

24 September 2024

**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 full 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.

Unless otherwise defined herein, terms and expressions used in this Notice have the same meanings as given to them in the offering documents of the BOCIP Asset Management Investment Funds.

Dear Unitholders,

**Notice to Unitholders  
Termination of BOCIP China Bond Fund (the “Sub-Fund”),  
a sub-fund under BOCIP Asset Management Investment Funds (the “Fund”)**

We are writing to inform you of the Manager’s decision to terminate the Sub-Fund.

Unitholders please note that the dealing frequency of the Sub-Fund is monthly. The **“Dealing Day”** of the Sub-Fund is on the last Business Day of each month (e.g. 30 September 2024 and 31 October 2024). If you wish to redeem your Units in the Sub-Fund, you need to do so by 25 September 2024 or latest by 28 October 2024 (i.e. the Redemption Deadline (as defined below)). If Unitholders miss these dates, all your Units in the Sub-Fund remaining in issue will subsequently be compulsorily redeemed on 31 October 2024 (i.e. the Last Dealing Day (as defined below)). (Note: You need to redeem by 25 September 2024 or 28 October 2024 because redemption requests will only be dealt with if they are received by the Manager three (3) Business Days prior to the relevant Dealing Day.) For more details, please refer to the section headed “E. Alternatives available to you as the Unitholders of the Sub-Fund” below.

Since the Sub-Fund invests primarily in onshore RMB denominated and settled debt and fixed income instruments in the market of Mainland China, the termination of the Sub-Fund will be subject to the PRC tax clearance (see section headed “F. PRC tax settlement and clearance” below).

Based on the independent professional tax advice and the Manager’s best efforts and reasonable expectations with due consideration as to the time frame generally needed to obtain PRC tax clearance, the Manager expects that the PRC tax clearance will be obtained from the relevant PRC tax authorities around 5 months from the date of this Notice (i.e. expected to be around 24 February 2025). Investors should also note that, as disclosed in the First Term Sheet in respect of the Sub-Fund (the **“First Term Sheet”**), the Sub-Fund may be restricted from withdrawing funds from its account with the QI under the QI Regulations. Repatriation may be further subject to the repatriation restrictions imposed by SAFE from time to time.

Once the PRC tax clearance is obtained, the Manager shall proceed to terminate the Sub-Fund within one month from the date on which the PRC tax clearance is obtained (i.e. expected to be by 24 March 2025) (the **“Termination Date”**). The termination will only take place after the Trustee and the Manager have formed an opinion that the Sub-Fund has no outstanding contingent or actual liabilities or assets. Remaining Unitholders (as defined in the section headed “E. Alternatives available to you as the Unitholders of the Sub-Fund” below) will be notified of any change to the Termination Date and/or the date on which the PRC tax clearance is expected to be obtained. More details relating to notification of

subsequent changes/events are set out under the section headed “G. Refund of the Termination Expenses Provision and subsequent events” below.

#### A. Reason for the termination of the Sub-Fund

Pursuant to Clause 26.02(a) of the Trust Deed and the section headed “Termination of a Sub-Fund” in the Explanatory Memorandum of the Fund and the Sub-Fund (the “**Explanatory Memorandum**”), the Sub-Fund may be terminated by the Manager in its absolute discretion by notice in writing to the Unitholders if at any time one year after the establishment of the Sub-Fund, the aggregate Net Asset Value (“**NAV**”) of the Units of the relevant classes outstanding thereunder in respect of the Sub-Fund shall be less than HK\$40,000,000 (the “**Aggregate NAV**”).

As of 23 August 2024, the Aggregate NAV of the Sub-Fund is approximately HK\$39,925,823.93.

Based on the current Aggregate NAV of the Sub-Fund, we are of the view that it is no longer economically viable to continue operating the Sub-Fund. In considering the best interests of the Unitholders, we have therefore decided to terminate the Sub-Fund on the Termination Date and hereby give you not less than one-month notice of termination of the Sub-Fund as required under Clause 26.03 of the Trust Deed.

The Trustee has been consulted by the Manager of its decision to terminate the Sub-Fund and has no objection to the proposed termination of the Sub-Fund.

#### B. Ongoing charges figure of the Sub-Fund

As of 31 July 2024, the ongoing charges figure of the Sub-Fund is 1.46% of the NAV of the Sub-Fund which includes, amongst others, the management fee of the Manager. The ongoing charges figure is an annualized figure based on the expenses during the period from 1 January 2024 to 31 July 2024. It represents the sum of the ongoing expenses chargeable to the Sub-Fund for the above period expressed as a percentage of the average NAV over the same period, annualised to give an ongoing charges figure over a year. There are no unamortised preliminary expenses or contingent liabilities of the Sub-Fund. The Manager will continue to charge the management fee until the Sub-Fund holds mainly cash after the Manager realises all the assets in the Sub-Fund as explained in the section headed “C. Implications of termination” below and the Manager will waive the management fee thereafter. The Manager currently charges a management fee of 1% per annum of the NAV of the Sub-Fund.

#### C. Implications of termination

As of and from the date of this Notice, no new subscription or switching into the Sub-Fund is accepted or outstanding and the Sub-Fund is no longer allowed to be marketed to the public in Hong Kong. The Sub-Fund will cease dealing after the Last Dealing Day (as defined under the section headed “E. Alternatives available to you as the Unitholders of the Sub-Fund” below).

In order to begin the process of PRC tax clearance as soon as possible, the Manager will, shortly after the date of this Notice, realise all the assets in the Sub-Fund. Thereafter, the Sub-Fund will hold mainly cash and will be unable to fulfil its investment objectives and policies and restrictions on diversification.

We will apply to the SFC for the withdrawal of authorisation of the Sub-Fund and its offering documents immediately following the Termination Date.

#### D. Termination expenses

The Sub-Fund will bear the costs and expenses associated with its termination (e.g. any fees for termination audit, legal costs, fees and expenses incurred for obtaining the PRC tax clearance) and the subsequent withdrawal of authorisation after its termination ("**Termination Expenses**"). Such Termination Expenses are estimated to be around HK\$217,000, being 0.54% of the Sub-Fund's NAV as of 23 August 2024.

The amount of the Termination Expenses mentioned above which will be borne by the Sub-Fund will be set aside from the Sub-Fund's assets ("**Termination Expenses Provision**") and deducted from the total assets of the Sub-Fund on the date of this Notice.

The Termination Expenses Provision are to discharge the Termination Expenses of the Sub-Fund. The Trustee has confirmed that it has no objection to the amount of the Termination Expenses Provision. The Termination Expenses Provision does not include normal operating expenses (e.g. normal costs for printing financial reports or offering documents) and transaction costs relating to the liquidation of assets of the Sub-Fund, which will be borne by the Sub-Fund.

If the Termination Expenses Provision are not enough to cover the actual Termination Expenses, the Manager will bear the shortfall. In the event that the actual Termination Expenses are lower than the amount of Termination Expenses Provision, the excess Termination Expenses Provision will be handled as set out in the section headed "G. Refund of the Termination Expenses Provision and Subsequent Events" below.

#### E. Alternatives available to you as the Unitholders of the Sub-Fund

Unitholders may redeem their Units in the Sub-Fund without Redemption Charge from the date of this Notice until 5:00 p.m. (Hong Kong time) on the Redemption Deadline (as defined below) in accordance with the procedures for redemption as set out in the First Term Sheet.

The dealing frequency of the Sub-Fund is monthly. The Dealing Day of the Sub-Fund is on the last Business Day of each month (e.g. 30 September 2024 and 31 October 2024).

Valid requests received by the Manager on or before 5:00 p.m. (Hong Kong time) on 25 September 2024 (*three (3) Business Days prior to **the relevant Dealing Day in September 2024***) will be dealt with on 30 September 2024 (***the relevant Dealing Day in September 2024***).

Valid requests received after 5:00 p.m. (Hong Kong time) on 25 September 2024 but on or before 5:00 p.m. (Hong Kong time) on 28 October 2024 (*three (3) Business Days prior to **the relevant Dealing Day in October 2024***) (the "**Redemption Deadline**") will be dealt with on 31 October 2024 (***the relevant Dealing Day in October 2024***), which will be the last Dealing Day before the termination of the Sub-Fund (the "**Last Dealing Day**").

Under the normal time frame, the redemption proceeds will be paid within approximately five (5) Business Days after the relevant Dealing Day, and where no repatriation of funds from Mainland China is required, payment will in any event be made no later than one (1) calendar month after the relevant Dealing Day. However, as repatriation of funds from Mainland China will be carried out and if there are repatriation constraints (the "**Repatriation Constraints**") rendering delays in repatriation of funds from Mainland China, it will not be practicable for the payment of the redemption proceeds to be made within the normal time frame for payment of the redemption proceeds as longer time will be required. As disclosed in the First Term Sheet, the actual time required for completing the relevant repatriation process is beyond the control of the Manager and the time frame for payment could be extended beyond one (1) month from the normal time frame for payment of the redemption proceeds. In such case, the redemption proceeds will be paid to Unitholders as soon as practicable, and in any event, within five (5) Business Days after completion of the relevant repatriation process.

Unitholders who apply for redemption of Units through other authorised fund distributors or through other authorised means should note that such means may involve different dealing procedures and impose a different internal dealing cut-off time which may be earlier than the Redemption Deadline as stated above. As such, Unitholders who intend to redeem Units through fund distributors other than the Manager or place redemption orders through other authorised means should consult the relevant fund distributor or the Manager to confirm the applicable dealing cut-off time and find out the dealing procedures that are applicable to them. Furthermore, if Unitholders intend to redeem Units through other fund distributors from the date of this notice until the Redemption Deadline, they should check with their fund distributors to confirm the applicable transaction fees and expenses (if any) which may be incurred on the redemption of Units through them (although the redemption is free of any Redemption Charge).

If Unitholders take no action on or before the Redemption Deadline (and thereby remain in the Sub-Fund on the Last Dealing Day and become **"Remaining Unitholders"**), all their Units in the Sub-Fund remaining in issue and held on the Last Dealing Day will be compulsorily redeemed, free of any Redemption Charge, on the Last Dealing Day. Distributions of the net cash proceeds of realization of all remaining assets comprised in the Sub-Fund and any other assets of the Sub-Fund (if any) will be made to the Remaining Unitholders in proportion to their holdings of Units in the Sub-Fund as at the Last Dealing Day. Subject to Repatriation Constraints mentioned above, it is expected that such distributions will be made within approximately five (5) Business Days after the Last Dealing Day, and in any event no later than one (1) calendar month after the Last Dealing Day. Please take note of the matters set out in section headed "G. Refund of the Termination Expenses Provision and subsequent events" below.

## F. PRC tax settlement and clearance

Investors should 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"**), Value-added Tax (**"VAT"**) and surtax. The Sub-Fund does not hold any China property bonds or illiquid bonds. It currently holds Chinese Government bonds traded in the interbank bond market of Mainland China. The Manager does not foresee any concern to liquidate these bonds for the termination of the Sub-Fund.

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

#### (i) *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.

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. If the relevant interpretation/practice changes, the Sub-Fund may still be able to turn to certain treaty relief applicable to Hong Kong tax residents. Under the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of



Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (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.

(ii) *Interest income*

Under the PRC 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.

Under the PRC CIT Law and its DIR, interests derived from government bonds are exempted from CIT.

On 22 November 2018, the PRC Ministry of Finance (“**MOF**”) and the State Taxation Administration of the PRC (“**STA**”) jointly released Caishui [2018] No. 108 on tax treatment for Overseas Institutional Investors (“**OII**s”) investing in China bond market (“**Circular 108**”) provides that interest income of the bonds derived by OII in the China bond market is temporarily exempted from CIT for the period from 7 November 2018 to 6 November 2021. The CIT exemption applies to OII that do not have an establishment in China, or if there is an establishment(s) in China, the bond interest is not effectively connected with the establishment(s).

On 22 November 2021, the MOF and the STA jointly released Bulletin [2021] No. 34 (“**Bulletin [2021] No. 34**”) which extended the CIT exemption for OII for the period from 7 November 2021 to 31 December 2025.

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

(a) *Capital gains*

According to Caishui [2016] No. 36 (“**Circular 36**”) and Caishui [2016] No. 70 (“**Circular 70**”), income derived by QFII and RQFII (i.e. QI under the QI Regulations) from purchase and sale of securities in PRC will be exempted from VAT since 1 May 2016.

(b) *Interest income*

According to Circular 36 effective from 1 May 2016, interest income from government bonds and municipal local government bonds are exempted from VAT. Furthermore, the MOF and STA jointly issued Circular 70, which is a supplementary notice to Circular 36 concerning the financial industry. According to Circular 70, interest income derived from holding of financial bonds (i.e., bonds issued by PRC incorporated financial institutions in the interbank 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.

Circular 108 provides that interest income of the bonds derived by OII in the China bond market is temporarily exempted from VAT for the period from 7 November 2018 to 6 November 2021. Further, Bulletin [2021] No. 34 extends the VAT exemption for OII for the period from 7 November 2021 to 31 December 2025.

If VAT on bond interest income 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.

As at the date of this Notice, in light of the above and having consulted with independent and professional tax adviser, the Manager has made:

- no WHT provision on gross realised and/or unrealised capital gains derived from trading of the investments 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;
- no WHT provision on the Sub-Fund's interest income derived from investments in PRC debt instruments; and
- no VAT provision on the Sub-Fund's interest income derived from investments in PRC debt instruments and the Sub-Fund's gross realised capital gains derived from trading of PRC debt instruments.

For the avoidance of doubt, the Sub-Fund has fully settled and cleared with the relevant PRC tax authorities on its PRC tax liabilities up to 31 December 2018. Investors should note that the termination of the Sub-Fund is subject to PRC tax clearance for PRC tax liabilities incurred from 1 January 2019 onwards. If, after the upcoming tax filings for the purpose of termination of the Sub-Fund, the PRC tax authorities make a tax assessment to the effect that the Sub-Fund should bear any taxes in respect of any PRC-sourced capital gains and/or income, the Manager will be prepared to bear such tax payment so that the Sub-Fund and the Remaining Unitholders will not be required to be responsible for any such tax payment. Investors should consult their professional tax advisers for tax advice.

#### G. Refund of the Termination Expenses Provision and subsequent events

In the event that the actual Termination Expenses is lower than the Termination Expenses Provision, we will, after consultation with the Trustee, make a further distribution to the Remaining Unitholders in respect of Units of the Sub-Fund held as at the Last Dealing Day. This distribution represents the excess in the Termination Expenses Provision over the actual Termination Expenses ("**Excess Provision Distribution**") and will be distributed as soon as reasonably practicable to the Remaining Unitholders, and in any event on or before the Termination Date.

We will provide the Remaining Unitholders with the results of the PRC tax settlement and clearance and/or refund of the Excess Provision Distribution (if any), and advise the date of termination (if different from the Termination Date) by way of a further notice. In the event that the PRC tax settlement and clearance cannot be achieved by 24 February 2025 and/or the Sub-Fund cannot be terminated by 24 March 2025, we will also provide the Remaining Unitholders with an update on the status and an amended Termination Date by way of a further notice.

**IMPORTANT: If you decide to redeem your Units and a valid request in relation to your redemption of Units is received by the Manager on or before 5:00 p.m. (Hong Kong time) on the Redemption Deadline (i.e. 28 October 2024), you will not in any circumstances be entitled to any portion of the Excess Provision Distribution in respect of the Units so disposed of. Please exercise caution and consult your professional and financial advisers before dealing in your Units or otherwise deciding on any course of actions to be taken in relation to your Units.**

## H. Tax implication to Hong Kong investors

Under the current law and practice in Hong Kong, the Sub-Fund is not expected to be subject to Hong Kong tax in respect of any of the authorised activities.

No tax will be payable by Unitholders in Hong Kong in respect of dividends or other income distributions of the Sub-Fund or in respect of any capital gains arising on a sale, realisation or other disposal of Units, except that Hong Kong profits tax may arise where such transactions form part of a trade, profession or business carried on in Hong Kong.

The information on taxation discussed under the sections headed “F. PRC tax settlement and clearance” and “H. Tax implication to Hong Kong investors” in this Notice do not constitute tax advice. Unitholders should take advice from their own professional advisers on the potential taxation consequences to them arising from the termination of the Sub-Fund.

## I. Potential combination of annual report with the termination audit

Under Chapter 11.6 of the Code on Unit Trusts and Mutual Funds (the “Code”), the Manager is required to publish and distribute annual reports containing the information provided under Appendix E to the Code to Unitholders within four (4) months of the end of the Sub-Fund’s financial year (which ends on 31 December in each year). Once financial reports are issued, the Unitholders will be notified of where such reports, in printed and electronic forms, can be obtained within the relevant time frame.

To the extent that the Termination Date falls on a date which is after the current financial year end of the Sub-Fund (i.e. 31 December 2024) but within the first four (4) months of the end of the current financial year of the Sub-Fund (i.e. on or before 30 April 2025), in order to minimize the operational costs, the Manager will rely on explanatory note (2) to Chapter 11.6 of the Code, which permits the extension of the reporting period for the annual report in the case of fund termination and combine the annual report for the financial year ending on 31 December 2024 with the termination audit of the Sub-Fund covering the period from 1 January 2024 to the Termination Date (“**Extended Annual Report**”).

The Manager will publish the Extended Annual Report as follows:

- a) the contents of the Extended Annual Report shall comply with the requirements under 4.5(f) of the Code and Appendix E to the Code and all other applicable provisions of the Code and other applicable laws and regulations; and
- b) the Manager shall notify the Remaining Unitholders by way of notice on or before the original due date for issuance of the annual report for the year ended 31 December 2024 (i.e. on or before 30 April 2025) of, among other things, when the Extended Annual Report will be published, the start and end dates of the Extended Annual Report and where the hard copy and electronic copy of the Extended Annual Report may be obtained. The Extended Annual Report will be available as soon as practicable and in any event no later than four (4) months after the Termination Date.

The Manager confirms that Unitholders will not be prejudiced from the above arrangement under Chapter 11.6 of the Code. The Manager confirms that, save as otherwise set out above, the Manager will continue to comply with all other applicable provisions of the Code, the applicable provisions of the Trust Deed and all other applicable laws and regulations in respect of the Fund and the Sub-Fund.

#### **J. Documents and enquiries**

You may obtain a copy of the latest Explanatory Memorandum, the First Term Sheet and the Product Key Facts Statement in respect of the Sub-Fund, the latest financial reports for the Fund and the Sub-Fund free of charge from our office at 27/F., Bank of China Tower, 1 Garden Road, Central, Hong Kong. Copies of the Trust Deed together with all supplemental deeds can be inspected free of charge or obtained upon payment of a reasonable fee during the normal business hours at the office of the Manager at the above address.

Please feel free to contact the Manager at the above address or the Manager's Investment Funds Services Hotline at (852)2280 8615 in case you have any queries.

BOCI-Prudential Asset Management Limited  
This is a computer print-out. No signature is required.