

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

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**PROSPECTUS**

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**13 July 2018**

**IMPORTANT: If you are in any doubt about the contents of this prospectus (this “Prospectus”), you should seek independent professional financial advice.**

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

## IMPORTANT INFORMATION FOR INVESTORS

**Investors should note that an investment in the W.I.S.E. – CSI HK 100 Tracker™ (the “Sub-Fund”) is not the same as an investment in the constituent securities of the CSI Hong Kong 100 Index. The Sub-Fund’s returns may deviate from the CSI Hong Kong 100 Index due to factors such as the fees and expenses of the Sub-Fund, and the need for the Manager to adopt a representative sampling strategy. Investors’ attention is drawn to the “Investment Strategy of the Sub-Fund” section on page 11. Investors should also read the “Risk Factors” sections on pages 12 to 21 carefully.**

**It is possible that the Units in the Sub-Fund may trade at a premium or at a discount to the Net Asset Value of the Units. Investors’ attention is drawn to paragraph (s) of the “Risk Factors” section on page 17.**

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

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

Neither the delivery of this Prospectus or the latest available Product Key Facts Statement nor the offer or issue of Units in the Sub-Fund shall under any circumstances constitute a representation that the information contained in this Prospectus is correct as of any time subsequent to such date. This Prospectus and the Product Key Facts Statement may from time to time be updated. Intending applicants for Units should ask the Manager if any supplements to this Prospectus or any later Prospectus or later Product Key Facts Statement have been issued. Investors should note that any amendment or addendum to this Prospectus and/or the Product Key Facts Statement will only be posted on the Manager’s website ([www.boci-pru.com.hk/english/etf/intro.aspx](http://www.boci-pru.com.hk/english/etf/intro.aspx) (for English), or [www.boci-pru.com.hk/chinese/etf/intro.aspx](http://www.boci-pru.com.hk/chinese/etf/intro.aspx) (for Chinese)).

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

The Fund and the Sub-Fund have been authorized by the Securities and Futures Commission in Hong Kong. Authorization by the Securities and Futures Commission is not a recommendation or endorsement of the Fund or the Sub-Fund and nor does it guarantee the commercial merits of the Fund or the Sub-Fund or their performance. It does not mean the Fund or the Sub-Fund or is suitable for all investors nor is it an endorsement of their suitability for any particular investor or class of investors. The Securities and Futures

Commission takes no responsibility for the financial soundness of the Fund and the Sub-Fund or for the accuracy of any of the statements made or opinions expressed in this Prospectus.

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

In particular:

- (a) Units in the Sub-Fund have not been registered under the United States Securities Act of 1933 (as amended) and, except in a transaction which does not violate such Act, may not be directly or indirectly offered or sold in the United States of America, or any of its territories or possessions or areas subject to its jurisdiction, or for the benefit of a US Person (as defined in Regulation S under such Act).
- (b) The Sub-Fund has not been and will not be registered under the United States Investment Company Act of 1940 as amended.
- (c) Units in the Sub-Fund may not, except pursuant to a relevant exemption, be acquired or owned by, or acquired with the assets of an ERISA Plan. An “ERISA Plan” is any retirement plan subject to Title 1 of the United States Employee Retirement Income Securities Act of 1974, as amended or any individual retirement account plan subject to section 4975 of the United States Internal Revenue Code of 1986, as amended.
- (d) Units in the Sub-Fund may not be acquired by any person who is not eligible to do so under the relevant rules issued by the United States Commodity Futures Trading Commission.

The Manager shall have the power to impose such restrictions as the Manager may think necessary for the purpose of ensuring that no Units in the Sub-Fund are acquired or held by an Unqualified Person (as defined in the “Definitions” section on page 9).

### **US Person restrictions**

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

### **What is Foreign Account Tax Compliance Act (FATCA)?**

FATCA was enacted by the US in March 2010 aiming to combat tax evasion by US taxpayers. The intention of FATCA is to require Foreign Financial Institutions to report details of US Unitholders holding assets to the US Internal Revenue Services (the “IRS”), as a safeguard against US tax evasion. The regulations will become effective in phases commencing 1 July 2014. To discourage “Foreign Financial Institutions” (“FFIs”) from choosing to remain outside of the regulations, on or after 1 July 2014, a FFI that does not enter the relevant agreement and comply with the FATCA regulations will be subject to a US tax withholding of 30% on their income from US investments and on their gross proceeds from US investments and also potentially revenues from other non-US investments (“FATCA

Withholding"). Through Notice 2015-66, the Department of Treasury and the IRS announced their intention to amend the regulations under chapter 4 (section 1473) to extend the start date of withholding on gross proceeds from 1 January 2017 to 1 January 2019, and to amend the regulations under chapter 4 (section 1471) to extend the start date of withholding of foreign passthru payments to provide that a participating FFI will not be required to withhold on a foreign passthru payment before the later of 1 January 2019 or the date of publication in the Federal Register of final regulations defining the term "foreign passthru payment".

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

### **Intergovernmental Agreement ("IGA")**

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

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

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

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

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

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

1. An individual who is a citizen of the US or a resident alien for US federal income tax purposes. In general, the term "resident alien" is defined for this purpose to include any individual who (i) holds an Alien Registration Card (a "green card") issued by the US Citizenship and Immigration Service or (ii) meets a "substantial presence" test.

The “substantial presence” test is generally met with respect to any calendar year if (a) the individual was present in the US on at least 31 days during such year and (b) the sum of the number of days in which such individual was present in the US during such year, 1/3 of the number of such days during the first preceding year, and 1/6 of the number of such days during the second preceding year, equals or exceeds 183 days; or

2. A corporation, an entity taxable as a corporation or a partnership created or organized in or under the laws of the US or any state or political subdivision thereof or therein, including the District of Columbia (other than a partnership that is not treated as a US person under Treasury Regulations); or
3. An estate the income of which is subject to US federal income tax regardless of the source thereof; or
4. A trust with respect to which a court within the US is able to exercise primary supervision over its administration and one or more US persons have the authority to control all of its substantial decisions, or certain electing trusts that were in existence on 20 August 1996 and were treated as domestic trusts on 19 August 1996; or
5. A Passive Non-Financial Foreign Entity (“Passive NFFE”) with “substantial US owner(s)” that are “Specified US Person(s)” (within the meaning of Treasury Regulations under the FATCA as set forth in Sections 1471 through 1474 of the US Internal Revenue Code (“IRC”)), where the country in which the relevant entity is formed or resident has not signed an IGA. A Passive NFFE is generally a non-US and non-financial institution entity that is neither a “publicly traded corporation” nor an “active NFFE” (within the meaning of Treasury Regulations under FATCA). A substantial US owner is generally a US Person (as described above under paragraphs 1 through 4) that owns, directly or indirectly, a more-than-10 percent interest in the Passive NFFE; however there are generally a number of exemptions with specified requirements including, but not limited to, the following types of entities: i) a regularly traded corporation on an established securities market or an affiliate; ii) an organization exempt from US tax under IRC Section 501(a); iii) an IRC Section 581 US bank; and iv) an IRC Section 851 regulated investment company; or
6. A “Non-U.S. Entity” with one or more “Controlling Persons” (within the meaning of an applicable IGA) that is a US Person (as described above under paragraph 1).

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

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

It should be noted that the Sub-Fund may exercise its right to:

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

- notice) ; or
- (b) reject the investors' application; or
  - (c) withhold on amounts otherwise distributable to the investor; or
  - (d) compel the Unitholders to sell their interest

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

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

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

Potential applicants for Units in the Sub-Fund should inform themselves as to (a) the possible tax consequences, (b) the legal requirements and (c) any foreign exchange restrictions or exchange control requirements which they might encounter under the laws of the countries of their incorporation, citizenship, residence or domicile and which might be relevant to the subscription, holding or disposal of Units in the Sub-Fund. Investors should not treat the contents of this Prospectus as advice relating to legal, taxation, investment or any other matters and are recommended to consult their own professional advisers in advance of any acquisition, holding or disposal of Units.

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

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-Fund and/or the Manager, the Trustee and their associated or affiliated companies, connected persons, delegates, contractors, authorised agents or service providers (collectively, the “**Relevant Agents**”) 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-Fund is required to comply with the requirements of AEOI as implemented by Hong Kong, which means that the Sub-Fund and/or the Relevant Agents shall collect and provide to IRD tax information relating to the Unitholders and prospective investors.

The AEOI rules as implemented by Hong Kong require the Sub-Fund to, amongst other things: (i) register the Sub-Fund's 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-Fund or continuing to invest in the Sub-Fund, the Unitholders acknowledge that they may be required to provide additional information to the Sub-Fund and/or the Relevant Agents in order for the Sub-Fund to comply with AEOI. The Unitholders' 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.

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

### **Personal Data or Confidential Information**

- (1) Personal Data or Confidential Information (including information necessary to ascertain tax status, information for reporting of tax withholding and details of transaction) provided by a Unitholder (in any form or certification or otherwise) will be used, shared, stored, processed, transferred and disclosed (within or outside Hong Kong) so that the Relevant Agents can carry out their obligations in respect of the Fund and/or the Sub-Fund or for other purposes including but not limited to (a)



processing the subscription and redemption of Units, completing the information on the Register of Unitholders, carrying out instructions or responding to Unitholders' enquiries, verifying data and providing administrative or other relevant services to the Unitholder (including the mailing of reports, notices or newsletters); (b) in compliance with any applicable law, regulation, statute, ordinance, rule, judgment, decree, code, guidelines, directive, circulars, sanctions regime, court order issued by other regulatory authorities of relevant jurisdiction, exchange or market, whether legal, regulatory, governmental, tax, law enforcement, self-regulatory, industry or others which apply in respect of the Fund and/or the Sub-Fund or the Unitholders' investments and/or bind or apply to the Relevant Agents from time to time or any agreement with any tax or fiscal authority in any jurisdiction and meeting any demands, disclosure, notification or reporting requirements to which any recipient of the data is subject under the applicable laws and regulations, including but not limited to compliance with obligations pursuant to the FATCA, 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-Fund and/or the Relevant Agents; (e) fulfilling internal operational or compliance requirements of the Relevant Agents; and (f) maintenance or continuation of overall relationship with the Unitholder.

- (2) Failure to provide information may result in the Manager or the Trustee being unable to open/ maintain an account or provide/ continue to provide services to the Unitholder or taking appropriate action or reporting to the relevant authorities.
- (3) Unitholder has the right to request access to and correction of any personal data or to request the personal data not to be used for direct marketing purposes. Collection and use of personal data will be subject to the terms of the Personal Data (Privacy) Ordinance of Hong Kong.

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## **PARTIES**

### **Manager and Listing Agent**

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

### **Trustee and Custodian**

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

### **Registrar**

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

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

HK Conversion Agency Services Limited  
1/F One & Two Exchange Square  
8 Connaught Place  
Central  
Hong Kong

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

Baker & McKenzie  
23<sup>rd</sup> Floor, One Pacific Place  
88 Queensway  
Hong Kong

### **Auditors**

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

### **Directors of the Manager**

Wang Zhongze  
Tse Yung Hoi  
Lee Yui Leung  
Guy Robert Strapp  
Julian Christopher Vivian Pull

## DEFINITIONS

<b>“Application”</b>	means a Creation Application and a Redemption Application;
<b>“Application Cancellation Fee”</b>	means the fee payable by a Participating Dealer or an Eligible Investor (as the case may be) in respect of cancellation of an Application as set out in the Trust Deed;
<b>“Application Unit”</b>	means such number of Units of a class or whole multiples thereof as specified in the Prospectus or such other multiple of Units of a class from time to time determined by the Manager, the Trustee and the Participating Dealer(s), either generally or for a particular class or classes of Units;
<b>“Associate”</b>	in relation to a body corporate, means an associated company as defined in the Companies Ordinance;
<b>“Auditors”</b>	means the auditor or auditors of the Sub-Fund from time to time appointed by the Manager with the prior approval of the Trustee pursuant to the provisions of the Trust Deed;
<b>“Base Currency”</b>	means the currency of account of the Sub-Fund as specified by the Manager with the approval of the Trustee from time to time;
<b>“Basket”</b>	means a portfolio of Index Securities, which seeks to benchmark the CSI HK 100 by representative sampling strategy or otherwise and/or such other Securities as designated by the Manager provided that such portfolio shall comprise only whole numbers of Index Securities and/or such other Securities and no fraction or, if the Manager determines, shall comprise only round lots and not any odd lots;
<b>“Business Day”</b>	means, unless the Manager, the Trustee and the Participating Dealer(s) otherwise agree, a day on which (a) the SEHK is open for normal trading, and (b) the CSI HK 100 is compiled and published, or such other day or days as the Manager and the Trustee may agree from time to time provided that if on any such day, the period during which the SEHK is open for normal

trading is reduced as a result of typhoon, rainstorm or other similar event, such day shall not be a Business Day unless the Manager, the Trustee and the Participating Dealer(s) otherwise agree;

**“Cancellation Compensation”**

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

**“Cash Component”**

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

**“CCASS”**

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

**“Collective Investment Scheme”**

has the meaning given to such term in Section 1 of Part I of Schedule 1 of the Securities and Futures Ordinance;

**“Companies Ordinance”**

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

**“Connected Person”**

has the meaning given to it under the UTMF Code;

**“Conversion Agent”**

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

**“Creation Application”**

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

**“CSI HK 100”**

means the CSI Hong Kong 100 Index;

**“Dealing Day”**

means each Business Day or such Business Day or Business Days as the Manager may from time to time, with the approval of the Trustee, determine either generally or in respect of a particular class or classes of Units, provided that

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

**“Dealing Deadline”**

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

**“Deposited Property”**

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

**“Distribution Account”**

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

**“Eligible Investor”**

means a person who has opened an account with the Manager, having satisfied the client intake procedures of the Manager and provided such documents, undertakings and confirmations as the Manager may require;

**“Extraordinary Resolution”**

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

**“Feeder Fund(s)”**

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

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

**“Fund”**

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

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

means the lawful currency of Hong Kong;

**“HKSCC”**

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

**“Hong Kong”**

means the Hong Kong Special Administrative Region of the PRC;

**“Income Property”**

means (a) all interest, dividends and other sums deemed by the Manager (after consulting the Auditors) to be in the nature of income (including taxation repayments, if any) received or receivable by the Trustee in respect of the Deposited Property of the Sub-Fund (whether in cash or, without limitation, by cheque, money, credit or otherwise or the proceeds of sale of any Income Property received in a form other than cash); (b) all Cash Component payments received or receivable by the Trustee for the account of the Sub-Fund; (c) all Cancellation Compensation received by the Trustee for the account of the Sub-Fund; and (d) all interest and other sums received or receivable by the Trustee in respect of (a), (b) or (c) of this definition, but excluding (i) the Deposited Property of the Sub-Fund; (ii) any amount for the time being standing to the credit of the Distribution Account for the account of the Sub-Fund or previously distributed to Unitholders; (iii) gains for the account of the Sub-Fund arising from the realization of Securities; and (iv) any sums applied towards the payment of the fees, costs and expenses payable by the Fund from the Income Property of the Sub-Fund;



<b>“Index Provider”</b>	in respect of the CSI HK 100, means the China Securities Index Co., Ltd. or any other person responsible for managing and compiling the CSI HK 100 and who has the right to grant the license to use the CSI HK 100;
<b>“Index Securities”</b>	means the constituent securities of the CSI HK 100;
<b>“Initial Offer Period”</b>	means in relation to a class of Units such period as may be agreed between the Trustee and the Manager for the purpose of making an initial offer of Units of such class;
<b>“Issue Price”</b>	means the issue price per Unit of a particular class during the Initial Offer Period as determined by the Manager in respect of such class of Units and thereafter the issue price per Unit calculated pursuant to the Trust Deed at which Units are from time to time issued or to be issued;
<b>“Manager”</b>	means BOCI-Prudential Asset Management Limited or any other person (or persons) who for the time being is duly appointed as manager (or managers) of the Fund and being approved by the SFC as qualified to act as such for the purposes of the UTMF Code;
<b>“month”</b>	means calendar month;
<b>“Net Asset Value”</b>	means the net asset value of the Sub-Fund or, as the context may require, of a Unit of any class relating to the Sub-Fund calculated pursuant to the provisions of the Trust Deed;
<b>“Operating Guidelines”</b>	means operating guidelines governing the Participating Dealer(s), including without limitation, the procedures for creation and redemption of Units;
<b>“Participation Agreement”</b>	means an agreement entered into between the Trustee, the Manager and a Participating Dealer setting out, amongst other things, the arrangements in respect of the Applications made by a Participating Dealer;
<b>“Participating Dealer”</b>	means a broker or dealer who has entered into a Participation Agreement in form and substance acceptable to the Manager and Trustee;

<b>“PRC”</b>	means the People’s Republic of China;
<b>“Redemption Application”</b>	means (a) an application by a Participating Dealer for the redemption of Units in accordance with the relevant procedures set out in the Trust Deed and the relevant Participation Agreement; or (b) an application by an Eligible Investor for the redemption of Units in accordance with the relevant procedures set out in the Trust Deed and/or this Prospectus (where applicable);
<b>“Redemption Price”</b>	means the redemption price per Unit of a particular class calculated in accordance with the Trust Deed at which Units are from time to time redeemed;
<b>“Register”</b>	means the register of Unitholders to be kept pursuant to the Trust Deed;
<b>“Registrar”</b>	means such person as may from time to time, with the prior written approval of the Trustee, be appointed by the Manager to keep the Register and in default of any such appointment shall mean the Trustee;
<b>“Securities”</b>	has the meaning given to such term in Section 1 of Part I of Schedule 1 of the Securities and Futures Ordinance;
<b>“Securities and Futures Ordinance”</b>	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
<b>“SEHK”</b>	means The Stock Exchange of Hong Kong Limited or its successors;
<b>“Service Agent”</b>	means HK Conversion Agency Services Limited or such other person as may from time to time be appointed to act a service agent in relation to the Sub-Fund;
<b>“Settlement Day”</b>	means the Business Day which is two (2) Business Days after the relevant Dealing Day (or such later Business Day as is permitted in relation to such Dealing Day pursuant to the Operating Guidelines in respect of settlement with Participating Dealers) or such other number of Business Days after the relevant Dealing Day as the Manager and the Trustee may from time

to time agree and notify to the relevant Participating Dealer(s), Eligible Investors or the Feeder Fund (as the case may be), either generally or for a particular class or classes of Units;

**“SFC”** means the Hong Kong Securities and Futures Commission;

**“Special Application”** means a Special Creation Application and/or a Special Redemption Application;

**“Special Creation Application”** means an application for cash creation and issue of Units by a Feeder Fund in accordance with the relevant procedures set out in this Prospectus;

**“Special Redemption Application”** means an application for cash redemption of Units by a Feeder Fund in accordance with the relevant procedures set out in this Prospectus;

**“Sub-Fund”** means the W.I.S.E. – CSI HK 100 Tracker<sup>TM</sup> or such other name as the Trustee and the Manager may from time to time determine;

**“subsidiary” and “holding company”** have the meaning given to them in the Companies Ordinance;

**“Transaction Fee”** means the fee which may at the discretion of the Manager be charged to each Participating Dealer or Eligible Investor (as the case may be) under the Trust Deed, the maximum level of which shall be determined by the Manager from time to time and set out in this Prospectus;

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

**“Trustee”** means BOCI-Prudential Trustee Limited or such other person (or persons) who for the time being is duly appointed to be trustee (or trustees) of the Fund;

**“Unit”** means such number of undivided shares or such fraction of an undivided share of the Sub-Fund to which a Unit relates as is represented by a Unit of the relevant class and except where used in relation to a particular class of Unit a reference to Units means and includes Units of all classes;

<b>“Unitholder”</b>	means the person for the time being entered on the Register as the holder of a Unit including, where the context so admits, persons jointly so registered;
<b>“Unqualified Person”</b>	means: <ul style="list-style-type: none"> <li>(a) a person who by virtue of any law or requirement of any country or governmental authority is not qualified to hold a Unit or who would be in breach of any such law or regulation in acquiring or holding a Unit or if, in the opinion of the Manager, the holding of a Unit by such person might result in the Fund incurring any liability to taxation or suffering a pecuniary disadvantage which the Fund might not otherwise have incurred or suffered, or might result in the Fund, the Manager or the Trustee or any of their Connected Persons being exposed to any liability, penalty or regulatory action; or</li> <li>(b) any person if the holding of a Unit by such person might, due to any circumstances whether directly affecting such person and whether relating to such person alone or to any other person in conjunction therewith (whether such persons are connected or not), in the opinion of the Manager, result in the Fund incurring any liability to taxation or suffering a pecuniary disadvantage which the Fund might not otherwise have incurred or suffered, or in the Fund, the Manager or the Trustee or any of their Connected Persons being exposed to any liability, penalty or regulatory action;</li> </ul>
<b>“US\$ or US dollars”</b>	means the lawful currency of the United States of America;
<b>“UTMF Code”</b>	means the SFC’s Code on Unit Trusts and Mutual Funds, as amended or supplemented from time to time; and
<b>“Valuation Point”</b>	means the official close of trading on the SEHK, or such other time or times as determined by the

Trustee, the Manager and the Participating Dealer(s) from time to time provided that there shall always be a Valuation Point on each Dealing Day other than where there is a suspension of determination of the Net Asset Value of the Sub-Fund pursuant to provisions of the Trust Deed.

## **THE FUND**

The Fund is a unit trust established by a trust deed dated 11 July 2007 (as may be amended, modified or supplemented from time to time) with BOCI-Prudential Asset Management Limited as the manager and BOCI-Prudential Trustee Limited as the trustee of the Fund. The Fund is established under and governed by the laws of Hong Kong.

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

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

### **Summary**

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

Product Type		Index-Tracking Exchange Traded Fund
Underlying Index		CSI Hong Kong 100 Index
Listing Date		15 May 2008
Exchange Listing		SEHK - Main Board
Stock Code		2825
Trading Board Lot Size		200 Units
Base Currency		Hong Kong dollars (HK\$)
Trading Currency		Hong Kong dollars (HK\$)
Distribution Policy		Annually (if any) at the discretion of the Manager
Parties	Manager	BOCI-Prudential Asset Management Limited
	Trustee and Custodian	BOCI-Prudential Trustee Limited
	Registrar	Computershare Hong Kong Investor Services Limited

	Conversion Agent and Service Agent	HK Conversion Agency Services Limited
Web Site		www.boci-pru.com.hk/ English/etf/intro.aspx (for English), or www.boci-pru.com.hk/Chinese/etf/intro.aspx (for Chinese)
Application Unit size for Creation/Redemption by the Participating Dealer(s) or by the Eligible Investors through the Manager		Minimum 500,000 Units (or multiples thereof)
Application Unit size for Special Creation/ Special Redemption by a Feeder Fund		Minimum 1 Unit (or multiples thereof)

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

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

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

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

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

#### *Replication Strategy*

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

### *Representative Sampling Strategy*

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

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

The Manager intends to pursue a representative sampling strategy for the Sub-Fund. As a result, the Sub-Fund may not from time to time hold all constituent securities of the CSI HK 100 and the Manager may overweight certain constituent securities relative to their respective weightings in CSI HK 100 on the condition that the maximum extra weighting in any constituent security of CSI HK 100 will not exceed four per cent (4%) under normal circumstances or such other percentage as determined by the Manager after consultation with the SFC. Any non-compliance with the said limits will be disclosed in the annual report and interim report of the Sub-Fund. However, investors should note that the representative sampling strategy is associated with certain additional risks, in particular a possible increased tracking error at the time of the switch as well as a possible increased tracking error in general, and investors should read the “Risk Factors” section below carefully.

## **RISK FACTORS**

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

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

- (a) General investment risk – The Sub-Fund’s investment portfolio may fall in value due to any of the key risk factors below and therefore your investment in the Sub-Fund may suffer losses. There is no guarantee in respect of repayment of principal.
- (b) Market risk – Market risk includes such factors as changes in economic environment, consumption pattern and investors’ expectations etc. which may have significant

impact on the value of the investments. Any options, warrants and derivatives in the Sub-Fund may also expose the Sub-Fund significantly to the fluctuations in the market. Market movements may therefore result in substantial fluctuations in the Net Asset Value per unit of the Sub-Fund.

- (c) Emerging market risk – Investing in emerging markets, such as the PRC, may involve increased risks and special considerations not typically associated with investment in more developed markets, such as liquidity risks, currency risks/control, political and economic uncertainties, legal and taxation risks, settlement risks, custody risk and the likelihood of a high degree of volatility. Usually, emerging markets tend to be more volatile than developed markets and may experience substantial price volatility.
- (d) Single country / region / concentration risk – In tracking the CSI HK 100, the Sub-Fund will invest in securities of companies listed on the SEHK. Such companies may have substantial exposure to the risks in Hong Kong and/or the PRC. As a result, the value of the Sub-Fund may be more volatile than that of a fund having a more diverse portfolio of investments. The value of the Sub-Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the Hong Kong and/or PRC market.
- (e) Sector concentration risk – To the extent that the CSI HK 100 concentrates in securities which belong to a particular industry or group of industries, the Manager may similarly concentrate the Sub-Fund’s investments. The performance of the Sub-Fund could then depend heavily on the performance of that industry or group of industries. In addition, the Manager may invest a significant percentage or all of the assets of the Sub-Fund in a single issuer, and the performance of the Sub-Fund could be closely tied to that issuer and could be more volatile than the performance of other more diversified funds.
- (f) Equity market risk – The Sub-Fund’s investment in equity securities is subject to general market risks, whose value may fluctuate due to various factors, such as changes in investment sentiment, political and economic conditions and issuer-specific factors.
- (g) Securities risk – Each company has its unique factors affecting the value of its securities. These factors include the company’s management capability, capital structure, liquidity position, product composition and others.
- (h) Passive investment risk - The Sub-Fund is passively managed. Due to the inherent nature of the Sub-Fund, the Manager will not have the discretion to adapt to market changes and may not take an active role in defending the position of the Sub-Fund in declining markets. Hence, any fall in the CSI HK 100 will result in a corresponding fall in the value of the Sub-Fund.
- (i) Tracking error risk – The Sub-Fund may be subject to tracking error risk, which is the risk that its performance may not track that of the CSI HK 100 exactly. The Sub-Fund’s returns may deviate from the CSI HK 100 due to a number of factors. For example, the fees and expenses of the Sub-Fund, the investment strategy used (the need for the Manager to adopt a representative sampling strategy), rounding of share



prices, changes to the CSI HK 100 and regulatory policies may affect the Manager's ability to achieve close correlation with the CSI HK 100. Further, the Sub-Fund may receive income (such as interests and dividends) from its assets while the CSI HK 100 does not have such sources of income.

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

- (j) Portfolio management risk – Since the Sub-Fund will not fully replicate the CSI HK 100, there is a risk that as the implementation of the Manager's investment strategy is subject to a number of constraints, the investment strategy may not produce the intended results.
- (k) Risks relating to the CSI HK 100 – The Sub-Fund may be subject to the following risks in relation to the CSI HK 100:
- (i) The initial term of the license agreement between the Manager and the Index Provider is three (3) years, after which it will be automatically extended unless otherwise terminated in accordance with the license agreement. If the CSI HK 100 is discontinued or the Manager's licence from the Index Provider under the relevant licence agreement is terminated, the Manager may, in consultation with the Trustee, seek the SFC's prior approval to replace the CSI HK 100 with an index that is tradable and has similar objectives to the CSI HK 100. For the avoidance of doubt, index-tracking will remain the Sub-Fund's investment objective. The Manager's licence from the Index Provider may be terminated if (1) the license agreement is not extended after the expiry of the initial term; or (2) the Index Provider ceases to calculate and publish the CSI HK 100 and the Index Provider should give written notice to the Manager (i) not less than ninety (90) days before such cessation or the notice period stipulated by the relevant regulatory authorities, whichever is longer, or (ii) such shorter notice period as agreed between the Manager and the Index Provider. Unless otherwise agreed between the Manager and the Index Provider, the Index Provider may terminate the Manager's licence by written notice under the following circumstances:
- if the Manager ceases to develop and manage investment products which track the CSI HK 100 and the Manager should give written notice to the Index Provider of not less than ninety (90) days before such cessation or such shorter notice period as agreed between the Manager and the Index Provider;
  - if the Manager breaches the licence agreement for the CSI HK 100 and fails to rectify the breach within thirty (30) days after the Index Provider has notified the Manager in writing of the breach;
  - if the size of the investment product which tracks the CSI HK 100 and is managed by the Manager is less than RMB100 million;
  - if any of the SFC and SEHK requests the Manager to cease developing and managing the investment product which tracks the CSI HK 100 or requests the Index Provider to terminate the license;

- if the Manager commits a serious breach of the applicable laws or violates the rules of the stock exchanges; or
- other circumstances specified by laws or regulations.

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

- if the licence agreement cannot be performed due to force majeure events;
  - if the Index Provider loses the relevant rights in the CSI HK 100; or
  - if the Manager ceases business operations is revoked or liquidated, or declares bankruptcy.
- (ii) There may be changes in the constituent securities of the CSI HK 100 from time to time. For example, the shares of a constituent company may be delisted or a new eligible company may be added to the CSI HK 100. In such circumstances, in order to achieve the investment objective of the Sub-Fund, the Manager may change the weighting or composition of the Basket(s) held by the Sub-Fund. The price of the Units may rise or fall as a result of these changes.
- (iii) The process and the basis of computing and compiling the CSI HK 100 and any of its related formulae, constituent companies and factors may also be changed or altered by the Index Provider at any time without notice. There is also no warranty, representation or guarantee given to the investors as to the accuracy or completeness of the CSI HK 100, its computation or any information related thereto.
- (l) Risk relating to listing – If the Units of the Sub-Fund are delisted from the SEHK, the Manager may, in consultation with the Trustee, seek the SFC’s prior approval to operate the Sub-Fund as an unlisted index fund (subject to any necessary amendments to the rules of the Sub-Fund) or terminate the Sub-Fund and will notify investors accordingly.
- (m) Trading in Units on the SEHK may be suspended – Investors will not be able to purchase or sell Units on the SEHK during any period that the SEHK suspends trading in the Units. The SEHK may suspend the trading of Units whenever the SEHK determines that it is appropriate in the interest of a fair and orderly market to protect investors. The creation and redemption of Units may also be suspended in the event that the trading of Units on the SEHK is suspended.
- (n) No assurance on continued listing status – There is no assurance that the Units of the Sub-Fund will continue to meet the listing requirements of the SEHK. If the Units of the Sub-Fund are delisted, the Manager may, in consultation with the Trustee, seek the SFC’s approval to operate the Sub-Fund as an unlisted index fund (subject to any necessary amendments to the rules of the Sub-Fund) or terminate the Sub-Fund and will notify investors accordingly.
- (o) Restrictions on creation and redemption of Units – Investors should note that the Sub-Fund is not like a typical retail investment fund offered to the public in Hong Kong (for which units can generally be purchased and redeemed in cash directly from the manager at a relatively smaller lot size). Units of the Sub-Fund may only be created

and redeemed in Application Unit sizes (as referred to pages 15 to 16) directly by a Participating Dealer or, subject to such terms and conditions as specified in the relevant application forms and other requirements set out in the section "Creation and Redemption of Units", via the Manager by an Eligible Investor or by a Feeder Fund through Special Creation Application or Special Redemption Application, and may not be created or redeemed directly by other investors through the Manager. Such other investors may only make a request (and if such investor is a retail investor), through a stockbroker which has opened an account with a Participating Dealer. A Participating Dealer reserves the absolute right to refuse to accept a request from an investor to create or (under exceptional and limited circumstances) redeem Units and can charge such fees as it may reasonably determine from time to time. Alternatively, investors may realize the value of their Units by selling their Units through an intermediary such as a stockbroker on the SEHK, and there is a risk that dealings on the SEHK may be suspended. Also, the Manager (in its capacity as dealer for the Eligible Investors) reserves the absolute discretion to accept or reject a Creation Application by an Eligible Investor or a Special Creation Application or Special Redemption Application by a Feeder Fund.

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

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

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

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

- (p) Termination risk – The Sub-Fund may be terminated under certain circumstances, for example, where the CSI HK 100 is no longer available for benchmarking or if at any time one year after the establishment of the Sub-Fund the size of the Sub-Fund falls below HK\$100,000,000. Investors may not be able to recover their investments and suffer a loss when the Sub-Fund is terminated.
- (q) Risk of withdrawal of authorization - The Sub-Fund has been authorized as a collective investment scheme under the UTMF Code by the SFC pursuant to section 104 of the Securities and Futures Ordinance. SFC authorisation is not a recommendation or endorsement of the Sub-Fund nor does it guarantee the commercial merits of the Sub-Fund or its performance. It does not mean the Sub-Fund is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors. The SFC reserves the right to withdraw the authorization of the Sub-Fund, for example, if the SFC considers the CSI HK 100 no longer acceptable.
- (r) Suspension of creation and redemption – Dealings of Units on the SEHK may not necessarily be suspended when there is a temporary suspension of the creation and redemption of Units under the terms of the Trust Deed. If the creation and redemption of Units is temporarily suspended, the trading price of the Units may be adversely affected and differ from the market value of the Sub-Fund’s underlying assets.
- (s) Trading risk / Risk related to divergence between the market price of the Units and the Net Asset Value of the Sub-Fund – Investors should note that unlike a typical retail investment fund offered to the public in Hong Kong (the market price of the units of which is determined by the net asset value of the investment fund), the trading price of the Units traded on the SEHK is determined not only by the Net Asset Value of the Sub-Fund but also by other market factors such as the supply of and demand for the Units in the SEHK. Therefore, there is a risk that the Units may trade at a substantial premium or discount to the Sub-Fund’s Net Asset Value and the market price of the Units traded on the SEHK may diverge significantly from the Net Asset Value of the Sub-Fund.

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

- (t) Risk of absence of active market – There can be no assurance that an active trading market in respect of the Units in the Sub-Fund will be developed or maintained. There is no certain basis for predicting the actual price levels at which, or the sizes in which, the Units in the Sub-Fund may trade. There can be no assurance that the Units in the Sub-Fund will experience trading or pricing patterns similar to those of other exchange traded funds which are issued by investment companies in other jurisdictions or are traded on the SEHK.
- (u) No assurance on performance – Past performance is not indicative of future returns of the Sub-Fund. There can be no assurance that the Sub-Fund’s investment objectives

will be met. The level of fees and expenses payable by the Sub-Fund may fluctuate. Although the amounts of certain ordinary expenses of the Sub-Fund may be estimated, the returns of the Sub-Fund and its Net Asset Value cannot be estimated. Accordingly no assurance can be given as to the performance of the Sub-Fund or its level of expenses.

(v) Liquidity risk

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

To meet redemption requests, the Sub-Fund 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-Fund.

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

(x) Risks relating to obligations to comply with AEOI

The Unitholders shall be required to, (i) upon demand by the Trustee or the Manager, provide any form, certification or other information reasonably requested by and acceptable to the Trustee or the Manager that is necessary for the Sub-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-Fund.

(y) Risks relating to obligations under FATCA Regulations

The Unitholders shall be required to, (i) upon demand by the Trustee or the Manager provide any form, certification or other information reasonably requested by and acceptable to the Trustee or the Manager that is necessary for the Sub-Fund (A) to prevent withholding (including, without limitation, any withholding taxes required

under FATCA as more particularly described in paragraph (z) below) or qualify for a reduced rate of withholding or backup withholding in any jurisdiction from or through which Sub-Fund receives payments, and/or (B) to satisfy reporting or other obligations under the IRC and the United States Treasury Regulations promulgated under the IRC, or to satisfy any obligations relating to any applicable laws and regulations or any agreements with any tax or fiscal authority in any jurisdictions, (ii) update or replace such form, certification or other information in accordance with its terms or subsequent amendments or when such form, certificate or other information is no longer accurate, and (iii) otherwise comply with any reporting obligations imposed under the FATCA regulations.

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

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

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

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

(z) Withholding tax risk under FATCA regime

Investors should note that (i) the proceeds from the sale of securities in some markets or the receipt of any dividends or other income may be or may become subject to tax, levies, duties or other fees or charges imposed by the authorities in that market including taxation levied by withholding at source and/or (ii) the Sub-Fund's investments may be subject to specific taxes or charges imposed by authorities in some markets. The FATCA rules generally impose a 30% withholding tax on (a) certain US source payments (including interest and dividends) and gross proceeds from the sale or other disposition of property that can produce US source interest or dividends (such as bonds or shares issued by a US issuer) ("withholdable payments"), and (b) "foreign passthru payments" (generally, payments that are attributable to withholdable payments) made by certain non-US entities (collectively referred to as "passthru payments"). Under the FATCA rules, if the Sub-Fund does not or cannot

report to the IRS information regarding a US Person that indirectly holds interests in the Sub-Fund, and to comply with certain other reporting, verification, due diligence and other requirements, the Sub-Fund generally would be subject to 30% withholding tax on passthru payments received by the Sub-Fund, which would reduce the Sub-Fund's value. Although the Sub-Fund will attempt to satisfy any obligations imposed on it to avoid the imposition of the FATCA withholding tax, no assurance can be given that the Sub-Fund will be able to satisfy those obligations. If the Sub-Fund becomes subject to a withholding tax as a result of the FATCA regime, the value of the Units held by Unitholders may suffer material losses.

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

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

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

- (aa) Reliance on market maker risks - Although the Manager will ensure that at least one market maker will maintain a market for the Units and that at least one market maker gives not less than 3 months' notice prior to terminating market making arrangement under the relevant market maker agreement, liquidity in the market for the Units may be adversely affected if there is no or only one market maker for the Units. There is also no guarantee that any market making activity will be effective.
- (bb) Potential conflict of interest risk – The Manager and the Trustee and Custodian or their Connected Persons may, from time to time, act as manager, investment adviser, trustee or as custodian or in such other capacity in connection with or be otherwise involved in or with any other collective investment schemes separate and distinct from the Fund and the Sub-Fund. It is possible that any of the Manager and the Trustee and Custodian or their Connected Persons may, in the course of business, have potential conflicts of interest with the Sub-Fund. Each of the Manager and the Trustee and Custodian or their Connected Persons will, at all times, have regard in such event to its obligations to the Sub-Fund and the investors and will endeavour to ensure that such conflicts are resolved fairly. Please refer to the section on “Potential Conflict of Interest, Transactions with Connected Persons and Soft Commissions” on pages 46 to 48 for details.

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

## **INVESTMENT AND BORROWING RESTRICTIONS**

### **Investment Restrictions**

The Trust Deed imposes a number of restrictions and prohibitions on investment of the Sub-Fund. So long as the Sub-Fund is authorized by the SFC pursuant to the UTMF Code, the assets of the Sub-Fund may be invested only in the investments permitted under and in accordance with Chapters 7 and 8 of the UTMF Code issued by the SFC (as applicable).

A summary of the investment restrictions of the Sub-Fund is as follows :

- (1) No investment shall be purchased, made or added to if as a result thereof:
- (a) the value of the Sub-Fund's latest holding of securities issued by any single issuer would exceed ten per cent (10%) of the latest available Net Asset Value of the Sub-Fund as at the time the investment is made unless:
- it is limited to a particular constituent security of the CSI HK 100 that accounts for more than ten per cent (10%) of the weighting of the CSI HK 100 and unless otherwise approved by the SFC, the weighting of that constituent security may not exceed that constituent security's weighting in the CSI HK 100, except where the weightings are exceeded as a result of changes in the composition of the CSI HK 100 and the excess is only transitional and temporary in nature; or
  - where the Sub-Fund adopts a representative sampling strategy which does not involve the full replication of the constituent securities of the CSI HK 100 in the exact weightings of the CSI HK 100, the Sub-Fund may overweight the underlying holdings of a particular constituent security's weighting in the CSI HK 100 provided that any such excess of weightings is subject to a maximum limit of 4% or such other percentage as determined by the Manager after consultation with the SFC having regard to the characteristics of the constituent security, its weighting, the investment objectives of the CSI HK 100 and any other suitable factors; or
  - otherwise approved by the SFC.
- (b) the nominal amount of the Sub-Fund's holding of ordinary shares in the capital of any single issuer, when aggregated with the holdings of such



ordinary shares held by all other sub-funds of the Fund, would exceed 10 per cent (10%) of the total nominal amount of all the ordinary shares in the capital of that issuer in issue;

- (c) the value of the Sub-Fund's holding of units in Collective Investment Schemes would in aggregate exceed 10 per cent (10%) of the latest available Net Asset Value of the Sub-Fund as at the time investment is made PROVIDED THAT no investment may be made in any Collective Investment Scheme managed by the Manager or by a Connected Person of the Manager if such investment would result in an increase in the overall total of Manager's fees and other costs and charges borne by the Unitholders or by the Sub-Fund; and
  - (d) the value of the Sub-Fund's latest holding of securities neither listed nor quoted on a securities market would exceed fifteen per cent (15%) of the latest available Net Asset Value of the Sub-Fund as at the time the investment is made.
- (2) Subject to 1(a) above, the value of the Sub-Fund's holding in Government and other public securities (as defined under Chapter 7 of the UTMF Code) of the same issue may exceed thirty per cent (30%) of the latest available Net Asset Value of the Sub-Fund at the time the investment is made. Further, subject to 1(a) above, the Manager may invest all of the assets of the Sub-Fund in Government and other public securities (as defined under Chapter 7 of the UTMF Code) in any number of different issues.
- (3) The Manager shall not on behalf of the Sub-Fund:
- (a) invest in a Security of any class in any company or body if any director or officer of the Manager individually owns more than 0.5 per cent (0.5%) of the total nominal amount of all the issued securities of that class, or collectively the directors and officers of the Manager own more than five per cent (5%) of those securities;
  - (b) invest in any type of real estate (including buildings) or interests in real estate (including options or rights, but excluding shares in real estate companies and interests in real estate investment trusts (REITs)). In the case of investments in such shares and REITs, they shall comply with the investment limits as set out in (1) above, where applicable;
  - (c) make short sales if it results in the Sub-Fund's liability to deliver Securities exceeding ten (10) per cent of the latest available Net Asset Value of the Sub-Fund or if the Security which is to be sold short is not actively traded on a market where short selling activity is permitted;
  - (d) write uncovered options;
  - (e) write a call option on investments if the aggregate exercise price of such call option and of all other unexpired call options written for the account of the Sub-Fund would exceed twenty five per cent (25%) of the latest available Net Asset Value of the Sub-Fund in terms of exercise price as at the time the investment is made;

- (f) without the prior written consent of the Trustee, lend, assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person;
  - (g) enter into any obligation or acquire any asset which involves the assumption of any liability by the Trustee (in the capacity of the trustee of the Sub-Fund) which is unlimited;
  - (h) invest in options and warrants for purposes other than hedging if the aggregate amount of premium paid exceeds fifteen per cent (15%) of the latest available Net Asset Value of the Sub-Fund as at the time the investment is made; or
  - (i) enter into futures contract on an unhedged basis if the net total aggregate value of contract prices, whether payable to or by the Sub-Fund under all outstanding futures contracts, together with the aggregate value of holdings of physical commodities and commodity based investments exceed twenty per cent (20%) of the latest available Net Asset Value of the Sub-Fund as at the time the investment is made.
- (4) For the avoidance of doubt, if no authorization of the SFC is required under the Securities and Futures Ordinance in respect of the Sub-Fund, none of the provisions in (1) to (3) shall be applicable to the Sub-Fund.
- (5) Subject to the provisions of the Trust Deed, the Trustee may at the request of the Manager arrange for any Securities for the time being comprised in the Sub-Fund to be loaned by, or Securities to be loaned to, the Fund through the agency of or directly with any person acceptable to the Trustee (including the Manager or the Trustee or any Connected Person of either of them). The Trustee shall only arrange for any Securities for the time being comprised in a Sub-Fund to be loaned by the Fund if the Trustee has used reasonable endeavours to satisfy itself that the relevant counterparties are banks or other financial institutions of sound financial standing and that adequate collateral (including, but not limited to, treasury bills, bankers' acceptances, certificates of deposit, bonds, equities, letters of credit and cash collateral) will have been provided to the Fund by the borrower. Any income attributable to the Fund as a result of such loan shall, on receipt by the Trustee, be credited to the Sub-Fund. Where any loan has been arranged through the Manager or the Trustee or a Connected Person of either of them, the relevant entity shall be entitled to retain for its own use and benefit any fee or benefit it receives on a commercial basis in connection with such arrangement. The maximum level of Securities available for lending shall be limited to seventy-five per cent (75%) of the latest available Net Asset Value of the Sub-Fund or such other percentage as may from time to time be determined by the Manager.

### **Borrowing Restrictions**

The Manager may borrow up to 25% of the latest available net asset value of the Sub-Fund as at the time the investment is made for the following purposes :

- facilitating the creation or redemption of Units or defraying operating expenses;

- enabling the Manager to acquire investments for the account of the Sub-Fund; or
- any other purpose as may be agreed by the Manager and the Trustee from time to time.

The assets of the Sub-Fund may be charged or pledged as security for any such borrowings. For the avoidance of doubt, back-to-back loans will not be taken into account when determining whether or not the 25% limit mentioned above has been breached by the Sub-Fund.

### **General**

If any of the investment and borrowing restrictions are breached, the Manager shall as a priority objective take all steps necessary as soon as practicable to remedy the situation, having due regard to the interests of Unitholders. The Manager is not immediately required to sell applicable investments if any of the investment restrictions are exceeded as a result of changes in the value of the Sub-Fund's investments, reconstructions or amalgamations, payments out of the assets of the Sub-Fund or redemptions of Units but for so long as such limits are exceeded, the Manager shall not acquire any further investments which would result in such limit being further breached.

## **MANAGEMENT AND ADMINISTRATION**

### **Manager and Listing Agent**

BOCI-Prudential Asset Management Limited is the manager and the listing agent of the Sub-Fund. BOCI-Prudential Asset Management Limited is a joint venture between BOCI Asset Management Limited and Prudential Corporation Holdings Limited. BOCI Asset Management Limited is a wholly owned subsidiary of BOC International Holdings Limited which in turn is a wholly owned subsidiary of Bank of China Limited. BOCI-Prudential Asset Management Limited is specialized in security-based portfolio management business. Teaming up with elite investment professionals, BOCI-Prudential Asset Management Limited is devoted to providing advanced and quality services to its clients and is committed to be a professional, prudent and reliable fund management house.

BOCI-Prudential Asset Management Limited is licensed by the SFC in Hong Kong for types 1, 4, 5, 6 and 9 regulated activities under the Securities and Futures Ordinance.

### **Trustee and Custodian**

The trustee and custodian of the Sub-Fund is BOCI-Prudential Trustee Limited, which is a registered trust company in Hong Kong.

The Trustee is a joint venture founded by BOC Group Trustee Company Limited and Prudential Corporation Holdings Limited. BOC Group Trustee Company Limited is owned by BOC International Holdings Limited and Bank of China (Hong Kong) Limited, which are subsidiaries of Bank of China Limited. The principal activity of the Trustee is the provision of trustee services.

Under the Trust Deed, the Trustee is responsible for the safekeeping of the assets of the Sub-Fund. The Trustee may, however, appoint any person or persons to be custodian of such assets. The Trustee is required to (a) exercise reasonable care and diligence in the selection, appointment and on-going monitoring of any of its custodian, co-custodian or, sub-custodian, nominees, agents and delegates in relation to the assets forming part of the property of the Sub-Fund (collectively, "Correspondents"); and (b) be satisfied that Correspondents retained remain suitably qualified and competent to provide the relevant custodial services to the Sub-Fund. The Trustee shall be responsible for the acts and omissions of any Correspondent which is a connected person of the Trustee as if the same were the acts and omissions of the Trustee but provided that the Trustee has discharged its obligations set out in (a) and (b) as set out in this paragraph, the Trustee shall not be liable for any act, omission, insolvency, liquidation or bankruptcy of any Correspondent which is not a connected person of the Trustee.

Any custodian, co-custodian or sub-custodian may further appoint its nominees, agents and/or delegates provided that such appointment is made with no objection in writing by the Trustee and the custodian, co-custodian or sub-custodian has exercised reasonable care and diligence in the selection, appointment and ongoing monitoring of its nominees, agents and/or delegates and has appropriate and adequate processes and procedures in place for doing so. The Trustee shall also exercise reasonable care and diligence: (i) to ensure that the processes and procedures mentioned in this paragraph have been properly implemented by the custodian, co-custodian and/or sub-custodian (as the case may be) and (ii) to conduct regular reviews of such custodian's, co-custodian's and/or sub-custodian's processes and procedures to ensure that the Trustee remains satisfied that such processes and procedures remain appropriate and adequate for the selection, appointment and ongoing monitoring of such nominees, agents and/or delegates.

### **Registrar**

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

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

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

## **CREATION AND REDEMPTION OF UNITS**

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

Unless otherwise determined by the Manager, a Creation Application shall be made by a Participating Dealer in accordance with the terms of the Trust Deed and the relevant Participation Agreement on a Dealing Day in respect of Units constituting an Application Unit size or whole multiples thereof. Alternatively, Eligible Investors may make a Creation

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

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

A Participating Dealer may apply to directly create or redeem Units of the Sub-Fund, and the creation or redemption will be in kind whereby the relevant Basket(s) and the Cash Component will be delivered by the Participating Dealer to the Manager (in case of creation) or delivered by the Manager to the Participating Dealers (in case of redemption). Any investor, other than a Participating Dealer, may make a request to create or redeem Units through a Participating Dealer, and if the investor is a retail investor, such request must be made through a stockbroker which has opened an account with the Participating Dealer. However, investors should note that a Participating Dealer reserves the right to refuse to accept a request from an investor to create or to redeem Units under exceptional circumstances provided that the relevant Participating Dealer must act reasonably and in good faith. The Participating Dealer can charge such fees as it may reasonably determine from time to time. Details of the procedures for creation and redemption of Units are set out on pages 28 to 32 and pages 34 to 38 of this Prospectus.

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

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

payable to or by the Eligible Investor. The Eligible Investor therefore will be responsible for all transactional costs, duties and expenses, as well as subject to the market risk, in constituting the Basket(s). Similarly, if the Manager accepts a Redemption Application (in Application Unit sizes) from an Eligible Investor, the Manager will liquidate the relevant Basket(s) from the Sub-Fund and the Eligible Investor will bear all transactional costs, duties and expenses, and the market risk in liquidating the relevant Basket(s). A Cash Component may also be payable to or by the Eligible Investor.

In accepting the Creation or Redemption Application by an Eligible Investor, the Manager may also charge such servicing fee as the Manager may determine. Any fees charged by the Manager will be deducted from the subscription monies or redemption proceeds, as the case may be. Details of the procedures for creation and redemption of Units are set out on pages 28 to 32 and pages 34 to 38 of this Prospectus.

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

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

For Feeder Fund(s), Special Creation and Special Redemption for the Units through the Manager may be available. Please refer to page 39 for further information on “Special Creations and Redemptions by a Feeder Fund”.

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

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

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

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

date of this Prospectus. Application may be made in the future for listing of Units on one or more other stock exchanges.

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

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

#### *Creation by Participating Dealers*

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

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

plus,

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

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

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

the relevant Participating Dealer (or its agent) in accordance with the Operating Guidelines. In respect of each Creation Application by a Participating Dealer, the Issue Price of a Unit of any class in the Sub-Fund shall be equal to one-hundredth (1/100th) of the closing level of the CSI HK 100 as at the close of the Initial Offer Period. After the close of the Initial Offer Period, the Issue Price of a Unit of any class in the Sub-Fund shall be the Net Asset Value per Unit of the relevant class as at the relevant Dealing Day rounded to the nearest fourth (4<sup>th</sup>) decimal place of the Base Currency (and in the case of 0.00005 or above of such minimum unit, rounded up). Any commission, remuneration or other sum payable by the Manager to any agent or other person in respect of the issue or sale of any Unit shall not be added to the Issue Price of such Unit and shall not be paid by the Sub-Fund.

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

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

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

In respect of each Creation Application by a Participating Dealer, the Manager shall be entitled to, for the account and benefit of the Trustee, charge the Transaction Fee, which shall be paid by or on behalf of the relevant Participating Dealer and may be set off and deducted against any Cash Component due to the relevant Participating Dealer in respect of such Creation Application. The Manager shall have the right to revise the amount of the Transaction Fee it charges provided that the level of Transaction Fee charged to all Participating Dealers is the same.

#### *Creation by Eligible Investors*

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

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

- (a) comply with the requirements in respect of creation of Units set out in the Trust Deed and/or this Prospectus (where applicable);



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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **Certificates**

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

### **Cancellation of Creation Applications**

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

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

- (a) if the title to the Basket(s) deposited for exchange of Units has not been fully vested upon trust in the Trustee or to the Trustee's satisfaction, or evidence of title and instruments of transfer satisfactory to the Trustee have not been produced to or to the order of the Trustee by or on the relevant Settlement Day; or
- (b) the full amount of the Cash Component (if applicable) and any duties, fees and charges payable in respect of the Creation Application have not been received in cleared funds by or on behalf of the Trustee by such time on the Settlement Day as prescribed in the Operating Guidelines in respect of a Creation Application by a Participating Dealer,

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

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

- (a) any Basket(s) deposited for exchange (or equivalent Securities of the same type) fully vested in the Trustee and any cash received by or on behalf of the Trustee in respect

of such cancelled Units shall be redelivered to the relevant Participating Dealer (or its agent);

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

*In relation to Creation Applications by Eligible Investors*

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

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

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

- (a) the Manager shall liquidate the Basket(s) constitute on behalf of the Eligible Investor and after deduction of all applicable transactional costs, duties and expenses, deposit the realized proceeds in cash to an account nominated by the Eligible Investor, together with redelivery of any cash received by or on behalf of the Trustee in respect of such cancelled Units not applied to constitute the Basket(s);
- (b) the Manager shall be entitled to charge the Eligible Investor for the account and benefit of the Trustee an Application Cancellation Fee;
- (c) the Manager shall be entitled to charge the Eligible Investor for the account and benefit of the Trustee the Transaction Fee payable in respect of the Creation Application;

- (d) the Manager may at its absolute discretion require the Eligible Investor to pay to the Trustee for the account of the Sub-Fund in respect of each cancelled Unit a Cancellation Compensation, being the amount (if any) by which the Issue Price of each such Unit exceeds the Redemption Price which would have applied in relation to each such Unit if an Eligible Investor had, on the date on which such Units are cancelled, made a Redemption Application; and
- (e) no previous valuations of the Sub-Fund shall be re-opened or invalidated as a result of the cancellation of such Units.

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

### **Redemption of Units**

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

#### *Redemption by Participating Dealers*

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

### *Redemption by an Eligible Investor*

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

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

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

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

The Eligible Investor shall bear all transactional costs, duties and expenses in liquidating the relevant Basket(s). The Manager is also entitled to charge a servicing fee as the Manager may determine on the Redemption Application. The Cash Component, the Manager's servicing fee, and all duties and charges payable by the Eligible Investor may be set off and deducted from the redemption proceeds payable to the Eligible Investor.

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

### *Redemption – General*

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

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

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

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

With a view to protecting the interests of Unitholders, the Manager is entitled, with the approval of the Trustee, to limit the number of Units of the Sub-Fund redeemed on any Dealing Day (whether by sale to the Manager or by cancellation by the Trustee) to twenty per cent (20%) of the latest available Net Asset Value of the Sub-Fund, and the number of Units to be redeemed should be in multiples of the Application Unit size. In this event, the limitation will apply pro rata so that all Unitholders wishing to redeem Units in the Sub-Fund

on that Dealing Day will redeem the same proportion by value of such Units, and Units not redeemed (but which would otherwise have been redeemed) will be carried forward and given priority for redemption, subject to the same 20% limitation and Application Unit size requirements, on the next Dealing Day and the redemption price will then be determined by reference to the Net Asset Value per Unit on such next Dealing Day. If requests for redemption are so carried forward, the Manager will inform the Unitholders concerned.

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

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

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

Upon redemption of Units pursuant to a valid Redemption Application,

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



- (b) the name of the Unitholder of such Units shall be removed from the Register on the relevant Settlement Day.

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

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

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

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

In respect of a Redemption Application by a Participating Dealer, the Manager shall have the right to determine in its absolute discretion that the Trustee shall pay cash out of the Sub-Fund equal to the market value at the Valuation Point for the relevant Dealing Day of the relevant Basket(s) (or part thereof) in lieu of delivering the relevant Basket(s) to the Participating Dealer (or its agent) if the Manager determines in its absolute discretion that the Basket(s) are unlikely to be available for delivery or likely to be available in insufficient quantity for delivery upon the Redemption Application by a Participating Dealer or if it is in the interests of the Sub-Fund to do so, provided that the Manager shall be entitled in its absolute discretion to charge (for the account of the Sub-Fund) to the Participating Dealer redeeming any Units for which cash is paid in lieu of delivering the Basket(s) an additional sum which represents the appropriate provision for duties and charges. Such duties and charges payable by the Participating Dealer may be set off and deducted from the cash payable in lieu.

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

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

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

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

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

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

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

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

The Manager may compulsorily redeem a Unitholder's Units in the Sub-Fund (or any part thereof) upon reasonable notice as if the Unitholder had requested the redemption of such Units and close any accounts held by a Unitholder for the Unitholder's investments in the Sub-Fund if:

- (a) the Unitholder is or becomes or is holding the Units for the account of or benefit of (i) a US Person (as defined in Regulation S under the United States Securities Act of 1933 (as amended)); or (ii) a US Person for FATCA purpose; or (iii) any other Unqualified Person (as defined in the "Definitions" section on page 9);

- (b) the Unitholder refuses or fails to provide in a timely manner any information or documents or other assistance as reasonably requested by the Manager and/or the Trustee for the purpose of meeting any demands, disclosure or reporting requirements as may be required under any applicable local or foreign laws and regulations issued by regulatory or governmental authorities of relevant jurisdiction, including but not limited to FATCA or any IGA entered into between the US and Hong Kong in connection with FATCA (including any Hong Kong laws and regulations implemented as part of such IGA);
- (c) the Unitholder withdraws consent to the reporting or disclosure of any information or documents relating to the Unitholder or the Unitholder's investments as may be required under any applicable local or foreign laws and regulations issued by regulatory or governmental authorities of relevant jurisdiction, including but not limited to FATCA or any IGA entered into between the US and Hong Kong in connection with FATCA (including any Hong Kong laws and regulations implemented as part of such IGA);
- (d) the continued holding of Units by the Unitholder will subject the Manager, the Trustee, the Sub-Fund and/or service providers of the Sub-Fund to any reporting or withholding requirements under any applicable local or foreign laws and regulations issued by regulatory or governmental authorities of relevant jurisdiction, including but not limited to FATCA or any IGA entered into between the US and Hong Kong in connection with FATCA (including any Hong Kong laws and regulations implemented as part of such IGA); or
- (e) it is, in the opinion of the Manager, required for the purpose of complying with any applicable local or foreign laws and regulations issued by regulatory or governmental authorities of relevant jurisdiction, including but not limited to FATCA or any IGA entered into between the US and Hong Kong in connection with FATCA (including any Hong Kong laws and regulations implemented as part of such IGA).

The Manager has a right to withhold, set-off or deduct reasonable amounts from the redemption proceeds, provided that: (i) such withholding, set-off or deduction is permitted by applicable laws and regulations; and (ii) the Manager is acting in good faith and on reasonable grounds.

The Manager will notify the Trustee and/or the other relevant service providers before any such redemption is made or any closing of account is done.

### **Liquidity Risk Management**

Unitholders should be aware of the potential impact of the liquidity risks on the Sub-Fund. For details, please refer to paragraph "(v) Liquidity risk" of "Risk Factors" section above.

The Manager employs a liquidity risk management process and maintains tools and methods for monitoring the liquidity of the Sub-Fund. 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 of and maintaining appropriate practice to delay and/or limit redemptions to allow them to be proceeded in an orderly manner and performing periodic liquidity stress testing under different market conditions to assess the liquidity position of the Sub-Fund.

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

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

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

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

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

reasonable endeavours to ensure that such source or sources are, in its reasonable opinion, reliable and independent;

- (b) the value of any investment which is not quoted, listed or ordinarily dealt in on a market shall be the initial value thereof equal to the amount expended out of the Sub-Fund in the acquisition thereof (including in each case the amount of the stamp duties, commissions and other expenses incurred in the acquisition thereof and the vesting thereof in the Trustee) provided that the Manager may at any time with the approval of the Trustee and shall at such times or at such intervals as the Trustee may request, cause a revaluation to be made of any unquoted investment by a professional person approved by the Trustee as qualified to value such unquoted investment;
- (c) cash, deposits and similar investments shall be valued at their face value (together with accrued interest) unless, in the opinion of the Manager, any adjustment should be made to reflect the value thereof;
- (d) the value of each unit, share or other interest in any Collective Investment Scheme which is valued as at the same day as the Sub-Fund shall be the net asset value per unit or share in such Collective Investment Scheme as at that day or, if the Manager so determines, or if such Collective Investment Scheme is not valued as at the same day as the Sub-Fund, the value of such interest shall be the latest available net asset value per unit, share or other interest in such Collective Investment Scheme;
- (e) notwithstanding the foregoing, the Manager may, with the prior consent of the Trustee, adjust the value of any cash, deposits and/or investment if, having regard to currency, applicable rate of interest, maturity, marketability and other considerations it deems relevant, it considers that such adjustment is required to reflect the fair value thereof. The Trustee may also carry out regular independent valuation of the investments as it deems appropriate; and
- (f) the value of any investment (whether of a Security or cash) otherwise than in the Base Currency shall be converted into the Base Currency at the rate (whether official or otherwise) which the Manager shall deem appropriate in the circumstances having regard to any premium or discount which may be relevant and to costs of exchange.

#### **SUSPENSION OF CREATION OR REDEMPTION OF UNITS OR DETERMINATION OF NET ASSET VALUE**

The Manager may, after giving notice to the Trustee, declare on the website maintained by the Manager for the Sub-Fund or through such other means as the Manager considers appropriate a suspension of dealing or the determination of the Net Asset Value of the Sub-Fund for the whole or any part of any period during which:

- (a) there is a closure of or the restriction or suspension of trading on any securities market on which a substantial part of the investments of the Sub-Fund is normally traded or a breakdown in any of the means normally employed by the Manager or the Trustee (as the case may be) in ascertaining the prices of investments or determining the Net Asset Value or the Issue Price or Redemption Price of a Unit;

- (b) for any other reason, the prices of investments held or contracted for by the Manager for the account of the Sub-Fund cannot, in the opinion of the Manager, reasonably, promptly and fairly be ascertained;
- (c) in the opinion of the Manager, it is not reasonably practicable to realize any investments held or contracted for the account of the Sub-Fund or it is not possible to do so without seriously prejudicing the interests of Unitholders of the Sub-Fund;
- (d) the remittance or repatriation of funds which will or may be involved in the redemption of, or in the payment for, the investments of the Sub-Fund or the subscription or redemption of any classes of Unit is delayed or cannot, in the opinion of the Manager, be carried out promptly at normal exchange rates; or
- (e) the CSI HK 100 is not compiled or published.

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

- (a) there shall be no creation or redemption of Units or determination of the Net Asset Value of the Sub-Fund;
- (b) the Manager shall have the absolute discretion to suspend an Application received prior to the suspension;
- (c) the Manager shall be under no obligation to rebalance the Basket(s) held by the Sub-Fund;
- (d) no Applications shall be made by the Participating Dealer or by an Eligible Investor or a Feeder Fund;
- (e) no Units shall be created and issued or redeemed for the account of the Sub-Fund.

The suspension shall terminate (a) when the Manager, after giving notice to the Trustee, declares the suspension at an end, or (b) in any event on the day following the first Business Day on which the condition giving rise to the suspension ceases to exist; and no other condition under which suspension shall be declared exists.

As soon as reasonably practicable after the termination of suspension, the Manager shall publish a notice of such termination on the website maintained by the Manager for the Sub-Fund or through such other means as the Manager considers appropriate.

The Manager shall notify the SFC as soon as reasonably practicable upon any suspension of creation or redemption of Units, or the determination of the Net Asset Value of the Sub-Fund, and shall publish a notice of suspension immediately following such suspension and at least once a month during the suspension on the website maintained by the Manager for the Sub-Fund and in one leading Hong Kong English language and one Chinese language daily newspaper or through such other means as the SFC considers appropriate.

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

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

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

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

### **DISTRIBUTION POLICY**

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

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

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

**The Manager has the discretion to determine if and to what extent distributions will be paid out of capital. No distributions will be paid by the Sub-Fund if the capital of the Sub-Fund is insufficient to pay the distributions.**

**The amount of distributions (if any) may go up or go down. The Manager has discretion as to whether or not to make any distributions for the Sub-Fund. The**

**Manager also has the sole and absolute discretion to determine or vary the frequency, the dates and amount for distribution. However, there is no guarantee as to whether or not distributions will be made and the amount of distributions to be paid in a financial year. Investors should also note that there is no guarantee of regular distribution payments during the period investors hold the Units of the Sub-Fund.**

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

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

### **CHARGES AND EXPENSES**

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

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

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

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

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

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

#### **Trustee Fee**

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



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

### **Other Charges and Expenses**

The Sub-Fund shall bear the costs set out in the Trust Deed which are directly attributable to it. Where such costs are attributable to the Sub-Fund and other sub-funds of the Fund, the Sub-Fund will bear such costs in proportion to its respective net asset value or in such other manner as the Manager shall consider appropriate. Such costs include, but are not limited to, the costs incurred in the establishment, structuring, management and administration of the Fund and its sub-funds, the costs of investing and realizing the investments of the sub-funds, the fees and expenses of custodians and sub-custodians of the assets of the Fund, the fees and expenses of the auditors, valuation costs, legal fees, the costs incurred in connection with any listing or regulatory approval, the costs of holding meetings of Unitholders, the costs and expenses of licensing the CSI HK 100 in connection with the Sub-Fund and the costs incurred in the preparation and printing of any prospectus, any audited accounts or interim reports which are sent to the Unitholders.

In addition, the Sub-Fund shall bear a due proportion of the costs and expenses incurred by the Manager and the Trustee in establishing the Fund. These costs and expenses are estimated to be approximately HK\$500,000 and may be allocated to the Sub-Fund and other sub-funds of the Fund on equal basis and amortized over the first accounting period of the Fund after consultation with the auditors of the Fund. In the event that any sub-fund is terminated prior to the expiry of the amortization period, the balance of unamortized expenses will be apportioned amongst the other remaining sub-funds on equal basis unless the Trustee and the Manager agree otherwise after consultation with the auditors of the Fund. The first accounting period of the Sub-Fund was from the close of the Initial Offer Period to 31 December 2008. Subsequent accounting periods of the Sub-Fund are from 1 January to 31 December of each year. In addition to the above, Unitholders may be required to pay any requisite governmental tax, stamp duty, registration fee, custody and nominee charges as may be required in the purchase or sale of the Units in the Sub-Fund. Fees payable by retail investors dealing in the Units on the SEHK are set out under the “Fees Payable by Participating Dealers, Eligible Investors and Retail Investors” section in Appendix III.

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

The Manager and the Trustee and Custodian or their Connected Persons may, from time to time, act as manager, investment adviser, trustee or as custodian or in such other capacity in connection with or be otherwise involved in or with any other collective investment schemes separate and distinct from the Fund and the Sub-Fund, including those that have similar investment objectives to those of the Sub-Fund, or contract with or enter into financial, banking or other transaction with one another or with any investor of the Sub-Fund, or any

company or body any of whose shares or securities form part of the Sub-Fund or may be interested in any such contract or transaction and shall not be liable to account to the Fund or the Sub-Fund or any investor of the Fund or the Sub-Fund for any profit or benefit made or derived thereby or in connection therewith. It is, therefore, possible that any of the Manager and the Trustee and Custodian or their Connected Persons may, in the course of business, have potential conflicts of interest with the Sub-Fund.

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

Each of the Manager and the Trustee and Custodian or their Connected Persons will, at all times, have regard in such event to its obligations to the Sub-Fund and the investors and will endeavour to ensure that such conflicts are resolved fairly.

The Manager has an established policy in relation to the identification and monitoring of potential conflicts of interest scenarios. There is functional separation of different areas of operations to control the flow of information that may be confidential and/or price sensitive. Computer and information system with appropriate access controls have been put in place by the Manager. Key duties and functions are segregated among different departments. The Manager has adopted trading policies which are designed to ensure the fair allocation of investment opportunities among funds, investment vehicles or accounts that the Manager manages or advises. A designated risk management and portfolio control team and compliance team of the Manager will monitor the implementation of such trading policies and dealing procedures with overall monitoring by the senior management of the Manager.

The Trustee and Custodian will keep and maintain proper books of accounts, records and documents for each fund or scheme under their trusteeship and segregate the assets of different funds or schemes. The Trustee and Custodian will keep data and information in relation to the portfolio of each fund/scheme confidential.

The Manager, the Trustee and Custodian or their Connected Persons shall act in a reasonable and prudent manner when handling any potential conflict of interest situation and take into account the interest of Unitholders and clients.

All transactions carried out by or on behalf of the Sub-Fund will be at arm's length in compliance with applicable laws and regulations. Any transactions between the Sub-Fund and the Manager or any of its Connected Persons as principal may only be made with the prior written consent of the Trustee/ Custodian. All such transactions shall be disclosed in the Sub-Fund's annual report.

The brokerage and other agency transactions for the account of the Sub-Fund may be executed through brokers or dealers connected to the Manager or Connected Persons of the Manager. However, for so long as the Sub-Fund is authorized by the SFC, the Manager shall ensure that it complies with the following requirements when transacting with brokers or dealers connected to the Manager or Connected Persons of the Manager, save to the extent permitted under the UTMF Code or any waiver obtained from the SFC:

- (a) such transactions are on arm's length terms;

- (b) the Manager has used due care in the selection of brokers or dealers and ensure that they are suitably qualified in the circumstances;
- (c) the transaction execution is consistent with the best execution standards;
- (d) the fee or commission paid to any such broker or dealer in respect of a transaction shall not be greater than that which is payable at the prevailing market rate for a transaction of that size and nature;
- (e) the Manager shall monitor such transactions to ensure compliance with its obligations; and
- (f) the nature of such transactions and the total commissions and other quantifiable benefits received by such broker or dealer will be disclosed in the Sub-Fund's annual report.

Neither the Manager nor any of its Connected Persons may retain cash or other rebates from a broker or dealer in consideration of directing transactions to them.

The Manager and any of its Connected Persons may effect transactions by or through the agency of another person with whom the Manager or any of its Connected Persons have an arrangement under which that party will from time to time provide to or procure for the Manager or any of its Connected Persons, goods, services or other benefits, such as research and advisory services, economic and political analysis, portfolio analysis (including valuation and performance measurement), market analysis, data and quotation services, computer hardware and software incidental to the above goods and services, clearing and custodian services and investment-related publication. The Manager shall procure that no such contractual arrangements are entered into unless:

- (a) the nature of which is such that their provision are of demonstrable benefit to the Sub-Fund;
- (b) the transaction execution is consistent with best execution standards; and
- (c) brokerage rates are not in excess of customary institutional full-service brokerage rates.

No direct payment may be made to the Manager or any of its Connected Persons who undertake to place business with that party.

For the avoidance of doubt, such goods and services do not include travel accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employee salaries or direct money payments. Details of soft commission arrangements will be reported regularly to the Trustee and will be disclosed in the Sub-Fund's annual report.

## **TAXATION**

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

### **Hong Kong**

#### *The Sub-Fund*

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

Pursuant to a remission order issued by the Secretary for Treasury on 20 October 1999, Hong Kong stamp duty payable on the transfer of Hong Kong stocks by an investor to the Sub-Fund in respect of allotment of Units, or by the Sub-Fund to an investor upon redemption of Units, will be remitted or refunded. Apart from the above, the sale and purchase of Hong Kong stocks by the Sub-Fund will be subject to stamp duty in Hong Kong at the current rate of 0.2 per cent (0.2%) of the price of Hong Kong stocks being sold and purchased. The Sub-Fund will normally be liable to one half of such Hong Kong stamp duty.

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

#### *Unitholders*

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

Effective from 13 February 2015, a transfer, sale or purchase of Units is waived from Hong Kong stamp duty.

### **General**

Investors should consult their professional financial advisers on the consequences to them of acquiring, holding, realizing, transferring or selling Units under the relevant laws of the jurisdictions to which they are subject, including the tax consequences, stamping and denoting requirements and any exchange control requirements. These consequences, including the availability of, and the value of, tax relief to investors will vary with the law and practice of the investors' country of citizenship, residence, domicile or incorporation and their personal circumstances.

## **GENERAL INFORMATION**

### **Accounts and Reports**

The Sub-Fund's year end is 31 December in each year commencing 31 December 2008. Audited accounts are sent to Unitholders within four months of the end of each financial year. Commencing 2009, half-yearly unaudited interim reports up to the last Dealing Day in June in each year will be issued to Unitholders within two months of the end of the period which they cover. Such reports will contain a statement of the value of the net assets of the Sub-Fund and the investments comprising its portfolio, and will be published in both English and Chinese.

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

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

- this Prospectus (as amended and supplemented from time to time);
- the latest available Product Key Facts Statement;
- the latest annual and semi-annual financial reports of the Sub-Fund;
- any public announcements made by the Sub-Fund, including information in relation to the Sub-Fund and the CSI HK 100, notices of the suspension of the calculation of Net Asset Value, changes in fees and charges and the suspension and resumption of trading of Units;
- daily holdings of the Sub-Fund;
- the latest available closing Net Asset Value and Net Asset Value per Unit;
- latest list of Participating Dealer(s) and link to latest list of market makers;
- the past performance information of the Sub-Fund;
- the tracking difference and tracking error information of the Sub-Fund; and
- the compositions of distributions (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital) for the last 12 months.

China Securities Index Co., Ltd. shall also publish the CSI HK 100 on its website ([www.csindex.com.cn](http://www.csindex.com.cn)).

The Manager will use all reasonable efforts to publish the near real-time estimated Net Asset Value per Unit of the Sub-Fund during normal trading hours of the SEHK on each Dealing Day on its website [www.boci-pru.com.hk/english/etf/intro.aspx](http://www.boci-pru.com.hk/english/etf/intro.aspx) (for English), or [www.boci-pru.com.hk/chinese/etf/intro.aspx](http://www.boci-pru.com.hk/chinese/etf/intro.aspx) (for Chinese), as well as the last closing Net Asset Value of the Sub-Fund. Although every effort is made to ensure information provided are accurate at the time of publication the Manager shall not accept any responsibility for any error or delay in calculation or in the publication or non-publication of prices which are beyond its control.

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

### (a) The Trustee

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

### (b) The Manager

- (i) The Manager must be subject to removal by three (3) months' notice in writing from the Trustee in either of the following events:
  - for good and sufficient reason, the Trustee states in writing that a change in the Manager is desirable in the interest of the Unitholders; or
  - subject to the approval of the SFC, Unitholders of the Fund representing at least fifty per cent (50%) in value of the Units outstanding (excluding those held or deemed to be held by the Manager or the Participating Dealer) delivered to the Trustee a written request to dismiss the Manager as the manager of the Fund.
- (ii) The Manager must also be subject to removal forthwith upon written notice from the Trustee if the Manager commences liquidation or has gone into receivership or has entered into any scheme of arrangement or compromise with its creditors.
- (iii) If the SFC ceases to accept the Manager as the investment manager of the Fund, the Manager's appointment shall be terminated as at the date on which the SFC notified the Fund of the effective date on which it ceases to accept the Manager as the investment manager of the Fund.
- (iv) The Manager may retire in accordance with the terms and conditions of the agreement entered into between the Trustee and the Manager for the investment of the Sub-Fund PROVIDED THAT a new Manager should be appointed as soon as possible with the approval of the SFC.

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

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

- (g) the Trustee have notified the Manager of its desire to retire as Trustee and the Manager shall be unable to find a qualified corporation to act as trustee in place of the Trustee in accordance with the terms of the Trust Deed.

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

### **Trust Deed**

The Fund was established under Hong Kong law by a trust deed dated 11 July 2007 (as may be amended, modified or supplemented from time to time). All holders of Units are entitled to the benefit of, are bound by and are deemed to have notice of the provisions of the Trust Deed.

The Trust Deed contains provisions for the indemnification of the Trustee and the Manager and their relief from liability in certain circumstances. Unitholders and intending applicants are advised to consult the terms of the Trust Deed. In the event of any conflict between any of the provisions of this Prospectus and the Trust Deed, the provisions of the Trust Deed prevail.

### **Modification of Trust Deed**

Subject to the prior approval of the SFC, where applicable, the Trustee and the Manager may agree to modify the Trust Deed by supplemental deed provided that in the opinion of the Trustee such modification (i) is not materially prejudicial to the interests of Unitholders, does not operate to release to any material extent the Trustee, the Manager or any other person from any liability to the Unitholders and (with the exception of the costs of preparing and executing the relevant supplemental deed) does not increase the costs and charges payable out of the assets of the Fund or (ii) is necessary or desirable in order to comply with any fiscal, statutory or official requirement or (iii) is made to correct a manifest error.

In all other cases modifications require the sanction of an extraordinary resolution of the Unitholders affected.

### **Meetings of Unitholders**

The Trust Deed provides for meetings of Unitholders to be convened by the Trustee or the Manager upon at least 21 days' notice. Notices of meetings of Unitholders will be posted to Unitholders.

Proxies may be appointed. A Unitholder who is the holder of two or more Units may appoint more than one proxy to represent him and vote on his behalf at any meeting of the Unitholders. If a clearing house (or its nominee(s)), being a corporation, is a Unitholder, it may authorise such persons as it think fit to act as its representatives at any meeting of the Unitholders provided that, if more than one person is so authorised, the authorisation shall specify the number and class of Units in respect of which each such representative is so authorised. Each person so authorised shall be deemed to have been duly authorised without further evidence of the facts and shall be entitled to exercise the same rights and powers on behalf of the clearing house (or its nominee(s)) as if such person were the registered Unitholder of the Units held by



the clearing house (or its nominee(s)), including the right to vote individually on a show of hands.

The quorum at Unitholders' meetings is Unitholders present in person or by proxy holding not less than 10 per cent (or, in relation to a resolution proposed as an extraordinary resolution, 25 per cent) of the Units in issue. If a quorum is not present, the meeting will be adjourned for not less than 15 days, and at an adjourned meeting Unitholders whatever their number or the number of Units held by them will form a quorum.

An extraordinary resolution is required under the Trust Deed for certain purposes and is a resolution proposed as such and passed by a majority of 75 per cent of the total number of votes cast.

The Trust Deed contains provisions for the holding of separate meetings of Unitholders holding different classes of Units where only the interests of Unitholders of a particular class are affected.

The Trust Deed provides that at any meeting of Unitholders, on a show of hands, every Unitholder who (being an individual) is present in person or (being a partnership or corporation) is present by an authorized representative shall have one vote and, on a poll, every Unitholder who is present as aforesaid or by proxy shall have one vote for every Unit of which he is the holder.

### **Documents Available for Inspection**

Copies of the Trust Deed, Conversion Agency Agreement, Participation Agreement and the latest annual and semi-annual reports (if any) are available for inspection free of charge at any time during normal business hours on any day (excluding Saturdays, Sundays and public holidays) at the offices of the Manager, 27/F, Bank of China Tower, 1 Garden Road, Central, Hong Kong. Copies of these documents can be purchased from the Manager on payment of a reasonable fee.

### **Anti-Money Laundering Regulations**

As part of the Trustee's and the Manager's responsibility for the prevention of money laundering, they may require a detailed verification of an investor's identity and the source of the payment of any subscriptions. Depending on the circumstances of each application, a detailed verification might not be required where:

- (i) the applicant makes the payment from an account held in the applicant's name at a recognized financial institution; or
- (ii) the application is made through a recognized intermediary.

These exceptions will only apply if the financial institution or intermediary referred to above is within a country recognized as having sufficient anti-money laundering regulations.

The Trustee and the Manager reserve the right to request such information as is necessary to verify the identity of an applicant and the source of the payment. In the event of delay or failure by the applicant to produce any information required for verification purposes, the

Trustee and/or the Manager may refuse to accept the application and the application moneys relating thereto.

### **Enquiries and Complaints**

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

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

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

## **APPENDIX I**

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

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

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

Below is a brief summary of the basic information, selection criteria, selection methodology and maintenance of the CSI HK 100 as of the date of publication of this Prospectus. Such information is subject to revision from time to time by China Securities Index Co., Ltd. and before making investment decisions, investors should refer to the website of China Securities Index Co., Ltd. ([www.csindex.com.cn](http://www.csindex.com.cn)) for the latest version of such information.

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

##### **Base Date, Base Point and Base Period**

The base date is December 31, 2004 and the base point is 1,000. The base period is the adjusted market value of the 100 constituent securities on the base date.

##### **Number of Constituent Securities**

100

##### **Ten Largest Constituent Securities**

The 10 largest constituent securities of the CSI HK 100 (out of 100 constituent securities) and their respective weightings as at 9 July 2018 are listed below for reference purpose:

Code	Stock Name	% of CSI HK 100
0700.HK	Tencent Holdings Limited	11.17%
0005.HK	HSBC Holdings plc	10.18%
0939.HK	China Construction Bank Corporation	6.67%
1299.HK	AIA Group Limited	6.66%
1398.HK	Industrial and Commercial Bank of China Limited	3.88%
0941.HK	China Mobile Limited	3.47%
2318.HK	Ping An Insurance (Group) Company of China, Ltd.	2.96%
3988.HK	Bank of China Limited	2.47%
0388.HK	Hong Kong Exchanges and Clearing Limited	2.30%
0001.HK	CK Hutchison Holdings Limited	1.77%

The investors should note that the list of constituent securities of the CSI HK 100 may be updated from time to time and the complete list of constituent securities of the CSI HK 100 is available on the website of China Securities Index Co., Ltd. ([www.csindex.com.cn](http://www.csindex.com.cn)).

## 2. Selection of Constituent Securities

### Stock Universe

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

- (1) the security is a common stock or a real estate investment trust primarily listed on the SEHK (main board or growth enterprise market);
- (2) the security has been listed for more than 3 months in the most recent year unless the daily average total market value of the security since listing is ranked among top 10 among all Hong Kong securities;
- (3) the daily average closing price of the security in the most recent year is not less than HK\$0.10;
- (4) the daily average closing price of the security in the most recent year is not less than HK\$0.50 and earnings per share of the security according to its most recent annual report is not less than zero;
- (5) the daily average turnover ratio of the security in the most recent three months is not less than 0.1%; and
- (6) the security is not considered as inappropriate by the Index Advisory Committee.

### Selection Methodology

The selection methodology is as follows:

- (a) calculate the daily average trading value and daily average total market capitalization during the most recent year (or in case of a new issue, during the time since its initial listing) for all securities in the stock universe;
- (b) rank the securities in the stock universe in descending order according to their average daily trading values of the most recent year, and exclude the bottom 50%;
- (c) rank the remaining securities in descending order according to their average daily market capitalization of the most recent year and select those which rank top 100 as constituent securities of the CSI HK 100.

### 3. Calculation of the CSI HK 100

#### Calculation Method

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

$$\text{Current index} = \frac{\text{current adjusted market cap of constituents}}{\text{base period}} \times 1000$$

Where: adjusted market cap =  $\Sigma$  (price x adjusted number of shares x weight cap factor). The adjusted number of shares is obtained through using the category-weighted method. The weight cap factor is between 0 and 1 and is applied at the time of index review to cap the weight of each constituent security at 10%.

The category-weighted method is as shown in the following table:

Negotiable Market Cap Ratio (%)	≤15	(15 , 20]	(20 , 30]	(30 , 40]	(40 , 50]	(50 , 60]	(60 , 70)	(70 , 80)	>80
Inclusion Factor (%)	Nearest higher percentage point	20	30	40	50	60	70	80	100

Example: A security with a negotiable market cap ratio (negotiable market cap /total market cap) of 11.4%, which is below 15%, the inclusion factor would be taken as the nearest higher percentage point, i.e. 12%. A security with a negotiable market cap ratio of 35% will belong to category (30, 40], and the corresponding inclusion factor is 40%, i.e. 40% of total number of shares will be used for index calculation. The negotiable market cap means the proportion of market cap remaining after excluding the following non-negotiable shares from the total market cap : (a) long term holdings by founders, families, and senior executives; (b) Government holdings; (c) holdings by strategic investors; (d) frozen shares; (e) restricted employee shares; and (f) cross-holdings.

#### 4. Index Maintenance

The CSI HK100 is maintained using the “divisor adjustment methodology”. In the event of a change in the list of constituents or in a constituent’s structure, or a change in the market capitalization of a constituent due to non-trading factors, the old divisor is adjusted by means of the divisor adjustment methodology. The adjustment formula is as follows:

$$\frac{\text{adjusted market cap before divisor adjustment}}{\text{old divisor}} = \frac{\text{adjusted market cap after divisor adjustment}}{\text{new divisor}}$$

Where: “adjusted market cap after divisor adjustment” = adjusted market cap before divisor adjustment + increase (decrease) in adjusted market cap. The new divisor (i.e. the adjusted divisor, also known as the new base period) is obtained from this formula and is used to calculate the CSI HK 100.

Circumstances under which maintenance of the CSI HK 100 is required include the following:

- ex-right: when there are bonus issues, rights issues, stock splits or stock consolidation for a constituent stock, the CSI HK 100 is adjusted the day before the issuance;
- for other corporate events, such as secondary offering or the exercise of warrants, if the cumulative change of constituent stocks is greater than or equal to 5%, the CSI HK 100 is adjusted prior to the date of the change; if the cumulative change of constituent stocks is less than 5%, the adjustment will be implemented in the next regular review;
- suspension of trading: if a constituent stock is suspended from trading, its last trading price is used to calculate the CSI HK 100, until trading is resumed;
- change in capital stock: whenever a change occurs in the capital stock of a CSI HK 100 constituent (e.g. due to the issue of new shares, the listing of a rights issue, the listing of employee shares, etc.), the CSI HK 100 is adjusted on the day before the change;
- when there is a periodic adjustment or an ad hoc adjustment of the list of constituent stocks of the CSI HK 100, the CSI HK 100 is adjusted prior to the effective date of the change.

#### 5. Adjustment to Constituent Securities

##### *Periodic Adjustment*

- (1) In principle, the constituent securities of the CSI HK 100 are adjusted once every six months. The adjustment shall be implemented on the next trading day after the close of the second Friday in June and December each year.

- (2) The number of constituent securities to be adjusted will generally not exceed 10% each time. A buffer zone rule is adopted, with new securities ranking among the top 80 in the universe being given priority to be added to the CSI HK 100, and old constituent securities ranking among the top 120 being given priority to remain in the CSI HK 100.

#### *Ad Hoc Adjustment*

There will also be ad hoc adjustments to the constituent securities of CSI HK 100 under the following circumstances :

- a newly issued security meeting the conditions for inclusion in the security universe and is ranked among the top 10 securities on the SEHK in terms of market capitalization, which results in triggering the rule of accelerated addition to the CSI HK 100 : under the rules of accelerated addition, the security is added to the CSI HK 100 after the end of the 10<sup>th</sup> trading day following its listing, and that the stock ranked lowest among the existing CSI HK 100 constituent securities in terms of average daily market capitalization during the most recent year period is deleted at the same time. However, if a newly issued security meets the conditions for accelerated addition to the CSI HK 100 but there are less than 20 trading days between the time of its listing and the effective date of the next periodic adjustment to the CSI HK 100 constituents, then the rules of accelerated addition to the CSI HK 100 will not be triggered and the addition will take place during the periodic adjustment;
- a merger between two or more constituent companies : the security of the new, post-merger company will continue to qualify as a CSI HK 100 constituent, and the vacancy or vacancies occurring in the CSI HK 100 will be filled by the stock or stocks ranked at the top of the reserve list. The original constituents will remain in the CSI HK 100 until the security of the new company is added;
- a merger between a constituent company and a non-constituent company : the security of the new, post-merger company will continue to qualify as a CSI HK 100 constituent. The original constituent will remain in the CSI HK 100 until the security of the new company is added;
- the acquisition or take-over of a constituent company by a non-constituent company : the security of the company ranked at the top of the reserve list will become a CSI HK 100 constituent on the date of delisting of the constituent acquired or taken over provided that if the security of the new, post-merger company ranks above the security of the company ranked at the top of the reserve list, the security of the new company will become a CSI HK 100 constituent. The original constituent will remain in the CSI HK 100 until the stock of the new company is added;
- the split of a constituent company into two or more companies : whether the security of the post-division companies will qualify as CSI HK 100 constituents will depend on their rankings;



- merger, spin-off, acquisition and restructuring of non-constituents : if the security of the resulting new company is ranked among the top 10 securities on the SEHK in terms of market capitalization, the rule of accelerated addition to the CSI HK 100 will be triggered. Otherwise, this will be considered at the next periodic review;
- a constituent company filing for bankruptcy : the constituent security will be deleted from the CSI HK 100 as soon as possible and the resulting vacancy will be filled by the highest-ranking stock in the reserve list; or
- delisting or suspension of listing of a constituent security : the constituent security will be deleted from the CSI HK 100 and replaced by the highest-ranking stock in the reserve list on the date of its delisting or suspension.

## **6. Adjustment of the Weight Cap Factor**

The adjustment will be implemented on the next trading day after the close of the second Friday in June and December each year. The adjusted market cap of the last trading day before the review is the basis for the calculation of the weight cap factor. If the constituents are temporarily adjusted or a constituent's structure changes dramatically or a constituent's weight changes notably, China Securities Index Co., Ltd. will submit the changes to the Index Advisory Committee to decide whether to adjust the weight cap factor.

The Index Advisory Committee is established by China Securities Index Co., Ltd. and is responsible for evaluation, consultation and examination of the methodology of the indices formulated by China Securities Index Co., Ltd. and other index operation and business development issues. The members of the Index Advisory Committee include domestic and overseas famous experts and scholars specialising in index-related issues and market research, for example, experts from the social security fund, investment institutions, insurance institutions, futures companies, consulting companies, etc. Investors may obtain further information on the Index Advisory Committee from the website of China Securities Index Co., Ltd. ([www.csindex.com.cn](http://www.csindex.com.cn)).

## APPENDIX II

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

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

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

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

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

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

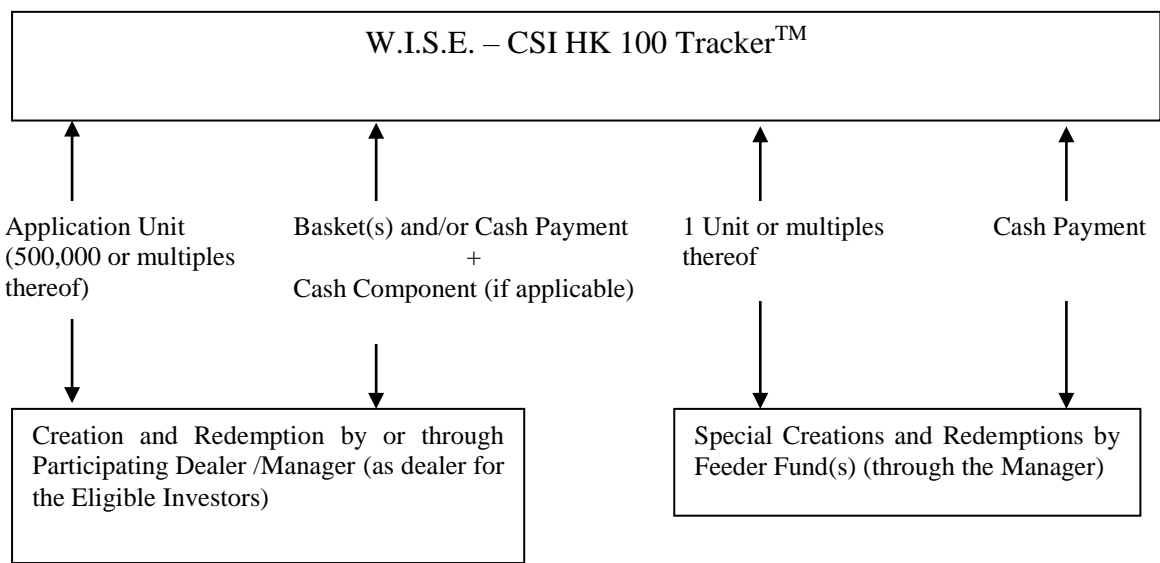
For the avoidance of doubt, the Manager may accept creation or redemption applications made by the Manager or its affiliates, whether or not on behalf of a third party investor.

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

The Manager may also facilitate special cash subscriptions and special cash redemptions of Units by a Feeder Fund (subject to such terms and conditions as specified in the relevant application forms and other requirements set out in the section "Creation and Redemption of Units"). The Manager reserves the right to request the Feeder Fund to reimburse the Manager and/or the Sub-Fund for all reasonable transaction costs incurred in relation to or incidental to the Special Application and/or the constitution or liquidation of the relevant Basket (or a part thereof), respectively. The Manager also reserves the rights to charge such fees as the Manager may in its absolute discretion determine. The minimum sizes for in-kind creations and in-kind redemptions of Units through Participating Dealers do not apply to such special cash subscriptions and special cash redemptions by a Feeder Fund.

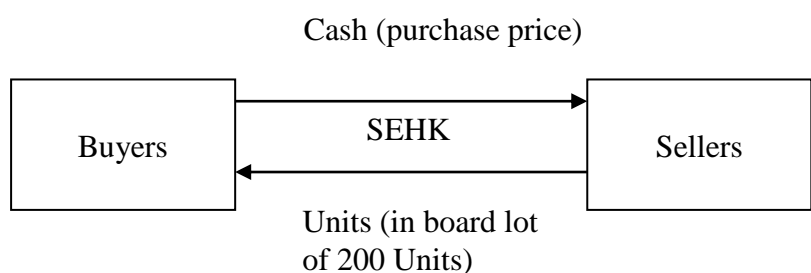
The current Dealing Deadline for making a Special Creation Application or a Special Redemption Application by a Feeder Fund is 3:00 p.m. (Hong Kong time) if it is a full trading day on the SEHK or if the SEHK opens for normal trading only in the afternoon, or 12:00 noon (Hong Kong time) if the SEHK opens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

The diagram below illustrates the creation and redemption of Units :



**Trading of Units on the SEHK**

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



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

Subject to applicable regulatory requirements, the Manager intends to ensure that there is at least one market maker for the Sub-Fund to facilitate efficient trading. A market maker is a broker or a dealer permitted by the SEHK to act as such by making a market for the Units in the secondary market on the SEHK. A market maker is obliged to quote bid prices to potential sellers and offer prices to potential buyers when there is a wide spread between the prevailing bid prices and offer prices for Units on the SEHK in order to facilitate the efficient trading of Units by providing liquidity in the secondary market when it is required in accordance with the market making requirements of the SEHK. The list of market makers in respect of the Sub-Fund will be displayed on SEHK's website ([www.hkex.com.hk](http://www.hkex.com.hk)).

**Participating Dealer(s)**

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

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

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

CGMA is a company incorporated in Hong Kong having its registered office at 50/F, Citibank Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong. CGMA is licensed by the SFC in Hong Kong for Types 1, 2, 4, 5, 6 and 7 regulated activities under the Securities and Futures Ordinance.

AACHK is a company incorporated in Hong Kong having its registered office at Level 70, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong. AACHK is licensed by the SFC to carry on Types 1 and 2 regulated activities in Hong Kong under the Securities and Futures Ordinance. AACHK is a wholly owned subsidiary of ABN AMRO Clearing Bank N.V..

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

UBSSHK is a company incorporated in Hong Kong and its main business address is 46-52/F Two International Finance Centre, 8 Finance Street, Central, Hong Kong. UBSSHK is

licensed by the SFC to carry on Types 1, 2, 6 and 7 regulated activities in Hong Kong under the Securities and Futures Ordinance. UBSSHK is a wholly owned subsidiary of UBS AG.

MBL is a company incorporated in Australia having its principal place of business in Hong Kong at Level 18, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong. MBL is licensed by the SFC to carry on Types 1 and 4 regulated activities in Hong Kong under the Securities and Futures Ordinance.

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

### **APPENDIX III**

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

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

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

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

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

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

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

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

##### **General Expenses**

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

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

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

###### *Participating Dealer*

###### Creation of Units

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

## Redemption of Units

Corporate Action Fee	HK\$0.80 per board lot (see Note 1)
Application Cancellation Fee	See Note 2
Extension Fee	See Note 2
Transaction Fee	See Note 4
Unit Cancellation Fee	HK\$1.00 per board lot (see Note 6)

## *Retail Investors Dealing in Units on the SEHK*

Brokerage	Market rates
Transaction levy	0.0027% (see Note 7)
Trading fee	0.005% (see Note 8)
Stamp duty	Waived
Investor compensation levy	0.002% (currently suspended) (see Note 9)

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

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

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

### Creation of Units by an Eligible Investor

Application Cancellation Fee	See Note 2
Extension Fee	See Note 2
Transaction Fee	See Note 5

### Redemption of Units by an Eligible Investor

Application Cancellation Fee	See Note 2
Extension Fee	See Note 2
Transaction Fee	See Note 5

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

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

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

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

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

<sup>4</sup> The applicable amount is up to HK\$22,000 per Participating Dealer's aggregate creation or redemption on that day and is payable to the Manager. This fee includes (a) the Trustee's Transaction Fee of HK\$10,000 per Application payable by each Participating Dealer to the Manager for the benefit of the Trustee; and (b) the Conversion Agent's Fee which ranges from HK\$5,000 to HK\$12,000 per day per Participating Dealer depending on the aggregate dollar value of creation and redemption applications made on that day by that Participating Dealer, as more fully detailed below:

<b>Total Aggregated Value Transacted Daily</b>	<b>Conversion Agent's Fee</b>
HK\$1 to HK\$2,000,000	HK\$5,000
HK\$2,000,001 to HK\$5,000,000	HK\$8,000
HK\$5,000,001 to HK\$10,000,000	HK\$10,000
Over HK\$10,000,000	HK\$12,000

<sup>5</sup> The applicable amount is HK\$10,000 per Application payable by each Eligible Investor to the Manager for the benefit of the Trustee.

<sup>6</sup> The Unit Cancellation Fee is payable to the Conversion Agent.



- <sup>7</sup> A Transaction levy of 0.0027% of the trading price of the Units, payable by the buyer and the seller.
- <sup>8</sup> A Trading fee of 0.005% of the trading price of the Units, payable by the buyer and the seller.
- <sup>9</sup> The investor compensation levy of the trading price of the Units, payable by the buyer and the seller, has been suspended pursuant to the exemption notice published by the SFC on 11 November 2005.

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

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

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