and deducted against any Cash Component due to the relevant Participating Dealer in respect of such Creation

Application. The Manager shall have the right to revise the amount of the Transaction Fee it charges provided that the level of Transaction Fee charged to all Participating Dealers is the same.

#### *Creation by Eligible Investors*

An Eligible Investor, subject to the terms and conditions as specified in the relevant application forms and other requirements set out below, may apply to the Manager (in its capacity as dealer for the Eligible Investors) to create Units.

Unless otherwise determined by the Manager, a Creation Application by an Eligible Investor must satisfy the following in order to be effective:

- (a) comply with the requirements in respect of creation of Units set out in the Trust Deed and/or this Prospectus (where applicable);
- (b) be accompanied by such certifications and/or legal opinions as the Trustee and the Manager may require;
- (c) the Eligible Investor shall pay such amount of monies as the Manager may in its absolute discretion require in order to constitute the relevant Basket(s) for the Creation Application, and where the Cash Component is a positive value, pay to the Manager an amount in cash equivalent to the Cash Component. Such amount shall be paid in cleared funds in an account designated by the Manager acting on behalf of the Sub-Fund; and
- (d) the Eligible Investor shall pay to the Manager the servicing fees for the Creation Application at such rate as the Manager may determine, and all transactional costs, duties and expenses in relation to or incidental to the Application and/or in constituting the relevant Basket(s).

If the Cash Component in relation to the Creation Application is a negative value, the Manager shall make a cash payment equivalent to the amount of the Cash Component (expressed as a positive figure) to the Eligible Investor.

Pursuant to a valid Creation Application by an Eligible Investor accepted by the Manager, the Manager shall use the subscription monies so received to create the relevant Basket(s) for the account of the Sub-Fund. The Eligible Investor shall bear all the transactional costs, duties and expenses in relation to or incidental to the Application and/or in constituting the Basket(s). For valuation purposes, the relevant Basket(s) so constituted shall be valued as at the Valuation Point on the Dealing Day on which the Creation Application is received or deemed received. The Manager makes no representation or warranty that it will be able to acquire the Index Securities under the relevant Basket(s) at the best available price, or at the same price as such Index Securities as at the Valuation Point on the Dealing Day on which the Creation Application is received or deemed received. Where the Index Securities under the Basket(s) are acquired at a price higher than the price of such Index Securities at the Valuation Point on the relevant Dealing Day, the Eligible Investor will pay a higher price for the relevant Basket(s) than the value the Sub-Fund attributes to such Basket(s) for valuation purposes. The Eligible Investor therefore bears the market risks of constituting the Basket(s).

Under normal circumstances, the Manager shall create the relevant Basket(s) for the Creation Application. The Manager however reserves the discretion to constitute the Basket in part, and accept in cash the balance of the relevant Basket Value plus the Cash Component (if a positive value) and an amount which represents the transaction costs required to constitute the rest of the Basket, for the purposes of the Creation Application, in the event the Manager is not reasonably able to constitute the full Basket(s) on the relevant Dealing Day due to the then prevailing market conditions. Notwithstanding the above, the Manager reserves the absolute right to reject a Creation Application from an Eligible Investor though the Manager's rejection of a Creation Application by an Eligible Investor shall not affect the Eligible Investor's right to make a Creation Application through a Participating Dealer.

The Manager and/or any person appointed by the Manager shall have the exclusive right to instruct the Trustee to create for the account of the Sub-Fund the Units in Application Unit size and accept the relevant Basket(s) (in whole or in part) as part of the subscription monies for the Creation Application.

The Issue Price of a Unit of any class in the Sub-Fund shall be the Net Asset Value per Unit of the relevant class as at the relevant Dealing Day rounded to the nearest fourth (4<sup>th</sup>) decimal place of the Base Currency (and in the case of 0.00005 or above of such minimum unit, rounded up). Any commission, remuneration or other sums payable by the Manager to any agent or other person in respect of the issue or sale of any Unit shall not be added to the Issue Price of such Unit.

Units of the Sub-Fund shall be issued at the Issue Price. The total consideration for Units issued in relation to a Creation Application shall have a value as at the relevant Dealing Day equal to the multiple of the Issue Price per Unit and the number of Units issued. Where one or more Basket(s) (in whole or in part) are created for the Creation Application, the consideration for the Units issued shall be partly satisfied by the value of the relevant Basket(s) as at the Valuation Point on the relevant Dealing Day, and partly satisfied by the Cash Component. As a result, the Eligible Investor shall bear the market risks of constituting the Basket(s), as mentioned above. Therefore, the funding provided by the Eligible Investor for constituting the relevant Basket(s) may be higher or lower than the value the Sub-Fund attributed to such Basket(s) for valuation purposes. The overall funding provided by the Eligible Investor in relation to the Creation Application may be higher or lower than the aggregate Issue Price of the Units.

Units are denominated in the Base Currency (unless otherwise determined by the Manager) and no fractions of a Unit shall be created or issued by the Trustee. Once Units are created, the Manager shall instruct the Trustee to issue the Units to the relevant Eligible Investor.

Where a Creation Application by an Eligible Investor is received or deemed to be received and accepted before the Dealing Deadline on a Dealing Day, creation and issue of Units pursuant to that Creation Application shall be effected on that Dealing Day, but:

- (a) for valuation purposes only, Units shall be deemed to be created and issued after the Valuation Point on that Dealing Day; and

- (b) the Register shall be updated on the Settlement Day or (if the settlement period is extended) the Dealing Day immediately following the Settlement Day provided that the Trustee shall be entitled to refuse to enter (or allow to be entered) Units in the Register if at any time the Trustee is of the opinion that the issue of Units does not comply with the provisions of the Trust Deed.

Where a Creation Application by an Eligible Investor is received on a day which is not a Dealing Day or is received after the Dealing Deadline on a Dealing Day, that Creation Application shall be carried forward and deemed to be received at the opening of business on the next following Dealing Day, which shall be the Dealing Day for the purposes of that Creation Application.

In respect of each Creation Application by an Eligible Investor, the Manager may set off and deduct the servicing fee charged by the Manager and any transactional costs, duties and expenses in relation to or incidental to the Application and/or in constituting the Basket(s) against any Cash Component due to the relevant Eligible Investor.

### **Rejection of Creation of Units**

The Manager reserves the right to reject a Creation Application from the Participating Dealer provided that the Manager must act reasonably and in good faith in exercising such right of rejection. The Manager reserves the absolute right to reject a Creation Application from an Eligible Investor though the Manager's rejection of a Creation Application by an Eligible Investor shall not affect the Eligible Investor's right to make a Creation Application through a Participating Dealer. Also, under exceptional circumstances, the Participating Dealer reserves the right to reject a request from any third party investor to submit a Creation Application, provided that the relevant Participating Dealer must act reasonably and in good faith. The Participating Dealer can charge such fees as it may reasonably determine from time to time.

### **Certificates**

No certificates will be issued in respect of the Units of the Sub-Fund. All Units of the Sub-Fund will be registered in the name of the HKSCC Nominees Limited by the Registrar on the Register of Unitholders of the Sub-Fund, which is the evidence of ownership of Units. Beneficial interest of retail investors in the Units of the Sub-Fund will be established through an account with a participant in CCASS.

### **Cancellation of Creation Applications**

#### *In relation to Creation Application by a Participating Dealer*

The Trustee shall cancel Units created and issued in respect of a Creation Application by a Participating Dealer under the following circumstances:

- (a) if the title to the Basket(s) deposited for exchange of Units has not been fully vested upon trust in the Trustee or to the Trustee's satisfaction, or evidence of title and instruments of transfer satisfactory to the Trustee have not been produced to or to the order of the Trustee by or on the relevant Settlement Day; or



- (b) the full amount of the Cash Component (if applicable) and any duties, fees and charges payable in respect of the Creation Application have not been received in cleared funds by or on behalf of the Trustee by such time on the Settlement Day as prescribed in the Operating Guidelines in respect of a Creation Application by a Participating Dealer,

provided that the Manager may in its discretion, with the approval of the Trustee, extend the settlement period on such terms and conditions as the Manager may determine.

Upon cancellation of any Units created pursuant to a Creation Application as mentioned above or if a Participating Dealer withdraws a Creation Application other than in the circumstances contemplated in the Trust Deed, such Units shall be deemed for all purposes never to have been created and the relevant Participating Dealer shall have no right or claim against the Manager or the Trustee in respect of such cancellation provided that:

- (a) any Basket(s) deposited for exchange (or equivalent Securities of the same type) fully vested in the Trustee and any cash received by or on behalf of the Trustee in respect of such cancelled Units shall be redelivered to the relevant Participating Dealer (or its agent);
- (b) the Manager shall be entitled to charge the relevant Participating Dealer for the account and benefit of the Trustee an Application Cancellation Fee;
- (c) the Manager may at its absolute discretion require the relevant Participating Dealer to pay to the Trustee for the account of the Sub-Fund in respect of each cancelled Unit Cancellation Compensation, being the amount (if any) by which the Issue Price of each such Unit exceeds the Redemption Price which would have applied in relation to each such Unit if a Participating Dealer had, on the date on which such Units are cancelled, made a Redemption Application;
- (d) the Trustee shall for its own benefit be entitled to the Transaction Fee payable in respect of the Creation Application; and
- (e) no previous valuations of the Sub-Fund shall be re-opened or invalidated as a result of the cancellation of such Units.

*In relation to Creation Applications by Eligible Investors*

A Creation Application by an Eligible Investor, once accepted by the Manager, cannot be cancelled.

However, the Trustee shall cancel Units of the Sub-Fund created and issued in respect of a Creation Application by an Eligible Investor if the full amount of the subscription monies (including all the fees, costs and expenses incurred in relation to or incidental to the Application and/or in constituting the Basket, and the Cash Component) and any duties, fees and charges payable in respect of the Creation Application have not been received in cleared funds by or on behalf of the Trustee by such time on the Settlement Day, provided that the Manager may in its discretion, with the approval of the Trustee, extend the settlement period on such terms and conditions as the Manager may determine.

Upon cancellation of any Units created pursuant to a Creation Application as mentioned above, such Units shall be deemed for all purposes never to have been created and the Eligible Investor shall have no right or claim against the Manager or the Trustee in respect of such cancellation provided that:

- (a) the Manager shall liquidate the Basket(s) constitute on behalf of the Eligible Investor and after deduction of all applicable transactional costs, duties and expenses, deposit the realized proceeds in cash to an account nominated by the Eligible Investor, together with redelivery of any cash received by or on behalf of the Trustee in respect of such cancelled Units not applied to constitute the Basket(s);
- (b) the Manager shall be entitled to charge the Eligible Investor for the account and benefit of the Trustee an Application Cancellation Fee;
- (c) the Manager shall be entitled to charge the Eligible Investor for the account and benefit of the Trustee the Transaction Fee payable in respect of the Creation Application;
- (d) the Manager may at its absolute discretion require the Eligible Investor to pay to the Trustee for the account of the Sub-Fund in respect of each cancelled Unit a Cancellation Compensation, being the amount (if any) by which the Issue Price of each such Unit exceeds the Redemption Price which would have applied in relation to each such Unit if an Eligible Investor had, on the date on which such Units are cancelled, made a Redemption Application; and
- (e) no previous valuations of the Sub-Fund shall be re-opened or invalidated as a result of the cancellation of such Units.

The Eligible Investor shall bear all market risks of realizing the Basket(s) constituted. For the avoidance of doubt, the Manager may liquidate the relevant Basket(s) at any time upon cancellation of the Units created pursuant to a Creation Application by an Eligible Investor. The Manager shall not be responsible for realizing the Index Securities under the relevant Basket(s) (as the Manager considers appropriate) at the best available price.

### **Redemption of Units**

Unless otherwise determined by the Manager, a Redemption Application shall only be made by a Participating Dealer in accordance with the terms of the Trust Deed and the relevant Participation Agreement on a Dealing Day in respect of Units constituting an Application Unit size or whole multiples thereof. The dealing period on each Dealing Day commences at 12:00 noon and ends at the Dealing Deadline at 3:00 p.m., as may be revised by the Manager from time to time. A Redemption Application once given cannot be revoked or withdrawn without the consent of the Manager (which consent shall not be unreasonably withheld). For the avoidance of doubt, the Manager may accept redemption applications made by the Manager or its affiliates, whether or not on behalf of a third party investor.

#### *Redemption by Participating Dealers*

A Redemption Application by a Participating Dealer must comply with the requirements in respect of redemption of Units set out in the Trust Deed and/or this Prospectus (where applicable) and the relevant Participation Agreement and be accompanied by such

certifications and legal opinions as the Trustee and the Manager may require in order to be effective. Pursuant to a valid Redemption Application by a Participating Dealer accepted by the Manager, the Manager shall instruct the Trustee to redeem and cancel the relevant Units on the Settlement Day in accordance with the Operating Guidelines and to transfer to the relevant Participating Dealer (or its agent) the relevant Basket(s) (as the Manager considers appropriate) in respect of such Units, plus, where the Cash Component is a positive value, a cash payment equivalent to the amount of the Cash Component. If the Sub-Fund has insufficient cash to pay any Cash Component payable by the Sub-Fund, the Manager may instruct the Trustee to sell the Deposited Property of the Sub-Fund, or to borrow moneys, to provide the cash required. If the Cash Component is a negative value, the relevant Participating Dealer shall be required to make a cash payment equivalent to the amount of the Cash Component (expressed as a positive figure) to or to the order of the Trustee.

#### *Redemption by an Eligible Investor*

An Eligible Investor, subject to the terms and conditions as specified in the relevant application forms and other requirements set out below, may apply to the Manager (in its capacity as dealer for the Eligible Investors) to redeem Units.

Unless otherwise agreed by the Manager, a Redemption Application (in Application Unit sizes) by an Eligible Investor must comply with the requirements in respect of redemption of Units set out in the Trust Deed and/or this Prospectus (where applicable) and the appropriate application forms, and be accompanied by such certificates and legal opinions as the Trustee and the Manager may require in order to be effective.

Pursuant to a valid Redemption Application by an Eligible Investor accepted by the Manager, the Manager shall instruct the Trustee to redeem and cancel the relevant Units on the Settlement Day and to transfer the relevant Basket(s) (as the Manager considers appropriate) in respect of such Units to the Manager's designated account. The Manager shall liquidate such Basket(s) in respect of such Units and after deduction of all applicable transactional costs, duties and expenses, pay the realized proceeds in cash to the Eligible Investors. If the Cash Component is a positive value, a cash payment equivalent to the amount of the Cash Component shall be paid by the Trustee to the Eligible Investor (through the Manager). If the Cash Component is a negative value, the Eligible Investor shall be required to pay (through the Manager) the amount of the Cash Component (expressed as a positive figure) to or to the order of the Trustee.

For valuation purposes, the Basket(s) so realized shall be valued as at the Valuation Point on Dealing day on which the Redemption Application is received or deemed received. The Manager makes no representation or warranty that it will be able to realize the Index Securities under the relevant Basket(s) (as the Manager considers appropriate) at the best available price, or at the same price as such Index Securities as at the Valuation Point on the Dealing Day on which the Redemption Application is received or deemed received. Where the Index Securities under the Basket(s) are realized at a price lower than the price of such Index Securities as at the Valuation Point on the relevant Dealing Day, the Eligible Investor will receive a lower value for the relevant Basket(s) than the value the Sub-Fund attributes to such Basket(s) for valuation purposes. The Eligible Investor therefore bears the market risks of realizing the Basket(s).

The Eligible Investor shall bear all transactional costs, duties and expenses in liquidating the relevant Basket(s). The Manager is also entitled to charge a servicing fee as the Manager may

determine on the Redemption Application. The Cash Component, the Manager's servicing fee, and all duties and charges payable by the Eligible Investor may be set off and deducted from the redemption proceeds payable to the Eligible Investor.

If the Sub-Fund has insufficient cash to pay any Cash Component payable by it, the Manager may instruct the Trustee to sell the Deposited Property of the Sub-Fund, or to borrow moneys, to provide the cash required. If the Cash Component is a negative value, the Participating Dealer or the Eligible Investor (as the case may be) shall be required to make a cash payment equivalent to the amount of the Cash Component (expressed as a positive figure) to or to the order of the Trustee, provided always that the Trustee shall be entitled to set off and deduct any amount of the Cash Component (being of a negative value) from the redemption proceeds payable to the Participating Dealer or Eligible Investor (as the case may be).

#### *Redemption – General*

The Redemption Price of Units redeemed shall be the Net Asset Value per Unit of the relevant class rounded to the nearest fourth (4<sup>th</sup>) decimal place of the Base Currency (and in the case of 0.00005 or above of such minimum unit, rounded up). Unless specifically requested to do so by the Participating Dealer or the Eligible Investor or the Feeder Fund (as the case may be), not later than one (1) month after the relevant Dealing Day, the Trustee shall be under no obligation to check the calculation of the Redemption Price in connection with any redemption of Units. Should the Manager be in any doubt as to the Redemption Price in connection with any redemption of Units, the Manager will request an independent third party to check the Redemption Price.

Units of the Sub-Fund shall be redeemed at the Redemption Price. The total redemption proceeds (i.e. the relevant Basket Value and the Cash Component) shall have a value as at the relevant Dealing Day equal to the multiple of the Redemption Price per Unit and the number of Units redeemed. Eligible Investors should note, however, that in processing a Redemption Application, the Manager shall liquidate the relevant Basket(s) and as mentioned above, the price at which the relevant Basket(s) are liquidated may not be the best price available or the same as the Basket Value as at the Valuation Point on the Dealing Day at which the above-mentioned redemption proceeds are valued. The Eligible Investor will hence bear the market risks of realizing the Basket(s). The actual monies that the Eligible Investor may receive from the liquidation of the relevant Basket(s) may be higher or lower than the value the Sub-Fund attributed to such Basket(s) for valuation purposes. The actual monies received by the Eligible Investor in relation to the Redemption Application may be higher or lower than the aggregate Redemption Price of the Units redeemed.

The maximum interval between (i) the receipt of a properly documented Redemption Application and (ii) payment of redemption proceeds to the relevant investor may not exceed one (1) calendar month, unless otherwise permitted under the UTMF Code.

The Manager reserves the right to reject a Redemption Application under exceptional circumstances from the Participating Dealer provided that the Manager must act reasonably and in good faith in exercising such right of rejection. The Manager reserves the absolute right to reject a Redemption Application by an Eligible Investor under exceptional circumstances having regard to the interest of Unitholders as a whole provided the Manager must act reasonably and in good faith in exercising such right of rejection. The Manager's rejection of a Redemption Application by an Eligible Investor shall not affect the Eligible Investor's right

to make a Redemption Application through a Participating Dealer. The Participating Dealer reserves the right to reject a request from any third party to submit a Redemption Application under exceptional circumstances provided that the Participating Dealer must act reasonably and in good faith. The Participating Dealer may charge such fees as it may reasonably determine from time to time.

With a view to protecting the interests of Unitholders, the Manager shall have the discretion, in consultation with the Trustee, to limit the total number of Units of the Sub-Fund to be redeemed on any Dealing Day (whether by sale to the Manager or by cancellation by the Trustee) (disregarding the number of Units to be issued on the same Dealing Day) to twenty per cent (20%) of the latest available Net Asset Value of the Sub-Fund, and the number of Units to be redeemed should be in multiples of the Application Unit size. In this event, the limitation will apply pro rata so that all Unitholders wishing to redeem Units in the 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 and given priority for redemption, subject to the same 20% limitation and Application Unit size requirements, 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.

Where a Redemption Application is received on a day which is not a Dealing Day or is received after the Dealing Deadline on a Dealing Day, that Redemption Application shall be carried forward and deemed to be received at the opening of business on the next following Dealing Day, which shall be the relevant Dealing Day for the purposes of that Redemption Application. For valuation purposes, the relevant Valuation Point shall be the Valuation Point for the Dealing Day on which the Redemption Application is deemed to be received.

In respect of each Redemption Application, the Manager shall be entitled to, for the account and benefit of the Trustee, charge a Transaction Fee which shall be paid by the relevant Participating Dealer or the Eligible Investor (as the case may be) and such Transaction fee may be set off and deducted against any Cash Component due to the relevant Participating Dealer or any redemption proceeds due to the relevant Eligible Investor (as the case may be) in respect of such Redemption Application. The Manager shall have the right to revise the amount of the Transaction Fee charged provided that the level of Transaction Fee charged by the Manager to all Participating Dealers and Eligible Investors is the same.

The Manager shall be entitled to deduct from and set off against any Cash Component payable to a Participating Dealer or any redemption proceeds payable to an Eligible Investor (as the case may be) on the redemption of Units a sum (if any) which represents the appropriate provision for duties and charges, the Transaction Fee, the Manager's servicing fee (with respect to Eligible Investors only) and any other fees payable by the Participating Dealer or the Eligible Investor (as the case may be). If the Cash Component (in the case of a Participating Dealer) or redemption proceed (in the case of an Eligible Investor) is insufficient to pay such duties and charges, the Transaction Fee, the Manager's servicing fee (with respect to Eligible Investors only) and any other fees payable on such redemption, the Participating Dealer or the Eligible Investor (as the case may be) shall promptly pay the shortfall to or to the order of the Trustee, and until such shortfall and any Cash Component, Transaction Fee, the Manager's servicing fee (with respect to Eligible Investors only) and any fees and charges payable by the Participating Dealer or by the Eligible Investor (as the case may be) are paid in full in cleared funds to or to the order of the Trustee, the Trustee shall not be obliged to deliver (and shall

have a general lien over) (in respect of a Redemption Application by a Participating Dealer) the relevant Basket(s) to be transferred or (in respect of a Redemption Application by an Eligible Investor or where there is insufficient Basket for a Redemption Application by a Participating Dealer) the relevant redemption proceeds.

Upon redemption of Units pursuant to a valid Redemption Application,

- (a) the funds of the Sub-Fund shall be deemed to be reduced by the cancellation of such Units and, for valuation purposes, such Units shall be deemed to have been redeemed and cancelled after the Valuation Point as at the Dealing Day on which the Redemption Application is or is deemed to be received; and
- (b) the name of the Unitholder of such Units shall be removed from the Register on the relevant Settlement Day.

In respect of a Redemption Application, unless the requisite documents in respect of the relevant Units have been delivered to the Manager by such time on the Settlement Day and (in respect of a Redemption Application made by a Participating Dealer) as prescribed in the Trust Deed and the Operating Guidelines or (in respect of a Redemption Application made by an Eligible Investor) as prescribed in the Trust Deed and/or this Prospectus (where applicable) or as otherwise notified by the Manager to the Eligible Investors in writing, the Redemption Application shall be deemed never to have been made except that the Transaction Fee in respect of such Redemption Application (if applicable) shall remain due and payable and once paid, shall be retained by and for the benefit of the Trustee, and in such circumstances :

- (a) the Manager shall be entitled to charge the Participating Dealer or the Eligible Investor (as the case may be) for the account and benefit of the Trustee an Application Cancellation Fee;
- (b) the Manager may at its absolute discretion require the Participating Dealer or the Eligible Investor (as the case may be) to pay to the Trustee, for the account of the Sub-Fund, Cancellation Compensation in respect of each Unit, being the amount (if any) by which the Redemption Price of each Unit is less than the Issue Price which would have applied in relation to each Unit if a Participating Dealer or an Eligible Investor (as applicable) had, on the final day permitted for delivery of the requisite documents in respect of the Units which are the subject of the Redemption Application, made a Creation Application; and
- (c) no previous valuations of the Sub-Fund shall be re-opened or invalidated as a result of an unsuccessful Redemption Application,

provided that the Manager, with the approval of the Trustee, may at its discretion extend the settlement period on such terms and conditions as the Manager may determine.

**Manager's Discretion to Pay Cash for Redemption of Units by a Participating Dealer**

In respect of a Redemption Application by a Participating Dealer, the Manager shall have the right to determine in its absolute discretion that the Trustee shall pay cash out of the Sub-Fund equal to the market value at the Valuation Point for the relevant Dealing Day of the relevant Basket(s) (or part thereof) in lieu of delivering the relevant Basket(s) to the Participating Dealer

(or its agent) if the Manager determines in its absolute discretion that the Basket(s) are unlikely to be available for delivery or likely to be available in insufficient quantity for delivery upon the Redemption Application by a Participating Dealer or if it is in the interests of the Sub-Fund to do so, provided that the Manager shall be entitled in its absolute discretion to charge (for the account of the Sub-Fund) to the Participating Dealer redeeming any Units for which cash is paid in lieu of delivering the Basket(s) an additional sum which represents the appropriate provision for duties and charges. Such duties and charges payable by the Participating Dealer may be set off and deducted from the cash payable in lieu.

### **Special Creation and Redemption by a Feeder Fund**

The Manager may also facilitate special cash subscriptions and special cash redemptions of Units by a Feeder Fund by reference to the Net Asset Value of the Sub-Fund. Subject to the terms and conditions as specified in the relevant application forms and other requirements set out below, each such Feeder Fund will be required to open an account with the Manager, satisfy the necessary client intake procedures of the Manager and provide such documents, undertakings and confirmations as the Manager may require in order to effect any Special Creation Application or Special Redemption Application by each such Feeder Fund.

Unless otherwise determined by the Manager, a Special Creation Application by a Feeder Fund must satisfy the following in order to be effective:

- (a) comply with the requirements in respect of creation of Units set out in this Prospectus;
- (b) be accompanied by such certifications and/or legal opinions as the Trustee and the Manager may require; and
- (c) the Feeder Fund shall pay such amount of monies as the Manager may in its absolute discretion require in order to constitute the relevant Basket(s) (or a part thereof) for the Special Creation Application.

The minimum sizes for in-kind creations and in-kind redemptions of Units through Participating Dealers do not apply to such special cash subscriptions and special cash redemptions by the Feeder Fund(s).

The Manager reserves the right to request the Feeder Fund to reimburse the Manager and/or the Sub-Fund for all reasonable transaction costs incurred in relation to or incidental to the Special Application and/or the constitution or liquidation of the relevant Basket (or a part thereof), respectively. The Manager also reserves the rights to charge such fees as the Manager may in its absolute discretion determine.

The current Dealing Deadline for making a Special Creation Application or a Special Redemption Application by a Feeder Fund is 3:00 p.m. (Hong Kong time) if it is a full trading day on the SEHK or if the SEHK opens for normal trading only in the afternoon, or 12:00 noon (Hong Kong time) if the SEHK opens for normal trading only in the morning of the relevant Dealing Day or such other time prior to the calculation of the Net Asset Value of the Sub-Fund on that Dealing Day as the Manager may determine and agree with the Trustee.

### **Compulsory Redemptions under Certain Circumstances**

The Manager may compulsorily redeem a Unitholder's Units in the 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 if:

- (a) the Unitholder is or becomes or is holding the Units for the account of or benefit of (i) a US Person under Regulation S; or (ii) Reportable Person under FATCA (as defined in the "FATCA" sub-section); or (iii) any other Unqualified Person (as defined in the "Definitions" section on pages 10 to 11);
- (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 where applicable, 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 and AEOI;
- (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 and AEOI; or
- (d) 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 and AEOI.

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 risks on the Sub-Fund. For details, please refer to paragraph "(v) Liquidity risk" of "Risk Factors" section above.

The Manager has established a liquidity risk management policy which enables it to identify, monitor and manage the liquidity risks of the Sub-Fund and to ensure that the liquidity profile of the investments of the 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 the 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 the Sub-Fund on an on-going basis to ensure that such investments are appropriate to the redemption policy as stated under the sub-section headed "Redemption of Units" on pages 43 to 47, and will facilitate compliance with the 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 the Sub-Fund under normal and exceptional market conditions.

### **DETERMINATION OF NET ASSET VALUE**

The Net Asset Value of the Sub-Fund shall be determined in accordance with the policy established by the Manager in consultation with the Trustee at the Valuation Point on each Dealing Day (or at such other time as the Manager determines in consultation with the Trustee) by valuing the assets of the Sub-Fund and deducting the liabilities of the Sub-Fund in accordance with the terms of the Trust Deed.

The Trust Deed provides, inter alia, that the value of investments in the Sub-Fund shall be determined as follows:

- (a) the value of any investment quoted, listed or normally dealt in on a market (other than an interest in a Collective Investment Scheme) shall be calculated by reference to the price which appears to the Manager to be the last mark-to-market bid price on the relevant Dealing Day or (if no last mark-to-market bid price is available) midway between the latest available market offered price and the latest available market bid price (as at such time as shall be determined by the Manager) on the market on which the investment is quoted, listed or ordinarily dealt in for such amount of such investment as the Manager may consider in the circumstances to provide a fair criterion, PROVIDED THAT:
  - (i) if an investment is quoted, listed or normally dealt in on more than one market, the Manager shall adopt the price or, as the case may be, middle quotation on the market which, in its opinion, provides the principal market for such investment;
  - (ii) in the case of any investment which is quoted, listed or normally dealt in on a market but in respect of which, for any reason, prices on that market may not be available at any relevant time, the value thereof shall be certified by such firm or institution making a market in such investment as may be appointed for such purpose by the Manager or, if the Trustee so requires, by the Manager after consultation with the Trustee;
  - (iii) there shall be taken into account interest accrued on interest-bearing investments up to (and including) the date as at which the valuation is made, unless such interest is included in the quoted or listed price;

and for the purpose of the foregoing provisions the Manager or the Administrator (if agreed by the Manager and the Trustee) shall be entitled to use and to rely upon electronic price feeds from such source or sources as they may from time to time think fit with regard to the pricing of the investments on any market notwithstanding that the prices so used are not the last mark-to-market bid prices and references to valuation of investments or deposits on a particular day or at a particular time may, if such a system is used, mean the valuation on the system on that day or at that time notwithstanding it may have been taken at a time or times selected by the system and be prior to that day or time, and the Manager shall use reasonable endeavours to ensure that such source or sources are, in its reasonable opinion, reliable and independent;

- (b) 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 Sub-Fund in the acquisition thereof (including in each case the amount of the stamp duties, commissions and other expenses incurred in the acquisition thereof and the vesting thereof in the Trustee) provided that the Manager may at any time in consultation with the Trustee and shall at such times or at such intervals as the Trustee may request, cause a revaluation to be made of any unquoted investment by a professional person approved by the Trustee as qualified to value such unquoted investment;
- (c) 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;
- (d) the value of each unit, share or other interest in any Collective Investment Scheme which is valued as at the same day as the 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 latest available net asset value per Unit, share or other interest in such Collective Investment Scheme;
- (e) notwithstanding the foregoing, the Manager may, in consultation with the Trustee, adjust the value of any cash, deposits and/or investments or permit some other method of valuation to be used if, having regard to currency, applicable rate of interest, maturity, marketability and/or other considerations it deems relevant, it considers that such adjustment or use of such other method is required to reflect the fair value thereof. The Manager may also carry out regular independent valuation of the investments as it deems appropriate; and
- (f) the value of any investment (whether of a Security or cash) otherwise than in the Base Currency shall be converted into the Base Currency 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.

#### **SUSPENSION OF DEALINGS OF UNITS 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 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 a suspension of dealings of Units and the determination of the Net Asset Value of the Sub-Fund for the whole or any part of any period during which:

- (a) there is a closure of or the restriction or suspension of trading on any securities market on which a substantial part of the investments of the Sub-Fund is normally traded or a breakdown in any of the means normally employed by the Manager or the Trustee (as the case may be) in ascertaining the prices of investments or determining the Net Asset Value or the Issue Price or Redemption Price of a Unit;
- (b) for any other reason, the prices of investments held or contracted for by the Manager for the account of the Sub-Fund cannot, in the opinion of the Manager, reasonably, promptly and fairly be ascertained;
- (c) circumstances exist as a result of which, in the opinion of the Manager, it is not reasonably practicable to realize any investments held or contracted for the account of the Sub-Fund or it is not possible to do so without seriously prejudicing the interests of Unitholders of the Sub-Fund;
- (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 the Sub-Fund or the subscription or redemption of any classes of Unit is delayed or cannot, in the opinion of the Manager, be carried out promptly at normal exchange rates; or
- (e) the CSI HK 100 is not compiled or published.

The Manager shall have the absolute discretion to suspend an Application received prior to the suspension of dealings of Units. The Manager shall notify the SFC as soon as reasonably practicable upon any suspension of dealings of Units and the determination of the Net Asset Value of the Sub-Fund.

Upon declaration of the suspension by the Manager, the suspension shall take effect. During the suspension,

- (a) there shall be no dealings and no determination of the Net Asset Value of the Sub-Fund;
- (b) the Manager shall be under no obligation to rebalance the Basket(s) or (in case of other Index Security) the Deposited Property of the Sub-Fund;
- (c) no Applications shall be made by the Participating Dealer or by an Eligible Investor or a Feeder Fund; and
- (d) no Units shall be created and issued or redeemed for the account of the Sub-Fund.

The suspension shall terminate and dealings and the determination of the Net Asset Value of the Sub-Fund shall resume (a) when the Manager declares the suspension at an end, or (b) in any event on the day following the first Business Day on which the condition giving rise to the suspension ceases to exist; and no other condition under which suspension shall be declared exists.

As soon as practicable after the termination of suspension and resumption of dealings of Units and 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 termination of 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 notify the SFC immediately upon such termination of suspension.

A Participating Dealer or an Eligible Investor or the Feeder Fund may at any time after a suspension has been declared and before termination of such suspension withdraw an Application submitted prior to such suspension not otherwise accepted by the Manager by notice in writing to the Manager and the Manager shall promptly notify the Trustee accordingly. If the Manager has not received any such notification of withdrawal of such Application before termination of such suspension, the Trustee shall, subject to and in accordance with the provisions of the Trust Deed, create and issue Units or redeem Units in respect of such Application and such Application shall be deemed to be received immediately following the termination of such suspension.

#### **SUSPENSION OF DEALING IN UNITS ON THE SEHK**

Dealing in Units on the SEHK, or trading on the SEHK generally, may at any time be suspended by the SEHK subject to any conditions imposed by the SEHK if the SEHK considers it necessary for the protection of investors or for the maintenance of an orderly market or in such other circumstances as the SEHK may consider appropriate.

The Manager shall publish any announcement on suspension of dealing in Units on the SEHK in accordance with the rules of the SEHK.

#### **DISTRIBUTION POLICY**

In respect of the Sub-Fund, the Manager may in its discretion make distributions to Unitholders in each financial year as the Manager considers appropriate, having regard to the net income of the Sub-Fund.

The Manager will normally make distributions out of net income received or receivable by 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 distributions be paid out of the capital of the Sub-Fund, 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 the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of distributions by the Sub-Fund and therefore, the Sub-Fund may effectively pay distributions out of capital. This may reduce the capital that 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 if the capital 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. 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 in a financial year. Investors should also note that there is no guarantee of regular distribution payments during the period investors hold the Units of the Sub-Fund.**

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](http://www.boci-pru.com.hk)). The Manager's website 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.**

### **CHARGES AND EXPENSES**

For details of the amount of fees and charges currently applicable to the Sub-Fund, please refer to Appendix III.

#### **Management Fee and Servicing Fee**

The Manager is entitled to receive a management fee for the Sub-Fund calculated as a percentage of the Net Asset Value of the relevant class of Units of the Sub-Fund. The management fee will be deducted from the assets of the Sub-Fund. The maximum management fee the Manager may levy shall be 2.0% per annum of the Net Asset Value of the Sub-Fund.

In addition, the Manager is entitled to receive a servicing fee for the Sub-Fund calculated as a percentage of the Net Asset Value of the Sub-Fund. The servicing fee will be deducted from the assets of the Sub-Fund. The maximum servicing fee the Manager may levy is 1% per annum of the Net Asset Value of the Sub-Fund.

Both the management fee and servicing fee are calculated and accrued on each Dealing Day and are paid monthly in arrears.

The Manager may at any time decrease the rate of management fee or servicing fee in respect of any class of Units of the Sub-Fund. The Manager may also increase the rate of management fee or servicing fee payable in respect of any class of Units of the Sub-Fund (up to the maximum rate as set out above) on giving not less than three (3) months' notice (or such other

notice period as the SFC may allow or require) of such increase to affected Unitholders and the Trustee.

### **Trustee Fee**

The Trustee is entitled to receive a trustee fee in respect of the Sub-Fund calculated as a percentage of the Net Asset Value of the relevant class of Units of the Sub-Fund. The Manager shall pay the trustee fee chargeable by the Trustee out of the management fees received by it.

In addition, the Trustee is entitled to (i) transaction and processing fees in accordance with its normal scales as agreed with the Manager; (ii) subject to the agreement between the Trustee and the Manager, all or any part of Application Cancellation Fee and Transaction Fee charged to a Participating Dealer or an Eligible Investor or the Feeder Fund; (iii) inception fee of US\$10,000 for the establishment of the Fund and a further inception fee of US\$2,500 for the Sub-Fund (such inception fees represent the fees of the Trustee and are not part of the establishment costs of the Fund or the Sub-Fund); and (iv) such other fees as may be permitted under the Trust Deed.

### **Other Charges and Expenses**

The Sub-Fund shall bear the costs set out in the Trust Deed which are directly attributable to it. Where such costs are attributable to the Sub-Fund and other sub-funds of the Fund, the 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 realizing 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, the costs and expenses of licensing the CSI HK 100 in connection with the Sub-Fund and the costs incurred in the preparation and printing of any prospectus, any audited accounts or interim reports which are sent to the Unitholders.

In addition, the Sub-Fund shall bear a due proportion of the costs and expenses incurred by the Manager and the Trustee in establishing the Fund. These costs and expenses are estimated to be approximately HK\$500,000 and may be allocated to the Sub-Fund and other sub-funds of the Fund on equal basis and amortized over the first accounting period of the Fund after consultation with the auditors of the Fund. In the event that any sub-fund is terminated prior to the expiry of the amortization period, the balance of unamortized 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. The first accounting period of the Sub-Fund was from the close of the Initial Offer Period to 31 December 2008. Subsequent accounting periods of the Sub-Fund are from 1 January to 31 December of each 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 in the Sub-Fund. Fees payable by retail investors dealing in the Units on the SEHK are set out under the “Fees Payable by Participating Dealers, Eligible Investors and Retail Investors” section in Appendix III.

## **POTENTIAL CONFLICT OF INTEREST, TRANSACTIONS WITH CONNECTED PERSONS AND SOFT COMMISSIONS**

The Manager and the Trustee and Custodian 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 other collective investment schemes separate and distinct from the Fund and the Sub-Fund, including those that have similar investment objectives to those of the Sub-Fund, or contract with or enter into financial, banking or other transaction with one another or with any investor of the Sub-Fund, or any company or body any of whose shares or securities form part of the Sub-Fund or may be interested in any such contract or transaction and shall not be liable to account to the Fund or the Sub-Fund or any investor of the Fund or the Sub-Fund for any profit or benefit made or derived thereby or in connection therewith. It is, therefore, possible that any of the Manager and the Trustee and Custodian or their Connected Persons may, in the course of business, have potential conflicts of interest with the Sub-Fund.

The Manager may also be the manager of the Feeder Fund(s) which substantially invests in the Sub-Fund through Special Creation Application(s) or Special Redemption Application(s).

Each of the Manager and the Trustee and Custodian or their Connected Persons will, at all times, have regard in such event to its obligations to the Sub-Fund 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 separations 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 and Custodian 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 and Custodian will keep data and information in relation to the portfolio of each fund/scheme confidential.

The Manager, the Trustee and Custodian 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 their respective 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 Custodian, 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 the Sub-Fund will be executed at arm's length and in the best interests of the Unitholders. Any transactions between the Sub-Fund and the Manager, investment delegate or any of its Connected Person(s) as principal may only be made with the prior written consent of the Trustee. All such transactions shall be disclosed in the Sub-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 Unitholder 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, the Custodian or any of their Connected Persons, the Manager shall 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 Sub-Fund's annual report.

## **TAXATION**

*The following summary regarding taxation are based on advice received by the Sub-Fund regarding the law and practice in force in Hong Kong at the date of this Prospectus. It is for information purposes only and is not intended to be an exhaustive list of all of the tax considerations that may be relevant to an investor. This summary does not constitute tax advice and does not purport to deal with the tax consequences applicable to every investor. Investors should note that the relevant tax laws, rules and practice may change (and may change on a retrospective basis), and therefore there is no guarantee that the following summary will continue to be applicable after the date of this Prospectus. Investors should seek independent professional tax advice if necessary.*

### **Hong Kong**

#### *The Sub-Fund*

The Sub-Fund is not expected to be subject to Hong Kong profits tax in respect of any of its authorized activities.

Pursuant to a remission order issued by the Secretary for Treasury on 20 October 1999, Hong Kong stamp duty payable on the transfer of Hong Kong stocks by an investor to the Sub-Fund in respect of allotment of Units, or by the Sub-Fund to an investor upon redemption of Units, would be remitted or refunded. Apart from the above, the sale and purchase of Hong Kong stocks by the Sub-Fund will respectively be subject to stamp duty in Hong Kong at the current rate of 0.13 per cent (0.13%) of the amount of the consideration or of its value on every sold note and every bought note.

No Hong Kong stamp duty is payable by the Sub-Fund on issue or redemption of Units.

#### *Unitholders*

No tax will be payable by Unitholders in Hong Kong in respect of income distributions of the Sub-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 by the Unitholders in Hong Kong.

A transfer, sale or purchase of Units is not subject to Hong Kong stamp duty.

## **General**

Investors should consult their professional financial, legal and tax advisers on the consequences to them of acquiring, holding, realizing, transferring or selling Units under the relevant laws of the jurisdictions to which they are subject, including the tax consequences, stamping and denoting requirements 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**

### **Accounts and Reports**

The Sub-Fund's financial year end is 31 December in each year. The first financial year of the Sub-Fund ended on 31 December 2008. Audited annual financial reports of the Sub-Fund containing information required in Appendix E of UTMF Code will be available from the Manager's website at [www.boci-pru.com.hk/english/etf/intro.aspx](http://www.boci-pru.com.hk/english/etf/intro.aspx) (for English), or [www.boci-pru.com.hk/chinese/etf/intro.aspx](http://www.boci-pru.com.hk/chinese/etf/intro.aspx) (for Chinese) (the Manager's website has not been reviewed by the SFC) within four (4) months of the end of each financial year. Unaudited interim financial reports containing information required in Appendix E of UTMF Code up to the last Dealing Day in June each year will be available from the same website within two (2) months of the end of the period which they cover. Hard copies of these financial reports may also be obtained from the Manager free of charge. Unitholders will be notified by way of an announcement of the means of getting access to the financial reports as and when the financial reports are issued and available. Unitholders will be given at least one (1) month's prior notice of any change to the mode of delivery of these financial reports. Such reports will contain a statement of the value of the net assets of the Sub-Fund and the investments comprising its portfolio, and will be published in both English and Chinese.

### **Publication of Information Relating to the Sub-Fund**

The Manager shall publish the following information in both English and Chinese languages in respect of the Sub-Fund on its website ([www.boci-pru.com.hk/english/etf/intro.aspx](http://www.boci-pru.com.hk/english/etf/intro.aspx) (for English), or [www.boci-pru.com.hk/chinese/etf/intro.aspx](http://www.boci-pru.com.hk/chinese/etf/intro.aspx) (for Chinese)), including:

- this Prospectus (as amended and supplemented from time to time);
- the latest available Product Key Facts Statement of the Sub-Fund;
- the latest annual and interim financial reports of the Sub-Fund;
- any public announcements made by the Sub-Fund, including information in relation to the Sub-Fund and the CSI HK 100, notices of the suspension of the calculation of Net Asset Value, changes in fees and charges and the suspension and resumption of trading of Units;
- full holdings of the Sub-Fund (updated on each Dealing Day);
- the last Net Asset Value per Unit and Net Asset Value of the Sub-Fund (updated on each Dealing Day);
- the real-time or near real-time indicative Net Asset Value per Unit throughout each Dealing Day\*;
- the latest list of Participating Dealer(s) and link to latest list of market makers;

- the past performance information of the Sub-Fund;
- the tracking difference and tracking error information of the Sub-Fund; and
- the compositions of distributions (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital) for the last 12 months.

The Manager's website has not been reviewed by the SFC. Unitholders are encouraged to refer to the information available on the website of the Manager on a regular basis. Although every effort is made to ensure information provided are accurate at the time of publication the Manager shall not accept any responsibility for any error or delay in calculation or in the publication or non-publication of prices which are beyond its control.

China Securities Index Co., Ltd. shall also publish the CSI HK 100 on its website (www.csindex.com.cn). This website has not been reviewed by the SFC.

\* It will be updated every 15 seconds during SEHK trading hours on each Dealing Day.

### **Removal and Retirement of the Trustee and the Manager**

#### (a) The Trustee

- Subject to the prior written approval of the SFC, the Trustee may retire from office by giving not less than ninety (90) days' written notice (or such shorter period of notice as the SFC may approve) to the Unitholders PROVIDED THAT adequate arrangements have been made for another trustee approved by the SFC to assume responsibility for the administration of the Sub-Fund and for the Trustee's interest in the Sub-Fund to be transferred to that trustee.
- Subject to the prior written approval of the SFC, the Manager may by giving not less than ninety (90) days' prior notice (or such shorter period of notice as the SFC may approve) in writing to the Trustee remove the Trustee from the trusteeship of the Sub-Fund and appoint any other company qualified to act as trustee under the proper law of the Sub-Fund in its place by deed entered into by the Manager and the new trustee. The removal of the Trustee and the appointment of its successor shall take effect simultaneously.

#### (b) The Manager

Subject to the approval of the SFC, the Manager shall be subject to removal by three (3) months' notice in writing from the Trustee in either of the following events:

- the Manager goes into liquidation, becomes bankrupt or has a receiver appointed over its assets; or
- for good and sufficient reason, the Trustee states in writing that a change in Manager is desirable in the interests of the Unitholders; or
- Unitholders representing at least 50% in value of the Units outstanding, deliver to the Trustee a written request to dismiss the Manager.

If the authorization of the Manager to act as the investment manager of the Fund or the relevant Sub-Fund is withdrawn by the SFC, the Manager's appointment under the

Trust Deed shall be terminated as at the date on which the SFC's withdrawal of authorization becomes effective. In the event that the Manager is removed by the Trustee under the circumstances mentioned above, a new manager shall be appointed with the approval of the SFC.

### **Termination of the Fund or the Sub-Fund**

1. The Sub-Fund shall terminate upon the termination of the Fund. The Fund shall continue for a period of eighty (80) years from the date of the Trust Deed or until it is terminated in one of the ways set out below.
2. The Fund may be terminated by the Trustee by notice in writing as hereinafter provided if:
  - (a) the Manager shall go into liquidation or if a receiver is appointed over any of their assets and not discharged within sixty (60) days;
  - (b) in the opinion of the Trustee, the Manager shall be incapable of performing or shall in fact fail to perform their duties satisfactorily or shall do any other thing which in the opinion of the Trustee is calculated to bring the Fund into disrepute or to be harmful to the interests of the Unitholders;
  - (c) the Fund shall cease to be authorized pursuant to the Securities and Futures Ordinance or if any law shall be passed which renders it illegal or in the opinion of the Trustee impracticable or inadvisable to continue the Fund; or
  - (d) the Manager shall have ceased to be the Manager and, within a period of thirty (30) days thereafter, no other qualified corporation shall have been appointed by the Trustee as a successor Manager.
3. The Fund and/or the Sub-Fund and/or any classes of Units relating to the Sub-Fund (as the case may be) may be terminated by the Manager in its absolute discretion by notice in writing as hereinafter if:
  - (a) at any time one (1) year after the establishment thereof, in relation to the Fund, the aggregate Net Asset Value of all Units outstanding hereunder shall be less than HK\$100,000,000 or, in relation to the Sub-Fund, the aggregate Net Asset Value of the Units of the relevant classes outstanding hereunder shall be less than HK\$100,000,000;
  - (b) the Sub-Fund shall cease to be authorized pursuant to the Securities and Futures Ordinance;
  - (c) any law shall be passed which renders it illegal or in the opinion of the Manager impracticable or inadvisable to continue the Fund and/or the Sub-Fund;
  - (d) the CSI HK 100 is no longer available for benchmarking, unless the Manager and the Trustee agree that it is possible, feasible, practicable and in the best interests of the Unitholders to substitute another index for the CSI HK 100;

- (e) the Units of the Sub-Fund are no longer listed on the SEHK or other securities market;
- (f) the Fund and/or the Sub-Fund ceases to have any Participating Dealer; or
- (g) the Trustee have notified the Manager of its desire to retire as Trustee and the Manager shall be unable to find a qualified corporation to act as trustee in place of the Trustee in accordance with the terms of the Trust Deed.

Notice will be given to Unitholders if the Fund or the Sub-Fund is terminated under the above circumstances. Such notice will be submitted to the SFC for prior approval.

### **Arrangements in Handling Unclaimed Proceeds**

Upon the Sub-Fund being terminated, the Trustee shall from time to time distribute to the Unitholders of Units of the class relating to the Sub-Fund being terminated in proportion to their respective interests in such Sub-Fund all net cash proceeds derived from the redemption of the Sub-Fund and available for the purposes of such distribution, PROVIDED THAT any unclaimed proceeds or other cash held by the Trustee under the provisions of Clause 24.05 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.

### **Trust Deed**

The Fund was established under Hong Kong law by a trust deed dated 11 July 2007 (as may be amended, modified or supplemented from time to time). All holders of Units of the Sub-Fund are entitled to the benefit of, are bound by and are deemed to have notice of the provisions of the Trust Deed. Pursuant to a deed of retirement and appointment of trustee dated 3 September 2019, Cititrust Limited was appointed as the Trustee of the Fund and the Sub-Fund in place of BOCI-Prudential Trustee Limited with effect from 3 December 2019.

The Trust Deed contains provisions for the indemnification of 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 Prospectus and the Trust Deed, the provisions of the Trust Deed prevail.

### **Modification of Trust Deed**

The Trustee and the Manager, without consulting Unitholders, shall be entitled by deed supplemental thereto to modify, alter or add to the provisions of the Trust Deed in such manner and to such extent as they may consider expedient for any purpose, PROVIDED THAT the Trustee shall certify in writing that in its opinion such modification, alteration or addition:

- (a) is necessary to make possible compliance with fiscal or other statutory, regulatory or official requirements; or
- (b) does not materially prejudice the interests of the relevant Unitholders, does not operate to release to any material extent the Trustee or the Manager or any other person from

any liability to the relevant Unitholders and does not increase in the amount of costs and charges payable from the assets of the Sub-Fund; or

(c) is necessary to correct a manifest error.

In all other cases involving any material changes, no alteration shall be made except by an extraordinary resolution of Unitholders 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. A Unitholder who is the holder of two or more Units may appoint more than one proxy to represent him and vote on his behalf at any meeting of the Unitholders. If a clearing house (or its nominee(s)), being a corporation, is a Unitholder, it may authorise such persons as it thinks fit to act as its representatives at any meeting of the Unitholders provided that, if more than one person is so authorised, the authorisation shall specify the number and class of Units in respect of which each such representative is so authorised. Each person so authorised shall be deemed to have been duly authorised without further evidence of the facts and shall be entitled to exercise the same rights and powers on behalf of the clearing house (or its nominee(s)) as if such person were the registered Unitholder of the Units held by the clearing house (or its nominee(s)), including the right to vote individually on a show of hands.

The quorum at Unitholders' meetings is Unitholders present in person or by proxy holding not less than ten per cent (10%) (or, in relation to a resolution proposed as an extraordinary resolution, twenty-five per cent (25%)) of the Units in issue. If a quorum is not present, the meeting will be adjourned for not less than fifteen (15) days, 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 seventy-five per cent (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 authorized 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.

### **Documents Available for Inspection**

Copies of the Trust Deed, Conversion Agency Agreement, Participation Agreement and the latest annual and interim 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 these documents can be purchased from the Manager on payment of a reasonable fee.

### **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 any subscriptions. 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 recognized financial institution; or
- (ii) the application is made through a recognized intermediary.

These exceptions will only apply if the financial institution or intermediary referred to above is within a country/region recognized 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.

### **Enquiries and Complaints**

Unitholders wishing to make an enquiry or a complaint about the Sub-Fund should contact the Manager, BOCI-Prudential Asset Management Limited, at 27<sup>th</sup> Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong or call the Manager's enquiry hotline at (852) 2280 8697. Customer services officers of the Manager shall address any enquiries or complaints by verbal or written form depending on the nature of enquiries or complaints received about the Sub-Fund received as soon as reasonably practicable.

## **NOTICE TO INVESTORS RELATING TO APPENDICES**

Investors should note that the information set out in the Appendices is based on documents that have not been prepared or independently verified by the Manager/Listing Agent, the Trustee or any advisers in connection with the offering and listing of the Sub-Fund, and none of them makes any representation as to or takes any responsibility for the accuracy or completeness of the Appendices.



## APPENDIX I

### **THE CSI HONG KONG 100 INDEX (“CSI HK 100”)**

The CSI HK 100 is a diversified index consisting of 100 constituent securities which are listed on the SEHK. It is a category-weighted index and is compiled and managed by China Securities Index Co., Ltd., which was established jointly by the Shenzhen Stock Exchange and Shanghai Stock Exchange to provide services relating to securities indices. China Securities Index Co., Ltd. is independent of the Manager. The CSI HK 100 is launched on 7 May 2008.

The CSI HK 100 is compiled and calculated by China Securities Index Co., Ltd., which will take all necessary measures to ensure the accuracy of the CSI HK 100. However, neither China Securities Index Co., Ltd. nor the SEHK shall be liable (whether in negligence or otherwise) to any person for any error in the CSI HK 100 or shall be under any obligation to advise any person or any error therein. All intellectual property rights of the CSI HK 100 and list of constituent securities of the CSI HK 100 shall belong to China Securities Index Co., Ltd. The Sub-Fund is not in any way endorsed, sold, sponsored or promoted by China Securities Index Co., Ltd. or by the SEHK. Neither the SEHK nor China Securities Index Co., Ltd. makes any warranty or representation whatsoever, expressly or impliedly, either as to the results of the use of the CSI HK 100.

Below is a brief summary of the basic information, selection criteria, selection methodology and maintenance of the CSI HK 100 as of the date of publication of this Prospectus. Such information is subject to revision from time to time by China Securities Index Co., Ltd. and before making investment decisions, investors should refer to the website of China Securities Index Co., Ltd. ([www.csindex.com.cn](http://www.csindex.com.cn)) for the latest version of such information. This website has not been reviewed by the SFC.

#### **1. Basic Information**

##### Base Date and Base Value

The base date is December 31, 2004 and the base value is 1,000.

##### Number of Constituent Securities

100

##### List of Constituent Securities

The list of constituent securities of the CSI HK 100 with their respective weightings are available on the website of China Securities Index Co., Ltd. ([www.csindex.com.cn](http://www.csindex.com.cn)) (this website has not been reviewed by the SFC). The investors should note that the list of constituent securities of the CSI HK 100 may be updated from time to time.

## 2. Selection of Constituent Securities

### Stock Universe

Inclusion in the stock universe for the CSI HK 100 is subject to all of the following conditions:

- (1) the security is a common stock or a real estate investment trust primary or secondary listed on the SEHK (main board or growth enterprise market);
- (2) the security has been listed for more than 3 months in the most recent year unless the daily average total market value of the security since listing is ranked among top 10 among all Hong Kong securities;
- (3) the security is not included on the SFC high shareholding concentration notices, unless the company has issued an announcement entitled “Resolving of High Shareholding Concentration” to state that the high shareholding concentration issue has been resolved for 12 months;
- (4) the daily average closing price of the security in the most recent year is not less than HK\$0.10;
- (5) the daily average closing price of the security in the most recent year is not less than HK\$0.50 or earnings per share of the security according to its most recent annual report is not less than zero;
- (6) the daily average turnover ratio of the security in the most recent three months meets the requirement. Securities are ranked by daily average turnover (daily trading value / total market capitalization) in descending order. The cumulative daily average market capitalization coverage is then calculated for each security and the securities of which the cumulative daily average market capitalization coverage is beyond 90% are excluded; and
- (7) the security is not considered as inappropriate by the Index Advisory Committee.

### Selection Methodology

The selection methodology is as follows:

- (a) rank the securities in the stock universe in descending order according to their average daily trading values of the most recent year, and exclude the bottom 50%;
- (b) rank the remaining securities in descending order according to their average daily market value of the most recent year and select those which rank top 100 as constituent securities.

### 3. Calculation of the CSI HK 100

#### Calculation Method

The CSI HK 100 is calculated using the Paasche weighted composite price index formula as follows :

$$\text{Current index} = \frac{\text{current total adjusted market cap of constituents}}{\text{divisor}} \times \text{base value}$$

Where current total adjusted market cap =  $\Sigma$  (security price x number of free float adjusted shares x weight factor x foreign exchange rate). The number of free float adjusted shares is obtained through using the category-weighted method. The value of weight factor is between 0 and 1, which is calculated at each rebalancing date, so that the weight of each constituent is capped at 10%.

For details of the calculation of number of free float adjusted shares, please refer to the Equity Indices Calculation and Maintenance Methodology which is available on the website of China Securities Index Co., Ltd. ([www.csindex.com.cn](http://www.csindex.com.cn)). This website has not been reviewed by the SFC.

### 4. Index Maintenance

The CSI HK100 is maintained by using the “divisor adjustment methodology”, whereby in the event of a change in constituent list or a capital change in the constituents , or constituents’ market value fluctuates due to non-trading factors, the divisor is adjusted to prevent the discontinuities of the CSI HK100.

For details, please refer to Equity Indices Calculation and Maintenance Methodology of the Index Provider.

### 5. Adjustment to Constituent Securities

#### *Periodic Review*

- (1) The CSI HK 100 is adjusted and rebalanced semi-annually and the adjustment will be effective as of the next trading day after the second Friday in June and December each year.
- (2) The number of constituent securities to be adjusted at each periodic review will not exceed 10%. Buffer zone rules are adopted, with new securities ranking among the top 80 in the universe being given priority to be added to the CSI HK 100, and old constituent securities ranking among the top 120 being given priority to remain in the CSI HK 100. The CSI HK 100 adopts a reserve list policy according to market value rank. Usually, the number of securities in the list accounts for 5% of the number of constituent securities.

- (3) Weight factor is assigned to each constituent at each rebalancing date. The effective date is the same as that of the constituent adjustment. The weight factor stays the same until the next rebalancing date.

#### *Ongoing Review*

When special events occur, the CSI HK 100 will be reviewed accordingly. Delisted securities will be deleted from the constituent securities. If the new IPO Company ranks top 10 in Hong Kong market, the IPO Company will be added into the CSI HK 100 at its eleventh trading day. Please refer to the Index Calculation and Maintenance Methodology for further details.

The Index Advisory Committee acts as the consulting agency of China Securities Index Co., Ltd., and is responsible for providing professional consultation advice and decision-making suggestions for index construction and maintenance. Consultation issues include, but are not limited to, rules for index management, plan of index business development and index construction, index methodologies for important indices, significant issues of index maintenance, domestic and foreign trends of index business development, etc. The Committee members are domestic and foreign experts or scholars with extensive representation and influence in the fields of economics, finance, statistics or corporate governance, and members work part time. Investors may obtain further information on the Index Advisory Committee from the website of China Securities Index Co., Ltd. ([www.csindex.com.cn](http://www.csindex.com.cn)). This website has not been reviewed by the SFC.

## **APPENDIX II**

### **OPERATION OF THE SUB-FUND**

#### **Creation and Redemption of Units**

##### *(i) Creation and Redemption by or through Participating Dealer / Manager*

A Participating Dealer may create or redeem Units directly with the Sub-Fund. An investor (other than a Participating Dealer) may make a request to create or redeem Units through a Participating Dealer, and if the investor is a retail investor, such request shall be made through a stockbroker which has opened an account with the Participating Dealer. However, such investor shall pay the subscription proceeds plus any fees and charges charged by the relevant Participating Dealer to, or receive the redemption proceeds (minus any fees and charges charged by the relevant Participating Dealer) from, the relevant Participating Dealer in cash only. An Eligible Investor may also directly make a request to the Manager (in its capacity as dealer for the Eligible Investors) to create or redeem (subject to such terms and conditions as specified in the relevant application forms and other requirements set out in the section "Creation and Redemption of Units") Units in cash.

The Manager shall receive subscription proceeds for the creation of Units and pay redemption proceeds for the redemption of Units in such form and manner as prescribed by the Trust Deed and/or this Prospectus (where applicable). The Participating Dealer and the Eligible Investor should ensure that the relevant Application shall comply with the requirements for an Application for creation or redemption of Units set out in the Trust Deed and/or this Prospectus (where applicable). The Participating Dealer may charge such fees as it may reasonably determine from time to time for submitting an Application on behalf of a retail investor. The Eligible Investor shall bear all the transactional costs, duties and expenses in relation to or incidental to the Application and/or in constituting and liquidating the relevant Basket(s). In accepting the Creation or Redemption Application by an Eligible Investor, the Manager may also charge such servicing fee as the Manager may determine.

Investors should note that the Participating Dealer, the Manager or the stockbroker through whom an Application is made for creation or redemption of Units may impose an early Dealing Deadline, require other supporting documents for the Application and adopt other dealing procedures different from those set out for the Sub-Fund in this Prospectus. For example, the dealing deadline set by the relevant Participating Dealer, the Manager (with respect to an Application by an Eligible Investor) or the stockbroker may be earlier than that set out for the Sub-Fund in this Prospectus. Investors should therefore check the applicable dealing procedures with the Participating Dealer, the Manager or the stockbroker (as the case may be).

For the avoidance of doubt, the Manager may accept creation or redemption applications made by the Manager or its affiliates, whether or not on behalf of a third party investor.

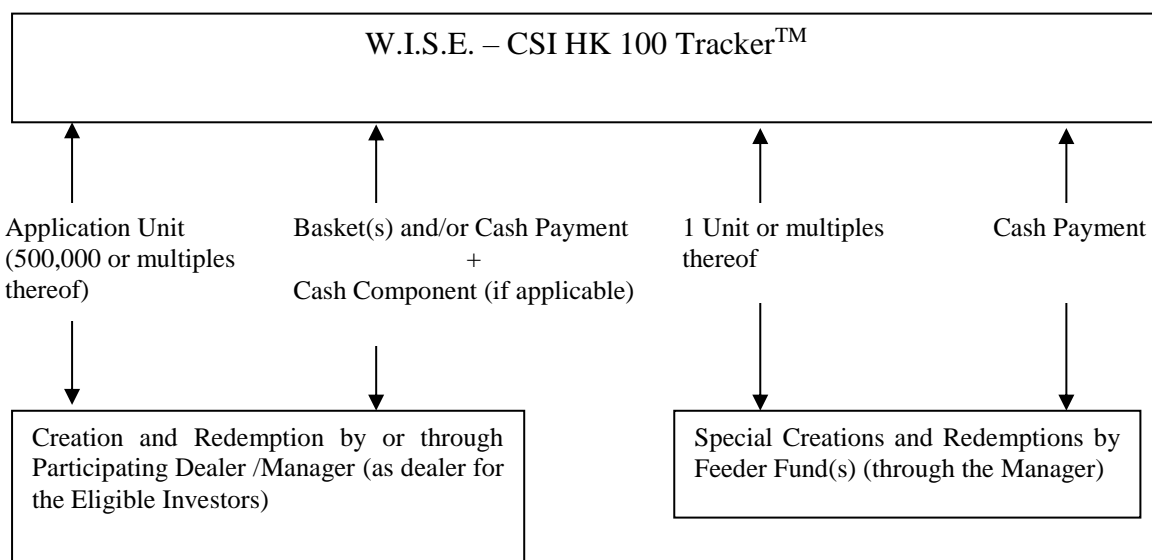
##### *(ii) Special creation and redemption by a Feeder Fund*

The Manager may also facilitate special cash subscriptions and special cash redemptions of Units by a Feeder Fund (subject to such terms and conditions as specified in the relevant application forms and other requirements set out in the section "Creation and Redemption of Units"). The Manager reserves the right to request the Feeder Fund to reimburse the Manager

and/or the Sub-Fund for all reasonable transaction costs incurred in relation to or incidental to the Special Application and/or the constitution or liquidation of the relevant Basket (or a part thereof), respectively. The Manager also reserves the rights to charge such fees as the Manager may in its absolute discretion determine. The minimum sizes for in-kind creations and in-kind redemptions of Units through Participating Dealers do not apply to such special cash subscriptions and special cash redemptions by a Feeder Fund.

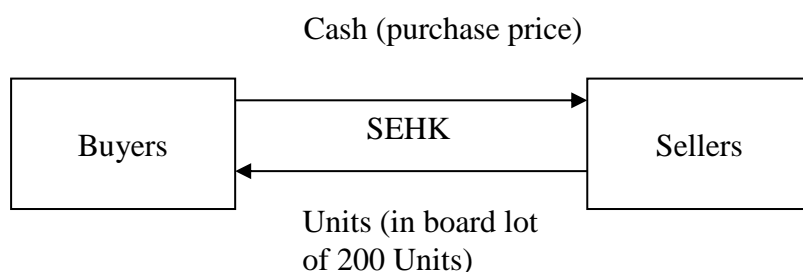
The current Dealing Deadline for making a Special Creation Application or a Special Redemption Application by a Feeder Fund is 3:00 p.m. (Hong Kong time) if it is a full trading day on the SEHK or if the SEHK opens for normal trading only in the afternoon, or 12:00 noon (Hong Kong time) if the SEHK opens for normal trading only in the morning of the relevant Dealing Day or such other time prior to the calculation of the Net Asset Value of the Sub-Fund on that Dealing Day as the Manager may determine and agree with the Trustee.

The diagram below illustrates the creation and redemption of Units :



### **Trading of Units on the SEHK**

An investor can buy or sell the Units through his stockbroker on the SEHK. The diagram below illustrates the trading of Units on the SEHK :



**No money should be paid to any intermediary in Hong Kong which is not licensed for Type 1 regulated activity under Part V of the Securities and Futures Ordinance.**

Subject to applicable regulatory requirements, the Manager intends to ensure that there is at least one market maker for the Sub-Fund to facilitate efficient trading. A market maker is a broker or a dealer permitted by the SEHK to act as such by making a market for the Units in the secondary market on the SEHK. A market maker is obliged to quote bid prices to potential sellers and offer prices to potential buyers when there is a wide spread between the prevailing bid prices and offer prices for Units on the SEHK in order to facilitate the efficient trading of Units by providing liquidity in the secondary market when it is required in accordance with the market making requirements of the SEHK. The list of market makers in respect of the Sub-Fund will be displayed on SEHK's website (www.hkex.com.hk). This website has not been reviewed by the SFC.

### **Participating Dealer(s)**

The role of the Participating Dealer is to apply to create and redeem Units in the Sub-Fund from time to time.

The Manager has the right to appoint the Participating Dealers for the Sub-Fund. The criteria for the eligibility and selection of Participating Dealers by the Manager is as follows: (i) the Participating Dealer must be licensed for at least Type 1 regulated activity pursuant to the Securities and Futures Ordinance with a business presence in Hong Kong; (ii) the Participating Dealer must be acceptable to the Trustee; (iii) the Participating Dealer and its agent(s) (if any) must be acceptable to the Manager; and (iv) the Participating Dealer and/or its agent(s) must be duly authorized CCASS participant(s).

As at the date of this Prospectus, the Sub-Fund has four Participating Dealers, Citigroup Global Markets Asia Limited (“**CGMA**”), ABN AMRO Clearing Hong Kong Limited (“**AACHK**”), BOCI Securities Limited (“**BOCIS**”) and UBS Securities Hong Kong Limited (“**UBSSHK**”).

CGMA is a company incorporated in Hong Kong having its registered office at 50/F, Champion Tower, Three Garden Road, Central, Hong Kong. CGMA is licensed by the SFC in Hong Kong for Types 1, 2, 4, 5, 6 and 7 regulated activities under the Securities and Futures Ordinance.

AACHK is a company incorporated in Hong Kong having its registered office at Suite 2407-2409, Level 24, Three Pacific Place, 1 Queen's Road East, Admiralty, Hong Kong. AACHK is licensed by the SFC to carry on Types 1 and 2 regulated activities in Hong Kong under the Securities and Futures Ordinance. AACHK is a wholly owned subsidiary of ABN AMRO Clearing Bank N.V..

BOCIS is a company incorporated in Hong Kong having its registered office at 20/F Bank of China Tower, 1 Garden Road, Hong Kong. BOCIS is licensed by the SFC to carry on Types 1, 2, 4 and 5 regulated activities in Hong Kong under the Securities and Futures Ordinance. BOCIS is a wholly owned indirect subsidiary of Bank of China Limited.

UBSSHK is a company incorporated in Hong Kong and its main business address is 47-52/F Two International Finance Centre, 8 Finance Street, Central, Hong Kong. UBSSHK is licensed by the SFC to carry on Types 1, 2, 6 and 7 regulated activities in Hong Kong under the Securities and Futures Ordinance. UBSSHK is a wholly owned subsidiary of UBS AG.

The Manager will use its reasonable endeavours to appoint additional Participating Dealers. In the event that additional Participating Dealers are appointed, the Manager will notify Unitholders and the Prospectus will be revised accordingly.

## APPENDIX III

### FEES AND CHARGES APPLICABLE TO THE SUB-FUND

#### **Management Fee and Servicing Fee**

The Manager is entitled to receive a management fee, currently at the rate of 0.99 per cent per annum of the Net Asset Value of the Sub-Fund accrued daily and calculated as at each Dealing Day and payable monthly in arrears.

In addition, the Manager is also entitled to receive a servicing fee but currently intends to waive the servicing fee.

#### **Registrar's Fee and Conversion Agent's Fee**

The Manager shall bear the Registrar's fees. Fees chargeable by the Conversion Agent shall be borne by the Manager and the Participating Dealer(s), the details of are set out in the table under the "Fees Payable by Participating Dealers, Eligible Investors and Retail Investors" section below.

#### **Service Agent's Fee**

The Manager shall bear the Service Agent's fees. The Service Agent charges the Sub-Fund a monthly retainer fee of HK\$8,000 in respect of taking creation and redemption applications through the Manager.

#### **General Expenses**

The costs of establishing the Sub-Fund, preparation of this Prospectus, seeking and obtaining SFC authorization as well as the SEHK listing and all initial legal and printing costs in respect of the Sub-Fund are not anticipated to exceed HK\$1,000,000. Such costs shall be amortized over the first accounting period of the Sub-Fund after consultation with the auditors of the Fund. The costs of calculating and publishing the estimated Net Asset Value of the Sub-Fund, if any, may be borne by the Sub-Fund.

#### **Fees Payable by Participating Dealers, Eligible Investors and Retail Investors**

The fees payable by Participating Dealers, Eligible Investors and retail investors dealing in the Units on the SEHK are summarized in the respective tables below :

##### *Participating Dealer*

##### Creation of Units

Corporate Action Fee	HK\$0.80 per board lot (see Note 1)
Application Cancellation Fee	See Note 2
Extension Fee	See Note 2
Partial Delivery Request Fee	See Note 3
Transaction Fee	See Note 4



## Redemption of Units

Corporate Action Fee	HK\$0.80 per board lot (see Note 1)
Application Cancellation Fee	See Note 2
Extension Fee	See Note 2
Transaction Fee	See Note 4
Unit Cancellation Fee	HK\$1.00 per board lot (see Note 5)

## *Retail Investors Dealing in Units on the SEHK (see Note 6)*

Brokerage fee	Market rates
SFC Transaction levy	0.0027% (see Note 7)
Accounting and Financial Reporting Council (“AFRC”) Transaction levy	0.00015% (see Note 8)
SEHK Trading fee	0.00565% (see Note 9)
Stamp duty	Waived
Investor compensation levy	0.002% (currently suspended) (see Note 10)

## *Investors (other than the Participating Dealer(s)) creating or redeeming Units through the Participating Dealer(s) or a stockbroker*

Investors (other than the Participating Dealer(s)) submitting creation or redemption requests through the Participating Dealer(s) or a stockbroker should note that the Participating Dealer(s) or the stockbroker (as the case may be) may impose fees and charges in handling such requests. Such investors should check the relevant fees and charges with the Participating Dealer(s) or the stockbroker (as the case may be).

## *Eligible Investors creating or redeeming Units directly through the Manager in cash*

### Creation of Units by an Eligible Investor

Application Cancellation Fee	See Note 2
Extension Fee	See Note 2
Transaction Fee	See Note 11

### Redemption of Units by an Eligible Investor

Application Cancellation Fee	See Note 2
Extension Fee	See Note 2
Transaction Fee	See Note 11

Eligible Investors shall bear all transactional costs, duties and expenses, and the market risks in relation to or incidental to the Application and/or in constituting and liquidating the Basket(s).

In addition, Eligible Investors submitting Creation and Redemption Applications directly through the Manager should note that the Manager may impose a servicing fee of up to a maximum of 5% of the application amount in handling such creation or redemption requests and in creating or liquidating the relevant Basket(s). Investors should check the relevant level of servicing fee with the Manager.

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<sup>1</sup> The Corporate Action Fee is payable to HKSCC, and is subject to a maximum amount of HK\$10,000 and the tariff specified in the CCASS Operational Procedures in effect from time to time.

<sup>2</sup> The applicable amount is up to HK\$10,000 per Participating Dealer for aggregate creation or redemption or per Eligible Investor's Application (as the case may be) on that day, and is payable to the Manager. The Application Cancellation Fee and the Extension Fee is payable by the Participating Dealer or Eligible Investor (as the case may be) on each occasion the Manager grants the request of such Participating Dealer or Eligible Investor for cancellation or extended settlement in respect of such Application as provided in this Prospectus.

<sup>3</sup> The applicable amount is up to HK\$10,000 per Application on that day, and is payable to the Trustee for its own account. The Partial Delivery Request Fee will be imposed when any Index Securities are unlikely to be available for delivery or likely to be available in insufficient quantity for delivery to the Trustee in connection with a Creation Application by the Participating Dealer.

<sup>4</sup> The applicable amount is up to HK\$18,000 per Participating Dealer's aggregate creation or redemption on that day and is payable to the Manager. This fee includes (a) the Trustee's Transaction Fee of HK\$6,000 per Application payable by each Participating Dealer to the Manager for the benefit of the Trustee; and (b) the Conversion Agent's Fee which ranges from HK\$5,000 to HK\$12,000 per day per Participating Dealer depending on the aggregate dollar value of creation and redemption applications made on that day by that Participating Dealer, as more fully detailed below:

**Total Aggregated Value Transacted Daily Conversion Agent's Fee**

HK\$1 to HK\$2,000,000	HK\$5,000
HK\$2,000,001 to HK\$5,000,000	HK\$8,000
HK\$5,000,001 to HK\$10,000,000	HK\$10,000
Over HK\$10,000,000	HK\$12,000

<sup>5</sup> The Unit Cancellation Fee is payable to the Conversion Agent.

<sup>6</sup> Certain fees payable by retail investors dealing in Units on the SEHK, including but not limited to the SFC Transaction levy, AFRC Transaction levy, SEHK Trading fee and investor compensation levy, are payable to the SFC, AFRC and/or SEHK. The type and

rate of levies/fees payable are subject to changes imposed by SFC, AFRC and/or SEHK from time to time.

- 7 SFC Transaction levy of 0.0027% of the price of the Units, payable by the buyer and the seller.
- 8 AFRC Transaction levy of 0.00015% of the price of the Units, payable by the buyer and the seller.
- 9 SEHK Trading fee of 0.00565% of the price of the Units, payable by the buyer and the seller.
- 10 The investor compensation levy of the trading price of the Units, payable by the buyer and the seller, has been suspended pursuant to the exemption notice published by the SFC on 11 November 2005.
- 11 The applicable amount is HK\$6,000 per Application payable by each Eligible Investor to the Manager for the benefit of the Trustee.

#### **Fees Payable by Feeder Funds where Units are created or redeemed through Special Creation or Special Redemption**

The Manager reserves the right to request the Feeder Fund to reimburse the Manager and/or the Sub-Fund for all reasonable transaction costs incurred in relation to or incidental to the Special Application and/or the constitution or liquidation of the relevant Basket (or a part thereof), respectively. The Manager also reserves the rights to charge such fees as the Manager may in its absolute discretion determine.

Where both the Feeder Fund and the Sub-Fund in which the Feeder Fund invests in are collective investment schemes managed by the Manager, (i) all initial charges on the Sub-Fund's level will be waived; (ii) the management fees payable at the Sub-Fund's level (which are directly attributable to the amount invested by the Feeder Fund) shall accordingly, be fully rebated in cash to the Feeder Fund; and (iii) the Trustee Fee will be payable for the Trustee's services at both the Feeder Fund's level and the Sub-Fund's level.