

16 December 2016

This Notice is important and requires your immediate attention. It contains information regarding the offering documents of the BOCIP Asset Management Investment Funds. If you are in any doubt about the content of this Notice, you should seek independent professional financial advice.

BOCI-Prudential Asset Management Limited, being the Manager of the BOCIP Asset Management Investment Funds accepts responsibility for the information contained in this Notice as being accurate at the date of issuance 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.

Dear Unitholders,

### **Notice to Unitholders BOCIP Asset Management Investment Funds**

Thank you very much for your participation in the BOCIP Asset Management Investment Funds (the "Fund").

We would like to inform you of the following changes to the Explanatory Memorandum of the Fund and (i) the First Term Sheet in respect of the BOCIP China Value Fund; (ii) Second Term Sheet in respect of the BOCIP China Bond Fund; (iii) the Third Term Sheet in respect of the BOCIP Japan Small & Mid Cap Opportunity Fund; (iv) the Fourth Term Sheet in respect of BOCIP Flexi HKD Income Fund; (v) the Fifth Term Sheet in respect of the BOCIP China Wealth Fund; (vi) Sixth Term Sheet in respect of the BOCIP Hong Kong Value Fund; (vii) the Seventh Term Sheet in respect of the BOCIP China Health Care Fund; (viii) the Eighth Term Sheet in respect of the BOCIP Hong Kong Low Volatility Equity Fund; and (ix) the Ninth Term Sheet in respect of BOCIP China-A Small and Mid Cap Fund. Please refer to the enclosed Third Addendum for details.

I. The following changes shall take effect from 30 December 2016:

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

1. You may be aware that over 100 jurisdictions have committed to the implementation of AEOI regarding tax matters based on the Common Reporting Standard (the "CRS") released by the Organisation of Economic Co-operation and Development ("OECD") in July 2014.

The Inland Revenue (Amendment) (No. 3) Ordinance 2016 ("the Amendment Ordinance"), which came into effect on 30 June 2016, has established common obligations on Financial Institutions ("FIs") in Hong Kong to collect and review information in an effort to identify the account holders' jurisdiction(s) of tax residence. Under the AEOI framework, FIs are required to collect information relating to non-Hong Kong tax residents holding accounts with the FIs, and exchange such information with the jurisdiction(s) in which that account holder is a resident for tax purpose. Please refer to the Hong Kong Inland Revenue Department ("IRD") website for further information in relation to AEOI ([http://www.ird.gov.hk/eng/faq/dta\\_aeoi.htm](http://www.ird.gov.hk/eng/faq/dta_aeoi.htm)).

Under the Amendment Ordinance, details of the Unitholders, including but not limited to their name, jurisdiction of birth, address, tax residence, account details, account balance/value, and income or sale or redemption proceeds, may be reported to the IRD.

The Sub-Funds of the Fund are required to comply with the requirements of AEOI as implemented by Hong Kong. The Investment Manager, the Trustee and/or other service providers to Sub-Funds shall collect and provide to the IRD tax information relating to the Unitholders and prospective investors. By investing in the Sub-Funds and/or continuing to invest in the Sub-Funds, the Unitholders acknowledge that they may be required to provide additional information in order for the Sub-Funds to comply with AEOI.

In view of AEOI, we will revise the Explanatory Memorandum of the Fund. We will add relevant paragraphs relating to AEOI under the section headed "IMPORTANT INFORMATION FOR INVESTORS" and revise the

relevant paragraphs under the sub-heading “Personal Data or Confidential Information”. We will also enhance the risk disclosure to include the “Risks relating to obligations to comply with AEOI”.

**Please note that CRS/AEOI is a complex area and the above information does not constitute any tax or legal advice. This communication is not intended or written to be used, and it cannot be used, for the purpose of avoiding tax penalties. Each Unitholder should consult its own professional advisor(s) on the administrative and substantive implications of CRS/AEOI on its current or proposed investment in any Sub-Fund of the Fund.**

*Adding defined terms and modifying certain existing definitions*

2. The section headed “DEFINITIONS” of the Explanatory Memorandum will be amended by adding new defined terms and modifying certain existing definitions.

*Shenzhen-Hong Kong Stock Connect as an additional means to gain access to A shares market*

3. Following the launch of Shenzhen-Hong Kong Stock Connect, the BOCIP China Value Fund, the BOCIP China Wealth Fund, the BOCIP China Health Care Fund and the BOCIP China-A Small and Mid Cap Fund (collectively, the “said Sub-Funds”) would like to have direct access to certain eligible A-Shares through Shenzhen-Hong Kong Stock Connect in addition to investing via Shanghai-Hong Kong Stock Connect. The programme principles and design of both Shenzhen-Hong Kong Stock Connect and Shanghai-Hong Kong Stock Connect are by and large similar.

We will update (i) the First Term Sheet in respect of the BOCIP China Value Fund; (ii) the Fifth Term Sheet in respect of the BOCIP China Wealth Fund; (iii) the Seventh Term Sheet in respect of the BOCIP China Health Care Fund; and (iv) the Ninth Term Sheet in respect of BOCIP China-A Small and Mid Cap Fund (collectively, the “relevant Term Sheets”) and the product key facts statements (the “KFS”) of the said Sub-Funds by changing all references to “Shanghai-Hong Kong Stock Connect” in the relevant paragraphs under the section headed “INVESTMENT OBJECTIVES AND POLICIES” of the relevant Term Sheets and the section headed “Objectives and Investment Policy” of the KFS of the said Sub-Funds to “Shanghai-Hong Kong Stock Connect and/or Shenzhen-Hong Kong Stock Connect”.

*Enhancement/ updating of risk disclosure*

4. In view of the addition of Shenzhen-Hong Kong Stock Connect as an additional means to gain access to A shares market, we will update the risks factors with respect to the said Sub-Funds by including the risks associated with the investment through Shenzhen-Hong Kong Stock Connect, which are similar to those associated with the investment through Shanghai-Hong Kong Stock Connect. The relevant risk disclosure in the KFS of the said Sub-Funds will also be updated.
5. We will also update the relevant disclosure relating to PRC tax risk with respect to those relevant Sub-Funds which have PRC-related investments based on the latest PRC tax advice.
6. In addition, the existing risk factors of the Sub-Funds as set out in the section headed “RISK FACTORS AND RISK MANAGEMENT POLICIES” of the Explanatory Memorandum will be enhanced and/or updated as a result of a recent overall review. The relevant changes will be reflected in the KFS of the relevant Sub-Funds.

*Liquidity risk management*

7. Further, we would like to enhance the disclosure relating to liquidity risk and liquidity risk management by adding a risk factor headed “Liquidity Risk” under the section headed “RISK FACTORS AND RISK MANAGEMENT POLICIES” of the Explanatory Memorandum and introducing a new section headed “LIQUIDITY RISK MANAGEMENT” before the section headed “SWITCHING BETWEEN SUB-FUNDS”.

### *Other Amendments*

8. To enhance clarity, the second sentence of the second paragraph under the sub-section headed "Restrictions on Redemption" under the section headed "REDEMPTION OF UNITS" of the Explanatory Memorandum shall be amended and restated as follows:

"In this event, the limitation will apply pro rata so that all Unitholders wishing to redeem Units in that Sub-Funds on that Dealing Day will redeem the same proportion by value of such Units, and Units not redeemed (but which would otherwise have been redeemed) will be carried forward for redemption, subject to the same limitation, on the next Dealing Day and the redemption price will then be determined by reference to the Net Asset Value per Unit on such next Dealing Day."

9. Illustrative examples will be added after the last paragraph under the heading "(ii) Performance Fee" under the section headed "FEES AND EXPENSES" of the Fifth Term Sheet in respect of the BOCIP China Wealth Fund.

- II. The following change shall take effect from 1 February 2017:

Please note that the foreign exchange rates quoted by Bloomberg (Tokyo Composite) at 6:00 p.m. (Hong Kong time) for calculating the issue price and redemption price of Units denominated in a currency other than the base currency of the relevant Sub-Fund will be changed to "the foreign exchange rate quoted by WM/Reuters as at 4:00 p.m. (London time)". The relevant disclosure in the First Term Sheet in respect of (i) the BOCIP China Value Fund; (ii) the Fifth Term Sheet in respect of the BOCIP China Wealth Fund; and (iii) the Sixth Term Sheet in respect of the BOCIP Hong Kong Value Fund will be amended accordingly.

You may download a copy of the Explanatory Memorandum together with, the Term Sheets, the previous addenda and the Third Addendum from our corporate website ([www.boci-pru.com.hk](http://www.boci-pru.com.hk)) or obtain a copy of such documents from our office at 27/F., Bank of China Tower, 1 Garden Road, Central, Hong Kong. The latest KFS of each Sub-Fund will be available from 30 December 2016.

Should you have any queries in relation to the above matters, please feel free to contact the Manager's Investment Fund Services Hotline in Hong Kong at (852) 2280 8615.

BOCI-Prudential Asset Management Limited

This is a computer print-out. No signature is required.

# BOCIP ASSET MANAGEMENT INVESTMENT FUNDS

## 中銀保誠資產管理投資基金

### Third Addendum to the Explanatory Memorandum

IMPORTANT: This Addendum is supplemental to and forms part of the Explanatory Memorandum for the BOCIP Asset Management Investment Funds (the “Fund”) dated 29 April 2016, the First Term Sheet dated 29 April 2016, the Second Term Sheet dated 29 April 2016, the Third Term Sheet dated 29 April 2016, the Fourth Term Sheet dated 29 April 2016, the Fifth Term Sheet dated 29 April 2016, the Sixth Term Sheet dated 29 April 2016, the Seventh Term Sheet dated 29 April 2016, the Eighth Term Sheet dated 29 April 2016, the Ninth Term Sheet dated 31 October 2016, the First Addendum dated 25 May 2016 and the Second Addendum dated 31 October 2016 (collectively, the “Explanatory Memorandum”). Unless otherwise defined herein, words and expressions defined in the Explanatory Memorandum or the relevant Term Sheet(s) shall have the same meaning when used in this Addendum.

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

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

A. The following changes shall take effect from 30 December 2016.

I. The Explanatory Memorandum is hereby supplemented as follows:

1. Under the “**TABLE OF CONTENTS**” of the Explanatory Memorandum, the heading “**LIQUIDITY RISK MANAGEMENT**” shall be added immediately after the sub-heading “Compulsory Redemptions under Certain Circumstances” under the heading “**REDEMPTION OF UNITS**”.
2. Under the section headed “**IMPORTANT INFORMATION FOR INVESTORS**” of the Explanatory Memorandum,
  - (i) the following paragraphs shall be added immediately before the paragraph beginning with the word “**IMPORTANT:**” on page 3:

#### **“Automatic Exchange of Financial Account Information”**

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

Generally, tax information will be exchanged only with AEOI partner jurisdictions with which Hong Kong has a Competent Authority Agreement (“CAA”); however, the Sub-Funds and/or the Manager, the Trustee and their associated or affiliated companies, connected persons, delegates, contractors, authorised agents or service providers (collectively, the “Relevant Agents”) may further collect information on the tax residence of account holders (irrespective of whether or not that account holder is a reportable person) of other jurisdictions (in which a person is tax resident irrespective of whether that territory is a reportable jurisdiction).

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

The AEOI rules as implemented by Hong Kong require the Sub-Funds to, amongst other things: (i) register the Sub-Funds’ status as a “Reporting Financial Institution” with the IRD; (ii) conduct due diligence on its accounts (i.e. the Unitholders) to identify whether any such accounts are considered “Reportable Accounts” for AEOI purposes; and (iii) report to the IRD information on such Reportable Accounts. The IRD is expected on an annual basis to transmit the information reported to it to the

government authorities of the relevant jurisdictions with which Hong Kong has signed a CAA. Broadly, AEOI contemplates that Hong Kong FIs should report on: (i) individuals or entities that are tax resident in a jurisdiction with which Hong Kong has signed a CAA; and (ii) certain entities controlled by individuals who are tax resident in such other jurisdiction. Under the Amendment Ordinance, details of the Unitholders, including but not limited to their name, jurisdiction of birth, address, tax residence, account details, account balance/value, and income or sale or redemption proceeds, may be reported to the IRD and subsequently exchanged with government authorities in the relevant jurisdictions of tax residence.

By investing in the Sub-Funds and/or continuing to invest in the Sub-Funds, the Unitholders acknowledge that they may be required to provide additional information to the Sub-Funds and/or the Relevant Agents in order for the Sub-Funds to comply with AEOI. The Unitholder's information (and information on beneficial owners, beneficiaries, direct or indirect shareholders or other persons associated with such Unitholders that are not natural persons), may be transmitted by the IRD to authorities in other jurisdictions.

For the purposes herein, "AEOI" includes:

- (a) the Organization for Economic Co-operation and Development ("OECD") Standard for Automatic Exchange of Financial Account Information in Tax Matters – the Common Reporting Standard (the "CRS") and any associated guidance;
  - (b) any intergovernmental agreement, treaty, regulation, guidance, standard or other agreement between the Hong Kong government (or any government body in Hong Kong) and any other jurisdiction (including any government bodies in such jurisdiction), entered into in order to comply with, facilitate, supplement or implement the legislation, regulations, guidance or standards described in (a) above; and
  - (c) any legislation, regulations or guidance in Hong Kong that give effect to the matters outlined in (a) to (b) above."
- (ii) the first paragraph under sub-heading "Personal Data or Confidential Information" on page 3 shall be amended and restated as follows:

"(1) Personal Data or Confidential Information (including information necessary to ascertain tax status, information for reporting of tax withholding and details of transaction) provided by a Unitholder (in any form or certification or otherwise) will be used, shared, stored, processed, transferred and disclosed (within or outside Hong Kong) so that the Relevant Agents can carry out their obligations in respect of the Fund and/or the Sub-Funds or for other purposes including but not limited to (a) processing the subscription, redemption and switching of Units in the Sub-Funds, completing the information on the Register of Unitholders, carrying out instructions or responding to Unitholders' enquiries, verifying data and providing administrative or other relevant services to the Unitholders (including the mailing of reports, notices or newsletters); (b) in compliance with any applicable law, regulation, statute, ordinance, rule, judgment, decree, code, guidelines, directive, circulars, sanctions regime, court order issued by other regulatory authorities of relevant jurisdiction, exchange or market, whether legal, regulatory, governmental, tax, law enforcement, self-regulatory, industry or others which apply in respect of the Fund and/or the Sub-Funds or the Unitholders' investments and/or bind or apply to the Relevant Agents from time to time or any agreement with any tax or fiscal authority in any jurisdiction and meeting any demands, disclosure, notification or reporting requirements to which any recipient of the data is subject under the applicable laws and regulations, including but not limited to compliance with obligations pursuant to the FATCA, verifying the identity of a Unitholder or establishing whether a Unitholder is a US Person for the purposes of FATCA and compliance with reporting or other obligations under the IRC and the United States Treasury Regulations promulgated under the IRC or any reporting obligations imposed by the United States, Hong Kong or any other jurisdiction (including under AEOI), including reporting obligations that may be imposed by future legislation (collectively, the "Regulatory Requirements"); (c) prevention, detection, sanction or investigation of crime, fraud, money laundering, corruption, tax evasion, terrorist financing and any other violation of laws or unlawful activities and fulfilling related Regulatory Requirements; (d) enforcing or defending the rights of the Fund and/or the Sub-Funds and/or the Relevant Agents; (e) fulfilling internal operational or compliance requirements of the Relevant Agents; and (f) maintenance or continuation of overall relationship with the Unitholder."

3. Under the section headed "**DEFINITIONS**" of the Explanatory Memorandum on page 6,

- (i) the following definition shall be added immediately after the definition of "**connected person**":

"**CSDCC**"

China Securities Depository and Clearing Corporation"

(ii) the following definitions shall be added before the definition of **“Hong Kong”**:

**“HKEx”** Hong Kong Exchanges and Clearing Limited

**“HKSCC”** Hong Kong Securities Clearing Company Limited”

(iii) the definition of “Money Market Sub-Fund” shall be amended and restated as follows:

**“Money Market Sub-Fund(s)”** BOCIP HK Dollar Money Market Fund and other money market funds that have been launched by the Manager, if any”

(iv) the following definition shall be added before the definition of **“SFC”**:

**“SEHK”** The Stock Exchange of Hong Kong Limited”

(v) the following definitions shall be added immediately after the definition of **“SFC”**:

**“Shanghai-Hong Kong Stock Connect”** means the securities trading and clearing linked program with an aim to achieve mutual stock market access between Mainland China and Hong Kong developed by SEHK, SSE, CSDCC and HKSCC, pursuant to the relevant Hong Kong and PRC regulations (as amended from time to time). Under the Northbound Trading Link of Shanghai-Hong Kong Stock Connect, investors, through their appointed Hong Kong brokers and a securities trading service company to be established by SEHK in Shanghai, may be able to trade SSE Securities by routing orders to SSE. Further information about Shanghai-Hong Kong Stock Connect is available online at the website:  
<http://www.hkex.com.hk/eng/csm/chinaConnect.asp?LangCode=en>

**“Shenzhen-Hong Kong Stock Connect”** means the securities trading and clearing linked program with an aim to achieve mutual stock market access between Mainland China and Hong Kong established by SEHK, SZSE, CSDCC and HKSCC, pursuant to the relevant Hong Kong and PRC regulations (as amended from time to time). Under the Northbound Trading Link of Shenzhen-Hong Kong Stock Connect, investors, through their appointed Hong Kong brokers and a securities trading service company to be established by SEHK in Shenzhen, may be able to trade SZSE Securities by routing orders to SZSE. Further information about Shenzhen-Hong Kong Stock Connect is available online at the website:  
<http://www.hkex.com.hk/eng/csm/chinaConnect.asp?LangCode=en>

**“SSE”** Shanghai Stock Exchange

**“SSE Securities”** mean certain eligible shares listed on the SSE that are eligible for investment by Hong Kong and overseas investors via Shanghai-Hong Kong Stock Connect by routing orders to SSE. Currently, such eligible shares include all the constituent stocks from time to time of the SSE 180 Index and the SSE 380 Index, and all the SSE-listed A shares that are not included as constituent stocks of the relevant indices but which have corresponding H shares listed on SEHK, except the following:  
(a) SSE-listed shares which are not traded in RMB; and  
(b) SSE-listed shares which are under risk alert.

Latest information about SSE Securities is available at the website:  
[http://www.hkex.com.hk/eng/market/sec\\_tradinfra/chinaconnect/Eligiblestock.htm](http://www.hkex.com.hk/eng/market/sec_tradinfra/chinaconnect/Eligiblestock.htm)

(vi) the following definitions shall be added immediately after the definition of **“Sub-Fund”**:

**“SZSE”** Shenzhen Stock Exchange

**“SZSE Securities”** mean certain eligible shares listed on SZSE that are eligible for investment by Hong Kong and overseas investors via Shenzhen-Hong Kong Stock Connect by routing orders to SZSE. Currently, such eligible shares include all the constituent stocks from time to time of the SZSE

Component Index and the SZSE Small/Mid Cap Innovation Index which have a market capitalization of not less than RMB 6 billion, and all the SZSE-listed A shares which have corresponding H shares listed on SEHK, except the following:

- (a) SZSE-listed shares which are not traded in RMB; and
- (b) SZSE-listed shares which are under risk alert or under delisting arrangement.

Latest information about SZSE Securities is available at the website: [http://www.hkex.com.hk/eng/market/sec\\_tradinfra/chinaconnect/Eligiblestock.htm](http://www.hkex.com.hk/eng/market/sec_tradinfra/chinaconnect/Eligiblestock.htm)

4. Under the sub-section headed "Risk Factors" under the section headed "**RISK FACTORS AND RISK MANAGEMENT POLICIES**" of the Explanatory Memorandum from pages 8 to 10,

- (i) the following risk factor shall be added before the risk factor headed "(a) Political, economic and social risks" and the original risk factors (a), (b) and (c) shall respectively be re-numbered as (b), (c) and (d):

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

- (ii) the following risk factor shall be added immediately after the re-numbered risk factor headed "(d) Market risk":

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

- (iii) the original risk factor headed "(d) Accounting standards and disclosure" shall be re-numbered and re-named as "(f) Risk relating to accounting standards and disclosure" and the following risk factors shall be added immediately thereafter:

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

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

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

- (iv) the original risk factors headed "(e) Foreign exchange risk" and "(f) Securities risk" shall respectively be re-numbered as (i) and (j) and the following risk factor shall be added immediately thereafter:

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

Investing in equity securities may be associated with higher risks because the investment performance of equity securities depends upon factors which are difficult to predict. Such

factors include the possibility of sudden or prolonged market declines and risks associated with individual companies.”

- (v) the original risk factors headed “(g) Credit risk” and “(h) Counterparty risk” shall respectively be re-numbered as (l) and (m) and amended and restated as follows:

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

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

- (vi) the following risk factors shall be added immediately after the re-numbered risk factor headed “(m) Counterparty risk”:

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

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

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

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

- (vii) the original risk factors headed “(i) Derivative Instruments” and “(j) Single Country Risk” shall respectively be re-numbered and re-named as “(r) Derivative instruments risk” and “(s) Concentration or single country/region risk” and amended and restated as follows:

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

The use of derivatives may expose the Sub-Funds to various types of risk, including but not limited to, counterparty, liquidity, correlation, credit, volatility, valuation, settlement and over-



the-counter transaction risks which can have an adverse effect on the Net Asset Value of the Sub-Funds.

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

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

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

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

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

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

- (viii) the original risk factor headed “(k) Country, Political and Sovereign Risk” shall be re-numbered as (t) and the following risk factors shall be added immediately thereafter:

- “(u) Liquidity risk

Liquidity risk exists when particular investments are difficult to purchase or sell. Investments made by the Sub-Funds may become illiquid or less liquid in response to market developments or adverse investor perceptions. Investments in foreign securities, derivatives or securities with substantial market and/or credit risk tend to have the greatest exposure to liquidity risk. Illiquid securities may be highly volatile and more difficult to value. Certain securities may also be illiquid due to limited trading markets or contractual restrictions on their resale. The Sub-Funds are exposed to the risk that a particular investment or position cannot be unwound or offset easily.

The Sub-Funds may be unable to pay redemption proceeds within the allowable time period because of unusual market conditions, an unusually high volume of redemption requests or other reasons. To meet redemption requests, the Sub-Funds may be forced to sell securities, at an unfavorable time and/or under unfavorable conditions. This can have an impact on the value of the Sub-Funds.

- (v) Potential conflicts of interest

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

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

regard in such event to its obligations to the Sub-Funds and will endeavour to ensure that such conflicts are resolved fairly.

For information relating to conflicts of interest, please refer to the sub-heading "Potential Conflict of Interest, Transactions with Connected Persons and Soft Commissions" under the section headed "Charges and Expenses" on page 23 of the Explanatory Memorandum."

- (ix) the original risk factor "(l) Early Termination Risk" shall be re-numbered as (w) and amended and restated as follows:

"(w) Early termination risk -- The Sub-Funds may be terminated for a number of reasons. These may include (i) the SFC withdrawing its authorisation of the Sub-Funds; (ii) if any law is passed which renders it illegal or in the opinion of the Manager impracticable or inadvisable to continue the Sub-Funds; (iii) the retirement or removal of the Manager where no replacement manager can be found which is acceptable; (iv) the retirement or removal of the Trustee where no replacement trustee can be found which is acceptable; (v) at any time one (1) year after the establishment of a Sub-Fund the Net Asset Value of that Sub-Fund falls below HK\$40,000,000; or (vi) in other circumstances described in this Explanatory Memorandum. If a Sub-Fund is terminated for whatever reason, it may suffer declines in its Net Asset Value. Accordingly investors may not receive an amount upon termination equal to their capital originally invested in the Units."

- (x) the original risk factor headed "(m) Tax risk" shall be re-numbered as (x) and the following risk factor shall be added immediately thereafter:

"(y) Risks relating to obligations to comply with AEOI

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

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

- (xi) the original risk factors headed "(n) Risks relating to obligations of the Sub-Funds under FATCA Regulations" and "(o) Withholding Tax Risk" shall respectively be re-numbered and re-named as "(z) Risks relating to obligations under FATCA regulations" and "(aa) Withholding tax risk under FATCA regime", and the risk factor "(z) Risks relating to obligations under FATCA regulations" shall be amended and restated as follows:

"(z) Risks relating to obligations under FATCA regulations

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

The Sub-Funds will endeavour to satisfy any obligations imposed under the FATCA regulations so as to avoid the imposition of FATCA withholding, however, no assurances can be given that

the Sub-Funds will be able to satisfy those obligations. If any Sub-Funds becomes subject to FATCA withholding, the value of the Units held by the Unitholders may suffer material losses.

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

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

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

- (xii) the first two paragraphs on page 10 shall be deleted in their entirety.
- (xiii) the following amendments shall be made to the risk factors under the sentence “Investors should also note the following risk factors with respect to a Sub-Fund which has Currency Hedged Class(es) of Units or class(es) of Units denominated in a currency other than the base currency of the Sub-Fund:” on page 10:
  - 1. under the risk factor headed “(a) Risk relating to those class(es) of Units denominated in a currency other than the Base Currency”, the sentence commencing with the words “For example” in the second paragraph shall be amended and restated as follows:

“In addition, if an investor whose base currency of investment is HK dollars (not RMB) and chooses to invest in a class of Units denominated in RMB, the investor may be exposed to a higher currency risk.”
  - 2. under the risk factor headed “(b) Currency Hedged Class Risk”,
    - (I) the sentence commencing with the words “For example” in the third paragraph shall be amended and restated as follows:

“For example, if the Currency Hedged Class is denominated in RMB, it may attempt to hedge the currency exchange risk of RMB against the base currency of the Sub-Fund and/or other currency(ies) of non-RMB denominated underlying investments of the Sub-Fund.”
    - (II) the following paragraph shall be added immediately after the last paragraph:

“Where a Sub-Fund’s distributions may be paid out of its capital or effectively be paid out of its capital, the distribution amount and Net Asset Value of the Currency Hedged Class Units may be adversely affected by differences in the interest rates of the reference currency of the Currency Hedged Class Units and the Sub-Fund’s base currency. This may result in an increase in the amount of distribution that is paid out of capital and hence a greater erosion of capital than other non-hedged classes.”
- (xiv) the heading of risk factor (a) under the first sentence on page 11 shall be changed from “RMB Currency and Exchange Rate Risk” to “RMB Currency and Conversion Risks”.
- (xv) the first sentence and the risk factors headed “(a) RMB Currency and Conversion Risks” and “(b) Risk relating to Redemption and/or Distribution Payments (if any)” on page 11 shall be respectively amended and restated as follows:

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

(a) RMB Currency and Conversion Risks

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

Unit classes denominated in RMB participate in the CNH market, which allows investors to freely transact CNH outside of mainland China subject to the availability and clearing liquidity of CNH. Unit classes denominated in RMB will have no requirement to convert CNH to onshore Renminbi ("CNY"). If an investor is a non RMB-based (e.g. Hong Kong) investor, he may have to convert HK dollar or other currency(ies) into RMB when investing in RMB unit classes and subsequently convert the RMB redemption proceeds and/or distribution payment (if any) back to HK dollar or such other currency(ies). Non-RMB based investors are thus exposed to foreign exchange risk and there is no guarantee that the value of RMB against the investors' base currencies (for example HKD) will not depreciate. Such investor will incur currency conversion costs and may suffer losses depending on the exchange rate movements of RMB relative to HK dollar or such other currency(ies).

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

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

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

(b) Risk relating to Redemption and/or Distribution Payments (if any)

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

- (xvi) the following paragraphs shall be inserted immediately after the paragraph under risk factor headed "(b) Risk relating to Redemption and/or Distribution Payments (if any)" on page 11:

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

(a) Emerging Market/ PRC Market Risk

Investing in the securities relating to China is subject to the risks of investing in emerging markets generally and the risks specific to the China market in particular.

Investment in an emerging market, such as the PRC involves special risks and considerations. The Sub-Funds may be subject to risks in relation to economic, political, social and regulatory development in the PRC. These risks include the possibility of: more volatile financial markets, price volatility, smaller capital markets, less developed economic, political and social conditions and policies, less developed clearance and settlement systems and procedures, greater risks in

relation to foreign exchange and liquidity, nationalisation, expropriation, government control and intervention and different accounting standards, etc.. All these may have an adverse impact on performance of the Sub-Funds.

Although in recent years the PRC has experienced substantial economic reform, the PRC government's regulatory and legal framework for securities markets is still developing as compared to the systems in place in more mature markets.

The value of the Sub-Funds assets may be affected by uncertainties or changes in government policies, promulgation of foreign currency and monetary policies and tax regulations. Such measures may have associated impact on the economy or financial markets of the PRC.

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

The Chinese government's control of currency conversion and future movements in exchange rates may adversely affect the operations and financial results of the companies invested in by the Sub-Funds. Furthermore, the PRC government may from time to time adopt corrective measures to control the growth of the PRC economy which may have an adverse impact on the performance or value of the Sub-Funds.

The clearance and settlement systems and procedures in Mainland China may be less developed. There may be times when clearance and settlements are unable to keep pace with the volume of securities transactions, making it difficult to conduct such transactions. Problems with clearance and settlement may affect the value and liquidity of the Sub-Funds. The inability of the Sub-Funds to make intended securities purchases due to clearance and settlement problems may result in the Sub-Funds losing investment opportunities. Inability to dispose of a portfolio security caused by such problems could result either in losses to the Sub-Funds due to subsequent declines in value of the portfolio security or, if the Sub-Funds have entered into a contract to sell the security, could result in potential liability to the purchaser.

(b) Risks associated with High Volatility of the Equity Market in Mainland China

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

(c) Risk associated with Regulatory/Exchanges Requirements/ Policies of the Equity Market in Mainland China

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

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

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

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

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

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

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

- (xvii) the following paragraphs shall be added immediately after the risk factor headed "(e) Liquidity and volatility risks associated with investments in debt securities/fixed income instruments in Mainland market" on page 11:

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

#### Risks associated with Shanghai and Shenzhen Connect

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

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

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

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

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

- (ii) Suspension risk: The SEHK, SSE and SZSE would reserve the right to suspend Northbound and/or Southbound trading if necessary for ensuring an orderly and fair market and that risks are managed prudently. Consent from the relevant regulator would be sought before a suspension is triggered. Where a suspension in the Northbound trading through Shanghai-Hong Kong Stock Connect and/or Shenzhen-Hong Kong Stock Connect is effected, the Sub-Funds' ability to access the PRC market will be adversely affected.
- (iii) Differences in trading day: Shanghai and Shenzhen Connect will only operate on days when both the PRC and Hong Kong markets are open for trading and when banks in both markets are open on the corresponding settlement days. So it is possible that there are occasions when it is a normal trading day for the PRC market but Hong Kong investors (such as the Sub-Funds) cannot carry out any trading of A shares. The Sub-Funds may be subject to a risk of price fluctuations in A shares during the time when Shanghai-Hong Kong Stock Connect and/or

Shenzhen-Hong Kong Stock Connect is not trading as a result.

(iv) Operation risk:

- Shanghai and Shenzhen Connect provide new channels for investors from Hong Kong and overseas to access the China stock market directly.
- Shanghai and Shenzhen Connect are premised on the functioning of the operational systems of the relevant market participants. Market participants are able to participate in Shanghai and Shenzhen Connect subject to meeting certain information technology capability, risk management and other requirements as may be specified by the relevant exchange and/or clearing house. Besides, securities regimes and legal systems of the two markets differ significantly and in order for the program to operate smoothly, market participants may need to address issues arising from the differences on an on-going basis.
- The “connectivity” in each of Shanghai and Shenzhen Connect requires routing of orders across the border. This requires the development of new information technology systems on the part of the SEHK and exchange participants (i.e. a new order routing system) to be set up by SEHK to which exchange participants need to connect. There is no assurance that the systems of the SEHK and market participants will function properly or will continue to be adapted to changes and developments in both markets. In the event that the relevant systems failed to function properly, trading in both markets through Shanghai and Shenzhen Connect could be disrupted. The Sub-Funds’ ability to access the A share market (and hence to pursue its investment strategy) will be adversely affected. The Sub-Funds may also incur trading or other unforeseeable losses in that event.

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

- PRC regulations require that before an investor sells any share, there should be sufficient shares in the account; otherwise the SSE and/or SZSE will reject the sell order concerned. SEHK will carry out pre-trade checking on A shares sell orders of its participants (i.e. the stock brokers) to ensure there is no over-selling.
- If the Sub-Funds desire to sell certain SSE Securities and/or SZSE Securities it holds, to the extent those SSE Securities and/or SZSE Securities are not kept in the Special Segregated Account (SPSA) maintained with CCASS, it must transfer them to the respective accounts of its brokers before the market opens on the day of selling. If it fails to meet this deadline, it will not be able to sell those shares on such day.

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

(vii) Clearing and settlement risk:

- HKSCC and CSDCC will establish the clearing links and each will become a participant of each other to facilitate clearing and settlement of cross-boundary trades. For cross-boundary trades initiated in a market, the clearing house of that market will on one hand clear and settle with its own clearing participants, and on the other hand undertake to fulfil the clearing and settlement obligations of its clearing participants with the counterparty clearing house.
- Should the remote event of CSDCC default occur and CSDCC be declared as a defaulter, HKSCC’s liabilities in Northbound trades under its market contracts with clearing participants will be limited to assisting clearing participants in pursuing their claims against CSDCC. HKSCC will in good faith, seek recovery of the outstanding stocks and monies from CSDCC through available legal channels or through CSDCC’s liquidation. In that event, the Sub-Funds may suffer delay in the recovery process or may not be able to fully recover its losses from CSDCC.

(viii) Counterparty risk relating to brokers: Investment through each of Shanghai and Shenzhen Connect is conducted through broker(s), and is subject to the risks of default by such brokers’

in their obligations. Each of Shanghai and Shenzhen Connect follows the A share settlement cycle where the A shares are settled on the same trade day and cash on a T+1 basis. Although the Sub-Funds may have settlement arrangements in place with brokers different from the A share settlement cycle, the deliveries of SSE Securities and/or SZSE Securities and payments therefor may not be simultaneous.

- (ix) Participation in corporate actions and shareholders' meetings:
- HKSCC will keep CCASS participants informed of corporate actions of SSE Securities and/or SZSE Securities. Hong Kong and overseas investors (including the Sub-Funds) will need to comply with the arrangement and deadline specified by their respective brokers or custodians (i.e. CCASS participants). The time for them to take actions for some types of corporate actions of SSE Securities or SZSE Securities (as the case may be) may be as short as one Business Day only. Therefore, the Sub-Funds may not be able to participate in some corporate actions in a timely manner.
  - Hong Kong and overseas investors (including the Sub-Funds) are holding SSE Securities and/or SZSE Securities traded via Shanghai-Hong Kong Stock Connect and/or Shenzhen-Hong Kong Stock Connect (as the case may be) through their brokers or custodians. According to existing Mainland practice, multiple proxies are not available. Therefore, the Sub-Funds may not be able to appoint proxies to attend or participate in shareholders' meetings in respect of the SSE Securities and/or SZSE Securities (as the case may be).
- (x) No Protection by Investor Compensation Fund: The Sub-Funds' investments through Northbound trading under each of Shanghai and Shenzhen Connect is currently not covered by the Hong Kong's Investor Compensation Fund. Therefore the Sub-Funds are exposed to the risks of default of the broker(s) it engages in its trading in SSE Securities and/or SZSE Securities through Shanghai-Hong Kong Stock Connect and/or Shenzhen-Hong Kong Stock Connect.
- (xi) Regulatory risk:
- Each of Shanghai and Shenzhen Connect is novel in nature, and will be subject to regulations promulgated by regulatory authorities and implementation rules made by the stock exchanges in the PRC and Hong Kong. Further, new regulations may be promulgated from time to time by the regulators in connection with operations and cross-border legal enforcement in connection with cross-border trades under Shanghai and Shenzhen Connect.
  - It should be noted that the regulations are untested and there is no certainty as to how they will be applied. Moreover, the current regulations are subject to change. There can be no assurance that Shanghai and Shenzhen Connect will not be abolished. The Sub-Funds, which may invest in the PRC market through Shanghai and Shenzhen Connect, may be adversely affected as a result of such changes.
- (xii) Foreign exchange/ currency conversion risk: The Sub-Funds may be subject to exchange rate fluctuations between Hong Kong dollars and RMB (specifically CNH or CNY) given that the Sub-Funds are denominated in Hong Kong dollars, but the SSE Securities and/or SZSE Securities acquired via Shanghai-Hong Kong Stock Connect and/or Shenzhen-Hong Kong Stock Connect are denominated in CNH. Share securities acquired through QFII are denominated in CNY, while the cash holding of the Sub-Funds could be in either RMB or Hong Kong dollars. The Sub-Funds may also be subject to bid/offer spread and currency conversion costs when converting to and from Hong Kong dollars and RMB."
- (ix) the following sentence and risk factors shall be added before the sentence "In view of the risk factors as mentioned above, the Sub-Funds are, therefore, only suitable for investors who can afford the risks involved." on page 11:

"Investors should note the following risk factors with respect to BOCIP HK Dollar Money Market Fund:

- (a) General investment risk – The Sub-Fund is an investment fund. The Sub-Fund's investment portfolio may fall in value and therefore your investment in the Sub-Fund may suffer losses. There is no guarantee in respect of repayment of principal. The purchase of a Unit in the Sub-Fund is not the same as placing funds on deposit with a bank or deposit-taking company, that



the Manager has no obligation to redeem Units at the issue price and the Sub-Fund is not subject to the supervision of the Hong Kong Monetary Authority.

- (b) Interest rate risk – Investment in the Sub-Fund is subject to interest rate risk. Interest rates in the short-term money market may vary from day to day reflecting changes in the level of money available in the economy and expectations of interest rate trends. The rate of return to investors will therefore fluctuate with these changes. In general, the prices of money market instruments rise when interest rates fall, whilst their prices fall when interest rates rise.
  - (c) Market risk – Market risk includes such factors as changes in economic environment, consumption pattern and investors' expectation etc. which may have significant impact on the value of the investments.
  - (d) Credit/ counterparty risk – The Sub-Fund is exposed to the credit/default risk of issuers of the money market instruments that the Sub-Fund may invest in. The issuer, guarantor or counterparty to a financial instrument in which the underlying fund invests may default on its payment obligations or otherwise be unwilling or unable to honor its contractual obligations. This may affect the value of the investments or the amount that the underlying fund may receive from the financial instruments. The performance of the Sub-Fund may therefore be adversely affected."
5. Under the section headed "**REDEMPTION OF UNITS**" of the Explanatory Memorandum, the second sentence of the second paragraph under the sub-section headed "Restrictions on Redemption" on page 17 shall be amended and restated as follows:

"In this event, the limitation will apply pro rata so that all Unitholders wishing to redeem Units in that Sub-Fund on that Dealing Day will redeem the same proportion by value of such Units, and Units not redeemed (but which would otherwise have been redeemed) will be carried forward for redemption, subject to the same limitation, on the next Dealing Day and the redemption price will then be determined by reference to the Net Asset Value per Unit on such next Dealing Day."

6. The following new section headed "**LIQUIDITY RISK MANAGEMENT**" shall be inserted before the section headed "**SWITCHING BETWEEN SUB-FUNDS**" of the Explanatory Memorandum on page 18:

**LIQUIDITY RISK MANAGEMENT**

Unitholders should be aware of the potential impact of the liquidity risk on the Sub-Funds. For details, please refer to risk factor headed "(u) Liquidity Risk" under the sub-section headed "Risk Factors" above.

The Manager employs a liquidity risk management process and maintains tools and methods of monitoring the liquidity of the Sub-Funds. The overall process involves appropriate oversight by management, measurement processes, regular assessment, on-going monitoring and internal control procedures.

The liquidity risk management tools include implementation and maintaining of appropriate liquidity limits for each Sub-Fund and performing periodic stress testing of the liquidity risk of each Sub-Fund under both normal and exceptional liquidity conditions to check whether that anticipated redemption requests can be met. In exceptional circumstances, procedures such as deferring payment of redemption proceeds (as set out in sub-section headed "Payment of Redemption Proceeds" on page 16 above), limiting the number of Units to be redeemed and deferring the redemption (as set out in sub-section headed "Restrictions on Redemption" on page 17 above), or applying in-specie or in-kind redemptions (as set out in sub-section headed "Payment of Redemption Proceeds by Distribution in Specie" on page 17 above) may be used. Investors should refer to the relevant sections mentioned above for further details as to when the tools may be used and their potential impacts."

- II. The Explanatory Memorandum is further supplemented by making the following amendments to (i) the First Term Sheet in respect of the BOCIP China Value Fund; (ii) Second Term Sheet in respect of the BOCIP China Bond Fund; (iii) the Third Term Sheet in respect of the BOCIP Japan Small & Mid Cap Opportunity Fund; (iv) the Fourth Term Sheet in respect of BOCIP Flexi HKD Income Fund; (v) the Fifth Term Sheet in respect of the BOCIP China Wealth Fund; (vi) Sixth Term Sheet in respect of the BOCIP Hong Kong Value Fund; (vii) the Seventh Term Sheet in respect of the BOCIP China Health Care Fund; (viii) the Eighth Term Sheet in respect of the BOCIP Hong Kong Low Volatility Equity Fund; and (ix) the Ninth Term Sheet in respect of BOCIP China-A Small and Mid Cap Fund:
1. under the section headed "**INVESTMENT OBJECTIVES AND POLICIES**" respectively on page 1 of (i) the First Term Sheet in respect of the BOCIP China Value Fund; (ii) the Fifth Term Sheet in respect of the BOCIP China Wealth Fund; (iii) the Seventh Term Sheet in respect of the BOCIP China Health Care Fund;

and (iv) the Ninth Term Sheet in respect of BOCIP China-A Small and Mid Cap Fund (collectively, the “Relevant Four Term Sheets”),

- (i) all references to “Shanghai-Hong Kong Stock Connect” or “Shanghai-Hong Kong Stock Connect (as defined below)” shall be amended and restated as “Shanghai-Hong Kong Stock Connect and/or Shenzhen-Hong Kong Stock Connect”; and
  - (ii) the paragraph relating to the meaning of “Shanghai-Hong Kong Stock Connect” shall be deleted in its entirety.
2. under the sub-section headed “Risk Factors” under the section headed “**RISK FACTORS AND RISK MANAGEMENT POLICIES**” of each of the Relevant Four Term Sheets,
- (i) the following sentence shall be added immediately after the sentence starting with the words “Since the Sub-Fund involves investments in Mainland China,” in the first paragraph respectively on page 2 of each of the Relevant Four Term Sheets:  
  
“Since the Sub-Fund has direct access to certain eligible A shares via Shanghai-Hong Kong Stock Connect and/or Shenzhen-Hong Kong Stock Connect. Investors should also note the risks associated with Shanghai and Shenzhen Connect.”
  - (ii) the risk factor headed “Risks Associated with the Shanghai-Hong Kong Stock Connect” respectively on pages 4 to 5 of the First Term Sheet in respect of the BOCIP China Value Fund and pages 4 to 5 of the Fifth Term Sheet in respect of the BOCIP China Wealth Fund; and the risk factor headed “Risks Related to the Shanghai-Hong Kong Stock Connect” respectively on pages 4 to 5 of the Seventh Term Sheet in respect of the BOCIP China Health Care Fund and pages 2 to 4 of the Ninth Term Sheet in respect of BOCIP China-A Small and Mid Cap Fund shall be deleted in its entirety; and as a result,
    - (a) the risk factors from (i) to (m) in the First Term Sheet in respect of the BOCIP China Value Fund shall correspondingly be renumbered as from (h) to (l);
    - (b) the risk factors from (g) to (o) in the Fifth Term Sheet in respect of the BOCIP China Wealth Fund shall be correspondingly renumbered as from (f) to (n);
    - (c) the risk factors from (h) to (n) in the Seventh Term Sheet in respect of the BOCIP China Health Care Fund shall correspondingly be renumbered as from (g) to (m); and
    - (d) the risk factors from (d) to (p) in the Ninth Term Sheet in respect of BOCIP China-A Small and Mid Cap Fund shall correspondingly be renumbered as from (c) to (o).
3. the heading “**RISK FACTORS AND RISK MANAGEMENT POLICIES**” on page 1 of the Eight Term Sheet in respect of BOCIP Hong Kong Low Volatility Equity Fund shall be re-named as “**RISK FACTORS**”;
4. a sub-heading “**Risk Factors**” shall be added immediately under the heading “**RISK FACTORS AND RISK MANAGEMENT POLICIES**” respectively on page 2 of (i) the First Term Sheet in respect of the BOCIP China Value Fund; (ii) the Fifth Term Sheet in respect of the BOCIP China Wealth Fund; (iii) the Seventh Term Sheet in respect of the BOCIP China Health Care Fund; and (iv) the Ninth Term Sheet in respect of BOCIP China-A Small and Mid Cap Fund;
5. the term “RMB Currency and Exchange Rate Risk” respectively appearing in the first paragraph under the sub-section headed “Risk Factors” under the section headed “**RISK FACTORS AND RISK MANAGEMENT POLICIES**” respectively on page 2 of (i) the First Term Sheet in respect of the BOCIP China Value Fund and (ii) the Fifth Term Sheet in respect of the BOCIP China Wealth Fund and under the section headed “**RISK FACTORS**” on page 1 of the Sixth Term Sheet in respect of the BOCIP Hong Kong Value Fund shall be changed to “RMB Currency and Conversion Risks”;
6. the first sentence of the first paragraph under the section headed “**RISK FACTORS**” respectively on page 1 of (i) the Third Term Sheet in respect of the BOCIP Japan Small & Mid Cap Opportunity Fund; (ii) the Sixth Term Sheet in respect of the BOCIP Hong Kong Value Fund; and (iii) the Eight Term Sheet in respect of BOCIP Hong Kong Low Volatility Equity Fund shall be deleted and replaced with the following:  
  
“The risk factors set out under the section headed “Risk Factors and Risk Management Policies” on pages 8 to 11 of the Explanatory Memorandum, including general investment risk, political, economic and social risks, market risk, risk relating to accounting standards and disclosure, currency risk, foreign exchange risk, securities risk, equity market risk, derivative instruments risk, concentration or single country/region risk, country, political and sovereign risk, liquidity risk, early termination risk, tax risk, risks relating to obligations to comply with AEOI, risks relating to obligations under FATCA regulations and withholding tax risk under FATCA regime, generally apply to the Sub-Fund.”

7. the first sentence of the first paragraph under the section headed “**RISK FACTORS**” respectively on (i) page 3 of the Second Term Sheet in respect of the BOCIP China Bond Fund; and (ii) page 1 of the Fourth Term Sheet in respect of BOCIP Flexi HKD Income Fund shall be deleted and replaced with the following:

“The risk factors set out under the section headed "Risk Factors and Risk Management Policies" on pages 8 to 11 of the Explanatory Memorandum, including general investment risk, political, economic and social risks, interest rate risk, market risk, emerging market risk, risk relating to accounting standards and disclosure, valuation risk, currency risk, foreign exchange risk, securities risk, credit risk, counterparty risk, credit rating risk, downgrading risk, risk associated with debt securities rated below investment grade or unrated debt securities, sovereign debt risk, derivative instruments risk, concentration or single country/region risk, country, political and sovereign risk, liquidity risk, early termination risk, tax risk, risks relating to obligations to comply with AEOI, risks relating to obligations under FATCA regulations and withholding tax risk under FATCA regime, generally apply to the Sub-Fund. Since the Sub-Fund has investments denominated in RMB or exposure to RMB currency, investors should also note RMB currency and conversion risks and risk relating to redemption and/or distribution payments (if any). Since the Sub-Fund involves investments in debt securities/fixed income instruments in Mainland China, investors should also note (i) credit rating agency risk associated with investments in Mainland China onshore debt securities/fixed income instruments and (ii) liquidity and volatility risks associated with investments in debt securities/fixed income instruments in Mainland market.”;

8. the first sentence of the first paragraph under the sub-section headed “Risk Factors” under the section headed “**RISK FACTORS AND RISK MANAGEMENT POLICIES**” respectively on page 2 of (i) the First Term Sheet in respect of the BOCIP China Value Fund; (ii) the Fifth Term Sheet in respect of the BOCIP China Wealth Fund; (iii) the Seventh Term Sheet in respect of the BOCIP China Health Care Fund; and (iv) the Ninth Term Sheet in respect of BOCIP China-A Small and Mid Cap Fund shall be deleted and replaced with the following:

“The risk factors set out under the section headed "Risk Factors and Risk Management Policies" on pages 8 to 11 of the Explanatory Memorandum, including general investment risk, political, economic and social risks, market risk, emerging market risk, risk relating to accounting standards and disclosure, currency risk, foreign exchange risk, securities risk, equity market risk, derivative instruments risk, concentration or single country/region risk, country, political and sovereign risk, liquidity risk, potential conflicts of interest, early termination risk, tax risk, risks relating to obligations to comply with AEOI, risks relating to obligations under FATCA regulations and withholding tax risk under FATCA regime, generally apply to the Sub-Fund. Since the Sub-Fund involves investments in Mainland China, investors should also note risks associated with high volatility of the equity market in Mainland China and risk associated with regulatory/exchanges requirements/ policies of the equity market in Mainland China. Since the Sub-Fund has direct investment in A shares via Shanghai and Shenzhen Connect, investors should also note risks associated with Shanghai and Shenzhen Connect.”

9. the contents and heading of: (A) the risk factor paragraph (i) “Taxation in the PRC” on pages 5 to 7 of the First Term Sheet in respect of the BOCIP China Value Fund; (B) the risk factor (i) headed “Mainland China Tax Risk/PRC Tax Considerations” on pages 6 to 8 of the Seventh Term Sheet in respect of the BOCIP China Health Care Fund; and (C) the risk factor (I) headed “PRC Tax Risk” on pages 6 to 8 of the Ninth Term Sheet in respect of BOCIP China-A Small and Mid Cap Fund respectively under the section headed “**RISK FACTORS AND RISK MANAGEMENT POLICIES**” of the relevant Term Sheet shall be deleted and replaced with the following:

#### “PRC Tax Risk

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

### **1 Corporate Income Tax (“CIT”)**

#### *1.1 Investing in A shares*

##### *a) Capital gains*

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

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

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

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

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

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

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

*b) Dividend income*

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

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

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

*a) Capital gains*

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

*b) Dividend income*

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

## **2 Value-added tax (“VAT”) and surtaxes**

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

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

## **3 Stamp Duty**

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

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

## **4 Tax Provision**

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

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

Although the relevant authorities have announced that CIT, VAT and individual income tax will be temporarily exempted on gains derived by Hong Kong and overseas investors (including the Sub-Fund) on the trading of A shares through Shanghai and Shenzhen Connect, dividends from A shares paid to Hong Kong and overseas investors will continue to be subject to 10% PRC WHT and the company distributing the dividend has the withholding obligation. Further, investors should note that the tax exemption on gains derived from trading of A shares via Shanghai and Shenzhen Connect under Circular 81 and Circular 127 was granted on a temporary basis and there is no assurance that the Sub-Fund will continue to enjoy the tax exemption over a long period of time. If the exemption under Circular 81 and Circular 127 is withdrawn, or if guidance is issued in relation to the tax position for A shares traded via Shanghai and Shenzhen Connect which differs from the current practice of the Manager, any capital gains derived from the trading of A shares via Shanghai and Shenzhen Connect may be directly borne by the Sub-Fund and may result in a substantial impact to the Sub-Fund’s Net Asset Value.

The PRC tax rules and practices in relation to Shanghai and Shenzhen Connect are new. It is possible that any future announcement by the PRC tax authority may subject the Sub-Fund to unforeseen tax obligations, which may have retrospective effect.

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

10. the contents and the heading of the risk factor paragraph (f) “Mainland China Tax Risk” under the section headed “**RISK FACTORS**” on pages 6 to 7 of the Second Term Sheet in respect of the BOCIP China Bond Fund shall be deleted and replaced with the following:

“PRC Tax Risk

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

Investors should also note that by investing in onshore RMB denominated and settled debt and fixed income instruments which are traded on the Shanghai Stock Exchange, the Shenzhen Stock Exchange and/or the interbank bond market of Mainland China (“onshore PRC debt securities”) issued by tax residents in the PRC, the Sub-Fund may be subject to taxes imposed in the PRC, such as withholding of Corporate Income Tax (“CIT”).

**1 Corporate Income Tax (“CIT”)**

- a) Capital gains

PRC withholding income tax (“WHT”) implications on capital gains derived from the disposal of onshore PRC debt securities

According to the PRC Corporate Income Tax Law (“CIT Law”) and its Detailed Implementation Rules (“DIR”), if a non-resident enterprise does not have a permanent establishment (“PE”) in the PRC, then only the PRC sourced income would be subject to PRC WHT. The applicable WHT rate is 10% unless there is relief or reduction under the relevant tax treaty.

With the approval from the PRC State Council, the State Administration of Taxation (“SAT”), the Ministry of Finance (“MOF”) and the China Securities Regulatory Commission (“CSRC”) have jointly issued Caishui [2014] No. 79 (“Circular 79”) to clarify the PRC WHT treatment with respect to gains derived by QFIIs and RQFIIs from the trading of equity investments.

Circular 79 only covers equity investments but not PRC debt securities. The Manager has consulted independent professional tax advisor to opine on PRC WHT in respect of gross unrealized and realized capital gains derived from the Sub-Fund’s investments in onshore PRC debt securities.

The independent professional tax advisor informed the Manager that since the issuance of Circular 79, the industry participated in various meetings with the SAT and certain local tax bureaus in which the PRC tax authorities indicated that capital gains derived by QFIIs from the investments in onshore PRC debt securities should not be regarded as PRC sourced income under the domestic CIT Law and thus, are not subject to PRC WHT, unless the SAT and/or MOF would issue further guidance stating otherwise.

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

WHT provision on capital gains from onshore PRC debt securities

In order to meet the potential tax liability for capital gains in respect of the gross realized and unrealized capital gains derived from the investments in PRC debt securities, a provision of 10% has been made by the Sub-Fund before 30 October 2015.

After careful consideration and having taken and considered independent professional tax advice, and in accordance with such advice, the Manager has determined that no WHT provision will be made, from 30 October 2015 onwards until further notice, on the gross unrealized and realized capital gains derived from the Sub-Fund's investments in PRC debt securities.

Please note that the interpretation of the taxability of the capital gains from the trading of PRC debt securities may be subject to change. If the SAT and/or MOF would issue tax rules in the future which change the above position (e.g. consider the gains derived by non PRC residents (including QFIIs) to be PRC sourced), the Sub-Fund would need to assess whether treaty relief would be available under the Arrangement.

The Sub-Fund's approach with regard to WHT is subject to change if there is specific tax rule/guidance on QFII issued by the SAT/MOF, as well as practices adopted by the local tax authorities/SAT, in the future.

In respect of offshore bond investments, the Sub-Fund will not currently make any provision for any potential tax liability for capital gains.

#### b) Interest income

Under the domestic CIT Law and its DIR, interests derived from Mainland China by entities that are treated as non-residents in the PRC which have no establishment or place in the Mainland China are subject to PRC WHT at the rate of 10%.

Under the Arrangement, for tax residents in Hong Kong that have no PE in the PRC, the WHT rate on interest income can be reduced to 7%, subject to the assessment of the PRC tax authority. The general rate of 10% will be applicable to the Sub-Fund if the preferential rate is not granted.

## **2 Value-added Tax ("VAT") and surtaxes**

According to Caishui [2016] No.36 effective from 1 May 2016, interest income from government bonds and municipal local government bonds are exempted from VAT. Furthermore, the MOF and SAT jointly issued Caishui [2016] No. 70, which is a supplementary notice to Caishui [2016] No. 36 concerning the financial industry. According to Caishui [2016] No. 70, interest income derived from holding of financial bonds (i.e. bonds issued by PRC incorporated financial institutions in the inter-bank bond market or exchange market) by financial institutions is exempted from VAT. However, such exemption is technically not applicable to interest derived from bonds other than the aforesaid. Hence interest income from bonds other than the aforesaid may be subject to VAT at 6%.

According to Caishui [2016] No. 36 and Caishui [2016] No. 70, gains derived by QFIIs and RQFIIs from the transfer of PRC Securities will be exempted from VAT since 1 May 2016.

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

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

## **3 Stamp Duty ("SD")**

SD under the PRC laws generally applies to the execution and receipt of all taxable documents listed in the PRC's Provisional Rules on SD. SD is levied on the execution or receipt in China of certain documents, including loan contracts.

## **4 Tax Provision**

It should be noted that there is a possibility of the PRC tax rules, regulations and practice being changed and taxes being applied retrospectively. If tax is levied by the SAT on the Sub-Fund and the Sub-Fund is required to make payments reflecting tax liabilities for which no provisions have been made, investors should note that the Net Asset Value of the Sub-Fund may be adversely affected, as the Sub-Fund will ultimately have to bear the full amount of tax liabilities. In this case, the tax liabilities of the Sub-Fund will only impact Units in issue of the Sub-Fund at the relevant time, and the then existing Unitholders and subsequent Unitholders of such Sub-Fund will be disadvantaged as such Unitholders will bear, through the Sub-Fund, a disproportionately higher amount of tax liabilities as compared to that borne at the time of investment in the Sub-Fund.

The actual tax liabilities may be lower than the tax provision made (if any), in which case those persons who have already redeemed their Units before the actual tax liabilities are determined will not be entitled or have any right to claim any part of such overprovision.

Unitholders may be disadvantaged depending upon the final tax liabilities and when they subscribed and/or redeemed their Units in the Sub-Fund. Unitholders should seek their own tax advice on their tax position with regard to their investment in the Sub-Fund.”

11. the contents and heading of the risk factor paragraph (i) “PRC Tax Considerations” under the section headed “**RISK FACTORS**” on pages 3 to 4 of the Fourth Term Sheet in respect of the BOCIP Flexi HKD Income Fund shall be deleted and replaced with the following:

#### “PRC Tax Risk

Investors should also note that by investing in PRC debt instruments (including offshore debt instruments) issued by tax residents in the PRC, the Sub-Fund may be subject to taxes imposed in the PRC, such as withholding of Corporate Income Tax.

#### **1 Corporate Income Tax (“CIT”)**

##### *a) Capital gains*

According to the PRC Corporate Income Tax Law (“CIT Law”) and its Detailed Implementation Rules (“DIR”), if a non-resident enterprise does not have a permanent establishment (“PE”) in the PRC, or the PRC sourced income is not attributable to any PE in the PRC, then only the PRC sourced income would be subject to PRC WHT. The applicable WHT rate is 10% unless there is relief or reduction under the relevant tax treaty.

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

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

##### *b) Interest income*

Under the domestic CIT Law and its DIR, interests derived from Mainland China by entities that are treated as non-residents in the PRC which have no establishment or place in the Mainland China are subject to PRC WHT at the rate of 10%. Under the Arrangement, for tax residents of Hong Kong that have no PE in the PRC, the WHT rate on interest income can be reduced to 7%, subject to the assessment of the PRC tax authority. The general rate of 10% will be applicable to the Sub-Fund if the preferential rate is not granted. Interest derived from government bonds is exempted from WHT.

#### **2 Value-added Tax (“VAT”) and surtaxes**

According to Caishui [2016] No.36 effective from 1 May 2016, interest income from government bonds and municipal local government bonds are exempted from VAT. Furthermore, the PRC Ministry of Finance (“MOF”) and the State Administration of Taxation (“SAT”) jointly issued Caishui [2016] No. 70, which is a supplementary notice to Caishui [2016] No. 36 concerning the financial industry. According to Caishui [2016] No. 70, interest income derived from holding of financial bonds (i.e. bonds issued by PRC incorporated financial institutions in the inter-bank bond market or exchange market) by financial institutions are exempted from VAT. However, such exemption is technically not applicable to interest derived from bonds other than the aforesaid. Hence interest income from bonds other than the aforesaid may be subject to VAT at 6%.

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



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

### 3 Stamp Duty (“SD”)

SD under the PRC laws generally applies to the execution and receipt of all taxable documents listed in the PRC’s Provisional Rules on SD. SD is levied on the execution or receipt in China of certain documents, including loan contracts.

### 4 Tax Provision

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

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

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

12. the first paragraph under the risk factor paragraph (k) headed “Specific Risks Associated with ABS and/or MBS” under the section headed “**RISK FACTORS**” on page 4 of the Fourth Term Sheet in respect of the BOCIP Flexi HKD Income Fund shall be deleted and replaced with the following:

“The Sub-Fund may invest in ABS and/or MBS which are different from traditional bonds or debt instruments and may be highly illiquid and prone to substantial price volatility. MBS (mortgage-backed securities) are securities that are backed by the cash flows of a mortgage or a pool of mortgages. ABS (asset-backed securities) are securities whose income payments and hence value is derived from and backed by a specified pool of underlying assets. These instruments may be subject to greater credit, liquidity and interest rate risk compared to other debt securities. They are often exposed to extension and prepayment risks and risks that the payment obligations relating to the underlying assets are not met, which may adversely impact the returns of the securities.”

13. the contents and heading of the risk factor headed “(o) Risk relating to the Sub-Fund’s investment in other CISs” under the section headed “**RISK FACTORS**” on page 5 of the Fourth Term Sheet in respect of the BOCIP Flexi HKD Income Fund shall be deleted and replaced with the following:

“(o) Risks of Investing in Other CISs/funds

Investors should be aware of the consequences of investing in other CISs/funds (the “underlying funds”). Investment decisions of the underlying funds are made at the level of such underlying funds. The Sub-Fund will be subject to the same type of risks in proportion to their holdings of those specific underlying funds. Different underlying funds invested by the Sub-Fund have different underlying investments. The risks relating to such underlying investments may include any of the general risk factors mentioned in the Explanatory Memorandum.

There may be additional costs involved when investing into these underlying funds. The Sub-Fund will bear the fees paid to the Manager and its other service providers as well as, indirectly, a pro rata portion of the fees paid by the underlying funds to the service providers of the underlying funds. If the Sub-Fund invests in underlying funds managed by the Manager, all initial charges on such underlying funds will be waived. Further, the management fees payable at the underlying fund(s)

level (which are directly attributable to the amount invested by the Sub-Fund) shall accordingly, be fully rebated in cash to the Sub-Fund. There is also no guarantee that the underlying funds will always have sufficient liquidity to meet the Sub-Fund's redemption requests as and when made."

14. the contents and heading of the risk factor paragraph (i) "Mainland China Tax Risk" under the sub-section headed "Risk Factor" under the section headed "**RISK FACTORS AND RISK MANAGEMENT POLICIES**" on pages 6 to 8 of the Fifth Term Sheet in respect of the BOCIP China Wealth Fund shall be deleted and replaced with the following:

"PRC Tax Risk

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

**1 Corporate Income Tax ("CIT")**

*1.1 Investing in A shares*

*a) Capital Gains*

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

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

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

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

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

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

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

*b) Dividend income*

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

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

*1.2 Investing in B shares, H shares and shares of companies listed on SEHK*

*a) Capital gains*

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

*b) Dividend income*

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

*1.3 Investing in debt and fixed income instruments*

*a) Capital gains*

According to the PRC CIT Law and its Detailed Implementation Rules ("DIR"), if a non-resident enterprise does not have a PE in the PRC, or the PRC sourced income is not attributable to any PE in the PRC, then only the PRC sourced income would be subject to PRC WHT. The applicable WHT rate is 10% unless there is relief or reduction under the relevant tax treaty.

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

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

*b) Interest income*

Under the domestic CIT Law and its DIR, interests derived from Mainland China by entities that are treated as non-residents in the PRC which have no establishment or place in the Mainland China are subject to PRC WHT at the rate of 10%. Under the Arrangement, for tax residents of Hong Kong that have no PE in the PRC, the WHT rate on interest income can be reduced to 7%, subject to the assessment of the PRC tax authority. The general rate of 10% will be applicable to the Sub-Fund if the preferential rate is not granted. Interest derived from government bonds is exempted from WHT.

## **2 Value-added Tax (“VAT”) and surtaxes**

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

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

## **3 Stamp Duty**

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

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

## **4 Tax Provision**

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

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

Although the relevant authorities have announced that CIT, VAT and individual income tax will be temporarily exempted on gains derived by Hong Kong and overseas investors (including the Sub-Fund) on the trading of A shares through Shanghai and Shenzhen Connect, dividends from A shares paid to Hong Kong and overseas investors will continue to be subject to 10% PRC WHT and the company distributing the dividend has the withholding obligation. Further, investors should note that the tax exemption on gains derived from trading of A shares via Shanghai and Shenzhen Connect under Circular 81 and Circular 127 was granted on a temporary basis and there is no assurance that the Sub-Fund will continue to enjoy the tax exemption over a long period of time. If the exemption under Circular 81 and Circular 127 is withdrawn, or if guidance is issued in relation to the tax position for A shares traded via Shanghai and Shenzhen Connect which differs from the current practice of the Manager, any capital gains derived from the trading of A shares via Shanghai and Shenzhen Connect may be directly borne by the Sub-Fund and may result in a substantial impact to the Sub-Fund’s Net Asset Value.

The PRC tax rules and practices in relation to Shanghai and Shenzhen Connect are new. It is possible that any future announcement by the PRC tax authority may subject the Sub-Fund to unforeseen tax obligations, which may have retrospective effect.

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

15. the following paragraphs shall be added immediately after the last paragraph under the heading “(ii) Performance Fee” under the section headed “**FEES AND EXPENSES**” on page 16 of the Fifth Term Sheet in respect of the BOCIP China Wealth Fund:

**“Illustrative Examples**

The examples below are shown for illustration purposes only and may contain simplifications.

**Calculation of Daily Performance Fee Accrual:**

Assumptions:-

NAV per Unit on Day 1	: HKD10 (Initial Subscription Price)
NAV per Unit on Day 2	: HKD11
High Water Mark	: HKD10
HSCEI on Day 1	: 9400
HSCEI on Day 2	: 9964
Number of Units in issue	: 1,000

At the end of Day 2, the change in NAV per unit is thus HKD1.

The Performance Hurdle is:

$$(9964 - 9400) / 9400 \times \text{HKD}10 = \text{HKD}0.60$$

The excess return per Unit over performance hurdle is:

$$\text{HKD}1 - \text{HKD}0.60 = \text{HKD}0.40$$

and

The Daily Performance Fee Accrual is:

$$\text{HKD}0.40 \times 20\% \times 1,000 \text{ Units} = \text{HKD}80$$

Note: The Daily Performance Fee Accrual can be negative if the change in the NAV per Unit is less than the performance hurdle.

**Performance Fee Payable Circumstances**

(I) At the end of the first performance period

Assumptions:-

NAV per Unit on Day 365	: HKD13.50
High Water Mark	: HKD10
Number of Units in issue	: 1,000
Cumulative Performance Fee Accrual on Day 364	: HKD4,900
Daily Performance Fee Accrual on Day 365	: HKD100

At the end of the first performance period, the NAV per unit (i.e. HKD13.50) exceeds the High Water Mark (i.e. HKD10). Hence, the amount of HKD5,000 (i.e. HKD4,900 + HKD100) of the cumulative performance fee accrual will be payable to the Manager and the balance of cumulative performance fee accrual will be reset to zero.

The NAV per unit after deduction of performance fee of this dealing day is:

$$(\text{HKD}13.50 \times 1,000 \text{ units} - \text{HKD}100) / 1,000 \text{ units} = \text{HKD}13.40. \text{ This will thus become the High Water Mark for the next performance period.}$$

**Performance Fee Non-Payable Circumstances**

(II) At the end of the second performance period

Assumptions:-

NAV per Unit on Day 730	: HKD12.20
High Water Mark	: HKD13.40
Number of Units in issue	: 1,000
Cumulative performance fee accrual	: -HKD350

The cumulative performance fee accrual is a negative amount, no performance fee will be borne by investor(s) as no performance fee will be payable to the Manager for this second performance period. The **negative balance** of the cumulative performance fee accrual (i.e. HKD350) will be brought forward to the next performance period and the High Water Mark (ie. HKD13.40) will remain unchanged.”

16. the sub-heading “(ii) PRC Tax Considerations” and the contents thereunder on pages 2 to 3 respectively under the risk factor headed “(e) Specific Risks Associated with Investments in H Shares and Shares of Red-chip Companies Listed on SEHK” under the section headed “**RISK FACTORS**” of the Sixth Term Sheet in respect of the BOCIP Hong Kong Value Fund and the risk factor headed “(f) Specific Risks Associated with Investments in H Shares and Red-chip Companies Listed on SEHK and Other Hong Kong-listed Stocks” under the section headed “**RISK FACTORS**” of the Eighth Term Sheet in respect of the BOCIP Hong Kong Low Volatility Equity Fund shall be deleted and replaced with the following:

**“(ii) PRC Tax Risk**

Investors should also note that by investing in H shares and red-chip companies listed on SEHK and other Hong Kong-listed stocks (that have been classified by the PRC tax authority as a PRC resident enterprise), the Sub-Fund may be subject to taxes imposed in the PRC, such as withholding of Corporate Income Tax.

**1 Corporate Income Tax (“CIT”)**

*Investing in H shares and red-chip companies listed on SEHK and other Hong Kong-listed stocks*

*a) Capital gains*

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

*b) Dividend income*

Dividend and interest income derived from investment in H shares or red-chip companies listed on SEHK or other Hong Kong-listed stocks (that have been classified by the PRC tax authorities as a PRC resident enterprise) by the Sub-Fund would be subject to the WHT at 10% imposed by the PRC tax authorities which may reduce the income from the Sub-Fund and will have an impact on the performance of the Sub-Fund.

**2 Value-added Tax (“VAT”)**

In China, business tax was completely replaced by VAT starting from May 1, 2016. QFII and RQFII are exempted from VAT on securities (including debt and fixed income instruments) trading activities in China according to Caishui [2016] No. 36 and Caishui [2016] No. 70. The H share transaction, red-chip companies transaction and other kinds of offshore shares transaction should not be subject to VAT.

**3 Stamp Duty**

Stamp duty under the PRC laws generally applies to the execution and receipt of all taxable documents listed in the PRC’s Provisional Rules on Stamp Duty.

**4 Tax Provision**

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

Since the Sub-Fund is the ultimate party which will bear the risks relating to PRC tax liabilities, any changes to legislation, the interpretation or application of legislation, or the granting of foreign investors the benefit of tax exemptions or international tax treaties (which may be on a retrospective basis) will impact on the Sub-Fund’s returns. In case there is any uncertainty, the Manager will decide whether tax provisions will be made in respect of the Sub-Fund for the tax obligations based on independent tax advice obtained. Even if provisions for taxation are made by the Manager, the

amount of such provisions may not reflect the exact extent of PRC tax liabilities. As a result, investors may be disadvantaged or advantaged, depending on the final outcome of any tax liability. If the actual applicable tax rate levied by the PRC tax authorities is more than the provision made, investors should note that the Net Asset Value of the Sub-Fund may suffer more than the anticipated percentage of the provision as the Sub-Fund will have to bear the additional tax liabilities. There can be no guarantee that regulatory changes that have a detrimental impact on the investments of the Sub-Fund will not occur.

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

B. The following changes shall take effect from 1 February 2017.

(i) The First Term Sheet in respect of the BOCIP China Value Fund; (ii) the Fifth Term Sheet in respect of the BOCIP China Wealth Fund; and (iii) the Sixth Term Sheet in respect of the BOCIP Hong Kong Value Fund shall be further supplemented as follows:

The sentences “*the foreign exchange rate for HKD/RMB quoted by Bloomberg – Bloomberg CNH rate (Tokyo Composite) at 6:00 p.m. (Hong Kong time)*” and “*the HKD/RMB foreign exchange rate quoted by Bloomberg – Bloomberg CNH rate (Tokyo Composite) at 6:00 p.m. (Hong Kong time)*” in:

1. a) the paragraphs (i) and (ii) of the second paragraph under the section headed “**SUBSEQUENT ISSUE OF UNITS**” respectively on page 9 of the First Term Sheet; and b) paragraphs (i) and (ii) of the first paragraph under the section headed “**REDEMPTION OF UNITS**” on page 10 of the First Term Sheet;
2. a) the second paragraph under the section headed “**SUBSEQUENT ISSUE OF UNITS**” on page 12 of the Fifth Term Sheet; and b) the first paragraph under the section headed “**REDEMPTION OF UNITS**” on page 13 of the Fifth Term Sheet;
3. a) the second paragraph under the section headed “**SUBSEQUENT ISSUE OF UNITS**” on page 6 of the Sixth Term Sheet; and b) the first paragraph under the section headed “**REDEMPTION OF UNITS**” on page 7 of the Sixth Term Sheet,

shall be amended and restated as “*the foreign exchange rate quoted by WM/Reuters as at 4:00 p.m. (London time)*”.

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

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

16 December 2016